



HIDROELECTRICA



**SOCIETATEA DE PRODUCERE A ENERGIEI ELECTRICE IN HIDROCENTRALE
"HIDROELECTRICA" S.A.**

(a joint stock company incorporated under the laws of Romania)

**Offering of up to 78,007,110 Offer Shares by FONDUL PROPRIETATEA S.A.
at a price between RON 94 and RON 112 per Offer Share (the "Offer Price Range")
and the admission to trading on the regulated market of the Bucharest Stock Exchange**

This document has been approved by the Financial Supervisory Authority (the "FSA") by Decision no. 641/22 June 2023, the FSA being the Romanian competent authority for the purposes of Regulation (EU) 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended (the "Prospectus Regulation"), as a prospectus (the "Prospectus") in accordance with Law no. 24/2017 on issuers of financial instruments and market operations, republished (the "Law 24/2017"), the FSA Regulation no. 5/2018 on issuers of financial instruments and market operations, with subsequent amendments and additions (the "FSA Regulation no. 5/2018"), the Prospectus Regulation and other relevant legislation. The FSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the company that is the subject of this Prospectus. This Prospectus has not been, and will not be, approved by any other competent authority of the European Economic Area (the "EEA") except for the FSA.

This Prospectus relates to an offering (the "Offering") by FONDUL PROPRIETATEA S.A. (the "Selling Shareholder") of existing ordinary shares in the share capital of SOCIETATEA DE PRODUCERE A ENERGIEI ELECTRICE IN HIDROCENTRALE "HIDROELECTRICA" S.A., a joint stock company incorporated under the laws of Romania, registered with the Bucharest Trade Registry Office under no. J40/7426/2000, having sole registration code 13267213 (the "Company", "Hidroelectrica" or the "Issuer"), each of which is issued fully paid with a par value of RON 10 and carrying one vote in a general meeting of shareholders (the "Shares"). The Offering consists of up to 78,007,110 Shares offered by the Selling Shareholder (the "Offer Shares").

The offer price per Offer Share (the "Final Offer Price") shall be within the limits of the Offer Price Range, shall be determined as per the mechanics set out in section "Subscription and Sale" and is expected to be made public on or about 5 July 2023. The offer period for the Offer Shares will commence on 23 June 2023 and expire on 4 July 2023 (the "Offer Period"). The Offer Period may be extended or amended subject to FSA approval and publication of a supplement to this Prospectus according to the applicable law. For further details see section "Subscription and Sale".

In connection with the Offering, Erste Group Bank AG (acting directly or through Banca Comerciala Romana S.A.) as stabilisation agent (the "Stabilisation Agent") on behalf of Citigroup Global Markets Europe AG (the "Stabilisation Manager") may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Offer Shares or effect other stabilising transactions with a view to supporting the market price of the Offer Shares at a higher level than that which might otherwise prevail in the open market. The Stabilisation Manager is not required to enter into such transactions and such transactions may be effected on the Bucharest Stock Exchange and may be undertaken at any time during the period commencing on the date of the commencement of trading of the Offer Shares on the Regulated Spot Market of the Bucharest Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilisation Manager or any of its agents to effect stabilizing transactions and there is no assurance that stabilising transactions will be undertaken. In no event will measures be taken to stabilise the market price of the Offer Shares above the Final Offer Price. Such stabilisation, if commenced, may be discontinued at any time without prior notice. Except as required by law or regulation, neither the Stabilisation Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilising transactions conducted in relation to the Offering.

In connection with the Offering, the Stabilisation Agent may, for stabilisation purposes, over-allot Shares up to a maximum of 15% of the total number of Offer Shares comprised in the Offering. For the purposes of allowing the Stabilisation Agent to cover short positions resulting from any such over-allotments and/or from sales of Offer Shares effected by it during the stabilising period, it is expected that the Selling Shareholder will grant the Managers the option to purchase, or procure purchasers for, up to 11,701,067 additional Offer Shares (the "Over-allotment Option"), pursuant to which the Managers may procure purchasers for additional Offer Shares up to a maximum of 15% of the total number of Offer Shares comprised in the Offering (the "Over-allotment Shares") at the Final Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilisation Agent, at any time on or before the 30th calendar day after the commencement of trading of the Offer Shares on the Regulated Spot Market of the Bucharest Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Offer Shares, including for all dividends and other distributions declared, made or paid on the Offer Shares, will be purchased on the same terms and conditions as the Offer Shares being and will form a single class for all purposes with the other Offer Shares.

Application will be made for the admission of all the Shares to trading on the Spot Regulated Market operated by Bursa de Valori Bucuresti S.A. (in English the Bucharest Stock Exchange S.A) (the “**Bucharest Stock Exchange**” or “**BSE**”). The Bucharest Stock Exchange is a regulated market in the EEA for the purposes of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the “**Directive on Markets in Financial Instruments**”). Prior to the Offering, there has been no public market for the Shares. Admission of all the Shares to trading on the regulated market of the Bucharest Stock Exchange is expected to take place on or around 12 July 2023 (“**Listing Date**”). The Shares are expected to be traded under the symbol “H2O”.

Payments for the Offer Shares are expected to be made in RON through RoClear (Romanian Clearing Settlement, Custody, Depository and Registration System), which is managed by the Romanian Central Depository. Transfers of Shares within the Offering and secondary market sales of Shares will be settled and cleared through the settlement system managed by the Romanian Central Depository, in accordance with applicable Romanian laws and regulations.

The Offering is structured as an offering of Offer Shares: (1) outside the United States of America (the “**U.S.**” or “**United States**”) in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), including to the public in Romania; and (2) in the United States to “qualified institutional buyers” (“**QIBs**”) as defined in, and in reliance on, Rule 144A (“**Rule 144A**”) or another available exemption under the Securities Act. Prospective investors are hereby notified that any seller of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The distribution of this Prospectus and the offer and sale of the Offer Shares may be restricted by law in certain jurisdictions. Accordingly, neither this Prospectus nor any advertisement or any other Offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required by the Company, the Selling Shareholder and each of the Joint Global Coordinators, Joint Bookrunners and Co-Lead Managers (all as listed below and collectively, the “**Managers**”) to inform themselves about and to observe any such restrictions. Any failure to comply with these regulations may constitute a violation of the securities laws of any such jurisdictions. See section “*Selling and Transfer Restrictions*”.

The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States. For a discussion of certain further restrictions on offers, sales and transfers of the Shares and the distribution of this Prospectus, see sections “*Important Information about this Prospectus*” and “*Selling and Transfer Restrictions*”.

Read this Prospectus before subscribing. An investment in the Offer Shares involves substantial risks and uncertainties. Prospective investors should read the entire document, and, in particular, should see section “Risk Factors” beginning on page 14 for a discussion of certain factors that investors should consider prior to making an investment in the Shares. Prospective investors must be able to bear the economic risk of an investment in the Offer Shares and should be able to sustain a partial or total loss of their investment.

THIS PROSPECTUS HAS BEEN APPROVED BY THE FSA. THE APPROVAL OF THIS PROSPECTUS DOES NOT CONSTITUTE A GUARANTEE OR ANY KIND OF ASSESSMENT BY THE FSA OF THE OPPORTUNITY, ADVANTAGES OR DISADVANTAGES, PROFIT OR RISKS INVOLVED BY THE TRANSACTIONS TO BE CONCLUDED FOLLOWING THE ACCEPTANCE OF THE OFFERING SUBJECT OF THE APPROVAL DECISION; THE APPROVAL DECISION CERTIFIES ONLY THAT THE PROSPECTUS COMPLIES WITH THE REQUIREMENTS OF THE LAW AND OF THE NORMS ADOPTED IN ITS APPLICATION.

<i>Joint Global Coordinators</i>					
Citigroup Global Markets Europe AG	Erste Group Bank AG	Jefferies GmbH	Morgan Stanley Europe SE		
<i>Joint Bookrunners</i>					
Banca Comerciala Romana S.A.	Barclays Bank Ireland PLC	BofA Securities	UniCredit Bank AG, Milan Branch	UBS Europe SE	WOOD & Company
<i>Co-Lead Managers</i>					
Auerbach Grayson & Co LLC	BRD – Groupe Societe Generale S.A.	BT Capital Partners S.A.		SWISS CAPITAL	

The date of this Prospectus is 22 June 2023

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SUMMARY

Section A – Introduction and Warnings
A.1. Introduction
1.1 Name and International Securities Identification Number (ISIN) of securities
The Offering comprises of an offering for sale of up to 78,007,110 Shares by the Selling Shareholder. All the Shares have been assigned the ISIN RO4Q0Z5RO1B6.
1.2 Identity and contact details of the Issuer, including Legal Entity Identifier (LEI)
<p>The Issuer is SOCIETATEA DE PRODUCERE A ENERGIEI ELECTRICE IN HIDROCENTRALE “HIDROELECTRICA” S.A., a joint stock company organized and functioning under the laws of Romania established based on Romanian Government’s Decision no. 627 dated 13 July 2000, registered with the Trade Registry Office to the Bucharest Tribunal under no. J40/7426/2000, having sole registration code 13267213 and Legal Entity Identifier (LEI) code 78720011SRQX09PRB732, with its registered office in Romania, Bucharest, sector 1, 15-17 Ion Mihalache Blvd., floor 10-15.</p> <p>The Issuer’s telephone number at its registered office is +4 021.303.25.00, its email address is secretariat.general@hidroelectrica.ro and its website is https://www.hidroelectrica.ro.</p>
1.3 Identity and contact details of the offerors
<p>Selling Shareholder: Fondul Proprietatea S.A., a retail closed-end investment fund under the Alternative Investment Funds Law 243/2019 registered with and supervised by the FSA, organized and functioning under the laws of Romania as a joint stock company, registered with the Trade Registry under number J40/21901/2005, having sole registration code 18253260 and LEI code 549300PVO1VWBFH3DO07, with its registered office at 76-80 Buzesti Street, 7th floor, Bucharest 011017, Romania.</p> <p>The Selling Shareholder’s telephone number at its registered office is +40 21 200 96 00, its email address is office@fondulproprietatea.ro and the website is https://www.fondulproprietatea.ro.</p>
<p>Issuer: SOCIETATEA DE PRODUCERE A ENERGIEI ELECTRICE IN HIDROCENTRALE “HIDROELECTRICA” S.A., a joint stock company organized and functioning under the laws of Romania established based on Romanian Government’s Decision no. 627 dated 13 July 2000, with the Trade Registry Office to the Bucharest Tribunal under no. J40/7426/2000, having sole registration code 13267213 and LEI number 78720011SRQX09PRB732, with its registered office in Romania, Bucharest, sector 1, 15-17 Ion Mihalache Blvd., floor 10-15.</p> <p>The issuer’s telephone number of its registered office is +4 021.303.25.00, its email is secretariat.general@hidroelectrica.ro and its website is https://www.hidroelectrica.ro.</p> <p>Hidroelectrica will request the Admission to trading of its Shares on the regulated market operated by the Bucharest Stock Exchange.</p>
1.4 Identity and contact details of the competent authority which approved the Prospectus
<p>This Prospectus was approved by the FSA, having its headquarters located at 15 Splaiul Independenței, 5th District, postal code 050092, Bucharest, Romania.</p> <p>The FSA’s fax number is 021.659.60.51, its telephone number is 021.659.64.36, and its email address is office@asfromania.ro.</p>
1.5 Prospectus approval date
This Prospectus was approved by the FSA on 22 June 2023.
A.2. Warnings and information regarding subsequent use of the Prospectus
This summary has been prepared in accordance with Article 7 of the Prospectus Regulation and should be read as an introduction to the Prospectus. Any decision to invest in the Offer Shares should be based on consideration of the Prospectus as a whole by the investor. Investment in the Offer Shares involves risks and investors may lose all or a part of their investment as a result of acquiring the Offer Shares. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor may, under the national legislation, have to bear the costs of translating the Prospectus before legal proceedings are initiated. Civil liability in relation to this summary, including any translation thereof, attaches only to the persons who have tabled this summary but

only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Offer Shares.

Section B – Key information on the Issuer

B.1. Who is the Issuer of the securities?

a) Registered offices, legal form, LEI, legislation governing its activities and country of incorporation

The Issuer is SOCIETATEA DE PRODUCERE A ENERGIEI ELECTRICE IN HIDROCENTRALE “HIDROELECTRICA” S.A., a joint stock company organized and functioning under the laws of Romania established based on Romanian Government’s Decision no. 627 dated 13 July 2000, with the Trade Registry Office to the Bucharest Tribunal under no. J40/7426/2000, having sole registration code 13267213 and LEI number 78720011SRQX09PRB732, with its registered office in Romania, Bucharest, sector 1, 15-17 Ion Mihalache Blvd., floor 10-15.

The Company has one subsidiary, S.S.H. Hidroserv S.A. (“Hidroserv” and together with the Company, the “Group”),

b) Main activities

The Issuer is the leading electricity producer in Romania in terms of electricity produced, a large hydro player in Europe and the main provider of ancillary services in Romania, playing an instrumental role in the security of the National Energy System. The Issuer also sales electricity on the Romanian wholesale and retail electricity markets.

The Issuer is the only producer of electricity from a hydro source that operates dispatchable production units in Romania and one of the largest hydro players in Europe, generating 13.6 TWh of electricity from hydro sources in 2022, 16.9 TWh in 2021 and 15 TWh in 2020, all representing gross production.

According to the Issuer’s constitutive act, its main field of activity is NACE code 351 – “Production, transport and distribution of electricity”, whereas the main activity is NACE code 3511 – “Production of electricity”.

In terms of hydro assets, the Issuer owns and operates 182 hydropower plants, which are strategically positioned in seven locations/branches in Romania. The Issuer also has five pumping stations, which have an installed capacity of 91.5MW and contribute to operational efficiencies in water management. As regards its wind assets, in 2021 the Issuer acquired Crucea Wind Farm, with an installed capacity of 108 MW consisting of 36 Vestas V112 type turbines of 3 MW each.

c) Main shareholders, including if the Issuer is directly or indirectly controlled and by whom

As at the date of this Prospectus, the shareholders of the Issuer are the Romanian State (acting through the Ministry of Energy) and Fondul Proprietatea S.A. The Issuer issued only ordinary Shares offering equal voting rights to all shareholders of the Issuer.

The table below sets forth certain information regarding the ownership of the Shares prior to the Offering, and the ownership of the Shares by the current shareholders immediately following the finalization of the Offering, assuming all Shares are sold in the Offering and that the stabilisation proceeds are not used by the Stabilization Manager to buy any Shares in the market:

Shareholder	Shares owned before the Offering		Shares owned after the Offering*	
	(Number)	%	(Number)	%
Romanian State	360,094,390	80.06	360,094,390	80.06
Fondul Proprietatea S.A.	89,708,177	19.94	0	0
Others (free float)	—	—	89,708,177	19.94
Total	449,802,567	100	449,802,567	100

* Subject to the successful closing of the Offering (as defined below) and provided that all Offer Shares (including the Over-Allotment Shares) are validly subscribed for by investors in the Offering

d) Identity of main directors

The Company has a two-tier board structure, consisting of the supervisory board (the “**Supervisory Board**”) and the management board (the “**Management Board**”). The Company’s current Supervisory Board comprises six members appointed by an ordinary resolution of the general meeting of shareholders (the “**GMS**” or “**General Meeting of Shareholders**”), given that the position occupied by the seventh appointed member was vacated following resignation. As at the date of this Prospectus, the members of the Supervisory Board of the Company are the following:

Name	Position	Date of expiration of their mandate	The period during which the person served in the position/ office
Mihai Liviu Mihalache.....	member	28.03.2027	February 2019 – present
Carmen Radu.....	member	28.03.2027	February 2019 – present
Karoly Borbely.....	member	28.03.2027	July 2017 – present
Silviu Razvan Avram.....	member	28.03.2027	March 2023 – present
George Marius Toniuc.....	member	28.03.2027	March 2023 – present
Daniel Adrian Naftali.....	member	28.03.2027	January 2019 – present

The Company’s Management Board consists of five members elected by the Supervisory Board as a rule for a period of four years, out of such members one is appointed by the Supervisory Board as chairman (the Chief Executive Officer or the “**CEO**” of the Company). The members of the Company’s Management Board listed below were appointed on 7 April 2023 for an interim mandate expiring on the earliest of four months from the date of appointment or the date when new directors are appointed following the selection process that the Company has initiated¹ as per the proceedings of the Government Emergency Ordinance 109/2011 (“**GEO 109/2011**”):

Name	Position
Bogdan-Nicolae Badea.....	CEO
Marian Bratu.....	COO
Razvan-Ionut Pataliu.....	CHRO
Andrei Dominic Gereaa.....	CFO
Cristian Vladoianu.....	CAO

e) Identity of statutory auditor

The statutory auditor is KPMG Audit S.R.L., with its registered office located at 89A Soseaua Bucuresti-Ploiesti, 013685 Bucharest, registered with the Trade Register under no J40/4439/2000 having sole registration code RO12997279, registered in the electronic public register of financial auditors and audit firms under number FA9 (“**KPMG**”).

B.2. What is the key financial information regarding the Issuer?**a) Selection of key historical information**

The following selected financial information for the three months ended 31 March 2023 and 2022 and the years ended 31 December 2022, 2021 and 2020 has been derived from the Unaudited Condensed Consolidated Interim Financial Statements, prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union, and the Audited Consolidated Financial Statements, prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the European Union (the “**IFRS-EU**”), respectively.

¹ Selection process was initiated by the decision of the Supervisory Board dated 6 June 2023.

Excerpt from consolidated statement of profit or loss and other comprehensive income

<i>(in million RON)</i>	Three months ended 31 March		Year ended 31 December		
	2023	2022	2022	2021	2020
Revenue	3,272.1	2,491.6	9,452.0	6,489.3	3,841.4
Operating Profit	1,984.7	1,546.5	5,208.4	3,755.7	1,874.0
Profit for the year / period.....	1,723.4	1,287.9	4,464.0	3,116.1	1,558.0
Earnings per share					
Basic and diluted earnings per share (RON).....	3.84	2.87	9.95	6.95	3.48

Excerpt from consolidated statement of financial position

<i>(in million RON)</i>	Three months ended 31 March	Year ended 31 December		
	2023	2022	2021	2020
Total assets	27,528.2	25,432.2	22,761.7	16,593.9
Total equity	23,321.0	21,586.9	19,183.5	14,510.3

Excerpt from consolidated statement of cash flows

<i>(in million RON)</i>	Three months ended 31 March		Year ended 31 December		
	2023	2022	2022	2021	2020
Cash generated from operating activities.....	1,213.3	1,232.0	5,166.2	4,725.0	2,731.5
Net cash from operating activities	1,210.5	1,231.5	4,235.3	4,047.5	2,276.7
Net cash used in investing activities.....	(613.4)	(1,930.0)	(750.9)	(1,541.9)	(91.0)
Net cash used in financing activities.....	(24.7)	(24.3)	(3,928.6)	(1,755.5)	(2,053.8)
Net increase / (decrease) in cash and cash equivalents...	572.4	(722.8)	(444.2)	750.0	131.9
Cash and cash equivalents at the start of the period.....	660.7	1,104.9	1,104.9	354.8	223.0
Cash and cash equivalents as at period end	1,233.2	382.1	660.7	1,104.9	354.8

b) Brief descriptions of any qualifications in the auditors' report relating to the historical financial information

None of the Issuer's financial statements relating to the historical information for the years ended 31 December 2022, 2021 and 2020 and as of and the three month period ended 31 March 2023, presented in this Prospectus, were subject to qualifications in the respective auditors' reports. The auditors' report on the consolidated financial statements for the years ended 31 December 2022, 2021 and 2020 includes an emphasis of matter paragraph which references the basis of preparation for the purposes of the initial public offering. The emphasis of matter paragraph as extracted from the consolidated financial statements is presented below:

"We draw attention to Note 2 to the accompanying consolidated financial statements, which describes that the consolidated financial statements have been prepared in connection with the public offering of the Company's shares on the Bucharest Stock Exchange. As described in Note 2, the Group also published consolidated financial statements as at and for each of the years ended 31 December 2022, 2021 and 2020 prepared in accordance with another general purpose framework (Order of Minister of Public Finance no. 2844/2016 and related amendments), which represented its statutory annual financial statements. Our opinion is not modified in respect of this matter".

B.3. What are the key risks that are specific to the issuer?

Key risks relating to the Group's business and the industry in which it operates

Changes in regulations or government policies, particularly as a result of increased governmental intervention in the electricity market, could materially and adversely affect the Group's business. The Group's production and supply of electricity are subject to licenses issued by the national regulator Autoritatea Națională de Reglementare în domeniul Energiei (in English, National Energy Regulatory Authority) ("ANRE") and are extensively regulated. For example: (i) electricity producers are required to sell part of their electricity on the wholesale markets operated by the Romanian electricity and gas market operator – Opcom S.A. ("OPCOM"); (ii) electricity producers' ability to conclude bilaterally negotiated power purchase agreements with third parties on the wholesale market are subject to certain restrictions; (iii) electricity producers may be required to sell electricity to neighboring countries under specific circumstances (e.g. to the Republic of Moldova in 2022); (iv) hydro electricity producers are required to pay tariffs for water used by hydropower plants to generate electricity; (v) prices of electricity supplied to final consumers are subject to price cap and (vi) rights and obligations of electricity producers and suppliers in relation to green certificates are highly regulated. Government and regulatory decisions regarding production and supply of electricity and, in particular, permitted prices for electricity purchases and sales, may adversely affect the Group's revenue. For example, the liberalisation of the Romanian electricity supply market started in 2014, with the final stage taking place on 1 January 2021, when the household retail market was deregulated (meaning that the tariffs for supply of electricity have been deregulated for households). However, due to market volatility in 2022, the Romanian Government has subsequently introduced temporary electricity price caps and other measures to control the final-consumer electricity prices for certain categories of consumers, including a price cap for household consumers currently set between RON 0.68/kWh and RON 1.3/kWh and a price cap for non-household consumers currently set between RON 1/kWh and RON 1.3/kWh. Therefore, the Company's customers in the supply portfolio will pay the lesser of the price set in the contract with the Company and the cap according to the law. In addition, in November 2022, the centralized acquisition of electricity through the Centralized Electricity Purchasing Mechanism (the "CEPM") of OPCOM was introduced as an extraordinary measure applicable, between 1 January 2023 and 31 March 2025, to producers whose energy capacities have an installed power equal to or higher than 10 MW and are commissioned prior to 1 April 2022. Under the CEPM, the Company is currently required to sell to OPCOM, as the sole purchaser, at a fixed price of RON 450/MWh energy representing: (i) an amount of 80% of its yearly estimated quantities of available energy, as approved by Transelectrica and communicated to ANRE, and (ii) its monthly revised estimated available energy. In order to calculate available energy, the Company deducts from the forecasted quantities of energy: (i) energy quantities under wholesale and retail contracts in force as at 11 November 2022; (ii) forecasted quantity of energy required for balancing; and (iii) electricity produced by hydro assets with an installed capacity of less than 10 MW and electricity produced by wind capacities.

From 1 September 2022 to 31 March 2025 electricity producers are required to contribute to the Energy Transition Fund 100% of net monthly average selling price in excess of RON 450/MWh. The contribution is not applicable to electricity production capacities commissioned after 1 April 2022 and to heat supply companies that produce electricity through cogeneration. Romania's national regulations are underpinned by the regulations of the European Union. Any material change in the regulations of the European Union may render changes in Romania's national regulations. These and other changes in regulations or government policies may materially and adversely impact the Group's prospects, business, financial position and the operating results and the Group may have limited recourse to challenge any such changes.

The Group may not be able to successfully implement its growth plan

The Group may not be able to implement its growth plan with respect to its hydropower projects that are currently in different stages of execution, being subject to development, construction and legal risks. The Company's investment plan through 2027 includes hydropower projects that are currently in different stages of execution, with a total estimated installed power of 206 MW and an annual estimated average production of 700 GWh/year.

There can be no assurance that the Group's growth plan will be realized or, if realized, will result in the planned outcome. Projects may be terminated or suspended, and a project's scope and schedule may change. For example, the development or finalization of new hydro production facilities may be subject to several risks such as: (i) delays in obtaining Government decisions required for certain projects (for example, for the approval of technical-economic indicators or of the expropriation corridors corresponding to hydropower plants and/or power lines because of, among others, unclear legal ownership status over local authorities' real estate); (ii) failures or delays in obtaining the permits required as a result of locations for pending investments being declared nature protected areas after their initiation (as it happened for the hydropower developments Bumbesti-Livezeni, Cerna-Belareca, Rastolita, Surduc-Siriu, Cornetu-Avrig, Cerna-Motru-Tismana after being included in the nature protected

area Natura 2000); (iii) increased costs and delays in construction due to changes in the relevant legislation occurring after the investments were initiated (for example changes in the environmental requirements which trigger the need to update already issued environmental approvals or to produce new environmental impact studies); (iv) decrease in the production parameters as calculated in the initial design phase, due to changes in the environmental legislation regulating the methodology of establishing the easement flow (please see “The Company may not be able to comply with recently introduced water management legal obligations”), including the ecological flow component which is the water debit needed to protect the water ecosystem; (v) delays due to lengthy and complex public procurement processes required for contracting third party services; (vi) delays and increases in costs as a result of disputes with contractors or sub-contractors or the dependency on a limited number of contractors, architects, engineers or other service providers, some of which are in insolvency (such as Hidroconstructia S.A., Romelectro S.A., the Company’s subsidiary – Hidroserv, UCM Resita S.A.) and bankruptcy proceedings (such as ISPH Project Development S.A.); (vii) labor force shortages; and (viii) increased global commodity prices and shortages or escalating costs of construction materials. For example, for the Rastolita, Surduc-Siriu, Cornetu-Avrig and Bistra-Poiana Marului hydropower plants (“**hydropower plants**” or “**HPPs**”), the Company has contracted services of Hidroconstructia S.A. (currently undergoing insolvency) which is claiming a price increase of approximately 90% for the remaining works proposed for 2023 and might decide to suspend or terminate the contracts concluded with the Company. Termination of the contracts concluded with Hidroconstructia S.A. may trigger a suspension of works for the mentioned HPPs for an estimated 12 months until a new contractor is appointed.

At the same time the benefits that the Company expects to realize out of the planned hydro facilities investments may differ materially from its expectations. Implementing the Group’s growth plan may be more expensive, time consuming and resource intensive than anticipated and it may put considerable strain on the Group’s internal processes and capabilities. If the Company is unable to manage these changes effectively, it may not be able to take advantage of market opportunities and execute its business strategy successfully.

The Group may not be able to implement its growth plan with respect to developing or acquiring new green energy projects or other M&A targets. If completed, such projects may not achieve the expected results and may expose the Group to risks specific to the acquisitions and development and operation of renewable energy generation projects, as well as increased operating costs. The Group’s growth plan also includes the development of its power production portfolio by acquiring new green energy facilities, particularly onshore and offshore wind farms and photovoltaic parks. Competition in auction processes has increased significantly in recent years, where the Company must often act quickly in order to capture opportunities. This may prove difficult given that the Company is subject to strict and sometimes rigid public procurement rules set forth under Law 99/2016 on sectoral procurement, which may affect the Company’s ability to timely respond to new opportunities. At the same time, the Group may not be able to identify such suitable transactional opportunities or, if identified, there can be no assurance that such transactions will be successful or that the Group will be able to complete them on terms and conditions acceptable to it.

Projects may take years before they become operational, during which time they are subject to a number of construction, operating, legal and other risks, such as: (a) an inability to find a suitable contractor or sub-contractor either at the commencement of a project or following a default by an appointed contractor or sub-contractor, including because of lengthy and complex public procurement processes, subject to frequent legislative changes; (b) inability to finalize a public procurement process because of legislative constraints, which leads to the restart of the procurement process and material delays in signing of necessary contracts or requires the update of the investment value and consequently reapproval of such project; (c) default or failure by the chosen contractors or sub-contractors to finish projects or parts of projects on time, according to specifications or within budget, including because of the chosen sub-contractors not having sufficient qualifications for the project; (d) failures or delays in obtaining or renewing any necessary construction permits and licenses, environmental and water management approvals, especially with frequent legislative changes; (e) dependency on a limited number of contractors, architects, engineers or other service providers; (f) shortages, or increases in costs of, construction materials and increased global commodity prices; (g) shortages, or increases in the costs of, equipment, especially as regards turbines and generators, including because of a limited number of providers for such equipment; (h) disputes with contractors or sub-contractors, including because of breaches of public procurement rules; (i) work stoppages or labor disputes; or (j) costs estimates no longer matching the financial resources, mainly because of inflation or of shortage of material equipment due to increased demand.

The Group’s ability to integrate and manage acquired businesses effectively as part of its future growth depends upon a number of factors, including the size of the acquired businesses, the quality of the management of the acquired businesses, the nature and geographical locations of their operations and the resulting complexity of integrating their operations. The Group may encounter unforeseen significant difficulties when carrying out potential transactions, such as increased demand for management time and increased integration costs, or

unanticipated due diligence risks. As a result, there is no assurance that any future acquisition will yield benefits that would be sufficient to justify the expenses the Group incurs.

The Group's strategy to further expand through organic and inorganic growth into wind and solar renewable energy generation capacity exposes the Group to risks specific to the acquisitions and development and operation of renewable energy generation projects, such as: (i) being unable to identify and perfect suitable acquisition and development opportunities; (ii) being unable to obtain, or facing delays in obtaining, requisite regulatory licenses or authorizations for projects (such as construction permits and licenses, environmental and water management approvals), especially obtaining grid connection permits and concluding grid connection agreements, which could involve significant investment obligations due to the poor condition of the grid; (iii) construction risks arising from development projects, particularly from a technical perspective in relation to the timing of construction phases, which may cause an increase in costs or delays in the commencement of electricity generation, including, for example, the risk that necessary equipment and labor may not be available to meet the Group's requirements whether due to market fluctuations in the demand for equipment or labor, the cost and availability of specific equipment, the failure of a contractor to perform its contracted services or otherwise; (iv) generation yield assessments for renewable energy generation projects not reflecting actual results; (v) ineffectively staffing and managing the Group's expanded operations and facing unanticipated difficulties in the integration of existing management teams and operations, particularly in new market sectors with which the Group has less experience; (vi) inability to keep pace with technological changes in the rapidly evolving renewable energy sector; (vii) increased competition on the green energy market; and (viii) changing regulatory environment and market design within Romania and the broader EU.

The occurrence of any or all of these factors may lead to a decrease in the quality of services, decline in the amount of electricity produced or supplied, resulting in reduced profitability which may in turn materially adversely affect the Group's prospects, business, financial position and results of operations.

The refurbishment and modernization of the Group's hydro facilities are subject to development and legal risks. Most of the Group's hydro facilities (equipment and installations) were commissioned between 1960 and 1990. After 2000 the power plants producing a significant amount of MW have been refurbished and modernized (such as Portile de Fier I, Portile de Fier II, 5 power plants on the lower segment of the Olt River, and Lotru Ciunget power plant), while only 171 MW of additional capacities were commissioned corresponding to hydropower plants Poiana Teiului, Movileni, Raul Alb, Subcetate, Plopi, Cornetu, Robesti, Bretea and Racovita. The Group's current business plans include refurbishing and modernizing approximately 1.1 GW of installed hydro capacity by 2030.

These refurbishment and modernization projects may take years before they become operational, during which time they are subject to a number of construction, operating, legal and other risks, such as: (a) inability to find a suitable contractor or sub-contractor either at the commencement of a project (for example, in case of the Arcesti HPP, Remeti HPP and Vaduri HPP, the procurement procedures were not awarded due to the inability of UCM Resita S.A. and Hidroserv to submit a compliant bid or to fit within the budget) or following a default by an appointed contractor or sub-contractor, including because of lengthy and complex public procurement processes, subject to frequent legislative changes; (b) inability to finalize a public procurement process because of legislative constraints, which leads to the restart of the procurement process and material delays in signing of necessary contracts or requires the update of the investment value and consequently reapproval of such project; (c) default or failure by the chosen contractors or sub-contractors to finish projects or parts of projects on time, according to specifications or within budget, including because of the chosen sub-contractors not having sufficient qualifications for the project; (d) failures or delays in obtaining or renewing any necessary permits and licenses and environmental and water management approvals, especially with frequent legislative changes; (e) dependency on a limited number of contractors, architects, engineers or other service providers, some of which are in insolvency (such as Romelectro S.A., UCM Resita S.A., and the Company's subsidiary – Hidroserv) and bankruptcy proceedings (such as ISPH Project Development S.A.) and therefore may not be fully able to provide the services needed for the Group; (f) shortages, or increases in costs or increased global commodity prices; (g) shortages, or increases in the costs, of equipment, especially as regards turbines and generators, including because of a limited number of providers for such equipment; (h) disputes with contractors or sub-contractors, including because of breaches of public procurement rules; (i) work stoppages or labor disputes; (j) costs estimates no longer matching the financial resources, mainly because of inflation or of shortage of material equipment due to increased demand; or (k) stoppage of operation for the entire HPP or parts of it during the refurbishment / modernization period, which may result to have noticeable influence on the Company's electricity production.

For example, in case of Stejaru HPP, the contract was terminated by the contractor Romelectro S.A., which left the hydro aggregate no. 5 unfinished and unavailable, the implementation period being thus prolonged. At the same time, the unsuccessful acquisition procedures for Raul Mare Retezat and Bradisor HPPs leads to the need to review the budget of the investment objectives (which means that prices are updated to the market level which may consequently trigger the requirement to restart the approval process). In addition, were the Company to

continue to face difficulties in contracting with the traditional market participants, such as UCM Resita S.A. and Hidroserv, or were some of them to stop providing services because they enter bankruptcy, the Group may face delays and increased costs, or may even need to amend its assets modernization strategy by changing the technical solutions and implementing new concepts. This will prolong not only the time needed for promoting and approving the technical and economic indicators, but also the duration of the public procurement process and the increase in the related investment value. The occurrence of one or more of these events may negatively affect the Group's ability to complete its current or future refurbishment or modernization projects on schedule or within budget, which may result in a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to finance its growth plan. The Group intends to fund its growth plan through internal cashflow generation and external financing. The terms and conditions on which future funding or financing may be made available to the Group may not be acceptable, or funding or financing may not be available to the Group at all, due to economic and capital markets conditions, investors' confidence, business performance of the Group, political and regulatory developments or availability of credit from banks and other lenders, etc. At the same time, if funds are raised in a longer term, the Company may become more leveraged and subject to additional or more restrictive financial covenants and ratios and to additional costs for debt servicing. If additional funds are raised by issuing new Shares, existing holders of Shares may be diluted. The Company's inability to procure sufficient external financing for these purposes could adversely affect its ability to implement its growth plan, to expand or maintain its business and to meet its production targets. The unavailability of such financing could result in the Company facing unexpected costs, such as costs for preserving pending constructions, costs for fulfilling environmental obligations, and costs resulting from the inefficiency of certain hydropower plants and delays in relation to the implementation of its investment programs. This could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

The Group's electricity generation and the demand for the Group's electricity are subject to climatic conditions that may not be within the Group's control. Further, climate change and episodes of extreme weather events could have an adverse effect on the Group's production equipment (commissioned and planned to be commissioned). The Group's electricity generation depends largely on natural resources, such as snowfall, rainfall, sunlight or wind intensity and speed, and although the Group plans its projects and its already established operations based on hydrological studies and meteorological historical patterns, these factors are outside of its control and may vary significantly over time. The performance of the Group's hydropower plants in generating electricity depend on water flows, which vary each year and are subject to factors such as precipitation, rate of snowmelt and seasonal changes. There can be no assurance that the water inflows at the Group's hydropower plants will be consistent with the Group's operational assumptions, or that climatic and environmental conditions will not change significantly from the prevailing conditions at the time the Group's operational assumptions are made. If unfavorable meteorological conditions were to occur, particularly over a long term, such as unseasonably warm weather, they could negatively affect the electricity generation, and thus the profitability, of impacted projects. For example, in 2022, Romania experienced a severe drought, affecting the Group's electricity production with a gross hydro production level of 13.6 TWh in that year, representing an approximately 14.5% decrease in production from such assets compared to the annual average gross hydro production of 15.9 TWh over the preceding 10-years.

The Group's electricity output from its wind farm and future development or acquisition of wind and solar capacities is subject to fluctuations in wind and solar conditions. Long-term predictions of such conditions are subject to uncertainties due to, among other things, the placement of wind measuring equipment, the amount of data available, the extrapolation and forecasting methods used to estimate wind speeds, solar irradiation and differences in atmospheric conditions, and errors in meteorological measurements. Moreover, even if the actual wind or solar conditions at the wind farm or solar capacities are consistent with the Group's long-term predictions, wind conditions over a short period of time may substantially deviate from the long-term average due to natural wind fluctuations or the solar irradiation may change, causing significant short-term volatility in the performance of the Group's wind farm and solar capacities. The Group's business is subject to seasonal fluctuations in temperature. The Group's electricity generation is typically lowest in September due to factors, including dependence on water flows in rivers and streams, limitations arising from operating regulations, outages or the winter program. Based on statical data, the strongest water inflow is typically in the months of March, April, May and June due to thawing snow. This leads to the Group generating higher electricity volumes in such months than in the other periods of the year.

Electricity consumption is also subject to seasonality and is mainly affected by weather conditions. In Romania, electricity consumption is generally higher during the winter and summer months. Therefore, the Group generally experiences higher demand from November to February and from July to August, mainly as a result of the use of heating and air conditioning, respectively. Conversely, the Group generally experiences lower demand during the

spring and fall seasons. As a result of these seasonal patterns, the Group's sales and results of operations are higher in the first semester and lower in the second semester in any given year. If the Group fails to obtain its expected levels of revenue during the periods when its generation capacities are operating at their maximum loads, it may be unable to compensate for lost revenues during periods when the demand for electricity is lower. If the Group is unable to address or forecast these fluctuations in production and demand for electricity, its business, financial condition, results of operations and prospects may be materially adversely affected, and its financial condition and results of operations may vary significantly from year to year. To the extent that climate change causes variations in temperatures, wind resources and weather, these variations may lead to an increase in average cloud cover or in intensity or frequency of extreme weather events. Therefore, climate change may also have an adverse effect on the Group's hydropower plants or cause damage to its wind turbines. Extreme weather conditions may result in damage or failure of the Group's equipment, such as leaks in hydropower plants or damage to its wind turbines due to strong wind intensity, among others. Should any of the above hydrological and climatic conditions fluctuate significantly or deviate from the Group's operational assumptions, the Group's electricity generation and the demand for the Group's electricity supply could be negatively affected, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's results of operations may be adversely affected by fluctuations in electricity prices. The Group's revenue and margins in its activities are exposed to fluctuations in wholesale and retail market prices of electricity. Electricity prices are determined by demand for electricity from final consumers, supply of electricity from generation assets connected to the network, as well as interconnection capacity with, and the market situation in, neighboring countries. In cases where the Company opts to sell electricity in the open market, it assumes the consequent exposure to price fluctuations in the electricity market. Market electricity prices have often experienced periods of volatility; for example, between 2020 and 2022, COVID 19 pandemic led to a decrease in electricity consumption and prices, while the war in Ukraine caused an increase in energy prices amid the crisis caused by the rise in Russian gas prices. Such prices depend on a number of factors, including, but not limited to, the level of demand, the time of day, carbon prices (European Union Allowances or EUA), the availability and cost of generating capacity available to meet demand, and the structure of the particular markets (including the rules that determine the order in which generating capacity is dispatched, and factors affecting the volume of electricity that can be handled by the available transmission infrastructure at a given point in time, including different types of market designs that may change significantly in the future). The prices at which the energy produced by the Group is sold in the market partially depends on the relative cost, efficiency and investment needed to develop and operate energy sources. A decline in the costs of other sources of electricity, such as fossil fuels or nuclear power, could reduce the price of electricity. A significant amount of new electricity generation capacity becoming available could also reduce the price of electricity. The simultaneous increase in solar or wind electricity capacity during periods of high resource availability may drive down market prices of electricity. At the same time, broader regulatory changes to the electricity trading market, such as GEO 119/2022 and GEO 153/2022, both applicable until 31 March 2025, have also impacted electricity prices by requiring the Company to sell through the CEPM at a fixed price of RON 450/MWh a certain amount of produced energy. Demand for electricity is subject to a variety of other factors over which the Group has no control, including economic and political developments in Romania (and elsewhere), which fluctuate with the economic cycles, consumer demand, climatic conditions and seasonality. For example, the COVID-19 pandemic caused a decline in demand for electricity from 55.15 TWh in 2019 to 53.59 TWh in 2020. A decline in market electricity prices could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to increasingly stricter and complex environmental and water management regulations and may be exposed to significant liabilities for any failure to comply with such regulations. Power generation is subject to risks of causing environmental damage, such as accidental water pollution with petroleum products, negative impact on environmental elements, and energy loss due the obligation to ensure the ecological flow. Therefore, given the specific risks of power generation, the Group is subject to numerous international, national and local environmental laws and regulations, which are becoming increasingly cumbersome. The Group is required to satisfy numerous operating and monitoring conditions for environmental protection, such as monitoring of water levels variation in reservoirs, monitoring of noise levels at the site boundary, monitoring of turbinated water volumes, prevention of accidental loss of petroleum products, biodiversity protection and monitoring in the facilities located in natural protected areas, monitoring of environmental impact of windfarms, including noise emissions, and impact on wildlife, sanitizing the surface of the water gloss. The presence of natural protected areas, such as Natura 2000 sites, overlapping or in the vicinity of the locations of the Company's existing facilities or new developments may have a significant impact both on the current activity and the development of new investment or refurbishment projects of the Company, adding to the complexity of the process for obtaining the relevant environmental approvals, environmental endorsements and environmental permits, as complex assessments of the environment impact must be undergone.

The Group is a major user of national water resources and must comply with laws and regulations applicable to the use of water for electricity production purposes. The Group is obliged to conduct its activities in accordance with the water management permits issued by the relevant authorities. These regulations may not always set out clear requirements for compliance, and at times may be ambiguous, resulting in a potential breach by the Group. For example, unclear legal provisions related to the sanitizing of the surface of the water gloss have been interpreted by some authorities and/or courts of law in the sense that the Company has the obligation to clean the floats brought by affluents on the entire surface of the lake, and not only in the area of the retention front, imposing fines on the Company based on this interpretation. In addition, the continuous bringing of floating objects by affluents, following rain showers, is a phenomenon that cannot be kept under control by the Company in real time, exposing the Company to potential liability during the period of time needed to clean the floating objects brought by affluents after a rain shower (as it was the case of a fine in amount of RON 180,000 imposed to the Company in August 2021, at the Izvorul Muntelui reservoir and dam). More recently, the Company's obligation to clean up the gloss of the entire surface of the reservoir has been explicitly introduced in the water management permits. The Law 107/1996 is also unclear on the extension of the validity of the water management permits, which do not set out a deadline for the relevant authorities to extend the validity of the water management permits, causing thus, in practice, delays in the extension of the validity of the water management periods, during which time the validity of the water management permits and related obligations may be challenged.

The Group may not be in compliance with all applicable environmental laws, regulations or requirements or environmental permits. In 2022, an accidental pollution with petroleum products occurred on the Danube River following which the Company received a fine which was challenged in court on the basis that the Company considered the pollution products to not have resulted from activity of its Iron Gates HPP. Similar incidents might occur in the future, resulting in additional costs, damages, fines and other complementary sanctions such as suspension of the operation of the hydropower plant or suspension of related operation permits. Any incidents of environmental damage may result in disruption to the Group's hydropower plant activities, services, projects and operations, and result in reputational harm to the Group; significant liability may also be imposed on the Group for clean-up costs, damages to third parties or penalties for non-compliance with environmental laws and regulations.

In order to achieve the environmental objectives, set out by the environment protection legislation, the European and/or national relevant authorities may adopt and implement projects that may impact the Company's activity, causing the Company to make certain investments at its hydropower plants in order to comply with the obligations imposed by the relevant authorities. Such projects may cause the reduction of the water volume for energy production, which may lead to the Company producing less energy. For example, the Company is part of the "We Pass" project, which is an initiative aiming to facilitate fish migration in the Danube River Basin.

Furthermore, the development of new hydropower capacities may be challenged by opposition from environmental groups based on the increasingly stricter environmental and water management regulations. This opposition may result in stoppage or delays in the construction of new capacities (as it was the case with Bumbesti-Livezeni, the Surduc-Siriu – the stage Surduc Nehoiasu hydropower development ("**hydropower development**" or "**HPD**"), the Rastolita HPD, the Bistra-Poiana Marului-Ruieni-Poiana Rusca HPD or the Cerna-Belareca HPD) or increased costs due to the need to address the concerns of these groups or even in the demolition of the capacities subject to challenges. This may lead to the failure to implement the growth plan, and lead to lower volume of produced energy (and thus lower revenues) than that expected on basis of the new hydropower capacities and exposure of the Company to significant liability and costs related to the demolition of the capacities subject to challenges and restoration of the environment. New hydropower plants also depend on resources that the Company may not dispose of, such as the land needed for investments. For example, in the absence of expropriation, it may be possible that some investment works (such as for Rastolita HPD or Racovita HPP from the HPD of the Olt River on the sector Cornetu – Avrig) will not be operational at capacity to generate electricity at the approved level. If any of these risks materialize, this could have a material adverse effect on the business, financial position and results of operations of the Group.

The Company may not be able to comply with recently introduced water management legal obligations. National Water Management Plan and article 53(4) of the Water Law 107/1996 (the "**Water Law**"), damming or water capture works located on watercourses must be provided with installations/constructions that ensure downstream an easement flow (consisting of the ecological flow and the minimum flow required by downstream users), as well as, if the case, with constructions that ensure the migration of the aquatic fauna (especially fish). With effect from 10 November 2017, Government Emergency Ordinance 78/2017 ("**GEO 78/2017**") introduced a requirement to also preserve the ecological flow, in order to protect the environment. See "*Regulatory Matters – Environmental Regulations – Water Management*" for further information. Further legislation, which entered into force on 26 February 2020, introduced a method of calculating the ecological flow through hydrological studies prepared by

public or private institutions certified by the Ministry of Environment Waters and Forests and expertized by the National Institute of Hydrology and Water Management (INHGA). In order to comply with these requirements, the Company must commission hydrological studies to calculate the ecological flow, and, at a later stage, commission technical-economic studies establishing whether there is a technical infeasibility or the disproportionality of costs for compliance with requirements regarding the easement flow (which includes the ecological flow). Where there is a technical infeasibility or disproportionate costs, the Company is relieved from the obligation to comply with the new ecological flow related requirements. The Company has organized public tenders to appoint a third-party provider to perform the needed calculation, but failed to close the tender process for the first tender, while the contract executed with the third party appointed following the second tender was terminated by the Company due to the provider's failure to deliver the hydrological studies within the agreed contractual deadline. Therefore, following a third tender process, the Company concluded a contract with a third-party supplier, having as object the acquisition of 103 studies determining and calculating the ecological flow relating to the 282 barred sections (79 dams and 203 secondary impoundments), for which the Company has the obligation to perform the relevant studies and works to comply with the above-mentioned legal provisions. As of the date of the Prospectus, the contract is still ongoing.

In light of delays in and amendments to the applicable regulations; the Company's difficulties in contracting with a third-party provider to prepare such studies; and the failure of a third-party provider's to deliver the hydrological studies within the agreed contractual deadline, the Company has not yet completed technical-economic studies, which were required to be produced by 5 November 2022. This status was disclosed by the Company to the *Administratia Nationala Apele Romane* (in English the National Water Authority ("ANAR")). Should the Company be found in breach of its obligation to have finalized the hydrological and technical-economic studies, the validity of the corresponding water management permits may be questioned. The implementation of measures to ensure the easement flow is complied with may also reduce the water volume for the Company's energy production, which may lead to the Company producing less energy. All these may have a material adverse effect on the business, financial position and results of operations of the Group.

Section C – Key information on the securities

C.1. What are the main features of the securities?

a) Type, class and ISIN

All Offer Shares are ordinary, nominative and dematerialized and have the ISIN Code RO4Q0Z5RO1B6.

b) Currency, denomination, nominal value and number of securities issued

Offering of existing ordinary shares in the share capital of the Issuer, each of which is issued, fully paid with a par value of RON 10 and carrying one vote in a General Meeting of Shareholders of the Issuer. The Offering comprises of an offering for sale of up to 78,007,110 Shares by the Selling Shareholder.

c) Rights granted by the securities

Each Share entitles the shareholder to one vote at the GMS. There are no restrictions on voting rights. All of the Shares carry full dividend rights. All Shares also offer the following the rights: (i) pre-emption right to subscribe for any issue of new shares on a *pro rata* basis unless such right is limited by the GMS in accordance with the law; (ii) right to be informed; (iii) right of withdrawal in certain pre-defined cases and conditions provided by law; (iv) right to vote in the GMS; (v) right to receive dividends; (vi) right of the shareholder/shareholders, holding separately or together at least 5% of the Company's share capital, to request the internal auditors to investigate the Company's claims, request the convening of a GMS, propose new items on the agenda of the meeting and propose draft resolutions for the agenda of the GMS; (vii) right of the shareholder/shareholders, holding separately or together at least 10% of the Company's share capital to request the election of the members of the Supervisory Board by a cumulative vote; and (viii) right of the shareholder/shareholders, holding separately or together at least 10% of the Company's share capital, to request the court to appoint one or more experts to investigate certain operations of the Company's management and to prepare a report in this case. The GMS may decide to bring an action against the founders, managers, directors, namely members of the Supervisory Board, as well as auditors or financial auditors, for damages caused to the company of their fault, in violation of their duties to the Company. If the GMS does not decide to bring an action for liability and does not comply with the proposal of one or more shareholders to initiate such an action, the shareholders representing, individually or together, at least 5% of the share capital have the right to bring an action for damages, in a personal capacity, but on behalf of the Company, against any person mentioned above.

d) Relative seniority of the securities in the Issuer's capital structure in the event of insolvency

As of the Listing Date, the Company's share capital will be made up of a single class of ordinary shares that rank *pari passu*. In case of insolvency, followed by bankruptcy and liquidation, the liquidators may not pay to shareholders any amount against the quotas to which they would be entitled out of liquidation before paying the Company's creditors.

e) Restriction to the free transferability of securities

As of the Listing Date, the Shares will be freely transferable, with the observance of the rules of the regulated market operated by the Bucharest Stock Exchange S.A. and the clearing and settlement rules of the Romanian Central Depository.

Pursuant to the Underwriting Agreement (as defined below), the Company has agreed that from the date of the Underwriting Agreement until the date falling 180 days after the date of Admission, neither it nor any member of its group will, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, allot, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offer or issue of, any Shares or other equity securities of the Company (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares or other equity securities of the Company, or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, save that the Company shall not be prohibited from issuing or allotting Shares to the extent it is required to do so pursuant to applicable Romanian law requiring the increase of the Company's share capital corresponding to the value of plots of land contributed by the Romanian State for which the Company obtains ownership certificates after the Offering or for which it has obtained such certificates before the Offering but for which it has not yet increased its share capital.

Pursuant to the Underwriting Agreement (as defined below), the Selling Shareholder has agreed that from the date of the Underwriting Agreement until the date falling 180 days after the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offer or issue of, any Shares or other equity securities of the Company (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares or other equity securities of the Company, or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing. The Selling Shareholder lock-up is subject to certain customary exceptions.

At the same time, the Romanian State acting through the Ministry of Energy agreed with the Managers (pursuant to the Lock-up Deed dated on the Prospectus), subject to certain exceptions and existing obligations, that during a period from the date of the Underwriting Agreement until 12 months after Admission will not offer, issue, sell, contract to sell, pledge, grant options over or otherwise dispose (or publicly announce any such issuance, offer, sale or disposal) of the Shares or enter into any transaction with the same economic effect as any of the foregoing, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed).

f) Dividend policy

According to the Company's dividend policy, it is the Company's intention to pay dividends, subject to applicable law and commercial considerations (including, without limitation, applicable regulations, restrictions, the Group's results of operations, financial condition, cash requirements, contractual restrictions, and the Group's future projects and plans).

The Company intends to pay-out, as ordinary dividends, a minimum of 90% of the Company's distributable separate yearly net profit starting from the financial year following the Offering. In addition, the Company may decide through a GMS resolution to pay at its own discretion extraordinary dividends from the Company's retained earnings, if disposable.

C.2. Where will the securities be traded?

The Shares in the Company have not been and are not currently admitted to trading on any regulated market. Once the Offering is successfully closed and the underlying transactions of the Offering are settled, the Company intends to make an application for the Admission of all the Shares to trading on the regulated market of the Bucharest Stock Exchange.

C.3. Is there a guarantee attached to the securities?

No.

C.4. What are the key risks that are specific to the securities?

Below are some of the main risks which are specific to the securities:

There is currently no trading market for the Shares and an active trading market for the Shares may not develop or may not be sustainable. Prior to the Offering, there has been no trading market for the Shares. Article 55 of Law 24/2017 requires a minimum 25% free float for the purpose of the Admission. There can be no assurance that the FSA approves, as per such provisions, the Admission of the shares issued by the Company, if the Shares ultimately sold in the Offering account for materially less than 19.94% of the Company's share capital.

If Admission is approved, there can be no assurance that an active trading market for the Offer Shares will develop or be sustained after the Offering, or that the price at which the Offer Shares will trade in the public markets subsequent to the Offering will not be lower than the Final Offer Price. The Managers are not obliged to make a market in the Shares. If no active trading market develops for the Shares, investors may experience difficulty in selling the Offer Shares.

Price volatility of the Shares and liquidity may affect the performance of investments in the Group. The share price of listed companies can be highly volatile and their shares may have limited liquidity. An active trading market for the Shares may not develop and the trading price for the Shares may fluctuate significantly. Investors may be unable to recover their original investment. The market price of the Shares may, in addition to being affected by the Group's actual or forecast operating results, fluctuate significantly as a result of factors beyond the Group's control.

Future sales, or the real or perceived possibility of sales, of a significant number of Shares in the public markets could adversely affect the prevailing trading price of the Shares. Following the Offering, the Romanian State will continue to own 80.06% of the Company's issued share capital. Following the expiry of the applicable lock-up period, or earlier in the event of a waiver of the provisions of the lock-up, the Romanian State or the Selling Shareholder may sell Shares in the public or private market, and the Company may undertake a public or private offering of Shares. The Company cannot predict the effect, if any, that future sales of Shares, or the availability of Shares for future sale, will have on the market price of the Shares, but the availability of Shares that are eligible for public sale could adversely affect the trading price of the Shares. If the Romanian State or the Selling Shareholder were to sell, or the Company were to issue and sell a substantial number of Shares in the public market, the market price of the Shares could be adversely affected. Sales by the Company's shareholder could also make it more difficult for the Company to sell Shares in the future at a time and price that it deems appropriate. The sale of a significant number of Shares in the public market, or the perception that such sales may occur, could materially affect the market price of the Shares.

Section D – Key information on the offer of securities to the public and/or the Admission to trading on a regulated market

D.1. Under which conditions and timetable can I invest in the security?

a) General terms and conditions

The Selling Shareholder will offer for sale 78,007,110 Offer Shares representing up to 17.34% of the total number of Shares issued by the Company. The final number of Offer Shares will be decided by the Selling Shareholder in consultation with the Company, upon the recommendation of the Joint Global Coordinators. The Offering is split into two tranches (the "Offer Tranches") as follows: (1) an Offer Tranche consisting of an initial number of 11,701,067 Offer Shares (representing 15% of the initial number of Offer Shares) addressed via a public offer in Romania to Retail Investors (the "Retail Tranche"); and (2) an Offer Tranche consisting of an initial number of 66,306,043 Offer Shares (representing 85% of the initial number of Offer Shares) addressed (i) to Institutional Investors outside the United States in reliance on Regulation S under the Securities Act; and (ii) in the United States, only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act (the "Institutional Tranche").

For the purpose of this Prospectus: "Institutional Investor" means (a) a "qualified investor", as defined in Article 2 (e) of the Prospectus Regulation, or (b) an "eligible counterparty" within the meaning of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), or (c) a "qualified investor" as defined in Article 2(e) of the Prospectus Regulation, as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018), as amended, or (d) a QIB as defined in Rule 144A, or (e) an equivalent institution

whose subscription in the Offering would not constitute a violation of applicable law or regulation and which is not located in any jurisdiction where the extension or availability of the Offering (and any other transaction contemplated thereby) would breach any applicable law or regulation; “Retail Investor” means any individual or entity (with or without legal personality) that does not fall under the category of Institutional Investor;

The size of each Offer Tranche will be decided by the Selling Shareholder jointly with the Company, upon the recommendation of the Joint Global Coordinators, based on the level of subscriptions from investors, after the closing of the Offer Period, and will be made public on the Allocation Date.

Upon the recommendation of the Joint Global Coordinators, the Company and Selling Shareholder may also jointly decide to re-allocate Offer Shares from one Offer Tranche to the other Offer Tranche – which can, for the avoidance of doubt, lead to the Retail Tranche representing (1) more than 15% but not more than 20% of the sold Offer Shares or, on the contrary (2) less than 15% of the sold Offer Shares (but such re-allocation from the Retail Tranche to the Institutional Tranche shall occur only in case the Retail Tranche is less than 100% subscribed).

Offer Shares are offered at the Offer Price Range from RON 94 to RON 112 per Offer Share. Retail Investors must subscribe for Offer Shares at the fixed price of RON 112 per Offer Share (*i.e.* the top of the Offer Price Range). Institutional Investors may validly subscribe for Offer Shares at any price within the Offer Price Range (including the bottom and the top of the price range). The Final Offer Price at which the Offer Shares will be allocated to investors will be determined by the Selling Shareholder in consultation with the Company and the Joint Global Coordinators after the closing of the Offer Period and will be made public on the Allocation Date.

Retail Investors are entitled to a discount of 3% of the Final Offer Price (the “Discounted Final Offer Price”) for applications validly submitted in the first five (5) Business Days of the Offer Period; Offer Shares which are subscribed for in the Retail Tranche starting the sixth (6th) Business Day of the Offering will be sold to Retail Investors at the Final Offer Price. For the avoidance of doubt, depending on the level of the Final Offer Price, the Discounted Final Offer Price can be below the bottom of the Offer Price Range.

The Offer Shares in the Institutional Tranche are only to be sold at the Final Offer Price and only to those Institutional Investors who subscribed for Offer Shares at a price equal to, or higher than, the Final Offer Price.

b) Calendar

Key dates relating to the Offering include: opening of the Offering (23 June 2023); Allocation Date (5 July 2023); Transaction Date (6 July 2023); Settlement Date (10 July 2023); and start of trading (on or around 12 July 2023). All such times and are based on local Bucharest time and may suffer adjustments as indicated in this Prospectus.

c) Admission to trading

The Shares in the Company have not been and are not currently admitted to trading on any regulated market.

The Bucharest Stock Exchange S.A. has issued an approval in principle for the Admission of the Shares to trading on the Regulated Spot Market of the BSE. Once the Offering is successfully closed and the underlying transactions of the Offering are settled, the Company intends to seek the Admission and introduction to trading of all of its Shares on the Premium tier of the regulated market operated by the BSE.

d) Distribution of the Offer

Retail Investors can subscribe through Banca Comerciala Romana S.A., BRD – Groupe Societe Generale S.A., BT Capital Partners S.A. and Banca Transilvania, Swiss Capital S.A. and the Eligible Participants.

Institutional Investors can subscribe through any Manager, or an affiliate of a Manager, which they have concluded an investment services agreement with, on the basis of orders given as a regular investment services business and by any means of communication provided by such an agreement. Institutional Investors which have not concluded an investment services agreement with a Manager or an affiliate of a Manager may validly subscribe for Offer Shares only if they submit a subscription form and the applicable identification documentation to any of the Managers located in Romania.

In order to be able to place a valid order for Offer Shares, Institutional Investors must have a direct or indirect contractual arrangement with a Romanian custodian agent.

e) Amount and immediate dilution resulting from the Offer

Given that the Offering comprises of only existing Shares in the Company, no dilution will be applicable following the Offering.

f) Estimate of total costs for the Offer

The total expenses of the Company in connection with the Offers are approximately RON 8.4 million.

Each Manager and Eligible Participant will communicate to the investors who subscribe through it the fees that will be payable by such investors in connection with the submission of their subscriptions of the Offer Shares.

g) Who is the offeror?

Fondul Proprietatea S.A. (the Selling Shareholder), a retail closed-end investment fund under the Law 243/2019 registered with and supervised by the FSA, incorporated and operating under the laws of Romania as a joint stock company, registered with the Trade Registry under number J40/21901/2005, having sole registration code 18253260, Legal Entity Identifier code 549300PVO1VWBFH3DO07. The Selling Shareholder's registered office is at 76-80 Buzesti Street, 7th floor, Bucharest 011017, Romania, and its telephone number at its registered office is +40 21 200 96 00.

D.2. Why is the prospectus being produced?

a) Use and estimated net proceeds

This Prospectus has been prepared in connection with the application to the FSA for its approval in connection with the Offering and the application for all of the Shares to be admitted to trading on the regulated (main) market of the BSE.

The Company will not receive any of the proceeds from the sale of the Offer Shares by the Selling Shareholder in the Offering.

b) Offer being subject to a placement or underwriting agreement

The Offering is not subject to an underwriting agreement from the Managers on a firm commitment basis; hence no portion of the Offering is covered by such arrangement.

c) Indication of conflict of interest related to the offer or Admission to trading

Some of the members of the Company's management and supervisory bodies have expressed an intention to subscribe in the Offering. There are no potential conflicts of interest between any duties owed by the members of the Supervisory Board or Management Board to the Company and their private interests or other duties.

In connection with the Offering, each of the Managers and any of their respective affiliates, may take up a portion of the Offer Shares in the Offering as a principal position, and in that capacity may retain, purchase, sell, offer to sell, or otherwise deal for its or their own account(s) in, such Offer Shares, any other securities of the Company or any related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Offer Shares being offered, acquired, placed or otherwise dealt with should be read as including any offer, acquisition, placing or dealing by any of the Managers or any of their respective affiliates acting in such capacity. In addition, certain of the Managers or their respective affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) with investors, in connection with which such Managers (or their respective affiliates) may from time to time acquire, hold or dispose of Shares. None of the Managers (or their respective affiliates) intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

RISK FACTORS

The Offering and an investment in the Offer Shares involve a high degree of risk. You should carefully consider the following information about these risks, together with the information contained elsewhere in this Prospectus, including the Group's Audited Consolidated Financial Statements and the Group's Unaudited Condensed Consolidated Interim Financial Statements (as defined in section "Presentation of Financial and Other Information" below), before deciding whether to invest in the Offer Shares. Any of the following risks, individually or together, could have a material adverse effect on the business, financial position and results of operations or prospects of Hidroelectrica and its subsidiary, S.S.H. Hidroserv S.A. ("Hidroserv" and together the "Group"), which could lead to a decline of the trading price of the Shares, and you could lose all or part of your investment.

The Company has described the risks and uncertainties that its management believes are material at the date of this Prospectus, but these risks and uncertainties may not be the only ones the Group faces. Additional risks and uncertainties, including those about which the Issuer is currently not aware or which it deems immaterial, could have the effects set forth above. Prospective investors should be aware that the value of the Offer Shares and any income generated by them (if any) may increase or decrease and that investors may not be able to realize their initial investment. Thus, potential investors should apply special care when assessing the risks involved and should decide, individually, if such an investment is appropriate considering these risks.

The risk factors herein are organized into categories depending on their nature (with the most material risk factor mentioned first in each of the categories based on the Issuer's current assessment with respect to the probability of their occurrence and the expected magnitude of their negative impact).

Risks relating to the Group's business and the industry in which it operates

Changes in regulations or government policies, particularly as a result of increased governmental intervention in the electricity market, could materially and adversely affect the Group's business

The Group's production and supply of electricity are subject to licenses issued by the national regulator Autoritatea Națională de Reglementare în domeniul Energiei (in English, National Energy Regulatory Authority) ("ANRE") and are extensively regulated. For example: (i) electricity producers are required to sell part of their electricity on the wholesale markets operated by the Romanian electricity and gas market operator — Opcom S.A. ("OPCOM"); (ii) electricity producers' ability to conclude bilaterally negotiated power purchase agreements with third parties on the wholesale market are subject to certain restrictions (see, "Regulatory Matters — Energy Matters — The Energy Market in Romania — Conclusion of PPAs"); (iii) electricity producers may be required to sell electricity to neighboring countries under specific circumstances (e.g. to the Republic of Moldova in 2022; for more details, see "Regulatory Matters — Energy Matters — The Energy Market in Romania — Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production — Law 357/2022"); (iv) hydro electricity producers are required to pay tariffs for water used by hydropower plants to generate electricity (see, "The Group may be exposed in the future to higher turbinated water tax payable to ANAR"); (v) prices of electricity supplied to final consumers are subject to price cap regulations (see, "Regulatory Matters — Energy Matters — The Energy Market in Romania — Electricity supply — Measures taken to protect the consumers from electricity price increases") and (vi) rights and obligations of electricity producers and suppliers in relation to green certificates are highly regulated (see, "Regulatory Matters — Energy Matters — Licences obtained by the Company to participate on the Romanian electricity market — Energy generation — Support scheme through green certificates and Trading green certificates").

Government and regulatory decisions regarding production and supply of electricity and, in particular, permitted prices for electricity purchases and sales, may adversely affect the Group's revenue. For example, the liberalisation of the Romanian electricity supply market started in 2014, with the final stage taking place on 1 January 2021, when the household retail market was deregulated (meaning that the tariffs for supply of electricity have been deregulated for households). However, due to market volatility in 2022, the Romanian Government has subsequently introduced temporary electricity price caps and other measures to control the final-consumer electricity prices for certain categories of consumers², including a price cap for household consumers currently set between RON 0.68/kWh and RON 1.3/kWh and a price cap for non-household consumers currently set between RON 1/kWh and RON 1.3/kWh (for more details on the price caps, see "Regulatory Matters — Energy Matters — The Energy Market in Romania — Electricity supply — Measures taken to protect the consumers from electricity price increases"). Therefore, the Company's customers in the

² Such as the measures introduced by Government Emergency Ordinance 27/2022 and Government Emergency Ordinance 119/2022.

supply portfolio will pay the lesser of the price set in the contract with the Company and the cap according to the law.

In addition, in November 2022, the centralized acquisition of electricity through the Centralized Electricity Purchasing Mechanism (the “CEPM”) of OPCOM was introduced as an extraordinary measure³, applicable between 1 January 2023 and 31 March 2025 to producers whose energy capacities have an installed power equal to or higher than 10 MW and are commissioned prior to 1 April 2022. Under the CEPM, the Company is currently required to sell to OPCOM, as the sole purchaser, at a fixed price of RON 450 /MWh energy representing: (i) an amount of 80% of its yearly estimated quantities of available energy, as approved by Transelectrica and communicated to ANRE, and (ii) its monthly revised estimated available energy. In order to calculate available energy, the Company deducts the following from the forecasted quantities of energy: (i) energy quantities under wholesale and retail contracts in force as at 11 November 2022; (ii) forecasted quantity of energy required for balancing; and (iii) electricity produced by hydro assets with an installed capacity of less than 10 MW and electricity produced by wind capacities.

From 1 September 2022 to 31 March 2025 electricity producers are required to contribute to the Energy Transition Fund 100% of net monthly average selling price in excess of RON 450/MWh (see “Regulatory Matters — Energy Matters — The Energy Market in Romania — Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production” for details on the computation of net monthly average selling price). The contribution is not applicable to electricity production capacities commissioned after 1 April 2022 and to heat supply companies that produce electricity through cogeneration.

Romania’s national regulations are underpinned by the regulations of the European Union. Any material change in the regulations of the European Union may render changes in Romania’s national regulations. These and other changes in regulations or government policies may materially and adversely impact the Group’s prospects, business, financial position and the operating results and the Group may have limited recourse to challenge any such changes.

The Group may not be able to successfully implement its growth plan

The Group may not be able to implement its growth plan with respect to its hydropower projects that are currently in different stages of execution, being subject to development, construction and legal risks

The Company’s investment plan through 2027 includes hydropower projects that are currently in different stages of execution, with a total estimated installed power of 206 MW and an annual estimated average production of 700 GWh/year.

There can be no assurance that the Group’s growth plan will be realized or, if realized, will result in the planned outcome. Projects may be terminated or suspended, and a project’s scope and schedule may change. For example, the development or finalization of new hydro production facilities may be subject to several risks such as: (i) delays in obtaining Government decisions required for certain projects (for example, for the approval of technical-economic indicators or of the expropriation corridors corresponding to hydropower plants and/or power lines because of, among others, unclear legal ownership status over local authorities’ real estate); (ii) failures or delays in obtaining the permits required as a result of locations for pending investments being declared nature protected areas after their initiation (as it happened for the hydropower developments Bumbesti-Livezeni, Cerna-Belareca, Rastolita, Surduc-Siriu, Cornetu-Avrig, Cerna-Motru-Tismana after being included in the nature protected area Natura 2000); (iii) increased costs and delays in construction due to changes in the relevant legislation occurring after the investments were initiated (for example changes in the environmental requirements which trigger the need to update already issued environmental approvals or to produce new environmental impact studies); (iv) decrease in the production parameters as calculated in the initial design phase, due to changes in the environmental legislation regulating the methodology of establishing the easement flow (please see “Legal and regulatory risks—The Company may not be able to comply with recently introduced water management legal obligations”), including the ecological flow component which is the water debit needed to protect the water ecosystem; (v) delays due to lengthy and complex public procurement processes required for contracting third party services; (vi) delays and increases in costs as a result of disputes with contractors or sub-contractors or the dependency on a limited number of contractors, architects, engineers or other service providers, some of which are in insolvency (such as Hidroconstructia S.A., Romelectro S.A., the Company’s subsidiary – Hidroserv, UCM Resita S.A.) and bankruptcy proceedings (such as ISPH Project Development S.A.); (vii) labor force shortages; and (viii) increased global commodity prices and shortages or escalating costs of

³ Such measures were introduced by Government Emergency Ordinance 153/2022.

construction materials. For example, for the Rastolita, Surduc-Siriu, Cornetu-Avrig and Bistra-Poiana Marului hydropower plants (“**hydropower plants**” or “**HPPs**”), the Company has contracted services of Hidroconstructia S.A. (currently undergoing insolvency) which is claiming a price increase of approximately 90% for the remaining works proposed for 2023 and might decide to suspend or terminate the contracts concluded with the Company. Termination of the contracts concluded with Hidroconstructia S.A. may trigger a suspension of works for the mentioned HPPs for an estimated 12 months, until a new contractor is appointed.

At the same time the benefits that the Company expects to realize out of the planned hydro facilities investments may differ materially from its expectations. Implementing the Group’s growth plan may be more expensive, time consuming and resource intensive than anticipated and it may put considerable strain on the Group’s internal processes and capabilities. If the Company is unable to manage these changes effectively, it may not be able to take advantage of market opportunities and execute its business strategy successfully.

The Group may not be able to implement its growth plan with respect to developing or acquiring new green energy projects or other M&A targets. If completed, such projects may not achieve the expected results and may expose the Group to risks specific to the acquisitions and development and operation of renewable energy generation projects, as well as increased operating costs

The Group’s growth plan also includes the development of its power production portfolio by acquiring new green energy facilities, particularly onshore and offshore wind farms and photovoltaic parks. Competition in auction processes has increased significantly in recent years, where the Company must often act quickly in order to capture opportunities. This may prove difficult given that the Company is subject to strict and sometimes rigid public procurement rules set forth mainly under Law 99/2016 on sectoral procurement, which may affect the Company’s ability to timely respond to new opportunities. At the same time, the Group may not be able to identify such suitable transactional opportunities or, if identified, there can be no assurance that such transactions will be successful or that the Group will be able to complete them on terms and conditions acceptable to it.

Projects may take years before they become operational, during which time they are subject to a number of construction, operating, legal and other risks, such as: (a) an inability to find a suitable contractor or sub-contractor either at the commencement of a project or following a default by an appointed contractor or sub-contractor, including because of lengthy and complex public procurement processes, subject to frequent legislative changes; (b) inability to finalize a public procurement process because of legislative constraints, which leads to the restart of the procurement process and material delays in signing of necessary contracts or requires the update of the investment value and consequently reapproval of such project; (c) default or failure by the chosen contractors or sub-contractors to finish projects or parts of projects on time, according to specifications or within budget, including because of the chosen sub-contractors not having sufficient qualifications for the project; (d) failures or delays in obtaining or renewing any necessary construction permits and licenses, environmental and water management approvals, especially with frequent legislative changes; (e) dependency on a limited number of contractors, architects, engineers or other service providers; (f) shortages, or increases in costs of, construction materials and increased global commodity prices; (g) shortages, or increases in the costs of, equipment, especially as regards turbines and generators, including because of a limited number of providers for such equipment; (h) disputes with contractors or sub-contractors, including because of breaches of public procurement rules; (i) work stoppages or labor disputes; or (j) costs estimates no longer matching the financial resources, mainly because of inflation or of shortage of material equipment due to increased demand.

The Group’s ability to integrate and manage acquired businesses effectively as part of its future growth depends upon a number of factors, including the size of the acquired businesses, the quality of the management of the acquired businesses, the nature and geographical locations of their operations and the resulting complexity of integrating their operations. The Group may encounter unforeseen significant difficulties when carrying out potential transactions, such as increased demand for management time and increased integration costs, or unanticipated due diligence risks. As a result, there is no assurance that any future acquisition will yield benefits that would be sufficient to justify the expenses the Group incurs.

The Group’s strategy to further expand through organic and inorganic growth into wind and solar renewable energy generation capacity exposes the Group to risks specific to the acquisitions and development and operation of renewable energy generation projects, such as: (i) being unable to identify and perfect suitable acquisition and development opportunities; (ii) being unable to obtain, or facing delays in obtaining, requisite regulatory licenses or authorizations for projects (such as construction permits and licenses, environmental approvals/endorsements and water management approvals), especially obtaining grid

connection permits and concluding grid connection agreements, which could involve significant investment obligations due to the poor condition of the grid; (iii) construction risks arising from development projects, particularly from a technical perspective in relation to the timing of construction phases, which may cause an increase in costs or delays in the commencement of electricity generation, including, for example, the risk that necessary equipment and labor may not be available to meet the Group's requirements whether due to market fluctuations in the demand for equipment or labor, the cost and availability of specific equipment, the failure of a contractor to perform its contracted services or otherwise; (iv) generation yield assessments for renewable energy generation projects not reflecting actual results; (v) ineffectively staffing and managing the Group's expanded operations and facing unanticipated difficulties in the integration of existing management teams and operations, particularly in new market sectors with which the Group has less experience; (vi) inability to keep pace with technological changes in the rapidly evolving renewable energy sector; (vii) increased competition on the green energy market; and (viii) changing regulatory environment and market design within Romania and the broader EU.

The occurrence of any or all of these factors may lead to a decrease in the quality of services, decline in the amount of electricity produced or supplied, resulting in reduced profitability which may in turn materially adversely affect the Group's prospects, business, financial position and results of operations.

The refurbishment and modernization of the Group's hydro facilities are subject to development and legal risks

Most of the Group's hydro facilities (equipment and installations) were commissioned between 1960 and 1990. After 2000 the power plants producing a significant amount of MW have been refurbished and modernized (such as Portile de Fier I, Portile de Fier II, 5 power plants on the lower segment of the Olt River, and Lotru Ciunget power plant), while only 171 MW of additional capacities were commissioned corresponding to Poiana Teiului, Movileni, Raul Alb, Subcetate, Plopi, Cornetu, Robesti, Bretea and Racovita HPPs. The Group's current business plans include refurbishing and modernizing approximately 1.1 GW of installed hydro capacity by 2030 (for details see "*Business — Business and operations — Electricity generation — Refurbishment and Modernization Projects*" below).

These refurbishment and modernization projects may take years before they become operational, during which time they are subject to a number of construction, operating, legal and other risks, such as: (a) inability to find a suitable contractor or sub-contractor either at the commencement of a project (for example, in case of the Arcesti HPP, Retezat HPP and Văduri HPP, the procurement procedures were not awarded due to the inability of UCM Resita S.A. and Hidroserv to submit a compliant bid or to fit within the budget) or following a default by an appointed contractor or sub-contractor, including because of lengthy and complex public procurement processes, subject to frequent legislative changes; (b) inability to finalize a public procurement process because of legislative constraints, which leads to the restart of the procurement process and material delays in signing of necessary contracts or requires the update of the investment value and consequently reapproval of such project; (c) default or failure by the chosen contractors or sub-contractors to finish projects or parts of projects on time, according to specifications or within budget, including because of the chosen sub-contractors not having sufficient qualifications for the project; (d) failures or delays in obtaining or renewing any necessary permits and licenses and environmental and water management approvals, especially with frequent legislative changes; (e) dependency on a limited number of contractors, architects, engineers or other service providers, some of which are in insolvency (such as Romelectro S.A., UCM Resita S.A., and the Company's subsidiary – Hidroserv) and bankruptcy proceedings (such as ISPH Project Development S.A.) and therefore may not be fully able to provide the services needed for the Group; (f) shortages, or increases in the costs, of equipment, especially as regards turbines and generators, including because of a limited number of providers for such equipment; (h) disputes with contractors or sub-contractors, including because of breaches of public procurement rules; (i) work stoppages or labor disputes; (j) costs estimates no longer matching the financial resources, mainly because of inflation or of shortage of material equipment due to increased demand; or (k) stoppage of operation for the entire HPP or parts of it during the refurbishment/modernization period, which may result to have noticeable influence on the Company's electricity production.

For example, in case of Stejaru HPP, the contract was terminated by the contractor Romelectro S.A. (for more details see "*Business — Business and operations — Electricity generation — Refurbishment and Modernization Projects*") which left the hydro aggregate no. 5 unfinished and unavailable, the implementation period being thus prolonged. At the same time, the unsuccessful acquisition procedures for Raul Mare Retezat and Bradisor HPPs leads to the need to review the budget of the investment objectives (which means that prices are updated to the market level which may consequently trigger the requirement to restart the approval process).

In addition, were the Company to continue to face difficulties in contracting with the traditional market participants, such as UCM Resita S.A. and Hidroserv, or were some of them to stop providing services because they enter bankruptcy, the Group may face delays and increased costs, or may even need to amend its assets modernization strategy by changing the technical solutions and implementing new concepts. This will prolong not only the time needed for promoting and approving the technical and economic indicators, but also the duration of the public procurement process, and will increase the related investment value.

The occurrence of one or more of these events may negatively affect the Group's ability to complete its current or future refurbishment or modernization projects on schedule or within budget, which may result in a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to finance its growth plan

The Group intends to fund its growth plan through internal cashflow generation and external financing. The terms and conditions on which future funding or financing may be made available to the Group may not be acceptable, or funding or financing may not be available to the Group at all, due to economic and capital markets conditions, investors' confidence, business performance of the Group, political and regulatory developments or availability of credit from banks and other lenders, etc. At the same time, if funds are raised in a longer term, the Company may become more leveraged and subject to additional or more restrictive financial covenants and ratios and to additional costs for debt servicing. If additional funds are raised by issuing new Shares, existing holders of Shares may be diluted.

The Company's inability to procure sufficient external financing for these purposes could adversely affect its ability to implement its growth plan, to expand or maintain its business and to meet its production targets. The unavailability of such financing could result in the Company facing unexpected costs, such as costs for preserving pending constructions, costs for fulfilling environmental obligations, and costs resulting from the inefficiency of certain hydropower plants and delays in relation to the implementation of its investment programs. This could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

The Group's electricity generation and the demand for the Group's electricity are subject to climatic conditions that may not be within the Group's control. Further, climate change and episodes of extreme weather events could have an adverse effect on the Group's production equipment (commissioned and planned to be commissioned)

The Group's electricity generation depends largely on natural resources, such as snowfall, rainfall, sunlight or wind intensity and speed, and although the Group plans its projects and its already established operations based on hydrological studies and meteorological historical patterns, these factors are outside of its control and may vary significantly over time.

The performance of the Group's hydropower plants in generating electricity depend on water flows, which vary each year and are subject to factors, such as precipitation, rate of snowmelt and seasonal changes. There can be no assurance that the water inflows at the Group's hydropower plants will be consistent with the Group's operational assumptions, or that climatic and environmental conditions will not change significantly from the prevailing conditions at the time the Group's operational assumptions are made. If unfavorable meteorological conditions were to occur, particularly over a long term, such as unseasonably warm weather, they could negatively affect the electricity generation, and thus the profitability, of impacted projects. For example, in 2022, Romania experienced a severe drought, affecting the Group's electricity production with a gross hydro production level of 13.6 TWh in that year, representing an approximately 14.5% decrease in production from such assets compared to the annual average gross hydro production of 15.9 TWh over the preceding 10-years.

The Group's electricity output from its wind farm and future development or acquisition of wind and solar capacities is subject to fluctuations in wind and solar conditions. Long-term predictions of such conditions are subject to uncertainties due to, among other things, the placement of wind measuring equipment, the amount of data available, the extrapolation and forecasting methods used to estimate wind speeds, solar irradiation and differences in atmospheric conditions, and errors in meteorological measurements. Moreover, even if the actual wind or solar conditions at the wind farm or solar capacities are consistent with the Group's long-term predictions, wind conditions over a short period of time may substantially deviate from the long-term average due to natural wind fluctuations or the solar irradiation may change, causing significant short-term volatility in the performance of the Group's wind farm and solar capacities.

The Group's business is subject to seasonal fluctuations in temperature. The Group's electricity generation is typically lowest in September due to factors, including dependence on water flows in rivers and streams,

limitations arising from operating regulations, outages or the winter program (for more details, see “*Business – Overview of the Issuer’s operations*”). Based on statical data, the strongest water inflow is typically in the months of March, April, May and June due to thawing snow. This leads to the Group generating higher electricity volumes in such months than in the other periods of the year.

Electricity consumption is also subject to seasonality and is mainly affected by weather conditions. In Romania, electricity consumption is generally higher during the winter and summer months. Therefore, the Group generally experiences higher demand from November to February and from July to August, mainly as a result of the use of heating and air conditioning, respectively. Conversely, the Group generally experiences lower demand during the spring and fall seasons. As a result of these seasonal patterns, the Group’s sales and results of operations are higher in the first semester and lower in the second semester in any given year. If the Group fails to obtain its expected levels of revenue during the periods when its generation capacities are operating at their maximum loads, it may be unable to compensate for lost revenues during periods when the demand for electricity is lower.

If the Group is unable to address or forecast these fluctuations in production and demand for electricity, its business, financial condition, results of operations and prospects may be materially adversely affected, and its financial condition and results of operations may vary significantly from year to year.

To the extent that climate change causes variations in temperatures, wind resources and weather, these variations may lead to an increase in average cloud cover or in intensity or frequency of extreme weather events. Therefore, climate change may also have an adverse effect on the Group’s hydropower plants or cause damage to its wind turbines. Extreme weather conditions may result in damage or failure of the Group’s equipment, such as leaks in hydropower plants or damage to its wind turbines due to strong wind intensity, among others. For further details on factors that can result in critical equipment failure, see “*The operation of the Group’s facilities could result in critical equipment failure, unplanned power outages, reduced output and unanticipated costs and investments*” below.

Should any of the above hydrological and climatic conditions fluctuate significantly or deviate from the Group’s operational assumptions, the Group’s electricity generation and the demand for the Group’s electricity supply could be negatively affected, which in turn could have a material adverse effect on the Group’s business, results of operations and financial condition.

The Group’s results of operations may be adversely affected by fluctuations in electricity prices

The Group’s revenue and margins in its activities are exposed to fluctuations in wholesale and retail market prices of electricity. Electricity prices are determined by demand for electricity from final consumers, supply of electricity from generation assets connected to the network, as well as interconnection capacity with, and the market situation in, neighboring countries. In cases where the Company opts to sell electricity in the open market (see “*The Company’s hedging strategies may not be effective in mitigating price fluctuations and potential losses*”), it assumes the consequent exposure to price fluctuations in the electricity market. Market electricity prices have often experienced periods of volatility; for example, between 2020 and 2022, COVID 19 pandemic led to a decrease in electricity consumption and prices, while the war in Ukraine caused an increase in energy prices amid the crisis caused by the rise in Russian gas prices. Such prices depend on a number of factors, including, but not limited to, the level of demand, the time of day, carbon prices (European Union Allowances or EUA), the availability and cost of generating capacity available to meet demand, and the structure of the particular markets (including the rules that determine the order in which generating capacity is dispatched, and factors affecting the volume of electricity that can be handled by the available transmission infrastructure at a given point in time, including different types of market designs that may change significantly in the future).

The prices at which the energy produced by the Group is sold in the market partially depend on the relative cost, efficiency and investment needed to develop and operate energy sources. A decline in the costs of other sources of electricity, such as fossil fuels or nuclear power, could reduce the price of electricity. A significant amount of new electricity generation capacity becoming available could also reduce the price of electricity. The simultaneous increase in solar or wind electricity capacity during periods of high resource availability may drive down market prices of electricity.

At the same time, broader regulatory changes to the electricity trading market, such as the GEO 119/2022 for the amendment of GEO 27/2022 regarding measures applicable to final consumers on electricity and gas markets during 1 April 2022-31 March 2023 (“**GEO 119/2022**”) and GEO 153/2022 for the amendment of GEO 27/2022 and GEO 119/2022 (“**GEO 153/2022**”), both applicable until 31 March 2025, have also impacted electricity prices by requiring the Company to sell through the CEPM at a fixed price of

RON 450/MWh a certain amount of produced energy (for details, see risk factor “Changes in regulations or government policies, particularly as a result of increased governmental intervention in the electricity market, could materially and adversely affect the Group’s business” and section “Regulatory matters — Energy Matters — The Energy Market in Romania — Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production — GEO 153/2022 introducing mechanism of centralized acquisition of electricity (CEPM)”).

Demand for electricity is subject to a variety of other factors over which the Group has no control, including economic and political developments in Romania (and elsewhere), which fluctuate with the economic cycles, consumer demand, climatic conditions and seasonality (for the latter, see “The Group’s electricity generation and the demand for the Group’s electricity supply are subject to climatic conditions that are not within the Group’s control”). For example, the COVID-19 pandemic caused a decline in demand for electricity from 55.15 TWh in 2019 to 53.59 TWh in 2020.

A decline in market electricity prices could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The Group may be exposed in the future to higher turbinated water tax payable to ANAR

The Company generates largely all of its revenue from the sale of electricity and therefore its operating profit is dependent, on one hand, on the tariffs charged to its customers, and, on another hand, on operating expenses (such as turbinated water tax), which represent a material part of the operating expenses. As a hydro energy producer, the Company is obliged by law to pay to the *Administratia Nationala Apele Romane* (in English the National Water Authority) (“ANAR”) a turbinated water tax which was generally calculated based on the volume of water used by the Group to generate electricity by its hydropower plants.

The turbinated water tax rate has been subject to significant increases over the last ten years. The turbinated tax rate increased from RON 0.0001/thousand cubic meters in 2003 to RON 1.1/thousand cubic meters in 2010 and, more recently, was set at RON 1.4/thousand cubic meters being subject to annual updates based on consumption index. The turbinated water tax rate was RON 1.40 in the first part of 2023, while the turbinated water tax rates in 2022, 2021 and 2020 were RON 1.23, RON 1.17 and RON 1.12, respectively, per one thousand cubic meter of water. The Group’s turbinated water expenses in the first quarter of 2023 and years 2022, 2021 and 2020 were RON 163.6 million (representing 12.6% of the operating expenses, respectively RON 36.93 RON/MWh generated), RON 451.0 million (representing 10.5% of its operating expenses, respectively RON 33.1/MWh generated), RON 540.1 million (representing 18.6% of its operating expenses, respectively RON 31.9/MWh generated), and RON 307.1 million (representing 15.1% of its operating expenses, respectively RON 20.5/MWh generated), respectively. In addition, until recently, in the absence of special equipment installed to measure the used water volumes in order to calculate the applicable turbinated tax, the Company was required to pay an equivalent of the maximum authorized debit of its powerplants, multiplied by the operating time of the power generation.

On 31 May 2023, the Government issued Emergency Ordinance no. 52/2023, which amended the turbinated water tax collected by ANAR by setting a new quantification method, respectively a new fee of RON 37/MWh generated. In addition, the new law repealed the provisions according to which the water tax was annually indexed with the annual consumption index.

Given the multiple legal changes over time, there is no assurance that the turbinated water tax will not be subject to further increases or further changes in calculation methods, which would directly affect the Company’s expenses and financial position and could have a material adverse effect on the Group’s business, results of operations and prospects.

Transelectrica may require the Company to provide electricity for balancing purposes outside the tendering process and in excess of the Company’s balancing availability, which may lead to the Company defaulting other legal or contractual obligations

To ensure the production-consumption balance in the national power system and resolve any network restrictions, the national electricity system operator (“Transelectrica” or the “TSO”) purchases electricity on the centralized balancing market to compensate any deviation from the planned electricity production and consumption values. On the balancing market, the Company and other market participants submit offers to the TSO daily to supply the balancing electricity to the TSO for the following day. Participating on the balancing market is voluntary. However, under exceptional conditions and to achieve the permanent balancing of the electricity system, the TSO may require market participants, including the Company, to provide energy to the TSO on a particular day at a price established in accordance with applicable regulations, even if such participants have not submitted any offers on the balancing market in the previous

day. If this occurs, there is no assurance that the Company will have sufficient electricity to fulfill such balancing obligation without disrupting its delivery obligations under other contractual arrangements. If the Company does not have sufficient volume to fulfil its balancing obligation or contracted delivery obligations, it may default under any such obligations or have to acquire additional electricity on the open market to satisfy its obligations at higher than anticipated prices, which could affect the Company's expenses and financial position and could have a material adverse effect on the Group's business, results of operations and prospects.

The Company's hedging strategies may not be effective in mitigating price fluctuations and potential losses

The Group seeks to hedge the risks relating to volatility in energy prices by entering into fixed price bilateral forward contracts concluded on the OPCOM exchange or into fixed price bilateral forward contracts directly negotiated with suppliers (who deliver to final consumers), distributors or the TSO (for their own end use). Whenever the Group enters into fixed price sales agreements, it seeks to hedge these positions by entering into such forward contracts for physical electricity trades. The Group's hedging capabilities are currently limited by the regulatory context, given that until 31 March 2025 the Company must sell a certain amount of energy on the CEPM at a fixed price of RON 450 /MWh (please see risk factor "*Changes in regulations or government policies, particularly as a result of increased governmental intervention in the electricity market, could materially and adversely affect the Group's business*" and section "*Regulatory matters — Energy Matters — The Energy Market in Romania — Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production — GEO 153/2022 introducing mechanism of centralized acquisition of electricity (CEPM)*").

When concluding forward contracts on competitive markets, the Company is selling electricity up to two years prior to the actual delivery based on the production forecasts which is reassessed one month in advance of delivery. In addition, during the last month corresponding to the date on which the Company must deliver the electricity, the Company uses another forecast to determine if it is necessary to purchase electricity on the Day-Ahead Market ("DAM"), which can be concluded up to the delivery date. These forecasts are based on the Company's data and information provided by data analysis. The accuracy of the Company's forecasts for a particular period depends on a variety of factors, including the availability of its electricity generation installation, weather and wind conditions and equipment interruptions. Any difference between the volume of electricity sold to the market and the volume of electricity actually produced by the Company's electricity generation installations results in an imbalance. If necessary, the Company seeks to reduce the imbalance through intra-day trading on the markets of OPCOM, which may or may not be successful and procure the outstanding volume of electricity. The prices at which the missing electricity is bought, including for fulfilling Company's supply obligations, may be unfavorable to the Group especially if it is necessary to buy electricity from the DAM or through CEPM (in the latter case at the price of RON 450/MWh).

While the Company seeks to maintain a risk neutral hedging position regarding price fluctuations and to place selling orders size as close as possible to the average market price while also setting the total volumes sold yearly in correlation with the average historical and forecasted production, its hedging strategies may not be effective in mitigating price fluctuations, especially since, given the Company's role in NES, the hedging strategy is not focused on the price fluctuations, but on ensuring a predictability of future income on medium and long term. Therefore, timing of the price fluctuations may not match the timing of the hedging contracts, resulting in the Company not being protected when it needs the protection the most. For example, if the Company enters into a contract to sell energy at a fixed price in the future and the price of energy increases significantly before the contract's expiration, the Company will not benefit from the higher price.

In extreme scenarios, the hedging strategy may lead to significant losses, if the Company cannot deliver the contracted volumes and would have to acquire these volumes on the open market to satisfy its obligation at prices prevailing the hedging contracts. Any inability to hedge the risks regarding volatility in energy prices or to correctly forecast the amount of electricity the Company is able to deliver to the market in respect of the Company's production assets could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Company may be subject to intensifying competition in the supply market

The Company operates in highly competitive wholesale and retail energy markets. As a result, the Company faces significant competition for customers, from both established players in the markets (such as Electrica Furnizare S.A., Enel Energie S.A., EON Energie Romania S.A. and CEZ Vanzare S.A.) as well as new market entrants, such as independent power producers and renewable energy companies. This competition

could lead to pricing pressure and reduced profitability, negatively impacting the Company's financial performance. While the Company has to date supplied energy below temporary price caps in place for household and non-household clients (the highest tariff that a client may pay being RON 1.3/KWh), there is no assurance that in the future the Company will be able to produce and transfer the produced energy into the portfolio of supply clients at a price below the regulated cap, which could lead to the Company losing this competitive advantage.

The Group's financial performance could be adversely affected by competition from other suppliers who may offer better terms or prices for electricity supply to the Group's existing or potential consumers than those offered by the Group. Increased competition may force the Group to lower prices or lead to a decrease in the volume of electricity supplied by it, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Romanian State will remain in control of the Group following the Offering and its interests may differ from or conflict with those of other shareholders of the Company

Following the Offering, the Romanian State will continue to own 80.06% of the Company's issued share capital. As a result, it will continue to have the ability to control decisions at the Company's shareholders' meetings. In particular, it will have the ability to nominate members in the Company's supervisory board ("**Supervisory Board**"), to determine the outcome of votes at general meetings of shareholders of the Company (other than in any cases where the major shareholder would need to abstain from such vote), as well as to establish the dividend distribution and significant corporate transactions, including debt to equity conversions and acquisitions of participations in other entities that require shareholders' approval. Additionally, the Romanian State could influence the business of the Group by adopting new legislation which the Group is required to comply with.

The interests of the Romanian State may not be fully aligned with the Group's objectives as a commercial enterprise, and the Romanian State may prioritize national policy goals above the Group's commercial interests when exerting its influence over the Group and may urge the Company to take or not to take certain actions different than the Company would otherwise decide. For example, the Group is subject to the Government's dividend policy for state-owned companies, which may limit the Group's ability to reinvest a proportion of its profits. Furthermore, decisions on the nomination of the members of the Company's Supervisory Board and the timing when their mandates start or end are currently, and will continue after the Offering, to be influenced by the Romanian State as a majority shareholder.

While the support of the Romanian State proved historically to drive and encourage the Group's success, there can be no assurance that going forward the Romanian State's interests will coincide with the interests of the Group or of purchasers of the Shares, which in turn could interfere with the Group's commercial interests, and/or have a material adverse effect on the Group's business, results of operations and financial condition and/or the value of an investment in the Shares.

The operation of the Group's facilities could result in critical equipment failure, unplanned power outages, reduced output and unanticipated costs and investments and, in some cases, environmental and property damage and legal claims

The operation of the Group's hydropower and wind facilities may be subject to the breakdown or failure of equipment or processes, malfunction outside parameters functionality, or performance below expected levels of output or efficiency. Such failures and performance issues may stem from several factors, including human error, intentional damage, power outages, fires, lack of maintenance, earthquakes, floods or other natural disasters, terrorism, sabotage, soil erosion and corrosion, cyber-attacks, general wear over time and other unexpected events.

Many of the Group's facilities require planned periodic major overhaul activities to avoid unplanned outages, which may also reduce the expected level of output or efficiency, as well as require significant investment costs and expenses by the Group. Unplanned outages of generating units, including extensions of scheduled outages due to mechanical failures or other problems relating to the Group's operational projects, may also occur from time to time and are an inherent risk of the business.

Operational performance of the Group's wind farm may be affected by, among other factors, failures and breakdowns of components, such as turbines, substations, export cables and array cables, and the time required to repair such failures and breakdowns, which may be affected by weather conditions and the availability of skilled personnel, equipment and spare parts. This also overlaps with the fact that the Company holds insurance that may prove to be insufficient to cover material losses.

Damage to the Group's dams may result in floods, which in turn may cause damage to the local environment and populations, severe damage to, and destruction of, property, plant and equipment and suspension of operations or supplies. This may result in the Company being named as a defendant in lawsuits asserting claims for breach of contract or substantial damages, environmental restoration costs, reputational damage, personal injury and fines or penalties.

Mechanical failures or other defects in equipment, or accidents that result in non-performance or underperformance of a power plant or a wind farm may have a direct impact on the profitability of the Group's operations. For example, oil losses from the turbine rotor blade adjustment system of one of the Iron Gates turbines (Hydro aggregate 1) were detected during a technical inspection. This required an intervention to resolve the problem, with disassembling of the turbine and the shutdown of the hydro-aggregate for a period of 24 months from February 2023. At the same time, critical equipment or parts may not always be readily available when needed, and this can also negatively affect the availability of the Group's hydropower plants or wind farms.

A pollution such as oil spillage may be caused by accident and trigger environmental and property damage. For example, hydro-mechanical parts require lubrication through mineral oils, and the Kaplan turbines may cause oil spills. For hydropower plants with higher installed capacities and longer lifetime, oil leaks are unavoidable. For that reason, they may not be recorded by the Group. In the period 2019-2022 the Group has suffered several environmental incidents – all oil spillages. These oil spillages were caused by operation of moving parts (gates) of the installations, repair works on the installation, as well as by third party.

Any physical damage to the Group's facilities, in particular to its hydropower plants, may be costly to repair. Any service disruption may cause spillovers and loss in electricity generation, additional costs of covering the shortfall with acquisitions in the market at prevailing market prices (which could be higher than contracted sales prices) and customer dissatisfaction, and may also lead to liability for damages, higher operating costs, limited sales of the Group's products, the imposition of penalties and other unforeseen costs and expenses. Any or all of these could have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

A major earthquake could have a material adverse effect on the Company's business, financial condition, and results of operations

The Group's business activities are dependent on its asset base, which could be materially damaged in an event of major earthquakes. The Group has not conducted any site-specific study to assess any seismic risk or dam stability.

Seismic risk in Romania is one of the highest in Europe. Romania experienced major earthquakes that exceeded 7.0 Richter scale in the 1940s and 1970s, causing catastrophic damages, to life and property. If a major earthquake with a similar magnitude occurs again in Romania, it cannot be fully predicted how it would affect the Group's asset base or Romania's economy generally. Any major earthquake could result in personal injury and loss of life, damage to property, and contamination of the environment, which may result in a shutdown of the Group's facilities, suspension or disruption of operations. If Romania's economy is severely disrupted by an earthquake, the consumption of electricity in Romania may be materially affected and the government may impose additional regulation to the electricity market to ensure price stability.

If any of these risks materializes, the Group may incur uninsured losses and liabilities, suffer reputational damage and/or suffer material losses in operational capacity, which could have a material adverse effect on its business, financial condition, and results of operations.

The Group relies on its OT and IT infrastructure, which may fail or be adversely affected by cyber attacks

The Group's business relies on the efficient and uninterrupted operation of its operational technology ("OT") and information technology ("IT") infrastructure, which includes complex and sophisticated computer, telecommunications, supervisory control, data processing, data acquisition and data monitoring systems (such as Supervisory Control and Data Acquisition ("SCADA") or rented VPN systems). If the Group's OT, or its IT infrastructure, including its control centers, data centers, back-up facilities and emergency recovery procedures, or any other OT or IT used throughout its business, including its automated hydro facilities, were to fail or become subject to disruptions for any reason (including computer viruses, malicious and destructive code, phishing attacks, and denial of service attacks), such failures could lead to significant increased costs (including to repair the plant or other assets), reductions in available capacity and output and critical data, which could result in loss of personal data, financial losses and reputational damage to the Group, or loss of customers, particularly where the IT impacted is customer-facing. As the Group's assets are a critical part of the national infrastructure, they also may become the target of politically motivated

actors, including by way of cyber-attacks which could disrupt the Group's OT or its IT infrastructure (see also "*Hostilities with neighboring countries and civil unrest in Ukraine or other Eastern European states may adversely affect the economy of Romania*").

The IT security systems set up by the Group to help prevent cyber-attacks or leaks of sensitive information could be breached by cyberattacks. In addition to adversely impacting business operations, a failure in the Group's operations monitoring systems (which focus on plant availability, activity and efficiency, operational oversight, customer communication channels, maintenance and predictive maintenance, health and safety, and compliance with environmental laws and regulations) could lead to non-compliance with permit requirements and the imposition of fines or penalties, as well as potential system failures.

The Group's software system is mainly based on license agreements and not custom proprietary software. Therefore, the Group is subject to non-negotiable, standard warranties and limitations of liability (as set by the software manufacturers) for using the software. Hence, there are no separate sets of warranties to accommodate the Group's specific needs or requirements.

IT security breaches could lead to shutdowns or disruptions of the Group's systems and potential unauthorized disclosure of confidential information or data, including personal data. The Group may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. Any such OT or IT security breaches and other issues in the future could have a material impact on the Group.

Any of these occurrences could negatively impact the Group's revenues and could have a material adverse effect on its business, financial position and results of operations.

The migration of the Group's legacy IT infrastructure to new integrated IT systems may encounter difficulties and delays

As part of its digitalization efforts, the Group is in the process of implementing an integrated CRM Salesforce and SAP IS-U (including Smart Energy Water software) systems to replace its legacy IT infrastructure, related to the supply business, and assist the Group's management with overview of all commercial activities, as well as daily management activities, including billing. At the same time, the current SCADA portal⁴ that the Company uses is intended to be replaced by new modernized and centralized system, the roll-out of which is to be completed in the next years.

There are risks associated with such IT projects that are inherent in all data migration projects, such as those arising from inadequate setup and structuring, data corruption during migration, poor data quality in the legacy system and lack of correct data cleansing, as well as those arising from the lack of timely and effective training of relevant personnel to correctly and efficiently use the new systems.

Any failure in such integrated systems or in their implementation may result in loss or corruption of customer and operational data. Any such possible loss or corruption of such data may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may not be able to hire or retain enough qualified staff, including members of its senior management team

The Group's operating success and its ability to carry out its growth plan depend on the abilities, skills and experience of its senior management and other key personnel. Experienced and capable personnel in the energy industry is scarce and the Group faces significant competition to recruit such personnel. Moreover, some of the issues the Group's assets are facing are quite challenging from technical point of view, as well as logistically such as replacing parts in the large generation units and gates of Portile de Fier 1. Consequently, if the Group's experience employees leave or retire, especially with its engineers, the Group may have difficulty, and may have to incur significant costs, in replacing them. If the Group were to lose members of its senior management team, including members of its Supervisory Board and management board of the Company ("**Management Board**"), the Group may be unable to replace them with persons of commensurate experience and skills or to do so in a timely manner, especially given the lengthy and complex process of senior management appointment under the provisions of Government Emergency Ordinance 109/2011 ("**GEO 109/2011**").

Any failure to hire or retain a sufficient number of experienced, capable and reliable personnel, especially those in management positions with appropriate professional qualifications, or to recruit or retain skilled

⁴ SCADA is a control system architecture comprising computers, networked data communications and graphical user interfaces for high-level supervision of machines and processes.

professional and technical staff in pace with its growth, may result in a loss of organizational focus, poor execution of operations, an inability to identify and execute potential strategic initiatives such as expansion of capacity or even higher costs, if the Company has to outsource some of its activities. The occurrence of any of these events may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may face strikes or other labor disruptions at its facilities

The Group's employees are instrumental to the successful implementation of its business strategy. The Group's employees have certain bargaining or other rights and are covered by collective bargaining agreements, which are renegotiated, as a rule, on a two-year basis. Law 367/2022 on social dialogue reduced the minimum percentage of employees/workers of a company required for a trade union to become representative from 50%+1 to 35%, creating the premises for more than one representative union to have collective negotiating rights and also allowing in certain conditions for non-representative unions to come to the negotiation table through union federations they are affiliated to. Under the same law, employees in the units of the National Energy System (the "NES"), such as the Company, are permitted to strike so long as at least one third of the normal activity is ensured and distributed throughout the day, which does not endanger the life and health of the population and/or the safe operation of the installations in such unit. If the Group's relations with its workforce or the trade unions deteriorate for any reason, including as a result of changes in compensation or any other changes in the Group's policies or procedures that are perceived negatively by its employees or the trade unions, or if the Group is unable to successfully conclude any future collective bargaining agreements with the trade unions, the Group may experience a labor disturbance. Furthermore, labor disruptions, strikes, disputes with trade unions and other similar actions may lead to delays and increased costs, as well as to a loss of customers if any of these actions causes any member of the Group to become unable to meet its customers' service expectations in a timely manner and to provide an appropriate level of customer care.

Any strikes, work stoppages or other labor unrest could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

The Group does not carry insurance on many of its assets, and its insurance coverage is not sufficient to cover all material losses it may sustain

The Group carries insurance coverage for a limited list of risks (including Directors and Officers insurance) and it does not currently carry any business interruption insurance or insurance for its material hydro production facilities.

In addition, the Group's dams and power plants are critical assets that require regular maintenance and modernisations to ensure their safe and reliable operation. As these assets age, they may become more vulnerable to structural and operational failures, which could lead to accidents, downtime, and increased costs.

The Group may face material losses relating to operational hazards, unforeseen interruptions or other accidents relating to the Group's uninsured assets, or any other unexpected occurrences for which insurance coverage is not available for the Group, all of which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is dependent upon services provided by the TSO and OPCOM

The Group is dependent upon services provided by third parties, including the TSO (Transelectrica), which is the sole operator of the electricity transmission grid, and OPCOM, which manages the trading system within the electricity wholesale market. For further descriptions of the TSO and OPCOM, see section "Industry — Overview and Key Trends — Market participants". A failure by any of them to provide the relevant services to the Group for any reason could expose the Company to operational and therefore financial risks. For example, due to works on the TSO lines there is the possibility of restricting the evacuation at any of the plants, including for bigger plants, such as Lotru. Thus, the Company may record losses resulting from failure to evacuate energy that could have been produced.

In addition, the Group's ability to maximize its generation capacity and increase its electricity production depends on the ability of the transmission and distribution grids to handle greater volumes of electricity. Power restrictions may be imposed by Transelectrica which do not allow for the injection into the NES of the entire power produced by the Group's facilities. Any disruption to electricity distribution or transmission, including forced outages affecting any of the transmission or distribution grids that the Group relies upon, as well as constraints on the ability of the transmission and distribution grids to handle greater volumes of

electricity, could result in decreased production volumes and sales, and therefore decreased revenues of the Group.

The Group is subject to changes in demand for the power reserve services and other ancillary services provided by it

The business of the Company comprises regulated services, including the provision of ancillary services to the TSO in Romania, to ensure the flexibility and stability of Romania's electricity system. This line of business ensures the operational stability of the NES, at the request of the TSO, by provision of services of secondary control reserve, UP fast tertiary reserve, DOWN fast tertiary reserve and reactive energy discharged or absorbed from the grid into the secondary voltage control band.

The Group participates in auctions on a daily basis to provide such services to the TSO. Considering the current installed capacities available to bid in the auction and regulations of the auction, the main HPPs of the Group currently required to provide ancillary services are Iron Gates 1, Vidraru and Lotru, accounting for approximately 95% of the secondary reserve and 30% of the tertiary reserve provided by the Company. In addition to these, the Group's hydropower plants positioned first at the head of rivers with great lakes behind (Galceag, Sugag, Mariselu, Raul Mare Retezat, Ruieni, Remeti, and Stejaru) also contribute significantly to the tertiary reserve.

The nature and volume of services sought by the TSO may change. To the extent the Group's existing power reserve and ancillary services are no longer required to the same extent (or at all) in the future, or the Group is not selected as the provider of these services, and the Group is unable to replace these with new ancillary services, this has the potential to impact negatively the Group's revenues, which could in turn have an adverse effect on the Group's business, financial condition and results of operations.

The Company is exposed to frequent changes in tax legislation applicable to it and frequent inspections by fiscal authorities

The Company is exposed to changes in the energy specific tax laws and regulations, among other obligations, which affect its operating expenses. As a recent example, Law 357/2022 for the approval of GEO 119/2022 ("Law 357/2022") published on 16 December 2022 modified the method of computing net monthly revenue for the purposes of calculating the tax for electricity producers, by limiting the revenues in scope only to electricity produced and sold or transferred between segments and limiting the costs in scope only to the balancing costs capped to 5% of the revenue from electricity produced or transferred between segments.

Romanian tax authorities, through the General Antifraud Fiscal Division, performed three controls at the Group with respect to the tax for electricity producers: (i) two for the September-December 2022 period (which were concluded in a report issued on 11 April 2023 for the Company and a report issued on 12 April 2023 for Crucea Wind Farm) and (ii) one for the period April-August 2022 (which was concluded in a report issued on 19 April 2023). In the report issued on 11 April 2023, the authorities did not make any changes to the method of computing the tax for electricity producers or to the method of computing the transfer price from its production portfolio to its supply portfolio, but raised an issue on the date from which the Company applied Law 357/2022 (16 December 2022). Following such conclusion, the tax authorities applied Law 357/2022 retroactively, namely from 1 September 2022, thereby computing an additional tax of RON 62.1 million, which the Company paid and challenged to ANAF and intends to further challenge in court, if needed.

As a large tax contributor in Romania, the Company is subject to inspections by tax authorities with potentially unpredictable consequences to it (including fines, payments, impositions of additional amounts following reassessment of various expenditures and deductions and referral of certain matters, according to the regular practice of the tax authorities, to other authorities such as the prosecutor's office), which could have a material adverse effect on its business, results of operations and financial condition.

Legal and regulatory risks

The Group is subject to increasingly stricter and complex environmental and water management regulations and may be exposed to significant liabilities for any failure to comply with such regulations

Power generation is subject to risks of causing environmental damage, such as accidental water pollution with petroleum products, negative impact on environmental elements, and energy loss due to the obligation to ensure the ecological flow. Therefore, given the specific risks of power generation, the Group is subject to numerous international, national and local environmental laws and regulations, which are becoming

increasingly cumbersome. The Group is required to satisfy numerous operating and monitoring conditions for environmental protection, such as monitoring of water levels variation in reservoirs, monitoring of noise levels at the site boundary, monitoring of turbinated water volumes, prevention of accidental loss of petroleum products, biodiversity protection and monitoring in the facilities located in natural protected areas, monitoring of environmental impact of windfarms, including noise emissions, and impact on wildlife, sanitizing the surface of the water gloss.

The presence of natural protected areas, such as Natura 2000 sites, overlapping or in the vicinity of the locations of the Company's existing facilities or new developments may have a significant impact both on the current activity and the development of new investment or refurbishment projects of the Company, adding to the complexity of the process for obtaining the relevant environmental approvals, environmental endorsements and environmental permits, as complex assessments of the environment impact must be undergone (for more details please see section "*Regulatory Matters — Environmental Regulations — Assessment of the impact of certain public and private projects on the environment*"). Some of the investment projects of the Company (Jiului river hydropower development ("**hydropower development**" or "**HPD**") on Livezeni-Bumbesti section, Narrows Olt river on Cornetu-Avrig section HPD, Pascani HPD on Siret river, Rastolita HPD, Surduc-Siriu HPD, Siret river HPD on Cosmesti-Movileni section, Olt river HPD on Izbiceni-Dunare section; Islaz hydropower plant and Cerna Belareca HPD; Hydrotechnical Facility Cerna-Motru Tismana, second stage), have been exempted from the application of certain stages of the environment impact assessment procedure, but the Company must still prepare for these projects the environment impact assessment report, including the appropriate assessment study and the water bodies impact assessment study, which will be subject to the authorities' analysis and approval. If the relevant authorities conclude that a plan, program, project or activity has a negative impact on the environment or the National Agency for Protected Natural Areas and/or the administrators of the respective protected natural areas of national or international interest do not provide their approval due to the potential negative impact on the environment or to specific restrictions set out by the regulations applicable to a certain natural protected area, the issuance of the environmental approval, endorsement or permit may be denied or certain restrictions for the development and/or operation of the facility may be imposed, to ensure protection of the environment or of certain species or habitats. Moreover, there is a risk that the GEO setting out the mentioned exemption that benefits the Company is rejected by the Parliament.

The Group is a major user of national water resources and must comply with laws and regulations applicable to the use of water for electricity production purposes, discharge of turbinated and drain water. The Group is obliged to conduct its activities in accordance with the water management permits issued by the relevant authorities. These regulations may not always set out clear requirements for compliance, and at times may be ambiguous, resulting in a potential breach by the Group. For example, unclear legal provisions related to the sanitizing of the surface of the water gloss have been interpreted by some authorities and/or courts of law in the sense that the Company has the obligation to clean the floats brought by affluents on the entire surface of the lake, and not only in the area of the retention front, imposing fines on the Company based on this interpretation. In addition, the continuous bringing of floating objects by affluents, following rain showers, is a phenomenon that cannot be kept under control by the Company in real time, exposing the Company to potential liability during the period of time needed to clean the floating objects brought by affluents after a rain shower (as it was the case of a fine in amount of RON 180,000 imposed to the Company in August 2021, at the Izvorul Muntelui reservoir and dam). More recently, the Company's obligation to clean up the gloss of the entire surface of the reservoir has been explicitly introduced in the water management permits. The Law 107/1996 is also unclear on the extension of the validity of the water management permits, which do not set out a deadline for the relevant authorities to extend the validity of the water management permits, causing thus, in practice, delays in the extension of the validity of the water management periods, during which time the validity of the water management permits and related obligations may be challenged.

The Group may not be in compliance with all applicable environmental laws, regulations or requirements or environmental permits. In 2022, an accidental pollution with petroleum products occurred on the Danube River following which the Company received a fine which was challenged in court on the basis that the Company considered the pollution products to not have resulted from activity of its Iron Gates HPP. Similar incidents might occur in the future, resulting in additional costs, damages, fines and other complementary sanctions such as suspension of the operation of the hydropower plant or suspension of related operation permits. Any incidents of environmental damage may result in disruption to the Group's hydropower plant activities, services, projects and operations, and result in reputational harm to the Group; significant liability may also be imposed on the Group for clean-up costs, damages to third parties or penalties for non-compliance with environmental laws and regulations.

In order to achieve the environmental objectives, set out by the environment protection legislation, the European and/or national relevant authorities may adopt and implement projects that may impact the Company's activity, causing the Company to make certain investments at its hydropower plants in order to comply with the obligations imposed by the relevant authorities. Such projects may cause the reduction of the water volume for energy production, which may lead to the Company producing less energy. For example, the Company is part of the "We Pass" project, which is an initiative aiming to facilitate fish migration in the Danube River Basin.

Furthermore, the development of new hydropower capacities may be challenged by opposition from environmental groups based on the increasingly stricter environmental and water management regulations. This opposition may result in stoppage or delays in the construction of new capacities (as it was the case with Bumbesti-Livezeni, the Surduc-Siriu – the stage Surduc Nehoiasu HPD, the Rastolita HPD, the Bistra-Poiana Marului-Ruieni-Poiana Rusca HPD or the Cerna-Belareca HPD) or increased costs due to the need to address the concerns of these groups or even in the demolition of the capacities subject to challenges. This may lead to the failure to implement the growth plan, and lead to lower volume of produced energy (and thus lower revenues) than that expected on basis of the new hydropower capacities and exposure of the Company to significant liability and costs related to the demolition of the capacities subject to challenges and restoration of the environment. New hydropower plants also depend on resources that the Company may not dispose of, such as the land needed for investments. For example, in the absence of expropriation, it may be possible that some investment works (such as for Rastolita HPD or Racovita HPP from the HPD of the Olt River on the sector Cornetu – Avrig) will not be operational at capacity to generate electricity at the approved level.

European or local authorities may impose even stricter water management and environmental standards than those currently in effect, or enforce or interpret the existing laws, regulations or licenses in a different or more stringent manner than they are currently enforced or interpreted. In such circumstances, the Group may be required to obtain new or revised permits, undertake further expenditure to modify its operations, ensure better working conditions, install pollution control equipment, introduce measures to reduce the impact of the Group's activities on the environment, curtail or cease certain of its operations, or to pay fees or fines for breaches of water management or environmental regulations or standards.

If any of these risks materialize, this could have a material adverse effect on the business, financial position and results of operations of the Group.

The Company may not be able to comply with recently introduced water management legal obligations

National Water Management Plan and article 53(4) of the Water Law 107/1996 (the "Water Law"), damming or water capture works located on watercourses must be provided with installations/constructions that ensure downstream an easement flow (consisting of the ecological flow and the minimum flow required by downstream users), as well as, if the case, with constructions that ensure the migration of the aquatic fauna (especially fish). With effect from 10 November 2017, Government Emergency Ordinance 78/2017 ("GEO 78/2017") introduced a requirement to also preserve the ecological flow, in order to protect the environment (see also "*Regulatory Matters — Environmental Regulations — Water Management*" for further information).

Further legislation, which entered into force on 26 February 2020, introduced a method of calculating the ecological flow through hydrological studies prepared by public or private institutions certified by the Ministry of Environment Waters and Forests and expertized by the National Institute of Hydrology and Water Management (INHGA).

In order to comply with these requirements, the Company must commission hydrological studies to calculate the ecological flow, and, at a later stage, commission technical-economic studies establishing whether there is a technical infeasibility or the disproportionality of costs for compliance with requirements regarding the easement flow (which includes the ecological flow). Where there is a technical infeasibility or disproportionate costs, the Company is relieved from the obligation to comply with the new ecological flow related requirements. The Company has organized public tenders to appoint a third-party provider to perform the needed calculation, but failed to close the tender process for the first tender, while the contract executed with the third party appointed following the second tender was terminated by the Company due to the provider's failure to deliver the hydrological studies within the agreed contractual deadline. Therefore, following a third tender process, the Company concluded a contract with a third-party supplier, having as object the acquisition of 103 studies determining and calculating the ecological flow relating to the 282 barred sections (79 dams and 203 secondary impoundments), for which the Company has the obligation to

perform the relevant studies and works to comply with the above-mentioned legal provisions. As of the date of the Prospectus, the contract is still ongoing.

In light of delays in and amendments to the applicable regulations, the Company's difficulties in contracting with a third-party provider to prepare such studies, and the failure of a third-party provider's to deliver the hydrological studies within the agreed contractual deadline, the Company has not yet completed required technical-economic studies, which were required to be produced by 5 November 2022. This status was disclosed by the Company to the ANAR.

Should the Company be found in breach of its obligation to have finalized the hydrological and technical-economic studies, the validity of the corresponding water management permits may be questioned. The implementation of measures to ensure the easement flow is complied with may also reduce the water volume for the Company's energy production, which may lead to the Company producing less energy. All these may have a material adverse effect on the business, financial position and results of operations of the Group.

The regulatory framework for CEPM could materially and adversely impact the Group's activities and operations

Following price increases on the international electricity markets, the CEPM mechanism was implemented in Romania with effect from 11 November 2022, pursuant to which OPCOM purchases electricity from generators and sells the purchased electricity to, among others, suppliers (for details, see risk factor "Changes in regulations or government policies, particularly as a result of increased governmental intervention in the electricity market, could materially and adversely affect the Group's business" and section "Regulatory matters — Energy Matters — The Energy Market in Romania — Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production — GEO 153/2022 introducing mechanism of centralized acquisition of electricity (CEPM)"). There are several rules for determining the total estimated available energy from which to extract the 80% of such energy which is subject to the CEPM mechanism. These rules may prove from time to time to be insufficient, deficient or open to conflicting controversial interpretations in the market by the regulators and competent courts.

For example, in calculating the energy available to sell through CEPM for the year 2023, the Company has deducted from the total estimated available energy the quantities of electricity from contracts already concluded as at 11 November 2022 both for wholesale and retail businesses, which is the date when the law introducing CEPM entered into force. Such deduction included volumes of estimated electricity with respect to such contracts to be transferred internally between the Company's production and supply lines of business. There is no assurance that this approach will be authorized by ANRE in the future years.

Similarly, while it is clear that new contracts do not qualify for this exclusion, the legal provisions are not clear as regards the extensions and prolongations of existing contracts and the Company's interpretation on this matter may differ from that of ANRE. Therefore, there is a risk that the Company is obliged to sell on the CEPM a volume of energy higher than anticipated, which triggers a lower volume of energy available for the Company to transfer from production to the supply business. The consequence of such decrease is that the Company might not have sufficient energy to honor its supply commitments. Further the Company may be required to purchase such energy from the CEPM at a price which is currently fixed at RON 450/MWh or from the free market. In case the Company is required to such purchase of energy at a price higher than the internal transfer price applied as at the date of this Prospectus, the margins obtained by the Company could decrease significantly or even result in a loss. Any such adverse interpretation of the CEPM legislation or any further change to such legislation could have a material and adverse effect on the margins that the Company achieves and, accordingly, its results of operations.

Company's title over certain real estate properties may be deemed uncertain

Ownership title certificates over certain real estate or constructions could be successfully challenged in court

The Company derives its ownership title over certain real estate assets as successors of National Electricity Company S.A., its predecessor entity. Ownership over these land plots is evidenced by ownership certificates issued pursuant to Law no. 15/1990 and GD no. 834/1991. Such certificates were issued by the public institutions at the time involved in the Company's predecessor's business (including, for example, the Ministry of Economy and Commerce (the "Ministry")) following review of the relevant documentation by an appointed commission. The commission is obliged to consider the legal regime of the titles over the land plots in question (including, but not limited to, all relevant laws, orders, decisions, agreements, approvals),

as well as the plans and schedules thereof, to determine, among others, the extent of the land plots to coordinate the cadastral measurements, and to review the issue of ownership certificates.

Ownership certificates can be generally challenged and voided if it can be proven that either the company seeking the issuance of an ownership certificate in its name did not require the land for which the ownership certificate was issued in order to perform its activity or the commission establishes that the company did not undertake all necessary verifications and obtain all mandatory documents and/or approvals before the issuing of the ownership certificate in question. Even if an ownership certificate has been issued, one cannot rule out the possibility that the Company may lose the respective land or, most likely, part of it, following a final court decision in favour of a third party. Such party should claim the return of the respective plot of land in his ownership based on the restitution set of laws, arguing that he is being a person entitled to such restitution since the communist state took over the respective plot of land during the period 1945-1990. In this respect, there are case law where courts asserted that a restitution claim (where the court compares two titles) is still possible, as such claim is not subject to any statutes of limitation and may thus be filed by the interested persons at any time.

Therefore, in addition to the risk of restitution litigations and overlapping litigations with neighboring properties (see "*Business — Legal proceedings — Real estate litigation*"), there is also a risk for actions being initiated for the annulment of such certificates. Although each restitution or overlapping litigation against the Company individually may not have a significant impact on the Company's overall property ownership rights, the aggregate number of such litigations collectively or a litigation affecting a material asset for the activity of the Company could have a material and adverse effect on the operations, financial condition and prospects of the Company. Furthermore, the surface areas and the boundaries of the properties owned by the Company, as registered with the land registry, are not always accurately recorded or cross-checked against those of other registered properties. This makes the titles over such properties vulnerable to claims with respect to the extent of their boundaries.

Given the complexity of the development of the energy market in Romania and the number of the restructurings of State-owned companies involved, the specific circumstances relating to the ownership rights acquired under Law no. 15/1990 and GD no. 834/1991 and the generally complex issue of real estate ownership rights in Romania, there can be no assurance that the ownership rights of the Company over certain real estate or constructions will not be successfully challenged in the future. In the event that a material number of ownership certificates owned by the Group are subsequently challenged, this could have a material and adverse effect on the operations, financial condition and prospects of the Company.

Several building permits for certain new HPPs have been challenged and/or cancelled in court due to environmental issues

The Company experiences environmental related claims with respect to several HPDs (for more details please see "*Business — Legal Proceedings — Environmental Litigation*") for which building permits have been issued, including Livezeni Bumbesti, Rastolita, Surduc-Siriu, Cornetu Avrig, Belareca, Pascani pe Raul Siret, Bistra – Poiana Marului HPDs.

While only for some of these, the Romanian courts issued final decisions cancelling the building permits and/or backing environmental approval, such as in the case of Bumbesti-Livezeni HPD and Surduc-Siriu HPD, this may happen also for other pending investments, which are subject to pending litigation and/or administrative challenges, such as Rastolita HPD and Bistra-Poiana Marului-Ruieni-Poiana Rusca HPD, or have not been challenged yet and for which the permitting procedure has been finalized or is pending.

The consequence of a final court decision ruling the cancellation of a building permit (for environmental issues or for any other irregularities) is the potential demolition of the already performed constructions, which may trigger significant costs to be incurred by the Company.

Ownership right of the Company over underground constructions may be challenged

Most of the HPPs have an underground component which is not registered with the relevant land registers. Generally, the owner of the land is also deemed under the law as the legal owner of the underground constructions of such land, based on the legal accession principle set out by the Romanian Civil Code. However, there is a residual risk that hydrotechnical constructions of certain HPPs may extend under neighboring lands belonging to third parties, and such third parties (under whose land the HPP or part thereof is located) may claim ownership rights over the construction based on the accession principle.

Any or all of the above risks could have a material and adverse effect on the operations, financial condition and prospects of the Company.

The selection process for the Management Board has been challenged in court, and thus some actions of the Company's directors may be subject to challenge

The selection process of the members of the Company's Management Board is set out in GEO 109/2011 and the Companies' Law. This process includes several steps as further detailed under section "Management — Main steps of the selection process of board members as set out by GEO 109/2011".

The current Management Board was initially appointed in June 2019, with a mandate until 10 June 2023. The process by which the Management Board was selected in 2019 was challenged by a former employee and manager of the Company (the claimant). The claimant was nominated on the short list of candidates for the position as a member of the Management Board but did not gather enough votes from the Supervisory Board to be appointed for such position. The claimant alleged discrimination and lack of transparency of the selection criteria, as well as a series of procedural breaches of the rules set out by GEO 109/2011 and requested the court to cancel the 2019 selection process, to cancel the appointment of one of the members of the Management Board, as well as to order the Company to organize a new selection process. On 12 April 2022, the Bucharest Tribunal ruled in favor of some but not all of the claims; it cancelled the selection procedure and ordered the Company to initiate a new selection process, but did not cancel the appointment of such member. The Company's first appeal of the decision was rejected by the Bucharest Court of Appeal on 1 March 2023. The Company has lodged a second appeal with the Supreme Court of Justice of Romania (a hearing yet to be scheduled) and obtained the suspension of the effects of the Bucharest Tribunal decision. The Supervisory Board re-appointed the members of the Management Board on 7 April 2023 for interim mandates of four months, as further detailed in the section "Management — Management Board".

The Bucharest Tribunal's ruling, affirmed by the Bucharest Court of Appeal, covered the 2019 selection process by which the Management Board was selected but did not directly challenge the decision of the Supervisory Board by which the current members of the Management Board were appointed, nor any decisions made by the selected Management Board or deed signed by the selected Management Board on behalf of the Company. Nevertheless, an interested person (which could include the original claimant in the court proceedings) could request a court to declare the 2019 appointment of the members of the Management Board null and void since such appointment was based on a list of candidates that was produced in a selection process that had been annulled in court. The Company has been advised by outside legal counsel that, under the provisions of the Companies' Law and in line with the majority of the doctrine and jurisprudence, decisions of a company's supervisory board cannot normally be challenged by third parties and only the general meetings of shareholders may exercise such control; accordingly, the 2019 decision by the Company's Supervisory Board to appoint the current members of the Management Board should not be impacted. However, a court may disagree with this legal analysis, and in such case, some of the acts concluded by the members of the Management Board may be subject to uncertainty. It is possible to argue that the deeds signed and actions taken by the Management Board from the time of their appointment until 1 March 2023 (being the date when the decision of the Bucharest Tribunal became enforceable) remain valid, primarily on the basis that both the Management Board and any third party were acting in good faith since it was apparent that the Company was represented by duly appointed directors with full powers of representation. However, there is likelihood that the deeds signed and actions taken by the Management Board from 1 March 2023 until 7 April 2023, if not ratified, may be successfully challenged in court by persons showing a relevant interest (for example contractual counterparties), on the alleged ground that they have been approved by a body composed of members with invalid mandates and executed by directors not representing the Company.

Were litigation to be initiated against the previous mandates of the current members of the Management Board and found successful by court decision, and challenges be made against acts concluded by the Management Board, especially against those concluded from 1 March 2023 to 7 April 2023, such acts could be determined to be null and void. Were acts not to be approved and/or ratified by the GMS, the Company could be liable for damages or required to unwind transactions and any such occurrences could materially and adversely impact the Company and its reputation, business, financial position and operating results.

The Company was late with issuing invoices to supply customers and may continue to be late in issuing such invoices and thus could face delays in collecting the outstanding revenues and be subject to regulatory sanctions

The Company issued invoices to supply customers with delays that exceeded, in some cases, several months or, in some cases, years, due to adjusting to changing regulatory landscape, implementing new billing IT software for supply activity (see also "The migration of the Group's legacy IT infrastructure to new integrated IT systems may encounter difficulties and delays" above), shortage of personnel, as well as

dealing with a material increase in the number of new customers during a relatively short period of time. These delays were also mentioned in the Court of Accounts reports of 2022. The Group's unbilled revenues included in trade receivables reached RON 2,044.7 million at 31 March 2023 (RON 1,116.0 million as at 31 December 2022, RON 540.5 million as at 31 December 2021, RON 264.8 million as at 31 December 2020).

The Company is seeking to improve issuing the outstanding invoices to its supply customers and expects the receivables to come down in due course. Until then, the Company may not be able to collect all of the outstanding revenues, as some of the customers have challenged in court the invoices issued with a delay or some of the amount invoiced, and more customers may proceed to do so, which may delay the collection of the funds, as such will only be due after the challenge is settled. In some cases the challenge could settle in court and this will bring additional delays in collecting revenues, until the last instance court ruling on the matter is final. This may take a longer period of time. Moreover, the Company may not be successful in such a court proceeding which would mean that the Company would not collect the outstanding revenues and would face the costs of the legal proceeding. Further, as it has issued invoices with a delay, the Company has faced fines from ANRE of RON 3.2 million for the period between 1 January 2021 and 31 March 2023. The most recent fine from ANRE is dated March 2023 and amounts to RON 0.4 million. The Company may face further higher fines from ANRE and other regulators, including tax and consumer protection authorities, and fines and penalties for delayed payment of VAT, particularly as the number of customers to whom the invoices have been issued with a delay is expected to increase. All these may have a material adverse effect on the business, financial position and results of operations of the Group.

The Company has operated under a concession agreement which might not have been in force for 11 years

The Company is the beneficiary of the concession agreement no. 171 dated 27 December 2004 (the "Concession Agreement") for the operation of its hydropower plants, entered into between the Ministry of Economy and Commerce, as entity granting the concession, and the Company, as beneficiary (for details on the agreement please see "Business — Material Contracts — Concession Agreement"). Under the energy law in force at the time when the Concession Agreement was signed, the Concession Agreement was required to be published by the Ministry in the Official Gazette. Although signed in 2004, the Concession Agreement was published in the Official Gazette of Romania, Part I, only on 30 April 2015, namely 11 years after its execution; therefore there is a risk that the Concession Agreement was not effective during such period of time. To the Company's knowledge, concession agreements of some of the electricity distribution companies in Romania were also not published in the Official Gazette. The relevant legal provision requiring such publication did not provide for a specific sanction and was repealed in 2012. Although the statute of limitation could be successfully used as a defense, if the rights of the Company under the Concession Agreement are challenged as having been exercised under an agreement which was not yet in force, this may have a material adverse effect on the Group's business, results of operations, financial condition or prospects until such time as this publication was made.

The Group may be unable to detect or prevent ethical misconduct or breaches of applicable anticorruption and sanctions law committed by its employees, counterparties or other third parties

The Group has implemented compliance policies and procedures and related learning tools or tests with respect to applicable anti-corruption, anti-money laundering and sanctions laws based on legislations applicable in Romania (excluding other jurisdictions, such as United States), to ISO 37001 Anti-bribery Management Systems and to OECD Good Practice Guidance on Internal Controls Ethics and Compliance. Given the size of the Company and of the Group's business, internal controls implemented in order to prevent and identify violations of these policies and procedures may be circumvented by persons in the position to execute assigned internal controls. There can be no assurance that the Group's employees, counterparties or other third parties involved in the Group's activities will not violate its compliance policies and procedures or any other applicable laws in the future which may involve the Group, and the Group may not always be able to detect or prevent any such misconduct or breach of laws, including anticorruption laws. For example, in the criminal litigation 49438/299/2022 the Company accused a former employee representing the Company in the relation with banks of having falsified documents from August 2013 to December 2014 to embezzle from the Company amount of approximately RON 1.19 million.

Any such incidents of ethical misconduct or non-compliance with applicable laws may lead to material losses suffered by the Group, may subject the Group to significant fines, may prevent the Group from participating in certain projects or activities, may result in loss of trust in the Group by the general public and/or contractual counterparties or may lead to other consequences, including, but not limited to, the

termination of certain business functions or existing contracts, which may in turn lead to a material adverse effect on the Group's business, results of operations and financial condition.

The Company is subject to commitments proposed following an investigation by the Romanian Competition Council

Following an investigation initiated in 2018 by the Romanian Competition Council (the "RCC") with respect to a possible abuse of dominant position by the Company on the electricity production and trading market, the Company undertook to fulfil certain commitments in order to eliminate the anti-competitive concerns raised by the regulator, rendering the said investigation closed.

The investigation focused on the possible abuse of dominant position of the Company, represented by limiting the trading of electricity on the DAM by making sale offers at prices above the market level. According to the RCC, the effects of this practice were seen both on the DAM, by closing the market at prices higher than those that would have been obtained if more hydropower transactions had been carried out, and on the balancing market, by increasing the imbalances and therefore the demand on this market, where the prices recorded for transactions involving increased power are always significantly higher than those recorded on the previous markets. The RCC found that the strategic bidding behavior adopted by the Company was a behavior likely to lead to an artificial increase in the price of electricity to the disadvantage of consumers in Romania.

Following the investigation, the Company accepted to undertake certain commitments concerning the way in which it will trade the electricity both on the DAM and on the balancing market, presented in the form of a package of behavioral measures aimed at increasing the quantities of electricity offered on the DAM and preventing price increases on the DAM, as well as structural measures to separate, at organizational level, the bidding activities on the DAM and the balancing market in order to avoid combining bidding strategies on the two markets. The implementation of this set of measures are aimed to lead to direct and immediate benefits for all participants in the electricity markets, including an increase in the quantities traded by the Company on the spot markets and to a decrease in energy quantities representing imbalances generated in NES, which can affect consumers by raising the price of electricity.

For three years starting from June 2021, the RCC monitors the Company's implementation of its commitments discussed above, during which the RCC may make periodic verifications, requesting information and documents. In accordance with the relevant competition laws, in case of closure of an investigation following the acceptance of commitments, the RCC may, upon request or ex officio, reopen the investigation procedure when: (i) there is a material change in any of the facts on which the decision was based; (ii) the respective company acts contrary to the commitments given; or (iii) the decision was based on incomplete, inaccurate or misleading information provided by the concerned parties.

Failure by the Company to comply with its commitments undertaken following the investigation initiated in 2018 by the RCC, may lead to fines imposed on the Company of up to 10% of the total turnover obtained in the year preceding the sanction, which could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

The legal regime in Romania continues to develop, which may create an uncertain environment for business activity and investment

The uncertainties relating to the Romanian legal and judicial system could have a negative effect on the economy and thus create an uncertain environment for investment and for business activity. Compared to more developed jurisdictions, the court system is underfunded. The legal system of Romania has undergone dramatic changes in recent years as a result of its European Union ("EU") membership and generally being aligned with countries with more developed legal jurisdictions. In many cases, the interpretation and procedural safeguards of the new legal and regulatory systems are still being developed, which may result in the promulgation of new laws, changes in existing laws, inconsistent application of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations. Generally, in civil law jurisdictions such as Romania, judicial decisions have limited or no precedential effect and therefore courts may not be bound by earlier court decisions taken in the same or similar circumstances, which can result in inconsistent application of such countries' legislations to resolve the same or similar disputes. Additionally, in certain circumstances, it may not be possible to obtain the legal remedies provided for under relevant laws and regulations in a reasonably timely manner or at all.

The credibility of the system may be put at risk by issues raised with respect to the integrity of public servants and officials, as well as by high level corruption cases. Measures to mitigate such risks, such as the ex-ante verification of conflicts of interest in the awarding process of public procurement contracts were

implemented (such as improvements in court practice in terms of indictments and convictions of powerful political figures, magistrates, and public figures).

A lack of legal certainty or the inability to obtain effective legal remedies in a reasonably timely manner, as well as any of the above issues affecting the legal system of Romania, may have a material adverse effect on the Group's business, financial position, prospects and results of operations.

The Group is subject to various legal proceedings and there can be no assurance that any provisions created by the Group in respect of such proceedings will be adequate to cover potential losses

In the ordinary course of its business, the Group has become subject to a number of legal, regulatory, administrative and arbitration proceedings. For an overview, please see "Business—Legal Proceedings". The number and materiality of such proceedings may be exacerbated by the future expected growth of the Group's operational portfolio.

The results of legal, administrative and regulatory proceedings cannot be predicted with certainty. Even if such proceedings are ultimately resolved in the Group's favor, they may divert a significant amount of the Group's resources and employees' time or result in negative publicity, to the detriment of the Group's business and reputation. In addition to the potential financial exposure that the Group may face in relation to such proceedings, any litigation, whether or not successful, could materially affect the Group's reputation in the market or relationships with its customers or suppliers, and the proceedings or settlements in relation to litigation may involve internal and external costs, which may, even in the case of the successful completion of a relevant proceeding, not be fully reimbursable, divert senior management's time or use other resources which would otherwise be utilized elsewhere in the Group's business. Each of these additional consequences of litigation could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

The Group's Audited Consolidated Financial Statements show provisions created in relation to certain specific proceedings and the Group also records provisions relating to various other risks and charges, primarily in connection with regulatory disputes and disputes with local authorities. As of 31 December 2022, the provisions for litigations amounted to RON 120.4 million which represents the estimate of the amounts that would need to be paid to third parties in the event that the Group loses the court cases. However, the Group cannot give any assurance that such provisions or future ones, where created, will be adequate to cover all amounts payable in connection with any such proceedings. The Group's failure to quantify sufficient provisions or to assess the likely outcome of any proceedings could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

Failure to comply with health and safety legislation could adversely affect the Group

The Group, and in particular its large workforce, undertakes activities which are subject to complex and detailed health and safety regulations and enforcement by national authorities, as well as internal Group extensive procedures. Nonetheless, the nature of business that the Group operates in, including water and power generation, involve a high degree of potential operational risks, including electrocutions, drowning, fires, explosions, mechanical failures, fall from heights, weather-related incidents, transportation or logistical incidents and damage to equipment. The risks tend to be higher at branch level, where the level of safety induction and other health and safety requirements can be variable and not always at high standards. There were several work-related accidents for the Group in the last three years, out of which one accident for Hidroserv resulting in one employee's death in 2020. Moreover, in some of the branches, the employees are exposed to high noise. The Group has to comply with statutory requirements to evaluate occupational noise exposure (Government Decision 493/2006) and to include mitigating measures.

The failure to maintain and implement effective health and safety management and governance could generate significant costs as a result of injury to people, work-related sicknesses and health issues, and potential disruption of service to the Group's customers. It can also lead to claims for employee and third-party compensations and fines or other sanctions for breaches of statutory requirements. Criminal sanctions could be initiated against the Group, its directors and employees, all of which could cause the Group reputational damage. At the same time, the occurrence of poor well-being amongst the Group's workforce caused by improper health and safety management could lead to increased absence and reduced performance levels, which, in turn, could affect the Group's results of operations.

The Group may be exposed to personal data leakages and breaches

The Group collects, stores, and uses commercial or personal data related to customers or employees and contractual partners representatives that are under contractual, national and European legal protection. While

the Group seeks to apply cautionary measures with the view to protecting customers' and employees' data in line with the applicable legal requirements, potential information leakages, breaches or other infringements of the personal data protection legislation may occur in the future or may have already occurred.

The Group has implemented a series of technical and organizational measures to ensure that data is securely processed. However, the risk of security breaches cannot be completely eliminated.

For example, at the level of Hidroelectrica, given the scale of the processing activities, possible breaches of the principles of personal data processing, such as the lawfulness, fairness and transparency principle of data processing cannot be ruled out, (such as, non-compliance with the conditions for the processing of personal data based on legitimate interest or non-compliance with the conditions related to the transparency of processing activities).

At the same time, at the Hidroserv level, situations cannot be excluded that could lead to: (i) possible breaches of the lawfulness, fairness and transparency principle of data processing (such as: non-compliance with the conditions for the processing of personal data on the basis of legitimate interest; non-compliance with the conditions related to the transparency of processing activities; incomplete policy of responding to requests from data subjects); (ii) possible breaches of the processing principle regarding the periods and storage limitations of personal data (incomplete personal data storage policy); (iii) possible breaches of the processing principle concerning the integrity and confidentiality of personal data (in particular, but not limited to: non-implementation of appropriate technical or organizational measures to ensure protection against unauthorized or illegal processing and against accidental loss, destruction or damage of data).

The Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "GDPR") does not specifically state which technical and organizational measures should be put in place by a controller, but it sets a relatively high standard for security measures, which should be designed and implemented in order to avoid personal data breaches. The GDPR states that a controller can be subject to a fine not only for the existence of a data breach, but also for breaching its obligation to implement appropriate measures in relation to handling the privacy and security risks.

Breaches of data protection legislation in any of the Group entities may trigger fines upon the entire Group (which may be up to 4% of the annual worldwide turnover of the Group or EUR 20 million (approximately RON 99.2 million) whichever is higher), indemnification claims, prosecution of employees and managers, damages to reputation and customer churn, with a potential material adverse effect on the business, prospects, results of operations and the financial position of the Group.

The PPAs entered into by the Company may expose it to certain commercial risks such as price fluctuation, default and credit risk

The Company concluded a power purchase agreement ("PPA") dated 30 September 2022 and valid until 31 August 2023, through which it purchases from Nuclearelectrica the required amounts of electricity. In the current regulatory context, the conclusion of PPAs is limited until 31 March 2025 (the last day that CEPM is effective – for more details, please see "*Changes in regulations or government policies, including by way of an increased governmental intervention as regards prices on the electricity market, could significantly affect the Group's business*"). After this date, the Company may purchase or sell electricity through PPAs.

Usually, under such PPAs, the companies sell electricity generated from their projects at a pre-determined price. Accordingly, if such PPA is concluded by the Company and there is an industry-wide increase in prices, the Company may not be able to renegotiate the terms of the PPAs to take advantage of the increased prices.

In the event the Company defaults in fulfilling its obligations under its PPAs, such as failing to supply the minimum amount of electricity specified in any PPAs, the Company may be liable for penalties, and in certain specified events, customers may decide to terminate such PPAs. Further, any failure to supply electricity from the scheduled commissioning date may result in a requirement to pay liquidated damages. The termination of a significant PPA may have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

The financial performance under PPAs is dependent on the credit quality of, and continued performance of, contractual obligations by the Company's counterparties. PPA counterparties may purchase less than the maximum amounts of energy committed with the Company, which may affect the Group's expectations and may trigger an event of default. Further, the failure of PPA counterparties to fulfill their contractual obligations to the Company, whether due to insolvency or otherwise, could have a material adverse effect on

the Group's business, financial condition, results of operations and prospects. Counterparty credit risk can increase when global or regional economies are experiencing periods of volatility.

Any of the above factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Macroeconomic and Geopolitical Risks impacting the Group

Hostilities with neighboring countries and civil unrest in Ukraine or other Eastern European states may adversely affect the economy of Romania

Some Eastern European countries have from time-to-time experienced instances of hostilities with neighboring countries (such as the military conflict in Ukraine and hostilities with Russia in recent years). Political and military instability in the region, determined by the invasion of Ukraine by Russia in February 2022, preceded by the loss of control of the Crimean Peninsula to Russia and the conflict in Eastern Ukraine with pro-Russian separatists in 2014, as well as international sanctions imposed on Russia as a result of these events, may lead to deeply unfavorable economic conditions, social unrest or widespread military confrontation in the region or elsewhere. The effects are largely unpredictable and may include a significant and adverse effect on Romania's economic and financial stability either directly or indirectly. Effects of a military conflict are extremely unpredictable and may have extreme material adverse effects on the Group's operations, on the entire economies of Romania or on Europe as a whole, and may include significant increases in energy prices, drop in investments caused by uncertainty, further economic sanctions which may negatively affect the economies of the Group's operation, significant currency fluctuations, trading and capital flows.

Additional political conflicts, mutual or unilateral embargoes and bans, military activity, separatist activities or terrorist attacks in the future could further influence the economies of Eastern European countries by disrupting communications, making travels more difficult and deterring inwards investment. Such political tensions could create a greater perception that investments in companies in the Eastern European region involve a higher degree of risk. These and other unforeseen adverse effects of the crisis situations in the region could have significant negative consequences for the Group's business, prospects, results of operations and financial position.

The Group is dependent on economic, demographic and market developments in Romania

The Group operates in Romania and as a result may be impacted by events or market developments occurring in the country or its neighbor. Variations in the Romanian economic activity, in particular those with impact on the energy sector, such as government policy or public spending decision, may affect the Group's operations and revenues. Increasing sovereign debt and/or fiscal deficits, or stagnating/decreasing Gross Domestic Product (the "GDP") levels in Romania, may cause sovereign credit ratings downgrades or sovereign defaults, indirectly affecting the ability of the Group or of its customers or counterparties to meet their payment obligations or collect on their payables, potentially affecting the Group's financial position. Furthermore, matters affecting the European Union, such as immigration generally as well as events such as the UK's exit from the European Union (where many Eastern European citizens are currently employed), or the exit of another member state from the EU, have triggered and may in the future trigger an increase in unemployment rates or may affect buying power in the Eastern Europe region, including Romania, indirectly affecting the energy sector in Romania.

Factors affecting the global economy, such as the COVID-19 pandemic, which resulted in increased budgetary spending, inflation, and rises in interest rates and commodity prices, have affected in the past and may materially affect in the future the prospects for economic output and labor markets of Romania, energy demand and energy and commodity prices, as well as access to financing. Without ongoing support from Government in Romania, unemployment rates may rise, businesses may face payment defaults and insolvencies, and economies could face prolonged slow-downs and declines, potentially affecting demand for the Group's services.

The deterioration of economic conditions in Romania or globally, resulting in an increase in unemployment or a decline in real income, or otherwise affecting the energy markets, could adversely affect the financial position of the Group's customers and other counterparties and their ability to meet their contractual obligations towards the Group. These developments in turn could have a material adverse impact on the Group's business, results of operations, financial position and prospects.

Countries in Eastern Europe are subject to greater risks than more developed markets with potential adverse effects from legal, economic, fiscal and political developments

Investors in emerging and frontier markets, such as Romania, should be aware that these markets are subject to greater legal, economic, fiscal and political risks than mature markets and are subject to rapid and sometimes unpredictable changes. In general, investing in the securities of issuers with substantial operations in emerging or frontier markets, such as the Eastern Europe region, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the countries of Western Europe or other similar jurisdictions. Changes in economic and political situations in one emerging or frontier market country may have a negative or consequential impact on the economic and political situation in other emerging or frontier market countries. For example, changes to the Romanian fiscal and economic policies may impact the Group's ability to maintain long-term business plans including as a result of government emergency ordinances affecting the energy sector, as well as causing temporary reduction in foreign direct investment. As in the past, the volatility of financial markets leads to an increase in perceived risks associated with investments in emerging economies and, therefore, could reduce foreign investment in Romania. In this case, the Romanian economy could face serious liquidity problems, which could lead, among other things, to increased tax rates or the imposition of new taxes and duties, with a negative impact on activity, operating results and the financial situation of the Group.

The Group's operations are exposed to risks which are common to all regions that have recently undergone, or are undergoing political, economic and social change, including currency fluctuations, an evolving regulatory environment, inflation, economic downturns, local market disruptions, labor unrest, changes in disposable income or gross national product, variations in interest rates and taxation policies, capital flight, actual and perceived corruption, and other similar factors. Political or economic instability resulting from the occurrence of any of these risks may adversely affect the energy market in the Eastern Europe region. Such events could reduce the Group's income, which could have a material adverse effect on the Group's business, financial position, prospects and results of operations.

Risks relating to the Offer Shares

There is currently no trading market for the Shares and an active trading market for the Shares may not develop or may not be sustainable

Prior to the Offering, there has been no trading market for the Shares. Article 55 of Law 24/2017 requires a minimum 25% free float for the purpose of the Admission. There can be no assurance that the FSA approves, as per such provisions, the Admission of the shares issued by the Company, if the Shares ultimately sold in the Offering account for materially less than 19.94% of the Company's share capital.

If Admission is approved, there can be no assurance that an active trading market for the Offer Shares will develop or be sustained after the Offering, or that the price at which the Offer Shares will trade in the public markets subsequent to the Offering will not be lower than the Final Offer Price. The Managers are not obliged to make a market in the Shares. If no active trading market develops for the Shares, investors may experience difficulty in selling the Offer Shares.

Price volatility of the Shares and liquidity may affect the performance of investments in the Group

The share price of listed companies can be highly volatile and their shares may have limited liquidity. An active trading market for the Shares may not develop and the trading price for the Shares may fluctuate significantly. Investors may be unable to recover their original investment.

The market price of the Shares may, in addition to being affected by the Group's actual or forecast operating results, fluctuate significantly as a result of factors beyond the Group's control, including, among others: (i) the results of its operations and its financial results or those of other companies in the industries in which it operates; (ii) changes in securities analysts' recommendations or estimates of earnings or financial performance of the Group or the industry, or the failure to meet expectations of securities analysts; (iii) fluctuations in market prices and volumes, and general market volatility; (iv) announcements by the Group, or its customers, suppliers or competitors; (v) changes in laws, rules and regulations applicable to the Group, its operations and the operations in which the Group has interests, and involvement in litigation; and (vi) general economic and political conditions, in Romania and globally.

Equity market conditions are also affected by many factors, such as the general economic, political or regulatory outlook, movements in or the outlook for interest rates and inflation rates, exchange rate fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Trading in the Shares by other investors, such as large purchases or sales

of Shares, may also affect the price of the Shares. Accordingly, the market price of the Shares may not reflect the underlying value of the Group's investments and the price at which investors may dispose of their Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Group while others may be outside the Group's control. Investors should not expect that they will necessarily be able to realize, within a period that they would regard as reasonable, their investment in the Shares. The Group's results and prospects from time to time may be below the expectations of market analysts and investors which would likely adversely affect the trading price of the Shares.

Future sales, or the real or perceived possibility of sales, of a significant number of Shares in the public markets could adversely affect the prevailing trading price of the Shares

Following the Offering, the Romanian State will continue to own 80.06% of the Company's issued share capital. Following the expiry of the applicable lock-up period, or earlier in the event of a waiver by the Managers of the provisions of the lock-up, the Romanian State may sell Shares in the public or private market, and the Company may undertake a public or private offering of Shares. Similarly, following the expiry of the applicable lock-up period or earlier in the event of a waiver by the Managers of the provisions of the lock-up, the Selling Shareholder may sell any Shares left in its portfolio after the Offering by public offering or private placement. The Company cannot predict the effect, if any, that future sales of Shares, or the availability of Shares for future sale, will have on the market price of the Shares, but the availability of Shares that are eligible for public sale could adversely affect the trading price of the Shares.

If the Romanian State or the Selling Shareholder were to sell, or the Company were to issue and sell, a substantial number of Shares in the public market, the market price of the Shares could be adversely affected. Sales by a shareholder of the Company could also make it more difficult for the Company to sell Shares in the future at a time and price that it deems appropriate. The sale of a significant number of Shares in the public market, or the perception that such sales may occur, could materially affect the market price of the Shares.

The Company may face difficulties in complying with ongoing disclosure requirements of a listed company or may incur additional costs

Following the Admission of the Shares to trading on the Bucharest Stock Exchange, the Company is required to maintain effective internal controls and to comply with additional financial and other reporting obligations, such as preparing financial statements and other reports under the continuing obligations rules of the Bucharest Stock Exchange S.A. (the "Bucharest Stock Exchange" or "BSE") and the FSA, respectively. The Company's ability to report in a timely manner requires it to have in place effective internal reporting controls and procedures. The Company's management has no experience in managing and operating a listed company which must comply with continuing reporting and disclosure obligations. Any failure to comply or adequately comply with the continuing reporting and disclosure obligations could subject the Company to fines or other regulatory sanctions, which may materially adversely affect the business, results of operations and financial position of the Group.

The Company may also incur significant costs to ensure compliance with Romanian corporate governance, transparency obligations and accounting requirements. Moreover, the Company may not be able to meet entirely or in a timely manner the filing and reporting requirements imposed by the FSA and the BSE, which might trigger a decline in the trading price of the Shares.

The Shares may be suspended or excluded from trading on the Bucharest Stock Exchange

The FSA is authorized to suspend from trading or, where the Shares are intended to be traded, to request the regulated market to suspend these from trading if the situation of the relevant issuer is such that the continuation of trading would affect investors' interests. The FSA is authorized to request the BSE to suspend the trading of securities of an issuer, based on the measures taken against market manipulation and transactions carried out based on inside information. The BSE must suspend trading in securities that do not meet the requirements of the regulated market, unless such action could materially adversely affect investors' interests or the proper functioning of the market. The operator of a regulated market is also entitled to suspend from trading shares in other circumstances in accordance with its regulations. Any suspension could affect the trading terms of the Shares.

Further, if the Company fails to fulfil certain requirements or obligations under the laws and regulations applicable to companies the shares of which are listed on the BSE, or if the orderly stock exchange trading, the safety of trading thereon or investors' interests are endangered, the Shares can, subject to certain conditions being fulfilled, be excluded from trading on the BSE. There can be no assurance that such event

will not occur in relation to the Shares. All these risks would, if they materialize, have a material adverse effect on the price of the Shares and on the ability of the investors to sell their Shares on the BSE.

The Company's GMS might decide not to distribute dividends in the future

The distribution of dividends, if any, by the Company to its shareholders will depend on (in addition to applicable regulatory requirements), among other things, the Company's future profits, financial position and capital requirements, the sufficiency of the Company's distributable reserves, other legal and contractual restrictions, credit terms, general economic conditions and other factors that the directors and/or shareholders deem to be important from time to time. The Company's shareholders may decide not to distribute dividends in the future, with the exception of the payout ratio derived from law (for more details, see "Dividend Policy"), and foreign shareholders may be subject to limitations or delays in repatriating their earnings from distributions made on the Shares.

Share capital increases resulting from Romanian State-owned land contributions may result in dilution of shareholders

Under Romanian legislation, the share capital of the Company shall be automatically increased by operation of law with the value of the relevant plots of land for which the Company obtains ownership certificates after the Offering or, for which it obtained the certificates before the Offering, but for which it has not yet increased its share capital. The Company benefits of 752 ownership certificates corresponding to a total area of approximately 2520 hectares, representing approximately 96.1% of the total lands occupied by the Company's hydropower developments. These include 14 ownership certificates corresponding to a total area of 16.96 hectares issued on 9 May 2023 for which a share capital increase needs to occur in the future.

Such capital increases will be deemed as in-kind contributions from the Romanian State, and newly issued shares in the Company will be allotted to the Romanian State, represented by the Ministry of Energy. The rest of the shareholders in Hidroelectrica will have a preferential right to purchase a number of shares that would allow them to maintain their initial shareholding quota. However, if such shareholders do not exercise their preferential rights, they will be diluted which may result in a decrease of value of the initial investment.

Holders of Shares may be impacted by foreign currency risk

The price of Shares on the BSE market and any potential dividends that the Company may distribute are denominated in RON. Investments by investors that use as reference currency another currency than RON are subject to foreign currency risk. Any depreciation of the RON in relation to such currencies will reduce the value of the investment in Shares or of any potential dividends distributed by the Company.

The rights of shareholders in the United States and other jurisdictions may be limited

The Company is a joint stock company organized and existing under the laws of Romania. The rights of its shareholders are governed by Romanian law and by its Articles of Association as currently in force (the "Articles of Association"), and the New Articles of Association that applies as of Admission (the "New Articles of Association"), as described in "Description of share capital and corporate structure". Romanian corporate law provides for pre-emption rights to be granted to shareholders in the event of a share capital increase in the Company under certain circumstances. However, securities laws of certain jurisdictions may restrict the Company's ability to allow participation by shareholders in future equity offerings. In particular, shareholders in the United States may not be entitled to exercise these rights, unless either the shares and any other securities that are offered and sold are registered under the Securities Act, or the shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable shareholders in the United States or other jurisdictions to exercise their pre-emption rights or, if available, that the Company will utilize any such exemption.

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This document is a prospectus for the purposes of the Prospectus Regulation.

The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except to persons reasonably believed to be QIBs as defined in Rule 144A under the Securities Act or outside the United States, except in offshore transactions in reliance on Regulation S under the Securities Act (“**Regulation S**”). Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Company and, as applicable, the Selling Shareholder (exclusively for the information about itself) accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and (exclusively for the information about itself) the Selling Shareholder, this Prospectus contains all of the information with respect to the Group and the Offer Shares that is material in the context of the Offering, and the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Company are honestly held by the Company, have been reached after considering all relevant circumstances and are based on reasonable assumptions. Certain information in this Prospectus has been extracted from public sources including independent industry publications, research and internal estimates, as well as other public information and the Group has not independently verified the accuracy of such information and data and accept no responsibility in respect thereof.

The Managers and their affiliates do not accept any responsibility whatsoever for the contents of this Prospectus, including its accuracy, completeness and verification, or for any other statement made or purported to be made by them or on their behalf in connection with the Company, the Selling Shareholder, the Offer Shares or the Offering. The Managers and their affiliates accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort or contract or which they might otherwise have in respect of this Prospectus or any such statement.

No person is authorized to give any information or to make any representation in connection with the Group, the Offering or sale of the Offer Shares other than as contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, the Selling Shareholder or the Managers or the Managers' affiliates. If anyone provides any investor with different or inconsistent information, such investor should not rely on it.

This Prospectus is being provided by the Company and the Selling Shareholder for the purpose of enabling a prospective investor to consider subscribing for and purchasing the Offer Shares. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Company, the Selling Shareholder, or the Managers that any recipient of this Prospectus should subscribe for or purchase the Offer Shares. No representation or warranty, express or implied, is made by the Managers or the Managers' affiliates or advisors as to the accuracy, completeness or verification of any information contained in this Prospectus or the corporate, financial or commercial standing of the Group, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers as to the past or the future. Any reproduction or distribution of this Prospectus, in whole or in part, any disclosure of its contents, except to the extent that such contents are otherwise publicly available, and any use of any information herein for any purpose other than considering an investment in the Offer Shares, is prohibited. Each prospective investor, by accepting delivery of this Prospectus, agrees to the foregoing.

Each potential purchaser of the Offer Shares should determine for itself the relevance of the information contained in this Prospectus, and its subscription for or purchase of the Offer Shares should be based upon such investigation, as it deems necessary, including its own examination, analysis and enquiry and the terms of the Offering, the legal basis and consequences of the Offering and possible tax consequences that may apply, as well as the assessment of risks involved and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors that may be relevant to such investor in connection with the purchase of the Offer Shares.

Without prejudice to any obligation of the Company (in relation to which the Managers and their affiliates undertake no responsibility whatsoever) to publish a supplementary prospectus pursuant to the Law 24/2017, the FSA Regulation no. 5/2018 and the Prospectus Regulation, neither the delivery of this Prospectus nor

any purchase made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group taken as a whole since, or that information contained herein is correct as at any time subsequent to, the date of this Prospectus.

Prospective investors should not consider any information in this Prospectus to be investment, legal or tax advice. Each prospective investor should consult its own legal counsel, financial adviser, accountant and other advisors for legal, tax, business, financial and related advice regarding subscribing for or purchasing the Offer Shares. None of the Company, the Selling Shareholder or the Managers or their respective affiliates or representatives makes any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under appropriate investment or similar laws. Any person who decides to purchase the Offer Shares is required to know and comply with the restrictions and limitations of the Offering herein. By purchasing the Offer Shares, investors assume any liability arising in the event that such purchase is deemed unlawful under their country of residence.

The Company did not and does not consent to the use of the Prospectus for subsequent resale or final placement of the Shares by financial intermediaries or by any other third party.

The Managers are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

The Company, the Selling Shareholder and the Managers shall have no liability for the non-execution of sales of the Offer Shares in accordance with this Prospectus in case of force majeure (including, without limitation, natural disasters, wars, riots, fires, strikes or other events that may limit the functioning of capital market institutions).

Information on the Group's websites (<https://www.hidroelectrica.ro/> and <http://hidroserv.ro/>), any other website mentioned in this Prospectus or any website directly or indirectly linked to the Group's websites is not incorporated by reference into this Prospectus and any decision to subscribe for or purchase the Shares should not be made in reliance on such information. The information on such websites has not been scrutinized or approved by the Company, the Selling Shareholder, the Managers or the FSA.

This Prospectus and its posting on the internet does not constitute an offer to sell, or a solicitation by or on behalf of the Company, the Selling Shareholder or the Managers to any person to subscribe for or purchase any of the Offer Shares in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The distribution of this Prospectus and the Offering may be restricted by law (including by way of required or necessary authorization, approval or notification) in certain jurisdictions. No action has been or will be taken by the Company, the Selling Shareholder, the Managers or their affiliates that would permit, otherwise than in Romania under the Offering, an offer of the Offer Shares, or possession, issue or distribution of this Prospectus or any other offering material or application form relating to the Shares in any jurisdiction where action for that purpose is required. Accordingly, neither this Prospectus nor any advertisement nor any other offering material may be distributed or published, or used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Further information with regard to restrictions on offers and sales of the Offer Shares is set forth below and under "*Selling and Transfer Restrictions*". None of the Company, the Selling Shareholder or the Managers is making an offer to sell the Offer Shares or a solicitation of an offer to buy any of the Offer Shares to any person in any jurisdiction except where such an offer or solicitation is permitted.

In connection with the Offering, the Stabilisation Agent (acting directly or through Banca Comerciala Romana S.A.) on behalf of the Stabilisation Manager may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Offer Shares or effect other stabilising transactions with a view to supporting the market price of the Offer Shares at a higher level than that which might otherwise prevail in the open market. The Stabilisation Manager is not required to enter into such transactions and such transactions may be effected on the Bucharest Stock Exchange and may be undertaken at any time during the period commencing on the date of the commencement of trading of the Offer Shares on the Regulated Spot Market of the Bucharest Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilisation Manager or any of its agents to effect stabilizing

transactions and there is no assurance that stabilising transactions will be undertaken. In no event will measures be taken to stabilise the market price of the Offer Shares above the Final Offer Price. Such stabilisation, if commenced, may be discontinued at any time without prior notice. Except as required by law or regulation, neither the Stabilisation Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilising transactions conducted in relation to the Offering.

In connection with the Offering, the Stabilisation Agent may, for stabilisation purposes, over-allot Shares up to a maximum of 15% of the total number of Offer Shares comprised in the Offering. For the purposes of allowing the Stabilisation Agent to cover short positions resulting from any such over-allotments and/or from sales of Offer Shares effected by it during the stabilising period, it is expected that the Selling Shareholder will grant the Managers the Over-allotment Option, pursuant to which the Managers may procure purchasers for the Over-allotment Shares at the Final Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilisation Agent, at any time on or before the 30th calendar day after the commencement of trading of the Offer Shares on the Regulated Spot Market of the Bucharest Stock Exchange. Any Overallotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Offer Shares, including for all dividends and other distributions declared, made or paid on the Offer Shares, will be purchased on the same terms and conditions as the Offer Shares being and will form a single class for all purposes with the other Offer Shares.

This Prospectus will be available in electronic format on the website of the Bucharest Stock Exchange at www.bvb.ro, on the website of the Company at www.hidroelectrica.ro, on the website of the Selling Shareholder, at www.fondulproprietaea.ro, on the website of BT Capital Partners S.A., at www.btcapitalpartners.ro, on the website of Banca Comerciala Romana S.A., at www.bcr.ro, and on the website of SWISS CAPITAL S.A., at www.swisscapital.ro. Hard copies thereof will be provided free of charge upon request during normal business hours at the headquarters of the Company. Pricing information and other related disclosures are expected to be also published on these websites. The information set forth in this Prospectus is only accurate as of the date on the front cover of this Prospectus. The Company's and the Group's business and financial condition may have changed since that date.

This Prospectus does not contain any information incorporated therein by reference to information contained in other publicly available documents or sources, regardless of the form in which they have been made available or recorded.

NOTICE TO INVESTORS IN THE UNITED STATES

Neither the Offer Shares nor any other securities of the Company described in this Prospectus have been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and, subject to certain exceptions, may not be offered or sold within the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. In connection with the Offering, information concerning the Offering will be provided only to: (i) certain investors acquiring the Offer Shares in offshore transactions (as defined in Regulation S); and (ii) QIBs as defined under and in accordance with Rule 144A. In addition, until 40 days after the commencement of the Offering, any offer or sale of the Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in reliance on Rule 144A.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE SECURITIES COMMISSION NOR ANY NON-U.S. SECURITIES AUTHORITY EXCEPT THE FSA HAS APPROVED OR DISAPPROVED OF THE SHARES OR DETERMINED THAT THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Company has agreed that, for so long as any Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to and in compliance with Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish upon request to any holder or beneficial owner of Shares, or any prospective purchaser designated by any such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

NOTICE TO INVESTORS IN THE EEA

No offer of the Offer Shares to the public is being made in any member state of the European Union (“**Member State**”) other than Romania. However, the Managers may decide to promote the Offering in another Member State under certain exemptions from the obligation to prepare a prospectus under the Prospectus Regulation, provided that any such offering of the Offer Shares will not result in a requirement to publish the Prospectus by the Company, the Selling Shareholder or the Managers under Article 3 of the Prospectus Regulation.

In relation to each member state of the European Economic Area (other than Romania) (each, a “**Relevant State**”), there will be no offer of the Offer Shares to the public in that Relevant State other than:

- to a legal entity that is a “qualified investor” as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons other than to qualified investors as defined in Article 2(e) of the Prospectus Regulation, subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Offer Shares shall require the Company, the Selling Shareholder or the Managers and their respective affiliates to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplement to the prospectus pursuant to Article 23 of the Prospectus Regulation within the territory of the Relevant State and each person who initially acquires Offer Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Managers and their affiliates, the Selling Shareholder and the Company that it is a “qualified investor” within the meaning of the Prospectus Regulation.

For the purposes of the Prospectus, the expression an “offer of the Offer Shares to the public” in relation to any Offer Shares in any Relevant State means a communication to persons in any form and by any means, presenting sufficient information on the terms of the Offering and the Offer Shares to be offered, so as to enable an investor to decide to purchase or subscribe for the Offer Shares.

Each purchaser of Offer Shares in the Offering located within a Relevant State of the EEA (other than in Romania) will be deemed to have represented, acknowledged and agreed that it is a qualified investor. The Company, the Selling Shareholder, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement.

The Company, the Selling Shareholder, the Managers and their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement.

NOTICE TO UK INVESTORS

This Prospectus and any other material in relation to the Offer Shares described herein is only being distributed in the UK to, and is only directed at, persons that are qualified investors (“**qualified investors**”) within the meaning of Article 2(e) of the Prospectus Regulation (as defined below) that also: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”); or (ii) who fall within Article 49(2)(a) to (d) of the Order; or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as the “**relevant persons**”). The Offer Shares are only available in the UK to, and any invitation, offer or agreement to purchase or otherwise acquire the Offer Shares will be engaged in only with, the relevant persons. This Prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the UK. Any person in the UK that is not a relevant person should not act or rely on this Prospectus or any of its contents.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the

MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that such Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “Target Market Assessment”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of retail and professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible, within the Target Market Assessment, for undertaking the target market assessment in respect of its investors and determining appropriate distribution channels and the client categories to whom the Offer Shares shall be distributed.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are not historical facts and are “forward-looking” within the meaning of securities laws of certain jurisdictions, including Section 27A of the Securities Act and Section 21E of the Exchange Act. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, statements preceded by, followed by or that include the words “may”, “will”, “would”, “should”, “expect”, “intend”, “estimate”, “forecast”, “anticipate”, “project”, “believe”, “seek”, “plan”, “predict”, “continue”, “commit”, “believe”, “target”, “aim”, “could”, “undertake”, “is expected” and similar expressions or their negatives or other variations or comparable terminology, or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements appear in a number of places throughout this Prospectus. Forward-looking statements include statements regarding intentions, beliefs or current expectations concerning, among other things, results of operations, prospects, growth, strategies and the industry in which the Company operates. Such forward-looking statements involve known and unknown, predictable and unpredictable risks, uncertainties and other important factors beyond the Company’s or the Group’s control that could cause its actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward looking statements, which might eventually not come true. In addition, this Prospectus includes forward-looking information that has been extracted from third-party sources. The forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. These assumptions reflect the Company’s best judgment based on currently known market conditions and other factors, some of which are discussed below. However, assumptions about future events may prove to be inaccurate. The Company cautions all readers that the forward-looking statements contained in this Prospectus are not guarantees of future performance, and no assurance can be given to any reader that such statements will be realized or the forward-looking events and circumstances will occur. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond the Group’s control, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Among the important factors that could cause the Company’s actual results, performance or achievements to differ materially from those expressed in such forward-looking statements are those in the Sections “Risk Factors”, “Management discussion and analysis of financial condition and results of operations”, “Business” and elsewhere in this Prospectus. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to:

- Changes in regulations or government policies, particularly as a result of increased governmental intervention in the electricity market, could materially and adversely affect the Group's business; and
- The Group may not be able to successfully implement its growth plan: The Group may not be able to implement its growth plan with respect to its hydropower projects that are currently in different stages of execution, being subject to development, construction and legal risks; The Group may not be able to implement its growth plan with respect to developing or acquiring new green energy projects or other M&A targets. If completed, such projects may not achieve the expected results and may expose the Group to risks specific to the acquisitions and development and operation of renewable energy generation projects, as well as increased operating costs; The refurbishment and modernization of the Group's hydro facilities are subject to development and legal risks; and
- The Group's electricity generation and the demand for the Group's electricity are subject to climatic conditions that may not be within the Group's control. Further, climate change and episodes of extreme weather events could have an adverse effect on the Group's production equipment (commissioned and planned to be commissioned); and
- The Group's results of operations may be adversely affected by fluctuations in electricity prices; and
- The Group may be exposed in the future to higher turbinated water tax payable to ANAR; and
- Transelectrica may require the Company to provide electricity for balancing purposes outside the tendering process and in excess of the Company's balancing availability, which may lead to the Company defaulting other legal or contractual obligations; and
- The Company's hedging strategies may not be effective in mitigating price fluctuations and potential losses; and
- The Company may be subject to intensifying competition in the supply market; and
- The Romanian State will remain in control of the Group following the Offering and its interests may differ from or conflict with those of other shareholders of the Company; and
- The operation of the Group's facilities could result in critical equipment failure, unplanned power outages, reduced output and unanticipated costs and investments and, in some cases, environmental and property damage and legal claims; and
- A major earthquake could have a material adverse effect on the Company's business, financial condition, and results of operations
- The Group relies on its OT and IT infrastructure, which may fail or be adversely affected by cyber attacks; and
- The Group may not be able to hire or retain enough qualified staff, including members of its senior management team; and
- The Group may face strikes or other labor disruptions at its facilities; and
- The Group does not carry insurance on many of its assets, and its insurance coverage is not sufficient to cover all material losses it may sustain; and
- The Group is dependent upon services provided by the TSO and OPCOM; and
- The Group is subject to changes in the demand for the power reserve services and other ancillary services provided by it; and
- The Company is exposed to frequent changes in tax legislation applicable to it and frequent inspections by fiscal authorities
- The Group is subject to increasingly stricter and complex environmental and water management regulations and may be exposed to significant liabilities for any failure to comply with such regulations; and
- The Company may not be able to comply with recently introduced water management legal obligations
- The regulatory framework for CEPM could materially and adversely impact the Group's activities and operations
- Company's title over certain real estate properties may be deemed uncertain

- The selection process for the Management Board has been challenged in court, and thus some actions of the Company's directors may be subject to challenge; and
- The Company was late with issuing invoices to supply customers and may continue to be late in issuing such invoices and thus could face delays in collecting the outstanding revenues and be subject to regulatory sanctions; and
- The Company has operated under a concession agreement which might not have been in force for 11 years; and
- The migration of the Group's legacy IT infrastructure to new integrated IT systems may encounter difficulties and delays; and
- The Group may be unable to detect or prevent ethical misconduct or breaches of applicable anticorruption and sanctions law committed by its employees, counterparties or other third parties; and
- The Company is subject to commitments proposed following an investigation by the Romanian Competition Council; and
- The legal regime in Romania continues to develop, which may create an uncertain environment for business activity and investment; and
- The Group is subject to various legal proceedings and there can be no assurance that any provisions created by the Group in respect of such proceedings will be adequate to cover potential losses
- Failure to comply with health and safety legislation could adversely affect the Group; and
- The Group may be exposed to personal data leakages and breaches; and
- The PPAs entered into by the Company may expose it to certain commercial risks such as price fluctuation, default, credit risk; and
- Hostilities with neighboring countries and civil unrest in Ukraine or other Eastern European states may adversely affect the economy of Romania; and
- The Group is dependent on economic, demographic and market developments in Romania; and
- Countries in Eastern Europe are subject to greater risks than more developed markets with potential adverse effects from legal, economic, fiscal and political developments; and
- There is currently no trading market for the Shares and an active trading market for the Shares may not develop or may not be sustainable; and
- Price volatility of the Shares and liquidity may affect the performance of investments in the Group; and
- Future sales, or the real or perceived possibility of sales, of a significant number of Shares in the public markets could adversely affect the prevailing trading price of the Shares; and
- The Company may face difficulties in complying with ongoing disclosure requirements of a listed company or may incur additional costs; and
- The Company's General Shareholders' Meetings might decide not to distribute dividends in the future; and
- Share capital increases resulting from Romanian State-owned land contributions may result in dilution of shareholders; and
- Holders of Shares may be impacted by foreign currency risk; and
- The rights of shareholders in the United States and other jurisdictions may be limited.

The above list of important factors and the other factors in "Risk Factors" is not exhaustive. Other sections of this Prospectus describe additional factors that could adversely affect the Group's result of operations, financial condition, liquidity and the development of the industry in which the Group operates. New risks affecting the Group's operations and business can emerge from time to time, and it is not possible to predict all such risks, nor to assess the impact of all such risks on the Group's business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. When reviewing forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political,

economic, social and legal environment in which the Group operates. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.

Forward-looking statements contained in this Prospectus speak only as at the date of this Prospectus. The Company and the Selling Shareholder expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any of such statements are based unless required to do so by any applicable regulatory regime. Investors should construe all subsequent written or oral forward-looking statements attributable to the Group or the Selling Shareholder or to persons acting on their behalf as being qualified by the cautionary statements in this Prospectus. As a result, investors should not place undue reliance on such forward-looking statements.

Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to the sufficiency of working capital in this Prospectus.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company is incorporated under the laws of Romania. Certain persons referred to herein are residents of Romania and certain entities referred to herein are organized under the laws of Romania. All or a substantial portion of the assets of such persons and entities are located in Romania. As a result, it may not be possible for investors to:

- effect service of process within other countries upon the Company or any of the Company's directors and senior managers named in this Prospectus, or
- enforce, in other countries, court judgments obtained in courts of such other countries against the Company or any of its directors and senior managers named in this Prospectus in any action, or obtain the recognition of such judgments.

For more details, see section "*Recognition and Enforcement of Judgements*".

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Investors should rely only on the information in this Prospectus. No person has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the Offering and, if given or made, such information or representations must not be relied upon as having been authorized by or on behalf of the Company, the Selling Shareholder or the Managers. Nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplement to the prospectus (in relation to which the Managers undertakes no responsibility whatsoever), neither the delivery of this Prospectus nor any subscription or sale made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

General

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial advisor or tax advisor for legal, financial or tax advice in relation to any subscription, purchase or proposed subscription or purchase of Offer Shares.

Prior to making any decision as to whether to subscribe for or purchase the Offer Shares, prospective investors should read this Prospectus in its entirety. In making an investment decision, prospective investors must rely upon their own examination of the Group and the terms of this Prospectus, including the risks involved.

Financial and Operating Information

Financial Statements of the Group

The Group's audited consolidated financial statements for the years ended 31 December 2022, 2021 and 2020 (the "**Audited Consolidated Financial Statements**") and the unaudited condensed consolidated interim financial statements of the Group as of and for the three months ended 31 March 2023 (the "**Unaudited Condensed Consolidated Interim Financial Statements**") are included in this Prospectus. The Audited Consolidated Financial Statements included in this Prospectus have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union ("**IFRS-EU**"), and the Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The Audited Consolidated Financial Statements and the Interim Unaudited Consolidated Financial Statements are presented in RON, the functional currency of the Group. The Company's financial year begins on 1 January and ends on 31 December.

None of the Issuer's financial statements relating to the historical information for the period of time presented in this Prospectus were subject to qualifications in the respective auditors' reports. The auditors' report on the consolidated financial statements for the years ended 31 December 2022, 2021 and 2020 includes an emphasis of matter paragraph which references the basis of preparation for the purposes of the initial public offering. The emphasis of matter paragraph as extracted from the consolidated financial statements is presented below:

"We draw attention to Note 2 to the accompanying consolidated financial statements, which describes that the consolidated financial statements have been prepared in connection with the public offering of the Company's shares on the Bucharest Stock Exchange. As described in Note 2, the Group also published consolidated financial statements as at and for each of the years ended 31 December 2022, 2021 and 2020 prepared in accordance with another general purpose framework (Order of Minister of Public Finance no. 2844/2016 and related amendments), which represented its statutory annual financial statements. Our opinion is not modified in respect of this matter".

Financial information published by the Company after Admission of the Shares to trading on the BSE, in furtherance of its on-going disclosure obligations, will include consolidated financial statements of the Group prepared in accordance with IFRS-EU.

Non-IFRS Measures

In this Prospectus, the Group uses certain measures, metrics and ratios in the analysis of its business, financial position and performance that are not measures defined by IFRS/IFRS-EU ("**non-IFRS measures**"),

some of which constitute Alternative Performance Measures (“APMs”), as defined in the European Securities and Markets Authority (“ESMA”) Guidelines on Alternative Performance Measures dated 5 October 2015 and further guidance published by ESMA through to the date of this Prospectus.

The Company presents these non-IFRS measures to facilitate a better understanding of the Group’s historic trends of operation, financial condition and liquidity and are used by the Group as a basis for strategic planning and forecasting. Set out below is a summary of the non-IFRS measures used, the definition, method of calculation and the rationale for the inclusion of such metrics.

Non-IFRS measures presented in this Prospectus include EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Debt/(Cash), Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratio and Adjusted Cash Conversion (all as defined below).

“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 EBITDA and Adjusted EBITDA Margin are used to measure the Group’s performance and profitability. These indicators allow for a more reliable comparison of the Group’s results over time and with peers, than EBITDA and EBITDA Margin, as Adjusted EBITDA and Adjusted EBITDA Margin take into account certain adjustments (for example, to exclude non-operating items).

The following table presents a reconciliation of EBITDA, EBITDA Margin, Adjusted EBITDA, and Adjusted EBITDA Margin of the Group for the three months ended 31 March 2023 and 2022 and the years ended 31 December 2022, 2021 and 2020:

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
			<i>(RON million unless otherwise noted)</i>		
Profit for the period/year	1,723.4	1,287.9	4,464.0	3,116.1	1,558.0
Income tax expense	338.4	277.0	953.4	668.6	348.6
Interest income.....	(86.5)	(28.3)	(243.7)	(72.1)	(62.0)
Interest expense, including unwinding of non-current provisions.....	10.8	8.1	38.9	33.0	27.6
Depreciation and amortization.....	198.2	191.9	772.2	760.5	720.5
EBITDA	2,184.3	1,736.6	5,984.8	4,506.2	2,592.7
(Reversal of) / Impairment loss on property, plant and equipment.....	(0.1)	(33.9)	23.9	359.3	106.0
Gain from bargain purchase of subsidiaries	0.0	0.0	0.0	(31.5)	(26.3)
Adjusted EBITDA	2,184.2	1,702.7	6,008.6	4,834.0	2,672.4
Revenue	3,272.1	2,491.6	9,452.0	6,489.3	3,841.4
EBITDA Margin (%).....	66.8	69.7	63.3	69.4	67.5
Adjusted EBITDA Margin (%).....	66.8	68.3	63.6	74.5	69.6

EBITDA, EBITDA Margin, Adjusted EBITDA, and Adjusted EBITDA Margin are presented because these measures are widely used by securities analysts, certain investors and other interested parties as supplemental measures of performance and financial position. EBITDA eliminates potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortization expense).

“Adjusted Net Debt/(Cash)” is defined as bank borrowings and lease liabilities *less* cash and cash equivalents and Short-term Investments (investments in deposits and government bonds).

“Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratio” is defined as Adjusted Net Debt/(Cash) *divided* by Adjusted EBITDA.

The following table presents a reconciliation of Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratio of the Group for the three months ended 31 March 2023 and the years ended 31 December 2022, 2021 and 2020:

	As of and for the three months ended 31 March	As of and for the year ended 31 December		
	2023	2022	2021	2020
		<i>(RON million)</i>		
Bank borrowings.....	461.4	484.5	577.8	31.9
Lease liabilities	13.4	15.4	12.5	21.0
Cash and cash equivalents.....	(1,233.2)	(660.7)	(1,104.9)	(354.8)
Short-term Investments (investments in deposits and government bonds)	(3,677.3)	(3,034.7)	(2,561.5)	(1,730.1)
Adjusted Net Debt/(Cash)	(4,435.7)	(3,195.6)	(3,076.1)	(2,032.0)
Adjusted EBITDA	2,184.2	6,008.6	4,834.0	2,672.4
Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratio	(2.0)	(0.5)	(0.6)	(0.8)

“Adjusted Cash Conversion” is defined as net cash from operating activities *divided by* Adjusted EBITDA.

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
			<i>(RON million)</i>		
Net cash from operating activities	1,210.5	1,231.5	4,235.3	4,047.5	2,276.7
Adjusted EBITDA	2,184.2	1,702.7	6,008.6	4,834.0	2,672.4
Adjusted Cash Conversion	0.6	0.7	0.7	0.8	0.9

The Company believes that the presentation of these non-IFRS measures, when considered in conjunction with measures reported under IFRS-EU, is useful to investors because it provides a basis for measuring the Group’s operating performance in the periods under review and enhances an investor’s understanding of the Group’s financial performance. These non-IFRS measures are not presented in accordance with IFRS/IFRS-EU. These non-IFRS measures may also be used by different companies for differing purposes and are often calculated in ways that reflect the circumstance of those companies. Therefore, the Company’s use of these non-IFRS measures may vary from others in the Group’s industry. Investors should exercise caution in comparing non-IFRS measures mentioned in this Prospectus to similar measures used by other companies. These non-IFRS measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information as reported under IFRS/IFRS-EU. For example, some of the limitations of the EBITDA are (1) it does not reflect the Group’s cash expenditures or future requirements for capital expenditures or contractual commitments (2) it does not reflect changes in, or cash requirements for, the Group’s working capital needs; (3) it does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group’s debt; (4) although depreciation, amortization and impairment are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and (5) it is not adjusted for all non-cash income or expense items that are reflected in the Group’s statements of cash flows. In addition, EBITDA should not be considered as alternatives to net profit or any other performance measures derived in accordance with IFRS/IFRS-EU or as an alternative to cash flow from operating activities or as a measure of the Group’s liquidity. In particular, Adjusted EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of its business. No statement in this Prospectus should be interpreted to mean that the earnings of the Group for the current or future years would necessarily match or exceed the historical published.

Market Information

Market data used in this Prospectus under the captions “*Summary*”, “*Risk Factors*”, “*Operating and Financial Review*”, “*Industry Overview and Key Trends*” and “*Business*” has been extracted from official and industry sources and other sources the Company believes to be reliable. Sources of such information, data and statistics include independent industry publications, market research, internal surveys and estimates, and other publicly available information. In particular, the Group has cited the following third-party sources in this Prospectus: the National Bank of Romania (“**NBR**”), ANRE, Wood Mackenzie Market Report dated 3 March 2023 (the “**Wood Mackenzie Report**”), the European Commission, and the World Bank. Such information is subject to change and cannot be verified with complete certainty. The analysts’ estimates and conclusions can vary materially from the true figures and as a result their reports can understate or overstate market size, market share, growth rates and other important industry data. In addition, certain data contained in the available analyst reports may differ from that contained in the Group’s internal records and/or may differ from the Group’s understanding of the relevant market and its competitors. The Group cannot provide any assurance that data relating to its competitors in such analyst reports are correct or the same as those contained in its competitors’ internal records. Therefore, caution should be exercised in analyzing these estimates and no undue reliance should be placed on them. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified such data.

Where third-party information has been used in this Prospectus, the source of such information has been identified. The third-party sources the Company has used generally state that the information they contain has been obtained from sources believed to be reliable. These third-party sources also state, however, that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Company does not have access to the facts and assumptions underlying such market data, or to the statistical information and economic indicators contained in these third-party sources, the Company is unable to verify such information. Thus, while such information, data and statistics have been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published or provided by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading, the Company cannot guarantee its overall accuracy or completeness.

Legal references

Except where expressly mentioned otherwise, a reference in this Prospectus to a legal provision is considered a reference to the respective provision as it was amended and/or republished and in force as at the date of this Prospectus.

Countries

In this Prospectus, all references to “**US**” are to the United States, all references to the “**EU**” are to the European Union and its member states as of the date of this Prospectus, and all references to the “**EEA**” are to the European Economic Area and its member states as of the date of this Prospectus.

Currencies

In this Prospectus, all references to “**€**”, “**EUR**” and “**euro**” are to the lawful currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, all references to “**RON**” and “**Lei**” are to the lawful currency of Romania and all references to “**\$**”, “**USD**” and “**US\$**” are to the lawful currency of the United States.

The conversions of some RON or euro amounts derived from third party sources may differ from the exchange rates used for the conversions used in the Unaudited Condensed Consolidated Interim Financial Statements and the Audited Consolidated Financial Statements . The Company makes no representation that the RON amounts referred to in this Prospectus could have been or could be converted into any other currency or at any particular exchange rate. The Group’s presentation currency is RON, which is also the Group’s functional currency as it reflects the economic substance of the Group’s underlying events and circumstances. See also, section “*Exchange Rate Information*”.

Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, (i) figures shown for the same category presented in different tables may vary slightly; (ii) figures shown as

totals in certain tables may not be an arithmetic aggregation of the figures that precede them; (iii) percentages in tables have been rounded and accordingly may not add up to 100%; and (iv) the calculations, variations and other percentages may differ slightly from their actual calculations due to rounding of underlying financial, statistical and operating information.



EXCHANGE RATE INFORMATION

The following tables show, for the periods indicated, information relating to the exchange rates between the RON and the EUR, based on information derived from the National Bank of Romania. The columns titled "Average" in the tables below show the average of the annual reference rates for the respective periods as per the National Bank of Romania annual reports.

	High	Low	Average	Period End
			<i>(RON per EUR)</i>	
2018	4.6695	4.6206	4.6535	4.6639
2019	4.7808	4.6634	4.7452	4.7793
2020	4.8750	4.7642	4.8371	4.8694
2021	4.9495	4.8691	4.9204	4.9481
2022	4.9492	4.8215	4.9312	4.9474
January 2023.....	4.9413	4.8858	4.9225	4.9221
February 2023.....	4.9248	4.8900	4.9073	4.9200
March 2023.....	4.9491	4.9136	4.9262	4.9491
April 2023.....	4.9783	4.9202	4.9434	4.9633
May 2023.....	4.9783	4.9202	4.9481	4.9696

Note: Annual averages are computed as simply arithmetic average of monthly figures.

Source: National Bank of Romania

The Company makes no representation that any specific currency amount referred to in this Prospectus could have been or could be converted into any of the other currencies presented in this Prospectus at the above exchange rates, at any other rate or at all.



THE OFFERING

The Company	SOCIETATEA DE PRODUCERE A ENERGIEI ELECTRICE IN HIDROCENTRALE "HIDROELECTRICA" S.A.
The Selling Shareholder	FONDUL PROPRIETATEA S.A.
The Offering	<p>The Offering comprises an offering for sale of up to 78,007,110 Shares by the Selling Shareholder.</p> <p>The final number of Offer Shares will be decided by the Selling Shareholder in consultation with the Company, upon the recommendation of the Joint Global Coordinators, based on the level of subscriptions in the Book.</p> <p>The Offering is structured as an offering of the Offer Shares: (a) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act, including to the public in Romania and (b) in the United States to QIB as defined in, and in reliance on, Rule 144A or another available exemption from registration under the Securities Act</p>
Joint Global Coordinators	Citigroup Global Markets Europe AG, Erste Group Bank AG, Jefferies GmbH, and Morgan Stanley Europe SE
Joint Bookrunners	Banca Comerciala Romana S.A., Barclays Bank Ireland PLC, BofA Securities Europe SA, UBS Europe SE, UniCredit Bank AG Milan Branch and WOOD & Company Financial Services, a.s.
Co-Lead Managers	Auerbach Grayson & Co LLC, BRD – Groupe Société Générale S.A., BT Capital Partners S.A., and Swiss Capital S.A.
Managers	the Joint Global Coordinators, Joint Bookrunners and Co-lead Managers
Offer Tranches	<p>The Offering is split into two Offer Tranches (as defined in the "Subscription and sale" section) as follows: (i) an Offer Tranche consisting of an initial number of up to 11,701,067 Offer Shares (representing 15% of the number of Offer Shares) addressed via a public offer in Romania to Retail Investors (the "Retail Tranche"); and (ii) an Offer Tranche consisting of an initial number of up to 66,306,043 Offer Shares (representing 85% of the number of Offer Shares) addressed (i) to Institutional Investors, outside the United States in reliance on Regulation S; and (ii) in the United States, only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act (the "Institutional Tranche").</p> <p>"Institutional Investor" means (a) a "qualified investor", as defined in Article 2 (e) of the Prospectus Regulation), or (b) an "eligible counterparty" within the meaning of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), or (c) a "qualified investor" as defined in Article 2(e) of the Prospectus Regulation, as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018), as amended, or (d) a QIB as defined in Rule 144A, or (e) an equivalent institution whose subscription in the Offering would not constitute a violation of applicable law or regulation and which is not located in any jurisdiction where the extension or availability of the Offering (and any other transaction contemplated thereby) would breach any applicable law or regulation; and</p> <p>"Retail Investor" means any individual or entity (with or without legal personality) that does not fall under the category of Institutional Investor.</p>

The final size of each Offer Tranche will be decided by the Selling Shareholder jointly with the Company, upon the recommendation of the Joint Global Coordinators, based on the level of subscriptions from investors, after the closing of the Offer Period, and will be made public on the Allocation Date (see “Allocation of the Offer Shares” from the “Subscription and sale” section).

The subscribed Offer Shares will be allocated to investors on the basis of the joint decision of the Company and Selling Shareholder, upon the recommendation of the Joint Global Coordinators on the Allocation Date.

Upon the recommendation of the Joint Global Coordinators, the Company and the Selling Shareholder may jointly decide to re-allocate Offer Shares from any of the Offer Tranches to the other Offer Tranche – which can lead to the Retail Tranche representing either (1) more than 15% (but not more than 20%) of the sold Offer Shares or, on the contrary (2) less than 15% of the sold Offer Shares (but such re-allocation from the Retail Tranche to the Institutional Tranche shall occur only in case the Retail Tranche is less than 100% subscribed). See “Offer Tranches” and “Allocation of the Offer Shares” from the section “Subscription and Sale”.

Offer Shares	Up to 78,007,110 ordinary Shares with a face value of RON 10 each.
Offer Period	Eight (8) Business Days, from and including 23 June 2023 and to and including 4 July 2023.
Allocation Date	5 July
Transaction Date	6 July
Successful Closing of the Offering	The successful closing of the Offering will be subject, <i>inter alia</i> , to (i) the determination of the Final Offer Price and each of the Company’s, the Selling Shareholder’s and the Managers’ decisions to proceed with the Offering and (ii) the satisfaction of the conditions contained in the Underwriting Agreement, including (among other conditions) the execution by the Selling Shareholder, the Company and the Managers of the Pricing Agreement and the Underwriting Agreement not having been terminated, see section “Subscription and Sale – General information about the Offering”.
Offer Price Range	94 – 112
Final Offer Price	The Final Offer Price shall be determined in RON at the latest on the Allocation Date. See section “Subscription and Sale – Offer Price – Final Offer Price”.
Intermediation method	Best efforts
Distribution Group	Banca Transilvania S.A.
Shareholders’ Registry	The shareholders’ registry is currently kept by the Company. Once the Shares are admitted to trading, the Shareholders’ Registry will be kept by the Romanian Central System Depository (Depozitarul Central S.A., with the registered office in 34-36 Bulevardul Carol I, 3rd, 8th and 9th floors, District 2, post code 020922, Bucharest, Romania).
Listing and Trading	Application will be made to the Bucharest Stock Exchange for the Admission of the Shares to trading on the regulated market operated by it. The Bucharest Stock Exchange is a regulated market for the purposes of the Directive on Markets in Financial Instruments. The admission to trading of the Shares has been approved by the Extraordinary General Meetings of Shareholders (“EGMS”) resolution no. 3 of 31 March 2022.

The security identification numbers and trading symbols of the Shares are (expected to be) as follows:

ISIN: RO4Q0Z5RO1B6

FISN: H2O/REGSHS RON10

CFI: ESVUFR

Bucharest Stock Exchange Shares trading symbol: "H2O".

Settlement and Transfer

Payment for the Offer Shares is expected to be made in RON through RoClear (Romanian Clearing Settlement, Custody, Depository and Registration System), which is managed by the Romanian Central Depository. Transfers of Shares within the Offering and secondary market sales of Shares will be settled and cleared through the settlement system managed by the Romanian Central Depository, in accordance with applicable Romanian regulations.

Stabilisation Manager

Citigroup Global Markets Europe AG

Stabilisation Agent

Erste Group Bank AG

Lock-Up

Pursuant to the Underwriting Agreement, the Company has agreed that from the date of the Underwriting Agreement until the date falling 180 days after the date of Admission, neither it nor any member of its group will, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, allot, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offer or issue of, any Shares or other equity securities of the Company (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares or other equity securities of the Company, or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, save that the Company shall not be prohibited from issuing or allotting Shares to the extent it is required to do so pursuant to applicable Romanian law requiring the increase of the Company's share capital corresponding to the value of plots of land contributed by the State for which the Company obtains ownership certificates after the Offering or for which it has obtained such certificates before the Offering but for which it has not yet increased its share capital.

Pursuant to the Underwriting Agreement, the Selling Shareholder has agreed that from the date of the Underwriting Agreement until the date falling 180 days after the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offer or issue of, any Shares or other equity securities of the Company (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares or other equity securities of the Company, or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing. The Selling Shareholder lock-up is subject to certain customary exceptions.

At the same time, the Romanian State acting through the Ministry of Energy agreed with the Managers (pursuant to the Lock-up Deed dated on or around the date of the Prospectus), subject to certain exceptions and existing obligations, that during a period from the date of the Underwriting Agreement until 12 months after Admission will not

	(among other) offer, issue, sell, contract to sell, pledge, grant options over or otherwise dispose (or publicly announce any such issuance, offer, sale or disposal) of the Shares or enter into any transaction with the same economic effect as any of the foregoing, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed).
Use of Proceeds	The Company will not receive any of the proceeds from the sale of the Offer Shares by the Selling Shareholder in the Offering. The Selling Shareholder will receive all the net proceeds from the sale of the Offer Shares.
Dividend Policy	The Company intends to pay-out, as ordinary dividends, minimum 90% of the distributable Company's separate yearly net profit starting from the financial year following the Offering. In addition, the Company may decide through a GMS resolution to pay at its own discretion extraordinary dividends from the Company's retained earnings, if disposable.
Voting Rights	Each Share carries one vote for the purposes of shareholder meetings. See section " <i>Description of Share Capital and Corporate Structure – Share Capital – Shareholders' rights – Voting rights</i> ".
Selling and Transfer Restrictions	The Shares will be freely transferable, subject to certain restrictions as described under section " <i>Important Information About this Prospectus</i> " and " <i>Selling and Transfer Restrictions</i> ".
Risk Factors	Investors should carefully consider certain risks discussed under section " <i>Risk Factors</i> " of this Prospectus.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

The Offering by the Selling Shareholder is aimed at increasing value for its shareholders and at increasing the liquidity of the assets in its portfolio.

The total expenses of the Company in connection with the Offers are approximately RON 8.4 million. The Company will not receive any of the proceeds from the sale of the Offer Shares by the Selling Shareholder in the Offering.

DIVIDEND POLICY

According to the Company's dividend policy, it is the Company's intention to pay dividends, subject to applicable law and commercial considerations (including, without limitation, applicable regulations, restrictions, the Group's results of operations, financial condition, cash requirements, contractual restrictions, the Group's future projects and plans).

The Company intends to pay-out, as ordinary dividends, minimum 90% of the distributable Company's separate yearly net profit starting from the financial year following the Offering. In addition, the Company may decide through a GMS resolution to pay at its own discretion extraordinary dividends from the Company's retained earnings, if disposable.

Dividends for future financial years following the Offering will be declared on the basis of separate annual financial statements prepared in accordance with the Order of Minister of Public Finance No. 2844/2016 and related amendments. The General Meeting of Shareholders has the power to decide on the distribution of dividends. Dividends are distributed *pro rata* to the contribution to the paid-in share capital (Shares owned by the Company's shareholders bearing equal and full rights to dividends) and are limited to the amount of the results of the Company's last financial year, increased by the profits brought forward at the end of the last financial year and sums drawn from reserves available for this purpose, reduced however by the amount of losses brought forward from previous financial years and by the sums placed to reserve in accordance with the law or the Company's Articles of Association and the New Articles of Association.

Under the Romanian Companies' Law 31/1990 as amended and subsequently republished (the "Companies' Law") and in accordance with the Company's Articles of Association and the New Articles of Association, each fully paid Share gives its owner the right to receive dividends. As of the date of this Prospectus, all Shares bear equal and full rights to dividends. The Company observes the one share, one vote, one dividend principle. There are no preference Shares without voting rights or Shares conferring the right to more than one vote. Dividends are distributed to the shareholders on a *pro rata* basis proportionately to their participation in the paid-up share capital of the Company.

The Ordinary General Meeting of Shareholders ("OGMS") approving the distribution of dividends must also determine the payment date on which the dividends will be paid to the entitled shareholders. The proposal for the distribution of dividends made by the Management Board will be submitted to the OGMS for a vote, usually at the same meeting at which the audited annual financial statements of Hidroelectrica are approved, respectively within 120 days of the end of the financial year. Payment of dividends is made only to shareholders registered on the record date set by the Ordinary General Meeting of Shareholders in the shareholders' register. The record date must be set on a date that is at least 10 business days after the Ordinary General Meeting of Shareholders approving the dividend payment takes place.

According to the regulations in force, the Company must publish, before the dividend payment date, a press release in a nationwide newspaper specifying the value of the dividend per Share, ex-date, the record date and the dividend payment date, as approved by the Ordinary General Meeting of Shareholders, as well as the means of dividend payment and identifying information of the paying agent.

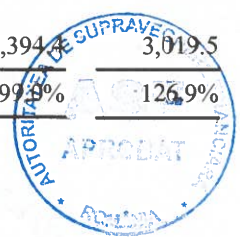
Currently, the distribution of dividends in Issuer is governed, among others, by GO 64/2001. According to the latest, in the case of companies wholly or majority-owned by the State, the accounting profit remaining after deduction of corporation tax shall be allocated, unless otherwise provided by special laws, in dividends of minimum 50%. For further details of the Company's dividend policy, please refer to the policy available on the Company's website.

The Company had no formal dividend policy in place in the period from 2020 to 2022, except for the special provisions. The GMS dated 22 June has approved the new dividend policy of the Issuer, which is published on the Issuer's website. The new dividend policy of the Issuer is in line with the information in this section of the Prospectus. The Company's financial year begins on 1 January and ends on 31 December.

The table below sets forth dividends distributed by the Company in 2023⁵, 2022, 2021 and 2020 and the pay-out ratio for the mentioned periods:

Figure 1:

	2023	2022	2021	2020
	<i>(RON million)</i>			
Total dividends distributed to the Company's shareholders	4,349.4	3,830.9	2,286.4	2,003.3
Special dividend ⁶ distributed to the Company's shareholders	435.0	1,000.0	1,000.0	750.0
Regular dividends distributed to the Company's shareholders from the prior year net profit	3,914.4	2,830.9	1,286.4	1,253.3
Net Profit of local GAAP separate financial statements of the Company for prior year	4,394.4	3,019.5	1,451.6	1,386.5
Pay-out Ratio ⁷ (Total Dividends/Net Profit)	99.9%	126.9%	157.5%	144.5%



⁵ Distribution of dividends was approved by General Meeting of Shareholders on 28 April 2023. For more details, please see "Management Discussion and Analysis of Financial Condition and Results of Operations — Recent developments and trends"

⁶ Special Dividends distributed from retained earnings representing amortized revaluation reserve.

⁷ Ratio calculated based on Net Profit of local GAAP separate financial statements of the Company.

CAPITALIZATION AND INDEBTEDNESS

The following tables show the Company's current and non-current debt, shareholders' equity total capitalization and net financial indebtedness based on the historical figures as at 31 March 2023.

The following tables should be read in conjunction with the sections "Selected Financial and Operating Information", "Use of Proceeds", "Management discussion and analysis of financial condition and results of operations", "Business" and the Unaudited Condensed Consolidated Interim Financial Statements and the related notes.

Capitalization

	As at 31 March, 2023
	<i>(in RON million)</i>
Total current debt	99.6
Bank borrowings	93.5
Lease liabilities	6.1
Total non-current debt	375.2
Bank borrowings	367.9
Lease liabilities	7.3
Shareholder's equity	23,321.0
Share capital	5,513.5
Prepaid capital contribution from shareholders	10.8
Revaluation reserve	10,917.1
Other reserves	1,023.2
Retained earnings	5,856.5
Total capitalization	23,795.7

Net Financial Indebtedness

	As 31 March, 2023
	<i>(in RON million)</i>
A. Cash & cash equivalents ⁽¹⁾	1,233.2
B. Investments in deposits	3,677.3
C. Liquidity (A)+(B)	4,910.4
D. Total current debt	99.6
E. Total non-current debt	375.2
F. Total financial indebtedness (D)+(E)	474.8
G. Net financial indebtedness (F)-(C)	(4,435.7)

(1) Includes bank accounts, bank deposits with maturity below 3 months, petty cash and cash equivalents.

Contingencies and Other Financial Obligations

Contingent liabilities amounted to RON 882.9 million as at 31 March 2023 (31 December 2022: RON 882.9 million; 31 December 2021: RON 736.7 million; 31 December 2020: RON 692.8 million). As at the date of this Prospectus, the Company does not have any material changes in the contingent liabilities compared to 31 March 2023.

No Material Changes

There has not been any material change in the capitalization and indebtedness positions of the Company since 31 March 2023.

Working Capital Statement

In the Company's opinion, the Group's working capital is sufficient to meet its present requirements over at least the next twelve months from the date of this Prospectus.



SELECTED FINANCIAL AND OPERATING INFORMATION

The summary consolidated financial and operating information set forth below shows the Group's summary of the Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements for the periods indicated. Except for certain key operational metrics, the financial information included under "Non-IFRS Measures" relates to financial information that has not been extracted from the Audited Consolidated Financial Statements or the Unaudited Condensed Consolidated Interim Financial Statements, which has been, however, extracted or results from management records or accounting records.

The summary of the consolidated and operating financial information should be read in conjunction with "Management Discussion and Analysis of Financial Condition and Results of Operations", "Presentation of Financial and Other Information", as well as with the Audited Consolidated Financial Statements and the notes thereto and the Unaudited Condensed Consolidated Interim Financial Statements and the notes thereto, as contained elsewhere in this Prospectus.

Consolidated Statement of Profit or Loss and Other Comprehensive Income Information

	Three months ended 31 March		Year ended 31 December		
	2023	2022	2022	2021	2020
	(RON million)				
Revenue	9,272.1	2,491.6	9,452.0	6,489.3	3,841.4
Other income	10.4	29.6	46.2	175.3	68.8
Turbinated water	(163.6)	(110.9)	(451.0)	(540.1)	(307.1)
Employee benefits expenses	(157.9)	(130.1)	(630.7)	(589.8)	(490.3)
Transport and distribution of electricity	(250.4)	(74.4)	(498.1)	(110.4)	(72.8)
Electricity purchased	(160.2)	(40.4)	(697.1)	(90.1)	(15.4)
Green certificates expenses	(36.9)	(35.0)	(183.2)	(53.7)	(14.0)
Depreciation and amortization	(198.2)	(191.9)	(772.2)	(760.5)	(720.5)
Reversal of impairment loss on / (Impairment loss on) property, plant and equipment	0.1	33.9	(23.9)	(359.3)	(106.0)
Impairment loss on trade receivables	(35.0)	(2.7)	(43.5)	(11.3)	(0.1)
Repair, maintenance, materials and consumables	(18.3)	(15.6)	(82.3)	(70.7)	(104.6)
Tax for electricity producers	(230.6)	(369.0)	(671.7)	(133.4)	0.0
Other operating expenses	(46.8)	(38.5)	(236.2)	(189.5)	(205.7)
Operating profit	1,984.7	1,546.5	5,208.4	3,755.7	1,874.0
Finance income	87.8	28.3	247.2	73.2	62.0
Finance costs	(10.8)	(9.9)	(38.1)	(44.1)	(29.4)
Net finance result	77.0	18.4	209.1	29.1	32.6
Profit before tax	2,061.7	1,564.9	5,417.4	3,784.8	1,906.6
Income tax expense	(338.4)	(277.0)	(953.4)	(668.6)	(348.6)
Profit for three months ended 31 March / the year ended 31 December	1,723.4	1,287.9	4,464.0	3,116.1	1,558.0
Earnings per share					
Basic and diluted earnings per share (RON)	3.84	2.87	9.95	6.95	3.48
Other comprehensive income					
Revaluation of property, plant and equipment, net of tax	0.0	0.0	1,777.8	3,856.6	0.0
Remeasurement of defined benefit liabilities, net of tax ...	0.0	0.0	(7.5)	(13.3)	(7.9)
Impairment of property, plant and equipment recognized in revaluation reserve, net of tax	0.0	0.0	0.0	0.0	(24.4)
Other comprehensive income	0.0	0.0	1,770.3	3,843.3	(32.3)
Total comprehensive income	1,723.4	1,287.9	6,234.3	6,959.5	1,525.8

Statement of Consolidated Financial Position Information

	As of	As of 31 December		
	31 March	2022	2021	2020
	2023	2022	2021	2020
		(RON million)		
Assets				
Non-current assets				
Property, plant and equipment	19,368.5	19,521.4	18,001.0	13,817.5
Intangible assets.....	6.4	6.3	7.2	4.6
Restricted cash.....	101.1	101.1	0.0	10.3
Deferred tax assets	0.0	0.0	15.1	13.3
Investments in corporate bonds.....	358.0	351.3	0.0	0.0
Other non-current assets.....	217.0	218.2	219.9	220.3
Total non-current assets.....	20,050.8	20,198.2	18,243.2	14,065.9
Current assets				
Inventories	74.6	72.4	65.3	68.3
Green certificates	0.0	0.0	34.8	0.0
Trade receivables	2,314.9	1,350.7	663.5	338.0
Investments in deposits and government bonds.....	3,677.3	3,034.7	2,561.5	1,730.1
Cash and cash equivalents	1,233.2	660.7	1,104.9	354.8
Restricted cash.....	0.0	0.0	10.3	0.0
Other current assets	177.4	115.4	78.3	36.7
Total current assets	7,477.3	5,234.0	4,518.5	2,527.9
Total assets	27,528.2	25,432.2	22,761.7	16,593.9
Equity				
Share capital	5,513.5	5,513.5	5,513.5	5,513.3
Prepaid capital contribution from shareholders	10.8	0.0	0.0	0.0
Revaluation reserve	10,917.1	11,021.3	9,612.9	6,094.9
Other reserves	1,023.2	1,023.2	962.1	780.5
Retained earnings	5,856.5	4,028.9	3,095.1	2,121.6
Total equity.....	23,321.0	21,586.9	19,183.5	14,510.3
Liabilities				
Non-current liabilities				
Bank borrowings	367.9	390.5	483.9	3.4
Lease liabilities	7.3	7.6	8.9	14.6
Deferred income	180.2	181.5	187.2	190.2
Deferred tax liabilities	1,311.9	1,315.9	1,017.2	350.4
Employee benefits	122.2	121.8	122.9	117.1
Provisions	825.2	817.1	728.6	660.5
Trade payables.....	25.5	0.4	2.5	5.6
Other payables	8.9	5.8	18.9	30.9
Total non-current liabilities	2,848.9	2,840.6	2,570.2	1,372.8
Current liabilities				
Bank borrowings	93.5	94.0	93.9	28.5
Lease liabilities	6.1	7.8	3.6	6.4
Trade payables.....	390.0	283.0	171.4	172.7
Contract liabilities.....	70.9	84.7	93.3	73.7
Current tax liabilities.....	514.4	172.0	123.4	81.4
Deferred income	5.7	5.7	5.7	5.5
Employee benefits	99.3	105.8	94.4	111.4
Provisions	121.7	121.8	116.5	196.3
Tax for electricity producers	23.9	91.4	133.4	0.0
Other payables.....	32.7	38.6	172.3	34.8
Total current liabilities	1,358.3	1,004.7	1,008.0	710.8
Total liabilities.....	4,207.2	3,845.4	3,578.2	2,083.6
Total equity and liabilities	27,528.2	25,432.2	22,761.7	16,593.9

Statement of Consolidated Cash Flows Information

	Three months ended 31 March		Year ended 31 December		
	2023	2022	2022	2021	2020
	(RON million)				
Cash flow from operating activities:					
Profit for three months ended 31 March / the year ended 31 December.....	1,723.4	1,287.9	4,464.0	3,116.1	1,558.0
<i>Adjustments for:</i>					
Depreciation.....	197.7	191.3	770.0	758.1	719.3
Amortization.....	0.5	0.6	2.2	2.4	1.2
Impairment loss / (reversal of impairment) on property, plant and equipment, net.....	(0.1)	(33.9)	23.9	359.3	106.0
Impairment loss on trade receivables, net.....	35.0	2.7	43.5	11.3	0.1
Write-down of inventories.....	0.0	0.0	0.6	5.1	0.8
Gain from bargain purchase of subsidiaries.....	0.0	0.0	0.0	(31.5)	(26.3)
Loss / (gain) on disposal of property, plant and equipment.....	0.0	(0.0)	2.1	3.6	6.5
Net foreign exchange loss / (gain).....	(0.1)	(0.2)	0.6	8.8	1.8
Interest income.....	(86.5)	(28.3)	(243.7)	(72.1)	(62.0)
Interest expense.....	2.8	1.2	10.6	15.9	11.0
Income tax expense.....	338.4	277.0	953.4	668.6	348.6
	2,210.9	1,698.3	6,027.1	4,845.7	2,665.0
<i>Changes in:</i>					
Trade receivables.....	(998.9)	(277.0)	(730.6)	(332.3)	(9.6)
Inventories.....	(2.2)	(2.8)	(7.8)	(2.0)	(3.8)
Restricted cash.....	0.0	(0.8)	(90.8)	0.0	0.0
Other assets.....	(52.7)	(64.5)	14.3	(14.1)	(18.6)
Trade payables.....	139.9	46.2	91.0	30.4	(12.7)
Deferred income.....	(1.4)	(1.4)	(5.7)	(2.9)	(5.5)
Employee benefits.....	(6.2)	(6.7)	(4.8)	(27.1)	13.2
Provisions.....	8.0	7.7	88.4	(37.2)	69.6
Other payables.....	(84.1)	(167.1)	(215.0)	264.6	33.8
	1,213.3	1,232.0	5,166.2	4,725.0	2,731.5
Cash generated from operating activities.....	1,213.3	1,232.0	5,166.2	4,725.0	2,731.5
Interest paid.....	(2.8)	(0.4)	(2.7)	(1.6)	(1.5)
Income tax paid.....	0.0	0.0	(928.2)	(675.9)	(453.3)
	1,210.5	1,231.5	4,235.3	4,047.5	2,276.7
Net cash from operating activities.....	1,210.5	1,231.5	4,235.3	4,047.5	2,276.7
Cash flow from investing activities:					
Payments for acquisition of property, plant and equipment.....	(41.8)	(29.8)	(169.0)	(176.8)	(167.3)
Payments for acquisition of intangible assets.....	(0.6)	0.0	(1.2)	(2.4)	(2.4)
Proceeds from the sale of property, plant and equipment.....	0.0	0.2	0.2	0.0	0.5
Payments for acquisition of corporate bonds.....	0.0	0.0	(351.3)	0.0	0.0
Payments for deposits held for investment purposes.....	(3,630.0)	(2,250.0)	(8,575.0)	(5,013.0)	(3,210.0)
Proceeds from deposits held for investment purposes.....	2,980.0	100.0	7,898.0	4,430.0	3,215.0
Payments for acquisition of government bonds.....	0.0	0.0	0.0	(235.4)	0.0
Proceeds from maturity of government bonds.....	0.0	235.4	235.4	0.0	0.0
Interest received.....	79.0	14.2	212.0	53.9	63.8
Payments for acquisition of subsidiaries, net of cash acquired.....	0.0	0.0	0.0	(598.3)	9.4
	(613.4)	(1,930.0)	(750.9)	(1,541.9)	(91.0)
Net cash used in investing activities.....	(613.4)	(1,930.0)	(750.9)	(1,541.9)	(91.0)
Cash flow from financing activities:					
Proceeds from issue of shares.....	0.0	0.0	0.0	0.0	0.4
Proceeds from borrowings.....	0.0	0.0	0.0	635.2	0.0
Repayment of borrowings.....	(22.8)	(23.0)	(93.3)	(97.6)	(44.3)
Lease payments.....	(1.9)	(1.4)	(4.4)	(6.8)	(6.6)
Dividends paid.....	0.0	0.0	(3,830.9)	(2,286.4)	(2,003.3)
	(24.7)	(24.3)	(3,928.6)	(1,755.5)	(2,053.8)
Net cash used in financing activities.....	(24.7)	(24.3)	(3,928.6)	(1,755.5)	(2,053.8)
Net increase/(decrease) in cash and cash equivalents.....	572.4	(722.8)	(444.2)	750.0	131.9
Cash and cash equivalents at 1 January.....	660.7	1,104.9	1,104.9	354.8	223.0
Cash and cash equivalents at 31 March / 31 December.....	1,233.2	382.1	660.7	1,104.9	354.8

Non-IFRS Measures

EBITDA and Adjusted EBITDA

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
	(RON million)				
Profit for the period/year	1,723.4	1,287.9	4,464.0	3,116.1	1,558.0
Income tax expense	338.4	277.0	953.4	668.6	348.6
Interest income.....	(86.5)	(28.3)	(243.7)	(72.1)	(62.0)
Interest expense, including unwinding of non-current provisions	10.8	8.1	38.9	33.0	27.6
Depreciation and amortization.....	198.2	191.9	772.2	760.5	720.5
EBITDA	2,184.3	1,736.6	5,984.8	4,506.2	2,592.7
(Reversal of) / Impairment loss on property, plant and equipment.....	(0.1)	(33.9)	23.9	359.3	106.0
Gain from bargain purchase of subsidiaries	0.0	0.0	0.0	(31.5)	(26.3)
Adjusted EBITDA	2,184.2	1,702.7	6,008.6	4,834.0	2,672.4
Revenue	3,272.1	2,491.6	9,452.0	6,489.3	3,841.4
EBITDA Margin (%).....	66.8	69.7	63.3	69.4	67.5
Adjusted EBITDA Margin (%).....	66.8	68.3	63.6	74.5	69.6

Adjusted Net Debt/(Cash) and Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratio

	As of and for the three months ended 31 March		As of and for the year ended 31 December		
	2023	2022	2021	2020	
	(RON million)				
Bank borrowings.....	461.4	484.5	577.8	31.9	
Lease liabilities	13.4	15.4	12.5	21.0	
Cash and cash equivalents.....	(1,233.2)	(660.7)	(1,104.9)	(354.8)	
Short-term Investments (investments in deposits and government bonds)	(3,677.3)	(3,034.7)	(2,561.5)	(1,730.1)	
Adjusted Net Debt/(Cash).....	(4,435.7)	(3,195.6)	(3,076.1)	(2,032.0)	
Adjusted EBITDA	2,184.2	6,008.6	4,834.0	2,672.4	
Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratio (%).....	(2.0)	(0.5)	(0.6)	(0.8)	

Adjusted Cash Conversion

	For the three months ended 31 March		For the year ended 31 December		
	2023	2022	2022	2021	2020
	(RON million)				
Net cash from operating activities.....	1,210.5	1,231.5	4,235.3	4,047.5	2,276.7
Adjusted EBITDA	2,184.2	1,702.7	6,008.6	4,834.0	2,672.4
Adjusted Cash Conversion	0.6	0.7	0.7	0.8	0.9



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the Group's financial condition and results of operations for the three months ended 31 March 2023 and 2022 and the years ended 31 December 2022, 2021 and 2020 should be read in conjunction with the rest of this Prospectus, including the Audited Consolidated Financial Statements and Unaudited Condensed Consolidated Interim Financial Statements, the notes thereto and the independent auditor's report thereon, which are included elsewhere in the Prospectus. Except as otherwise stated, the financial information in this section is derived from the Audited Consolidated Financial Statements, which have been prepared in accordance with IFRS-EU, and the Unaudited Condensed Consolidated Interim Financial Statements, which have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. For a discussion of the presentation of the Group's historical financial information included in this Prospectus, see "Presentation of Financial and Other Information".

The following discussion contains forward-looking statements that involve risks and uncertainties. The Group's future results could differ materially from those discussed below. See "Important Information about this Prospectus — Cautionary Note Regarding Forward-Looking Statements". Factors that could cause or contribute to such differences include, without limitation, those discussed in particular in the sections entitled "Risk Factors" and "Business" and elsewhere in the Prospectus.

Overview

The Company is the leading electricity producer in Romania in terms of electricity produced (see figure 6 in "Industry Overview and Key Trends"), a large hydro player in Europe, and the main provider of ancillary services in Romania, playing an instrumental role in the security of the NES. The Company owns and operates 182 hydropower plants and five pumping stations with a total installed hydropower generation capacity of 6.3 GW as of March 2023, which had a net generation⁸ of 13,245,412 MWh in the year ended 31 December 2022, and a wind farm with an installed capacity of 108 MW consisting of 36 Vestas V112 type turbines of 3 MW each, which had a net generation of 298,874 MWh in the year ended 31 December 2022. The Group aims to maintain its position as a local and regional leader in producing 'green energy' and supporting the transition to a low-carbon and energy-efficient economy. The Company seeks to play a proactive role in decarbonizing the economy while accelerating a profitable and diversified growth in terms of technological installed capacity. With the aim to capitalize the positive trend towards a renewable energy environment, the Company seeks to develop its power generation portfolio by acquiring new green energy projects, particularly onshore and offshore wind facilities and photovoltaic projects.

The Company has been committed to being 100% renewable since its inception and has played a key role in the early design and creation of technological and operational concepts that have become standard in its industry.

The Company is also an electricity wholesaler as well as a supplier of electricity directly to end customers (retail sales), including households (residential) and non-households (industrial businesses, automotive, telecommunications and constructions). As of 31 December 2022, the Company supplied electricity to more than 482,000 final consumers (locations of energy delivered to). As a hydro and, more recently, a wind energy producer, the Company benefits from a synergy between the generation and supply portfolios, from the diversification of the portfolios (e.g., expansion into other renewable sources such as wind in its generation portfolio and growth of its supply segment), and from green certification scheme (for more details please see "Key factors impacting results of operations — Regulations — Green certificates" and "Business — Business and Operations — Electricity Generation — Green certificates" below). The Company's sole and wholly owned subsidiary is Hidroserv, which provides maintenance and repair services for hydropower assets and has been undergoing insolvency proceedings since October 2016.

The Group's scale and proven track record in commissioning and managing hydropower generation projects contributes to its competitiveness and know-how in this space, and allows the Group to be strategically positioned to benefit from growth opportunities offered by Romania's transition to green energy.

⁸ Net generation refers to gross generation of electricity less energy consumed internally (see, "Business—Overview")

Operating segments

The Group has identified two reporting segments based on the operating licenses owned:

- electricity generation: generation of electricity through the operation of hydropower plants, micro-hydropower plants (“MHPP”) 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 (through internal transfer); electricity generation segment includes also system services and generation of electricity for system balancing which are billed to the system operator, Transelectrica; and
- electricity supply: supply of electricity to non-households and households final consumers. Electricity supplied to final 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 Group presented segment information for the first time in its financial statements as at and for the year ended 31 December 2022, together with comparative information for the years ended 31 December 2021 and 2020. For the years ended 31 December 2021 and 2020, revenue and profit before tax of the supply segment represented less than 10% of Group’s total revenues and the Group’s total profit before tax.

The Management Board of the Company reviews management reports of each segment. Segment profit before tax is used to measure performance because the Company’s management believes that such information is one of the most relevant in evaluating the results of the relevant segments. Total segment assets and total segment liabilities are not included in the management reports reviewed by the Management Board.

The table below sets out key revenues and expenses line items of the Group’s segments for the three months ended 31 March 2023 and 2022, and the years ended 31 December 2022, 2021 and 2020.

Three months ended 31 March 2023	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
	<i>(in RON million)</i>				
External revenues.....	2,117.1	1,155.0	3,272.1	0.0	3,272.1
Inter-segment revenue.....	368.1	0.0	368.1	(368.1)	0.0
Segment revenue.....	2,485.1	1,155.0	3,640.2	(368.1)	3,272.1
Segment profit before tax.....	1,703.6	358.1	2,061.7	0.0	2,061.7
Net finance income/(cost).....	75.7	1.2	77.0	0.0	77.0
Amortization and depreciation.....	(198.2)	(0.0)	(198.2)	0.0	(198.2)
Reversal of impairment loss on property, plant and equipment.....	0.1	0.0	0.1	0.0	0.1
Electricity purchased.....	(43.6)	(423.2)	(466.9)	306.7	(160.2)
Green certificates expenses.....	0.0	(98.3)	(98.3)	61.4	(36.9)
Employee benefits expenses.....	(155.4)	(2.5)	(157.9)	0.0	(157.9)
Turbinated water.....	(163.6)	0.0	(163.6)	0.0	(163.6)
Tax for electricity producers.....	(230.6)	0.0	(230.6)	0.0	(230.6)
Transport and distribution of electricity.....	(16.1)	(234.3)	(250.4)	0.0	(250.4)
Other expenses.....	(60.3)	(39.8)	(100.1)	0.0	(100.1)

Three months ended 31 March 2022	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
			<i>(in RON million)</i>		
External revenues.....	2,045.5	446.1	2,491.6	0.0	2,491.6
Inter-segment revenue.....	158.3	0.0	158.3	(158.3)	0.0
Segment revenue	2,203.8	446.1	2,649.9	(158.3)	2,491.6
Segment profit before tax	1,379.5	185.3	1,564.9	0.0	1,564.9
Net finance income/(cost).....	18.2	0.1	18.4	0.0	18.4
Amortization and depreciation	(191.9)	(0.0)	(191.9)	0.0	(191.9)
Reversal of impairment loss on property, plant and equipment.....	33.9	0.0	33.9	0.0	33.9
Electricity purchased.....	(40.4)	(154.5)	(195.0)	154.5	(40.4)
Green certificates expenses.....	(2.9)	(35.9)	(38.7)	3.8	(35.0)
Employee benefits expenses.....	(128.4)	(1.7)	(130.1)	0.0	(130.1)
Turbinated water.....	(110.9)	0.0	(110.9)	0.0	(110.9)
Tax for electricity producers.....	(369.0)	0.0	(369.0)	0.0	(369.0)
Transport and distribution of electricity.....	(9.0)	(65.4)	(74.4)	0.0	(74.4)
Other expenses.....	(53.5)	(3.3)	(56.8)	0.0	(56.8)

Year ended 31 December 2022	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
			<i>(in RON million)</i>		
External revenues.....	7,303.0	2,149.0	9,452.0	0.0	9,452.0
Inter-segment revenue.....	854.3	0.0	854.3	(854.3)	0.0
Segment revenue	8,157.2	2,149.0	10,306.2	(854.3)	9,452.0
Segment profit before tax	4,911.3	506.2	5,417.4	0.0	5,417.4
Net finance income/(cost).....	204.7	4.4	209.1	0.0	209.1
Amortization and depreciation	(772.1)	(0.0)	(772.2)	0.0	(772.2)
Impairment loss on property, plant and equipment	(23.9)	0.0	(23.9)	0.0	(23.9)
Electricity purchased.....	(582.2)	(937.7)	(1,519.9)	822.8	(697.1)
Green certificates expenses.....	(34.8)	(179.9)	(214.7)	31.5	(183.2)
Employee benefits expenses.....	(622.2)	(8.5)	(630.7)	0.0	(630.7)
Turbinated water.....	(451.0)	0.0	(451.0)	0.0	(451.0)
Tax for electricity producers.....	(671.7)	0.0	(671.7)	0.0	(671.7)
Transport and distribution of electricity.....	(43.3)	(454.8)	(498.1)	0.0	(498.1)
Other expenses.....	(295.8)	(66.2)	(362.0)	0.0	(362.0)

Year ended 31 December 2021	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
			<i>(in RON million)</i>		
External revenues.....	6,070.8	418.5	6,489.3	0.0	6,489.3
Inter-segment revenue.....	229.6	0.0	229.6	(229.6)	0.0
Segment revenue	6,300.4	418.5	6,718.9	(229.6)	6,489.3
Segment profit before tax	3,717.2	67.6	3,784.8	0.0	3,784.8
Net finance income/(cost).....	29.1	(0.0)	29.1	0.0	29.1
Amortization and depreciation	(760.3)	(0.2)	(760.5)	0.0	(760.5)
Impairment loss on property, plant and equipment	(359.3)	0.0	(359.3)	0.0	(359.3)
Electricity purchased.....	(90.1)	(222.5)	(312.6)	222.5	(90.1)
Green certificates expenses.....	(19.8)	(41.0)	(60.9)	7.2	(53.7)
Employee benefits expenses.....	(585.6)	(4.3)	(589.8)	0.0	(589.8)
Turbinated water.....	(540.1)	0.0	(540.1)	0.0	(540.1)
Tax for electricity producers.....	(133.4)	0.0	(133.4)	0.0	(133.4)
Transport and distribution of electricity.....	(49.2)	(61.2)	(110.4)	0.0	(110.4)
Other expenses.....	(248.5)	(23.0)	(271.5)	0.0	(271.5)

Year ended 31 December 2020	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
			<i>(in RON million)</i>		
External revenues.....	3,619.1	222.4	3,841.4	0.0	3,841.4
Inter-segment revenue.....	108.0	0.0	108.0	(108.0)	0.0
Segment revenue	3,727.1	222.4	3,949.5	(108.0)	3,841.4
Segment profit before tax	1,851.1	55.5	1,906.6	0.0	1,906.6
Net finance income/(cost).....	32.6	0.0	32.6	0.0	32.6
Amortization and depreciation	(720.5)	(0.0)	(720.5)	0.0	(720.5)
Impairment loss on property, plant and equipment	(106.0)	0.0	(106.0)	0.0	(106.0)
Electricity purchased.....	(15.4)	(104.5)	(119.9)	104.5	(15.4)
Green certificates expenses.....	0.0	(17.5)	(17.5)	3.6	(14.0)
Employee benefits expenses.....	(489.6)	(0.7)	(490.3)	0.0	(490.3)
Turbinated water.....	(307.1)	0.0	(307.1)	0.0	(307.1)
Transport and distribution of electricity.....	(31.9)	(40.9)	(72.8)	0.0	(72.8)
Other expenses.....	(310.2)	(0.2)	(310.3)	0.0	(310.3)

Other expenses reported by the segments consist of the following line items of the consolidated statements of profit or loss and other comprehensive income: repair, maintenance, materials and consumables, impairment loss on trade receivables and other operating expenses.

Inter-segment revenue includes the value of electricity produced and transferred within the Company from its generation portfolio (electricity generation segment) to its supply portfolio (electricity supply segment) of RON 334.6 million and RON 139.4 million for the three months ended 31 March 2023 and 2022, respectively and of RON 714.1 million, RON 166.6 million and RON 104.5 million for the years ended 31 December 2022, 2021 and 2020, respectively, as well as the values of green certificates and energy in balancing transferred from its generation segment to its supply segment. Inter-segment revenues for the three months ended 31 March 2023 and 2022 and the years ended 31 December 2022 and 2021 were calculated based on a methodology approved by the Management Board in 2021, and for the year ended 31 December 2020 based on a methodology approved by the Management Board in 2018. The methodology used for the three months ended 31 March 2023 and 2022 and the years ended 31 December 2022 and 2021 for computing transfer price between the two segments was based on the average electricity generation cost in the last 12 months ending two months prior to the calculation month, plus an internal margin. The methodology used for the year ended 31 December 2020 was based on the electricity generation cost for the preceding second month before the calculation month, plus an internal margin.

Key factors impacting results of operations

The following are the key factors that have impacted, and are expected to continue to impact, the Group's results of operations.

Regulations

The Group operates in a highly regulated industry. Electricity generation, trading and supply and ancillary services, are all subject to a broad range of regulatory regimes. See "Regulatory Matters" for more information regarding the applicable regulations and "Risk Factors—Risks relating to the Group's business and the industry in which it operates—Changes in regulations or government policies, particularly as a result of increased governmental intervention in the electricity market, could materially and adversely affect the Group's business". The Energy and Natural Gas Law no. 123/2012 (the "Energy Law") establishes the regulatory framework for companies operating in the electricity market in Romania, including producers and suppliers of electricity. In addition to the heavily regulated environment in which the Group operates, the Romanian Government tends to intervene actively in the energy markets to, among other things, control electricity prices. The Company has licenses and permits for operating its generation and supply segments as detailed in "Business—Materials licenses".

Generation and wholesale

In Romania, the generation of electricity is governed by the Energy Law, as well as other applicable regulations, and subject to regulation and licensing by ANRE. The Company's License No. 332/2001 was obtained in 2001 for the commercial operation of the power generation capacities, including the provision of ancillary services. The Company's license for the electricity production and ancillary services was updated in 2022 and will expire on 24 July 2026 (see section "Regulatory Matters — Energy Matters — Licences

obtained by the Company to participate on the Romanian electricity market — Energy generation”). As an energy producer, the Company is subject to numerous obligations, such as compliance with dispatching orders issued by the TSO, ensuring electricity measurement activities and complying with all obligations regarding environmental protection and water management. All of the Group’s revenues generated from its electricity generation and wholesale are reflected as the wholesale of electricity in the consolidated statement of profit or loss and other comprehensive income.

Historically, the wholesale of the energy produced by the Company was conducted on the wholesale markets of OPCOM according to the specific rules of each market. In general, the prices for such transactions were determined by the supply and demand of such market. However, in 2020, the Company had to deliver electricity on the regulated market with a price cap according to ANRE Order 10/2019. The energy was sold directly to the suppliers of last resort, resulting in regulated average price of 109.5 RON/MWh and quantity delivered on the regulated market of 3,154 TWh.

Under the CEPM, the Company is currently required to sell to OPCOM, as the sole purchaser, at a fixed price of RON 450/MWh energy representing: (i) an amount of 80% of its yearly estimated quantities of available energy, as approved by Transelectrica and communicated to ANRE, and (ii) its monthly revised estimated available energy. In order to calculate available energy, the Company deducts from the forecasted quantities of energy the following: (i) energy quantities under wholesale and retail contracts in force as at 11 November 2022; (ii) forecasted quantity of energy required for balancing; and (iii) electricity produced by hydro assets with an installed capacity of less than 10 MW and electricity produced by wind capacities. For more details, please see *“Risk Factors—Risks relating to the Group’s business and the industry in which it operates—Changes in regulations or government policies, particularly as a result of increased governmental intervention in the electricity market, could materially and adversely affect the Group’s business”*.

The Company is also required to contribute to the Energy Transition Fund in the form of a windfall tax for electricity producers. This contribution is payable from 1 September 2022 to 31 March 2025 and is levied where the net monthly average selling price exceeds RON 450/MWh (for more details, see *“Description of key income statement line items—Tax for electricity producers”*).

Supply

The Company conducts electricity supply activities based on its license as an end supplier. The Company’s supply License No. 2215/2020 is valid for 10 years with the possibility of requesting a new one at least 60 days before the expiry of the validity thereof. The liberalisation of the Romanian electricity supply market started in 2014, with the final stage taking place on 1 January 2021, when the household retail market was deregulated (meaning that the tariffs for supply of electricity have been deregulated for households). All of the Group’s revenues generated from its electricity supply are reflected as the electricity supplied to final consumers (retail sales) in the consolidated statement of profit or loss and other comprehensive income. Revenues from the Group’s supply segment include pass through costs, which are green certificate costs, costs of transporting and distributing electricity, costs of introducing the electricity to the grid, and system servicing costs. The Group also categorizes its revenues corresponding to these pass through costs as pass through revenue⁹. The following table represents information in relation to the revenues the Group generated from its supply segment for the three months ended 31 March 2023 and for the years ended 31 December 2022, 2021 and 2020:

⁹ **“pass through revenues”**: revenues received by the Group to cover all pass through costs which were invoiced to the Group by their respective beneficiaries. The Group in turn invoiced these costs (on behalf of their beneficiaries) to the Group’s final consumers, together with revenues derived from green certificates the Group generated internally and delivered energy (of which the Group is the beneficiary).

		For the three months ended 31 March			
		For the year ended 31 December			
		2023	2022	2021	2020
Total Production Sold ¹⁰	TWh	4.5	13.5	16.7	14.6
External Acquisition ¹¹	TWh	0.4	1.1	0.6	1.4
Total Electricity Sale¹².....	TWh	4.8	14.7	17.4	16.0
Balancing ¹³	TWh	(0.1)	(0.9)	(0.9)	(0.5)
Supply Sale ¹⁴	TWh	(1.5)	(3.7)	(1.0)	(0.6)
Generation Energy Sold¹⁵.....	TWh	3.3	10.2	15.4	14.8
Supply Volume ¹⁶	TWh	1.5	3.7	1.0	0.6
Supply Price (Ex-Pass Through) ¹⁷	RON / MWh	556.4	414.4	310.0	262.0
Supply Revenue from Delivered Energy¹⁸.....	RONm	822.4	1,522.8	319.0	164.0
Adjusted Pass Through Revenue¹⁹.....	RONm	332.6	626.2	99.5	58.4
Adjusted Pass Through % ²⁰	%	40%	41%	31%	36%
Revenue from electricity supplied to final consumers (retail sales).....	RONm	1,155.0	2,149.0	418.5	222.4

GEO 119/2022 established an electricity price cap for consumers as follows: (i) for household electricity consumers, depending, among others, on the period of consumption, the monthly consumption, if medical equipment are used, social condition, between RON 0.68/kWh and RON 1.3/kWh; (ii) for non-household consumers, depending, among others, if the consumer is a small and medium-sized enterprise, an economic operator from the food industry, authority or local public institution, a public or private hospital etc., between RON 1/kWh and RON 1.3/kWh. These protection measures are expected to be applicable until 31 March 2025. See “Regulatory Matters—Energy Matters — The Energy Market in Romania — Electricity supply — Measures taken to protect the consumers from electricity price increases”.

As the Company is also an energy producer, its supply obligations are generally fulfilled by transferring the energy produced in its generation segment to its supply segment through an internal procedure. For more details regarding the Company’s methodologies in calculating inter-segment revenues, see “Operating Segments”. If, however, the Company requires additional energy for its supply segment based on its supply license, the Company can purchase the necessary energy from the market.

Ancillary Services

The ancillary services market is the energy market on which balancing services are traded (except for those system services which ensuring frequency stability). An ancillary service may be any service necessary for the operation of transmission or distribution systems, including balancing services and system services other than frequency stability services, but not including congestion management. All of the Group’s revenues from its ancillary services are reflected in the system services line item of the revenue.

TSO may acquire system, capacity and electricity services from all market participants that fulfil the necessary technical requirements, including from the Company, dispatchable customers, operators of energy storage installations and aggregators, based on a transparent, non-discriminatory and market-based procedure, approved by ANRE. TSO conducts regular competitive tenders for ancillary services, acquiring ancillary services at tariffs established based on calculations made according to ANRE regulations.

¹⁰ “Total Production Sold” represents the volume of electricity the Group generated from its hydro and wind sources and sold, less any electricity the Group consumed internally.

¹¹ “External Acquisition” represents the volume of electricity that Group acquired from third parties.

¹² “Total Electricity Sale” represents the total volume of electricity the Group sold on all markets, including wholesale, retail and balancing markets.

¹³ “Balancing” represents the volume of electricity the Group sold on the balancing market.

¹⁴ “Supply Sale” represents the volume of electricity the Group sold to final consumers in the supply segment.

¹⁵ “Generation Energy Sold” represents the volume of electricity the Group sold other than Balancing and Supply Sale.

¹⁶ “Supply Volume” represents the volume of energy the Group delivered and invoiced to its final consumers.

¹⁷ “Supply Prices (Ex-Pass Through)” represents the price for the energy the Group delivered and invoiced to its final consumers.

¹⁸ “Supply Revenue from Delivered Energy” represents the revenues the Group generated from energy the Group delivered and invoiced to its final consumers.

¹⁹ “Adjusted Pass Through Revenue” represents any revenues the Group generated in its supply segment other than Supply Revenue. Adjusted Pass Through Revenue consists of pass through revenues, as well as revenues resulting from green certificates the Group generated internally.

²⁰ “Adjusted Pass Through %” represents Adjusted Pass Through Revenue in percentages of Total Supply Revenue.

Green certificates

The support scheme through green certificates in Romania was adopted in order to incentivize the generation of electricity from renewable energy sources. Green certificates may be granted to hydropower plants with an installed capacity of up to a maximum of 10 MWh, as well as for wind farms and other renewable technologies. The number of green certificates that a producer is entitled to receive depends on the type and age of the powerplants.

The Company's wind farm, with an installed capacity of 108 MW, located in Constanța County, Romania ("Crucea Wind Farm") receives 0.75 green certificate for each 1 MWh delivered into the grid from wind capacities until 2029. The Company also receives a small number of green certificates for some of its micro-hydropower plants. For more details on green certificates, see section "Regulatory Matters — Energy Matters — Licences obtained by the Company to participate on the Romanian electricity market — Energy generation — Support scheme through green certificates". These certificates can then be sold on the specialized markets operated by OPCOM to electricity suppliers, who are required by law to obtain a certain number of certificates each year to meet their renewable energy obligations. The Company may, and does, transfer its green certificates from the generation portfolio to the supply portfolio, which are then included as pass through costs charged to final consumers, while the remaining certificates may be sold on OPCOM markets. This means that in case the demand on the market for green certificates is not high enough, the Company may transfer its green certificates to the supply portfolio.

Hydrological and other weather and climatic conditions

The Group's results of operations are directly affected by hydrological conditions, such as precipitation, evaporation, infiltration, runoff, groundwater recharge, and water storage in natural systems, affecting the amount of water that feeds into the rivers or reservoirs across hydropower plants' catchment areas. These conditions may be subject to significant variation. The Group has 182 hydropower plants and five pumping stations in seven different regions across Romania. All of the Group's hydropower plants are dependent on the prevailing hydrological conditions in those regions. In particular, higher water levels lead to higher electricity generation, whereas lower water levels result in reduced electricity generation, in each case without an impact on the Group's operating expenses. Accordingly, fluctuations in water levels generally have a direct impact on the Group's revenue in its sale of electricity and electricity supply to final consumers. The impact of hydrological conditions is more evident in case of the run-of-river hydropower plants compared to the storage hydropower plants (see "Business—Business and Operations—Electricity generation"). The use of both the run-of-river and storage hydropower plants allows the Company to have a flexible approach in selling the electricity in the wholesale and supply market, adapting to meet its contractual obligations while delivering ancillary services to the TSO. The Group also uses third party providers for forecasting hydrology, which allows visibility of conditions three months ahead, with some degree of uncertainty. In addition, the Group's hydropower plants are exposed to weather related issues, such as droughts, extreme temperature or storms, high winds, lightning, and hail. Such severe weather conditions may damage the Group's plants and interrupt the Group's operations, resulting in higher maintenance and repair expenses (for the damage these conditions may cause to the hydropower plants and equipment) as well as reduced revenue from the sale of electricity. See "Risk Factors—Risks relating to the Group's business and the industry in which it operates—The Group's electricity generation and the demand for the Group's electricity are subject to climatic conditions that may not be within the Group's control. Further, climate change and episodes of extreme weather events could have an adverse effect on the Group's production equipment (commissioned and planned to be commissioned)"

Generally, Romania enjoys greater levels of water flows from March to June. During these months, the Group's hydropower plants, particularly its run-of-river hydropower plants, dispatch significantly more electricity compared to the rest of the year. Historically, while hydrological conditions in Romania have varied, the Group's geographical diversification of its generation portfolio has partly reduced the hydrology-driven volatility of the generation activities. The Group's gross generation of electricity from its hydro and wind sources (without excluding electricity consumed internally within the Group) were 13.9 TWh, 17.1 TWh and 15.0 TWh for the years ended 31 December 2022, 2021, and 2020, respectively; the ten-year average for gross hydropower generation by the Company from 2013 to 2022 was 15.9 TWh per year.

The Group's results of operations are also to some extent impacted by wind conditions, such as wind speed and direction. The Group has one wind farm (Crucea Wind Farm) located in Constanta County, Romania. Wind conditions may impact the load factors achieved by Crucea Wind Farm, and thereby its generation of electricity. As part of its renewable energy diversifying and growth plan, the Group intends to increase its wind capacity and develop its solar capacity by investing in onshore and offshore wind farms and photovoltaic parks. The energy output generated from these wind farms and photovoltaic parks would be

subject to wind and solar conditions. Even if the Group's long-term forecasts of these conditions are assessed correctly, actual wind and solar conditions may fluctuate within any given year and deviate from the long-term average load factors, causing significant generation volatility in the performance of the Group's wind farms and photovoltaic parks.

Electricity prices

The Group's results of operations are also impacted by the prices that the Group sells its electricity in its trading and supply portfolios. Market electricity prices depend on the supply of, and demand for, electricity.

For its electricity trading portfolio, the Company is required under GEO 153/2022 to sell through the CEPM from 1 January 2023 and 31 March 2025 at a fixed price of RON 450/MWh electricity representing: (i) an amount of 80% of its yearly estimated quantities of available energy, as approved by Translectrica and communicated to ANRE, and (ii) its monthly revised estimated available energy. Also, through the monthly CEPM auctions, the Company sells its monthly revised estimated available energy to OPCOM, as sole purchaser, at RON 450/MWh. The Company may also sell the remaining electricity at the DAM and intra-day market at free market prices. For the years ended 31 December 2022, 2021 and 2020, the Group generated revenues from wholesale of electricity of RON 6,960.8 million, RON 5,629.0 million and RON 3,269.7 million, respectively. The market prices of electricity on the DAM and the intra-day market depend on the supply of, and demand for, electricity. Demand for electricity, measured by consumption, typically increases during the winter months, due to heating needs, and during summer months, due to air conditioning. In addition, demand for electricity is usually higher during normal business hours during the day and for a longer duration during the period from fall and winter months due to fewer daylight hours. Market electricity prices also reflect the national power generation mix and position of hydropower plants in the merit order. Electricity prices in the spot market are generally determined by marginal power plants (gas-fired and/or coal-fired thermal power plants), which bridge the gap in demand that is not covered by baseload or renewable power plants. During the spring months, electricity prices generally decrease due to increased electricity supply (increased share of electricity generation from hydropower plants) and reduced electricity demand. As the Group contracted to sell its electricity one to two years prior to the actual delivery date based on its energy generation forecast, the Group is exposed to market price fluctuation risk when the Group's actual electricity generation is lower than the energy the Group is obligated to deliver and thus may be required to purchase electricity on the DAM market or through bilateral PPAs at market prices to fulfil its contractual obligations. See *"Risk Factors — The Company's hedging strategies may not be effective in mitigating price fluctuations and potential losses."*

For its supply portfolio, the Group sells electricity to final consumers at prices subject to price cap regulations. See *"Regulatory Matters — Energy Matters— The Energy Market in Romania — Electricity supply — Measures taken to protect the consumers from electricity price increases"*. For the years ended 31 December 2022, 2021 and 2020, the Group generated RON 2,149.0 million, RON 418.5 million and RON 222.4 million of revenue from its supply portfolio, respectively. The market prices for electricity supplied to final consumers also depend on the supply of, and demand for, electricity, as well as the national power generation mix and position of hydropower plants in the merit order. As the Group regularly transfers electricity it produced to its supply portfolio instead of purchasing electricity from the wholesale markets, the Group's exposure to the risk of electricity price volatility and a price mismatch between the wholesale prices and retail prices for its supply portfolio is limited.

Macroeconomic conditions in Romania

All of the Group's operations are in Romania, and in the periods under review, the Group derived substantially all of its revenue from sales in Romania. Macroeconomic conditions may impact GDP in Romania and thus have a significant influence on the performance of the Group. This in turn may affect the electricity consumption by industrial and individual consumers in Romania. Structural changes in Romania's economy may drive higher demand for the Group's electricity that it generates from its plants. The industrialization growth impacts increase in the electricity consumption of industrial consumers, which further increase the overall demand for electricity. In addition, growth of macroeconomic conditions in Romania impacts the consumption and disposable income of the population, which further increases the demand for electricity. Therefore, changes in GDP and GDP per capita can affect the demand for electricity as these changes affect the amount of money that people are willing to spend on electricity. Additionally, macroeconomic conditions are also likely to affect foreign exchange rates, domestic rates and inflation, each of which has an impact on the Group's financial and operating expenditures. See *"Industry Overview and Key Trends"* section for further information on macroeconomic conditions in Romania. High levels of

inflation tend to increase the Group's expenses, particularly salaries, water tariffs, inventories, and to a lesser extent, investment projects, which are linked to general price levels in Romania.

Recessionary conditions may also increase the number of defaults or delays in payments from the Group's customers and prevent the Group's from attracting new customers. See "*Risk Factors — Macroeconomic and geopolitical risks impacting the Group.*"

Refurbishment and modernization projects

The Group has been refurbishing and modernizing its existing hydropower plants to extend their lifecycles. See "*Business — Business and Operations — Refurbishment and Modernization Projects*". The Group intends to continue its growth plan to increase renewable energy generating capacities by executing these refurbishment and modernization projects, while also developing new hydropower plants and expanding into wind and solar energy, and therefore expects to incur costs for these projects. Although the Group has a diversified growth plan, the Group's strategy is to prioritize its refurbishment and modernization projects as the costs for these projects are lower than developing new hydropower plants. In addition, the revenue stream of refurbishment and modernization projects start well before the project completions, which is not the case for new hydropower plants development projects. The Group expects significantly higher expensed project development costs in the coming years due to its investment plan relative to historical levels.

Water tariffs

The Group's costs structure of its electricity depends on water tariffs, which are subject to inflation (see "*Key factors impacting results of operations — Macroeconomic conditions in Romania*"). Water tariffs are taxes on water used by the Group's hydropower plants to generate electricity and reflected as turbinated water in the statement of loss or profit and other comprehensive income. ANAR establish the fee per thousand cubic meters of water used annually based on the consumption index. For the year ended 31 December 2022, 2021 and 2020, the fee was RON 1.23, RON 1.17 and RON 1.12, respectively, per thousand cubic meters. The fee is increased to RON 1.40 per thousand cubic meters for 2023. Within six months after the water tariffs were introduced, the Company had the obligation to install special equipment to accurately measure the quantities of water flowing through its power generating units for purposes of calculating the turbinated water taxes (direct method). However, since it did not install such equipment, the Company has been subject, until the first part of 2023, to the indirect method of turbinated water tax calculation (i.e. maximum quantity water that could flow through the power generating units (instead of actual waterflow) multiplied by the units' operating time). Recently, on 31 May 2023, the Government issued Emergency Ordinance no. 52/2023, which amended the turbinated water tax collected by ANAR by setting a new quantification method, respectively a new fee of RON 37/MWh generated. In addition, the new law repealed the provisions according to which the water tax was annually indexed with the annual consumption index (for more details, see "*Risk factors — The Group may be exposed in the future to higher turbinated water tax payable to ANAR*").

Seasonality

The Group's business is subject to seasonal fluctuations. For example, hydropower generation varies depending on hydrological and other weather and climatic conditions throughout the year, and typically tends to be highest in March to June and lowest in September. During the period from March to June, the Group produces higher volumes of electricity and, accordingly, generates greater revenue for a given price. Unregulated market prices also fluctuate based on supply and demand in the market; demand tends to be highest in winter and summer months and lowest in spring and fall months.

The increased electricity production in spring due to higher water flows is usually partially offset by lower electricity spot market prices, due to reduced demand for electricity in the spring months, and higher demand in fall and winter. As a result, the Group tends to generate greater profits in spring and summer months, from March to July.

Significant accounting policies and use of judgment and estimates

The Company's significant accounting policies are set forth in Note 6 to the Audited Consolidated Financial Statements, and the Group's use of judgement and estimates is described in Note 4 to the Audited Consolidated Financial Statements. The preparation of the Company's Audited Consolidated Financial Statements requires the Group's management to make judgment and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual

results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The Group's management has identified below use of judgment and estimates that they believe are critical to the preparation of the Group's financial information.

Concession agreement

The Ministry leased to the Company the hydropower facilities (such as dams, piers, locks, water storage reservoirs) and the land on which they are located ("**Public Domain Assets**") pursuant to the Concession Agreement (see "*Business — Material Contracts — Concession agreement*"). The Concession Agreement provides for three types of assets: (1) Public Domain Assets, (2) take over assets, and (3) own assets.

The Group concluded that the Concession Agreement is not within the scope of IFRIC 12 (Service Concession Arrangements) because the Ministry does not regulate to whom the Company must provide its services or the prices of such services. The Group concluded that the price fixing mechanism introduced by the Romanian Government starting 1 January 2023 (see "*Regulatory Matters — Energy Matters — The Energy Market in Romania — Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production — GEO 192/2022*") does not affect this conclusion as the mechanism is temporary and applies only to part of the generation. The Group recognizes the royalty of the Concession Agreement in other operating expenses of the Group.

Leasing and refurbishing of assets to be returned

Applying IFRS 16 (Leases), the Group concluded that the Concession Agreement contains a lease as the Ministry of Energy transfer the right to control the Public Domain Assets to the Company in exchange for a royalty. Therefore, the Group measures the carrying amount of the right-of-use asset and the amount of lease liability related to this Concession Agreement as 0 because the future lease payments are variable and depending on Company's revenue and calculates the royalty as a percentage of revenues.

The Group concluded that the refurbishments made to the Public Domain Assets are improvements to leased assets for which the Group is the accounting owner because these improvements served the Group's interest as lessee to use the leased assets.

Cash-generating units

The Group concluded that the assets relating to hydropower plants (except the wind park and the investment objectives related to hydropower assets with complex or multiple functions) represent a single cash-generating unit. In addition, the Group concluded that the wind park is a separate single cash-generating unit and that each investment objective related to hydropower assets with complex or multiple functions represent separate cash-generating units.

Decommissioning obligations

The Company is required to carry out post-utilization procedure or abandonment procedure, as applicable, for the dams (including levees, hydropower plants and locks) that the Group operates pursuant to Order of the Ministry of Water and Environment no. 119 of 11 February 2002. The Company must carry out (1) post-utilization procedure when a dam has reached its normal operating life span but can be used for purposes other than those which it was originally constructed for or (2) abandonment procedure when a completed or unfinished dam, whether or not its life span has been exceeded, (i) can no longer be kept in operation or undergoing post-utilization procedure due to technical impossibility or very high costs, and (ii) represents a potential danger for the population and the environment. The Group considers that abandonment is necessary only in extreme situations that the dams become an unacceptable risk impacting the environment and the population.

In addition, the Group estimates that, by the end of the Concession Agreement, the occurrence of situations requiring post-utilization or abandonment of the dams is unlikely considering the long life of the dams, which can be significantly extended over 100 years by maintenance and improvements. Consequently, the Group recognizes decommissioning provisions only when the Group's management has taken the decision to abandon an asset or switch to post-utilization or has no other realistic alternative but to do so before the end of the Concession Agreement. The provisions are recognized based on the costs resulting from the technical documentation prepared by specialists employed by the Group.

Electricity sale-purchase contracts

The Group concluded that its electricity sale and purchase contracts in the periods under reviews are not within the scope of IFRS 9 (Financial Instruments) because the Group concluded that these contracts qualify for the own-use exemption under IFRS 9 due to the following factors: (1) the Group is an electricity producer and its only intention and purpose is to sell all the electricity produced; (2) the forward sell contracts are concluded with the sole intention of delivering the electricity produced; (3) the Group does not act as an electricity broker or dealer; (4) the buy-sell transactions on the spot markets (day-ahead, intra-day and balancing markets) are entered into only for meeting the Group's own balancing necessity and responsibility; (5) in 2020 the Group started to be active in the electricity supply sector; and (6) the Group has used limited forward electricity contracts and their purpose was to cover the needs for the contractual commitments for deliveries to final consumers.

Tax for electricity producers

The Romanian Government introduced a new tax, starting from 1 November 2021, for electricity producers at a rate of 80% (for the period 1 November 2021 to 31 August 2022) and of 100% (for the period 1 September 2022 to 31 March 2025) of net monthly average selling price in excess of RON 450 per MWh (see "*Regulatory Matters — Energy Matters — The Energy Market in Romania — Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production*"). The Group concluded that this tax is a levy falling under the provisions of IFRIC 21 (Levies) rather than IAS 12 (Income Tax).

Description of key income statement line items

Set forth below is a brief description of the composition of certain line items of the consolidated statement of profit or loss and other comprehensive income. This description must be read in conjunction with the significant accounting policies elsewhere in this section and in Note 6 to the Audited Consolidated Financial Statements.

Revenue: consists of

- **wholesale of electricity**, which includes sale of electricity produced on forward contracts with electricity suppliers and traders, on spot market (DAM) to the market operator (OPCOM) and on the balancing market to the system operator (Transelectrica);
- **electricity supplied to final consumers (retail sales)**, which includes transmission and distribution tariffs, which are provided by the transmission operator and the distribution operators and billed to Group and mandatory green certificates expenses, which are invoiced by the Group to final consumers;
- **system services**, which include making available an agreed generation capacity to the system operator (Transelectrica), which uses the services in the process of balancing the electricity system;
- **sales of green certificates**, which include the sales on the spot market of such certificates granted through the certificate support scheme to Crucea Wind Farm; and
- **maintenance services to third parties**, which include services provided by Hidroserv to third parties.

Other income: represents grant income, gain from bargain acquisition of subsidiaries, compensation, fines and penalties from suppliers, and other income.

Turbined water: represents the water used by the hydropower plants in order to generate electricity (for more details, please see "*Key factors impacting the results of operations—Water tariffs*").

Employee benefits expenses: represent defined benefit plans, other long-term employee benefits, salaries, social security contributions, tax on salaries, and other expenses.

Transport and distribution of electricity: represent regulated electricity transportation tariffs and electricity distribution, mainly in relation to supply activities where these tariffs are reinvoiced to final consumers.

Electricity purchased: represents the electricity the Group purchases mainly to balance the deficit between the electricity contracted for sales and the actual electricity produced.

Green certificates expenses: represent the cost of green certificates purchased for the supply activities which are reinvoiced to final consumers.

Depreciation and amortization: represent the depreciation of property, plant and equipment (consisting mainly hydropower plants, energy pumping stations, micro hydro-power plants, floodgates, as well as hydro-

aggregates, equipment and installations and wind turbines), assets relating to right of use of leased assets (which include mainly lands, buildings and equipment) and amortization of intangible assets.

Impairment loss, or reversal of impairment loss, on property, plant and equipment: represents the value adjustments mainly of assets under constructions. For the years ended 31 December 2021 and 2022, the results of revaluation of property, plant and equipment that affect the statement of profit or loss and other comprehensive income were also included in the calculation.

Impairment loss on trade receivables: represents loss allowance for expected credit losses (ECLs) on financial assets measured at amortized cost and contract assets.

Repair, maintenance, materials and consumables: represents mainly the replacement parts and the maintenance of the equipment and constructions within the Company.

Tax for electricity producers: represents a new tax, introduced by the Government in 2021, applicable to the electricity producers. The tax rate is 80% (from 1 November 2021 to 31 August 2022) and 100% (from 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 calculated based on monthly revenue of the generation segment (which includes the wholesale of electricity produced and the value of electricity transferred from the generation segment to the supply segment), less the monthly cost of electricity purchased, market administration fees and trading fees.

Other operating expenses: represent net increase in provisions, local taxes, security, sponsorship, professional services, services related to abandoned construction in progress, ANRE contributions, profit or loss on disposal of property, plant and equipment and other expenses.

Finance income: represents interest income and other finance income, such as income from penalties related to contracts with customers.

Finance costs: represent interest expenses, unwinding of non-current provisions, net gain/(loss) from foreign exchange rate differences, and other finance expenses.

Recent developments and trends

From 31 March 2023, the most significant developments impacting the Group's business and results of operations are as follows:

- On 22 February 2023, the Group was announced as the winner of the sale procedure of business lines related to ABC platform and Calnicel platform, which are the property of UCM Resita S.A. The Group and UCM Resita S.A. have not yet signed the sales and purchase agreement in relation to the business lines and expects such sign to occur by the end of 2023. The value of the transaction is of RON 67.9 million.
- On 15 March 2023, the General Meeting of Shareholders approved the joint venture agreement between the Company and Masdar to incorporate a joint venture (either as a limited liability company or a joint-stock company) in Bucharest, Romania. The purpose of the joint venture is to develop, invest, construct and operate renewable energy projects, exclusively focusing on floating photovoltaic parks and fixed and floating offshore wind farm, in Romania. The Company and Masdar each will have 50% holdings in the joint venture. For more details, please see "*Business—Material Contracts—Joint Venture with Abu Dhabi Future Energy Company-PJSC- Masdar (UAE) ("Masdar")*".
- On 28 April 2023, the General Meeting of Shareholders approved the distribution of: (1) dividends of RON 3,914.4 million distributed from profits in the year ended 31 December 2022, representing 90% of distributable separate yearly net profit in the same year; and (2) dividends distributed from retained earnings representing amortized and transferred revaluation reserve of RON 435.0 million from the standalone annual financial statements of the Company. The RON 3,914.4 million dividends and RON 435.0 million dividends are scheduled to be paid on 16 June 2023 and 29 September 2023, respectively, to shareholders as of 28 April 2023.
- On 31 May 2023, the Government issued Emergency Ordinance no. 52/2023, which amended the turbinated water tax collected by ANAR by setting a new quantification method, respectively a new fee of RON 37/MWh generated. In addition, the new law repealed the provisions according to which the water tax was annually indexed with the annual consumption index (for more details, please see "*Risk factors — The Group may be exposed in the future to higher turbinated water tax payable to ANAR*").

Results of operations

Three months ended 31 March 2023 and 2022

The table below sets forth the Group's results of operation for the three months ended 31 March 2023 and 2022:

	Three months ended 31 March	
	2023	2022
	(in million RON)	
Revenue		
Wholesale of electricity	2,047.9	1,929.3
Electricity supplied to final consumers (retail sales)	1,155.0	446.1
System services	69.1	110.3
Sales of green certificates.....	0.0	3.6
Maintenance services.....	0.0	2.2
Total revenue:	3,272.1	2,491.6
Other income	10.4	29.6
Turbinated water	(163.6)	(110.9)
Employee benefits expenses	(157.9)	(130.1)
Transport and distribution of electricity.....	(250.4)	(74.4)
Electricity purchased.....	(160.2)	(40.4)
Green certificates expenses.....	(36.9)	(35.0)
Depreciation and amortization.....	(198.2)	(191.9)
Reversal of impairment loss on property, plant and equipment.....	0.1	33.9
Impairment loss on trade receivables.....	(35.0)	(2.7)
Repair, maintenance, materials and consumables.....	(18.3)	(15.6)
Tax for electricity producers.....	(230.6)	(369.0)
Other operating expenses	(46.8)	(38.5)
Operating profit	1,984.7	1,546.5
Finance income.....	87.8	28.3
Finance costs.....	(10.8)	(9.9)
Net finance result	77.0	18.4
Profit before tax	2,061.7	1,564.9
Income tax expense	(338.4)	(277.0)
Profit for the period	1,723.4	1,287.9
Earnings per share		
Basic and diluted earnings per share (RON).....	3.84	2.87
Total comprehensive income	1,723.4	1,287.9

Revenue

Revenue increased by 31.3% to RON 3,272.1 million for the three months ended 31 March 2023, from RON 2,491.6 million for the three months ended 31 March 2022. This increase was primarily due to an increase in the volume of electricity produced and sold as a result of improved hydrological conditions in the three months ended 31 March 2023, compared to the three months ended 31 March 2022.

Other income

Other income decreased by 64.9% to RON 10.4 million for the three months ended 31 March 2023, from RON 29.6 million for the three months ended 31 March 2022. This decrease was primarily due to payments of compensation received by the Group from third parties in the three months ended 31 March 2022 resulting from non-fulfilment of contractual obligations, which affected only said period.

Turbinated water

Turbinated water increased by 47.5% to RON 163.6 million for the three months ended 31 March 2023, from RON 110.9 million for the three months ended 31 March 2022. This increase was primarily due to an increase in quantity of turbinated water used to generate electricity, as well as an increase in tariff set by the ANAR to RON 1.40 per thousand cubic meters in 2023 from RON 1.23 per thousand cubic meters in 2022.

Employee benefits expenses

Employee benefits expenses increased by 21.4% to RON 157.9 million for the three months ended 31 March 2023, from RON 130.1 million for the three months ended 31 March 2022. This increase was primarily due to salary rises as a result of the negotiations conducted with the employees' union, and to a lesser extent, due to the growth of the number of employees of the Group.

Transport and distribution of electricity

The table below sets forth the total expense for transport and distribution of electricity for the three months ended 31 March 2023 and 2022:

	Three months ended 31 March	
	2023	2022
	<i>(in RON million)</i>	
Injection of electricity produced in the national system.....	10.6	4.9
Distribution of electricity supplied.....	184.7	45.4
Transport of electricity supplied.....	55.1	24.0
Transport and distribution of electricity.....	250.4	74.4

Transport and distribution of electricity increased by 236.6% to RON 250.4 million for the three months ended 31 March 2023, from RON 74.4 million for the three months ended 31 March 2022. This increase was primarily due to the growth of the supply portfolio, the revenue of which increased by 158.9% to RON 1,155.0 million for the three months ended 31 March 2023, from RON 446.1 million for the three months ended 31 March 2022, and to a lesser extent, due to an increase in the transport and distribution tariffs for supplying the electricity to final consumers.

Electricity purchased

Electricity purchased increased by 296.5% to RON 160.2 million for the three months ended 31 March 2023, from RON 40.4 million for the three months ended 31 March 2022. This increase was primarily due to purchases for the supply portfolio in the three months ended 31 March 2023, compared to 0.0 in the three months ended 31 March 2022 as the Company had no electricity purchase agreement in the three months ended 31 March 2023.

Green certificates expenses

Green certificates expenses increased by 5.4% to RON 36.9 million for the three months ended 31 March 2023, from RON 35.0 million for the three months ended 31 March 2022. This increase was primarily due to the growth of the supply portfolio, which more than offset increases in transferred green certificates from production.

Depreciation and amortization

Depreciation and amortization increased by 3.3% to RON 198.2 million for the three months ended 31 March 2023, from RON 191.9 million for the three months ended 31 March 2022. This increase was primarily due to the revaluation of assets performed at the end of 2022, which resulted in an increase in their fair value and an increase in the value of assets due to equipment repairs and maintenance performed in the year ended 31 December 2022, which met the criteria for capitalization.

Reversal of impairment loss on property, plant and equipment

Reversal of impairment loss on property, plant and equipment decreased by 99.7% to RON 0.1 million for the three months ended 31 March 2023, from RON 33.9 million for the three months ended 31 March 2022. This decrease was primarily due to the reversal of impairment in February 2022 of assets under construction.

Impairment loss on trade receivables

Impairment loss on trade receivables increased by 1,196.3% to RON 35.0 million for the three months ended 31 March 2023, from RON 2.7 million for the three months ended 31 March 2022. This increase was primarily due to the growth of the Group's supply portfolio and the delays in invoicing the electricity supplied. In addition, a reversal of impairment of RON 16.6 million was registered in February 2022 to customer payments, which led to a decrease in the impairment loss in the three months ended 31 March 2022.

Repair, maintenance, materials and consumables

Repair, maintenance, materials and consumables increased by 17.3% to RON 18.3 million for the three months ended 31 March 2023, from RON 15.6 million for the three months ended 31 March 2022. This increase was primarily due to an increase in maintenance programs in the three months ended 31 March 2023 as compared to the three months ended 31 March 2022.

Tax for electricity producers

Tax for electricity producers decreased by 37.5% to RON 230.6 million for the three months ended 31 March 2023, from RON 369.0 million for the three months ended 31 March 2022. This decrease was primarily due to the computation method based on Law 357/2022: for more details please see section "Regulatory Matters — Energy Matters — The Energy Market in Romania — Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production — Law 357/2022").

Other operating expenses

Other operating expenses increased by 21.6% to RON 46.8 million for the three months ended 31 March 2023, from RON 38.5 million for the three months ended 31 March 2022. This increase was primarily due to an increase in services expenses as a result of general price increases in the market due to economic conditions (e.g., increases in minimum wage and prices of raw materials).



Years ended 31 December 2022, 2021 and 2020

The table below sets forth the Group's results of operations for the years ended 31 December 2022, 2021 and 2020:

	Year ended 31 December		
	2022	2021	2020
	(in million RON)		
Revenue			
<i>Wholesale of electricity</i>	6,960.8	5,629.0	3,269.7
<i>Electricity supplied to final consumers (retail sales)</i>	2,149.0	418.5	222.4
<i>System services</i>	316.5	416.0	336.1
<i>Sales of green certificates</i>	24.6	23.2	0.0
<i>Maintenance services</i>	1.1	2.5	13.3
Total revenue:	9,452.0	6,489.3	3,841.4
Other income			
<i>Grant income</i>	5.7	5.8	5.5
<i>Gain from bargain acquisition of subsidiaries</i>	0.0	31.5	26.3
<i>Compensations, fines and penalties from suppliers</i>	26.6	118.8	20.2
<i>Other income</i>	14.0	19.2	16.8
Total other income	46.2	175.3	68.8
Turbinated water	(451.0)	(540.1)	(307.1)
Employee benefits expenses	(630.7)	(589.8)	(490.3)
Transport and distribution of electricity	(498.1)	(110.4)	(72.8)
Electricity purchased	(697.1)	(90.1)	(15.4)
Green certificates expenses	(183.2)	(53.7)	(14.0)
Depreciation and amortization	(772.2)	(760.5)	(720.5)
Impairment loss on property, plant and equipment	(23.9)	(359.3)	(106.0)
Impairment loss on trade receivables	(43.5)	(11.3)	(0.1)
Repair, maintenance, materials and consumables	(82.3)	(70.7)	(104.6)
Tax for electricity producers	(671.7)	(133.4)	0.0
Other operating expenses	(236.2)	(189.5)	(205.7)
Operating profit	5,208.4	3,755.7	1,874.0
Finance income	247.2	73.2	62.0
Finance costs	(38.1)	(44.1)	(29.4)
Net finance result	209.1	29.1	32.6
Profit before tax	5,417.4	3,784.8	1,906.6
Income tax expense	(953.4)	(668.6)	(348.6)
Profit for the year	4,464.0	3,116.1	1,558.0
Earnings per share			
Basic and diluted earnings per share (RON)	9.95	6.95	3.48
Other comprehensive income			
Revaluation of property, plant and equipment, net of tax	1,777.8	3,856.6	0.0
Remeasurement of defined benefit liabilities, net of tax	(7.5)	(13.3)	(7.9)
Impairment of property, plant and equipment recognized in revaluation reserve, net of tax	0.0	0.0	(24.4)
Other comprehensive income	1,770.3	3,843.3	(32.3)
Total comprehensive income	6,234.3	6,959.5	1,525.8

Revenue

Revenue increased by 45.7% to RON 9,452.0 million for the year ended 31 December 2022, from RON 6,489.3 million for the year ended 31 December 2021. This increase was primarily due to (i) increases in the average selling prices of electricity in both of its wholesale segment (e.g., OPCOM prices increased to 519 RON/MWh for the year ended 31 December 2022 from 300 RON/MWh for the year ended 31 December 2021) and supply segment (averaged electricity price for energy supplied to final consumers increased to 414.4 RON/MWh for the year ended 31 December 2022 from 310.0 RON/MWh for the year ended 31 December 2021), and (ii) the growth of its supply portfolio (volume of electricity supplied to final consumers increased to 3.7 TWh for the year ended 31 December 2022 from 1.0 TWh for the year ended 31 December 2021), which result in an increase in revenue from electricity supplied to final consumers (retail sales) to RON 2,149.0 million for the year ended 31 December 2022 from RON 418.5 million for the year ended 31 December 2021.

Revenue increased by 68.9% to RON 6,489.3 million for the year ended 31 December 2021, from RON 3,841.4 million for the year ended 31 December 2020. This increase was primarily due to (i) the increases in the average selling prices of the electricity in both of its wholesale segment (e.g., OPCOM prices increased to 300 RON/MWh for the year ended 31 December 2021 from 206 RON/MWh for the year ended 31 December 2020) and supply segment (averaged electricity price for energy supplied to final consumers increased to 310.0 RON/MWh for the year ended 31 December 2021 from 262.0 RON/MWh for the year ended 31 December 2020), and (ii) the increase in the volume of energy produced and sold as a result of the favorable hydrological conditions during the period (the Group's net generation of electricity from hydro and wind sources increased to 16.7 TWh for the year ended 31 December 2021 from 14.6 TWh for the year ended 31 December 2020).

Other income

Other income decreased by 73.6% to RON 46.2 million for the year ended 31 December 2022, from RON 175.3 million for the year ended 31 December 2021. This decrease was primarily due to compensation payments for faulty works performed by third parties, following arbitration decisions in favor of the Company, and also gain from bargain purchase of subsidiaries (Crucea Wind Farm and Hidroelectrica Wind Services) realized in the year ended 31 December 2021.

Other income increased by 154.8% to RON 175.3 million for the year ended 31 December 2021, from RON 68.8 million for the year ended 31 December 2020. This increase was primarily due to compensation payments for faulty works performed by third parties, following arbitration decisions in favor of the Company, and also gain from bargain purchase of subsidiaries, realized in the year ended December 2021.

Turbinated water

Turbinated water decreased by 16.5% to RON 451.0 million for the year ended 31 December 2022, from RON 540.1 million for the year ended 31 December 2021. This decrease was primarily due to the decrease in the volume of energy produced as a result of unfavorable hydrological conditions.

Turbinated water increased by 75.9% to RON 540.1 million for the year ended 31 December 2021, from RON 307.1 million for the year ended 31 December 2020. This increase was primarily due to the increase in the volume of energy produced, as a result of favorable hydrological conditions (461,630.7 million cubic meters of water for the year ended 31 December 2021, compared to 274,651.8 million cubic meters for the year ended 31 December 2020), and the increase in price per thousand cubic meters.

Employee benefits expenses

Employee benefits expenses increased by 6.9% to RON 630.7 million for the year ended 31 December 2022, from RON 589.8 million for the year ended 31 December 2021. Employee benefits expenses increased by 20.3% to RON 589.8 million for the year ended 31 December 2021, from RON 490.3 million for the year ended 31 December 2020. The increases during the periods under review were primarily due to salary rises as a result of the negotiations conducted with the employees' union, and to a lesser extent, due to the growth of the number of employees of the Group.

Transport and distribution of electricity

The table below sets forth the total expense for transport and distribution of electricity for the years ended 31 December 2022, 2021 and 2020:

	Year ended 31 December		
	2022	2021	2020
	<i>(in RON million)</i>		
Injection of electricity produced in the national system.....	30.9	21.8	14.1
Distribution of electricity supplied.....	343.0	54.1	54.2
Transport of electricity supplied.....	124.2	34.6	4.5
Transport and distribution of electricity.....	498.1	110.4	72.8

Transport and distribution of electricity increased by 351.2% to RON 498.1 million for the year ended 31 December 2022, from RON 110.4 million for the year ended 31 December 2021. This increase was primarily due to the growth of the supply portfolio, the revenue of which increased by 413.5% to RON 2,149.0 million for the year ended 31 December 2022, from RON 418.5 million for the year ended 31 December 2021.

Transport and distribution of electricity increased by 51.6% to RON 110.4 million for the year ended 31 December 2021, from RON 72.8 million for the year ended 31 December 2020. This increase was primarily due to the growth of the supply portfolio, the revenue of which increased by 88.2% to RON 418.5 million for the year ended 31 December 2021, from RON 222.4 million for the year ended 31 December 2020.

Electricity purchased

Electricity purchased increased by 673.7% to RON 697.1 million for the year ended 31 December 2022, from RON 90.1 million for the year ended 31 December 2021. This increase was primarily due to poor hydraulicity in 2022, coupled with the additional calling the Group on the balancing market, leading the Group to purchase electricity in the third quarter of 2022 to fulfil its contractual obligations.

Electricity purchased increased by 485.1% to RON 90.1 million for the year ended 31 December 2021, from RON 15.4 million for the year ended 31 December 2020. This increase was primarily due to the significant increases in electricity prices starting from the fourth quarter of the year ended 31 December 2021.

Green certificates expenses

Green certificates expenses increased by 241.2% to RON 183.2 million for the year ended 31 December 2022, from RON 53.7 million for the year ended 31 December 2021. This increase was primarily due to the growth of the Group's supply business.

Green certificates expenses increased by 283.6% to RON 53.7 million for the year ended 31 December 2021, from RON 14.0 million for the year ended 31 December 2020. This increase was primarily due to the growth of the supply portfolio and business combination taken place in 2021 (Crucea Wind Farm's green certificate expenses at RON 19.8 million were consolidated into the Group's Audited Consolidated Financial Statements).

Depreciation and amortization

Depreciation and amortization increased by 1.5% to RON 772.2 million for the year ended 31 December 2022, from RON 760.5 million for the year ended 31 December 2021. This increase was primarily due to the revaluation of assets performed at the end of 2021 which resulted in an increase in their fair value and an increase in the value of assets due to capital expenditure maintenance.

Depreciation and amortization increased by 5.6% to RON 760.5 million for the year ended 31 December 2021, from RON 720.5 million for the year ended 31 December 2020. This increase was primarily due to the growth of the value of assets as a result of the commissioning of some investment objectives, such as Racovita HPP, and as a result of the acquisitions through business combination (Crucea Wind Farm and Hidroelectrica Wind Services).

Impairment loss on property, plant and equipment

Impairment loss on property, plant and equipment decreased by 93.3% to RON 23.9 million for the year ended 31 December 2022, from RON 359.3 million for the year ended 31 December 2021. This decrease was primarily due to the revaluation of assets at the end of 2021, resulting in a net loss of RON 255.6 million in the statement of loss or profit and other comprehensive income and the impairment test performed in assets under construction at the end of 2021 resulting in a net loss of RON 102.9 million due to the updated estimated costs for the completion of certain projects, as well as by the update of the work schedule until completion, and a decrease in installed capacity for certain projects. The revaluation of assets at the end of 2022 resulted in a net gain of RON 40.0 million, and the impairment test performed on assets under the construction at the end of 2022 resulted in a net loss of RON 63.9 million.

Impairment loss on property, plant and equipment increased by 239.0% to RON 359.3 million for the year ended 31 December 2021, from RON 106.0 million for the year ended 31 December 2020. This increase was primarily due to the revaluation of assets performed at the end of 2021, resulting in a net loss of RON 255.6 million.

Impairment loss on trade receivables

Impairment loss on trade receivables increased by 285.0% to RON 43.5 million for the year ended 31 December 2022, from RON 11.3 million for the year ended 31 December 2021. This increase was primarily due to adjustments for expected doubtful customers and payment delays as result of the growth of the supply business.

Impairment loss on trade receivables increased by 11,200.0% to RON 11.3 million for the year ended 31 December 2021, from RON 0.1 million for the year ended 31 December 2020. This increase was primarily due to adjustments for expected doubtful customers and payment delays, which correspond to the growth of the supply business.

Repair, maintenance, materials and consumables

Repair, maintenance, materials and consumables increased by 16.4% to RON 82.3 million for the year ended 31 December 2022, from RON 70.7 million for the year ended 31 December 2021. This increase was primarily due to an increase in volume of maintenance works scheduled for the year ended 31 December 2022, as compared to the year ended 31 December 2021.

Repair, maintenance, materials and consumables decreased by 32.4% to RON 70.7 million for the year ended 31 December 2021, from RON 104.6 million for the year ended 31 December 2020. This decrease was primarily due to the Company's regain of control, on September 2020, over Hidroserv, Hidroelectrica's main maintenance supplier.

Tax for electricity producers

Tax for electricity producers increased by 403.5% to RON 671.7 million for the year ended 31 December 2022, from RON 133.4 million for the year ended 31 December 2021. This increase was primarily due to the introduction of tax in November 2021 as provided by the Government Emergency Ordinance 118/2021 on establishing a compensation scheme for the electricity consumption and natural gas for 2021-2022 cold season, and supplementing Government Ordinance No 27/1996 on granting facilities to individuals residing or working in certain localities in Apuseni mountains and in the Danube Delta Biosphere Reservation ("GEO 118/2021").

Tax for electricity producers increased to RON 133.4 million for the year ended 31 December 2021, from RON 0.0 million for the year ended 31 December 2020; tax on additional revenues recorded by electricity producers applies with effect from November 2021.

Other operating expenses

Other operating expenses increased by 24.6% to RON 236.2 million for the year ended 31 December 2022, from RON 189.5 million for the year ended 31 December 2021. This increase was primarily due to remeasurement of the decommissioning provisions recognized against profit or loss with respect to assets for which the Group took the decision to abandon. Increase of the provision in 2022 is determined by the evolution of inflation in 2022 and the increase in inflation forecast for the period until decommissioning is performed, which resulted in an increase in the estimated decommissioning costs.

Other operating expenses decreased by 7.9% to RON 189.5 million for the year ended 31 December 2021, from RON 205.7 million for the year ended 31 December 2020. This decrease was primarily due to

remeasurement of the tax provisions related to the decommissioning of assets for which the Group took the decision to abandon.

Liquidity and capital resources

Capital resources

The financial condition and liquidity of the Group has been and will continue to be influenced by a variety of factors, including:

- its ability to generate cash flows from its operations;
- its capital expenditure requirements;
- the level of its outstanding indebtedness, and the interest the Group is obligated to pay on such indebtedness, which affect its debt service requirements; and
- its ability to continue to borrow funds from banks.

Principal sources of the Group's liquidity have traditionally consisted of cash flow generated from its operations and financing. The Group expects to continue to rely on these sources in the future. See "Financing arrangements" below for more information.

Statement of cash flows information

Three months ended 31 March 2023 and 2022

The following table summarizes the Group's cash flows for the three months ended 31 March 2023 and 2022:

	Three months ended 31 March	
	2023	2022
	<i>(in million RON)</i>	
Cash flow from operating activities:		
Profit for the period	1,723.4	1,287.9
<i>Adjustments for:</i>		
Depreciation	197.7	191.3
Amortization	0.5	0.6
Reversal of impairment on property, plant and equipment, net	(0.1)	(33.9)
Impairment loss on trade receivables, net	35.0	2.7
Gain on disposal of property, plant and equipment	(0.0)	(0.0)
Net foreign exchange gain	(0.1)	(0.2)
Interest income	(86.5)	(28.3)
Interest expense	2.8	1.2
Income tax expense	338.4	277.0
	2,210.9	1,698.3
<i>Changes in:</i>		
Trade receivables	(998.9)	(277.0)
Inventories	(2.2)	(2.8)
Restricted cash	0.0	(0.8)
Other assets	(52.7)	(64.5)
Trade payables	139.9	46.2
Deferred income	(1.4)	(1.4)
Employee benefits	(6.2)	(6.7)
Provisions	8.0	7.7
Other payables	(84.1)	(167.1)
Cash generated from operating activities	1,213.3	1,232.0

	Three months ended 31 March	
	2023	2022
	<i>(in million RON)</i>	
Interest paid	(2.8)	(0.4)
Income tax paid	0.0	0.0
Net cash from operating activities	1,210.5	1,231.5
Cash flow from investing activities:		
Payments for acquisition of property, plant and equipment.....	(41.8)	(29.8)
Payments for acquisition of intangible assets	(0.6)	0.0
Proceeds from the sale of property, plant and equipment.....	0.0	0.2
Payments for deposits held for investment purposes	(3,630.0)	(2,250.0)
Proceeds from deposits held for investment purposes	2,980.0	100.0
Proceeds from maturity of government bonds.....	0.0	235.4
Interest received.....	79.0	14.2
Net cash used in investing activities	(613.4)	(1,930.0)
Cash flow from financing activities:		
Repayment of borrowings	(22.8)	(23.0)
Lease payments.....	(1.9)	(1.4)
Net cash used in financing activities	(24.7)	(24.3)
Net increase/(decrease) in cash and cash equivalents	572.4	(722.8)
Cash and cash equivalents at 1 January	660.7	1,104.9
Cash and cash equivalents at 31 March	1,233.2	382.1

Net cash from operating activities

Net cash from operating activities amounted to RON 1,210.5 million for the three months ended 31 March 2023 as compared to net cash from operating activities of RON 1,231.5 million for the three months ended 31 March 2022. Cash from operating activities before changes in working capital²¹ increased from RON 1,698.3 million to RON 2,210.9 million by RON 512.6 million (30.2%), primarily due to an increase in the Group's revenue as a result of factors described under “—Results of operations—Three months ended 31 March 2023 and 2022” above, which lead to an increase in profit before tax from RON 1,564.9 million to RON 2,061.7 million (by 31.7%). The increase in cash from operating activities before changes in working capital was offset by the negative effect of increases in working capital of RON 531.2 million in the three months ended 31 March 2023 as compared to the three months ended 31 March 2022. For the three months ended 31 March 2023, changes in working capital resulted in a cash outflow of RON 997.6 million, as compared to a cash outflow of RON 466.4 million for the three months ended 31 March 2022. The RON 997.6 million increase in working capital (cash outflow) in the three months ended 31 March 2023 was primarily a result of the growth of trade receivables balance (resulting from the growth of the Group's supply portfolio, the increase in selling price and delays in invoicing due to numerous legislative changes). The RON 466.4 million increase in working capital (cash outflow) in the three months ended 31 March 2022 was primarily a result of (i) the growth of trade receivables balance (resulting from the growth of the Group's supply portfolio, the increase in selling price and delays in invoicing due to numerous legislative changes) and (ii) a decrease of other payables mainly due to the amount of RON 114.5 million paid in 2022 following the arbitration decisions issued with respect to the disputes with Andritz Hydro.

Net cash used in investing activities

Net cash used in investing activities amounted to RON 613.4 million for the three months ended 31 March 2023 as compared to the net cash used in investing activities of RON 1,930.0 million for the three months ended 31 March 2022. The decrease was primarily due to an increase in proceeds for deposits held for investment purposes (cash inflow) from RON 100.0 million to RON 2,980.0 million, by

²¹ “working capital” includes trade receivables, inventories, restricted cash, other assets, trade payables, deferred income, employee benefits, provisions, and other payables.

RON 2,880.0 million as these investments reached maturity. This cash inflow was partly offset by an increase in payments for deposits held for investment purposes (cash outflow) from RON 2,250.0 million to RON 3,630.0 million, by RON 1,380.0 million (as a result of an increase in available cash).

Net cash used in financing activities

Net cash used in financing activities was RON 24.7 million for the three months ended 31 March 2023 as compared to net cash used in financing activities of RON 24.3 million for the three months ended 31 March 2022. This change was primarily due to a greater amount of lease payments as a result of an increase in number of lease contracts in the three months ended 31 March 2023 as compared to the three months ended 31 March 2022.

Years ended 31 December 2022, 2021 and 2020

The following table summarizes the Group's cash flows for the years ended 31 December 2022, 2021 and 2020:

	Year ended 31 December		
	2022	2021	2020
	<i>(in million RON)</i>		
Cash flow from operating activities:			
Profit for the year	4,464.0	3,116.1	1,558.0
<i>Adjustments for:</i>			
Depreciation	770.0	758.1	719.3
Amortization	2.2	2.4	1.2
Impairment loss on property, plant and equipment, net	23.9	359.3	106.0
Impairment loss on trade receivables, net	43.5	11.3	0.1
Write-down of inventories	0.6	5.1	0.8
Gain from bargain purchase of subsidiaries	0.0	(31.5)	(26.3)
Loss on disposal of property, plant and equipment	2.1	3.6	6.5
Net foreign exchange loss	0.6	8.8	1.8
Interest income	(243.7)	(72.1)	(62.0)
Interest expense	10.6	15.9	11.0
Income tax expense	953.4	668.6	348.6
	6,027.1	4,845.7	2,665.0
<i>Changes in:</i>			
Trade receivables	(730.6)	(332.3)	(9.6)
Inventories	(7.8)	(2.0)	(3.8)
Restricted cash	(90.8)	0.0	0.0
Other assets	14.3	(14.1)	(18.6)
Trade payables	91.0	30.4	(12.7)
Deferred income	(5.7)	(2.9)	(5.5)
Employee benefits	(4.8)	(27.1)	13.2
Provisions	88.4	(37.2)	69.6
Other payables	(215.0)	264.6	33.8
Cash generated from operating activities	5,166.2	4,725.0	2,731.5
Interest paid	(2.7)	(1.6)	(1.5)
Income tax paid	(928.2)	(675.9)	(453.3)
Net cash from operating activities	4,235.3	4,047.5	2,276.7

	Year ended 31 December		
	2022	2021	2020
	<i>(in million RON)</i>		
Cash flow from investing activities:			
Payments for acquisition of property, plant and equipment.....	(169.0)	(176.8)	(167.3)
Payments for acquisition of intangible assets.....	(1.2)	(2.4)	(2.4)
Proceeds from the sale of property, plant and equipment.....	0.2	0.0	0.5
Payments for acquisition of corporate bonds.....	(351.3)	0.0	0.0
Payments for deposits held for investment purposes.....	(8,575.0)	(5,013.0)	(3,210.0)
Proceeds from deposits held for investment purposes.....	7,898.0	4,430.0	3,215.0
Payments for acquisition of government bonds.....	0.0	(235.4)	0.0
Proceeds from maturity of government bonds.....	235.4	0.0	0.0
Interest received.....	212.0	53.9	63.8
Payments for acquisition of subsidiaries, net of cash acquired.....	0.0	(598.3)	9.4
Net cash used in investing activities.....	(750.9)	(1,541.9)	(91.0)
Cash flow from financing activities:			
Proceeds from issue of shares.....	0.0	0.0	0.4
Proceeds from borrowings.....	0.0	635.2	0.0
Repayment of borrowings.....	(93.3)	(97.6)	(44.3)
Lease payments.....	(4.4)	(6.8)	(6.6)
Dividends paid.....	(3,830.9)	(2,286.4)	(2,003.3)
Net cash used in financing activities.....	(3,928.6)	(1,755.5)	(2,053.8)
Net increase/(decrease) in cash and cash equivalents.....	(444.2)	750.0	131.9
Cash and cash equivalents at 1 January.....	1,104.9	354.8	223.0
Cash and cash equivalents at 31 December.....	660.7	1,104.9	354.8

Net cash from operating activities

Net cash from operating activities amounted to RON 4,235.3 million for the year ended 31 December 2022, as compared to net cash from operating activities of RON 4,047.5 million for the year ended 31 December 2021. Cash from operating activities before changes in working capital increased by RON 1,181.4 million (24.4%), primarily due to an increase in the Group's revenue as a result of factors described under "—Results of operations—Years ended 31 December 2022, 2021 and 2020" above, which led to an increase in profit before tax from RON 3,784.8 million to RON 5,417.4 million by RON 1,632.6 million (43.1%). This increase in cash from operating activities before changes in working capital was offset by the negative effect of increases in working capital by RON 740.4 million in the year ended 31 December 2022 as compared to the year ended 31 December 2021. For the year ended 31 December 2022, the changes in working capital resulted in a cash outflow of RON 861.0 million as compared to a cash outflow of RON 120.6 million in the year ended 31 December 2021. The RON 861.0 million increase in working capital (cash outflow) in the year ended 31 December 2022 was primarily a result of (i) the growth of trade receivables balance (resulting from the growth of the Group's supply portfolio, the increase in selling price and delays in invoicing due to numerous legislative changes), (ii) an increase in restricted cash and other payables (cash outflow) (mainly due to (a) the amount payable of RON 114.5 million as of 31 December 2021 (which was paid in the year ended 31 December 2022), following the arbitration decisions issued with respect to the disputes with Andritz Hydro (see "Commitment and contingent liabilities—Provisions—Provisions for litigations and claims" for more details) and (b) the decrease in amount payable as of 31 December 2022 for the tax for electricity producers). The RON 120.6 million increase in working capital (cash outflow) in the year ended 31 December 2021 was primarily a result of the growth of trade receivables balance (resulting from the growth of the Group's supply portfolio, the increase in selling price and delays in invoicing due to numerous legislative changes), which was offset by an increase in other payables (cash inflow) (mainly resulting from the amount payable of RON 114.5 million as of 31 December 2021, following the arbitration decisions issued with respect to the disputes with Andritz Hydro, and the amount payable related to the tax for electricity producers, which was introduced in 2021).

Net cash from operating activities amounted to RON 4,047.5 million for the year ended 31 December 2021 as compared to net cash from operating activities of RON 2,276.7 million for year ended 31 December 2020. Cash from operating activities before changes in working capital increased by RON 2,180.7 million (81.8%), primarily due to an increase in the Group's revenue as a result of factors described under "*—Results of operations—Years ended 31 December 2022, 2021 and 2020*" above, which led to an increase in profit before tax from RON 1,906.6 million to RON 3,784.8 million (by 98.5%). The increase in cash from operating activities before changes in working capital was offset by the negative effect of increases in working capital of RON 187.0 million in the year ended 31 December 2021 as compared to the year ended 31 December 2020. For the year ended 31 December 2021, changes in working capital resulted in a cash outflow of RON 120.6 million compared to a cash inflow of RON 66.4 million in the year ended 31 December 2020. The RON 120.6 million increase in working capital (cash outflow) in the year ended 31 December 2021 was primarily a result of the growth of receivables balance (resulting from the growth of the Group's supply portfolio and the increase in selling price). The RON 66.4 million decrease in working capital (cash inflow) in the year ended 31 December 2020 was primarily a result of an increase in provisions for litigation and claims.

Net cash used in investing activities

Net cash used in investing activities amounted to RON 750.9 million for the year ended 31 December 2022 as compared to the net cash used in investing activities of RON 1,541.9 million for the year ended 31 December 2021. This decrease was primarily due to payments for the acquisition of subsidiaries in 2021 of RON 598.3 million.

Net cash used in investing activities amounted to RON 1,541.9 million for the year ended 31 December 2021 as compared to net cash used in investing activities of RON 91.0 million for the year ended 31 December 2020. This increase was primarily due to an increase in payments for acquisitions of subsidiaries in the year ended 31 December 2021 of RON 598.3 million, payments for deposits held for investment purposes by RON 1,803.0 million, which was partly offset by increase in proceeds from deposits held for investment purposes by RON 1,215.0 million.

Net cash used in financing activities

Net cash used in financing activities was RON 3,928.6 million for the year ended 31 December 2022 as compared to net cash used in financing activities of RON 1,755.5 million for the year ended 31 December 2021. This increase was primarily due to an increase in dividends paid by RON 1,544.5 million in the year ended 31 December 2022 as compared to the year ended 31 December 2021, and to proceeds from borrowings for business acquisitions of RON 635.2 million registered in the year ended 31 December 2021.

Net cash used in financing activities was RON 1,755.5 million for the year ended 31 December 2021 as compared to net cash used in financing activities of RON 2,053.8 million for the year ended 31 December 2020. This decrease was primarily due to proceeds from borrowings for business acquisitions of RON 635.2 million registered in the year ended 31 December 2021, which was partly offset by an increase in dividends paid by RON 283.1 million for the year ended 31 December 2021 as compared to the year ended 31 December 2020.

Capital expenditures and investments

The Group's capital expenditures and investments, including mainly its refurbishment and modernization projects and new hydropower plant development projects.

Historical capital expenditures and investments

The following table sets forth a summary of the Group's capital expenditures and investments for the years ended 31 December 2022, 2021 and 2020:

	Year ended 31 December		
	2022	2021	2020
	<i>(in RON million)</i>		
Payments for acquisition of property, plant and equipment and intangible assets.....	170.2	179.2	169.7
Payments for acquisition of subsidiaries, net of cash acquired*.....	0.0	598.3	(9.4)
Total	170.2	777.5	160.3

* 2021: related to the acquisition of Crucea Wind Farm and Hidroelectrica Wind Services; 2020: related to Hidroserv

Capital expenditure and investment in tangible assets consist of hydro-power plants, energy pumping stations, micro hydropower plants, floodgates, as well as hydro-aggregates, equipment and installations and wind turbines while capital expenditure and investment in intangible assets consist of software.

Capital expenditure and investments in subsidiaries for the year ended 31 December 2021 are related to the acquisition of Crucea Wind Farm and Hidroelectrica Wind Services, net of cash acquired. Capital expenditure and investments in subsidiaries for the year ended 31 December 2020 related to the regain of control in Hidroserv, net of cash acquired.

The Group's investment plan from 2023 to 2025 is RON 3,080 million, which includes RON 1,910 million for developing new hydropower plants and expanding into other renewable sources, RON 855 million for refurbishing and modernizing its existing hydropower plants, and RON 315 million for maintaining hydropower plants and other expenses.

The anticipated source of funding for these principal investments and the Group's capital expenditures generally is the Group's cash and cash equivalents and bank borrowings.

Financial arrangements

The following table sets forth the Group's loans and borrowings as of 31 December 2022, 2021 and 2020:

Description	31 December 2022	31 December 2021	31 December 2020
		<i>(in RON million)</i>	
International Bank for Reconstruction and Development dated 13 July 2005 of EUR 66 million, which is a loan contracted for the rehabilitation of a hydro-power plant and assistance in the Company's institutional development (technical, financial and risk management), in supervision of rehabilitation works, and in contract management. Repayment: equal semi-annual installments between 15 March 2010 and 15 September 2021. Year of maturity: 2021.	0.0	0.0	26.9
BRD Groupe Societe Generale – ING Bank dated 7 April 2020 of EUR 50 million, which is a loan contracted for general financing. Repayment: equal 20 quarterly installments until 23 December 2020 Interest is linked to EURIBOR 3 months plus a margin. Year of maturity 2020.	0.0	0.0	0.0
BRD Groupe Societe Generale dated 4 March 2021 of RON 1,250 million, which is a loan contracted for financing the acquisition of Crucea Wind Farm. Proceeds from loan: RON 635.2 million Repayment: quarterly installments between 11 June 2021 and 11 March 2028. Interest is linked to EURIBOR 3 months plus a margin. Year of maturity 2028.	483.0	574.4	0.0



Description	31 December 2022	31 December 2021	31 December 2020
		<i>(in RON million)</i>	
Banca Transilvania – Credit line of Hidroserv subsidiary classified as non-current at 31 December 2021 and 31 December 2020 according to the reorganization plan; Repayment: quarterly installments until second quarter of 2023. Year of maturity: 2023	1.5	3.4	5.0
Total loans	484.5	577.8	31.9
Current portion.....	94.0	93.9	28.5
Non-current portion.....	390.5	483.9	3.4

The following table provides an overview of the scheduled repayments of the Group's loans and borrowings in the period from 2023 to 2026, as of 31 December 2022:

	Scheduled repayments <i>(in RON million)</i>			
	2023	2024	2025	2026
Bank borrowings.....	103.1	99.8	97.7	95.2

The following table sets out the Group's remaining contractual maturities for its financial liabilities with agreed repayment periods, as of 31 December 2022. The contractual maturities are based on the earliest date on which the Group may be required to pay:

	Contractual cash flow					
	Carrying value	Total contractual cash flows	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years
			<i>(in RON million)</i>			
Bank Borrowings.....	484.5	513.7	26.4	76.9	386.8	23.1
Lease liabilities.....	15.4	17.9	2.0	6.3	4.7	4.9
Trade payables.....	117.8	117.8	104.5	12.9	0.4	0.0
Due to related parties*.....	165.6	165.6	165.6	0.0	0.0	0.0
Total	783.3	814.5	298.5	96.1	391.9	28.0

* Payables due to related parties are deducted from trade payables

Off-balance sheet arrangements

The Group did not have any off-balance sheet arrangements as of 31 December 2022, 2021 and 2020 that have or are reasonably likely to have a material impact on its current or future financial position.

Commitments and contingent liabilities

In addition to the financial arrangements, the Group has various commitments and contingent liabilities as summarized below.

Contractual commitments

The Group has contractual commitments for the acquisition of property, plant and equipment and intangible assets, consisting of software, of RON 545.2 million, RON 761.1 million and RON 711.0 million as at 31 December 2022, 2021 and 2020, respectively.

Guarantees

The Group issued good performance guarantees of RON 35.2 million, RON 48.0 million and RON 86.6 million as at 31 December 2022, 2021 and 2020, respectively, mainly in relation to its obligations to deliver electricity, and in relation to its payment obligations related to electricity purchase transactions on the day-ahead and intra-day markets.

Litigation, claims and tax uncertainties

The main litigations involving the Group, with a total potential exposure of RON 882.9 million, RON 736.7 million, and RON 692.8 million as at 31 December 2022, 2021 and 2020, respectively, are summarized below.

- Litigation with the Ministry of Energy with a potential exposure of RON 373.1 million as at 31 December 2022, 2021 and 2020. See “*Business—Legal Proceedings—Dispute with Ministry of Energy (case 3200/2/2018)*”.
- Litigation with tax authorities regarding past tax treatments with a potential exposure of RON 214.4 million as at 31 December 2022, 2021 and 2020. See “*Business—Legal Proceedings—Tax Litigation (case 3288/2/2015)*”.
- Dispute over the additional tax for electricity producers claimed with a potential exposure of RON 62.1 million as at 31 December 2022. See “*Business—Legal Proceedings—Proceedings related to energy generation tax.*”
- Litigation with Hidroconstructia S.A. with a potential exposure of RON 98.8 million as at 31 December 2022. See “*Business—Legal Proceedings—Disputes with Hidroconstructia S.A.*”
- Arbitration with Romelectro S.A. with a potential exposure of RON 29.3 million as at 31 December 2022 and RON 43.9 million as at 31 December 2021. The Company filed an arbitration request for penalties for delayed works and Romelectro S.A. filed its counterclaims. Due to the insolvency of Romelectro S.A. , the Group will be entitled to file its claim in the insolvency. The Romelectro S.A. counterclaims remain and an expert report by a financial and accounting expert is being drafted at the request of the Arbitration Court. See “*Business—Legal Proceedings—Arbitral dispute with Romelectro S.A.*”
- Litigation with Hidroconstructia S.A. with a potential exposure of RON 32.8 million as at 31 December 2022, 2021 and 2020. Hidroconstructia S.A. is claiming for the costs generated by the suspension of construction works related to the Group’s certain investment projects in progress. In March 2018, the first court rejected the claims and Hidroconstructia S.A. contested the ruling. At the court of appeal, the case was sent back to the first court for re-examination and has ordered an expert report in hydrotechnical constructions and an expert accounting report be drafted. See “*Business—Legal Proceedings—Disputes with Hidroconstructia S.A.*”
- Litigation with Beny Alex S.R.L. with a potential exposure of RON 43.6 million as at 31 December 2022, 2021 and 2020. Beny Alex S.R.L. is claiming for the amount of additional works performed based on the subcontracting agreement concluded with Hidroserv. Beny Alex S.R.L. has appealed the first Court’s overruling. On 30 May 2023, the Bucharest Tribunal partially upheld the action brought by the applicant and ordered Hidroelectrica to pay RON 40.1 million. See “*Business—Legal Proceedings—Dispute with Beny Alex S.R.L. (case 36646/3/2018*)*”
- Litigation with Hidroconstructia S.A. with a potential exposure of RON 29.0 million as at 31 December 2022, 2021 and 2020. Hidroconstructia S.A. filed claims against the Company related to the works at the Surduc-Siriu site, allegedly incurred by Hidroconstructia S.A. as a result of the Company’s alleged failure to finance the project. In September 2022, the independent expert issued a report establishing a potential liability between RON 8.9 million and RON 31.2 million. The independent expert did not analyze if the Group failed to finance the project or not. On 10 April 2023 the claim was rejected by the Bucharest Tribunal, Hidroconstructia appealed the decision. The case is going to be submitted for resolution to the Bucharest Court of Appeal. See “*Business—Legal Proceedings—Disputes with Hidroconstructia S.A.*”.

Provisions

The table below sets forth the Group's provisions for the years ended 31 December 2022, 2021 and 2020:

	For the years ended 31 December					
	2022		2021		2020	
	Current	Non-current	Current	Non-current	Current	Non-current
			<i>(in RON million)</i>			
Litigations and claims	120.4	0.0	116.3	0.0	196.3	0.0
Decommissioning	0.0	724.0	0.0	642.1	0.0	561.2
Tax provisions.....	0.0	93.1	0.0	86.6	0.0	99.3
Other provisions	1.4	0.0	0.3	0.0	0.0	0.0
Total.....	121.8	817.1	116.5	728.6	196.3	660.5

Provisions for litigations and claims

As at 31 December 2022, 2021 and 2020 provisions for litigations include RON 67.6 million relating to the litigation with the Association of Romelectro S.A., Hidroconstructia S.A. and ISPH Project Development S.A. started in 2013. See “*Business—Legal Proceedings— Dispute with Romelectro S.A., Hidroconstructia S.A. and ISPH Project Development S.A. (case 40314/3/2013*)*”. In 2021, the Group utilized provisions of RON 88.7 million following the arbitration sentences issued in the arbitration disputes no. ICC 22482/MHM, no. ICC 22047/MHM and no. 20540 / MHM between Andritz Hydro and Hidroelectrica, according to which the Company had to pay RON 139.7 million (out of which RON 88.7 million consisted of provisions utilized and RON 51.0 million represented trade payables). In 2021, the Company settled through compensations with receivables from Andritz payables of RON 25.2 million, the remaining amount of RON 114.5 million included in other payables was paid in 2022.

Provisions for decommissioning

In 2018 and 2019, the management of the Company decided to abandon certain investment projects in progress. As a result, the Company recognized decommissioning provisions against profit or loss for the present value of the works estimated to be necessary to abandon those assets. The decommissioning costs were estimated based on studies performed by an external technical expert in 2017, adjusted with inflation or estimated increase in costs in construction and transportation industry. These provisions were recognized and annual remeasurements are calculated with impact on both the balance sheet and statement of profit or loss and other comprehensive income.

In 2021, the Group took over decommissioning provision of RON 25.5 million related to the wind farm of the subsidiary Crucea Wind Farm. The effects of changes in assumptions underlying the decommissioning costs for the wind farm are recognized against property, plant and equipment.

Tax provisions

Tax provisions of RON 93.1 million at 31 December 2022, RON 86.6 million at 31 December 2021, and RON 99.3 million at 31 December 2020 represent the present value of the VAT expected to be paid at the write-off of the abandoned investment projects.

No significant change

There has been no significant change in the financial position of the Group since 31 March 2023 other than as described in “*Recent Developments and Trends*”.

Financial risk management

Overview

The Group is exposed to various types of financial risks in the ordinary course of its business such as credit risk, liquidity risk and market risks, including currency risk, interest rate risk and other price risk. Below is a summary of how these risks impact the Group's business and what targets, processes and policies the Group has applied in order to manage its individual financial risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. For more information, please see Note 27 to the Audited Consolidated Financial Statements.

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 other investments.

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

Exposure to credit risk

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

	31 March 2023	31 December 2022	31 December 2021	31 December 2020
		<i>(in RON million)</i>		
Trade receivables	2,314.9	1,350.7	663.5	338.0
Cash and cash equivalents	1,233.2	660.7	1,104.9	354.8
Restricted cash	101.1	101.1	10.3	10.3
Investment in corporate bonds, deposits and government bonds	4,035.2	3,386.1	2,561.5	1,730.1
Total	7,684.3	5,498.6	4,340.1	2,433.2

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.

Increase of trade receivables in the three months ended 31 March 2023 was due to significant unbilled revenues due to delays in the invoicing electricity supplied to final consumers, due to the implementation of a new billing system for supply activity and due to a significant increase in new customers. The amount of the unbilled revenues included in trade receivables amounts to RON 2,044.7 million at 31 March 2023 (RON 1,116.0 million at 31 December 2022).

Increase of trade receivables in the year ended 31 December 2022 was due to significant unbilled revenues due to delays in the invoicing electricity supplied to final consumers, due to the implementation of a new billing system for supply activity and due to a significant increase in new customers. The amount of the unbilled revenues included in trade receivables amounts to RON 1,116.0 million at 31 December 2022 (RON 540.5 million at 31 December 2021, RON 264.8 million at 31 December 2020).

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

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Net trade receivables
		<i>(in RON million)</i>		
Not past due.....	2.32%	1,927.7	(44.6)	1,883.0
Past due – from 0 to 3 months	28.82%	44.6	(12.9)	31.7
Past due – from 3 to 6 months	85.84%	23.9	(20.5)	3.4
Past due – from 6 months to 1 year	100.00%	13.7	(13.7)	0.0
Past due – more than 1 year	100.00%	20.8	(20.8)	0.0
Total		2,030.6	(112.5)	1,918.2
Customers analyzed individually		396.7	0.0	396.7
Total trade receivables		2,427.3	(112.5)	2,314.9

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

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Net trade receivables
		<i>(in RON million)</i>		
Not past due.....	2.45%	1,014.9	(24.9)	990.0
Past due – from 0 to 3 months.....	36.40%	39.5	(14.4)	25.1
Past due – from 3 to 6 months.....	62.86%	13.5	(8.5)	5.0
Past due – from 6 months to 1 year.....	100.00%	19.0	(19.0)	0.0
Past due – more than 1 year.....	100.00%	10.7	(10.7)	0.0
Total.....		1,097.6	(77.5)	1,020.1
Customers analyzed individually.....		330.6	0.0	330.6
Total trade receivables.....		1,428.2	(77.5)	1,350.7

The following table provides information about the exposure to credit risk and expected credit loss (ECL) for trade receivables as at 31 December 2021:

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Net trade receivables
		<i>(in RON million)</i>		
Not past due.....	1.95%	163.2	(3.2)	160.0
Past due – from 0 to 3 months.....	40.29%	7.9	(3.2)	4.7
Past due – from 3 to 6 months.....	88.77%	3.7	(3.3)	0.4
Past due – from 6 months to 1 year.....	100.00%	3.4	(3.4)	0.0
Past due – more than 1 year.....	100.00%	21.0	(21.0)	0.0
Total.....		199.2	(34.0)	165.1
Customers analyzed individually.....		498.4	0.0	498.4
Total trade receivables.....		697.6	(34.0)	663.5

The following table provides information about the exposure to credit risk and expected credit loss (ECL) for trade receivables as at 31 December 2020:

	Weighted average loss rate	Gross carrying amount	Impairment losses allowance	Net trade receivables
		<i>(in RON million)</i>		
Not past due.....	1.62%	176.6	(2.9)	173.7
Past due – from 0 to 3 months.....	50.12%	11.9	(6.0)	5.9
Past due – from 3 to 6 months.....	100.00%	6.2	(6.2)	0.0
Past due – from 6 months to 1 year.....	100.00%	3.4	(3.4)	0.0
Past due – more than 1 year.....	100.00%	4.3	(4.3)	0.0
Total.....		202.3	(22.7)	179.6
Customers analyzed individually.....		158.4	0.0	158.4
Total trade receivables.....		360.7	(22.7)	338.0

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 three months ended 31 March 2023 are based on the actual credit loss experienced over the past three quarters considering the growth of the supply segment and the delays in invoicing the electricity supplied (31 December 2022: five years)

Loss rates for the year ended 31 December 2022 are based on the actual credit loss experienced over the past five years (2021: four years and 2020: three years).

The Group has guarantees received from customers of RON 470.4 million at 31 March 2023 (RON 907.6 million at 31 December 2022). These are guarantees for payment in the form of bank letters of guarantee received in relation to electricity sales contracts. Decrease of guarantees in the three months ended 31 March 2023 received from customers is due to the implementation of the market for centralized acquisition mechanism of electricity. Transactions on this market are made through OPCOM as intermediary, meaning that the Group concluded one wholesale contract with OPCOM, thus the number of wholesale contracts decreased in the three months ended 31 March 2023.

The Group has guarantees received from customers of RON 907.6 million at 31 December 2022 (RON 593.0 million at 31 December 2021, RON 432.9 million at 31 December 2020). These are guarantees for payment in the form of bank letters of guarantee received in relation to electricity sales contracts.

Liquidity risk

Liquidity risk represents the risk that the Group may have difficulties in meeting the obligations associated with financial liabilities settled by transfer of cash or another financial asset. The Group has significant cash and cash equivalents and Short-term Investments, therefore it does not face significant liquidity risk.

The Group monitors the level of cash inflows forecasted from collection of trade receivables, as well as the level of cash outflows forecasted for the payment of loans, trade and other payables. The Group aims to maintain a level of current bank accounts and bank deposits that exceeds the cash outflows forecasted for the payment of financial liabilities.

Exposure to liquidity risk

The following table shows the remaining contractual maturities of financial liabilities at the reporting date. The contractual cash flows are presented gross and undiscounted, and include estimated contractual interest payments.

31 December 2022	Contractual cash flows				
	Carrying amount	Total	< 12 months	1 – 5 Years	> 5 years
	<i>(in RON million)</i>				
Financial liabilities					
Trade payables	283.4	283.4	283.0	0.4	0.0
Bank borrowings	484.5	513.2	103.3	386.8	23.1
Lease liabilities	15.4	17.9	8.3	4.7	4.9
Total	783.3	814.5	394.6	391.9	28.0

31 December 2021	Contractual cash flows				
	Carrying amount	Total	< 12 months	1 – 5 Years	> 5 years
	<i>(in RON million)</i>				
Financial liabilities					
Trade payables	173.9	173.9	171.4	2.5	0.0
Bank borrowings	577.8	581.5	95.3	371.2	115.0
Lease liabilities	12.5	15.5	4.5	5.2	5.8
Total	764.2	771.0	271.2	379.0	120.8

31 December 2020	Contractual cash flows				
	Carrying amount	Total	< 12 months	1 – 5 Years	> 5 years
	(in RON million)				
Financial liabilities					
Trade payables.....	178.4	178.4	172.7	5.6	0.0
Bank borrowings.....	31.9	32.0	29.1	3.0	0.0
Lease liabilities.....	21.0	21.6	8.6	13.1	0.0
Total.....	231.3	232.1	210.4	21.7	0.0

Market risk

Market risk is the risk that changes in market prices (i.e. foreign exchange rate and interest rate) will affect the Group's profit or the value of the financial instruments held. The objective of market risk management is to control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

The Group has long-term bank borrowings with variable interest rates, which may expose the Group to interest rate risk.

	31 December 2022	31 December 2021	31 December 2020
	(in RON million)		
Fixed-rate instruments			
Financial assets			
Restricted cash.....	101.1	10.3	10.3
Investments in corporate bonds, deposits and government bonds.....	3,386.1	2,561.5	1,730.1
Total.....	3,487.1	2,571.7	1,740.3
Financial liabilities			
Lease liabilities.....	(15.4)	(12.5)	(21.0)
Total.....	(15.4)	(12.5)	(21.0)
Variable-rate instruments			
Financial liabilities			
Bank borrowings.....	(484.5)	(577.8)	(31.9)
Total.....	(484.5)	(577.8)	(31.9)

Fair value sensitivity analysis of fixed-rate instruments

The Group has no financial assets and financial liabilities with a fixed interest rate recognized at fair value through profit or loss. Therefore, a change in interest rates on the reporting date would not result in a gain or loss in profit or loss.

Cash flow sensitivity analysis of variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) the profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular currency exchange rates, remain constant.

	Increase/ (decrease) of Profit before tax	
	50 bp increase	50 bp decrease
	<i>(in RON million)</i>	
2022		
Variable-rate instruments	(2.4)	2.4
2021		
Variable-rate instruments	(0.8)	0.0
2020		
Variable-rate instruments	(0.2)	0.2

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of the Group is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated are RON. Certain liabilities are denominated in foreign currencies as EUR and USD. The Group's risk management policy is to primarily use the local currency. The Group does not use derivative instruments or hedging instruments.

31 December 2022 - RON million equivalent of the currency -

	EUR	USD	CHF	HUF
Trade receivables	0.2	0.0	0.0	0.0
Investments in corporate bonds	351.3	0.0	0.0	0.0
Cash and cash equivalents	4.0	0.2	0.0	0.0
Trade payables	(4.0)	0.0	0.0	0.0
Bank borrowings	(483.0)	0.0	0.0	0.0
Lease liabilities	(13.6)	0.0	0.0	0.0
Net statement of financial position exposure	(145.0)	0.2	0.0	0.0

31 December 2021 - RON million equivalent of the currency -

	EUR	USD	CHF	HUF
Trade receivables	2.8	0.0	0.0	0.0
Cash and cash equivalents	99.5	0.2	0.3	0.2
Trade payables	(4.7)	(0.2)	0.0	0.0
Bank borrowings	(574.4)	0.0	0.0	0.0
Lease liabilities	(8.7)	0.0	0.0	0.0
Net statement of financial position exposure	(485.4)	0.1	0.3	0.2

31 December 2020 - RON million equivalent of the currency -

	EUR	USD	CHF	HUF
Cash and cash equivalents	1.0	0.1	0.3	0.2
Trade payables	(69.9)	(0.2)	0.0	0.0
Bank borrowings	(26.9)	0.0	0.0	0.0
Lease liabilities	(16.1)	0.0	0.0	0.0
Net statement of financial position exposure	(111.9)	(0.0)	0.3	0.2

The following exchange rates have been applied:

	31 December 2022	31 December 2021	31 December 2020
RON / EUR.....	4.9474	4.9481	4.8694
RON / USD.....	4.6346	4.3707	3.966
RON / CHF.....	5.0289	4.7884	4.4997
RON / 100 HUF.....	1.2354	1.3391	1.3356

Sensitivity analysis

A 5% appreciation of the Romanian leu (RON) against all other foreign currencies as at 31 December would have affected the profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The Group has limited USD and CHF exposure.

	Increase/(decrease) of Profit before tax 2022 (RON million)	Increase/(decrease) of Profit before tax 2021 (RON million)	Increase/(decrease) of Profit before tax 2020 (RON million)
EUR.....	7.3	24.3	5.6
USD.....	(0.0)	(0.0)	0.0
CHF.....	0.0	(0.0)	(0.0)
100 HUF.....	0.0	(0.0)	(0.0)
Total	7.3	24.2	5.6

A 5% depreciation of the Romanian leu (RON) against all other foreign currencies as at 31 December would have affected the profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	Increase/(decrease) of Profit before tax 2022 (RON million)	Increase/(decrease) of Profit before tax 2021 (RON million)	Increase/(decrease) of Profit before tax 2020 (RON million)
EUR.....	(7.3)	(24.3)	(5.6)
USD.....	0.0	0.0	(0.0)
CHF.....	0.0	0.0	0.0
100 HUF.....	0.0	0.0	0.0
Total	(7.2)	(24.2)	(5.6)

INDUSTRY OVERVIEW AND KEY TRENDS

The following information relating to the industry has been provided for background purposes only. In this Prospectus statements regarding the market and industry in which the Company operates and its position therein are mainly based on industry publications and surveys, official governments or industry bodies, including third-party sources and the Company's estimates based upon information obtained from regulators, trade and business organizations and associations, consultants and other contacts within the industries in which the Group operates as well as its senior management team's business experience and experience in the industry. Unless indicated otherwise, all market, industry, market share and competitive position data set out hereunder that relate to the market in which the Group operates are estimates and should be treated with caution, involve risks and uncertainties and are subject to change based on various factors. The information has been extracted from third party sources that the Company reasonably believes to be reliable, including the Wood Mackenzie Report, but the Company has not independently verified such information and cannot guarantee its accuracy or completeness. All statistical and market information provided by Wood Mackenzie (as defined below) presented in this Part ("Industry Overview and Key Trends") and elsewhere in this Prospectus has been reproduced from the Wood Mackenzie Report. Additional factors which should be considered in assessing the usefulness of the market and competitive data are described elsewhere in this Prospectus, including those set out in the section entitled "Risk Factors" of this Prospectus. Accordingly, undue reliance should not be placed on any of the market, industry, market share and competitive position data contained in this Prospectus. See "Presentation of Financial and Other Information."

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Macroeconomic Overview of Romania and Central Eastern Europe

The Romanian economy is well-positioned to benefit from increased European integration and domestic policy tailwinds. Romania contributes approximately 19% to the GDP of Central Eastern Europe and is forecasted to be one of the fastest growing economies in Europe, with an average real year-on-year GDP growth estimated for 2022-2026 to be of 2.4%, compared with 2.2% for the rest of the Central and Eastern Europe (average for Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland and Slovakia).

Figure 2: Real GDP growth between 2022 – 2026 (%)



Source: Wood Mackenzie Report

Notes:

1. Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Romania and Slovakia

In the longer-term (2025 to 2035), Romania's real GDP is expected to grow at a CAGR of 1.8%, which can be further segregated into the following key macro fundamentals: (i) 1.4% gross fixed capital formation

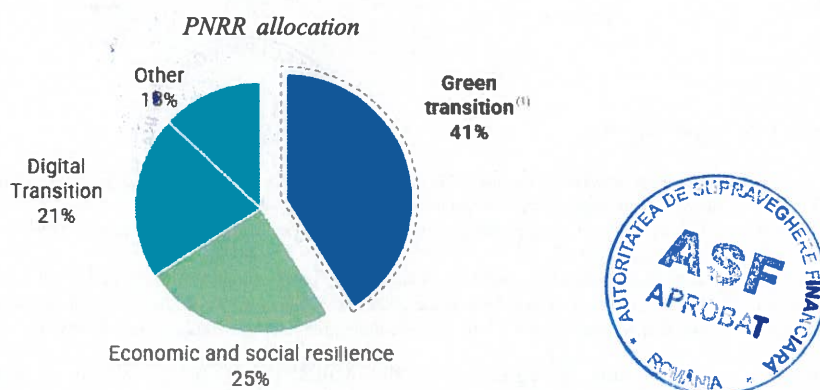
driving up industrial output, (ii) capital investment and productivity gains offsetting the shrinking workforce +0.8%, and (iii) negative growth in the labor component -0.4%. The expanding services sector is expected to drive the majority of the absolute growth contributing to 65% of GDP by 2035.

Supply driven inflation increased in the last two years leading to observed inflation rates of 5.0% and 9.6% in 2021 and 2022, respectively whereas in 2020 the annual inflation level was 2.6%.

Romania aims to continuously converge with the European Union to secure long-term support from EU-led programs. The efforts are clearly visible with the plan to i) accelerate structural reforms and strengthen institutions, ii) adopt Euro by 2029 and iii) adhere to the Schengen Zone. Evidence of a successful inflow of investments driven by these reforms is reflected in EU-led funding initiatives such as the EU Cohesion Policy, through which Romania is expected to receive €31.5 billion between 2021 and 2027 to promote the economic, social, and territorial cohesion of its regions and its green and digital transition.

As part of the process to grow Romania’s economy, various national renewable and nuclear build-out targets have been set in place such as efforts to stimulate legislative and regulatory framework for private investment in renewable generation. Romanian Recovery and Resilience Plan (the “PNRR”) is playing a major role in facilitating the renewables build-out. The package contains EUR 29 billion of support spread across 107 investments and 64 reforms with the aim of 1.1% GDP Growth added by 2026. The following diagram showcases the allocation of support from the package.

Figure 3:



Source: European Commission

Notes:

1. Green transition initiatives include the modernization of railways, urban mobility, clean energy production, energy efficiency of buildings, and biodiversity and environmental protection

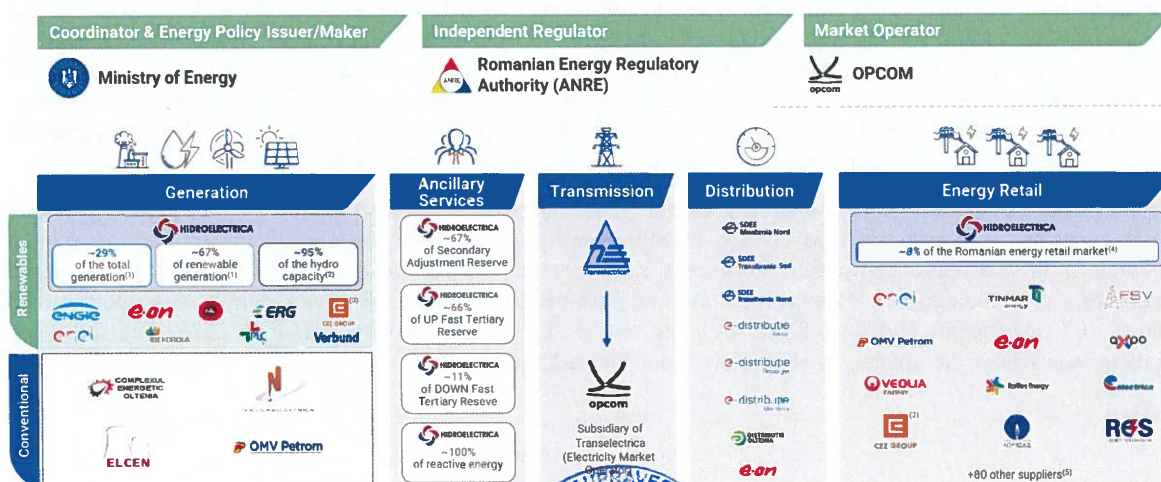
The PNRR aims to support Romania’s investments in: (i) railway infrastructure, including electrified or zero-emission railways (EUR 3.9 billion); (ii) urban mobility through infrastructure for a green and safer urban transport (EUR 1.8 billion); (iii) energy-efficient renovation and seismic renovation of buildings (EUR 2.7 billion); and (iv) clean energy production (EUR 855 million) by phasing-out of coal and lignite power production, deployment of renewables and hydrogen.

Market Participants

Hidroelectrica plays an instrumental role in Romania's power sector being the #1 power generation platform with 100% green portfolio, and ambitions to grow in energy retail.

Figure 4:

The below diagram displays the structure of the Romanian power sector



Source: ANRE annual reports

Notes:

1. Average market shares between 2018 and 2022, based on total energy delivered to the grid as per Autoritatea Națională de Reglementare în domeniul Energiei (Romanian Energy Regulatory Authority) annual reports
2. Based on 6.3 GW of hydropower capacity for Hidroelectrica as per Company information and Wood Mackenzie estimates for hydropower capacity in Romania as of 2022
3. CEZ Group assets in Romania are owned by Macquarie (MIRA) and are no longer part of CEZ a.s.
4. Based on YTD market shares of suppliers as per Autoritatea Națională de Reglementare în domeniul Energiei 2022 December report
5. Based on Autoritatea Națională de Reglementare în domeniul Energiei 2022 November report

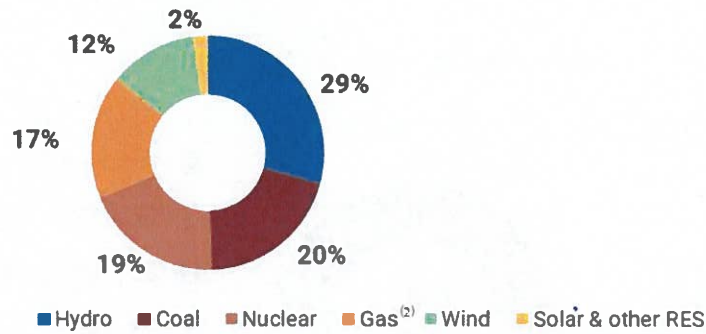
Romania's energy sector is regulated by the Ministry of Energy which is responsible for energy policies, monitoring compliance with EU obligations and requirements, and the general management of public assets in the energy sector. ANRE is an autonomous administrative body under Parliamentary control responsible for adopting regulations in the electricity, heat, and gas sectors, as well as the energy efficiency sector. In parallel, the National Environmental Protection Agency (in Romanian "Agenția Națională pentru Protecția Mediului") is responsible for implementing rules and policies related to environmental planning, being the main regulatory body providing permits. Similarly, ANAR monitors and manages the waters and hydrological infrastructure in the Romanian state public domain.

OPCOM is the electricity market administrator with responsibilities including: (i) organizing and administering activities of the centralized market for wholesale trading of electricity; (ii) settlement operations for DAM and intra-day market in the balancing market; and (iii) organizing the whole sale trading on medium and long term electricity and green certificates.

The Company is the largest player in the Romanian electricity generation market with approximately 29% market share accounting for approximately 67% of the renewable generation, based on average energy delivered to the grid between 2018 and 2022. Additionally, Hidroelectrica operates approximately 95% of Romania's hydro capacity as of 2022.

Figure 5:

Romanian energy market breakdown between 2018 – 2022⁽¹⁾ (% TWh)



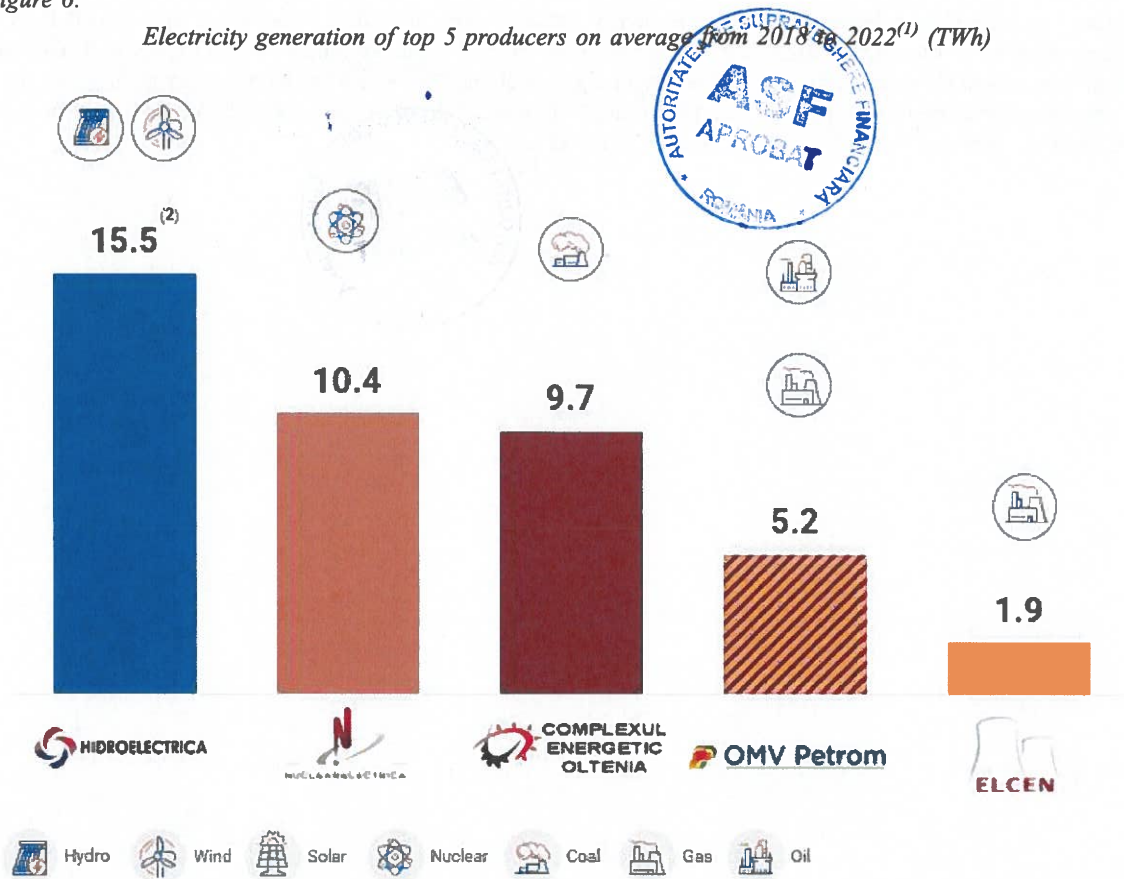
Source: ANRE

Notes:

1. Based on total electricity delivered to the grid, as per Autoritatea Națională de Reglementare în domeniul Energiei (Romanian Energy Regulatory Authority) annual reports
2. Includes heating oil (Pacura)

Figure 6:

Electricity generation of top 5 producers on average from 2018 to 2022⁽¹⁾ (TWh)



Source: ANRE

Notes:

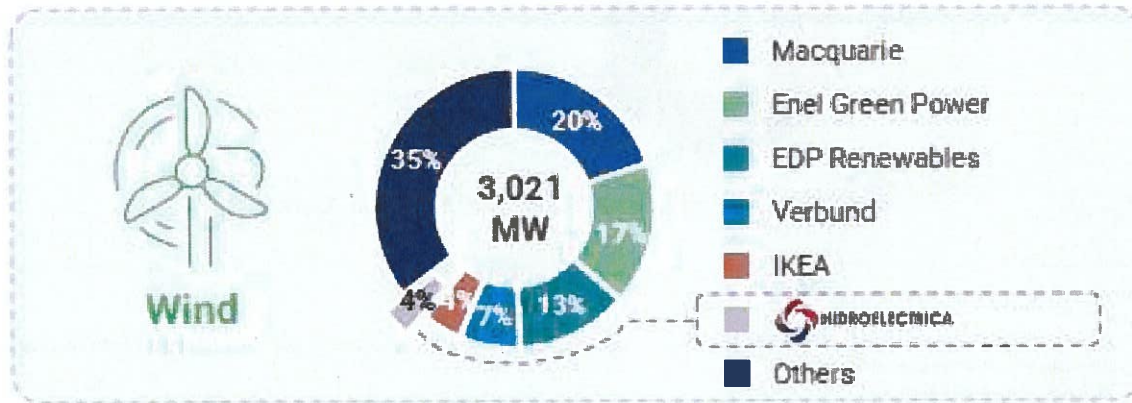
1. Based on total electricity delivered to the grid, as per Autoritatea Națională de Reglementare în domeniul Energiei (Romanian Energy Regulatory Authority) annual reports
2. Calculated as the sum between 15.2 TWh (average energy delivered from hydro sources between 2018 and 2022) and 0.3 TWh (energy delivered to the grid by the wind farm in 2021)

Hidroelectrica has recently entered into the wind business by acquiring Crucea Wind Farm (108 MW) from STEAG GmbH in 2020/2021, representing 4% of the total wind capacity in 2022. Hidroelectrica has strong

ambitions to further diversify its energy mix by expanding its renewable portfolio, and growing its wind and solar businesses going forward. The figure below represents a breakdown of total wind capacity in Romania in 2022.

Figure 7:

Market shares in wind in 2022 (% of capacity)

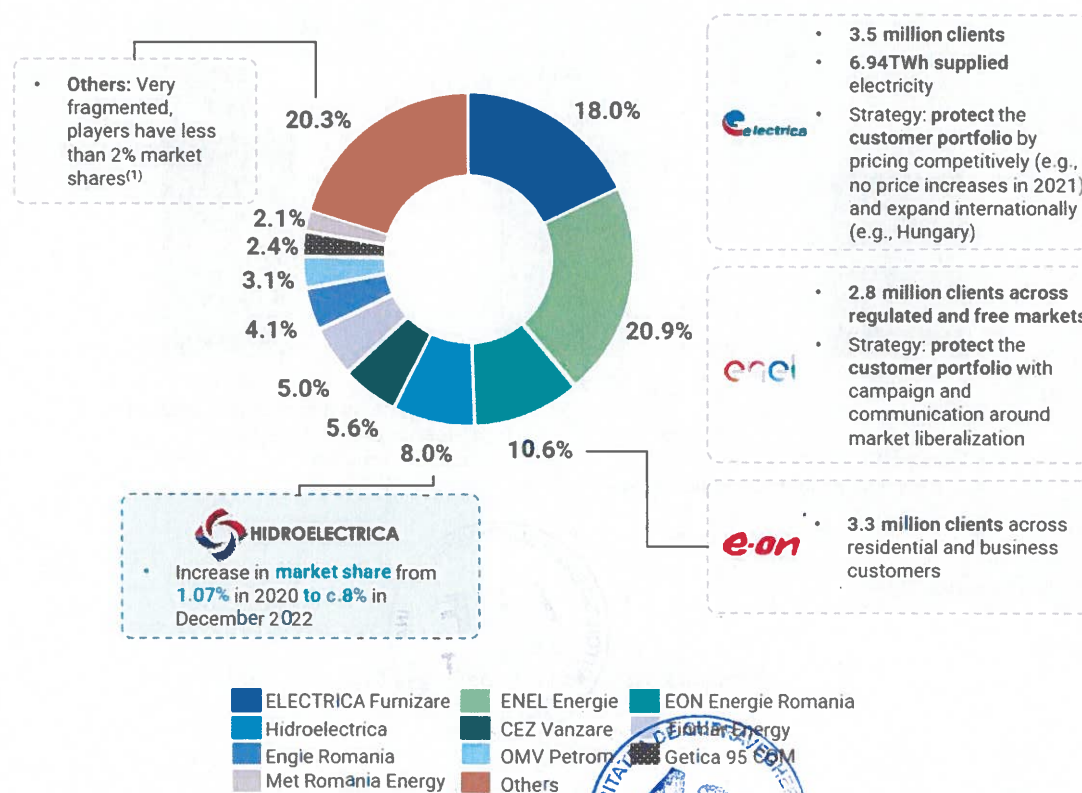


Starting in 2020, Hidroelectrica entered the energy retail market in which it holds an approximately 8% market share as of December 2022. The Company has observed rapid growth in this business and plans to further strengthen its position in the Romanian energy retail market, which currently consists of more than 90 suppliers, with the top 3 players being Electrica Furnizare S.A., Enel S.A., and E.On Energie Romania S.A., holding approximately 49% of the market share as of 2022.



Figure 8:

Energy Retail Market Share as of December 2022 (% TWh)



Source: ANRE

Notes:

1. Players with 1%- 2% market shares: Renovatio, Nova Power and gas, Alro, Electricitare CFR, Next Energy Partners, Energy Distribution Services, CE Oltenia, Verbund Wind, EFT Furnizare and other 74 suppliers with individual market shares less than 1%

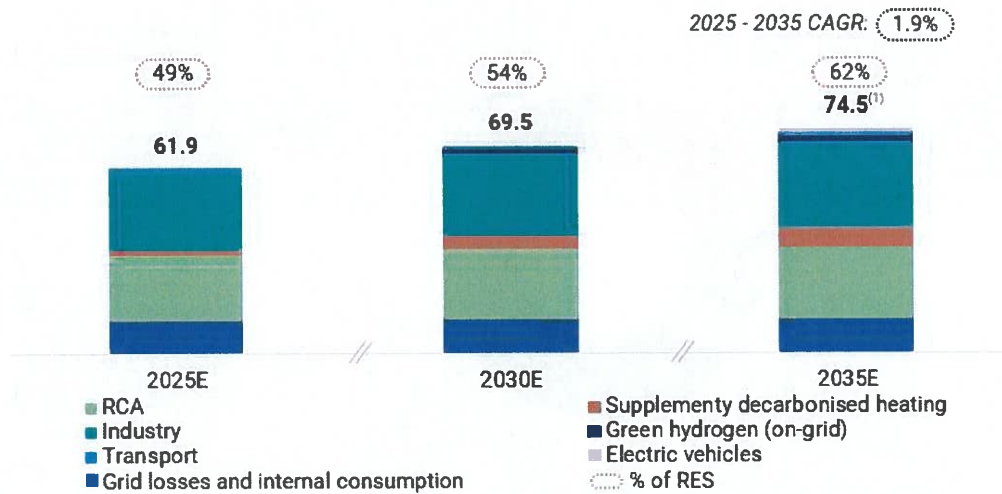
Demand and Supply

Expansion of the Romanian electricity generation portfolio is driven by an increase in base load demand with further acceleration coming from electrification, supported by significant EU funding which encourages an accelerated roll-out of renewables.

As Romania's economy develops, approximately 29% of the growth in demand until 2035 will be driven by an increase in base demand. Along with this, the electrification of heating, growth in electric vehicles, and implementation of green hydrogen technologies add to the overall demand increase. Additionally, there is a change in the fuel mix as coal is phased-out and renewables and nuclear become a larger part of the energy mix. Romania expects to achieve 100% independence from fossil fuel in the national energy mix by 2050 and to phase out coal by 2032, reducing carbon emissions by 55% by 2030 (compared to the 1990 level). On the renewables side, there is a goal of an additional 10-11GW of renewable projects to be commissioned by 2030. As coal is being phased out and new renewable capacities construction is underway, Romania is expected to import power in the medium term with the balance reversing by 2035, when Romania is expected to generate 0.3 TWh energy in excess of its internal demand. The below figures illustrate the energy demand and generation split.

Figure 9:

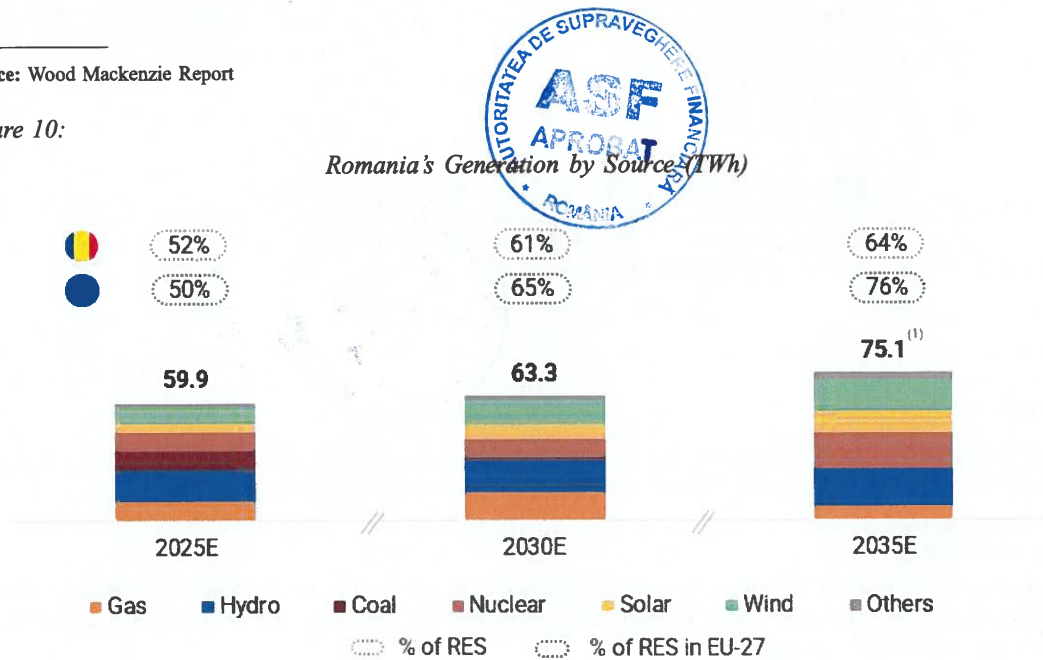
Romania's Demand by Source (TWh)



Source: Wood Mackenzie Report

Figure 10:

Romania's Generation by Source (TWh)



Source: Wood Mackenzie Report

Notes:

1. Romania expects to generate 0.3 TWh more energy than its internal demand in 2035.

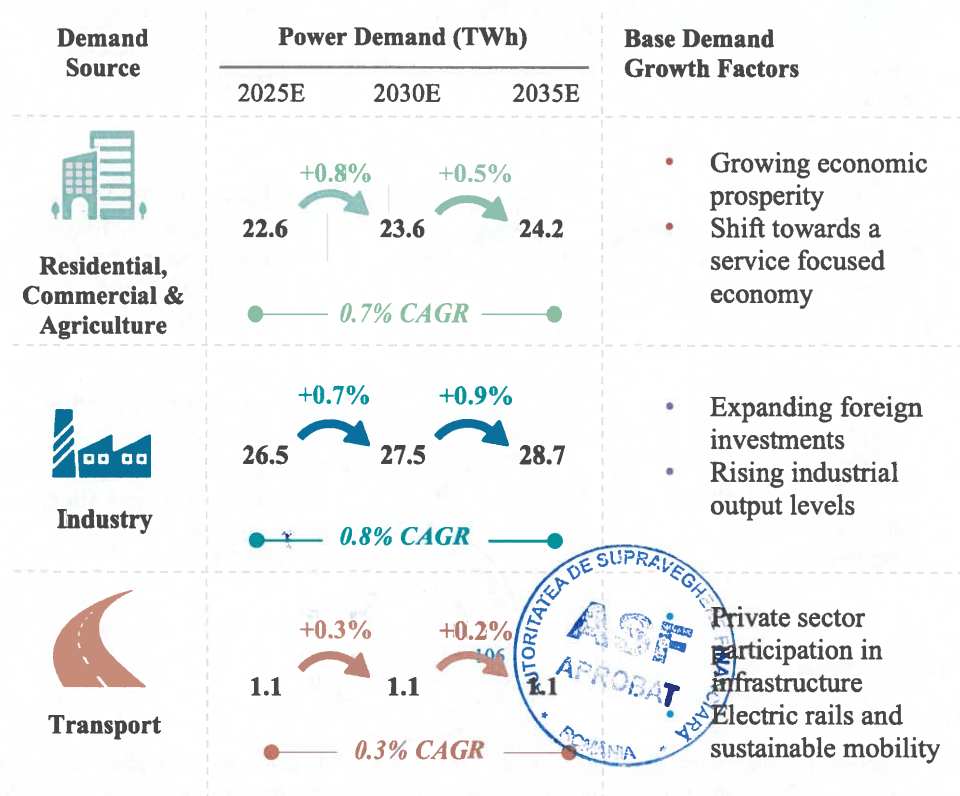
According to the Wood Mackenzie Report, gas share is expected to increase, reaching a peak of 27% in 2027 as coal is phased out and nuclear refurbishment starts. As nuclear and renewables generation rise, gas share is expected to reach a lower level of 9% by 2035. At the same time, the share of renewables is expected to reach 64% on the back of decarbonization initiatives and electrification tailwinds. Wind, solar, and hydro altogether are expected to supply 30.2 TWh of energy in 2025, 37.4 TWh in 2030, and 46.1 TWh in 2035.

The increase in Romania's energy demand can be split in two main categories: (1) base demand, and (2) demand coming from electrification.

The increase in Romania's base demand is split into three main sections: RCA (Residential, Commercial and Agriculture), Industry and Transport. The expected growth in demand coming from the RCA sector, at 0.7% 2025-2035 CAGR (from 22.6 TWh in 2025E to 24.2TWh in 2035E), is linked to growing economic prosperity and a shift towards a service-focused economy. At the same time, expanding foreign investments

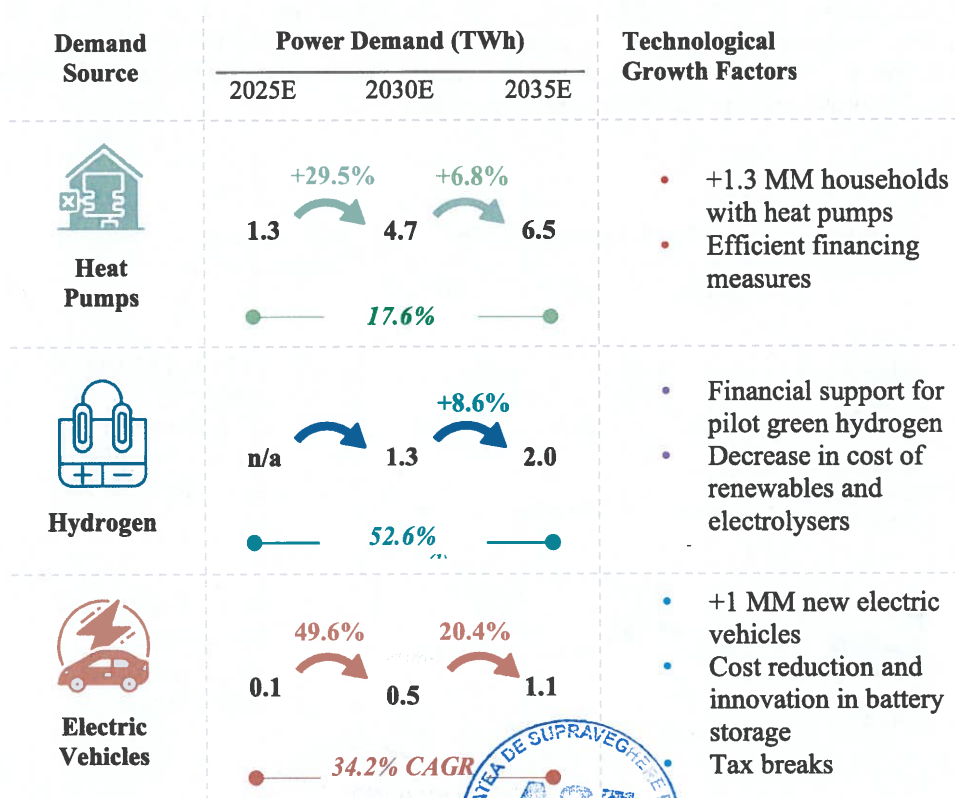
and rising levels of industrial output are expected to lead to growth in demand coming from the industrial segment of the economy of 0.8% CAGR between 2025-2035 (from 26.5 TWh in 2025E to 28.7TWh in 2035E). Similarly, increased demand from the transport sector at 0.3% 2025-2035 CAGR (from 1.1 TWh in 2025E to 1.1TWh in 2035E) is expected, fueled by greater private sector participation in infrastructure, electrification of railways, and the rise of sustainable mobility.

Figure 11.1:



Furthermore, accelerated increase in demand is expected to result from electrification with growing demand for EVs, electrolysers and heat pumps as illustrated in the below table.

Figure 11.2:



Source: Wood Mackenzie Report

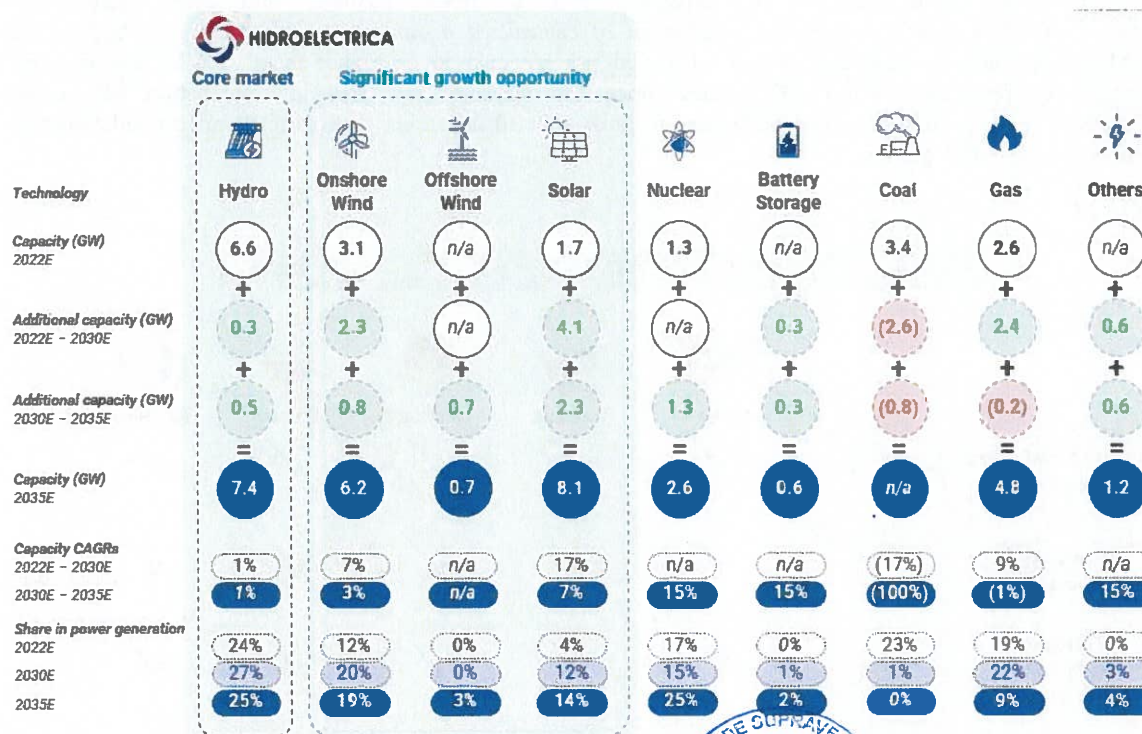
Notes:

1. 9-year CAGR between 2026 and 2035



To meet the increase in electricity demand coming from different sources, significant EU funding is available for deployment in support of Romania’s plan to decarbonize its energy sector and reduce CO2 emissions. EU policies and funds include (i) the Modernization Fund, funded by the auctioning of 2% of total certificates allocated under the EU Emission Trading Scheme (“EU-ETS”) 2021-2030 scheme; (ii) allocation of €1.6 billion to Romania’s energy sector as part of the PNRR; or (iii) allocation of €1.9 billion of the Just Transition Fund, of which Romania is the third-largest recipient. Significant EU funding encourages an accelerated in the roll-out of renewables with positive change in renewable regulation also attracting new investments in the renewable generation space across hydro, wind and solar. The below graphic shows the growth by business with the majority of the additional capacity coming from (i) 6.4GW solar, (ii) 3.8GW wind, (iii) 1.3GW of nuclear, and (iv) 0.8GW from hydropower. Currently, the Group plans to submit an application for financing for REpowerEU.

Figure 12:



Source: Wood Mackenzie Report

Romania's net zero strategy is consistent with the broader EU framework, targeting net zero emissions by 2050 and a 55% reduction of carbon emissions by 2030 compared to the 1990 level. In 2022, REPowerEU was a major step to accelerate the energy transition further and diversify away from Russian supplies by targeting the acceleration of renewables and limiting costs.

Wood Mackenzie estimates Romania's renewable share to climb swiftly to 61% by 2030, much higher than the country's target of 49.4%. 11.2 GW of wind and solar are expected to be deployed by 2030, exceeding the 10.3 GW deployment target and helping the nation surpass the renewables generation target.

Regulatory

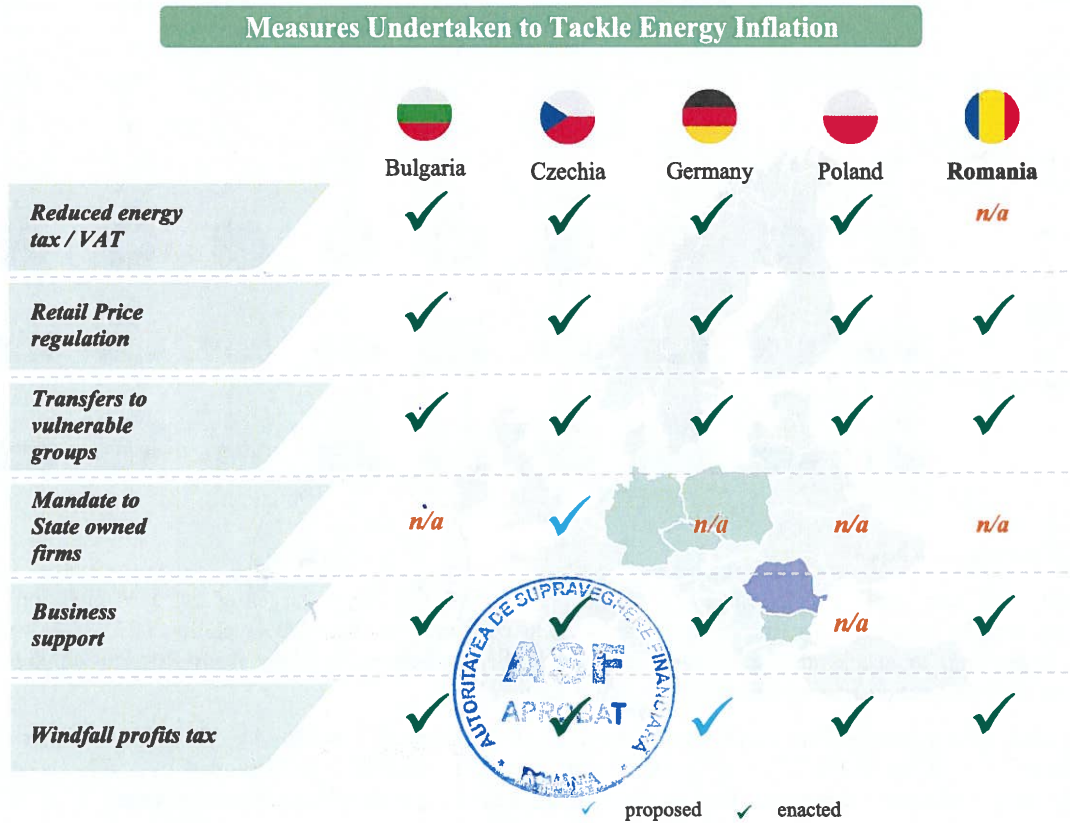
Romania's regulatory landscape has continuously evolved, converging with EU policies to address rising energy prices, and adopting revenue mechanisms that support the renewables build-out.

Regulation in Romania is expected to be constantly evolving to deal with challenges and support economic growth. Currently, there is no 100% vertically integrated utility in Romania. Since the early 2000s, starting with the unbundling of vertically integrated National Electricity Company into four separate legal entities (Termoelectrica, Hidroelectrica, Electrica, and Transelectrica) and the launch of the electricity spot market operated by OPCOM, Romania's energy sector has been on a steady path towards liberalization. In 2021, the market became fully liberalized. As a result of soaring energy prices beginning in the fourth quarter of 2021 and the Russian-Ukraine war beginning in early 2022, the market has been further regulated by Romanian authorities as it has been the case in many EU countries, in order to tackle the effect of elevated energy prices on the population and business competitiveness across Europe.

Romania's policies are concentrated on delivering the National Energy and Climate Plan until 2030. In line with other EU countries, Romania is now taking extensive measures to cope with rising inflation and soaring energy prices. During the energy crisis, Romania established numerous policies including a windfall tax for energy producers (please see "Management discussion and analysis of financial condition and results of operations – Description of key income statement line items – Tax for electricity producers"), and a centralized acquisition of electricity through the CEPM. The tax collected will be passed on to customers by funding the retail market price cap. This represents a temporary re-use of regulated prices as a protective measure and is expected to last until March 2025. The CEPM requires the Company to sell through the CEPM at a fixed price of RON 450/MWh a certain amount of energy (please see risk factor "Changes in

regulations or government policies, particularly as a result of increased governmental intervention in the electricity market, could materially and adversely affect the Group's business" and section "Regulatory matters — GEO 153/2022 introducing mechanism of centralized acquisition of electricity (CEPM)". The CEPM is applicable to producers with an installed power equal to or higher than 10 MW and that are commissioned prior to 1 April 2022. These price cap measures are used in combination with other initiatives to support consumers and businesses in most affected industries such as retail price regulation and transfers to vulnerable groups.

Figure 13:



Source: Wood Mackenzie Report

Additionally, in support of decarbonisation, Romania has begun implementing and adopting more stable, investment-friendly legislative frameworks and mechanisms to encourage the build-out of renewables. Such frameworks include:

PPAs

Since the enactment of GEO 143/2021, Romanian power producers are able to conclude PPAs off the market, through a direct negotiation process with a freely chosen buyer (for more details please see section "Regulatory — Energy Matters — The Energy Market in Romania — Conclusion of PPAs").

PNRR State aid scheme tenders

State aid scheme tender for renewable projects with a combined capacity of ~950 MW was launched in 2022 and is currently under the selection process. The scheme is part of the PNRR program and aims to accelerate the commissioning of renewables projects close to the ready-to-build stage.

Contracts for Difference ("CfD")

In June 2020, the Romanian Government signed a memorandum for the introduction of CfD auctions for renewable energy, nuclear and CCS/ CCU technologies. The counterparty of the CfD scheme will be OPCOM, the Romanian power and gas market operator. OPCOM will enter the CfD with the eligible producers, collect and allocate the funds, and monitor the CfD beneficiaries throughout the lifespan of the scheme. The auctions organizer is intended to be the grid operator, Transelectrica (for more details on the

CfD scheme please see section “Regulatory Matters — Energy Matters — Licences obtained by the Company to participate on the Romanian electricity market — Energy generation — Enactment of a support scheme based on a contract for differences mechanism”).

The CfD scheme would provide greater confidence to investors to develop renewable projects in Romania. Stable prices would lead to secured revenues. Investors would face lower risks of revenue fluctuations and consequently would get lower cost of capital. CfD is also a key enabler to secure financing and incentivizes other types of investors to participate in the auctions.

Green certificates

Green certificates support scheme was introduced in 2005 and is applicable to renewable energy producers certified by ANRE until 31 December 2016. Through this mechanism, energy producers were certified by ANRE, and each month they would receive green certificates, i.e. a tradeable commodity, issued in accordance with the source used (e.g. solar, wind, biomass, hydro) for the energy produced and delivered into the grid (for more details on the green certificates scheme please see section “Regulatory Matters — Energy Matters — Licences obtained by the Company to participate on the Romanian electricity market — Energy generation — Support scheme through green certificates”).

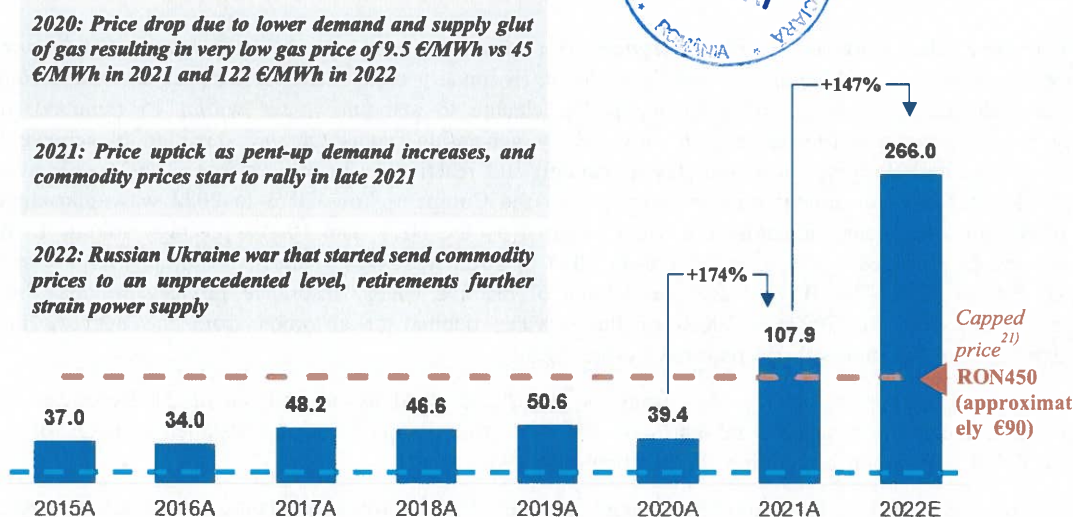
Power Prices

Electricity prices have surged because of the Russian-Ukraine war, with commodity prices, renewables roll-out, electrification, and hydrology conditions driving future power prices.

Romanian power prices can be attributed to numerous factors such as the influence of hydrology, accelerated coal phase-out, growing contribution of renewables and nuclear and power demand growth promoted by electrification as well as natural gas prices of electricity producers such as OMV Petrom or Elcen. For the first time in over a decade, the monthly average power price surpassed €200/MWh in December 2021 with a peak of €480/MWh in August 2022. With gas prices beginning to subside along with milder weather, power prices are beginning to decrease with prices reaching €116/MWh on average in 2023 YTD⁽¹⁾ as per OPCOM.

Figure 14:

Power Prices Have Rallied Since the End of 2021 – Historical Electricity Prices (€ per MWh)



Source: Wood Mackenzie Report

Notes:

1. 1st of January 2023 until 25th of May 2023
2. RON450 partial price cap was introduced in March 2022

BUSINESS

OVERVIEW

The Company is the leading electricity producer in Romania in terms of electricity produced, a large hydro player in Europe and the main provider of ancillary services in Romania, playing an instrumental role in the security of the NES. The Company is one of the largest hydro players in Europe, generating 13.6 TWh of electricity from hydro sources in 2022, 16.9 TWh in 2021 and 15 TWh in 2020 all representing gross production. On top of that, the Company has become at the end of 2022 one of the largest energy suppliers in Romania's energy retail market and supplied approximately 3.7TWh of electricity to final consumers in 2022, as compared to 1.0 TWh in 2021 and 0.6TWh in 2020 (see figure 29.2 below).

The Company is the only producer of electricity from a hydro source that operates dispatchable production units in Romania. The 10-year average from 2013 to 2022 for gross hydropower generation by the Company is 15.9 TWh per year. The generation from hydro sources in 2022 reflects less favorable hydrological conditions.

Since the Company was set up in the current legal form as a joint stock company in 2000, the Company's lowest level of gross electricity production was 12.1 TWh in 2012 and the highest was 20.1TWh in 2005. For 10-year average hydrology variations from 2013 to 2022 please see figure 15 below showing the Company's annual gross hydro production.

According to ANRE, the total electricity generated from all sources in Romania in 2022 was 53.54 TWh, with Hidroelectrica accounting for approximately 29% of total electricity delivered to the grid on average during 2018 – 2022.

Figure 15 Hidroelectrica Annual Gross Hydro Production (TWh):



The Company also provides ancillary services (for details, please see “*Business and Operations — Electricity generation — Ancillary services*”), including secondary adjustment services (centralized automatic frequency adjustment to bring the frequency/power change to setpoint values within 15 minutes), rapid tertiary reserve services (power reserve provided by generating plants that are qualified to achieve load synchronization and charging in 30 minutes maximum) and reactive insurance services. The 10-year average volume of secondary adjustment services provided by the Company from 2013 to 2022 was approximately 61% of the total secondary adjustment services required by the NES. The 10-year average volume of rapid tertiary services provided by the Company from 2013 to 2022 was 79% of the rapid tertiary reserve service required by the NES. The 10-year average volume of reactive energy insurance services provided by the Company from 2013 to 2022 is 100% of the services debited or absorbed from the network in the secondary voltage adjustment band required by the NES.

The Company generates electricity both from its hydro and wind assets and, as of 31 December 2022, taking into account the Crucea Wind Farm of 108 MW, the Company has an installed capacity of 6,389 MW (or 6,480 MW when accounting for pumping stations).

In terms of hydro assets, the Group owns and operates 182 hydropower plants, which are strategically positioned in seven branches across Romania, including²² Portile de Fier (with an installed capacity of 1.6 GW), Valcea (with an installed capacity of 1.5 GW), Hateg (with an installed capacity of 0.7 GW), Curtea de Arges (with an installed capacity of 0.7 GW), Bistrita (with an installed capacity of 0.6 GW), Cluj (with an installed capacity of 0.5 GW) and Sebes (with an installed capacity of 0.5 GW). The Company also has 5 pumping stations, with an installed capacity of 91.5MW, which contribute to operational efficiencies in water management for the Company to optimize electricity generation.

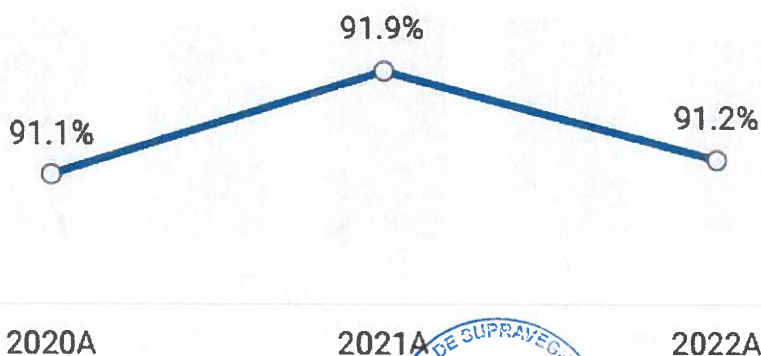
The total installed capacity of the Company is divided into three categories corresponding to three types of assets: (i) storage hydropower plants, (ii) run-of-river hydropower plants; and (iii) pumping stations. The

²² The presented installed capacity includes only HPPs over 10 MW and excludes 91.5 MW of electrical pumping stations

Company has been generating since its incorporation in 2000 and continue to have a 100% renewable portfolio.

The Company's hydropower plants are maintained through preventive and corrective maintenance programs in accordance with the framework agreement concluded between the Company and its subsidiary Hidroserv, on a yearly and standardized basis (for details, please see "*Business and Operations — Electricity generation — Maintenance as a part of operational expenditure*"). The framework agreement is designed to sustainably maintain hydropower plant availability (both of construction and equipment) (as highlighted in figure 16 below) for generating electricity and to maintain the hydropower installations in safe operating conditions.

Figure 16: Hydro unit availability



Average plant availability for hydropower plant with more than 4MW installed capacity

In terms of its wind assets, in 2021, the Group acquired a wind farm (Crucea Wind Farm) with an installed capacity of 108 MW consisting of 36 Vestas V112 type turbines of 3 MW each, developed and fully commissioned by STEAG in 2014. The below table sets out the operational indicators for Crucea Wind Farm during the period 2020-2022:

	2020	2021	2022
Net capacity factor ²³ (%).....	31.97	30.48	31.59
Generation output (MWh) – net generation delivered into the grid	302,450	288,323	298,874
Plant availability (%)	98.72	98.70	98.10
Planned/unplanned outages (h/year).....	34/0	36/0	36/0

²³ energy produced/nominal power theoretical energy (installed capacity x number of hours per year (8760 hours)) x 100

As a result of the maintenance works conducted on the basis of the agreement concluded with Vestas (for more details, please see “Material contracts — Agreement with Vestas”), Crucea Wind Farm registered a high availability rate in comparison with its generation output, as highlighted in the figure below:

Figure 17:



The electricity produced by the Company is sold mainly on two streams: (i) wholesale market and (ii) retail market (electricity supplied to final consumers). The Company’s retail electricity market share grew from 1.33% in 2020 to 8.04% as at December 2022, and the number of its retail customers increased from 2,465 in 2020 to more than 482,000 in 2022.

The Group’s control over water accumulations and hydropower facilities on inland rivers contribute to water management in case of floods (following decision of the Ministerial Committee for Emergency Situations within the Ministry of Water and Forests and the County Committees for Emergency Situations).

The Group’s scale and proven track record in commissioning and managing hydropower generation projects contributes to its competitiveness and know-how in this space, and allows the Group to be strategically positioned to benefit from growth opportunities offered by Romania’s transition to green energy.

The following table sets out additional operational indicators of the Group for the years ended 31 December 2022, 2021 and 2020:

	2020	2021	2022
Installed capacity (MW) ²⁴	6,280.7	6,280.7	6,388.7
Percentage of total installed capacity in Romania (%)	30.5	33.8	34.3
Net Generation (i.e. gross generation of electricity less energy consumed internally) (MWh)	14,583,448	16,517,128	13,245,412
Gross generation (MWh)	14,965,908.5	16,911,738.6	13,625,651.8
Energy consumed internally (MWh)	382,460.5	394,610.6	380,239.8
Generation Market share (%)	28	28.5	23.8
Electricity sold to final customers (MWh)	625,553.6	1,029,143.3	3,675,459.5
Supply market share (%)	1.3	2.5	8*
Final customers (absolute figures)	2,465	30,221	482,638

*Supply market share as of Dec 2022

²⁴ Excludes 91.5 MW of electrical pumping stations

HISTORY AND DEVELOPMENT OF THE GROUP

1990 – The vertically integrated State-owned electricity company “Regia Autonoma de Electricitate” (“RENEL”) replaced the “Department of Electric and Thermal Energy”, which is predecessor of the “Ministry of Energy”. This replacement followed Government Decision no. 1199/1990 to restructure Romania’s energy sector after the country’s communist regime which existed between 1947 and 1989. During the regime, the “Department of Electric and Thermal Energy” controlled all commercial activities in Romania’s electricity market, including production, transport and distribution.

1998 – RENEL was further restructured following Government Decision no. 365/1998 into three companies, which led to the establishment of, *inter alia*, the National Electricity Company CONEL S.A. (“CONEL”). CONEL was a State-owned entity responsible for electricity generation, transmission, distribution, production and sale of thermal power, as well as the operation and development of the national energy system. CONEL was subsequently reorganized as the sole shareholder of three subsidiaries, namely Hidroelectrica (established as an electricity producer), Termoelectrica S.A. (the thermal power and heat co-generator) and Electrica S.A. (the distributor of electricity).

2000 – To further restructure Romania’s energy sector, Government Decision no. 627/2000 dissolved CONEL and established four joint stock companies, including the National Power Grid Company – Transelectrica and the Commercial Company for Hydropower Generation – Hidroelectrica, all wholly owned by the Romanian State. Through this process, Hidroelectrica obtained both the existing hydropower plants and the ongoing and planned investment programs.

2002 – Government Decision no. 554/2002, supplemented by Government Decision no. 1016/2002, initiated the transfer of 235 MHPPs and 70 CADPs from Electrica S.A., Termoelectrica S.A. and Nuclearelectrica S.A. to Hidroelectrica. However, during handover-acceptance process, Hidroelectrica effectively took ownership of only 230 MHPP as the remaining MHPPs were in the development stage and/or did not have ownership documents available to be transferred.

2002 – Government Decision no. 857/2002 established eight companies under the name of “Hidroserv” followed by the hydrological area served.

2004 to 2008 – Beginning in 2004, Hidroelectrica launched a privatization program to sell 150 MHPPs, and combined with undertaking to follow a minimum investment program, to rehabilitate and modernize the MHPPs, through open competitive auctions in accordance with the Government Decision no. 1069/2007. Between May 2004 and December 2008, Hidroelectrica sold 87 MHPPs with the approvals of Hidroelectrica’s Board of Directors and General Meeting of Shareholders.

2012 to 2013 – The Bucharest County Court, by its decision dated 20 June 2012 in the file no. 22456/3/2012 and through Hidroelectrica’s request, ordered the general insolvency procedure of Hidroelectrica to be commenced, which was later followed by the approval of the reorganization of Hidroelectrica based on a reorganization plan. According to this plan, the main causes for the insolvency of Hidroelectrica included, amongst others: (a) several bilateral electricity supply contracts executed with several energy traders (terminated unilaterally by Hidroelectrica’s official receiver); (b) the sale of energy on the regulated market (in the dry years of 2011 and 2012, Hidroelectrica was obliged to deliver to the regulated market, under the cost of production, a quantity of energy representing approximately 41.7% of the quantity estimated to be produced and, at the same time, was obligated to buy energy from the free market at prices 3 times higher than those on the regulated market); (c) electricity purchased from third parties (since 2007 Hidroelectrica has entered into a series of contracts at much higher purchase prices compared to the prices for which Hidroelectrica was selling electricity on the open market, which led to significant losses); (d) turbinated water tax (the turbinated water tax rates increased from 0.0001 RON/thousand cubic meters in 2003 to 1.1 RON/thousand cubic meters in 2010, i.e. by 1,033%); (e) prolonged drought between 2011 and 2012 (due to a severe drought starting in April 2011, Hidroelectrica had a significantly low electricity production of 11.8 TWh in 2012 and triggered the force majeure clause in its electricity supply contracts from 30 September 2011 to 30 April 2012); and (f) staff expenditure (employees received a monthly income of 300% higher than the minimum wage in the period 2009 – 2012).

2013 – Hidroserv reorganized as a subsidiary under the name Hidroelectrica-Serv S.A. on 5 August 2013, following the merger with the eight other subsidiaries (Bistrița, Cluj, Curtea de Argeș, Hațeg, Porțile de Fier, Râmnicu Vâlcea, Sebeș and Slatina).

2014 – Following the approval by the GMS of the sale strategy proposed by the Management Board, 67 MHPPs are to be sold according to the Order 115/2014 regarding the work methodology for organizing the

sale by open public tender of assets belonging to companies (including subsidiaries) having the Romanian State acting by the Minister of Economy – Department for Energy as majority shareholder.

2013 to 2016 – Between July 2013 and May 2016, including the short period in which Hidroelectrica exited insolvency, Hidroelectrica auctioned 37 MHPPs.

2016 – Following a four-year period of an extensive restructuring process, renegotiation of the business contracts, reorganization of expenses and staff structure and generation of additional revenues through sales made on the markets managed by OPCOM, the insolvency procedure against Hidroelectrica was concluded in June 2016.

2016 – The Bucharest Tribunal, by its decision dated 10 October 2016, approved the initiation of the insolvency proceedings for Hidroserv. The main causes for Hidroserv's insolvency included: (a) historical liabilities accrued when Hidroserv merged with its subsidiaries on 5 August 2013; (b) an inefficient staff structure; (c) the manner in which the maintenance contracts were carried out; (d) excessive pecuniary advantages in relation to Hidroserv's ability to pay offered to employees under the collective labor agreement; (e) outstanding pay entitlements under the collective labor agreement and disputes arising from non-payment of these salary entitlements; (f) stocks and non-performing loans; (g) organizational and management deficiencies; and (h) losses incurred due to fulfilling its obligations to repair work under warranty.

2020 – On 24 June 2020, the syndic judge confirmed the reorganization plan of Hidroserv. Thus, the debtor (Hidroserv) will conduct its business through the special administrator who will be appointed and supervised by the receiver. The reorganization plan provides for the schedule of payment of the claims, which includes the amounts that the debtor (Hidroserv) undertakes to pay to creditors based on the final schedule of claims.

2020 – In the GMS decision 14 / 20 October 2020 the Company approved the sale of 67 micro-hydropower plants according to the sale strategy proposed by the Management Board.

2021 – Following the approval of Hidroelectrica's updated investment strategy for the 2020-2025 period by EGMS resolution no. 8 / 15.06.2020, Hidroelectrica acquired from Steag GmbH the Crucea Wind Farm with an installed capacity of 108 MW consisting of 36 Vestas V112 type turbines of 3 MW each, located in Constanța County, Romania. Hidroelectrica acquired 100% of the shares in Crucea Wind Farm S.A. and STEAG Energie România S.R.L. (renamed Hidroelectrica Wind Services S.R.L.).

2022 – the General Meeting of Shareholders approved the merger by absorption of Hidroelectrica Wind Services S.R.L. and Crucea Wind Farm into Hidroelectrica with effect from 31 December 2022.

2023 – On 18 January 2023, the reorganization plan of Hidroserv was extended until mid-year 2024. Beside the time extension, the main amendment in the reorganisation plan was related to the re-shaping of the debt payment schedule until mid-year 2024.

GROUP STRUCTURE

The Company's sole and wholly owned subsidiary is Hidroserv, which provides maintenance and repair services for hydropower assets and has been undergoing insolvency proceedings since October 2016.

OVERVIEW OF THE ISSUER'S OPERATIONS

The Company generates electricity from renewable sources such as hydro or wind power. The Company generate electricity from hydro sources by using its storage hydropower plants, run-of-river hydropower plants and pumping stations, and electricity from wind sources through its wind turbines (Crucea Wind Farm). According to the Company's Articles of Association and the New Articles of Association, its main field of activity is NACE code 351 – "Production, transport and distribution of electricity", whereas the main activity is NACE code 3511 – "Production of electricity".

Storage hydropower plants require the storage of water in a reservoir created by the construction of a dam across a river. The release of reservoir water at a high elevation through the plants' turbines generates electricity. The water may be stored in the reservoir for a period of time. In the great lakes reservoirs, the energy is stored with annual regularization, which means that the amount of water can be transferred from months with high hydraulicity to the ones with lower hydraulicity, and then released according to the demand for electricity. This allows storage hydropower plants to generate electricity during periods of high demand and to hold back water during periods of low demand. The stored reservoir water may be also used for other purposes, such as flood control.

The run-of-river hydropower plants use the natural flow of water in a river or stream. Run-of-river hydropower plants generally involve the construction of a dam or any diversion structure, such as a weir, which redirects water through a penstock (a large pipe or conduit) and towards a turbine, which then generates electricity. The water is then released back into the river downstream.

A pumping station is a facility that pumps water from a lower reservoir to an upper reservoir where the pumped water is stored, contributing to higher efficiency of water management. During periods of high electricity demand, the stored water is released through turbines to produce electricity. Pumping stations are useful for storing electricity and balancing between supply of and demand for electricity. Hidroelectrica has five pumping stations: (i) Petrimanu, Jidoaia and Balindru in the Lotru HPD; (ii) Galceag in the Oasa-Galceag HPD and (iii) Sacuieu used for the Remeti HPP.

The energy generated by run-of-river hydropower plants (please also see figure 19.1 below) cannot be stored, while the energy generated by storage hydropower plants can be scheduled, with some limitations (for example, the winter program²⁵ run with TSO and ANAR yearly). Scheduling energy generated by the storage hydropower plants helps the Company to adhere to its contractual obligations, adjust to the short-term hydrological conditions and meet the necessary capacity for balancing and ancillary services, if required by the NES. Since the electricity generated by storage hydropower plants may be scheduled, such electricity is generally used to cover peak demands on higher prices and for balancing and ancillary services. Therefore, with such versatility and flexibility of storage hydropower plants, the Company can manage its water resources for optimal use under specific hydrological conditions.

Wind energy is generated using kinetic energy to rotate the blades of a wind turbine, that spin a generator to produce electricity. The process starts with wind blowing across the blades of a wind turbine, causing the blades to rotate. This rotation turns a shaft, that is connected to a generator which then converts the mechanical energy of the spinning shaft into electrical energy.

Once the energy is produced from the hydropower plants and wind turbines, it is distributed and supplied to customers through a power grid, which is a network of transmission and distribution lines that connect power generators to consumers. In Romania, the power grid is operated by Transelectrica (TSO) and eight distribution system operators. The transmission system is made up of high-voltage power lines that transport electricity over long distances from power plants to substations. Once the energy reaches the substations, it is distributed to homes and businesses via the distribution system. The distribution system is made up of lower-voltage power lines that transport electricity from substations (with facilities reducing the voltage of the electricity to a safe level) to the final consumers. This distribution to the final consumers is called "supply of energy".

The Company may not only supply its produced energy directly to customers, but also conducts trading activities:

- a) In order to cover medium and long-term needs, depending on the market operator, the following electricity markets are used:

Operator	Electricity Market
OPCOM	<ol style="list-style-type: none"> 1. Centralized Market for Electricity Bilateral Contracts – Extended Auctions Mechanism (CMBC-EA-flex) 2. Centralized Market for Electricity Bilateral Contracts – Continuous Negotiation Mechanism (CMBC-CN) 3. Centralized Market with double continuous negotiation for Electricity Bilateral Contracts (CM-OTC) 4. Electricity market for large consumers (LCM)* 5. Centralized electricity purchasing mechanism (CEPM)**
BRM* (Romanian Commodities Exchange)	<ol style="list-style-type: none"> 1. Electricity market for large consumers (LCM) 2. Electricity market – Over the Counter (OTC) 3. Electricity market with term delivery 4. Electricity market for producers and suppliers (PSM)

* Available from 2022

** Started in January 2023

²⁵ Periodically, the Romanian Government is issuing Government Decisions regarding winter programs to ensure the level of safety and security in the operation of NES, as well as measures in relation to the realization of safety stocks of NES in terms of fuels and volume of water in reservoirs.

Due to the implementation of CEPM in January 2023, the transactions concluded on the centralized markets managed by the two operators (OPCOM and BRM) were reduced, the only one that still has a significant market share being DAM. If the legislation will not change, the current situation will continue until Q1 2025.

b) In order to cover the short-term needs, the following markets are used:

Operator	Electricity Market
OPCOM	1. Day-ahead market (DAM) 2. Intra-day market (IDM)

c) In order to ensure the safety and stability in operation for NES, Transelectrica manages the balancing of the RPS through the balancing market (BM), identifying the need for adjustment (increase or decrease the production) according to the offers entered by the participants in the balancing market.

In managing its assets, the Company focuses on four pillars:

1. Operations: the Group's efficient organizational structure enables a strong level of operational oversight at the Group's level with support from regional business units;
2. Maintenance: the Group's maintenance strategy focuses on preventative activities and maintaining portfolio's high availabilities;
3. Digitalization: the Group is committed to digital transformation and transition towards automated operating environment; and
4. Health and safety: Ensuring the safety and well-being of the Group's employees are of fundamental importance to the Group.

COMPETITIVE STRENGTHS

The Group benefits from the following key strengths:

#1 power generation platform in Romania with 100% green portfolio playing an instrumental role in National Energy Transition



The Company is the leading electricity generation platform in Romania by the electricity generated in the network (see figure 6 above), with an approximately 29% average market share between 2018 and 2022²⁶, corresponding to a 15.5 TWh average annual energy delivered to the grid.

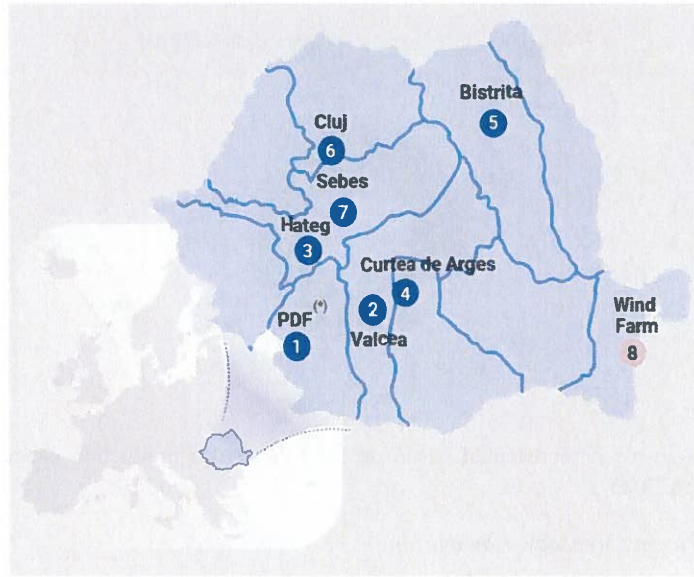
As the leading hydropower producer in Romania and owning the majority of the hydropower plants in Romania, the Company benefits from a strategically located portfolio, with power plants located in eight key geographical zones (see figure 18.1 below), including key locations on main inland rivers and the Danube. The Company has seven hydropower branches, together operating 182 HPPs (including run-of-rivers hydropower plants and storage hydropower plants), five pumping stations and one wind farm branch, all generating 100% green electricity. The Company's portfolio allows it to deliver base load energy, to cover peaks demand in Romania by delivering higher volumes of electricity for consumption when required by the NES, and to be the main provider of ancillary services for the TSO.

Differentiated market position and competitive advantages secured by well-invested asset base

The Group's hydropower capacity is ensured by a total number of 182 HPPs and five pumping stations with an aggregate installed capacity of 6,372 MW, and one wind farm with an installed capacity of 108 MW, all of which are strategically spread across eight branches (see figure 18.1 below), which cover the most advantageous locations in Romania in terms of their underlying hydrological conditions and connections to the grid infrastructure. Approximately half of the Group's hydro assets have an age between 20 and 50 years (see figure 19.2 below) and, with the exception of power plants and equipment which is owned by the Company, are used on the basis of the rights granted to the Company under the Concession Agreement (for more details on this agreement, please see section "Material Contracts – Concession agreement"). The asset life of these hydropower plants can be extended via modernization and refurbishments programs that the Company runs (see "Business and Operations—Electricity generation—Refurbishment and modernization projects").

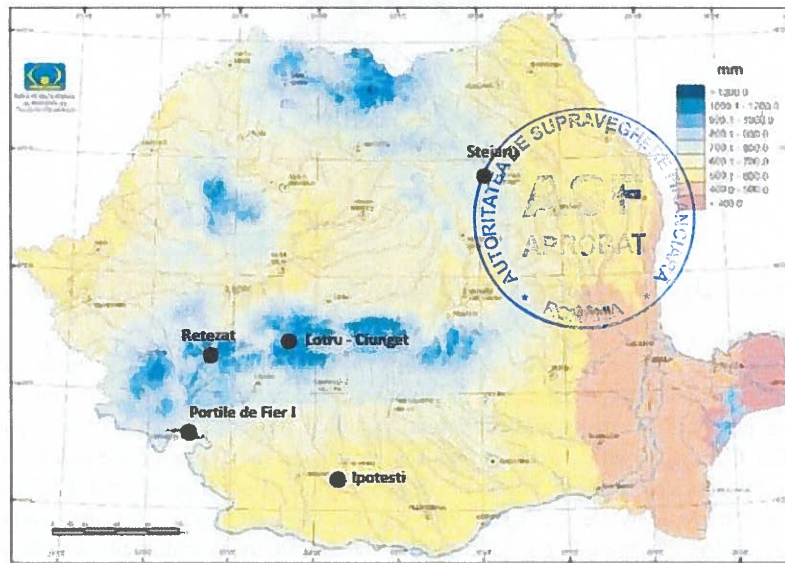
²⁶ Average market shares between 2018 and 2022, based on total energy delivered to the grid as per Autoritatea Națională de Reglementare în domeniul Energiei (Romanian Energy Regulatory Authority) annual reports.

Figure 18.1:



*PDF means Portile de Fier (the Iron Gates)

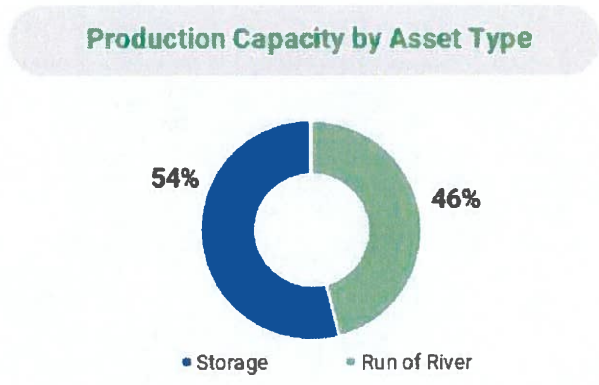
Figure 18.2 (showing geographical location of Portile de Fier I, Retezat, Lotru-Ciunget, Ipotesti and Stejaru)



The table below displays the hydropower facility types used by the Company, while the figures 19.1 and 19.2 show the production capacities by asset type and the asset breakdown by age:

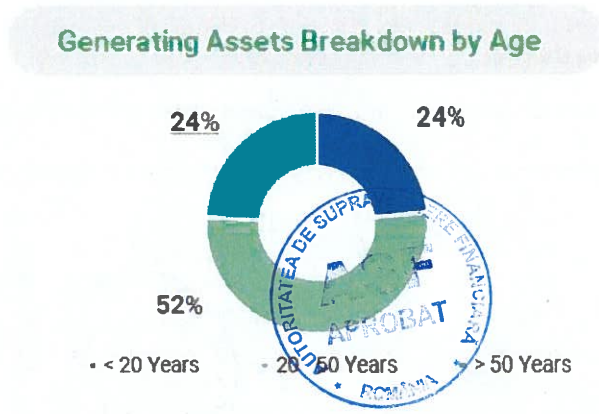
Hydropower facility type	HYDROPOWER ASSETS			
	Number of hydropower plants	MW range	Total installed capacity	Average production for 2018-2022
Micro HPPs with less 4MW	52	0.085 MW – 3.7MW	52.227 MW	79.35 GWh
Small HPPs with more than 4 MW, but less than 10 MW	22	4.1 MW-10MW	162.53 MW	282.23 GWh
HPPs with more than 10 MW	108	10 MW – 1166.4 MW	6065.915 MW	15226.47 GWh
Pumping stations	5	10MW – 31.5 MW	91.5 MW	N/A

Figure 19.1: production capacity by asset type



The production capacity above is represented based on the total hydro production capacity for plants with at least 10 MW as at March 2023

Figure 19.2: generating assets breakdown by age



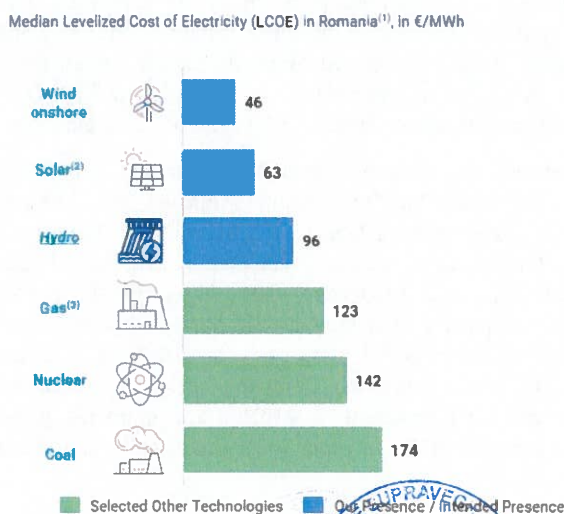
The generating assets breakdown is only represented based on hydro assets with at least 10MW, calculated as at March 2023

Storage capacity allows the Company to have flexibility in power generation and cover peak demand. The split between run-of-river and storage capacities is balanced since storage capacity is only slightly prevailing in terms of both the numbers of plants and their total installed power. This mix of storage and run-of-river capacity provides the Company with flexibility both in terms of the types of generation (peak, semi-peak, baseload, and ancillary services) and in terms of seasonal production (run-of-river HHPs tend to be more productive during wet periods, while storage HPPs can be used as reserve for dry periods). Overall, the variety of technology in the Company’s portfolio allows the Company to optimize its electricity generation.

The Company has an asset portfolio underpinning a number of strategic advantages: (i) its assets account for approximately 95% of the hydropower total generation capacity in Romania in 2022; (ii) the Group’s assets occupied all most profitable locations; (iii) the Group has a well-invested portfolio with significant economies of scale coupled with naturally low production costs after capital expenditure outlay; and (iv) there is a predictable renewable generation profile via efficient storage water management.

The generation portfolio of the Company consists of some of the cheapest sources of energy in Romania, as per Wood Mackenzie. This means that, given its well-invested asset base, the Company uses one of the lowest marginal costs of electricity production. The table below shows the median levelized cost of electricity in EUR/MWh:

Figure 20:



(1) Median between 2022 and 2030

(2) Photovoltaic without tracking technology

(3) Combined cycle gas turbine

Source: Wood Mackenzie Report



To strengthen its leadership position in green energy, the Company redefined its strategy in 2020 to include other renewable energy sources in its energy production asset base. Through this strategy, the Company acquired a wind farm (Crucea Wind Farm with 108 MW installed capacity) in 2021, which both expanded the Company's assets and diversified the Group's generation portfolio into other renewable technologies. This acquisition allowed the Company to gain the know-how for further increases in its wind generation capacity, especially with the consolidation of the electricity production and subsequent complementary activities at the level of a single entity through the upstream merger of Crucea Wind Farm into the Company, effective as of 31st of December 2022.

The Group is working towards transferring business unit entailing equipment, assets, employees relevant for specific hydro power plants from UCM Resita S.A. through a business transfer agreement. UCM Resita S.A. is a Romania-based company engaged in the industrial machinery and equipment sector. The binding offer submitted by the Company has been accepted, establishing the perimeter of the transaction and the manufacture, and installation. Over 80% of turbines, generations and auxiliary facilities currently used by Hidroelectrica are manufactured by UCM Resita S.A. The acquisition will allow the Company to bring in-house the necessary team that has the know-how to carry out further modernizations and maintenance, and as such benefiting from bringing manufacturer, designer and the fitter into the same group, maintaining internal capabilities as opposed to externalize to abroad companies with direct effect on costs and execution duration of modernization and maintenance works. The Company is envisaging to close the UCM Resita S.A. transaction through direct acquisition followed by a contribution of this business unit to the capital of Hidroserv, thus strengthening the maintenance function of the Group.

Robust financial profile with strong profitability and cash flow generation, supporting the Company's minimum 90% pay-out policy

The Company's high-quality asset base underpins strong operating performance and relatively low capital expenditure, as the majority of CAPEX (capital expenditure and investments) has already been deployed when the HPPs were built, which translates into current robust cash generation. As a result, the Group is able to deliver strong shareholder returns (please see "Dividend Policy"). During the periods under review, the Group profit for the year ended 31 December 2022, 2021 and 2020 is RON 4,464.0 million (corresponding to a profit margin calculated as profit for the year divided by revenue of 47.2%), RON 3,116.1 million (corresponding to a profit margin calculated as profit for the year divided by revenue

of 48.0%), RON 1,558.0 million (corresponding to a profit margin calculated as profit for the year divided by revenue of 40.6%), respectively and the Group's Adjusted EBITDA Margins for the years ended 31 December 2022, 2021 and 2020 are 63.6% (corresponding to an Adjusted EBITDA of RON 6,008.6 million), 74.5% (corresponding to an Adjusted EBITDA of RON 4,834.0 million) and 69.6% (corresponding to an Adjusted EBITDA of RON 2,672.4 million), respectively, and the Group's net cash from operating activities for the years ended 31 December 2022, 2021 and 2020 are RON 4,235.3 million, RON 4,047.5 million and RON 2,276.7 million, respectively on mid-term. For the three months ended 31 March 2023, the Group profit for the period of three month ended 31 March 2023 is RON 1,723.4 million (corresponding to a profit margin, calculated as profit for the period divided by revenue of 52.7%) and Adjusted EBITDA Margin is 66.8% (corresponding to an Adjusted EBITDA of RON 2,184.2 million), while the Group's net cash from operating activities is RON 1,210.5 million.

During the periods under review, the Group maintained a strong Adjusted Net Debt/(Cash) and a conservative capital structure. For example, the Group's Adjusted Net Debt/(Cash) for the years ended 31 December 2022, 2021 and 2020 were RON (3,195.6) million, RON (3,076.1) million and RON (2,032.0) million, respectively. The Group's Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratios for the years ended 31 December 2022, 2021 and 2020 were -0.5x, -0.6x and -0.8x, respectively, compared to the leverage²⁷ ceiling of 3.0x. The Company's cash flow profile has allowed it to pursue strategic opportunities without being constrained to rely on external financing or jeopardizing its long-term financial stability. Being also in a position to add quality senior debt, the Company seeks to use its cash for modernization and refurbishment of current assets and for investments in organic and inorganic growth projects. The Company aims to use leverage to finance future projects in order to maintain and maximize shareholder returns.

Figure 21



- (1) Short-term Investments include investments in deposits and government bonds
(2) Total debt includes bank borrowings and lease liabilities

The Group's robust cash generation coupled with conservative leverage policy resulted in its strong Adjusted Net Debt/(Cash) position which provides significant firepower for both returns to shareholders via dividends and investments into growth projects. Historically, the dividend profile has supported an approximately 90% of GAAP separate yearly net profit pay-out policy (please also see figure 1). The special dividends have been paid out every year since the year ended 31 December 2017 (paid in 2018). The Company plans to continue paying high dividends ratios to shareholders, as detailed in section "Dividend policy" of this Prospectus.

Positive long-term market and macroeconomic backdrop, with supportive National Energy and Climate Plan playing to the Group's core strengths

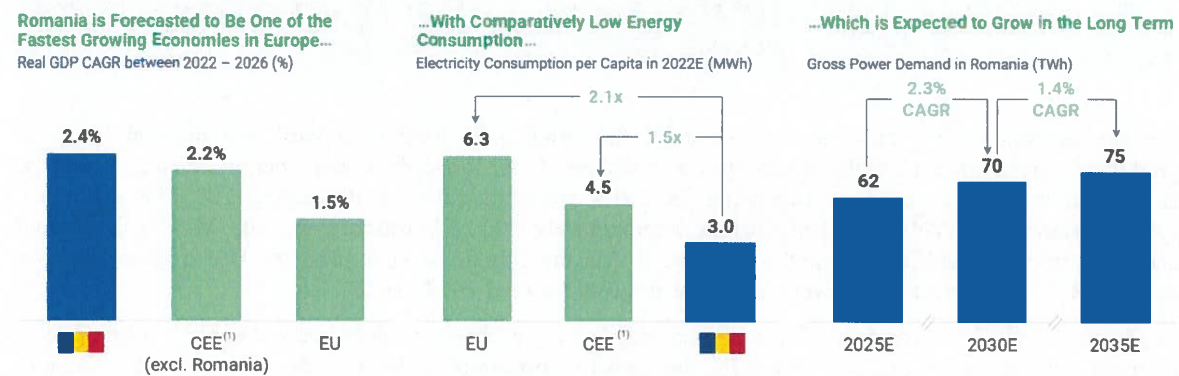
The Group operates in a sizeable market (the Romanian electricity generation market size in 2022 is estimated at EUR 4.9 billion)²⁸ with supportive long-term macroeconomic backdrop. With its 19.7 million population in 2022, and EUR 251 billion real GDP in 2022, Romania is forecasted to be one of the fastest growing economies in Europe (according to Wood Mackenzie), with an average real year-on-year GDP growth estimated for 2022-2026 to be of 2.4%, compared with 2.2% for the rest of the Central and Eastern Europe (average for Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland and Slovakia) and 1.5% for the EU.

²⁷ Leverage is Adjusted Net Debt/(Cash) to Adjusted EBITDA

²⁸ Market Size calculated as Total Power Generated (TWh) multiplied by capped Energy Price (RON/MWh). Total Power Generated in 2022 of 53.5 TWh based on ANRE and Energy Price of RON 450 /MWh for wholesale market as per latest ordinance

This macroeconomic background (see figure 22 below) is paired with a supportive market which has, according to Wood Mackenzie, low energy consumption per capita of 3.0 MWh in 2022, as compared to the 6.3 MWh consumption at EU level in the same year, which indicates a significant catch-up potential. The total electricity consumption in Romania is estimated reach 62 TWh, 70 TWh and 75 TWh in 2025, 2030 and 2035, respectively.

Figure 22:



(1) Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Romania and Slovakia

Source: Wood Mackenzie Report

Benefiting from its existing asset base that drives the renewables expansion and energy transition agenda, the Company plays an instrumental role in delivering the national energy transition plan, maintaining the supply of electricity at affordable prices, and maintaining Romania's energy independence.

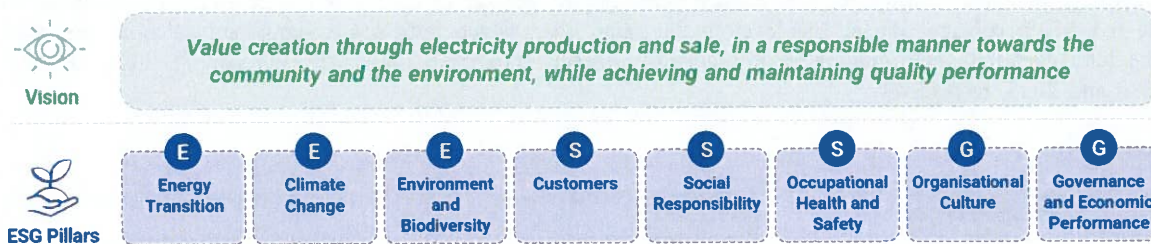
The Company may also benefit from different EU policies and programs (such as the EU Cohesion Policy based on which Romania will receive a total of EUR 31.5 billion in 2021-2027 to promote the economic, social and territorial cohesion of its regions and its green and digital transition), from Government support for energy transition (for example, 41% of Romania's Recovery and Resilience Plan or approximately EUR 12 billion is going to the energy transition), and from Romania's decarbonization strategy aligned with the EU targets, aiming at accelerated transition to renewable energy. According to Wood Mackenzie's estimates, the share of renewables in total power demand in Romania will be of 54% in 2030, as compared to 41% in 2022, while the expected capacity by technology for 2030 is (i) 6.9 GW for hydropower energy (with an increase of 0.3 GW compared to 2022), (ii) 5.4 GW for wind energy (with an increase of 2.3 GW compared to 2022) and (iii) 5.8 GW for solar energy (with an increase of 4.1 GW compared to 2022). This means that the Company is well positioned to seize this opportunity and the adherence to the green initiatives at the national and EU levels is supported by strong development capabilities, enhanced technology expertise, strong balance sheet with substantial headroom to leverage ceiling and instrumental platform for the government to implement energy transition agenda. The Group's long-term strategy (2021-2030) to diversify its generation portfolio in other renewable resources is also aligned with the green initiatives of the Romania State and of the EU.

Responsible operator with ESG being part of the Group's core strategy

Being 100% green electricity producer, the Group is committed to maintaining strong environmental, social responsibility and governance ("ESG") proposition. ESG is the part of the Group's core strategy, and the Group is committed to continue to conduct its business in a sustainable and responsible manner that benefits all stakeholders. This includes minimizing the Group's environmental impact, promoting ethical business practices, and ensuring the well-being of the Group's employees and the communities in which the Group operates. A strong ESG performance is not only a moral imperative, but also a key driver of long-term business success. As such, the Group has implemented robust policies and procedures to ensure that the Group upholds high standards of ESG performance throughout the Group's organization.

The figure below is highlighting the vision and pillars, simultaneously considering sustainability enablers, such as top management awareness and commitment, employee training programs, stakeholder involvement in decision-making processes, and retrofit and digitization.

Figure 23:



For the environment aspect of its ESG strategy, the Group sees itself as a local and regional leader in producing ‘green energy’ and supporting the transition to a low-carbon and energy efficient economy. Hidroelectrica plans to continue expanding its 100% green portfolio by developing 150 MW hydrogen, approximately 2,000 MW solar land/floating, approximately 500 MW offshore and 500 MW onshore wind and more than 300 MW of new hydro projects. Within the current business plan, the Group plans to invest over RON 2.7 billion into new hydro and solar projects between 2023 and 2027.

On top of being an instrumental player in Romania’s energy transition, the Group also plays a key role in ensuring the attenuation of flood waves for the transit of catastrophic flows in the hydro-energetic facilities on the internal rivers under the Group’s management. In situations that the increased flows might endanger material assets and human lives, together with the Ministerial Committee for Emergency Situations within the Ministry of Waters and Forests and the County Committees for Emergency Situations, the Group contributes significantly in limiting and eliminating these situations.

For the social responsibility aspect of its ESG strategy, the Group follows three main pillars: (i) customers (digitalizing and streamlining customer relations process, implementing a mechanism for customer complaints, and ensuring that more customers have access to clean and affordable electricity), (ii) community (donating RON 27.0 million across 61 initiatives between 2020 and 2022 and implementing projects on health and education aspects) and (iii) company culture (providing more than 20 hours of training annually per employee, reducing staff voluntary turnover to less than 2%²⁹ and targeting to increase the number of women in top management to 30% by 2030).

The Group has invested approximately EUR 6 million in health-related projects (including funds spent on the expansion and modernization of hospitals, medical equipment and covid prevention equipment), and more than EUR 300,000 on education-related projects. The Group operates two scholarship programs (i) a dual learning program, which has provided scholarships to 210 students (176 were enrolled in technical high schools), and (ii) a private scholarship program for high school and college, which has provided scholarships to 50 students.

For the governance aspect of the ESG strategy, the Group adheres to best-in-class governance standards by ensuring high transparency and responsible management, while facilitating sustainable, long term value creation; the Group has received three awards³⁰ recognizing the Group’s social responsibility. The Group is focused on the social and environmental impact of its activities, and strive to integrate these aspects into the strategy and decision-making process at all levels in the Group, while also encouraging employees to participate in its projects. The Group relies on an integrated management system implemented and maintained in accordance with the requirements of quality management, environmental management, occupational health and safety management, and managerial internal control standards.

To implement these objectives, the Group intends to pursue the following:

- identifying, managing and reporting operational risks at the branch level, as well as correlating them with both strategic objectives and general and specific management objectives established for each year and each organizational process or structure; and
- evaluating the efficiency of the risk management system, with the formulation of programs for preventive, corrective and improvement measures and actions.

²⁹ Total turnover in 2022 was slightly above 6% including retirement, while voluntary turnover totaled 1.12%.

³⁰ “Sustainable Management Award” (Financial Intelligence Awards Gala 2021), “Energy Company of the Year” (Energy CEO Forum & Awards 2021), “Excellence Trophy and First Place Trophy” (CCIB 2021)

Through the policy approved by the Supervisory Board, the Company relies on a management system of rules in accordance with the requirements of quality management, environmental management, and occupational health and safety management.

The Company aims to create a corporate governance system that complies with applicable legislations, the Bucharest Stock Exchange Corporate Governance Code (“**BSE Corporate Governance Code**”), and the best practices in the Group’s industry, appropriate for the Company, in order to strengthen the long-term trust of its shareholders, potential investors, business partners, and all other stakeholders.

The table below sets forth the Group’s commitments and action plans for the governance aspect of the ESG:

Topic	Objective	Initiative /Action	Key Performance Indicator	Target	Due Date
Business principles and economic impact	List on the Bucharest Stock Exchange	Finalize the listing process no later than H1 2023	Percentage of listed stocks	At least 15%	2023
Diversity of governance bodies	Achieving the gender equality target	Increase the number of women in leadership positions, including members of the Supervisory and Management Boards	Percentage of women in the Supervisory and Management Boards	30%	2030
Business ethics	Increase employees’ level of awareness on ethical issues	Conduct employee trainings on topics, such as the code of ethics, whistleblowing mechanisms, anticorruption, etc.	Percentage of grievances addressed	100%	Annually
			Number of training hours per employee per year	2 hours per employee per year	Annually
			Percentage of employees trained	100%	Annually
Anticorruption	Zero corruption incidents	Implement a mechanism to identify and assess corruption risks	Number of confirmed corruption incidents	0	2024

High quality Management Board with successful track record and supportive shareholder base

The Company’s leadership position in the hydropower generation market in Romania is backed by its strong Management Board, currently composed of five members each with more than 15 years of experience, which delivered strong results, including: (i) 69.2% average Adjusted EBITDA Margin from 2020 to 2022 (calculated as average of Adjusted EBITDA Margin for 2020 to 2022); (ii) regular dividends distributed from Net profit for the years 2022, 2021 and 2020 amounting to RON 8.0 billion, and (iii) 79.80% average Adjusted Cash Conversion between 2020 and 2022 (calculated as average of Adjusted Cash Conversion for 2020 to 2022). As the Group’s business model shifted in 2022 due to a significant increase in electricity supplied to final consumers in the retail market (see figure 29.1 and 29.2 below), the Adjusted EBITDA Margin reflected in a lower number in 2022.

Led by an experienced senior management team and combined with a supportive shareholder base driven by its shareholding structure (the Romanian State through the Ministry of Energy, who is also an energy policies maker, holding 80.06% and the Selling Shareholder), the Company has also established a significant track record in sustainable energy development, while demonstrating a commitment to best-in-class governance and ESG principles.

STRATEGY

The Group’s strategy is to continue producing green energy. The Company is guided by its stated values to produce and deliver electricity, in a responsible manner towards the community and the environment, with quality and performance. The Company’s vision is to strengthen its leading position in producing electricity and delivering it at affordable prices and providing ancillary services, while respecting the principles of sustainable development and playing a key role in Romania’s energy transition.

The main strategic initiatives of the Company for the medium and long terms are focused on four major directions: (i) optimizing the current asset base by conducting refurbishment and modernization projects as the number one priority, (ii) executing organic hydroelectric expansion projects, (iii) diversifying into

adjacent renewable energy segments; (iv) growing its share in the Romanian energy retail market thereby diversifying its sales avenues and (v) maximizing cash generation and shareholder returns.

In addition, the Company aims to become an important player in the EU's energy market, leveraging its dominant position in its home market.

Aiming to maintain its leadership position as a 100% green energy company in Romania and in line with the EU target of switching to neutral energy production in terms of CO2 emissions by 2050, the Company has stated in recent years its continuing interests in renewable energy, covering not only the hydropower and the development of the national hydrographic potential, but also investments in onshore and offshore wind farms, photovoltaic parks and green hydrogen production through hydrolysis. All these, coupled with the goal of maintaining the 90% dividend policy and the aim to contribute to a framework that facilitates and stimulates the transition to a climate-neutral, green, competitive and inclusive economy, are aimed at the Group's transformation and consolidation so that the Group is recognized as an important player in the regional energy market and main pillar of the transition to clean energy in Romania.

(a) Refurbishment and modernization

The Company's refurbishment and modernization plan for its existing asset base focuses on asset capacity improvement and refurbishment in order to deliver operational performance, whilst extending the life cycles of its plants and improving the asset capacity (for details, please see section "*Business and operations — Electricity generation — Refurbishment and Modernization Projects*" below). Approximately 1.1 GW of the Group's asset capacity is under review for refurbishment or modernization by 2030 in order to, among other things, maintain the high availability rate of existing asset base and unlock the potential of the current hydro powerplants. The Company is seeking to implement automated control systems to improve operational efficiency and to reduce on operating personnel costs in the future.

(b) Organic hydroelectric expansion projects

Through its current hydropower leadership position, the Company is well placed to capture part of Romania's planned hydropower expansion with an incremental opportunity of more than 0.3 GW, defined as the difference between 2030 expected (based on Wood Mackenzie report) and current market size. (Please also see "*Business and operations — Electricity generation — Development of the Company's historical investment programs*").

(c) Adjacent renewable energy

While the recent acquisition by the Company of Crucea Wind Farm added 108 MW of wind energy to its overall capacity, the Group targets, according to its approved 2020 investment strategy, more than 1 GW installed capacity in onshore and offshore wind farms out of the incremental opportunity estimated by Wood Mackenzie at around 2.3 GW until 2030.

In addition, the Group also plans to further develop green hydrogen production linked to solar energy projects; the Company targets more than 2.0 GW of solar capacity, out of the incremental opportunity estimated by Wood Mackenzie at around 4.1 GW until 2030.

Another key component of the Company's long-term strategy is to synergize its portfolios. Therefore, in addition to the overall synergy between its production and supply portfolios, following the acquisition of Crucea Wind Farm, the Company further optimized the use of the green certificates scheme by taking over Crucea Wind Farm's stock of green certificates to increase the number of green certificates that the Company is able to monetize. This strategy allows the Company to generate revenue from the sale of green certificates and pass them through to its supply customers. Being part of the Group adds significant balancing cost savings for Crucea Wind Farm due to optimization of the energy management across the Group.

On top of the natural route to market, the lifting of the prohibition on PPAs in 2021 as well as the anticipated introduction for CfDs in the near future could provide a more favorable environment for the Group, considering the wholesale and retail are the main drivers for the Group's business. From the Group's perspective, the future investment projects analysis will be addressed on a case-by-case basis, looking for returns higher than cost of capital employed benefitting at the same time from natural synergies between new wind and solar capacities and the Company's existing asset base. The Company pursues disciplined approach to investment opportunities that generate returns greater than weighted average cost of capital (WACC).

(d) Growing share in the supply market

Following the full liberalization of the supply market in Romania (1 January 2021), the Company started to steadily increase their market share, standing at 8% as at December 2022. The Company expects to continue to remain a key player in the Romanian wholesale markets, while growing its market share in the supply segment, for both households and non-households, and leverage economies of scale and optimize energy management, whilst maximizing profitability.

The Company sees this as an additional revenue source and an accretive business opportunity that would obtain better prices compared to the wholesale market under the current regulatory regimes. Selling directly to end consumers provides the Company higher visibility into revenues and cash flows, as contracts in the retail markets are generally fixed for one year, which are less volatile compared to spot markets (wholesale market). In addition, the supply segment allows the Company to retain flexibility within a changing regulatory environment.

(e) Maximizing cash generation and shareholder returns

The Company has a conservative capital structure. The Company currently has a Net Cash position, which is expected to be the case at Admission date. Company's leverage could increase over time, as the Company continues to deploy capital towards value accretive growth projects. The growth CAPEX could be funded by debt while keeping leverage within its ceiling of 3.0x for Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratio.

The Company has a proven track record of consistently distributing 90% or more of its profit for the period as regular dividends to shareholders. It aims to maintain a pay-out ratio of at least 90% in the future. The Company also has a track record of paying extraordinary dividends consistently. *(Please also see "Competitive strengths — Robust financial profile with strong profitability and cash flow generation, supporting the Company's minimum 90% pay-out policy")*.

The Company intends to balance the capital needs of the business for future growth and staying within its leverage ceiling. The intention for all cash generated by the business is to be deployed to either fund value accretive growth or returned to investors in the form of dividends.

Strategic activities

Operational efficiency (i.e. optimizing existing hydroelectric assets)

The Company's is focused on optimizing operating costs and water usage, while meeting its contractual obligations and delivery of energy services (balancing and other ancillary services) to the NES. At the same time, one of the Company's key focus areas is to maintain its asset base in a proper condition by running a standardized, consistent and predictable maintenance program to ensure high availability to optimize the energy generation volumes in any given hydrological condition. The portfolio is designed and spread out across Romania in such a manner to capture the optimal hydrological potential of its installed capacity and the metrological conditions.

In addition, apart from its maintenance program (which can be conducted both as part of operational and capital expenditure, depending on the desired results of the work), the Company has a clear and methodical approach to reviewing its generation portfolio and deciding on which plants and power units should be subject to refurbishments and modernization to ensure a predictable and consistent performance.

When deciding if the Company should refurbish or modernize a plant or power unit, the Company conducts the following reviews and analyses:

1. A detailed review of the current performance of the plant or equipment, which is based on (i) the operational running hours and availabilities, (ii) its reliability (equipment failures or condition), (iii) technical and maintenance findings to date, (iv) current production compared to the designed production and (v) current technologies in use.
2. A detailed financial and operational analysis, which is based on (i) the net present value NPV and (ii) internal rate of returns (IRRs), which take into account project execution period and impact on generation.

The analysis is conducted on hydropower facilities or equipment from hydropower plants with an installed capacity of more than 10 MW which are given a priority based on factors such as the installed capacity, age, availability, the energy generated, operating restrictions, etc. Depending on the prioritization the project may be included in the refurbishment program.

In terms of operational analysis, an equipment or facility may require refurbishment or modernization depending on factors, such as decreased availability, the need to improve or return to the original design parameters, changes in operating conditions, losses of power, unavailability of spare parts, increased maintenance and operating costs, etc.

An extensive risk analysis, which is mostly based on analysis of the technical and contract impact risks.

For the technical risk analysis, an efficiency test is conducted on turbines and generators to check the performance before and after refurbishment. In addition, the Company also considers whether all the units must be improved or whether the lifetime should be extended and brought back to the original efficiency or an upgrade by installing modern equipment would be more adequate.

The contract impact risk analysis involves a careful analysis and prevention of risk starting with the tender stage, such as the possibility of not awarding the contract or the occurrence of events causing delays.

The main objectives of the strategy regarding the refurbishment and modernization of the existing asset base are to (i) extend the lifecycles of power units and plants (with 30 years average lifecycle extension per hydropower plant), (ii) increase the reliability and availability of hydro units, auxiliary equipment and installations, (iii) improve the technology with a focus on increasing reliability and availability or operational efficiency, (iv) improve control automation, safety and performance management of the power units, (v) reduce the impact on the environment using clean and modern equipment materials and technologies, (vi) reduce future expenses in material through preventive maintenance, and (vii) maintain Company's competitive advantage.

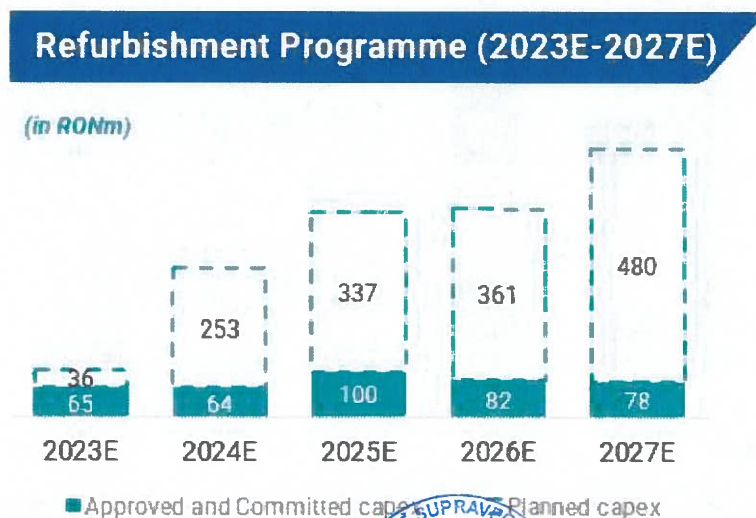
The core areas of focus for portfolio optimization are shown in the graphic below:

Figure 24:



The refurbishment and modernization program between 2023 and 2027 is estimated for approximately RON 1.8 billion³¹ (as shown in the graphic below) for the approximately 1.1 GW of installed hydro capacity under review by 2030. After the implementation of the refurbishment and modernization program, the Company expects to unlock up to 230 MW of installed capacity³² and 30 (if refurbishment) or 20 years (if modernization) average lifecycle extension per hydropower plant.

Figure 25:



For more details on the refurbishment and modernization projects, please see section “Business and operations — Electricity generation — Refurbishment and Modernization” below.

Growth strategy

1. Pursue significant portfolio expansion across multiple renewable technologies

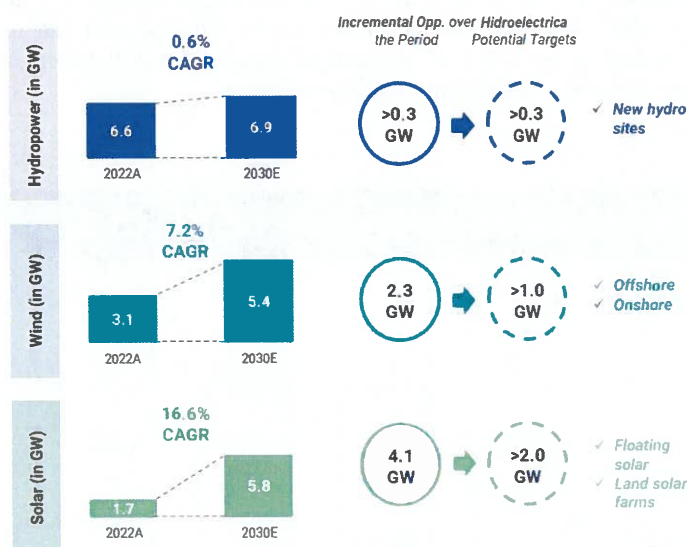
The Group aims to expand across multiple renewable technologies by finalizing ongoing hydropower projects, developing organic growth through new production capacities from other renewable sources, whilst exploring inorganic growth through merger & acquisitions (“M&A”) opportunities by acquiring mature projects (at least ready-to-build stage). In pursuing organic growth, the Company is focused on organic solar and wind development. Given that organic development is a time-consuming process in terms of obtaining required permits, licenses, and internal approvals, Company may acquire existing facilities.

According to Wood Mackenzie (as can be seen in the figure below), the incremental opportunity growth in Romania until 2030 for hydropower is of more than 0.3 GW, all of which is from the Company’s target expansion; for wind is of 2.3 GW, out of which more than 1.0 GW is from the Company’s targeted installed capacity from offshore and onshore wind farms; and for solar is 4.1 GW, out of which more than 2.0 GW are from the Company’s targeted floating and land solar projects. Even if these projects are not in the Company’s current business plan but are listed on the Company’s medium to long term, it is possible that, depending on the opportunities that arise as well as on the corporate decisions taken, these projects will be included in the future business plan either as its own development projects or through acquisitions.

³¹ Includes committed/approved and planned refurbishment capital expenditure

³² Relates to all refurbishment projects currently included within the business plan perimeter. However, some projects will only complete after 2027E.

Figure 26:



Source: Wood Mackenzie Report

1.1. Implementing the best solutions and new technologies for complex hydropower projects under various stages of execution

The Group's strategy involves implementing optimized solutions and new technologies for complex hydropower projects under various stages of execution. This includes the completion of the current hydropower installations pending finalization, and the identification, realization and commissioning of new capacities to produce electricity from hydro sources.

In its five years business plan (from 2023 to 2027), the Group aims to increase its own electricity production capacity mainly by seizing the hydropower potential at national level, which also includes the finalization of the projects which are currently under construction.

The expected capital expenditure (based on approved projects and also included in the business plan perimeter) and cumulative installed capacity by 2027³³ from new hydro capacities is approximately 206 MW, as highlighted in the table below.

Figure 27:

Hydro projects included in the business plan					
2023E	2024E	2025E	2026E	2027E	Cumulative capacity added ³⁴
RON 148 million	RON 618 million	RON 808 million	RON 697 million	RON 114 million	206 MW

1.2. Fostering growth and diversification by developing new organic production capacities and potential synergies from other renewable sources, especially wind and solar, while exploring inorganic growth through M&A opportunities by acquiring mature projects (at least ready to build stage)

As an energy producer and supplier, the Company has always been committed to sustainability and renewable energy. The Company believes there are opportunities to expand its renewable energy portfolio, particularly wind and solar energy. The Company's plan is based on a thorough analysis of market trends, regulatory developments, and technological advances. Adding other renewable technologies into the portfolio

³³ Relates to all refurbishment projects currently included within the business plan perimeter. However, some projects will only complete after 2027E.

³⁴ Reflects total cumulative capacity added from new projects by 2027E.

has to potential to bring about synergies in energy management. Solar in particular has the potential to act as a natural hedge to hydrological risk.

Further, based on market precedents across the EU, the Company expects that an incentive scheme offshore wind projects in Romania could be implemented in the future.

The Group fosters organic growth and diversification by developing new production capacities from other renewable sources while exploring M&A opportunities. New projects to diversify the Group's business portfolio may include the development of production capacities from wind and photovoltaic sources. For example, two of the solar projects considered by the Company are Tudor Vladimirescu and Nufarul, which will be located in Braila County on approximately 50 hectares of Company's owned land, with approximately 70,676 monofacial photovoltaic panel pieces having an installed capacity of 45.94 MW and an estimated 64 GWh annual energy production; the project is subject to obtaining final approval and certificates. In addition, a 10 MW pilot floating solar is being rolled out in Nufarul and the Company would expand this project up to 1850 MW as part of a joint venture with Masdar; the joint venture is expected to be concluded until the end of 2023.

The expected capital expenditure (based on approved projects and also included in the business plan perimeter) and cumulative installed capacity by 2027 from solar capacities is approximately 59 MW, as highlighted by the table below.

Figure 28:

Solar projects included in the business plan					
2023E	2024E	2025E	2026E	2027E	Cumulative capacity added ³⁵
RON 7 million	RON 146 million	RON 183 million	RON 0	RON 0	59 MW

However, opportunities can arise outside the business plan of the Company. Examples include current discussions of the Company with third parties in relation to: (i) a potential concession for a land to develop one of Europe's largest solar park projects with fixed and floating panels³⁶, with an installed capacity of 2,000 MW and an estimated annual energy production per year of approximately 2,630 GWh; (ii) a potential acquisition of a large solar park.

All projects are being pursued on a merchant basis, meaning it would sell its energy output into a wholesale power market, until such time that PPAs and CfD could become available, at which point the Company will evaluate. The Company aims to operate the new assets by itself as the operational capabilities are available in-house. The maintenance framework is to be performed by third party (similar model to Crucea Wind Farm).

2. Growing share in the Romanian energy supply market

With regards to its supply business, in the regulatory context of 2019 and 2020 pursuant to which the Company had to sell electricity to last resort suppliers at a price composed of costs plus 5%, the Company started to change and update its strategy, with the result that, starting from January 2021, following the liberalization of the supply market in Romania, the Company entered the market with a competitive offer. The offer, which was above the previous regulatory cap, but still competitive compared to other offers on the market, allowed the Company to provide consumers with stability in a period characterized by high volatility. This strategy resulted in the Company reaching a share in the supply market of 8.04% as of December 2022 and in increasing the number of its household and non-household customers, as well as the total energy it delivered to customers (as can be seen in the figures below). The Company now targets further growth by complementing existing operations, providing route to market supporting profit through vertically integrated position.

³⁵ Reflects total cumulative capacity added from new projects by 2027E.

³⁶ The Group is considering using fixed panels in all its solar projects as it finds tracking design may lead to technical problems and additional costs, which are not justified.

Figure 29.1:

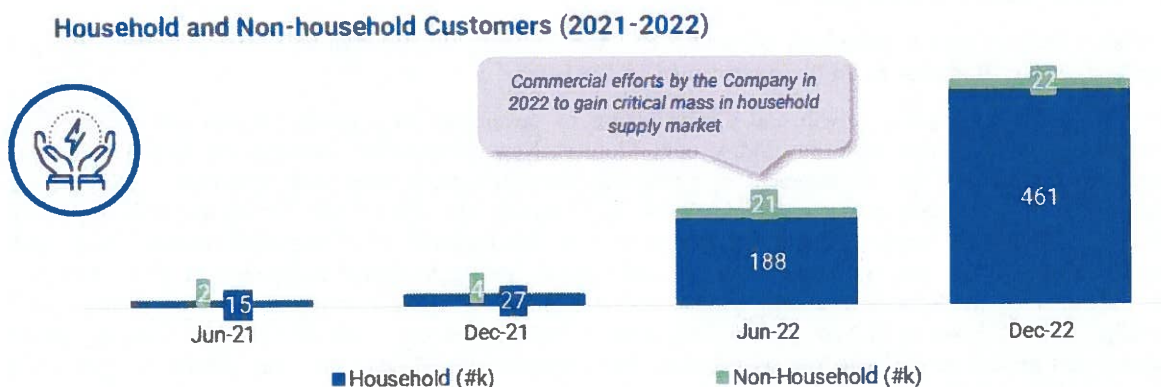
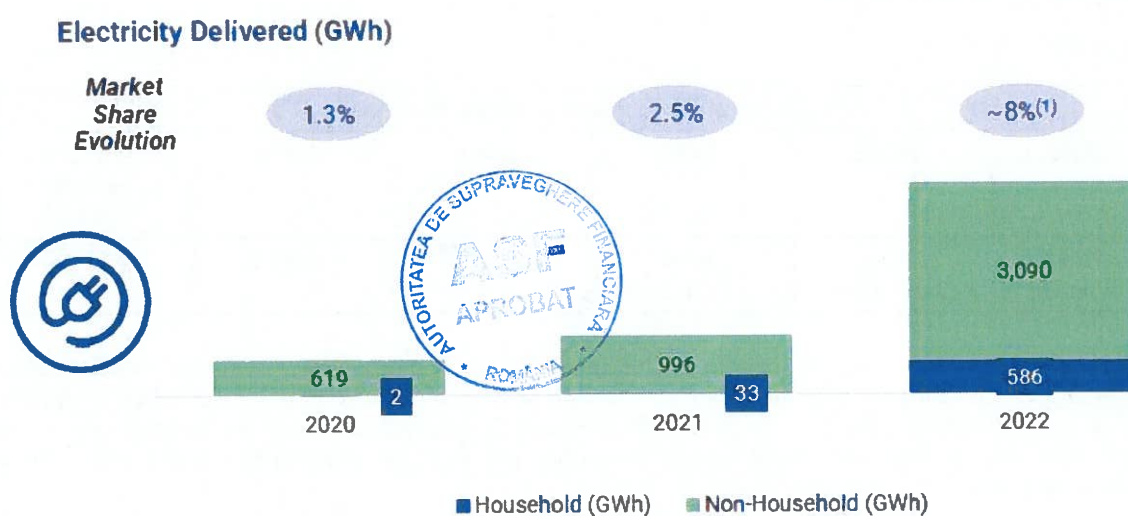


Figure 29.2:



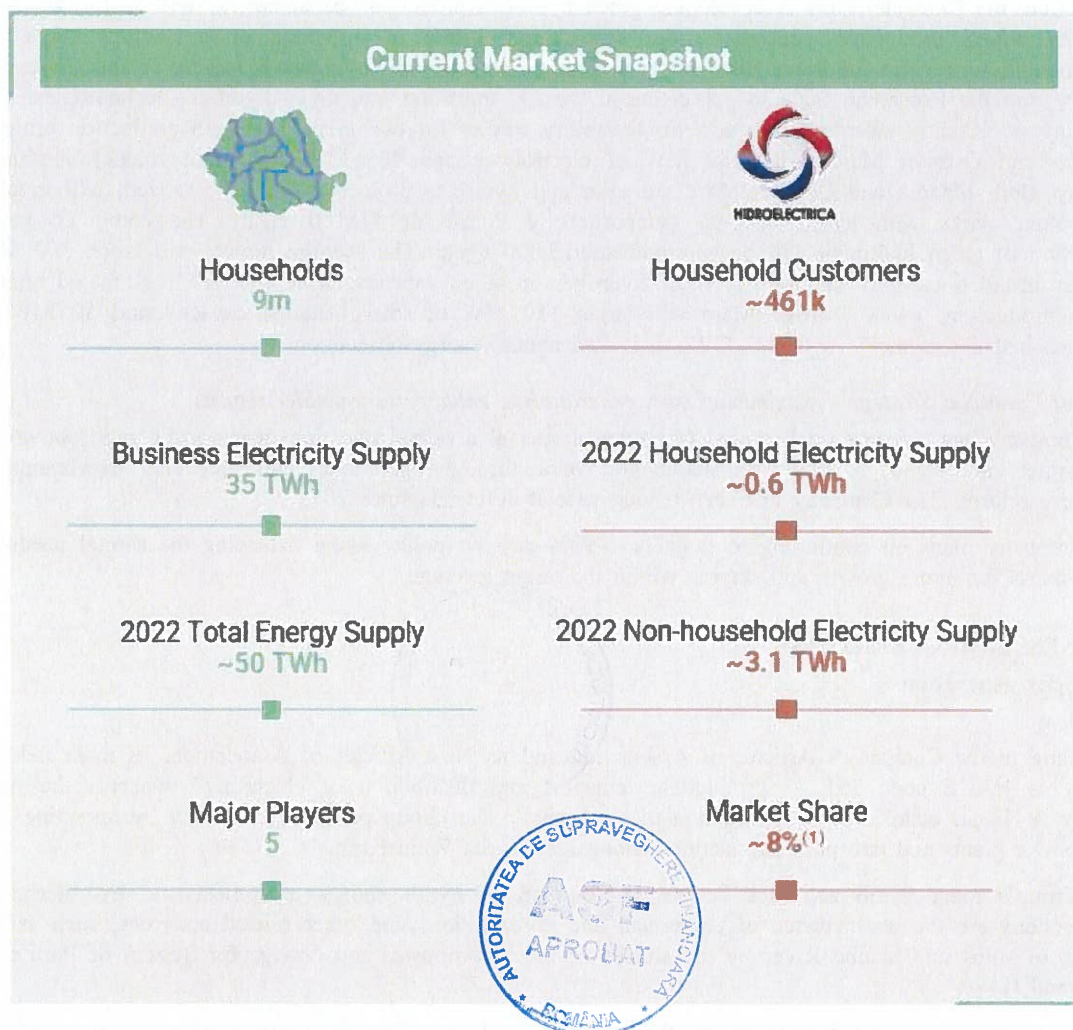
(1) Market share (8.04%) as at December 2022 per ANRE report

The Group aims at diversifying energy selling capabilities by accelerating the development of its supply activities and growing its share in the supply market (for historical growth please, see figure 29.1 above). The Group's plans to expand the supply portfolio have been accentuated due to the introduction of CEPM because the Company's price of electricity sold as a producer on CEPM market is fixed. Even with the current regulated tariffs for energy supply, the Company has the potential to attain higher profit margins for energy sold in the supply market than on the CEPM market. For example, the Company can obtain approximately RON 700/MWh (as the current regulated price is RON 1.3/KWh) for energy supplied to non-household customers in the supply market, in comparison with the fixed price of RON 450 /MWh on the CEPM. In addition, the windfall tax (see section "Regulatory Matters — Energy Matters — The Energy Market in Romania — Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production") only applies to revenues obtained on the wholesale market (e.g. CEPM), but not to revenues obtained in the supply market.

The Company is also benefitting from the synergy of its generation and supply portfolios, allowing the Company to constantly monitor the levels of available and forecasted energy and transfer energy from its generation portfolio to its supply portfolio.

The Group's aim to diversify the supply portfolio is also based on the potential available within the Romanian market, as presented below.

Figure 30:



(1) As at December 2022 per ANRE report

The strategy of the Company to expand market share consists of three pillars:

- (i) development of its technical infrastructure (digitizing customer interactions, implementing latest innovative software modules (SAP ISU for billing procedures and Salesforce, a new modernized and centralized system customer management software) and improving call center services for its clients);
- (ii) customer penetration (having a dedicated team identifying and pursuing new opportunities in the market, focusing on organic growth and advertising via media platforms, while maintaining very high customer renewal rates); and
- (iii) commercial strategy (remaining flexible to changes in regulatory framework and price caps, continuing to grow household and non-household customer base.

The Company has experienced significant growth in its retail supply business, growing from 2,465 customers as of December 2020 (out of which 610 were household consumers) to 30,221 customers as of December 2021 (out of which approximately 26,600 were household customers) and, after a new commercial strategy was employed by the Company to gain critical mass in household supply market, to more than 482,000 customers (points of energy delivered to) by 31 December 2022 (out of which approximately 461,000 household customers). This significant growth can also be seen in the revenues obtained by the Company during the periods under review:

The Company is continuing to focus on gaining critical mass in the household market in the near-term by remaining flexible to changes in the regulatory framework, capitalizing on expanding margins and continuing rolling out technical infrastructure and enhancing customer services to complement with the pricing strategy.

Additional adjacent growth opportunities

In addition, the Company aims at developing green hydrogen production capacities, as well as the purchase of other e-RES production capacities from the market, either in operation or in various stages of development. As regards the green hydrogen growth opportunities, the Company is relying on the substantial support from the Romanian State to participate in the EU transition into green hydrogen technologies. The Company is currently awarding contracts for feasibility studies for two green hydrogen production projects (Mandra and Ostrovu Mare) with 150 MW of electrolyser and 400 MW PV (photovoltaic) combined capacity. Both Mandra and Ostrovu Mare are solar and hydrogen projects which, if finalized, will involve photovoltaic parks with hydro back-up (supported by Portile de Fier II HPP). The combined target production of green hydrogen will be approximately 15,000 t/year. The Mandra project will target 300 MW of solar installed capacity and 100 MW of hydrogen installed capacity, with 447 GWh estimated annual energy production, while Ostrovu Mare will target 150 MW of solar installed capacity and 50 MW of hydrogen installed capacity, with 223 GWh estimated annual energy production.

Prudent Financial Strategy – maximizing cash generation to enhance shareholder returns

The Company has a strong track record of paying a special dividend resulting in a pay-out ratio above the 90% target and intends to focus on shareholder value through operational efficiency and investments to maximize returns. The Company has been paying special dividends since 2017.

The Company plans on continuing to target a >90% pay-out policy while balancing the capital needs of the business for future growth and staying within the target leverage.

BUSINESS AND OPERATIONS

Electricity generation

Overview

According to the Company's Articles of Association, and its New Articles of Association, its main field of activity is NACE code 351 – "Production, transport and distribution of electricity", whereas the main activity is NACE code 3511 – "Production of electricity". The Group produces electricity by operating 182 hydropower plants and five pumping stations, alongside Crucea Wind Farm.

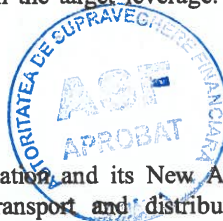
The Group's main hydro activities besides exploitation of hydro energy equipment and hydrotechnical constructions are the maintenance of equipment and constructions and other related activities, such as the locking of ships on Danube River by the sluices of the Hydropower and Navigation System of Portile de Fier I and II.

According to the specific conditions of the Company's license for the commercial exploitation of the electricity generation units updated under ANRE Decision no. 2296/2022, the electric installed power of the commercially exploited energy generation units of the Company is of 6,388.672 MW.

In 2022, the 13,626 GWh of hydro electricity produced by the Company (down 19.5% year on year) represented 25.4% of the total 53.54 TWh (based on ANRE report) of gross electricity produced in Romania and represented 96% of the total 14,172 GWh of hydro energy produced in Romania, down 19.4% year on year. The 16,911 GWh of hydro electricity produced by the Company in 2021 represented 29.6% of the 57.05 TWh of the total gross electricity produced in Romania.

In 2021 and 2022, the Company generated hydro energy entirely due to the natural flow of the managed rivers, while registering a storage of 95.8 million cubic meters (39.57 GWh) in 2021 and 70 million cubic meters (140 GWh) in 2022. The energy reserve of large accumulation lakes increased from 2,027.19 GWh in 2020 (1,639.18 million cubic meters of stock) to 2,066.76 GWh in 2021 (1,734.98 million cubic meters of stock) and 1,805 million cubic meters (2,207.22 GWh) in 2022.

As a hydro and, more recently, a wind energy producer, the Company is eligible for green certificates in Romania and can sell them to electricity suppliers or transfer part of such green certificates to meet its obligations as a supplier. Following the Crucea Wind Farm acquisition, the Company is entitled to receive 0.75 green certificates for every MWh, in comparison with a range between 2.86 and 3 green certificates for every MWh produced in some hydro capacities depending on the power plant.



The figure below is highlighting the gross hydro and wind production of energy in the last three years, as well as the internal consumption.

Figure 31:

	2020	2021	2022
Gross hydro production (TWh)	15.0	16.9	13.6
Gross wind production (TWh)	0.3 ³⁷	0.3 ³⁸	0.3
Internal consumption (TWh)	(0.4)	(0.4)	(0.4)

Group's hydro production assets

As of 31 December 2022, the Group's aggregate hydro installed capacity of 6,372.172 MW was split by hydro arrangements and asset type as shown in the figures below:

Period	Installed power (MW)			Produced energy (TWh)		
	2020	2021	2022	2020	2021	2022
Run-of-river HPPs	2,901.5	2,901.5	2,901.5	9.494	11.240	8.457
Storage HPPs	3,379.2	3,379.2	3,379.2	5.471	5.671	5.167
Pumping stations.....	91.5	91.5	91.5	N/A	N/A	N/A

The Company has been developing its asset portfolio since 1960. Out of the total hydro production capacity for plants with more than 10 MW, storage HPPs account for 46%, while run-of-river HPPs accounts for 54% (please see figure 19.1 above). Currently, 24% of the Company's assets are less than 20 years old, 52% of the assets are between 20 and 50 years old, and 24% of its assets are more than 50 years old (please see figure 19.2 above).

Out of the eight branches (please see figure 18.1), Portile de Fier and Valcea are the most important to the Group, based on their production capacities and the shares of the total production of the Group. They cover in aggregate 52% of the total hydro production of the Company:

Branches	Installed capacity (for plants >10MW)	% of Company hydro production (for plants > 10 MW) ³⁹
1. Portile de Fier	1.6 GW ⁴⁰	27%
2. Valcea	1.5 GW	25%
3. Hateg	0.7 GW	11%
4. Curtea de Arges	0.6 GW ⁴¹	10%
5. Bistrita	0.6 GW	10%
6. Cluj	0.5 GW	8%
7. Sebes	0.5 GW	8%
8. Total Hydro – Plant >= 10MW	~6.1 GW	100%
Plants >4MW and < 10 MW	103 MW	
Plants <= 4 MW	52 MW	
Total Hydro ⁴²	~6.3 GW	
9. Wind	108 MW	N/A

³⁷ As The Group acquired Crucea Wind Farm in 2021, the gross production in 2020 includes 0 TWh from wind

³⁸ The Group consolidated only 0.2 TWh from wind after the acquisition of Crucea Wind Farm in 2021

³⁹ As at March 2023

⁴⁰ 1.7 GW including power plants < 10MW

⁴¹ 0.7 GW including power plants < 10 MW

⁴² Excludes 91.5 MW of electrical pump stations

Through all seven hydro production branches of the Company, the following HPPs are one the most important based on their installed capacity and produced energy:

BRANCH	HYDRO POWERPLANT	TYPE	INSTALLED POWER (MW)	PRODUCED ENERGY (MWh)		
				2020	2021	2022
Portile de Fier	Iron Gates I	Run-of-river	1,166.4	4,776,417	5,332,743	4,312,380
Ramnicu-Valcea	Lotru-Ciunget	Storage	510.0	829,248	918,881	777,580
Hateg	Retezat	Storage	335.0	439,366	304,515	378,250
Cluj	Mariselu	Storage	220.5	349,270	370,129	422,842
Curtea de Arges	Vidraru	Storage	220.0	334,901	391,015	379,533
Portile de Fier	Iron Gates II	Run-of-river	219.8	1,336,402	1,327,760	1,237,027
Bistrita	Stejaru ⁴³	Storage	210	381,303	414,961	348,489
Sebes	Sugag	Storage	150.0	253,558	214,825	179,013
Sebes	Gilceag	Storage	150.0	241,117	195,764	165,721
Hateg	Ruieni	Storage	140.0	163,485	133,143	133,620
Ramnicu Valcea	Bradisor	Storage	115.0	170,682	221,806	163,141
Portile de Fier	Tismana	Storage	106.0	167,506	154,759	143,922
Cluj	Remeti	Storage	100.0	176,891	172,233	199,365
Ramnicu Valcea	Turnu	Run-of-River	70.0	155,607	201,545	129,401
Portile de Fier	Gogosu	Run-of-River	54.0	233,719	278,348	200,998
Ramnicu Valcea	Izbiceni	Run-of-River	53.0	131,015	195,033	111,752
Ramnicu Valcea	Strejesti	Run-of-River	50.0	127,741	191,180	112,092
Ramnicu Valcea	Raureni	Run-of-River	48.0	121,660	169,546	104,730
Ramnicu Valcea	Dragasani	Run-of-River	45.0	118,265	168,878	99,697
Bistrita	Racaciuni	Run-of-River	45.0	114,574	136,217	90,242

Portile de Fier (Iron Gates)

The Portile de Fier (Iron Gates) branch manages approximately 26%⁴⁴ of the Company's total hydro capacity (as of 2022) and approximately 50% of the production in Romania, through the Hydropower and Navigation Systems ("HPNS") Portile de Fier I and II facilities, located on the Danube River, and the facilities related to the Targu-Jiu HPP within the Cerna-Motru-Tismana complex and on the Jiu River.

HPNS Portile de Fier I facility is located at the 943 km milestone of the Danube and was designed and executed in collaboration between Romania and former Yugoslavia on the basis of agreements between the two states from 1977 and 1987. It is symmetrical to the Danube axis and is composed of two hydropower plants with six hydropower units each, two locks (one for each side) and an overflow dam with 14 overflow fields (seven for each side). Due to the dimensions of the chassis and the falls, the locks from the Portile de Fier I are listed among the largest constructions of this kind in the world. Refurbishment programs have been carried out during the past 15 years for both the power plant and the locks, which have led to an increase in the installed capacity from 175 to 194.4 MW on each power unit in the plant and an increase in the technical performance of equipment and installations, as well as operational safety. After the refurbishment, the hydropower plants from Portile de Fier I represent on average about 10% of all energy production in Romania and almost half of the system technological services in Romania.

Portile de Fier I consists of six hydro units with a total installed capacity of 1,166.4 MW. Currently, a high degree of maintenance works (LN3 with the dismantling) are ongoing for unit no. 1 that are scheduled to last for about of 24 months from this date. At the same time, deficiencies in operation are also noticed on unit no.4, which is operated now at maximum output of 100 MW.

HPNS Portile de Fier II facility is located at the 853 km milestone of the Danube, in the area of Ostrovu Mare Romanian island. It was designed and executed in collaboration with the Serbian State. The facility has an asymmetrical configuration, that is the Danube being dammed on both sides of the island (the main one on the main arm of the Danube and the second one on the arm of Gogosu). The facility consists of a main power plant consisting of 16 power units (equally split between Romanian and Serbian sides), two additional power plants (two power units for each Romanian and Serbian sides), three locks (two on the Romanian side and one on the Serbian side) and two overflow dams (the Romanian one on the Gogosu arm, the Serbian one on the main damming water). Refurbishment programs have been carried on the hydro units and auxiliaries of the powerplant during the past 18 years for the main powerplant, which have led to an increase in the installed capacity from 27 to 31.4 MW on each power unit of the plant, as well as an increase in the technical performance of equipment and installations and operational safety. For the last unit,

⁴³ An installed capacity of 210 MW, but currently the Hidro Unit 5 (50 MW) is removed from the generation license because of the refurbishment. Therefore, the HPP currently operates at a licensed installed capacity of 164 MW.

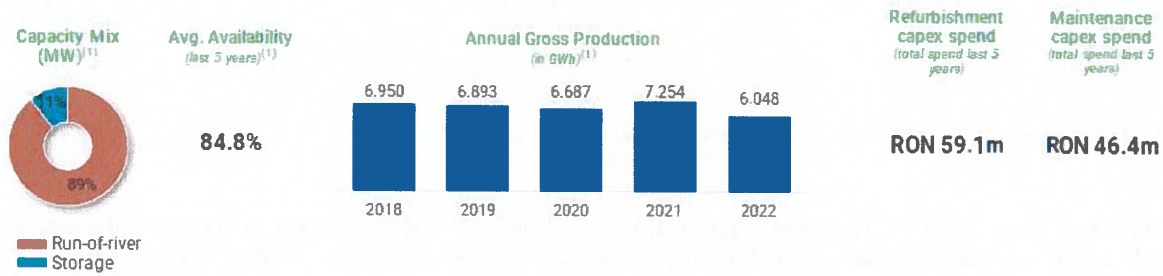
⁴⁴ Calculation includes power plants < 10 MW

the refurbishment program (unit no.1) the refurbishment was previously interrupted due to the insolvency procedure of Company. Currently, the remaining works to be carried out are in procurement procedure.

The Company operates on HPNS Portile de Fier II: (i) main powerplant with eight power units of 31.4 MW each with a total installed capacity of 251.2 MW (currently under ANRE license 219.8 MW install capacity, as HA1 power unit is out of service) and (ii) additional the powerplant Gogosu with two power units of 27 MW each, with a total install capacity of 54 MW, under ANRE license.

Figure 32 below highlights the capacity mix, average availability, annual gross production, the refurbishment capital expenditure⁴⁵ spent in the last five years and maintenance capital expenditure⁴⁶ spent over the last five years.

Figure 32:



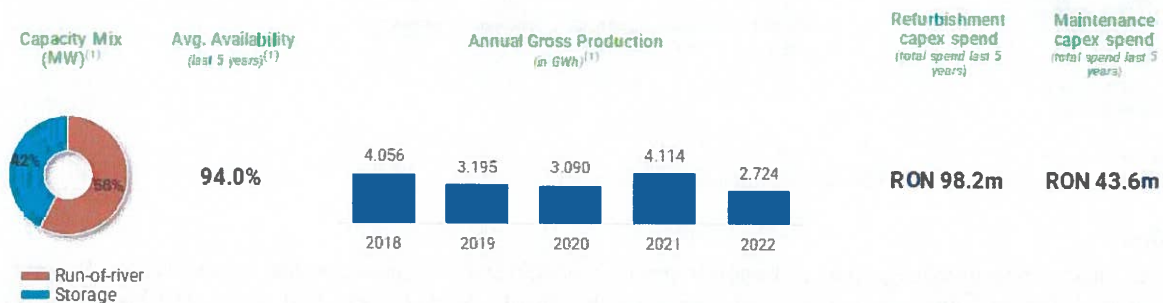
(1) Excludes power plants <10 MW and electrical pumping stations

Ramnicu Valcea

The Ramnicu Valcea branch currently manages 24% (as of 2022) of the hydro capacity of the Company through 23 hydropower plants, three hydropower pumping stations (seven pumping groups) and one MHPP (two hydro units) on the Lotru and Olt rivers. Through 160 km of culvert galleries and a complex system of catchments and derivations, the HPD of the Lotru River catches the water flows from the neighboring basins in a single water storage in the Vidra lake.

Figure 33 below highlights the capacity mix, average availability, annual gross production, the refurbishment capital expenditure spent in the last five years and maintenance capital expenditure spent over the last five years.

Figure 33:



(1) Excludes power plants <10 MW and electrical pumping stations

Curtea de Arges

The Curtea de Arges branch has an installed capacity of 0.7 MW (including plants <10MW) and manages 11% of the hydro capacity of the Company (as of 2022) by using the hydropower potential of the rivers Arges, Dambovita, Targului, Ialomita, Prahova, Buzau, Doftana, Teleajen, Bisca Chiojduului, Slanic, Putna, Zabala and the Danube-Black Sea Canal.

⁴⁵ capital expenditures in relation to replacement/improvement of power unit efficiencies/extending average plant lifecycles

⁴⁶ capital expenditures in relation to the Company's maintenance framework which is designed to sustainably increase plant availabilities and reduce energy losses across the portfolio

The figure below highlights the capacity mix, average availability, annual gross production, the refurbishment capital expenditure spent in the last five years and maintenance capital expenditure spent over the last five years.

Figure 34:



(1) Excludes power plants < 10 MW and electrical pumping stations

Hateg

The Hateg branch uses the hydropower potential of the Raul Mare and Strei rivers in Hunedoara county, as well as of the Timis, Bistra, Cerna, Sucu and Sebes rivers in Caras-Severin county. The branch has 16 hydropower plants with 11 on the Raul Mare, two on the Strei River, one on the Raul Alb, one on the Cerna River and one on the Sebes River. The branch also has 10 micro MHPPs in Hunedoara County and 4 MHPPs in Caras-Severin county and one MHPP in Timis county. The branch has a total installed capacity of 0.7 MW and an average last five year energy production of 749.1 GWh.

Figure 35 below highlights the capacity mix, average availability, annual gross production, the refurbishment capital expenditure spent in the last five years and maintenance capital expenditure spent over the last five years:

Figure 35:



(1) Excludes power plants < 10 MW and electrical pump stations

Bistrita

The Bistrita branch manages the hydropower plants in Moldova and operates within Neamt, Bacau, Suceava, Botosani, Iasi and Vrancea counties, and mainly on the Bistrita, Siret, Uz and Prut rivers. The branch covers over 10% of the Company's installed capacity (as of 2022) in 29 HPPs, MHPPs and small hydropower plants ("SHPPs") and 66 energy groups.

The most important elements of the Bistrita branch, which is considered to be the starting point of the Romanian hydropower field, are the Bicaz – Izvoru Muntelui dam and the Stejaru Dimitrie Leonida hydropower plant. Construction was completed in 1960, having completely changed the geography of the area.

Figure 36 below highlights the capacity mix, average availability, annual gross production, the refurbishment capital expenditure spent in the last five years and maintenance capital expenditure spent over the last five years:

Figure 36:



(1) Excludes power plants <10 MW and electrical pumping stations

Cluj

The Cluj branch channeled on the recovery of hydropower potential of run-of-rivers HPPs and currently has 15 HPPs, 9 SHPPs and a pumping station in the river basins located in Cluj, Bihor, Bistrita-Nasaud, and Maramures counties, namely on the rivers Somesul Mic (located in Cluj county), Crisul Repede (located in Bihor and Cluj Counties) and Colibita (located in Bistrita-Nasaud County).

Figure 37 below highlights the capacity mix, average availability, annual gross production, the refurbishment capital expenditure spent in the last five years and maintenance capital expenditure spent over the last five years:

Figure 37:



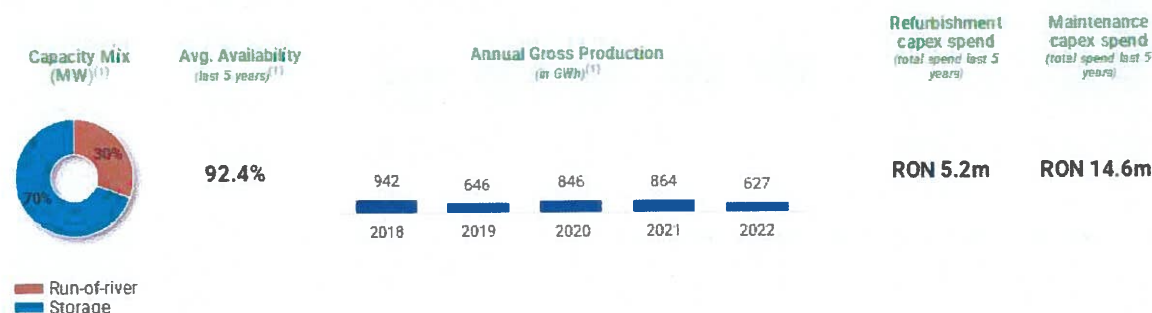
(1) Excludes power plants <10 MW and electrical pump stations

Sebes

The Sebes branch operates 11 HPPs, 22 SHPPs and MHPPs, and a pumping station. The branch continues the refurbishment of these plants and continues to develop new projects, such as the construction of hydropower plants on the Olt River, at Fagaras, Lotrioara, Caineni and Racovita.

Figure 38 below highlights the capacity mix, average availability, annual gross production, the refurbishment capital expenditure spent in the last five years and maintenance capital expenditure spent over the last five years:

Figure 38:



(1) Excludes power plants < 10 MW and electrical pumping stations

Development of the Company's historical investment programs

With a limited number of exceptions (such as Bumbesti, which was approved in 2003), the Group's investment projects originate mainly from a series of historical investment units approved from 1981 to 1989 by Council of State Decrees, and were initially designed as units with complex functions, for which the energetic function was only secondary. After the fall of the communist regime in Romania, some of these projects were developed by ANAR and benefited from public funding, until being transferred to the Company from 2002 to 2006, by Government Decision no. 554/2002, Government Decision no. 424/2003 and Government Decision no. 866/2006.

After 25 years, during which important financial resources were invested in these units without being finalized, the Company acknowledged that the economical and energetic conditions initially considered when the projects were approved had changed substantially, especially regarding forecasted electricity consumption and the disappearance of the centralized State investment fund, which triggered the need for the Company to finance itself. In this context, after a depreciation analysis regarding impairment was conducted, the general meeting of the Company's shareholders decided that several development projects were to be abandoned, and for others the construction works would continue, including:

- Finalization within an amount which should not exceed estimated abandonment value of the developments for Pascani and Cerna Belareca HPPs;
- Completion on a modified development scheme of the hydropower developments on the Olt river – area Cornetu-Avrig, Căineni and Lotrioara, on the Strei river – Subcetate- Simeria area, downstream of Bretea, on the Bistrita river – Borca – Poiana Teiuluia and Galu, on the Siret river – Cosmești – Movileni and Cosmești area and on the Dâmbovița river – Clăbucet Nord Fagaras; and
- Abandonment of all works executed at the hydropower development on the Olt River at Făgăraș –Hoghiz area and Runcu –Firiza.

The Group continues to experience difficulties in implementing the decisions to complete the constructions works (e.g. expropriation and environmental issues) or in implementing the abandonment decisions (a symmetrical act issued at state level being necessary). See "The Group may not be able to successfully implement its growth plan" in the section "Risk Factors".

The Group's current plans include: (i) refurbishment of Stejaru HPP, finalizing the modernization works for the hydro facilities of the HPP Slatina HA 2, Malaia HA1 and HA2 and the 110 kV electric stations of Cornetu, Gura-Lotrului, Daesti, Raureni, Govora, Drăgășani, Zăvideni, Ionești, and Călimănești; (ii) refurbishment of Vidraru, Mărișelu and Râul Mare Retezat HPPs; (iii) resuming the refurbishment works at the Unit 1 of Porțile de Fier II HPP; (iv) modernization of HPP Remeți – HA2, the pumping stations Lotru, Petrimanu, Jidoaia; (v) refurbishment of the Brădișor, Vaduri – HA2, and Săsciori – HA2 HPPs, and modernization of Arcești – HA2 HPPs; (vi) refurbishment and modernization works for the HPPs that were commissioned between 1963-1981 and for HPPs that the normal maintenance works can no longer cover the physical and normal wear and tear, such as Pângărași and Pietra Neamț HPPs, the HPPs on the Bistrita channel and Oești and Albești HPPs.

The Company has a business plan that includes: (i) approved and committed capital expenditure (i.e. projects for which all necessary approvals/permits have been received, contractors identified and secured, financing (to extent applicable) secured and other project related requirements have been achieved) and (ii) planned capital expenditure (i.e. projects identified for refurbishment/modernization however subject to some criteria still being met (e.g. approvals/environmental permits, finalization of feasibility studies, confirming procurement strategy, finalization of litigation procedures etc)). The Company is constantly looking at opportunities and evaluating its investment plan. Historically, the Company has faced headwinds in terms of government policy, legal barriers and delay in release of approvals which have precluded the Company to realize the full potential spend.

Refurbishment and Modernization Projects

The Group's strategy is to prioritize the refurbishment and modernization of existing HPPs over developing new HPPs. Refurbishing and modernizing existing HPPs are brownfield hydropower projects as they are aimed at expanding project capacity or upgrading or replacing obsolete plant and equipment of the existing HPPs, while developing new HPPs, including of those in already early stages of construction, are considered greenfield hydropower. Costs of generating electricity from brownfield hydropower projects are lower than costs for greenfield hydropower projects since, generally in a brownfield hydropower project, the construction has already been completed, requiring only improvements. Therefore, the Company focuses on modernization or refurbishment of its existing HPPs on a case-by-case basis.

Both the refurbishment and the modernization activities aim to extend the respective unit's operational life, reduce its operational costs and contribute to reduction of environment impact through the use of newer technologies. The modernization process replaces certain obsolete elements of the equipment but maintains its parameters, while the refurbishment process aims to increase the technological level of the entire hydropower unit by installing/ higher performance elements and to minimize the level of spillovers and potential energy losses. For example, the Group's average energy loss for the past five years accounts for 683 GWh. A refurbishment program can be phased in such a way to ensure the continuity of operation of at least one of the two groups (each representing a turbine and a generator) usually forming an HPP. Refurbishment and modernization projects can be delivered during normal course of operations which results in a negligible impact on the Company's production output.

Maintenance capital expenditures are mainly designated for the hydro projects. The refurbishment and modernization projects for the 2023-2027 period are part of the Group's longer-term strategy (2021-2030) and have a total estimated value of approximately RON 1.8 billion⁴⁷, in line with the Group's capital expenditure plan. These projects may cover a total installed hydro capacity of approximately 1.1 GW by 2030E and up to 230 MW⁴⁸ of capacity is expected to be unlocked, as well as an average of 30 years lifecycle extension per hydropower plant.

The purpose of the refurbishment and modernisation projects is not only the implementation of the new technologies for the equipment, but also to obtain an upgrade of the total existing production capacities. Achieving specific objectives / upgrade for each major refurbishment and modernisation projects depends on the designed solutions made by the future contractors, being conditioned by the actual constructive parameters of the hydro power plant facilities / components (invariable elements, which cannot be intervened in the refurbishment / modernisation process).

Assets subject to refurbishment having the highest rates of return, which are part of the approved and committed capital expenditure, include:

- ***Bistrita branch***: the refurbishment of the hydropower plant Dimitrie Leonida – Stejaru (the main hydropower group on the Bistrita River), currently operating 164 MW from an installed capacity of 210 MWh (the Hydro Unit 5 is removed from production for refurbishment), commissioned during 1960 – 1962. The main objectives of the refurbishment program are to create a new operating cycle of at least 30 years, to improve the operational efficiency and to lower the maintenance capital expenditure requirements. After the refurbishment project is finalized, a potential additional capacity of 6 MW may be expected. The total investment (including committed and approved capital expenditure, as well as approved capital expenditure) is estimated at approximately RON 375 million, while the completion is expected to take place in 2029.

⁴⁷ The total includes committed/approved and planned refurbishment capital expenditure.

⁴⁸ Relates to all refurbishment projects currently included within the business plan perimeter. However, some projects will only complete after 2027E.

The refurbishment was approved in 2010 and the Company signed the agreement for the refurbishment works with Joint Venture Romelectro S.A. – Litostroj Power d.o.o. in 2015. During the performance of the refurbishment works, the Company accrued major backlogs against guaranteed deadlines, which led to the Company opening arbitration proceedings against Romelectro S.A. with a view to fully recovering the penalty amounts generated by the failure to attain the Operational Acceptance of the refurbishment works, calculated based on the agreement. On 5 February 2022, the Bucharest Tribunal declared the opening of the insolvency procedure against Romelectro S.A., and in May 2022 the contractor (the Joint Venture Leader) notified the Company about the termination of its agreement for the Stejaru refurbishment. Due to this fact, the Bucharest Tribunal also notified the Company that the arbitration procedure would be carried out under the insolvency law. The Company is in the process of identifying a new contractor for completing the works and is also considering using Hidroserv as the contractor. The work contract is expected to be signed in 2024.

- *Curtea de Arges branch:* the refurbishment of the hydropower plant Vidraru, currently operating at an installed capacity of 220 MW, was approved in 2014⁴⁹. The main objectives of the refurbishment program are to create a new operating cycle of at least 30 years, as well as to improve the operation efficiency. After the refurbishment project is finalized, a potential capacity of 12 MW may be expected. The total investment (including committed and approved capital expenditure, as well as approved capital expenditure) is estimated at approximately RON 721 million, while the completion is expected to take place in 2030.

Currently, the technical and economic indicators have been revised. The execution contract is expected to be signed in 2023.

- *Cluj branch:* the refurbishment of the Mariselu hydropower plant, commissioned in 1977, currently operating at an installed capacity of 220.5 MW. The main objectives of the refurbishment program are to create a new operating cycle of at least 30 years, as well as improve the operation efficiency and the maintenance capital expenditure requirements. The total investment in the equipment refurbishment works is estimated at approximately RON 697 million, while the completion is expected to take place in 2034. However, the investment may also include, subject to GSM approval, constructions refurbishment works, in addition to the equipment refurbishment works already approved.

The procedures for obtaining the Water Management Permit and the Environmental Permit started in 2019 and finished in 2023. The project is currently at the stage of approving the feasibility study. The execution contract is expected to be signed in 2026.

- *Hateg branch:* the refurbishment of the Raul Mare Retezat HPP, currently operating at a capacity of 210 MW (the HPP has an installed capacity of 335 MW, but is restricted because of the design deficiencies), was approved in 2020. The need for refurbishment is due to the output deficiencies, normal wear and tear of the equipment and of the installations as a whole. The main objectives of the refurbishment program are to create a new operating cycle of at least 30 years, as well as improve the operation efficiency and reduce the maintenance capital expenditure requirements. After the refurbishment project is finalized, a capacity of 150 MW is expected to be unlocked, as the branch is currently working at restricted capacity. The total investment of the refurbishment works is estimated at approximately RON 674 million, while the completion is expected to take place in 2031.

Currently, the technical and economic indicators are being revised. The execution contract is expected to be signed in 2024.

- *Ramnicu Valcea branch:* the refurbishment of the Bradisor HPP, with an installed capacity of 115 MW, constituted as a dispatchable unit within SEN and playing a role in flood defense on the Lotru River. The main objectives of the refurbishment program are to create a new operating cycle of at least 30 years, as well as to upgrade hydro aggregates and auxiliary electrical and mechanical installations. After the refurbishment project is finalized, a potential total capacity of 55 MW is expected to be unlocked, as the branch is currently working at restricted capacity. The total investment (including committed and approved capital expenditure, as well as approved capital expenditure) is estimated at approximately RON 422 million, while the completion is expected to take place in 2029.

Currently, the tender procedure for a “turnkey” project has been cancelled, while the feasibility studies are being revised. The execution contract is expected to be signed in 2025.

⁴⁹ The indicators of the project were updated in 2020 and 2022.

New Hydropower Projects

The Company plans to implement new hydropower development projects with an estimated value of RON 1,574 million by 2025E and a total installed capacity of 206 MW by 2027E. The projects aim at increasing production capacity by finalizing hydropower development under construction, increasing hydropower potential by starting new hydropower projects and increasing operational safety. Hydropower development under construction⁵⁰, which are part of the approved and committed capital expenditure, include:

- Livezeni-Bumbesti – a run-of-river HPD approved in 2003⁵¹ with an installed capacity of 65.14 MW. The HPD is expected to have an average yearly production of approximately 259 GWh. The current stage of completion is 87%, with the aim to finalize the construction in 2026. The remainder to be executed (including committed and approved capital expenditure) is estimated at approximately RON 350 million.
- Cornetu-Avrig – a run-of-river HPD approved in 1989⁵² that covers an installed capacity of 130.50 MW. The HPD is expected to have an average yearly output of 362 GWh. The current stage of completion is 67.30% with the aim to finalize the construction in 2026. The remainder to be executed (including committed and approved capital expenditure, as well as approved capital expenditure) is estimated at approximately RON 923 million.
- Rastolita – stage I of the project was approved in 1989⁵³ and covers an installed capacity of 35.3 MW. The HPD is expected to have an average yearly output of 46.3 GWh. The current stage of completion is 64% with the aim to finalize the construction as of 2025. The stage II, currently outside the approved and committed capital expenditure, is subject to a grant approval in the PNRR and envisages to build a dam for hydropower development until 2029. The current stage of completion is 5%.
- Surduc-Siriu – the commissioning was approved in 1981⁵⁴ and it covers a 55 MW group in the Nehoiasu hydropower plant with an estimated production of over 152GWh per year. The current stage of completion is 82% with the aim to finalize the construction in 2026. The remainder to be executed is estimated (including committed and approved capital expenditure) at RON 438 million.
- Cerna Belareca – the project was approved in 1979⁵⁵ and it covers an installed capacity of 14.7 MWh. The HPD is expected to have an average yearly output of 40.2 GWh. The current stage of completion is of 82% with the aim to finalize the construction as of 2026. The remainder to be executed is estimated (including committed and approved capital expenditure) at RON 329 million.

These are anticipated projects that depend on required permits and authorizations (such as ecological flow, environmental authorizations). Further, the project returns of such projects are inherently sensitive to changes in power prices and forecasts, as well as construction costs.

Since 2007, projects within a Natura 2000 area (part of a network of natural protected areas designated by the EU) require an appropriate assessment study⁵⁶, taking into account its conservation objectives, which, in case of projects that are subject to environment impact assessment, is an integral part thereof, this complex procedure ending with the issuance of the environmental approval or with the decision to reject the project, as the case may be. The environmental approval is issued only if the project does not negatively affect the integrity of the respective Natura 2000 area. As an exception from the aforementioned rule, if the appropriate assessment study reveals significant negative effects of the project on the Natura 2000 area, the environmental approval may still be issued, if the following conditions are met: 1. lack of alternative solutions; 2. project of major public interest (social, economic, etc); 3. compensatory measures to ensure the global coherence of the Natura 2000 network will be put in place.

If the relevant Natura 2000 area harbors a type of priority natural habitat and/or a priority species, the only considerations that can be invoked for the issuance of the environmental approval are those concerning: 1. public health or safety; 2. certain beneficial consequences of major importance for the environment; 3. other

⁵⁰ The investments targets and details presented may undergo changes as a result of the updates of the permits and authorizations in accordance in force or to be issue applicable legal provisions (e.g. ecological flow, environmental authorizations) and/or changes in the taxation system.

⁵¹ The technical and economic indicators were updated through EGMS resolution no.15/2022

⁵² The technical and economic indicators were updated through EGMS resolution no.15/2022

⁵³ The technical and economic indicators were updated through EGMS resolution no. 12/2019

⁵⁴ The technical and economic indicators were updated through EGMS resolution no.18/2016

⁵⁵ The technical and economic indicators were updated through EGMS resolution no.15/2022

⁵⁶ An appropriate assessment study of the potential effects of the project on the protected natural area of community interest (i.e., Natura 2000 site)

imperative reasons of major public interest on which the point of view of the European Commission was obtained. In 2022, the Romanian Government issued the Government Emergency Ordinance 175/2022 for establishing measures regarding objective investments for the construction of hydropower development pending development, as well as other projects of major public interest using renewable energy (“GEO 175/2022”). The GEO 175/2022 specifies a list of energy projects to be considered of major public interest, in light on the current energy crisis, and of the short timeframe (up to 2026) available to get access to REPower EU funds for energy projects (for more details on GEO 175/2022, see section “Regulatory Matters — Environmental Regulations — Assessment of the impact of certain public and private projects on the environment”).

Maintenance as a part of operational expenditure

The maintenance activities within the Company aim to preserve the robust performance and to ensure the exploitation of existing asset base by: (i) maintaining the hydropower installations in safe operating conditions; (ii) restoring in function damaged installations or with dysfunctions; (iii) increasing the technical performance of the equipment; (iv) ensuring health and safety conditions at work for the exploitation personnel; (v) addressing environmental and civil society risk factors; and (vi) ensuring compliance with legal requirements. Planned interventions for maintenance are decided based on the technical condition of the equipment and the maintenance instructions listed in its technical book. The maintenance and other regular capital expenditure is planned to be around RON 115 million per year.

Most of the maintenance works of the Company are performed by Hidroserv. Based on express provisions under sectorial procurement legislation in force in Romania, the Company may directly award contracts to Hidroserv for the performance of services and works because Hidroserv is an affiliate of the Company. Consequently, the Company and Hidroserv concluded the framework agreement no. 2028 on 2 December 2019 offsetting the conditions for the maintenance works and services for equipment and installations in components of hydropower developments and navigation developments, with an estimated value of RON 782.5 million. The framework agreement entered into force on 1 January 2020 and expires on 31 December 2023, but the subsequent execution contract for works which are still ongoing, will end once the works are finished. The framework agreement has been amended seven times, most recently on 21 December 2022, with the purpose to update the list of services and maintenance works falling under the scope of the framework agreement and to update its value. The agreement covers both preventive and corrective maintenance services on a 24/7 support basis, the minimum workforce requirement providing dispatch speed and flexibility, given the rules applied to personnel on shift. Hidroserv is required to respond within two hours to requests, although this may vary depending on location and distance for workforce to travel. To identify the maintenance requirements, the portfolio activity is monitored 24/7 through the SCADA portal. Works on statistical basis are performed during optimal down periods (generally during summer). The maintenance fees are capped at costs +5%. The annual maintenance framework is governed by NH 01/2021 rules (the maintenance activity program normative in Hidroelectrica).

The Company may pursue third party procurement for maintenance services when (i) a more competitive price can be negotiated and agreed with third party supplier and (ii) the Company concludes that utilizing in-house production at a later date at a more opportunistic time is more advantageous compared utilizing in-house production today to meet short-term supply demand.

The table below presents the physical stage of equipment maintenance achievements as at 31 December 2022 for each hydro branch:

Branch	Value of estimated works according to Annual Maintenance Plan (PAM) 2022 (RON)		Value of contracted works (RON)		Value of works executed at 31 December 2022(RON)	
	TOTAL	HIDROSERV	TOTAL	HIDROSERV	TOTAL	HIDROSERV
PORTILE DE FIER	45,951,097	37,268,093	46,022,425	37,258,809	43,161,198	35,626,271
HAȚEG	18,054,702	16,765,540	17,429,306	16,754,498	15,820,206	15,210,715
BISTRIȚA	26,843,501	23,470,155	26,525,427	23,466,955	25,901,736	22,335,369
CURTEA DE ARGEȘ	33,646,136	32,241,011	33,238,522	32,233,985	28,998,086	28,175,699
RÂMNICU VÂLCEA	47,875,038	40,399,595	47,142,891	40,358,091	42,639,973	37,699,978
CLUJ	24,975,125	24,012,751	24,335,701	23,985,818	21,274,027	21,178,936
SEBEȘ	24,040,459	21,313,804	23,155,200	21,292,057	20,148,210	18,379,481
TOTAL	221,392,459	195,470,949	217,854,576	195,350,213	197,948,539	178,606,448

The table below presents the physical stage and value of construction maintenance achievements as at 31 December 2022 for each hydro branch:

Branch	Value of estimated works according to Annual Maintenance Plan (PAM) 2022 (RON)	Value of contracted works (RON)	Percentage Contracted	Value of works executed at 31 December 2022 (RON)	Percentage executed/ Contracted	Executed/ Estimated percentage
PORTILE DE FIER	12,249,040.19	8,132,518.75	66.39%	5,240,364.99	64.44%	42.78%
HAȚEG	2,999,342.00	2,597,307.03	86.61%	2,196,082.02	84.54%	73.22%
BISTRIȚA	9,365,188.87	5,581,433.28	59.60%	2,286,856.92	40.97%	24.42%
CURTEA DE ARGEȘ	7,783,469.35	7,539,129.56	96.86%	7,215,950.62	95.71%	92.71%
RÂMNICU VÂLCEA	6,920,071.83	5,321,051.48	76.89%	4,952,479.97	93.07%	71.57%
CLUJ	2,494,917.00	1,403,565.47	56.26%	1,227,971.87	87.49%	49.22%
SEBEȘ	5,535,259.72	4,179,545.99	75.51%	2,986,538.01	71.46%	53.95%
TOTAL	47,347,288.96	34,754,851.66	73.40%	26,106,244.40	75.12%	55.14%

Energy losses

The operation of the Group's hydropower facilities may also be subject to periodic energy losses. The main energy losses are caused by the amount of energy corresponding to the volume of discharged water. For 2022, the energy loss amounted for 262 GWh, while the average for the last five years amounted for 683 GWh. Losses due to the assurance of the easement flow and other utilities are relatively constant and were on average 163 GWh per year. It should be noted that energy losses will increase with the introduction of the obligation to ensure the ecological flow as a result of environmental regulations. The structure of the discharges over the last six years is presented in the below table (in GWh):

Energy lost through spill GWh	Easement and other utilities	Tributary greater than installed flow	Permanent power reductions	Withdrawals	Withdrawals	Fall reductions and limitations	Other causes	Total
				from operation for planned repairs	from operation for accidental repairs			
2022	165.2	17	0.3	21.5	47.5	8.1	1.9	261.5
2021	156	156	19	92	76	82	6	587
2020	165	132	4	80	60	41	2	484
2019	170	207	22	68	108	94	2	671
2018	150	678	36	170	102	254	21	1411
2017	172	11	7	12	18	9	1	230

Safety and employee wellbeing are a priority in the Company's objectives. It has in place extensive health, health and safety standards (continuously monitored and optimized), safety training provided to employees and regular site audits or inspections and ISO 45001 accreditation for occupational health and safety

management system. In terms of key performance indicators, the Company has minimum 8 target hours of health and safety training per employee per year, 14 dedicated workforces of health and safety professionals from 2023 and an 8.8/10 score for employee well-being. The Company registered in 2022 two work incidents leading to absence (cumulative absence from incidents was 198 days), zero high-consequence work-related incidents or fatalities⁵⁷, less than 0.3% of lost time injury frequency rate (LTIF) in 2022 and approximately 92% of preventive maintenance plan completed in 2022.

Group's wind production assets

Crucea Wind Farm has 36 Vestas V112 3MW wind turbines, two measuring poles for weather parameters, two transformer stations needed for the transportation of the electricity from the wind turbines to the connection point in the national energy system and underground electrical cables.

Crucea Wind Farm has an average availability for the last five years of 98.6%, an average net capacity factor for the last five years of 30.8%, an average net generation output for the last five years of 291.6 GWh, an average of approximately 35 hours per year of planned outage hours and approximately RON 27 million average annual operation and maintenance costs spend in the last five years.

The table below presents the historical production of Crucea Wind Farm in the years 2020 to 2022:

	Measuring unit	2020	2021	2022
Production	GWh	302.45	288.32	298.87
Availability	%	98.72	98.7	98.1

Trading of electricity

The electricity produced by the Group is sold mainly to electricity suppliers and electricity trading entities in wholesale energy trading markets. When optimizing its generation portfolio sales, the Group also focuses on matching the characteristics of hydropower assets to the types of products sold, namely energy sold on baseload ("in banda" in Romanian) and peak delivery.

The Company's strategy is to take a risk neutral position against the price fluctuations. As a result, the selling orders size is computed in such a manner to capture, as close as possible, the average market price as the year unfolds. At the same time, the total volumes sold yearly are prudently set in correlation with the average historical and forecasted production to avoid an over contracting position.

The Company enters into contracts for the sale and purchase of electricity (i) on centralized markets managed by OPCOM, including SPOT transactions on the DAM and intra-day market, regulated contracts with on term delivery-CEPM, bilateral contracts concluded on the centralized market with double continuous negotiation ("PC-OTC"), and on the centralized markets for electricity bilateral contract – flexible extended auctions mechanism ("PCCB-LE Flex") and continuous negotiation mechanism ("PCCB-NC"), settled through OPCOM centralized markets managed by OPCOM, (ii) unregulated bilateral contracts with on term delivery (directly negotiated); (iii) transactions on the balancing market, required by Transelectrica in order to assure the stability of NES.

By law, in 2023 through 31 March 2025, a minimum of 80% of the validated forecast values of available energy and communicated to ANRE will be sold to OPCOM through CEPM at a fixed price of RON 450 /MWh (please see risk factor "Changes in regulations or government policies, particularly as a result of increased governmental intervention in the electricity market, could materially and adversely affect the Group's business" and section "Regulatory matters — Energy Matters — The Energy Market in Romania — Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production — GEO 153/2022 introducing mechanism of centralized acquisition of electricity (CEPM)").

The Group trades electricity on the platforms managed by OPCOM on the basis of the Group's trading strategy, which takes into account the evolution of market prices, the moment of bidding, the degree of useful filling of lakes and flow of the Danube/inland rivers and the analysis of the main competitors. All these are reflected in the prudent volumes sold via forward contracts, namely 62% of total electricity in 2020, 72% in 2021 and 61% in 2022. This decrease in the volume of energy sold via forward contracts is based on the hydrological conditions, which generated a lower production in 2022 (as compared to 16.9 TWh in 2021 and 13.6 TWh in 2022). The total amount of energy traded in 2022 on PCCB-LE Flex and

⁵⁷ Relates to the Company only

PCCB-NC was 362,520 MWh, representing deliveries in the years 2022 and 2024 required of the Group to achieve the level of contracting approved in the sales strategy. The total value of the transactions was RON 235.9 million. For details, please see “The Group’s electricity generation and the demand for the Group’s electricity supply are subject to climatic conditions that may not be within the Group’s control” from the “Risk Factors” section.

The Company has a constant presence on the PC-OTC market with a total quantity sold in 2022 of 715,752 MWh representing deliveries in 2022, 2023 and 2024, and a total value of transactions of RON 671.8 million.

Hedging Strategy

The Company’s hedging strategy provides guidelines based both on the requirements imposed by the national and European regulations in force, as well as on the need to ensure stability on the energy market in Romania. The strategy aims at ensuring predictability of the Company’s revenues in the medium and long term and reducing the market risk due to the volatility of the electricity price in times of crisis, considering the following guidelines:

- ensuring the necessary energy for the supply portfolio through internal transfer from the production portfolio;
- ensuring the stability of the national energy system, considering the Company’s role as the main provider of ancillary services;
- compliance with the regulations included in the Energy Law and the Government Emergency Ordinance 27/2022 regarding the applicable measures to final consumers of electricity and natural gas during 1 April 2022-31 March 2023 (“GEO 27/2022”), with particular regard to the obligation of producers to sell the available energy preponderantly (minimum 80% of the available energy) through the CEPM (for more details, please see risk factor “Changes in regulations or government policies, particularly as a result of increased governmental intervention in the electricity market, could materially and adversely affect the Group’s business” and section “Regulatory matters — Energy Matters — The Energy Market in Romania — Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production — GEO 153/2022 introducing mechanism of centralized acquisition of electricity (CEPM)”; and
- the energy difference (remaining after ensuring the three previous priorities) estimated to be available for sale can be offered on other markets.

The Company has been developing a hedging strategy over the last 10 years which has changed in recent times in light of changes in regulatory framework and in its supply strategy. Historically, the hedging policy was to sell most of the electricity in advance on the forward market and OPCOM so as to reduce short-term selling and price risks. The Company expects to continue adjusting its hedging strategy in line with market developments. In general, the hedging strategy is reflected in the prudent volumes sold via forward contracts and is driven by anticipated prices, as highlighted in the two figures below.

Figure 39.1 (forward contracts as a percentage of total sales)

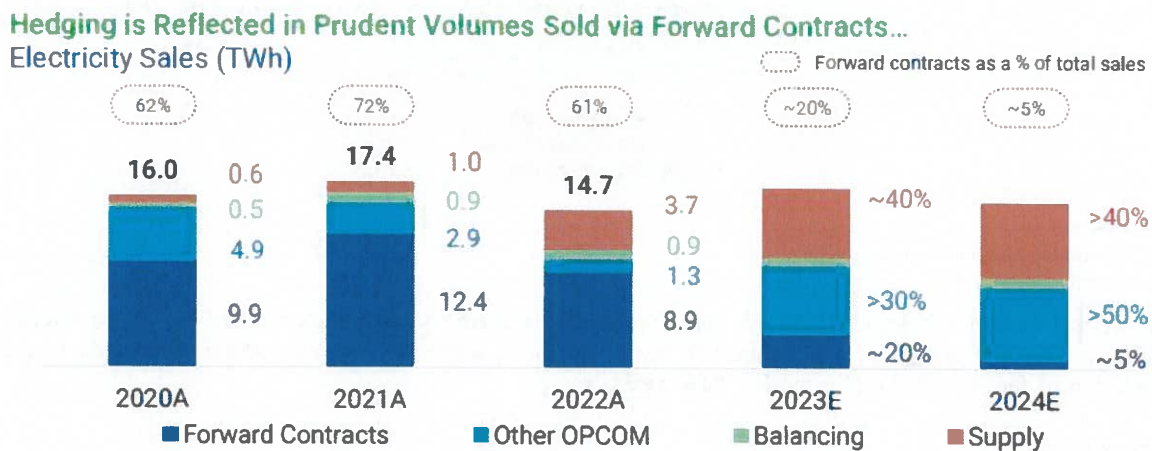
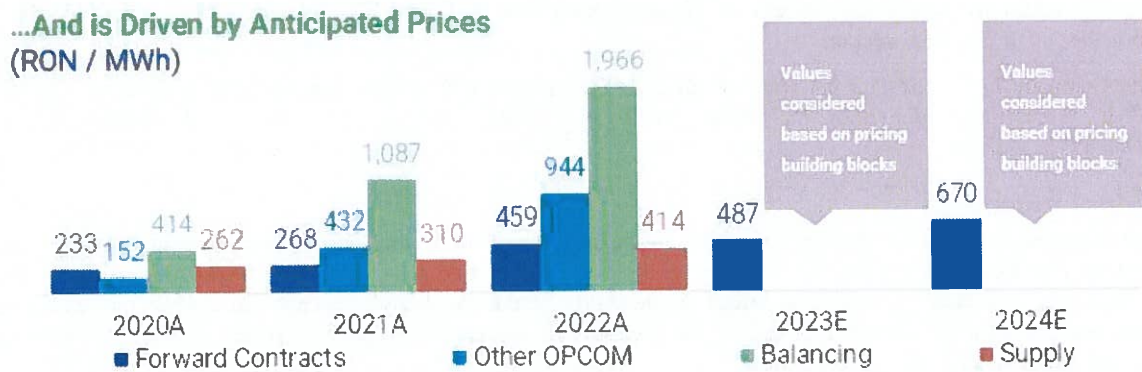


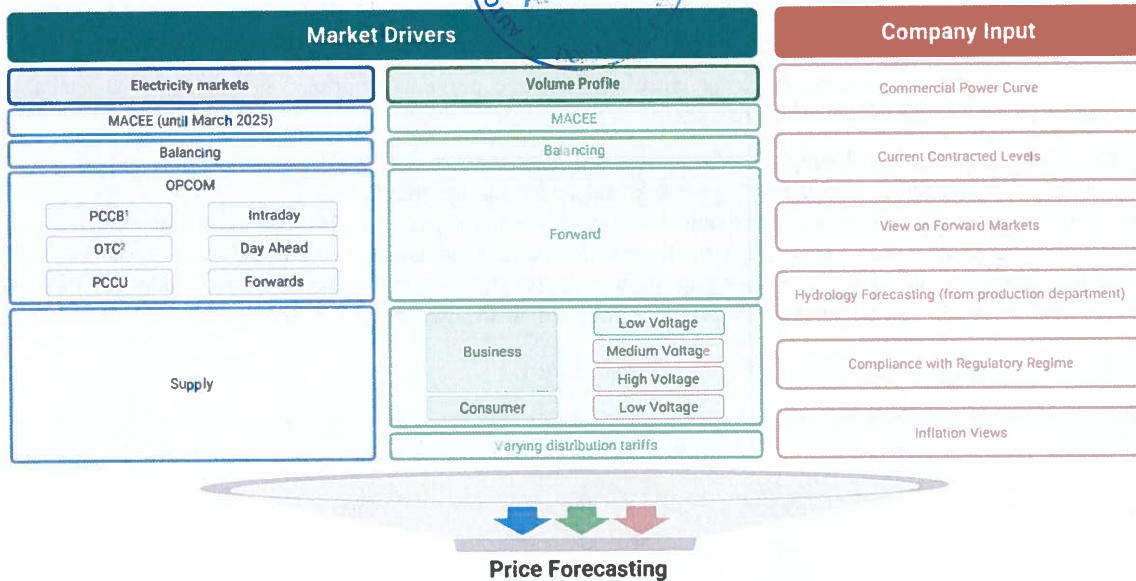
Figure 39.2 (average historical prices for the forward contracts concluded)



Going forward, the Company aims to sell more of its electricity via its supply segment, which acts as a natural hedge given that the contracts with the Company’s final consumers are set on fixed price terms. Future risk profile in terms of markets and prices, beyond the levels has been pre-contracted and the ones expected to supply, largely depends on hydrology which will influence the Company’s decision making around allocation of electricity sales by market.

The Company maintains a flexible hedging policy. Large water reservoirs and management thereof provide a natural hedge that gives the Company some flexibility to choose when to buy on wholesale market if needed. Purchasing electricity is also effectively passed through as the net tariff (realized tariff – purchased electricity) is computed for purpose of any regulatory price caps.

Figure 40:



(1) Competitive bilateral electricity contracts
 (2) Over the counter

Between 1 January 2023 and 31 March 2025, the available energy sold through the CEPM will be directly influenced by the growth of the Company’s supply segment, which had an upward trend reflected in the evolution of the market share in the last three years.

Green certificates

The Group is a producer of electricity from renewable sources, defined as hydro energy production in retrofitted MPPs with an installed capacity of not more than 10MW and an operating time of at least

15 years from the date of commissioning and wind energy production. On this basis the Group benefits from a range between 2.86 and 3 green certificates for every MWh produced in some hydro capacities depending on the power plant. For details on the green certificates support scheme, please refer to “*Support scheme through green certificates*” under the “*Regulatory Matters*” section.

By comparison, in 2020, the number of green certificates that the Company benefited from was 103,796, while in 2021 the Company received 77,315 green certificates for energy produced and delivered by accredited plants and returned (of the once postponed since 2013) 19,728 green certificates, thereby benefiting for trading from 97,043 green certificates. In 2022, the Company received 66,591 green certificates for the energy produced and delivered and returned 19,728 green certificates, thus benefiting from a total of 86,319 green certificates.

Crucea Wind Farm, as a wind producer, received in 2021 a total of 216,242 green certificates with a validity until March 2032 in comparison with 226,837 green certificates in 2020, accounting for a decrease of approximately 4.67%. With a stock of 446,070 green certificates, Crucea also sold during the year 2021 208,536 green certificates for a price of RON 142.21. In 2022, Crucea received a total of 224,156 green certificates, accounting for an increase of approximately 3.65% in comparison with 2021. With a stock of 453,776 green certificates as of 31 December 2021, Crucea sold during the year 2022, 188,435 green certificates for a price of RON 144.66. The green certificate support scheme for Crucea Wind Farm expires in 2029.

The total number of green certificates in stock from the Company’s hydro and wind activities as at 31 December 2022 accounted for approximately 489,000 green certificates.

Ancillary services

The Company is the largest ancillary services provider in Romania and one of the main factors that contribute to ensuring the operating stability of the NES. The Company provides ancillary services (also known as “system technological services”) to allow Transelectrica (TSO, which is the Romanian national energy system operator) to manage the NES. Thus, Transelectrica is purchasing technological ancillary services from the Company, based on a procedure regulated by ANRE, on a contract basis, to maintain the level of operational safety of the power system and the quality of the energy transmitted at the parameters required by the regulations in force.

The main components of the ancillary services are:

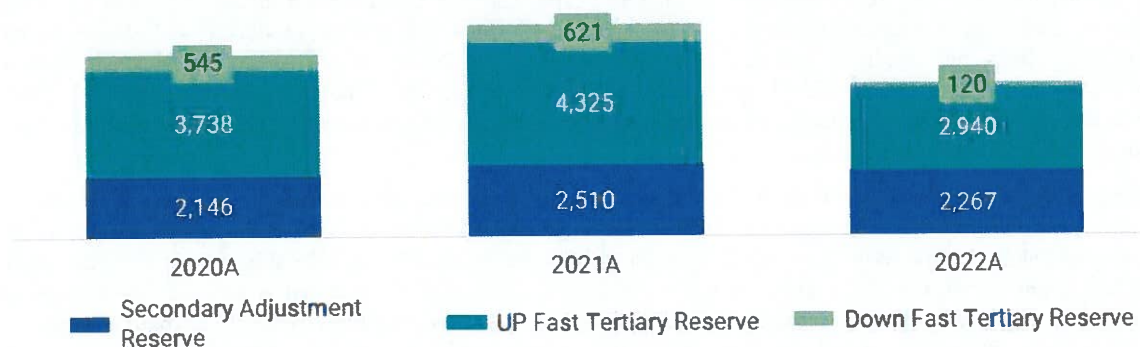
1. The primary frequency control reserve (which is the decentralised automatic control with a static characteristic, distributed by a large number of generating units ensuring the fast correction (within 30 seconds at the most) of the differences between production and consumption at a frequency close to the preset value);
2. The frequency-power secondary control reserve (which is the centralised automatic control of frequency (exchange power with frequency correction) in order to bring frequency / exchange power to the preset values within 15 minutes at the most); and
3. The power reserve corresponding to the tertiary control, which include:
 - the fast tertiary reserve (the power reserve provided by generating units that are qualified to make the load synchronisation and charging in maximum 30 minutes); and
 - the slow tertiary reserve (the power reserve provided by generating units with a start-up and load takeover time smaller than seven hours).

The ancillary services are auctioned competitively on a daily basis for hourly interval slots based on the TSO’s required demands, while each supplier bids a maximum 10 quantity/price pair per auction. The Company is paid for guaranteeing energy to NES when needed pursuant to a contract secured between the Company and NES and an additional revenue is earned if the Company is actually called upon to deliver ancillary services to the NES. There are three different services delivered to NES (i.e. secondary adjustment reserve, UP fast tertiary reserve and DOWN fast tertiary reserve), which are categorized based on NES’s time response requirement.

The figure below illustrates main KPIs for the ancillary services for 2020-2022:

Figure 41

Ancillary Services Volume (in hGW⁽⁵⁾)



(5) hGW defined as unit in which ancillary services is measured

The Company is the largest ancillary services provider in Romania primarily due to its large production capacity and capabilities, high dispatch flexibility of its portfolio as well as having a low marginal production cost to provide services. Providing such services through several of its HPPs (including Lotru, Portile de Fier I, Vidraru, Galceag, Sugag, Ruienii and Mănești), the Company is essential to the NES, as the Company has provided⁵⁸ 67% of secondary adjustment reserve, 66% of UP fast tertiary reserve, 11% of down fast tertiary reserve and 100% of reactive energy delivered or absorbed from the network to the NES (the energy delivered or absorbed from the Romanian national grid system in order to maintain system frequency at a specified level).

Balancing market

The balancing market is the centralized organized and managed by the TSO to collect the offers for supply of balancing energy submitted by participants in the balancing market and to use such offers to ensure the production-consumption balance in the national power system and resolve network restrictions. Starting with 1 February 2021, the transactions are carried out on 15-minute settlement intervals (compared to the previous regime of one hour).

The purpose of the balancing market is to balance generation to consumption of electricity. The balancing market ensures that differences between the notified production and the forecast consumption are covered, and participants undertake financial liability for registered imbalances.

On the balancing market, Transelectrica purchases energy in order to compensate for deviations from the planned electricity production and consumption values. Dispatchable producers bid on this market the amount of electricity available in excess over the notified amount, as well as the amount of electricity notified. This market is administered by Transelectrica, through the Operational Unit – National Dispatcher Centre. Due to potential variances between the projected and actual electricity production and consumption, and the specificity of the electricity market (particularly the inability to store electricity and the necessity for the electricity delivered to consumers to meet certain quality parameters), fine-tuning of production and consumption values is required and can be achieved through the balancing market.

Supply of electricity

The Company plans to grow its household and non-household customer base in the energy retail market in Romania while remaining flexible to changes in regulatory framework and price caps. The retail market offers the Group an alternative way to achieve a high profit margin when energy prices on the wholesale markets are low and / or less favorable. The existing regulatory cap provides the Company an opportunity to generate higher margins from its non-household customers; however in recent years the Company has also focused its commercial strategy attract more household customers in the retail market.

Given its strategy to grow its market share in the retail market, the Group targets diversifying its energy selling capabilities by accelerating the supply activity development. As of the end of December 2022, the

⁵⁸ KPIs based on 2022 financial year

Company accounted for 8.04% share of the market of electricity suppliers for final customers, representing an increase of approximately 317% from the 2.48% share in 2021 and of approximately 592% from the 1.33% share in 2020.

In order to attract household customers, the supply price was set at RON 250 / MWh for 2020, RON 245 / MWh and RON 250 / MWh for 2021 and RON 250/MWh for 2022, which has taken into account the price cap established by GEO 119/2022, respectively between RON 680/MWh, RON 800 / MWh and RON 1,300 MWh, VAT and other tariffs for transport and distribution included, depending on the average monthly consumption (for more details please see the “Regulatory Matters — Energy Matters — The Energy Market in Romania — Electricity supply” section). Any update of the supply price to household clients seeks client's approval.

In order to sustain the growth of its supply segment, the Group improved its call center services by increasing the number of external operators and is currently in the process of implementing (i) a new Interactive System Response (ISR), (ii) the CRM Salesforce to ensure the flow of bidding or contracting and (iii) SAP IS-U modules to cover the issuance of electricity bills.

The Company supplies electricity to both household (residential) and non-household customers (including industrial businesses, automotive, telecom and construction). As of 31 December 2022, the Company delivered 586 GWh of electricity to 461,000 household customers (approximately 16% of the total) and 3,090 GWh to 22,000 non-household customers (approximately 84% of the total) which, given the provisions of GEO 119/2022, have a higher price cap (for more details please see the “Regulatory Matters — Energy Matters — The Energy Market in Romania — Electricity supply” section).

Therefore, in 2022, the Company provided energy to household and non-household customers with a total quantity of 3,675 GWh compared to 621 GWh in 2020 and 1029 GWh in 2021, while the quantity supplied monthly in 2022 was as follows:

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
CONTRACTED QUANTITY PROVIDED (GWh)	231	211	289	301	325	322	338	314	304	315	355	372	3,675

The typical contract length is of one year for household consumers and for non-household with a fixed price, including 100% pass through of electricity costs. The average cost to acquire a new customer is of RON 10 (calculated as cost of supply sales staff divided by the number of customers acquired). Suppliers cannot terminate the contracts except for non-fulfillment of obligations, and both household and non-household customers may terminate supply contracts with no penalties.

Given that the Company is also an energy producer, the necessary energy for the supply portfolio is, in general, transferred from the energy generation portfolio on a daily basis. However, if the Company will sell on supply portfolio the amounts of energy above its current forecasted production, there may be cases when the Company would need to purchase energy from the market or through bilateral agreements to satisfy the volumes of energy required for its energy supply portfolio. For example, as of February 2023, approximately 18% of the Company's energy required for its supply portfolio came under the PPA with Nuclearelectrica dated 30 September 2022 and in force until August 2023. The contract provide for a fixed volume of 120 MW/hour, at a fixed price of RON 450 /MWh. Generally, given the supply price caps (for more details please see the “Regulatory Matters — Energy Matters — The Energy Market in Romania — Electricity supply” section), the energy acquired from Nuclearelectrica is sold to Hidroelectrică's non-household customers, which benefit from higher tariffs under existing regulatory framework (1,000 RON/MWh –1,300 RON/MWh for non-household customers compared to 680 RON/MWh – 1,000 RON/MWh for household customers).

MATERIAL LICENSES

The following selected main licenses are, or may be, material or contain provisions under which the Group has an obligation or entitlement which is, or may be, material to the Group as of the date of this Prospectus. They are not intended to represent all licenses of the Group.

License for the electricity production and ancillary services

The Company holds license No. 332 / 2001 for the commercial exploitation of electricity production capacities, including the provision of ancillary services, as updated by ANRE Decision no. 2296 / 2022

("License 332/2001"). License 332/2001 is valid until 24 July 2026 and covers the following branches: Bistrita with a total installed capacity of 636.333 MW, Cluj with a total installed capacity of 542.971 MW, Curtea de Arges with a total installed capacity of 716.200 MW, Hateg with a total installed capacity of 717.015 MW, Portile de Fier with a total installed capacity of 1633.166 MW, RM. Valcea with a total installed capacity of 1523.900 MW and Sebes with a total installed capacity of 511.087 MW.

As the holder of License 332/2001, the Company needs to comply with the various conditions prescribed by the ANRE Order 80/2013 regarding the general conditions associated to the commercial exploitation of production electricity capacities license. These relate, among others, to the following:

- ensuring the measurement of electricity prior to performing any activity authorized by the respective license;
- abiding by the dispatching orders sent by TSO;
- undertaking hydropower development activities;
- declaring the total electricity quantity which is being sold and the primary sources of electricity used in the reference period, according to the applicable law;
- complying with all obligations regarding environmental protection and water management;
- holding all approvals and authorizations required for environmental protection and water management activities, throughout the entire validity term of the license;
- not engaging in anti-competitive practices or preventing other producers to engage in electricity production activities;
- ensuring the full compliance with the unbundling principle;
- notifying ANRE at least 120 days in advance about any merger, transformation, de-merger or any sale of assets or any other operations which may result in (i) the assets pertaining to the activities approved by the license being transferred to other person(s); or (ii) the value of the existing share capital being reduced in one tranche or all in all by at least 5%; and
- maintaining a financial guarantee that ensures the continuous performance of the activity on which basis the license has been granted. The value thereof ranges between 1% of the value of the assets related to the activities object of the license and 1% of the value of the annual turnover of the underlying license activities.

Supply license

The Company holds license No. 2215 / 2020 for the supply of electricity by way of ANRE Decision no. 718 / 2020 (the "Supply License"), valid until 1 June 2030. The Supply License allows the Company to supply electricity at the Company's corporate seat and its Sebes, the Ramnicu Valcea, Iron Gates, Curtea de Arges, Hateg, Cluj and Bistrita branches to final consumers.

During the validity period of the Supply License, the Company may supply electricity to final consumers on the retail energy market and perform transactions on the wholesale energy market, inclusive through electricity import and export. The Company's obligations deriving from the Supply License include electricity invoicing, electricity labeling, maintaining a specialized structure in the relation with final consumers, unbundling, maintaining the assets on which basis the license has been issued, removal of cross-subsidies, constitution and maintenance of financial guarantees.

Environmental Permits

As at 31 March 2023, the Company held 180 environmental permits for its hydropower plants (some of the permits concern more than one hydropower plant), all issued without conformity programs, namely without imposed operating conditions referring to the monitoring of environmental factors and the compliance with the environmental legislation applicable to the activity carried out.

Environmental permits are mandatory for certain activities with possible environmental impact listed by the relevant legislation and set out the conditions and/or operating parameters of such activities. Once issued, ordinary environmental permits remain valid for as long as the beneficiary obtains an annual visa confirming that the beneficiary continues the activity under the same conditions and that no changes intervened to the activity which would entail amendments to the permit.

Water Management Permits

To legally operate a storage hydropower plant, the Company must hold a water management permit for the hydropower plant and a water management permit for the dam and accumulation lake.

As at 31 March 2023, the Company held 284 water management permits for the production of electricity, 51 of which are in the process of renewal, as well as 48 permits for water alimentation and evacuation, 2 of which are in the process of renewal.

Below is a summary of the main obligations generally included in the Company's water management permits:

- (i) to exploit the dam and the related accumulation lake according to the law and the monthly exploitation programs approved by the relevant authority;
- (ii) to monitor and report the water flows and any related deviations;
- (iii) to notify the operative centers of the basin water administrations and county and local emergency situations committees in case of maneuvers that may cause a dangerous increase of water flows and levels in the downstream of the dam;
- (iv) to maintain the authorized characteristics of the accumulation lakes and related works;
- (v) to ensure the maintenance of the riverbed in the downstream of the dam, on the development's impact zone, which cannot be less than 500 m (as per the relevant legal provisions);
- (vi) to take measures for the sanitation of the water surface and to ensure the cleaning of floating logs;
- (vii) to ensure a certain amount of easement flow;
- (viii) to announce, in writing, any change in the exploitation regime which does not comply with the provisions of the law;
- (ix) to comply with the art.53 paragraph (4) of the Water Law;
- (x) to annually request the necessary amount of the gross water for operation and to conclude the subscription for the exploitation of the water resource;
- (xi) to pay the water management contribution at the deadline set by the subscription for use/exploitation of the water resource;
- (xii) to prevent and combat accidental pollution, whenever the case is and to hold the necessary materials in case of accidental pollution and act as required;
- (xiii) to announce the authority that issued the permit, with at least one month in advance, in case of changes of the parameters of the authorized works; if such works change the basic characteristics, water management approval must be obtained;
- (xiv) to inform the authority, in writing, in case of malfunctioning and entering into revisions and repairs, for the operation of the mechanical equipment which serve the discharge of water flows downstream;
- (xv) not to discharge untreated used waters, trash, any type of waste, in the surface and underground waters; and
- (xvi) to perform self-monitoring of the quality of the used waters in compliance with the Government Decision no. 188/2002.

For hydropower plants, hydropower and navigation systems Iron Gates I and Iron Gates II, additional rules are set forth by the agreement concluded between the Romanian Government and the Federal Government of the Yugoslavia regarding the exploitation and maintaining of hydropower and navigation systems of Iron Gates I and Iron Gates II dated 16 May 1998 and ratified by Law no. 14/1999, as well as by the Romanian-Serbian common documentation regarding the common exploitation of the hydropower and navigation systems Iron Gates I and Iron Gates II. Specifically, the water management permits for the hydropower and navigation systems Iron Gates I and Iron Gates II provide obligations including: (a) to communicate daily the upstream and downstream of the dam levels; (b) to ensure control quotas from Gura Nerei established by Romanian-Yugoslav Agreement from 1987 (Iron Gates 1); (c) to observe the allowed variation of the level of the Danube in the control section from the Gura Timocului; (d) based on the results of the study "Towards a healthy Danube Fish Migration Iron Gates I&II" and based on priorities established at ANAR level, to carry out a study to identify feasible technical solutions to restore the longitudinal connectivity of the Danube for dams Iron Gates I and Iron Gates II; (e) to take measures in

order to prevent the pollution of the Danube river based on a study prepared in this respect; (f) to ensure a certain amount of easement flow (Iron Gates II); and (g) to ensure flooding curves in the downstream of the reservoir in correlation with the discharge capacity of the emptying bodies (Iron Gates II).

Safe Exploitation Permits

The safe exploitation permits certify compliance with the performance requirements during dams' exploitation period and are mandatory for obtaining the water management permit and the environmental permits.

As at 31 March 2023, the Company held 149 safe exploitation permits for its hydropower developments, five of which were in renewal process.

Generally, the Company must comply with the measures set forth by the appendixes to the safe exploitation permits with respect to the maintenance and operation of the dams.

ISCIR Authorizations

The State Inspection for the Control of Boilers, Pressure Vessels and Lifting Installations, ("ISCIR"), is the specialized body of the central administration, with legal personality, responsible on behalf of the state for ensuring the safe operation of the pressure installations, lifting installations and fuel-consuming appliances.

As of 31 May 2023, Hidroserv held 11 ISCIR authorizations, while the Company held 183 ISCIR authorizations.

Authorizations for underwater activities with divers

According to Article 6 paragraph (3) of Law No. 346/2006 regarding the organization and functioning of the Ministry of National Defense, the Ministry of National Defense ensures the authorization and inspection of units that perform underwater activities with divers.

As of 31 May 2023, Hidroserv held one authorization for underwater activities with divers, valid until 29 August 2023.

Hidroserv's authorization for underwater activities with divers covers the following activities: underwater works with pneumatically and hydraulically actuated tools; verification, control and unclogging of submerged structures; non-destructive control of submerged structures; technical inspections of the ship's hull/submerged structures; underwater environment research; underwater construction-assembly works; collecting and recording information related to various underwater objectives; execution of replacements and placements of cables, tracks and pipes with underwater routes.

MATERIAL CONTRACTS

The following selected contracts have been entered into by the Group and are, or may be, material or contain provisions under which the Group has an obligation or entitlement which is, or may be, material to the Group as of the date of this Prospectus. Such selected contracts are not intended to represent all material contracts of the Group.

Concession Agreement

The Company is the beneficiary of the Concession Agreement no. 171 dated 27 December 2004 entered into between the Ministry, as the entity granting the concession and the Company, as beneficiary. The Concession Agreement was approved by Government Decision no. 2077 dated 8 December 2004 and was amended by means of three addenda on 26 September 2013, 3 June 2015 and 23 February 2016.

The object of the Concession Agreement is the concession of (i) the state public property in the domain of electricity production in hydropower plants (namely reservoirs lakes and their dams, embankments, sluices, the hydropower potential developed and under development, as provided in annex no. 7 to Government Decision no. 15/2004 for the approval of the inventories of goods in the public domain of the state (currently replaced by the Government Decision no. 1705/2006); and (ii) the lands on which these are located, for the purpose of exploitation, rehabilitation, modernization, as well as the construction of new hydropower plants according to the investment programs.

The Concession Agreement is in force for 49 years starting from the signing date and thus expires on 27 December 2053, with the possibility of prolongation for a period equal to maximum half of its initial duration, under a bi-lateral agreement without any other formalities or public tender. Based on the

Concession Agreement, the Company can abandon or disable the assets which fall within the scope of the agreement, with the consent of the Ministry and in compliance with the legal provisions. Moreover, the Company has the right to obtain the restriction or cessation of activities that could endanger persons and property.

The royalty is 0.001 from annual revenues resulted from power generation and system services. The royalty is paid quarterly and represents income to the state budget.

Apart from the usual cases of termination such as expiry of the Concession Agreement or earlier termination due to an event of default, the Agreement may also be terminated: (i) by the Ministry, if the national interest requires it, based on a 30-day prior written notice and upon the payment of fair and prior compensation; (ii) by the Ministry, in case it withdraws the concession right of the Company based on energy law; (iii) by the Company, in case it gives up the concession due to a force majeure event affecting the assets, without compensation.

The Ministry may unilaterally modify the regulatory part of the Concession Agreement (namely the tender specifications), with prior notification to the Company, for exceptional reasons related to the national interest, with adequate and effective compensation granted to the Company, if the case. This may include also the royalty set forth therein.

The Company is prohibited from assigning the Concession Agreement and therefore sub-concession is not allowed).

Upon termination of the Concession Agreement, the assets provided in annex 7 to the Concession Agreement will be automatically returned, free of charges and costs, to the Ministry. The resulting assets, following the performance of the investments provided in the modernization and development program, will also be returned to the Ministry. At the same time, the following assets may be transferred from the Company to the Ministry, if it expresses its intention to acquire them, based on a price representing the Carrying amount as defined in IAS 16 at the moment of the intention of acquisition of such assets (in Romanian "*bunuri de preluare*"): land development and constructions, technical installations and machines, works in progress related to public goods.

Modernization Agreements

The Company has entered into several agreements in connection with the purchase of modernization, rehabilitation, re-technologization services and works related to electrical installations and constructions (the "**Modernization Agreements**"). Examples of Modernization Agreements include the services agreement no. 43/04.07.2022 regarding the "Modernization of electrical installations related to hydromechanical equipment and hydraulic actuation installation for the Gogosu Deverson Dam", the services agreement no. 27/19.03.2021 regarding the "Modernization and rehabilitation of equipment at Tismana HPP", or the services agreement no. 52/18.06.2021 regarding the "Modernization of electrical installations related to hydromechanical equipment and hydraulic actuation installation related to the spillway dam Portile de Fier I".

Liability/indemnity clauses in most of such Modernization Agreements are loosely drafted, while under some of the Modernization Agreements, the counterparty's civil liability insurances and performance bonds are lower than the value of contracts. This is also because, under Romanian legislation, the value of the performance bond may not exceed 10% of the contract value. The Company may therefore face a potential risk of not being fully indemnified under these agreements in case of failure by the contractors to comply with their contractual obligations.

Joint Venture with Abu Dhabi Future Energy Company-PJSC- Masdar (UAE) ("Masdar")

The Company and Masdar have entered into a joint venture agreement on 19 March 2023 ("**JVA**") establishing the framework on the basis of which the parties will jointly develop greenfield development projects in the field of offshore wind (fixed and floating) and floating PV and perform equity investments in Romanian companies which develop the projects. To implement such projects, the parties will incorporate a joint venture company ("**JVC**") under the laws of Romania, where each Party will hold 50% of the share capital of the JVC.

The development of the projects is expected to be carried out either through dedicated project companies or through the JVC, while funding is arranged on a project specific basis and subject to the parties' negotiation. The parties will initially allocate resources for the personnel of the JVC but it is intended for the latter to have an independent structure with minimal recourse of the parties in this matter. Service level

agreements (on arm's length commercial basis) will be separately negotiated by the JVC. The corporate governance of the JVC will be organized in the form of a three-tier corporate governance system comprising the Executive Committee, the JVC Board and the General Assembly. A board of directors consisting of five members will take decisions on a majority basis, provided that at least one designated representative of each of the Company and Masdar have voted in favor of these decisions.

Closing is subject to merger control, if the case, and FDI requirements. The JVA may be unilaterally terminated by a party following the other party's dissolution or if the other party fails to execute its obligations and the respective breach continues for a 30 days' period following the receipt of a material breach notice or upon the execution of the shareholders' agreement.

Agreement with Hidroserv

For details on the framework agreement with Hidroserv, please see "*Business and Operations — Electricity generation — Maintenance as a part of operational expenditure*"

Agreement between Romania and Yugoslavia (currently Serbia)

On 30 November 1963, an Agreement was signed between Romania and Yugoslavia (currently Serbia) on the construction and operation of the Iron Gates hydropower and navigation system on the Danube River. On the basis thereof, on 14 December 1995, Branch Renel Electrocentrale Drobeta Turnu Severin Iron Gates as the Romanian beneficiary and Javno Preduzece "Djerdap" Kladovo as the Yugoslav beneficiary signed a contract establishing the manner of fulfilment of the obligations of the Romanian beneficiary and the Yugoslav beneficiary concerning the replacement or reconstruction of objects, installations and works of the riparian land defense system on the territory of Yugoslavia, executed for the operation of Iron Gates I hydropower with the Danube retention at 68.00 m dMA at Gara Nerei.

Pursuant to the contract, during the period 1995-2050, the Serbian beneficiary shall ensure the exploitation regime of Iron Gates by performing some works on the riparian land defense systems built together with the basic investment for the operation of the Iron Gates I hydropower plant. In exchange for carrying out these works, the Romanian beneficiary has undertaken to make available to the Serbian beneficiary during the period of 1995-2050 an annual quantity of electricity amounting to 138 GWh in equal monthly instalments within the agreed limits and under the agreed regime, on account of equal participation in the costs of replacement or reconstruction of the defense system for the 68.00 m water level.

While the Company has delivered to the Serbian beneficiary a quantity of electricity of 2,484 GWh for the period between 1995-2012, it has received no evidence of the complete execution of the obligations undertaken by the Serbian beneficiary as established by the above-mentioned commission. In 2013, the Company therefore suspended the delivery of the energy to the Serbian beneficiary until the balancing of the participation of the two beneficiaries in the costs of replacing or reconstructing the defense system. The exploitation of the hydropower potential of the Danube is still carried out according to the agreed schedules. In accordance with the provisions of the Contract, if the Romanian beneficiary fails to deliver the contracted quantity of energy, the Serbian beneficiary has the right to process at the Iron Gates I system a 1.5 times the unrealized quantity of energy the date of expiry of the term.

According to the Contract, any dispute will be resolved by the Joint Commission. This body has been informed of the divergence between the two beneficiaries since the 86th Session. The Romanian-Serbian Joint Commission decided at the 92nd Session in 2015 to submit the dispute to the Governments of the two countries (Romania and the Republic of Serbia) for settlement.

Also, in accordance with the provisions of Article 21 of the Operating Agreement as a joint participation in the electricity consumption for the operation of the pumping stations for the defense of the riverside lands in the regime of operation of the "Iron Gates I" system, the Romanian beneficiary delivers to the Serbian beneficiary a quantity of e10.67 GWh of electricity per year, based on the terms and conditions of delivery agreed by the parties.

By letter dated 9 May 2023, the secretary of the Serbian group for Romanian-Serbian Joint Commission informed the Romanian group of the Commission that it is necessary to renew all the activities of the Joint Commission and to allow cooperation in order to solve all pending issues by scheduling and organizing the next session as soon as possible.

Agreement with Vestas

Crucea Wind Farm S.R.L., as customer, has entered into the Service and Availability Agreement 4000/04.10.2013 with Vestas CEU Romania S.R.L., as provider, to receive maintenance services on an exclusive basis. The agreement is governed by German law and expires on 23 September 2024.

Agreement with the National Institute of Hydrology and Water Management

On 7 February 2023, the Company, as beneficiary, concluded the agreement no. 10 with the National Institute of Hydrology and Water Management, as provider, for the performance of hydrological forecasting services.

The object of the agreement consists of: (i) development of daily hydrological diagnoses; (ii) hydrological forecast in natural mode for the next 24 hours; (iii) the forecast of the maximum flow of the natural flood; (iv) seasonal forecast in natural mode for the next 3 months; (v) evaluation of the snow cover at the beginning of the month during the snow cover period; (vi) characterization of the previous year from a hydrological point of view

The agreement is in force for 12 months from the signing date and expires on 1 February 2024.

Agreement with the National Administration of Meteorology

On 5 January 2023 the Company, as beneficiary, concluded the agreement no. 40 with National Administration of Meteorology, as provider, for the performance of meteorological forecasting services.

The object of the agreement consist of: (i) meteorological forecasting services performed weekly with the transmission of information twice a week for the following basins: Vidraru, Izvorul Muntelui, Vidra, Fantanele, Dragan, Oasa, Valea lui Iovan, Gura Apelor, Poiana Marului, Buzaului, Siretului, Dunarii and certain section of the Oltului (e.g. Voila – Cornetu, Gura Lotrului – Dragasani, Strejesti – Izbiceni) (ii) specialized meteorological forecasts for severe phenomena for the following 8 geographical regions: Moldova, Muntenia, Oltenia, Banat, Crisana, Maramures, Transilvania Nord si Transilvania Sud; (iii) seasonal prognostic estimates performed at 3 months intervals for Romania and 8 other regions that include the basins mentioned above with monthly rainfall estimates; (iv) prognostic estimates 6 months ahead with monthly update for Romania; characterization of the previous year in terms of precipitation quantities; 24-hour notification at the request of the Beneficiary on the weather forecast for a requested interval

The agreement is in force for 12 months from the signing date and expires on 5 January 2024.

Supply Agreements with industrial non-household consumers

The most significant industrial consumers of the Company are Rompetrol Rafinare SA, Holcim Romania SA, Romcim SA, Profi Romania SA, Pirelli Tyres Romania SA, Automobile Dacia SA, Orange Romania Telcommunications SA, Carrefour Romania SA, Bekaert Slatina and Ford Romania SA. The agreements entered into by the Company with such consumers are based on a largely similar template under which the parties' rights and obligations are generally in line with the ones provided by Romanian law. There are certain limited cases where such clauses might not be aligned with the requirements of the Electricity Supply Regulation. The Company may cease the electricity supply with four or five business days' prior notification in certain cases such as: (i) the client exceeds the power approved through the technical connection approval; (ii) the client does not pay in accordance with the contractual provisions; (iii) the client fails to abide by the safety and protection zones of the electrical installation; or (iv) the client fails to constitute the financial guarantee provided in the said supply agreement.

Various electricity sale agreements

The Company has concluded various agreements for selling electricity to various purchasers, following tenders organized on PCCB-LE-flex market operated by OPCOM in accordance with proceedings regulated by law⁵⁹. The delivery period and the electricity price under the respective agreements are not subject to changes, while electricity quantities may be flexibly amended through additional acts to the agreements. Termination events include suspension from the balancing market, breach of a material provision or breach of warranty, and may lead to payment of specific damages as provided by Romanian law. The Company

⁵⁹ Regulation dated 31 March 2020 regarding the conclusion of bilateral agreements through extended tender and utilising products to ensure trading flexibility, as approved by ANRE Order 64/2020.

may cease the electricity delivery in case the payment term is exceeded and the buyer does not comply with this obligation during the notice term sent by the Company in this respect.

Bilateral sale-purchase agreement with Nuclearelectrica

All the transactions that the Company and Nuclearelectrica have concluded with the view to sell, purchase, deliver and accept electricity are covered by the sale-purchase agreement no. 20222643 of 30 September 2022 (the “Nuclearelectrica PPA”). The agreement regulates any option for the sale, purchase, delivery and acceptance of electricity, such being referred to as the “Individual Contract”. The Nuclearelectrica PPA expires on 31 August 2023. During its validity period, any party may unilaterally terminate the agreement by a 30 days’ prior notice with no explicit right to damages. The Nuclearelectrica PPA may also be terminated for cause, including non-performance, cross default in respect of either party, acceleration of obligations by any credit support provider and opening of winding up proceedings. In case either party terminates the contract for a material cause (as defined in the contract), such terminating party shall calculate in a commercially reasonable manner and shall notify the other party of the termination amount (if any) to be received or paid by the latter deriving from aggregating all settlements amounts in accordance with the agreement.

Electricity sale and purchase framework agreement entered into between the Company and OPCOM following participation on CEPM (“CEPM Agreement”)

To participate in the CEPM, the Company concluded the CEPM Agreement under which it sells electricity described to OPCOM for a fixed price of RON 450/MWh. The electricity quantity under the CEPM Agreement is fixed but OPCOM may require its adjustment simply by submitting a notification to the Company.

CEPM Agreement expires on 31 December 2023. The Company may suspend the electricity delivery before the end of the validity period only during the period when the activity on the wholesale market is suspended or for each settlement interval where the market activities are suspended. Should any delivery suspension occur, OPCOM will notify the Company regarding the electricity suspension delivery.

CEPM Agreement is terminated following the expiry of its duration, occurrence of a force majeure event or in accordance with the law (for example for cause in case of material breach).

Agreement for the provision of ancillary services to TSO

The Company entered, as provider of services, into the agreement with TSO, as beneficiary, for the provision of ancillary services under the conditions of the operational procedure “Tender based acquisition of ancillary services” for a price established in accordance with ANRE regulations. Failure by the Company to supply various ancillary services triggers the payment of a compensation to TSO equal to 100% of the services value, calculated in accordance with the provisions of the agreement. The ancillary services agreement expires on 31 December 2026 and contains standard termination provisions, including where the Company’s licenses or authorizations required for the performance of the agreement are revoked or suspended.

Balancing agreement with TSO

The Company has entered with TSO into a convention for the participation by the Company, as balancing party, to the balancing market, by selling and acquiring electricity and settling the network congestions or ensuring the safety of SEN, through the increase or decrease of active power outside the balancing market. The Company must offer on the balancing market the balancing electricity corresponding to the contracted capacity for each unit/consumptions/storage dispatchable installations for all settlement intervals of the delivery day in case it has contracted with TSO ancillary services under the balancing capacity, in accordance with legal requirements. The Company must settle the invoices issued by TSO pursuant to the balancing market convention, which can be unilaterally terminated by each party. A financial bond is to be constituted by the Company in favor of TSO for the entire duration of the balancing market convention.

Various OPCOM market participation convention

The Company has concluded with OPCOM several market participation conventions: one for the participation on the PC-OTC, one for the participation on the PCCB-LE-Flex, one for the PCCB-NC, one for the participation on the market for large consumers (PMC), one for the participation on the DAM market and one for the participation on the CEPM. All such conventions are concluded based on OPCOM

standard forms, may be unilaterally amended by OPCOM and may be terminated either following a notification submitted by the Company or in case the generation license of the Company is cancelled or revoked.

Conventions for REMIT data disclosures

Convention concluded with Romanian Commodities Exchange S.A. (“RCE” and “RCE Reporting Convention”)

The purpose of RCE Reporting Convention is to ensure that the Company fulfils its obligations deriving from the provisions of REMIT Regulation, as such is briefly described in the “Regulatory Matters” section. In this respect, RCE will disclose to the Agency for the Cooperation of Energy Regulators (“ACER”) various trading data placed by the Company on RCE.

RCE may amend RCE Reporting Convention based on a written notification addressed to the Company. Such amendment will not come into force if rejected by the Company through a written notification at or before the date falling on 15th calendar day since the date the amendment notification sent by RCE is considered to produce effects according to the provisions of RCE Reporting Convention. It may be unilaterally terminated by either Party based on a 3 months’ prior written notification in case no breach of obligations has occurred or by any Party pursuant to a 30 days’ prior notification addressed to the other party if the latter constantly fails to comply with its obligations provided thereunder.

Agreement for reporting and accessing data concluded with OPCOM (“OPCOM Reporting Convention”)

The OPCOM Reporting Convention is concluded based on a standard OPCOM form. On this basis OPCOM (as the Romanian gas and electricity market operator) provides to the Company various services regarding the disclosure of various information to ACER in accordance with REMIT Regulation. OPCOM Reporting Convention is concluded on an undetermined period and may be unilaterally terminated by either party without any justification based on a prior 20 calendar days’ written notice addressed to the other party. Furthermore, if either party fails to fulfil its obligations provided thereunder, the other party may terminate the OPCOM Reporting Convention pursuant to a 30 days’ prior notification, with no other formality required.

RCE market participation conventions

The Company has concluded with RCE a market participation convention covering the participation on the market for large consumers, futures market and producer-supplier futures market. It is concluded based on RCE standard form and may be terminated either following a notification submitted by the Company, or if the Company does not fulfil the conditions to trade on the markets operated by RCE.

Separately, the Company has concluded with RCE a collaboration agreement as an affiliated RCE member in order for the Company to trade on the market for large consumers. It is also concluded based on RCE standard form and may be terminated following a notification submitted by the Company, or at the expiry of the duration (if not extended by additional act) or if the Company fails to comply with its membership deriving obligations.

Facility Agreement with BRD

On 4 March 2021, the Company as borrower, and BRD – Groupe Societe Generale S.A. as lender and agent, entered into the unsecured term loan facility agreement no. 30/8130/2021 granted for the purpose of financing the acquisition of certain green target companies and financing of green assets and capacities (the “BRD Facility”). The total amount of the facility agreement is RON 1,250,000,000 and the final repayment date ends seven years after the commencement of the first interest period, whereas the loans are subject to a variable interest calculated for Ron based on ROBOR and in EUR based on EURIBOR. According to the Company and its shareholder resolution, the Utilization Date was prolonged until March 2024 and remaining proceeds to be utilized are of RON 610,000,000. The utilizations used for financing of green assets and capacities are capped at EUR 50,000,000 (or its RON equivalent), if such threshold is not subsequently increased by the shareholders. The Company assumed the force majeure and hardship, including for changes and fluctuation of the EURIBOR/ROBOR margins.

The BRD Facility includes a wide range of undertakings and restrictions (subject to certain exceptions and carve-outs) such as restrictions on the ability to provide security or guarantees or to dispose of assets, as is customary for such financings, requirements to adhere to specific financial covenants, restrictions on actions which could have a material adverse effect on the capacity of the Company to repay the loan or to fulfil its

obligation under the BRD Facility, restrictions on change of control, cross-default provisions, negative pledge arrangements, restrictions on mergers and reorganizations of any kind, and prohibitions to sell off assets outside of the usual course of business.

The finance documents related to the BRD Facility also include, among others mandatory and voluntary prepayment clauses and, subject to certain exceptions and carve-outs, undertakings to observe certain loan-to-value commitments and a variety of events of default, including cross default provisions regarding defaults under agreements under which financial indebtedness is incurred by any member of the Group with any creditor.

EMPLOYEES AND EMPLOYEE POLICIES

As of 31 December 2022, the Group had over 4,621 full-time employees performing their work at the headquarters of the Company and Hidroserv located in Bucharest and other locations of Group's companies' branches and/or working units across the country. Out of such employees, approximately 67% were workers, 25% were employees with higher education and 8% represented the top and middle management. As at 31 December 2022, the Group had 125 employees with limited duration employment agreements, while the rest of the personnel are employed based on unlimited employment agreements.

The Group's average number of employees during 2022 was 4,491, (during 2021: 4,393, during 2020: 4,456). More than 90% of the Company's employees is unionized.

At the Company's level there is a Collective Bargaining Agreement registered with the labour authorities under No. 29/22.02.2022, with a term of 24 months that runs as of 1 March 2022. At the Hidroserv level there is a Collective Bargaining Agreement registered with the labour authorities under No. 150/30.05.2022, with a 24 months terms that runs as of 1 June 2022.

The organizational chart for the Company's design department, which carries out mechanics, electrics and building design, issues specific technical documentation for investment activities, maintenance projects and refurbishment projects, oversees technical installations for the power plants as well as conducts all the feasibility studies, provides 33 positions, from which 27 are already filled and 6 are still vacant. The selection process for experienced designers is ongoing and the vacant positions will be filled shortly.

The Company's M&A specialized compartment counts four employees and is in charge of reviewing and overseeing the Company's Mergers and Acquisitions (M&A) projects. Each project also includes employees from different departments such as from technical, legal, financial or other departments depending on the project type. In the last three years, the Company managed to grow its knowledge of the M&A space, having participated in multiple M&A projects in the sector in Romania.

The modernization of the Group's asset base will allow the Company to reduce the number of employees. It is expected to reduce the number of employees through natural termination of employment (e.g. retirement).

The following table sets forth the Group's employees and staff under management services contracts as at 31 December 2022, 2021 and 2020, split by Group company:

Company	Number of employees		
	As at 31 December		
	2022	2021	2020
Hidroelectrica.....	3,465	3,381	3,400
Hidroserv.....	1,156	1,126	1,151
Total.....	4,621	4,507	4,551

The Group has been continuously focused on the training of its employees. It prepares and deploys training and career development plans for its employees within its various business sectors.

Employee benefits

The Group makes payments for taxes withheld from salaries, which are calculated in accordance with the legal rates in force during the year, based on gross salaries.

The additions, allowances, compensations and bonuses granted to the employees under the collective labor agreement applicable at the level of Hidroelectrica in addition to their base salaries include mainly the following: seniority addition (up to 25% of the base salary), fidelity addition (up to 10% of the base salary),

management allowance (up to 40% of the base salary), addition for supplementary attributions related to other jobs (up to 50% of the base salary), additions for night work (25% of the base salary), additions for work performed on bank holidays (200% of the base salary), additions for work performed on Saturday and Sunday (100% of the base salary), additions for work performed during Energy Worker's Day, addition for work performed systematically beyond normal work schedule – instead of the addition for overtime (up to 25% of the base salary), addition for on-call time at domicile or at the hydropower station (25% of the base salary), addition for isolation (up to 50% of the base salary), mobility and confidentiality addition (up to 25% of the base salary), complexity addition (up to 50% of the base salary), construction site addition for non-local staff (1% of the base salary), meal allowance for navigating staff (for 4,400 calories/person/day), paid free days, holiday pay, medical leave pay, delegations/secondment/settlement expense, compensatory salaries upon dismissal for redundancy reasons (up to 24 monthly base salaries for employees who worked more than 20 years in the Company), retirement premium (up to 6 monthly base salaries for 25 years of continuous work within Hidroelectrica), jubilee premium (up to 6 monthly base salaries for 45 years of continuous work within Hidroelectrica), security agent allowance, electricity quota for employees, for retired former employees and for relatives of such employees under certain conditions, salary additions for Christmas, Easter and Energy Worker's Day, addition for liaison officer for security of critical infrastructure (10% of the base salary), additions for the members of the project team/program (up to 25% of the base salary), meal vouchers (30 Lei/voucher/day), gift vouchers, profit sharing, expenses of social nature carried out based on the collective labor agreement (gifts for the 1 June, Christmas tree and 8 March for women, transportation to and from work place, monetary aids for child birth/adoption, marriage, Christmas, Easter and Energy Worker's Day, for loss of work capacity/professional illness/illness, for professional illness related death, death of employees' family members etc.), voluntary health insurance, optional pension. An yearly professional training fund for employees is also negotiated under the Hidroelectrica collective labor agreement.

Under the collective labor agreement applicable at the level of Hidroelectrica, the employees are entitled also to performance bonuses up to the amount of 1.5% of the monthly negotiated base salary fund for special achievement, various awards such as awards for the winners of the competitions "Energy Worker's Trophy", "Ideas and Money", "Dorin Pavel", and to benefits including professional training and development courses, a mobile phone with a certain number of minutes included, laptop/PC, cars owned by Hidroelectrica or under leasing, variable component payment for KPIs' achievement.

The additions, allowances, compensations and bonuses granted to the employees under the collective labor agreement applicable at the level of Hidroserv in addition to their base salaries include mainly the following: seniority addition (up to 25% of the base salary), fidelity addition (up to 10% of the base salary), addition for work team management (5% of the base salary), mobility and confidentiality addition (up to 10% of the base salary), complexity addition (up to 10% of the base salary), addition for on-call time at domicile (25% of the base salary), addition for overtime (80% of the base salary), addition for work performed on bank holidays (200% of the base salary), additions for work performed on Saturday and Sunday (100% of the base salary), additions for night work (25% of the base salary), additions for work performed in the underground (10% of the base salary), addition for work performed under difficult conditions (15% of the base salary), addition for isolation (20% of the base salary), diving addition for divers (2% of the base salary/immersing hour), addition for supplementary attributions related to other job (up to 50% of the base salary), meal allowance for divers, management allowance (up to 40% of the base salary), jubilee premium (up to RON 10,000 for 40 years of continuous work within Hidroserv), retirement premium (up to 5 monthly base salaries for more than 30 years of continuous work within the Group), additions of minimum RON 300/person for Christmas, Easter and Energy Worker's Day, gifts for employees' children in amount of 100 Lei/child under 18, monetary aids for child birth/adoption, for an employee's death, for the death of one of the employee's family members, employees' and their family members illness, employee's death caused by work accident or professional illness, profit sharing, electricity quota for employees for 330 kWh, meal vouchers, gift vouchers, compensatory salaries for dismissal (up to 12 salaries for more than 30 years of continuous work in Hidroserv or Hidroelectrica or its affiliates, in the units of the former National Electricity Company, including the former units of R.A. RENEL and the former units of the former Ministry of Electric Energy), holiday pay, medical leave pay, delegations/secondment/settlement expense.

The salaries and other remuneration of the employees have increased as at 2021 in line with inflation, after negotiation with unions, based on State Budgeted Law.

Diversity and Inclusion

The Group's priority is to create a working environment where all employees are treated with dignity and respect to individual differences. The Group has zero tolerance to any form of discrimination based on race, gender, age, color, language, social origin, genetic traits, citizenship, ethnic origin, sexual orientation, political option, religion, family status or responsibility, disability, union membership or activity, non-contagious chronic disease, HIV infection, belonging to a disadvantaged category, as well as any other form of unfair or unlawful discrimination.

The Group fully supports a culture of diversity and inclusion. Its culture is based on respect to its employees and customers, as well as to the communities where it operates.

Management believes that attention and respect for cultural and other differences is one of the keys to the Group's success.

Child Labor Avoidance

The Group only employs individuals who meet the applicable legal minimum age requirement and comply with all other applicable local labor laws.

Prohibition of Forced Labor

The Group does not employ any form of forced labor. All staff members work voluntarily and are free to terminate their employment, subject to applicable local labor laws and contracts. The Group respects human rights, including the right to freedom of movement.

Freedom of Association

The Group allows its employees to freely associate among themselves and to adhere to trade unions.

Safe and Healthy Working Environment

The Group provides a safe, hygienic, and healthy working environment and identifies, evaluates and controls employees' exposure to health and safety hazards.

Professional Equality

The Group is committed to ensuring professional equality, fighting against discrimination and violence, and preventing sexual harassment.



Business operations

The business operations of the Company are divided into two categories: headquarters and regional business units (branches). At the Company's headquarters, as of 31 March 2023 there were 488 full time employees focusing on new tenders and renewal processes, procurement strategy, legal, design and asset management, growth and refurbishment strategy, centralized know-how and senior expertise. Centralized business operations for trading and supply are also carried out at the headquarters.

At the Company's regional business units, as of 31 March 2023 there were 2,986 full time employees. The main responsibilities of a branch include on-site presence, operating hydroelectric power plants, day-today technical operations, technical and operational improvements, maintenance and technical support and hydro construction monitoring. The table below shows the number of full-time employees as of 31 March 2023.

BRANCH	NUMBER OF FULL TIME EMPLOYEES
BISTRITA.....	405
CLUJ.....	341
CURTEA DE ARGES	581
HATEG	364
PORTI DE FIER	415
RM VALCEA.....	530
SEBES	344
WIND	6
TOTAL	2,986

PROPERTY AND EQUIPMENT

The Group's material property and equipment include mainly the HPPs described in the other subsections of the "Business" section above and the Crucea Wind Farm.

Title to land relating to HPPs

Since 1990, the former Romanian State-owned enterprises have been transformed into private companies, the Romanian State becoming shareholder of such entities. The real estate properties used by such former State-owned companies were transferred from the Romanian State into companies' private ownership through the issuance of so-called "land ownership ascertaining certificates" (in Romanian "certificat de atestare a dreptului de proprietate") ("CADP") that constitute title deeds (of administrative nature) issued by the Romanian authorities. Such certificates are issued and contributed to the relevant State-owned company in return for an issue and allotment of shares.

In line with such procedures, the ownership title for the plots of land owned by the Company pertaining to the main HPPs is in general a CADP issued by the Ministry of Economy or by the Ministry of Industry. Such CADPs were issued starting 2002 in favor of the Company, as one the successors of the former State-owned entity National Electricity Company S.A.

The process of issuing all of the Group's CADPs and the subsequent share capital increases is ongoing and shall continue after completion of the Offering. For a description of the risk the Company faces with respect to this matter please see "*Risk factors — Share capital increases resulting from Romanian State-owned land contributions may result in dilution of shareholders*" above.

Title to HPPs

Most of the building permits or acceptance minutes upon completion of works for the HPPs and infrastructure located on the Company's lands were issued at least 30 years ago. The Company's ownership title over buildings is based on GD no. 627/2000 establishing Hidroelectrica SA, but also on the basis of claiming that the buildings' legal regime follows the lands' legal regime.

The Company is also the beneficiary of a legal right of use and an underground easement for the installation/decommissioning of electrical networks or other equipment related to energy capacity and for access to their location, under the Energy Law no.123/2012.

Crucea Wind Farm

The Company uses the land plots beneath the turbines or related equipment and installations or needed for the operation of the Crucea Wind Farm on the basis of specific: (i) use and superficies rights, as set forth under certain assignment and superficies agreements made with the landowners of such land plots; and (ii) servitude rights as set forth under certain servitude agreements made with the landowners of such land plots. The agreements are valid for the entire duration of Crucea Wind Farm. The Company also uses certain exploitation roads on the basis of certain agreements for the use and consolidation of certain communal roads

The turbines and related equipment and installations pertaining to Crucea Wind Farm are the property of the Company based on the building permit and acceptance minutes issued in this respect. The constructions were initially developed by Crucea Wind Farm whose shares were acquired by the Company and further merged into the Company.

INTELLECTUAL PROPERTY

The Group holds intellectual property rights as regards trademarks and domain names, patents and software (mainly as licensee).

Trademarks and domain names

The Group owns the following trademarks (*word and logo representation*): (i) TM no. (i) 188718, owned by Hidroelectrica and expiring on 06/07/2032, and (ii) 114824, owned by Hidroserv and expiring on 04/02/2031, with possibility of renewal. The Group also owns the domain names Hidroelectrica.ro, owned by Hidroelectrica and expiring on 29/05/2028 and Hidroserv.ro, owned by Hidroserv and expiring on 23-07-2026, with possibility of renewal. All are nationally registered, namely with the Romanian Office for Inventions and Trademarks ("OSIM" as regards the trademarks) and RoTLD Register (for domain names). None of such registrations are close to expiry.

Hidroelectrica also took over the trademark no. 182548 – *HIDRO-WIND*, as effect of the merger with Crucea Wind Farm. The update of the owner with OSIM is pending finalization.

Patents

Hidroelectrica owned two patents regarding *self-centering distribution head for hydraulic turbines* (RO118768B1) and *hydraulic installation for automatically driving the butterfly throttles* (RO118323B1), both of which have expired.

Hidroserv applied for two patents which are in the process of being issued as regards *servomotor rods reconditioning process using classic and laser welding technology* (RO133763A2) and *hydraulic block actuator of lowering the quick valve with a single impulse, equipped with a linear stroke tracking system and position sensors, for correcting the working position*.

Software

The Group does not own core proprietary software. The software system is mainly based on standard license agreements of non-customized software. The Group has implemented or it is in process of implementing the major objectives as regards its systems. In this respect there are also several ongoing procurement procedures.

The connections between HPP units are made by communication systems based on optical fiber owned by the Company or based on VPN systems (*optical fiber/wireless*) rented from relevant operators present in area of interest (*Vodafone, Orange, RCS&RDS*). Communication with the Operational Unit – National Dispatcher Centre as regards regulated power plants (in Romanian *centrale reglante*) is carried out by serial interface connections.

LEGAL PROCEEDINGS

The Group is involved in various proceedings arising in the ordinary course of its business, both as plaintiff and as defendant. Other than as described in this Prospectus, the Group is not involved in, nor is aware of, any legal, arbitral or administrative proceedings or governmental investigations that could reasonably be expected to have a material adverse effect on its business, financial condition or results of operations.

Tax Litigation (case 3288/2/2015)

The Company is involved in a tax litigation against two divisions of the National Tax Agency (“ANAF”) for RON 214.4 million. The tax liabilities under review (consisting of income tax, VAT and payroll tax and accessories) originate from the tax audit conducted between 9 August 2012 and 31 December 2013 in connection with the Company’s activity between 1 January 2007 and 30 June 2012. RON 18.2 million of the total tax debt was cancelled by way of a tax ruling during preliminary review by ANAF, while the remaining amounts (RON 214.4 million) were challenged by the Company before the Bucharest Court of Appeal in the current case 3288/2/2015.

Given that the Company had been in insolvency and restructuring between 20 June 2012 and 21 June 2016, its receiver refused to register the tax receivable as it was declared outside the deadline for registration of debt against insolvent companies. The receiver’s decision was validated by the Bucharest Court of Appeal (Decision 135/01.03.2016 in case 22456/3/2012*/a1). ANAF however collected the remaining tax amounts of RON 214.4 million after the successful conclusion of the Company’s restructuring, by enforcing a letter of bank guarantee issued by ING Bank in order to secure the Company’s payment of the tax debt.

The collection of the tax amounts of RON 214.4 million by ANAF from ING Bank is at the origin of a cluster of litigations related to this enforcement, which are however suspended until resolution of the case 3288/2/2015.

By its decision issued on 7 April 2023, the Bucharest Court of Appeal cancelled the additional tax liabilities, of RON 214.4 million in their entirety and refused to cancel the tax audit report underlying the tax decision. An expert report drafted by a panel of experts appointed by the court in the case had found that more than 99% of the tax liabilities established by the tax report were without merit and not due. The decision of the Bucharest Court of Appeal, which was not served to the parties with its reasoning, is subject to appeal within 15 days of the date of service of process (the appeal will be examined by the Supreme Court of Justice of Romania).

Successful final conclusion of the case would enable the Company to recover the amounts collected by ANAF either directly or by setting them off against other due tax liabilities.

In case 3894/299/2016*, both Hidroelectrica and ING Bank challenged the enforcement of the letter of guarantee. The claim was eventually admitted by the Bucharest Tribunal and the enforcement was cancelled by final court decision.

Pursuant to cancellation of the enforcement, the Company claimed RON 214.4 million from ING Bank in (case 25111/3/2019 on the docket of the Bucharest Tribunal). Initially rejected by the first instance court, the case was remanded for retrial by the appellate court and is currently suspended until final resolution of the case 1088/2/2020.

Pursuant to cancellation of enforcement, the Company also asked for reimbursement of the tax amounts directly from the state budget. ANAF's refusal to reimburse the amounts enforced without legal grounds was challenged by the Company in case 1088/2/2020 on the docket of the Bucharest Court of Appeal. The dispute is currently suspended until resolution of current case 3288/2/2015.

It also attempted to use a separate procedural device (reversal of enforcement) in order to recover the amounts enforced (RON 214.4 million) from the state budget. The claim (case 51487/299/2021) is currently suspended until final resolution of current case 3288/2/2015.

Dispute with Ministry of Energy (case 3200/2/2018)

The claim filed by the Ministry of Energy purports to supplant the Company's consent to an addendum to the Concession Agreement and order the Company to pay RON 373.1 million representing royalties for the period 2013 – 2018 in relation to the said agreement. The dispute originates in a 2014 audit by the Romanian Court of Accounts which had determined that royalties were due on the basis that the concessions were not correctly calculated. The criteria for determining the amount of royalties are related to the value of the fixed assets of the Company.

The expert report ordered by the court found that the royalties determined and paid by the Company during 2013-2018 were correct and there are no additional royalties due.

The claim was rejected by the Bucharest Court of Appeal on 11 May 2021 and the dispute is currently pending appeal on the docket of the Supreme Court of Justice with the first hearings scheduled for 14 February 2024.

Dispute with ANRE (case 1927/2/2019)

The Company challenged ANRE Decision 324 of 25 February 2019 concerning regulation of the price charged by Hidroelectrica on regulated contracts with suppliers of last resort (SoLR), also requesting compensation in the amount of RON 222.7 million (the case is currently on the docket of the Bucharest Court of Appeal).

The outcome of the case is significantly influenced by the solution rendered by the court on the challenge lodged by Hidroelectrica against ANRE Order 10/2019 on methods for price determination. As the challenge was rejected by the final decision of the High Court of Cassation and Justice (case 1170/2/2019), Hidroelectrica anticipates the decision on case 1927/2/2019 will also be adverse.

Disputes with Hidroconstructia S.A.

Hidroelectrica is engaged in several disputes with Hidroconstructia S.A. related to various construction projects. The aggregate value of Hidroconstructia's significant claims against Hidroelectrica equals RON 168.7 million.

(i) Făgăraș-Hoghiz Sector

Hidroconstructia S.A. sued Hidroelectrica for damages in the amount of RON 106.9 million, including the value of several letters of guarantee, and termination of the Contract 672/1989 concluded between the parties on 22 April 1989 in respect of hydropower works on the Olt River (Fagaras- Hoghiz Sector).

The dispute was examined in the first degree of jurisdiction by the Bucharest Tribunal (case 12257/3/2022). As per the defense of the Company, the claim was inadmissible before the venue chosen by the claimant due to state of Hidroconstructia S.A. (insolvency) and the claim was also ill-founded. As per the publicly available information on the court's website, the claim of Hidroconstructia S.A. was rejected as inadmissible at the hearings of 25 January 2023. The decision is subject to appeal which may be lodged within 30 days of the date the grounded ruling is served on the parties. The decision no. 143/25.01.2023 was communicated to the Company on 8 June 2023.

(ii) Damages related to suspension of works

In 2016, Hidroconstructia S.A. also sued Hidroelectrica for damages estimated by the company to be in the amount of RON 32.8 million as at 31 December 2022, allegedly incurred due to suspension of various works contracted by Hidroelectrica at several hydropower plants, prior to Hidroelectrica's insolvency. The case (11314/3/2021) is pending retrial by the Bucharest Tribunal.

(iii) Siriu-Surduc

In 2020, Hidroconstructia sued Hidroelectrica for commercial loss amounting to RON 29.0 million related to the works at the Surduc-Siriu site, allegedly incurred by Hidroconstructia as a result of Hidroelectrica's alleged failure to finance the project. The claim (case 31451/3/2020) was rejected by the Bucharest Tribunal on the 10 April 2023. On 7 June 2023, the claimant appealed the decision of the Bucharest Tribunal. The case is going to be submitted for resolution to the Bucharest Court of Appeal.

Dispute with Romelectro S.A., Hidroconstructia S.A. and ISPH Project Development S.A. (case 40314/3/2013*)

In file 40314/3/2013* Romelectro S.A., Hidroconstructia S.A. and ISPH Project Development S.A. asked the court to supplant the consent of the Company to conclude an addendum to construction contract 21DI/26.01.2004 and to impose on Hidroelectrica an additional cost of works in the amount of RON 88.4 million.

The first claim concerning conclusion of the addendum is currently pending trial before the Bucharest Court of Appeal (case was moved back and forth between the Bucharest Tribunal and the Bucharest Court of Appeal) and the court is examining expert evidence in order to review the merits of the case.

Insolvency of Complexul Energetic Hunedoara ("CEH") (case 5075/97/2016)

The Company claims RON 1,150.5 million against CEH, a company declared insolvent in 2016. The receiver of CEH only accepted and registered RON 1,036.0 million in the registry of creditors of CEH and rejected the remaining RON 114.5 million.

The decision of the receiver was challenged by both Hidroelectrica (which claimed registration of the full amount) and by CEH (who challenged registration of the amount of RON 1,031.8 million). Both claims are subject to court case 5075/97/2016/a6 (which also contains claims of several other creditors against the preliminary registry of receivables of CEH).

The file is pending before the Hunedoara Tribunal. The prospects of a favorable solution may not be assessed with any degree of accuracy; however it should be observed that given the state of CEH (insolvency) and the magnitude of the Company's receivables, even successful registration in full of the receivable does not equate to actual recovery of the amounts. These amounts are not recorded in the Group's accounts.

Arbitral dispute with Romelectro S.A.

Dispute originates in a claim lodged by Hidroelectrica for the amount of RON 78.7 million, against Romelectro S.A. related to the delay and improper performance of works undertaken by Romelectro S.A. at the Stejaru HPP (Arbitral case 8/2021). Romelectro S.A. responded with a counterclaim for the RON equivalent of EUR 8.9 million plus interest, VAT and litigation fees, consisting in costs and lost profits sustained by Romelectro S.A. as a result of Hidroelectrica's improper performance of its contract obligation.

Pursuant to Romelectro S.A.'s declaration of insolvency, the claim of Hidroelectrica was terminated before the arbitral tribunal and Romelectro S.A.'s claim was separated (case 30/2022). Subsequently Romelectro S.A. reduced its claim to the RON equivalent of EUR 5.9 million. Case is pending before the International Court of Arbitration attached to the Romanian Chamber of Commerce.

Dispute with Beny Alex S.R.L. (case 36646/3/2018*)

In 2018, Hidroelectrica was sued by Beny Alex S.R.L. in relation to environmental cleaning works at the Raul Mare Retezat – Barajul Gura Apelor HPP performed prior to Hidroelectrica's insolvency. The Bucharest Tribunal initially rejected the claim as time barred, however the decision was quashed by the Court of Appeal and remanded to the Bucharest Tribunal. On 30 May 2023, the Bucharest Tribunal partially upheld the action brought by the applicant and ordered Hidroelectrica to pay RON 40.1 million. The decision was communicated at the Company's headquarters on 12 June 2023 and an appeal will be lodged within the legal time limit.

Litigation concerning the procedure for recruitment and selection of members of the Management Board of the Company (case 5760/3/2020)

The process of selection of the members of the Company's Management Board is set out in GEO 109/2011 and the Companies' Law. This process includes several steps as further detailed under section "Management" of this Prospectus.

The current Management Board was appointed in June 2019 by Decision of the Supervisory Board, with a term that extends through 10 June 2023.

The selection procedure was carried by a recruitment company (Pluri Consultants Romania S.R.L.) retained and instructed by the Company. The recruitment company delivered a report on the eligibility of each candidate and a final report on proposals for appointment pursuant to interviews carried by the Company with eligible candidates for five positions of members of the Management Board.

The selection procedure was challenged by a candidate who is a former employee of the Company, on grounds of alleged discrimination and lack of transparency on the selection criteria. The claimant requested the court to cancel the selection procedure and the appointment of Mr. Radu Pop on the Management Board, and to order the Company to organize a new selection procedure. The claimant did not explicitly challenge the actual decision of the Supervisory Board on the appointment of the members of the Management Board.

The claim was admitted in part by the Bucharest Tribunal on 12 April 2022, which cancelled the selection procedure related to the five members of the Management Board and ordered the Company to initiate a new recruitment and selection procedure. The court ruling did not directly challenge the decision of the Supervisory Board by which the current members of the Management Board were appointed, nor any decisions made by the Management Board or deed signed on behalf of the Company.

The Company's first appeal of the decision was rejected by the Bucharest Court of Appeal on 1 March 2023. The Company has lodged a second appeal with the Supreme Court of Justice of Romania (a hearing yet to be scheduled) and obtained the suspension of the effects of the Bucharest Tribunal decision. For details on the consequences of this litigation, please see *"The selection process for the Management Board has been challenged in court, as a result of which the actions of the Company's directors may be subject to challenge"* in the "Risk Factors" section of this Prospectus.

Environmental Litigation

The environmental NGOs Agent Green and Bankwatch challenged the National Environmental Agency Decision 7 of 22 January 2020 on continuation of the environment regulatory procedure for the hydropower works remaining to be carried out by the Company on the Livezeni-Bumbesti sector of the Jiu River (litigation case 10214/3/2020). The NGOs also asked the court to order demolition of the works (87% of which are finalized according to the Company). The decision of the Bucharest Court of Appeal dismissing the claim was quashed by the Supreme Court on the 16 February 2022 and the case was remanded to the Bucharest Court of Appeal and pending retrial.

In a separate case Agent Green and Bankwatch also challenged the Romanian Government's Decision 1032/2018 authorizing the placement of 110 kV power lines on the Bumbesti HPP – Târgu Jiu Nord – Parâng corridor and the related land expropriation process. The works are in relation to the Bumbesti Livezeni power plant. The decision of the Bucharest Court of Appeal to admit the claim (case 4315/2/2019) was quashed by the Supreme Court on 17 June 2022, which admitted the appeal of Hidroelectrica and of the Government and remanded the case to the Bucharest Court of Appeal, where it is pending retrial.

In case 30229/3/2020 the "EcoCivica" NGO filed a claim purporting to obtain cancelation of the building permit 304/1990 concerning the construction of the Răstolița power plant on the Mureș River, cessation of works and demolition of the construction works. The Company, as defendant, filed a joinder whereby it asked the Ministry of Environment, the Ministry of Energy and the Ministry of Environment, Forests and Water to join the case as guarantors liable to pay the value of the works (estimated by Hidroelectrica to be in the amount of RON 695.6 million) in the event the claim is admitted. The Bucharest Tribunal rejected all claims on 25 March 2022. The decision is subject to appeal.

The Company challenged certain provisions of the Ministry of Environment Order 1964/2007 (case 7514/2/2021) concerning the establishment of the ROSCI0019 – Calimani Giurgiu area as a protected site under the Nature 2000 European Network, considered by Hidroelectrica to interfere with its investment in the Răstolița plant on the Mureș River. The case is pending before the Bucharest Court of Appeal. At the hearing scheduled on 14 June 2023, the request for referral to the Court of Justice of the European Union

was discussed. The court postponed the ruling on this application to 28 June 2023. The Declic NGO filed a claim (case 3757/117/2022) against the Company and the Covasna County Council purporting to obtain a court order for demolition of the “Surduc Siriu. Treapta Surduc Nehoiasu, Baraj Surduc” hydropower plant. The claimant asked that demolition works be authorized by the Covasna County Council and carried out and financed by the Company.

The Company filed on 14 October 2022, together with the statement of defence, a joinder whereby it requested that the Romanian State be joined to the case as guarantor and take liability for the construction costs of the plant (estimated by the Company to be in the amount of RON 22.6 million) and for the demolition costs in case the claim is admitted. The case is pending on the docket of the Cluj Tribunal.

Proceedings related to energy generation tax

Romanian tax authorities, through the General Antifraud Fiscal Division, performed three controls at the Group with respect to the tax for electricity producers: (i) two for the September-December 2022 period (which were concluded in a report issued on 11 April 2023 for the Company and a report issued on 12 April 2023 for Crucea Wind Farm) and (ii) one for the period April-August 2022 (which was concluded in a report issued on 19 April 2023). In the report issued on 11 April 2023, the authorities did not make any changes to the method of computing the tax for electricity producers or to the method of computing the transfer price from its production portfolio to its supply portfolio, but raised an issue on the date from which the Company applied Law 357/2022 (16 December 2022). Following such conclusion, the tax authorities applied Law 357/2022 retroactively, namely from 1 September 2022, thereby computing an additional tax of RON 62.1 million, which the Company paid and challenged to ANAF and intends to further challenge in court, if needed.

Criminal litigations

Hidroelectrica and/or its legal representatives are currently involved in several criminal cases which are in different procedural stages.

In over 50% of such criminal cases, the Company notified the criminal investigation authorities for the purpose of identifying and holding accountable former employees suspected of having prejudiced the company. Most of these notifications were made after the opening of insolvency proceedings against the company, at the initiative of the judicial administrator and without a thorough analysis of the amounts of the respective requested damages. Vast majority of such cases have stopped without indictments being issued in the criminal cases.

There are also cases where criminal authorities have officially requested the Company to make available certain documents as part of a criminal investigation, without the Company being named a civilly responsible party or a defendant and without being provided with any other information on the investigation. Since criminal investigations are secret according to Romanian criminal law legislation, the implications of such investigations as regards the Company may change in the future once more information is made available by the criminal authorities.

Real estate litigation

The Company is involved in several types of disputes concerning real estate properties, either owned by the Company under CADPs or used under the Concession Agreement.

- Disputes related to various overlapping litigations; for example, there are pending litigations in relation to PF2 accumulation lake (file no. 748/225/2020 before Drobeta-Turnu Severin Court) or to Vidra accumulation lake. In this latter file, the Company requested in front of the court the cancellation of an ownership title issued in 2006 in favor of a presumably former owner based on the restitution law. The ownership title includes an area of 17,967 sqm that is located on an island within Vidra lake (which is used by the Company based on the Concession Agreement).
- Disputes related to the cancellation of the issued CADPs for part of the total surface mentioned therein since the local authorities also issued ownership titles based on the restitution law in favor of private individuals; for example, in file no. 3526/263/2019* before Motru Court the Company acts as defendant and the cancellation relates to a surface of 6,685 sqm, part of the area of 52,587.65 sqm owned by the Company based on relevant CADP.

- Disputes generated by the return of certain properties in favor of the presumably former owners based on the restitution law on sites already approved for further new investment objectives; for example, in relation to HPD Rastolita, the Company requested the cancellation of the possession of Banffy, since a surface of approximately 55 hectares of forest land from the basin of the future accumulation lake is claimed by an individual after the land has been expropriated in 2017 by the Romanian State. This situation led to a deadlock in the procedure for removing the land necessary for the construction of the accumulation lake from the forestry use.
- Disputes generated by the amount of compensation in the case of land expropriated for public use (for example HPD Rastolita – litigation file no. 986/102/2018 before Mures Court of Appeal).

BUSINESS ETHICS AND INTEGRITY

Anti-Bribery and Corruption, Anti-Fraud and Compliance Policies

In order to prevent corruption offences, the Company implemented an ethical code (“**Ethical Code**”), internal regulations, codes of conduct, as well as procedures and regulations specific to donations, sponsorships and reporting integrity incidents.

Anticorruption is addressed in a dedicated chapter of the Ethical Code, which defines the manner of analyzing and implementing the specific legal provisions, the ISO Standard SR ISO 37001 on Anti-bribery Management Systems and OECD’s Good Practice Guidance on Internal Controls, Ethics and Compliance.

The Ethical Code expressly forbids the Company’s management, its employees or any other person acting on behalf of the Company to ever offer, promise or pay money, as well as to offer, promise, request, receive or accept any item of value with the purpose of influencing or being influenced to take decisions or performing duties in accordance with legal or internal regulations. The items of value include advantages of financial or other nature, such as – besides cash – gifts, credit, loan, warranty, discount, advertisement, services, benefits, job offers, sponsorships etc.

Offering gifts up to RON 250 (approximately EUR 50) is permitted as long as such gifts are not given or received with the purpose of influencing the existing business relationship or the one that follows to be created with the Company.

The Company is allowed to make sponsorships as long as they are made in accordance with the specific legislation, whilst the Company’s management and employees are forbidden to request or accept, either directly or indirectly, any amount of money in exchange for a sponsorship.

The Company’s management and employees must avoid any conflict of interests regarding their positions, activities and their own persons. To this end, the Company’s management and employees must report any real or potential conflict of interests between the Company’s interest and their or their relatives’ personal interest.

In order to prevent corruption offences, the Company has implemented a specific procedure for identifying and assessing the risks of corruption and implementing measures to prevent such risks, having as starting point the ISO Standard SR ISO 37001 on Anti-bribery Management Systems and OECD’s Good Practice Guidance on Internal Controls, Ethics and Compliance. In addition, the Company has implemented regulation regarding the identification and assessment of corruption risks and the definition and analysis of measures to prevent such risks.

Every member of the Company’s leadership and every employee is obliged to report any suspicion of corruption to the employee’s superior. Every employee from the Procurement, Trading, Supply, Human Resources or Internal Control departments must sign once a year a statement regarding compliance with the provisions of the Company’s Ethical Code.

In matters of reporting, the Company has a dedicated procedure for reporting, analyzing and solving integrity incidents which has as purpose to establish the necessary framework for reporting integrity incidents and the responsibilities within the Company for solving such incidents.

ENVIRONMENT, ESG AND CORPORATE SOCIAL RESPONSIBILITY (“CSR”) GUIDELINES AND POLICIES

ESG and CSR guidelines and policies

The Group’s number one priority in terms of health, safety and environment remains to avoid any accidents among the staff and partners operating within the Group’s perimeters, to act in a sustainable, ethical, and environmentally responsible manner and to comply with all relevant legal requirements. The Group

constantly assesses occupational safety and health risks, identifies significant environmental issues, and ensures the continuous training of employees in matters of occupational safety, environmental protection and emergencies.

The Group has a management system complying with the requirements of quality, environmental and occupational safety and health management standards, continuously monitored, adapted and optimized, with reference to the identification, implementation and monitoring of applicable requirements, the Plan-Perform-Verify-Act cycle and reflection based on risk and opportunity. This compliance is demonstrated by the certification of the management system with specific ISO standards⁶⁰.

Environmental protection is a priority for the Group. Its strategy is aimed at increasing the Group's value by optimizing the operation of its production capacities and operational control, by making profitable investments and achieving a regional expansion, while complying with the applicable environmental legislation and using resources in a rational and responsible manner, in order to prevent and reduce the environmental impact.

In order to adhere to the international environmental protection requirements, the management system has implemented the following measures:

- a) enhanced environmental responsibility through direct involvement, training, and continuous improvement in the field of environmental protection of all personnel;
- b) preventing and combating water and soil pollution through measures related to the operation and maintenance of equipment in a first stage and through technological change in the future;
- c) applying environment-friendly solutions in new investment works, upgrades, refurbishment, and restoration of the natural environment after completion of the works;
- d) efficient waste management resulting from own activity;
- e) initiating and developing partnerships with all stakeholders concerned with environmental protection;
- f) improving communication with interested public by increasing transparency and encouraging dialogue; and
- g) continuously improving the environmental component of the Group's Integrated Management System.

Staff Engagement and Volunteering

Management believes that staff engagement is an important way of fostering solidarity and sustainable values among the Group's employees and should be encouraged by all means. The Group is aiming to institute a framework that allows its employees to contribute their professional skills or their time to CSR and Community Development initiatives.

Efficiency and Systematic Approach

The Group is aiming to make the best use of resources in order to achieve maximum effect of its projects while maximizing the benefit to beneficiaries. This principle applies not only to funds allocated for such activities but also to resource management or other use of the Group's infrastructure.

The Group is aiming to focus its efforts in a systematic way by gradually developing best practice and innovative programs. The overall number of core themes should be limited to one or several focus areas so that the resource allocation is not overstretched.

Reducing the environmental impact

The Group conducts business in a world where environmental challenges and related issues are growing. Risks related to rapid climate change, overexploitation of natural resources, local ecosystems loss, fresh water sources contamination and heavy air pollution are the major concerns for the Group as a whole. There is an urgent need to reduce and minimize negative environmental impacts by creating a lower-carbon, more decentralized, more efficient, and more sustainable energy systems. The Group recognizes that Climate Change is occurring, and acknowledges the scientific consensus, led by the Intergovernmental Panel on climate change, that greenhouse gases emitted by human activities are the primary driver. The Group is

⁶⁰ – quality management system – SR EN ISO 9001:2015 (certificate 325 valid until 20 June 2024), the environmental management system – SR EN ISO 14001:2015 (certificate no. 95 valid until 20 June 2024), the occupational health and safety management system SR EN ISO 45001:2018 (certificate 250 valid until 20 June 2024) issued by SRAC, IQNET (The International Certification Network) partner – RENAR accredited certification body

committed to act responsibly and sustainably to correctly identify and tackle its impacts on the environment and local ecosystems and implement concrete action plans to minimize these negative impacts and at the end, bring a positive change into today's challenging world. In particular, environmental agenda is embedded into our strategy and includes three main pillars:

- Energy transition: the Group aims to maintain its position as a local and regional leader in producing 'green energy' and supporting the transition to a low-carbon and energy-efficient economy
- Climate change: climate change adaptation and reaching "Near zero GHG emissions"
- Environment and biodiversity: prevention / mitigation of the environmental impact, with a focus on areas of high biodiversity value

Group Sustainable Development Goals

The 2030 Sustainable Development Agenda poses a unique and critical challenge to the energy sector. Expanding access to clean energy will play a crucial role in achieving nearly every one of the Sustainable Development Goals.

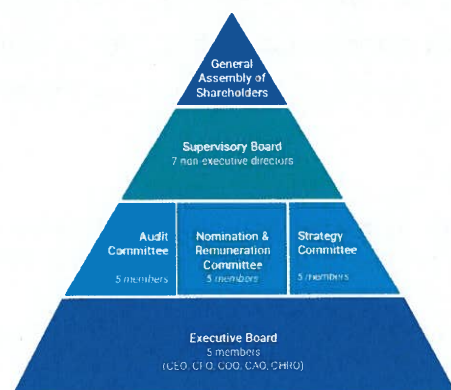
By its nature, hydropower has an important role to play in achieving this goal (SDG 7). There is a broad consensus that, when properly planned and implemented, hydropower is an affordable, reliable, sustainable and modern technology. The Group is committed to SDG 7 as being one of the most critical, by ensuring access to affordable, reliable, sustainable and modern energy by 2030.



MANAGEMENT

The Company has a two-tier board structure, consisting of a Supervisory Board and a Management Board. The figure below presents the corporate governance structure of the Company:

Figure 42:



Supervisory Board

The Company's Supervisory Board comprises seven members appointed by an ordinary resolution of the general meeting of shareholders, out of which one serves as a chairperson. Currently, following the resignation of Mr. Niculescu George Sergiu, the Supervisory Board comprises six members, none of which was appointed as chairperson. At each meeting of the Supervisory Board, a chairperson is appointed from among the current members which exercises the rights of a chairperson. The powers of the Supervisory Board are described below in the section "*Description of Share Capital and Corporate Structure – Corporate Structure – The Supervisory Board*".

As at the date of this Prospectus, the members of the Supervisory Board are the following:

Name	Position	Date of expiration of their mandate	The period during which the person served in the current position/ office
Mihai Liviu Mihalache	member	28.03.2027	02.2019 – present
Carmen Radu	member	28.03.2027	02.2019 – present
Karoly Borbely	member	28.03.2027	07.2017 – present
Silviu Razvan Avram.....	member	28.03.2027	03.2023 – present
George Marius Toniuc.....	member	28.03.2027	03.2023 – present
Daniel Adrian Naftali	member	28.03.2027	01.2019 – present

Biographical Details of the members of the Supervisory Board

Mihai Liviu Mihalache

Mr. Mihai Liviu Mihalache has held the position of member of Hidroelectrica's Supervisory Board since 2019 and has extensive experience in the legal field. He studied Law School at Universitatea Ecologica, Bucharest between 1997-2001 and has worked as a legal adviser (Nov. 2002-Jan. 2004) and lawyer (Jan. 2004-Apr. 2007 and 2010-2013).

Mr. Mihai Liviu Mihalache has held several positions at The Ministry of Economy: Personal Councilor/ Assistant at the Minister's Office (Jul. 2012-Dec. 2012), Cabinet Director of the Secretary of State (Jul. 2013-Oct. 2013), Deputy Head of Office – The Office of State Participation and Privatization in Industry (Oct. 2013-Feb. 2014), Head of Office – The Office of State Participation and Privatization in Industry (Feb. 2014-Jan. 2015).

He also held several positions at the Ministry of Energy among which his current position of Director of the Administration of the State's Participation in Energy, starting Sept. 2021. Other positions at the Ministry of Energy that he has held are: Cabinet Director of the Secretary of State (Jan. 2015-May 2015), Deputy General Manager – General Director Commercial Companies (May 2015-Feb. 2016), Expert – General Direction of Privatization and Administration of State Participations in Energy – Legal Department,

Liquidations, Insolvency (Feb. 2016-Jan. 2017), General Manager – General Direction of Privatization and Administration of State Participations in Energy (Jan. 2017-Dec. 2019), Senior Advisor – General Direction of Privatization and Administration of State Participations – Insolvency Department (Dec. 2019-Sept. 2021).

Carmen Radu

Carmen Radu has held the position of member of Hidroelectrica's Supervisory Board since February 2019 and is currently General Manager at Compania de Investitii si Dezvoltare Sector 1 S.A., starting January 2022. Since May 2023, Mrs Radu is Vice-President and Member in the Direction Committee for coordination of entity specific activities at Red Cross Romanian National Company (non-governmental organization).

Having studied Economics at the Academy of Economic Studies (1980-1985), Carmen Radu has worked between 1979-1997 as Accountant, Economist, Economical Director, Inspector and advanced to Deputy General Manager (1997-1999), Deputy Manager (1999-2004) and President of EXIMBANK S.A. (Mar. 2005-Mar. 2009).

She has held on a number of times a position within the Supervisory or Administration Boards of various institutions: Supervisory Board Member at Fondul Roman de Contragarantare (Aug. 2012-Mar. 2015), Administration Board Member at Administratia Romana a Serviciilor de Trafic Aerian – ROMATSA (Apr. 2013-Nov. 2016) and later President of the Administration Board at the same company (2016-2018), member of the Administration Board at SNN (Apr.2013-Apr. 2017), member in the management of Asociatia Europeana a Institutiilor de Credit (2016-2018).

Other important positions Carmen Radu has held include Councilor of the President and Economical Director (Oct. 2013-Mar. 2015), President of the Management Board at Fondul Roman de Contragarantare (Mar. 2015-Nov. 2017) and Member of the Management Board within the same company (Nov. 2017-Feb. 2020).

Karoly Borbely

Mr. Karoly Borbely has been a member of Hidroelectrica's Supervisory Board since August 2017 and President of the Strategy and IPO Committee. Mr. Borbely has experience in governmental affairs, corporate and public affairs, IPO project management, business development and CSR. He is currently holding the position of Stakeholders engagement & business development b2b Director at Orange Romania Communications starting October 2021. He has held the Public Affairs Director position at Telekom Romania Communications between August 2017 and October 2021, having been previously Strategy & Corporate Affairs Director at Hidroelectrica (Jan. 2015-Aug. 2017). During the period 2007-2008 Mr Borbely was Minister for Communications & IT.

Mr. Borbely has also held the positions of Secretary of State: Department of Energy, Government of Romania (Jan. 2014-Dec. 2014), Ministry of Economy, Government of Romania (Mar. 2010-May 2012) and the position of President, secretary of state between Feb. 2005 and Dec. 2007 in the National Youth Authority. Other positions he has held are Director of Business Development at Energobit (Jun. 2012-Mar. 2014) and Development Director at ITDH, Investment and trade development agency Hungary (Mar. 2003-Feb.2005).

Mr. Karoly Borbely has a Bachelor's degree at Babes Bolyai University in Management and other studies abroad related to: Corporate Governance (Universitat Politecnica de Catalunya, 2020), Corporate Governance & Investor Relations (London Stock Exchange, 2015), Building Businesses in Emerging Markets (Harvard Business School, 2013).

Silviu Razvan Avram

Silviu Razvan Avram is a member of the Supervisory Board. Mr. Avram is a professional engineer in the energy field, licensed by Polytechnic University of Timisoara, Electrical Power department. His studies provide the knowledge needed to understand the activity of Hidroelectrica both in terms of current and business activity. Right after graduating, Mr. Avram has held executive positions in energy companies, as an engineer at Hidroelectrica (2001 – 2002) and Servicii Energetice Banat (2011 – 2015) after which he gained extensive skills and competences in the energy field. Mr. Avram has also gained valuable management skills during his 20 years long career. He has held management positions during 2018-2022 in a company, member of an international group listed on the stock exchange market. These positions offered an extensive knowledge of the regulations and undertakings demanded by an international authority in the field of the capital market. Besides his experience in the management department, Mr. Avram excelled in advisor positions, having held the position as an advisor to a State Secretary with the Ministry of Economy

(2017-2018). Mr. Avram proactive and result oriented approach, combined with his vast experience in the energy field and management competences ensure his total involvement for Hidroelectrica development.

George Marius Toniuc

George Marius Toniuc is a member of the Supervisory Board and has a vast experience in the legal area, with 25 years of activity. Mr Toniuc graduated in 1998 from the University of Bucharest, Faculty of Law and is member of Bucharest Bar since 1998. He worked as a lawyer since then, providing legal assistance on various matters such as corporate governance, real estate, labour aspects, etc.

In the period 2003-2008 he provided large spectrum of legal assistance to Romanian and foreign entities within Rompetrol Group on various topics such as corporate governance (including matters related to capital market law), real estate, consumer protection, mergers and acquisitions, joint ventures, public acquisitions, labour aspects, air law.

Since 2008, Mr Toniuc has joined Budusan & Associates, a team of lawyers in Romania specialized in the integrated management of economic, financial and administrative crime allegations and became Partner in 2017. He provided legal assistance and representation in court and before investigative bodies or administrative control authorities within high-profile tax evasion and money laundering cases (banking, food industry, infrastructure, IT, real estate, media; financial services; oil and gas), financial (including capital markets) crime, European funds fraud, public procurement fraud, IP crime, corruption offenses and offshore transactions.

Daniel Adrian Naftali

Daniel Adrian Naftali is one of the two Deputy Portfolio Managers of Fondul Proprietatea. He joined Franklin Templeton in 2010. He has 17 years of experience in the financial field, of which over 13 years within Franklin Templeton his main responsibilities were the analysis and active management of the portfolio of listed and unlisted companies in Romania. Before joining Franklin Templeton, Mr. Naftali held the role of investment analyst at Raiffeisen Asset Management Romania and analyst at Alpha Finance Romania. Mr. Naftali holds a Master's degree in International Securities, Investment and Banking from the ICMA Centre, Henley Business School, University of Reading in the UK, a Master's degree in Banking and Insurance from the University of Orleans in France, as well as a Master's and Diploma degree in Finance and Banking from the Academy of Economic Studies in Bucharest. He also holds CAIA certification and is a full member of Romanian National Association of Appraisers (ANEVAR).

Except as disclosed in "Management – Other positions held by the members of the Supervisory Board and the Management Board", the members of the Supervisory Board do not perform any principal activities outside the Company which are significant to the Company.

The place of work of the Supervisory Board is at the Company's headquarters.

Management Board

The Company's Management Board consists of five members elected by the Supervisory Board as a rule for a period of four years, with the possibility of re-election for successive periods. A member of the Management Board is appointed by the Supervisory Board as Chairman (the Chief Executive Officer or the "CEO" of the Company).

The management of the Company belongs exclusively to the Management Board, which exercises its powers under the control of the Supervisory Board. The Management Board aims to fulfill the business object of the Company, while observing the exclusive competencies reserved by law or by the Company's Articles of Association and the New Articles of Association to the Supervisory Board or the shareholders, as described below in the section "Description of Share Capital and Corporate Structure – Corporate Structure – The Management Board").

As of the date of this Prospectus, the members of the Company's management listed below who have powers delegated to them were appointed on 7 April 2023 for an interim mandate expiring on the earliest of four months from the date of appointment or the date when new directors are appointed following the selection process that the Company has initiated (by the decision of the Supervisory Board dated 6 June 2023⁶¹) as per the proceedings of GEO 109/2011:

⁶¹ The Supervisory Board approved the criteria for the selection of the independent expert specialised in human resources recruitment and instructed the Management Board to start the selection procedure for such expert.

Name	Position
Bogdan-Nicolae Badea	CEO
Marian Bratu	COO
Razvan -Ionut Pataliu	CHRO
Andrei Dominic Gerea	CFO
Cristian Vladoianu	CAO

Mr. Bogdan Nicolae Badea is the CEO of the Company, being in charge of day-to-day management within the limits of the Company's business object and upon the observance of the exclusive competencies reserved by law or by the Company's Articles of Association and the New Articles of Association to the Supervisory Board or to the shareholders.

Biographical Details of the members of the Management Board

Bogdan Nicolae BADEA holds the position of Chairman of the Company's Management Board since July 2017, while previously (2016-2017) he managed the project management activity within the Company. He has acquired relevant business experience in the energy sector for key sector players: member of OMV Petrom's Board of Supervisors (2015-2016), member of Rompetrol Rafinare's Board of Directors (2015), Managing Director of BNB Renewable Consulting (2009-2013, 2014), Development and Strategy Director for Electrica Bucharest (2007-2009), Chairman of the Board of Electrica Bio-Heat (2008-2009), member of the Board of Directors for Enel Energie Muntenia S.A. and Enel Energie S.A. (2007-2009).

Mr. Badea gained a valuable overall view of the economy and national energy system from senior high public office positions held, such as Secretary of State for Energy within the Ministry of Energy, Small and Medium Enterprises (2014-2015) and Secretary of State within the Ministry of Economy (2013-2014).

Mr. Bogdan Badea is an engineering graduate, his academic training being completed by a Master degree obtained in 2009 in defense diplomacy, with a thesis on "Globalization, European integration and the energy security of Romania" from Lucian Blaga University in Sibiu.

Marian BRATU has been a Member of Hidroelectrica's Board of Directors since 2017. He is an engineer – specialized in electrical energy at Gheorghe Asachi University of Iasi. Mr. Bratu has dedicated his entire professional career of almost 30 years to the Company. He knows Hidroelectrica in depth, contributing to the Company's strategy and management plans and having an important role in shaping its future technical and economic policies. Mr. Bratu is one of the Company's top maintenance experts, occupying – over time, positions such as the Maintenance Department Manager – Board Member or Head of Equipment Maintenance Service.

Andrei GEREA has been recently appointed as a member of the Board of Directors starting December 2022, but he has a vast experience in the energy domain and has been within the Company starting March 2021. Mr. Gere is currently responsible with the Company's financial strategy and financial activity. Mr. Gere has held the position of Energy, SMEs and Business Environment Minister during December 2014 and November 2015 and, before that, he held the position of Economy Minister, during October 2013 and March 2014, overlooking the strategies and policies of the Government in these domains. He has also overlooked the activities of Crucea Wind Farm, from the position of CEO during March 2021 and January 2022.

Razvan PATALIU, an economist by profession, has been a member of Hidroelectrica's Management Board since March 2018. Within the Company, Mr. Pațaliu has proven real managerial skills in the management of human resources activities, procurement, occupational health and safety, environment, emergency situations, but also communication and PR, areas he had in coordination. In the energy sector, Mr. Pațaliu also held the position of member of the Administration Board of Engie Romania (2017 – 2019) and Personal Advisor to the Minister within the Ministry of Energy (2017 – 2018).

His experience in energy is complemented by that in the financial field, Mr. Pațaliu holding, from 2015 to the present, the position of Chairman of the Administration Board of Banca Cooperatista Victoria Bucuresti. His professional path also included positions such as Executive Director within BCR Bank (2007-2013) or Marketing and Retail Sales Manager (2006-2007), within the same company. Additionally, Mr. Răzvan Pațaliu has acquired knowledge and experience in the environment field by working as an advisor to the Ilfov Environmental Protection Agency as well as personal advisor to the President of Bucharest Environmental Protection Agency.

Cristian VLADOIANU has been part of Hidroelectrica Management Board since 2019. Mr. Vlădoianu has extensive managerial experience in various areas of the Romanian economy, accumulated in positions such as economic director of the Rural Investment Financing Agency (2017-2019), general economic director of the Romanian Cultural Institute (2016-2017), manager of Târgu Jiu County Emergency Hospital (2013) or financial accounting director at the Clinical Neuropsychiatry Hospital in Craiova (2011-2012). To these is added the experience in the marketing area, as an administrator of Adam Weltman Company, in the public administration area as inspector in Craiova City Hall, as well as a rich mass-media know-how obtained in over ten years as manager of radio TV station at ProTV Channel.

Having a Bachelor's Degree in general economics and a Master's Degree in business analysis, diagnosis and evaluation from the University of Craiova, Mr. Cristian Vlădoianu participates in the macro management of the company and coordinates the assets management, design, security and critical infrastructure activities for Hidroelectrica.

Except as disclosed below, the managers do not perform any principal activities outside the Company which are significant to the Company.

The place of work of the managers of the Company is at the Company's headquarters.

Other positions held by the members of the Supervisory Board and the Management Board

In addition to their positions with the Company, the members of the Company's Supervisory Board and Management Board hold, or have held within the past five years, the following positions:

Name and surname	Company / Partnership	Position	Position currently held (Yes/No)
Daniel NAFTALI	Franklin Templeton International Services S.A.R.L. Luxembourg, Bucharest Branch	Senior Vice President	Yes
	CN Administratia Porturilor Maritime SA	Non-executive Member in the Board of Directors	No
	SN Plafar SA	Non-executive Member in the Board of Directors	No
	Zirom S.A.	Non-executive Member in the Board of Directors	No
Mihai MIHALACHE	Rompetrol Rafinare	Member of the Administrative Board	No
	Investment Fund in Energy Kazah-Romanian S.A.	Member of the Administrative Board	No
	ICSITPML S.A.	Member of the Administrative Board	No
	Ministry of Energy	Director	Yes
	Ministry of Energy	Senior Advisor	No
	Ministry of Energy	General Director	No



Name and surname	Company / Partnership	Position	Position currently held (Yes/No)
Karoly BORBELY	Orange Romania Communications	Stakeholders engagement & business development b2b Director	Yes
	Telekom Romania Communications	Public Affairs Director	No
Carmen RADU	Red Cross Romanian National Company	Vice-President and Member in the Direction Committee for coordination of entity specific activities	Yes
	Compania de Investiții și Dezvoltare Sector 1 S.A.	General Manager	Yes
	ADF Audit Management S.R.L.	Unique Associate	Yes
	Fondul Roman de Contragarantare	Management Board Member	No
	AECM	Member of the Management Board of the European Association of Credit Institutions	No
	Administratia Romana a Serviciilor de Trafic Aerian – ROMATSA	President of the Board of Administration	No
George Marius TONIUC	Budusan si Asociatii S.P.A.R.L.	Partner	Yes
Silviu Razvan AVRAM	The national authority for administration and regulation in communications	Advisor President	Yes
	CNCIR S.A.	General Manager Advisor	No
	Vast Baita Plai	Special Projects Manager	No
	Ministry of Economy	State Secretary Councilor	No
	Pavilion Grup	Administrator	No



Name and surname	Company / Partnership	Position	Position currently held (Yes/No)
Bogdan BADEA	CNR-CME -Comitetul National Roman – Consiliul Mondial al Energiei	Member of the Executive Board	Yes
	Institutul National Roman pentru Studiul Amenajarii si Folosirii Surselor de Energie – IRE + Comitetul Roman pentru EURELECTRIC	Vice president and member of the Executive Board	Yes
	Centrul Roman al Energiei CRE	Member of the Executive Board	Yes
	Asociația producătorilor de energie electrică HENRO	President of the Executive Board (formed of four members)	Yes
Cristian VLADOIANU	Agentia pentru Finantarea Investitiilor Rurale	Economical Director	No
Razvan Ionut PATALIU	Engie Romania SA	Member of the Board of Directors	No
	Banca Cooperatista Victoria Bucuresti	President of the Board of Directors	Yes
Andrei Dominic Gereu	Crucea Wind Farm SA	General Manager	No
	Chamber of Deputies, Parliament	Quaestor of the Chamber of Deputies	No
	Chamber of Deputies, Parliament	Deputy	No

Remuneration of members of the Supervisory Board and of the Management Board

In terms of remunerating the members of the Supervisory Board and the Management Board, the Company believes that its remuneration policy adequately reflects the long-term goals in the Company's strategy, the responsibilities of the board members and their time commitment in exercising their duties.

Currently, the Company pays a fixed monthly amount to each member of the Supervisory Board and of the Management Board, according to the relevant mandate agreements. Under their mandate agreements, members of the Supervisory and Management Board may benefit of a variable pay component. Hence, under the relevant mandate agreements, parties may agree on additional fixed or variable remuneration elements, such as payments for specific targets or events (e.g. IPO).

The total value of the gross remuneration granted by the Group for the year ending on 31 December 2022 to the Supervisory Board was a total of RON 1,773,432 while the remuneration of the Management Board was a total of RON 10,427,455.

Gross Remuneration in 2022

SUPERVISORY BOARD	fixed monthly allowance	Variable component of the allowance for 2022, granted in 2023
LAMBRU IOANA ANDREEA.....	RON 12,360	RON 147,252
MIHALACHE MIHAI LIVIU	RON 12,360	RON 147,252
BORBELY KAROLY	RON 12,360	RON 147,252
RADU CARMEN.....	RON 12,360	RON 147,252
POPESCU CATALIN VLADUT	RON 12,360	RON 147,252
STOINA CRISTIAN NICOLAE	RON 12,360	RON 147,252
NAFTALI DANIEL ADRIAN ⁶²	—	—

Gross Remuneration in 2022

MANAGEMENT BOARD	fixed monthly allowance	Variable component of the allowance for 2022, granted in 2023
BADEA BOGDAN NICOLAE	RON 39,054	RON 1,640,268
BRATU MARIAN.....	RON 39,054	RON 1,640,268
POP RADU CRISTIAN ⁶³	RON 39,054	RON 1,524,082
GEREA ANDREI-DOMINIC ⁶⁴	RON 56,328	—
VLADOIANU CRISTIAN.....	RON 39,054	RON 1,640,268
PATALIU RAZVAN IONUT	RON 39,054	RON 1,640,268

The Company and Hidroserv do not set aside and have not accrued amounts for pension, retirement or similar benefits.

No other benefits are covered by the Issuer except for the pecuniary remuneration and other benefits covered in the mandate agreement, such as expenses related to the fulfilment of the mandate, support equipment (telephone, tablet, laptop, car), insurance. Mr. Naftali Daniel Adrian waived the fixed and variable component of its allowance.

If the revocation of a member of the Supervisory Board occurs without just cause, the mandate is entitled to the payment of damages, according to the mandate agreement. In the case of unjustified revocation, the member will have the right to receive from the Company a compensation of a maximum of 24 fixed gross monthly allowances if the revocation occurs in the first 24 months of the mandate. In the event that the revocation takes place in the last two years of the mandate, a compensation equivalent to the fixed gross monthly compensation corresponding to the number of months remaining until the expiry of the term stipulated in the agreement will be paid.

Shareholdings and stock options

No shareholding and stock options plan are applicable at the level of the Issuer or its subsidiaries.

Litigation statement relating to the Supervisory Board and the Management Board, conflicts of interests

As at the date of this Prospectus, none of the members of the Supervisory Board and of the Management Board of the Company has at any time within the last five years:

- (i) had any convictions in relation to fraudulent offences;
- (ii) held an executive function in the form of a founder, partner, senior executive officer or a member of the administrative, management or supervisory bodies, of any company or partnership at the time of or preceding any bankruptcy, receivership, liquidation or administration;

⁶² Mr. Naftali Daniel waived the fixed monthly allowance as well as the variable component of the allowance for 2022

⁶³ Mr. Pop Radu Cristian's mandate agreement ended on 7 December 2022

⁶⁴ Mr. Gerea Andrei-Dominic's mandate agreement started on 7 December 2022

- (iii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company;
- (iv) been elected as member of the administrative, management or supervisory body or managers within the Company, based on an understanding or agreement with the Company's major shareholders, customers, suppliers or others, other than Mr. Daniel Adrian Naftali, who has been appointed as member of the Supervisory Board following the proposal made by the Selling Shareholder, Mr. Naftali being an employee of Franklin Templeton International Services S.A.R.L. Luxembourg, Bucharest Branch, the sole director and alternative investment fund manager of the Selling Shareholder; or
- (v) not entered into any contract with the Company or with its subsidiaries that provide for benefits upon termination of the contract, other than those provided in the section "*Remuneration*" above;
- (vi) been a party to any contracts concluded with the Company, other than their mandate or employment agreements or supply agreements; or
- (vii) does not hold Shares in the share capital of the Company;

As at the date of this Prospectus, the Company confirms:

- (i) there is no restriction on the assignment, within a certain period of time, of the Shares owned by the shareholders in the Company save for the lock-up obligation assumed by the Selling Shareholder in the Underwriting Agreement concluded with the Managers and by the Romanian State acting through the Ministry of Energy in the Lock-Up (described under chapter "*Subscription and sale*", section "*Underwriting Agreement*" and "*Lock-up Agreements*"); or
- (ii) there are no family relationships between any of the members of the Company's members of the Supervisory Board and of the Management Board and of the founders; or
- (iii) there are no conflicts of interest between the obligations assumed by the members of the Supervisory Board and of the Management Board towards the Company and their private interests and/or other obligations.

Corporate Governance Statement and Plan

As at the date of this Prospectus, whereas the Shares are not admitted to trading on a regulated market, the Company generally observes the corporate governance framework set by the Companies' Law and the Ordinance 109/2011.

After the listing and Admission to trading of the Shares, the rules set out by the BSE Corporate Governance Code, which apply to companies listed on the regulated market of the BSE, shall be applicable to the Company on a "comply or explain" basis. The BSE Corporate Governance Code contains a number of principles and provisions, including with respect to the composition, role, functioning and compensation of the management bodies, risk management and internal control, financial reporting and disclosure. All companies listed on the BSE must include a statement in their annual report on their compliance with the BSE Corporate Governance Code, while any failure to comply with the provisions of the BSE Corporate Governance Code must be disclosed through a current report filed with the BSE.

Consultative Committees constituted within the Supervisory Board

According to the Companies' Law, the Supervisory Board of the Company may set up consultative committees consisting of at least two members of the Supervisory Board, of which at least one member must fulfil the independence criteria and, in the case of the audit committee, at least one member must have accounting or financial audit experience. The role of the consultative committees is to carry out analyses and to issue, on a regular basis, recommendations for the Supervisory Board in areas such as (i) auditing, (ii) remuneration of members of the management board and of the supervisory board as well as of the employees and (iii) nomination of candidates for various management positions.

In line with such provisions and as also required by the GEO 109/2011, the Supervisory Board has established the Nomination and Remuneration Committee and the Audit Committee. The Supervisory Board establishes the structure, duties and powers of the committees and remains fully responsible for the actions taken by these committees.

Audit Committee

The Audit Committee is a permanent committee with a consultative role, independent from the executive structures of the Company, which reports directly to the Supervisory Board. According to the regulation of organization and operation of the Supervisory Board, the Audit Committee is composed of the members of the Supervisory Board.

The audit committee fulfills the duties provided for in article 65 of Law no. 162/2017 regarding the statutory audit of annual financial statements and consolidated annual financial statements and amending some normative acts, with subsequent amendments and additions.

At least one member of the audit committee must have competences in the field of accounting and statutory audit, proven by qualification documents for the respective fields and at least one member of the audit committee must have the qualifications provided by law in the field in which the audited entity carries out its activity.

The majority of the members of the audit committee shall be independent of the audited entity. The chairman of the audit committee is appointed by its members or by the supervisory board of the audited entity and shall be independent of the audited entity.

The audit committee is informed and requests information, through the Supervisory Board, and issues recommendations, to the Supervisory Board, regarding the selection of the statutory auditor, the evaluation and monitoring of the independence of the statutory auditor and the monitoring and result of the statutory audit of the annual financial statements and of the consolidated annual financial statements.

The audit committee is informed and requests information, through the Supervisory Board, and issues recommendations, to the Supervisory Board, regarding the financial reporting processes, internal managerial control processes and risk management processes within Hidroelectrica.

The audit committee monitors the internal audit activity, approves the internal audit charter, internal audit plans and reports, requests the performance of ad hoc internal audit missions and issues recommendations to the Supervisory Board regarding the internal audit charter, the internal audit plans and reports approved, without violating the independence of the internal auditors.

The following persons are members of the Audit Committee beginning with 24 April 2023 (Supervisory Board decision no. 53).

1. Carmen Radu – Chairman
2. George Marius Toniuc – Member
3. Silviu Razvan Avram – Member
4. Daniel Adrian Naftali – Member
5. Mihai Liviu Mihalache – Member



Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a permanent committee with a consultative role, independent from the executive structures of the Company, which reports directly to the Supervisory Board. The Nomination and Remuneration Committee is composed of the members of the Supervisory Board.

The roles of Nomination and Remuneration Committee are:

- to formulate proposals for the position of member of the Supervisory Board, elaborates and proposes to the Supervisory Board the procedure for the selection of candidates for the positions of member of the Directorate and for other positions, recommends to the Supervisory Board candidates for the positions listed above and formulates proposals on the elaboration of a remuneration policy for the members of the Directorate and such other management positions, in accordance with the development strategy, objectives, values and interests of the company. The Committee is required to supervise the application of the remuneration policy for the Directorate.
- to propose the selection criteria of the members of the Directorate, corresponding to the identified profiles, as well as the selection criteria for such other management positions.

In carrying out its activity, the Nomination and Remuneration Committee elaborates an annual report on the remunerations and such other advantages granted to the members of the Supervisory Board and to the

directors during the financial year. The report shall be submitted to the General Meeting of Shareholders which approves the annual financial statements.

At least one member of the Nomination and Remuneration Committee must be an independent member of the Supervisory Board.

The following persons are members of the Nomination and Remuneration Committee beginning with 24 April 2023 (Supervisory Board decision no. 53).

1. Mihai Liviu Mihalache – Chairman
2. Silviu Razvan Avram – Member
3. Karoly Borbely – Member
4. Daniel Adrian Naftali – Member
5. Carmen Radu – Member

IPO and Strategy Committee

The IPO and Strategy Committee is a permanent committee with a consultative role, independent from the executive structures of the Company, which reports directly to the Supervisory Board. The IPO and Strategy Committee is composed of the members of the Supervisory Board.

The Strategy and IPO Committee elaborates recommendations regarding the Company's privatization strategy, according to Romanian Government Decision no. 1066/2013 for the approval of the privatization strategy of the Hydropower Generation Company within Hydropower Plants Hidroelectrica S.A., with subsequent amendments and additions, as well as Law no. 297/2004 on the capital market, with subsequent amendments and additions.

The Strategy and IPO Committee has the following main duties:

- It drafts analyses and prepares written recommendations for the Supervisory Board in the process of carrying out the Privatization Process;
- It drafts analyses and prepares recommendations to the Supervisory Board regarding the establishment of the main directions of privatization and the strategic objectives of the Company and the expected ways to achieve them;
- The recommendations issued by the Strategy and IPO Committee will be drawn up based on the company's privatization strategy or on the studies/consultations made available by the legal consultant or the privatization intermediary selected for this purpose. The documentations that fall into the previously mentioned categories are drawn up with the help of the executive management of the company.

The following persons are members of the IPO and Strategy Committee beginning with 24 April 2023 (Supervisory Board decision no. 53/24.04.2023).

1. Karoly Borbely – Chairman
2. Silviu Razvan Avram – Member
3. George Marius Toniuc – Member
4. Daniel Adrian Naftali – Member
5. Carmen Radu – Member

The Supervisory Board can decide to set up other advisory committees and decide on the additional duties of the committees set up at the level of the Board.

SHAREHOLDERS

As at the date of this Prospectus, the main shareholder of the Company is the Romanian State acting through the Ministry of Energy. The Company issued only Shares offering equal voting rights to all shareholders of the Company.

The table below sets forth certain information regarding the ownership of the Shares prior to the Offering, and the ownership of the Shares by the current shareholders immediately following the finalization of the Offering, assuming all Shares are sold in the Offering and that the stabilisation proceeds are not used by the Stabilization Manager to buy any Shares in the market:

Shareholder	Shares owned before the Offering		Shares owned after the Offering*	
	(Number)	%	(Number)	%
Romanian State.....	360,094,390	80.06	360,094,390	80.06
Fondul Proprietatea S.A.	89,708,177	19.94	0	0
Others (free float)	—	—	89,708,177	19.94
Total	449,802,567	100	449,802,567	100

* Subject to the Successful Closing of the Offering and provided that all Offer Shares (including the Over-allotment Shares) are validly subscribed for by investors in the Offering

The Company is not aware of any agreements which may at a subsequent date result in a change in control of the Company.



DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

General

Hidroelectrica is a joint stock company, organized and functioning under the laws of Romania, established on Romanian Government's Decision no. 627 dated 13 July 2000, registered in Romania with the Trade Registry Office to the Bucharest Tribunal under no. J40/7426/2000, having sole registration code 13267213.

The Company's registered office is in Romania, Bucharest, sector 1, 15-17 Ion Mihalache Blvd., floor 10-15. The legal and commercial name of the Company is Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica S.A. The telephone number of the Company's registered office is +4 021.303.25.00.

Legal entity identifier ("LEI") of the Company is 78720011SRQX09PRB732.

The Company conducts its business in accordance with its Articles of Association, as last updated on 23 May 2023 (without taking into consideration the update as per the New Articles of Association).

In the event that the Offering is successful, and the Company is admitted to trading on the BSE, the Company shall be subject, among others, to the provisions of the Companies' Law, the Law 24/2017, and other applicable capital markets regulations.

On 22 June 2023, the EGMS approved the New Articles of Association of the Company with the aim of implementing corporate governance policies and practices appropriate for a company whose shares are admitted to trading on the regulated market. The New Articles of Association will enter into force on the Listing Date, subject to the Successful Closing of the Offering.

Corporate Purpose

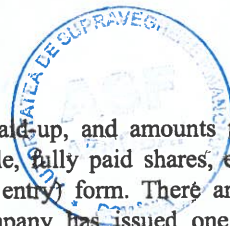
The Company has as its purpose the production and sale of electricity, carried out in a manner and with an object compliant with the legislation in force.

Share Capital

Issued share capital

The Company's share capital is fully subscribed and paid-up, and amounts to RON 4,498,025,670, divided into 449,802,567 ordinary, nominative, freely transferable, fully paid shares, each with a nominal (par) value of RON 10, which are issued in dematerialized (book entry) form. There are no Shares issued that do not represent the share capital of the Company. The Company has issued one class of shares: ordinary. The Shares have been created under the laws of Romania as "nominative dematerialized titles" in book entry form and are all fully paid.

No portion of the Company's share capital or Shares is subject to any option right (other than as described below in "*Subscription and Sale — Stabilization*") and the Company and/or the Selling Shareholder have not agreed to grant any such option to any person.



Evolution of changes in the Company's share capital

Starting 31 December 2018 until present, the Company's share capital has varied as mentioned in the below table:

Date	New issued shares	New issued share capital	Total issued shares	Total issued share capital	No of shares and % held by Selling Shareholder after the change	Price / Comments
03.05.2018	74,268	RON 742,680	448,239,331	RON 4,482,393,310	89,396,405- 19.943900238%	As per EGMS resolutions no. 26/05.12.2017 and 7/03.05.2018
22.12.2020	208,136	RON 2,081,360	448,447,467	RON 4,484,474,670	89,437,916 – 19.943900363%	As per EGMS resolutions no. 12/18.09.2020 and 17/22.12.2020
27.04.2022	12,015	RON 120,150	448,459,482	RON 4,484,594,820	89,440,313 -19.943900528%	As per EGMS resolutions no.9/12.10.2021 and no.6/27.04.2022
23.05.2023	1,343,085	RON 13,430,850	449,802,567	RON 4,498,025,670	89,708,177 – 19.9439003631%	As per EGMS resolution no.9/27.03.2023 and no.15/23.05.2023

Shareholders' rights

The following is a brief summary of certain material rights of shareholders as per the Company's New Articles of Association and the legal provisions applicable.

Pre-emptive rights

The Company's shareholders have a pre-emptive right to subscribe for new shares issued by the Company *pro rata* to their holdings on the record date set by the GMS for the respective share capital increase.

The period for exercising the pre-emptive right for the subscription of new shares must be of at least one month from the date indicated in the prospectus, which may not be earlier than the record date set for the respective share capital increase or the date of publication of the resolution of the EGMS/Management Board on the increase of the share capital in the Official Gazette of Romania, Part IV.

According to the Law 24/2017, in the case of a rights issue by contribution in cash, the pre-emptive rights may be excluded and, in this sense, EGMS must approve, based on well-founded reasons, the exclusion of shareholders' pre-emptive rights to subscribe for newly issued shares. The quorum requirement for such approval is 85% of the subscribed share capital, and the decision must be adopted with the affirmative vote of shareholders representing at least three-fourths of the voting rights.

Right to be informed

The shareholders have the right to correct and complete information on the Company's situation in the general meeting of the Company's shareholders. Specifically, in connection with any GMS, shareholders have the right to receive documents supporting each item on the meeting's agenda at least 30 days before the date of the general meeting, including, for the OGMS approving the annual financial statements, copies of the financial statements, the annual reports, the proposal of the Management Board on the distribution of dividends, as well as information regarding the exercise of voting rights. The Company must also inform shareholders of the results of the vote. Shareholders also have the right to receive information on the structure of the Company's shareholders and to consult the registers kept by the Company, such as the register of GMS.

In addition, the Company must make available to shareholders various information in the event of certain corporate events. For the dissemination of this information, the Company can rely on technical support provided by the Central Depository.

Voting Rights

Subject to any special rights or restrictions as to voting attached to the Shares (which there are none at present), each Share subscribed and fully paid by the shareholders grants equal rights to its holder, including the right to one vote in the GMS in person or by proxy. For more information about the vote see section "General Meeting of Shareholders". A shareholder who is a legal person may, by resolution of its directors

or other governing body, authorize a person to act as its representative at general meetings and that person may exercise the same powers as the shareholder could exercise if it were an individual shareholder of the Company.

Withdrawal right

According to the Companies' Law, shareholders that do not vote in favor of a certain corporate action submitted to voting in the GMS have the right to withdraw from the Company and to request that the Company acquire their shares. This right may be exercised only if the corporate actions referred to above: (i) change the Company's main object of activity as set out in the New Articles of Association; (ii) relocate the Company's registered seat to another country; (iii) change the Company's legal form; or (iv) are in relation to the Company's merger or spin-off.

In addition, according to the Law 24/2017, shareholders of a company admitted to trading on a regulated market who do not agree with the decisions of the GMS to merge or spin off the company as a result of which the Company's shareholders would be allotted shares that are not admitted to trading on a regulated market, have the right to withdraw by selling their shares to the Company.

Dividends

Dividends, provided the dividend distribution is approved by the OGMS, are distributed to the shareholders registered in the shareholders registry of the Company on the record date, proportionally to the number of shares held in the Company. Dividends may be distributed only if the Company registers profit, as recorded in the annual financial statements approved by the OGMS and if the OGMS decides to distribute dividends. For more details on the right to dividends, please see section "*Dividend policy*" in this Prospectus.

According to the Companies' Law, dividends shall be distributed to shareholders in proportion to their share of the paid-up share capital, optionally on a quarterly basis based on interim financial statements, or annually, based on the annual financial statements, unless otherwise provided in the articles of association. The dividends may optionally be paid quarterly within the time limit set by the GMS or, where applicable, by special laws, the settlement of differences resulting from the distribution of dividends during the year being made through the annual financial statements. Payment of the differences resulting from the adjustment shall be made within 60 days of the date of approval of the annual financial statements for the financial year ended. Otherwise, the company owes, after this deadline, penalty interest calculated in accordance with the law.

Other rights of the shareholders

The Companies' Law, the Law 24/2017 and the FSA Regulation No. 5/2018 provide the following rights for certain categories of shareholders, the observance of which must be carefully monitored by the Company:

- the right of the shareholder/shareholders, holding separately or together at least 5% of the Company's share capital, to request the internal auditors to investigate the Company's claims;
- the right of the shareholder/shareholders, holding separately or together at least 5% of the share capital of the Company, to request the convening of a general meeting of shareholders, to propose new items on the agenda of the meeting and draft resolutions for the agenda of the GMS – if this request is not complied with, the shareholders in question have the additional right to request the court to convene a general meeting immediately;
- the right of the shareholder/shareholders, holding separately or together at least 10% of the Company's share capital, to request the court to appoint one or more experts to investigate certain operations of the Company's management and to prepare a report in this case;
- the right of the shareholder/shareholders, holding directly or indirectly at least 5% of the share capital of the Company or of the voting rights to request the election of the members of the Supervisory Board by a cumulative vote; however, the method will mandatorily be applied only if the request comes from a shareholder holding at least 10% of the share capital;
- the GMS may decide to bring an action against the founders, managers, directors, namely members of the Supervisory Board as well as auditors or financial auditors, for damages caused to the Company of their fault, in violation of their duties to the Company. If the general meeting does not decide to bring an action for liability and does not comply with the proposal of one or more shareholders to initiate

such an action, the shareholders representing, individually or together, at least 5% of the share capital have the right to bring an action for damages, in a personal capacity, but on behalf of the Company, against any person mentioned above.

Voting rights are calculated based on the total number of voting rights of the shares, even if the exercise of these rights shall be suspended. In order to calculate the above-mentioned thresholds, the Company shall make public the total number of shares issued and the voting rights associated with them at the end of each calendar month, if during that time there was an increase or decrease in share capital or number of voting rights (when appropriate, on each class of shares, including the conversion of shares from one class to another).

Alteration of Capital

Share capital increase

According to the New Articles of Association and the applicable regulations, the EGSM has the power to decide to increase or decrease the share capital. The Company's share capital may be increased by: (i) issuing new shares or increasing the face value of existing shares in exchange for new contributions in cash and/or in kind; (ii) incorporating reserves (save for legal reserves) as well as benefits or issue premiums, (iii) offsetting certain and outstanding receivables of the Company with its shares.

The shares issued for the share capital increase shall be offered for subscription first to the existing shareholders, *pro rata* to the numbers of shares they hold. See sub-section "*Pre-emptive rights*" above.

Under the applicable law in force on the Prospectus issue date, the EGMS may authorize the Management Board to increase the share capital up to a maximum limit decided by the meeting. This cannot exceed half of the subscribed share capital existing at the time of authorization. The validity period of the authorization granted by the EGMS is of maximum three years and may be renewed by the general meeting for a period that cannot exceed three years.

By decision of the EGMS, the Management Board may be delegated, in addition to the duty to decide the share capital increase, the duty to withdraw the pre-emptive right, in compliance with the quorum and majority conditions set out in the law in relation to withdrawing the pre-emptive right.

Share capital decrease

According to the Company's New Articles of Association and the law, the decision to decrease the share capital is made by the EGMS. The share capital may be decreased only upon the expiry of a two-month period as of the publication of the decision of the extraordinary general shareholders meeting approving the share capital decrease in Romania's Official Gazette, Part IV.

Purchase of own Shares

The Company may acquire its own Shares, either directly or through a person acting in its own name, but on behalf of the Issuer, subject to the following conditions: (i) the authorization to acquire its own Shares is granted by the EGMS, which will establish the conditions of such acquisition, in particular the maximum number of Shares to be acquired, the duration for which the authorization is granted and which may not exceed 18 months from the date of publication of the decision in the Official Gazette of Romania, Part IV, and, in case of an acquisition for consideration, their minimum and maximum equivalent value; (ii) the nominal value of the own Shares acquired by the Company, including those already in its portfolio, may not exceed 10% of the subscribed share capital; (iii) the transaction may have as object only fully paid-up Shares; and (iv) the payment of the Shares thus acquired will be made only from the distributable profit or from the available reserves of the Company, accounted in the last approved annual financial statement, except for the legal reserves.

Corporate bodies

General Meeting of Shareholders

GMS of a joint stock company, such as the Company, may be ordinary or extraordinary. There are no differences between the two in terms of convening formalities.

OGMS and EGMS have different quorums, voting majorities and duties. EGMS have higher decision powers (see below). Therefore, the law stipulates higher quorums and voting majorities for EGMS.

According to the Companies' Law and the New Articles of Association, the general meeting shall be convened at the initiative of the Management Board, or upon the request of shareholders representing,

severally or jointly, at least 5% of share capital, within maximum 30 days from the date when such request is received. In this case, the general meeting shall gather at the first or second call, within maximum 60 days from the date when the request was received by the Company.

The Company shall make available to shareholders, at least 30 days before the date of the general shareholders meeting, the documents and information related to agenda items on its own website, including: (i) annual financial statements; (ii) annual report of the Supervisory Board and Management Board; (iii) full report of the financial auditor; (iv) remuneration report; (v) proposal for dividend distribution.

Ordinary General Meeting of Shareholders

The OGMS shall be convened at least once a year, at the latest four months after the end of the financial year.

According to the New Articles of Association, besides discussing other items on the agenda, the shareholders shall have the following duties:

- (a) to discuss, approve or amend the annual financial statements, based on the reports submitted by the Management Board, the Supervisory Board and the statutory auditor, in accordance with the law;
- (b) to distribute the profits and determine the dividend;
- (c) to appoint and remove the members of the Supervisory Board;
- (d) to appoint and revoke the statutory auditor and to establish the minimum duration of the audit contract;
- (e) to set the general limits for the remunerations of the members of the Management Board;
- (f) to establish the level of remuneration for the members of the Supervisory Board, as well as the terms and conditions of the mandate contract concluded with each of the members of the Supervisory Board;
- (g) to give opinion on the management of the members of the Management Board and the members of the Supervisory Board, to evaluate their performance and to discharge them from administration, in accordance with the law;
- (h) to decide on the legal action against members of the Management Board and members of the Supervisory Board, as the case may be, for damages caused to the Company;
- (i) to approve the budget of revenues and expenditures;
- (j) to approve the financial and non-financial performance indicators resulting from the Management Plan;
- (k) to approve the reports of the Supervisory Board regarding the activity carried out;
- (l) the pledge, lease or dissolution of one or more working units of the Company; and
- (m) to approve the final documentation of the M&A transactions involving the Company.

The minimum quorum for the first convening of the OGMS is shareholders representing more than one quarter of the total voting rights. If the required minimum quorum is met at the first convening, resolutions on the items included in the published meeting agenda may be validly passed with majority affirmative votes of the shareholders present at the meeting.

If the quorum requirements are not met within 30 minutes of the time scheduled for the first convening of the meeting or cease to be met during the meeting, the OGMS is to be held in a second convening on the day, time and place specified in the convening notice. The OGMS assembled in the second convening can decide on the items in the published agenda of the first scheduled meeting, irrespective of the numbers of shareholders present, by a majority of the votes cast in the second meeting. The Companies' Law prohibits a company from setting a higher quorum or majority requirements for the second convening of the Ordinary General Meeting of Shareholders.

Extraordinary General Meeting of Shareholders

According to the New Articles of Association, the EGMS can be convened as necessary to make a decision regarding:

- (a) changing the legal form of the Company;
- (b) changing the main business object of the Company;

- (c) changing the company's registered office outside Bucharest;
- (d) increasing or reducing the share capital of the Company or its replenishment by issuing new shares;
- (e) merger with other companies, the takeover/incorporation in any way of other incorporated or to be created companies or any type of consolidation;
- (f) the division of the Company or any separation of assets or activities or transfers of assets or activities;
- (g) prematurely dissolving the Company;
- (h) the conversion of shares from one category to another;
- (i) the issuance of bonds and conversion of bonds from one category into another category or into shares;
- (j) the conclusion of acts relating to the acquisition, disposal, lease, exchange or establishing as securities of assets from the category of fixed assets of the Company, whose value exceeds, individually or cumulatively, during a financial year, 20% of the total book value of the Company's fixed assets, less receivables;
- (k) lease of fixed assets for a period of more than one year whose individual or cumulated value towards the same counterparty or involved persons or acting in concert exceeds 20% of the total book value of the Company's fixed assets, less receivables, as well as associations for a period of more than one year, exceeding the same value;
- (l) admission to trading on a regulated market of any financial instrument issued by the Company;
- (m) any amendments to the New Articles of Association or any other decision requiring the approval of the EGMS; and
- (n) the conclusion by the Company of any contract, the undertaking of any obligation or commitment that may involve expenses or the assumption of any other material obligation by the Company, according to the limits of competence set out in the New Articles of Association.

The minimum quorum for the first convening of the EGMS is shareholders representing more than one quarter of the total voting rights. If the required minimum quorum is met in the first convening, resolutions on the items included in the published meeting agenda may be validly passed by the majority votes of the shareholders present at the meeting.

If the quorum requirements are not met within 30 minutes from the time scheduled for the first convening of the meeting (or any other time period the meeting chairman may think fit) or cease to be met during the meeting, the EGMS is to be held in a second convening on the day, time and place, as specified in the convening notice. The EGMS assembled in the second convening can decide on the items in the published agenda of the first scheduled meeting in the presence of shareholders representing at least one fifth of the total number of votes, by a majority of the votes of the shareholders present at the second meeting.

Notwithstanding the above, the decision to amend the Company's main object of activity, to decrease or increase the share capital, change the legal form, merge, spin off or dissolve the Company must be made with a majority of at least 2/3 of voting rights held by the Company's shareholders present, represented or voting by correspondence.

In relation to a share capital increase by contribution in kind, the withdrawal of shareholders' pre-emptive right to subscribe new shares must be decided by the EGMS attended by shareholders representing at least 85% of the subscribed share capital, and voted by shareholders holding at least 3/4 of voting rights. These quorum and majority requirements are also valid if the pre-emptive right is withdrawn in the case where the share capital is increased by conversion of certain, liquid and outstanding receivables.

A share capital increase by contributions in kind must be approved by an EGMS attended by shareholders representing at least 85% of the subscribed share capital, and voted by shareholders holding at least 3/4 of voting rights. Contributions in kind may consist only in new and efficient assets necessary for carrying out the Company's object of activity.

A share capital increase by increasing the shares' face value may be decided only by a vote of all shareholders, unless it is carried out by incorporating reserves, benefits or issue premiums.

In certain cases expressly mentioned by the legislation in force, quorum and decision making shall be carried out according to the provisions included in the respective regulations.

The EGMS may decide to dissolve the Company, decided by a majority of at least 2/3 of the voting rights held by the shareholders present or represented in the EGMS. If the EGMS has decided to dissolve the Company, the dissolution of the Company has the effect of starting the liquidation procedure. From the moment of dissolution, the members of the Supervisory Board and Management Board can no longer undertake new operations and will otherwise be personally and jointly and severally liable for any actions taken. The fiscal consequences of the division and liquidation will be determined in accordance with Romanian tax law and the legislation of the country in which each investor is a tax resident.

The Supervisory Board

According to the New Articles of Association, the Supervisory Board consists of seven persons who are appointed for a mandate of four years by the Company's GMS. The chairman of the Supervisory Board is appointed by the members of the Supervisory Board. The meetings of the Supervisory Board can be convened by: (i) the chairman of the board (or by a member of the board based on an authorization received from the chairman) whenever necessary, but in any event at least quarterly; (ii) the chairman of the board based on the reasoned request of any two of the board's members or based on the reasoned request of the entire Management Board, provided that the items proposed to be included on the agenda are within the competence of the Supervisory Board; or (iii) any two members of the Supervisory Board or by the Management Board, if the chairman of the Supervisory Board fails to convene the meeting in accordance with (i) and (ii) above.

If convened upon the request of the Management Board, the meeting of the Supervisory Board shall take place no later than five days after the receipt of such request. At least four of the Supervisory Board members must be present at a meeting to constitute a valid quorum and decisions may be validly adopted by the affirmative vote of the majority of the members present (or represented) at such meeting.

The meetings of the Supervisory Board are chaired by the chairman of the Supervisory Board or, in the absence thereof, by a member of the Supervisory Board based on a mandate received from the chairman.

The Management Board

The Management Board members are elected by the Supervisory Board for a mandate of four years. The Management Board consists of five members. A member of the Management Board is appointed chairman of the Management Board/CEO.

At least three of its members must be present at a meeting to constitute a valid quorum and decisions may be validly adopted by the affirmative vote of the majority of the members present (or represented) at such meeting. In certain cases, the Management Board can pass a resolution by circulation based on the written unanimous agreement, without an actual meeting being held.

The Management Board is responsible for the executive management of the Company and represents the Company in its transactions and interactions with third parties.

Disclosure and reporting obligations

As of the Listing, the Company will also be required to fulfil certain transparency obligations in accordance with the provisions of Law 24/2017 and the FSA Regulation no. 5/2018. For example, according to the Law 24/2017, if following the acquisition or sale of or other operations in Shares, the proportion of voting rights held by a person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33%, 50% or 75% of the total voting rights, that person must notify the Company of the proportion of the voting rights held, promptly, but not later than four trading days starting on the day on which that person (i) finds about the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have found about it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect or (ii) is informed with respect to an event that changes the breakdown of voting rights.

Also, according to the Law 24/2017, the Company must publish its audited annual accounts within four months after the end of each financial year, its half-yearly figures within three months after the end of the first six months of each financial year and its quarterly reports for the first and third quarter within 45 days from the end of the reporting period.

Moreover, the Company is required to inform the public, among others, about the following aspects:

- (a) convening of the general meeting of shareholders;
- (b) the resolutions of the shareholders' meetings;

- (c) replacement of the Company's auditor and causes for this change;
- (d) change of control, including indirect change of control;
- (e) entering into, termination or decrease of contractual arrangements which have generated at least 10% of the Company's income during the previous financial year;
- (f) litigation proceedings involving the company;
- (g) material acquisitions or disposal of assets (the acquisition or disposal is deemed material if the assets represent at least 10% of the total asset value of the company, either before or after the transaction); and
- (h) new products or services launched by the company or a new development process, which affects the Company's resources.

Obligation to launch a mandatory public takeover and squeeze out procedures

Mandatory public takeover

According to the Law 24/2017, where a person, as a result of his/her direct acquisition or an acquisition by persons acting in concert therewith, holds securities issued by an issuer that, added to his/her prior holdings or to the holdings of persons he/she acts in concert with, gives him/her, directly or indirectly, more than 33% of the voting rights in the issuer, the respective person is required to initiate a mandatory public takeover offering addressed to all securities holders for ("**Mandatory Public Takeover Offering**"). Such a Mandatory Public Takeover Offering must aim to obtain all the participations of the respective securities holders, at a fair price, and must be carried out as soon as possible, but no later than two months after the date when the respective holding of 33% is reached.

By derogation, there is no obligation to initiate a Mandatory Public Takeover Offering if the shareholder(s) acquired more than 33% of voting rights prior to the entry into force of the Law 24/2017, and obtained such shareholding in compliance with the legal provisions in force at the time of acquisition.

A Mandatory Public Takeover Offering is also not mandatory if the shareholding representing more than 33% of voting rights in the issuer resulted following an excepted transaction. "Excepted transaction" means that the shareholding was obtained: a) within the privatization process; b) by acquisition of shares from the Ministry of Public Finance or from other legally authorized entities, within the process of enforcement of budgetary claims; c) as a result of transfers of shares between a parent company and its subsidiaries or between subsidiaries of the same parent company; or d) resulting from a voluntary takeover bid addressed to all holders of the respective securities for all their holdings.

Prior to launching the Mandatory Takeover Public Offering, the voting rights attached to securities exceeding 33% of the total voting rights in the issuer are suspended and the respective shareholder, together with persons acting in concert therewith, are prohibited from acquiring, by other operations, shares of the same issuer.

Where a person unintentionally (as described below) holds more than 33% of the voting rights in the issuer, this person, within three months of obtaining such shareholding, may either carry out a public offering as mentioned above or dispose of a number of shares so as to decrease the position obtained unintentionally. An acquisition of holdings exceeding 33% of voting rights in the issuer will be deemed to be unintentional if the respective position results from: a) a share capital decrease, by share buy-back followed by a cancellation of shares; b) exercise of pre-emptive, subscription or conversion rights in relation to rights initially granted, as well resulting from the conversion of preferential shares into ordinary shares; or c) merger/spin-off or inheritance.

Squeeze out and sell out

According to the Law 24/2017, a shareholder that has carried out a public offering addressed to all shareholders and for all their holdings (the "**Bidder**"), has the right to request that the shareholders that do not accept the offering sell their respective shares to the Bidder, at a fair price, if the Bidder: a) holds shares representing at least 95% of the total number of shares in the share capital granting voting rights and at least 95% of the voting rights that may be effectively exercised; or b) purchased, under the public offering addressed to all shareholders and for all their holdings, shares representing at least 90% of the total number of shares in the share capital granting voting rights and at least 90% of the voting rights targeted under the offering.

Such a right may be exercised within 3 months from the closing date of the public offering.

Following a public offering addressed to all shareholders and for all their holdings, a minority shareholder has the right to request that the Bidder purchases its shares at a fair price calculated according to legal provisions.

There have been no public takeover bids by third parties for all or any part of the Company's equity share capital since the Company's date of incorporation.

Depositary receipts

Depositary receipts may be issued for a number of underlying shares representing no more than 1/3 of the total number of shares issued by the issuing company. If the depositary receipts are issued as a result of a public sale offering, then the depositary receipts may be issued for a number of underlying shares representing no more than 1/10 of a number of shares being offered, without exceeding 1/3 of the total number of shares issued by the issuing company. If the public offering is primary, the ceiling of 1/3 shall be calculated by reference to the share capital resulting from the increase.

According to the FSA Regulation 4/2013 as amended, after the public sale offering referred to above has been made, no depositary receipts by way of conversion of shares may be issued for a period of 12 months.

Main steps of the selection process of board members as set out by GEO 109/2011

Under the provisions of GEO 109/2011 applicable to State controlled entities like the Company, the process of appointing members to the Supervisory Board or the Management Board must follow a candidate selection procedure that includes the following main steps: (i) a letter of expectation is prepared and published by the Ministry, setting out the performance expected of the candidates; (ii) the first component of the selection plan is prepared and published covering key aspects of the selection procedure, identifying the starting and completion dates, documents to be submitted, requirements regarding the independent expert; (iii) the recruitment company is selected and appointed by the Company as an independent expert; (iv) the Ministry establishes a selection committee in charge of making proposals of appointments from the final list of candidates; (v) the second component of the selection plan is prepared, containing the elements of the initial component of the selection plan supplemented by the proposed nomination of selected candidates; (vi) a notice on the selection of board members is published; (vii) candidates submit applications; (viii) a long list of candidates is prepared; (ix) a short list of candidates is prepared and communicated to candidates; (x) candidates on the short list who expressed an interest to be appointed are interviewed; and (xi) a report with proposed candidates is finalized and sent to the Company.

The law provides for a 150-day maximum term in which the selection process needs to be finalized.

Arrangements for involving the employees in the capital of the issuer

No arrangements are in place for involving the employees in the capital of the Issuer.

RELATED PARTY TRANSACTIONS

The following is a summary of transactions with related parties as defined in IAS 24 "Related Parties Disclosure". For further details of these transactions as of and for the years ended 31 December 2022, 2021 and 2020 see Note 31 of the Audited Consolidated Financial Statements, while for further details of these transactions as of and for the three months ended 31 March 2023 see Note 17 of the Unaudited Condensed Consolidated Interim Financial Statements. For more information on the related parties described in this section, see "Business".

General matters

For the purposes of the Group's Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements, parties are considered to be related in line with the requirements of IAS 24 "Related Party Disclosures" as established under the International Accounting Standards ("IAS") in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, which defines a related party as a person or entity that is related to the entity that is preparing its financial statements.

During the period 2020 – 2022 and the year 2023 until the date of the present Prospectus, the Group has carried out transactions with the following main related parties:

Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Administrația Națională Apele Romane ..	Supplier	Romania	Turbinated water
Transelectrica (operator of the electricity system in Romania).....	Supplier/Client	Romania	Energy transportation System Services
OPCOM (operator of the electricity market in Romania).....	Supplier/Client	Romania	Energy transactions on different markets
SN Nuclearelectrica SA.....	Supplier	Romania	Energy purchased
Distribuție Energie Electrica România.....	Supplier	Romania	Energy distribution services
Hidroconstructia.....	Supplier/Client	Romania	Hydropower and hydrotechnical constructions
Electrica Furnizare.....	Client	Romania	Energy sold
E.ON Energie Romania.....	Client	Romania	Energy sold
Engie România	Client	Romania	Energy sold
Romaero.....	Client	Romania	Energy sold
Metrorex.....	Client	Romania	Energy sold
STB București	Client	Romania	Energy sold

The total amount of transactions that have been entered into with related parties for the 2022, 2021 and 2020 financial years is of RON 2,669.0 million purchases by Hidroelectrica and RON 9,740.7 million sales made by Hidroelectrica, while for the three months ended 31 March 2023 have been of RON 500.5 million purchases and RON 1,726.4 million sales.

REGULATORY MATTERS

I. Energy Matters

EU Energy Legislation

EU Energy and Climate Change Legislation

The 1995 Commission paper titled “An Energy Policy for the European Union”, which had a primary focus on market integration was followed in 2006 by a green paper titled “A European Strategy for Sustainable, Competitive and Secure Energy”, which was further revised in two communication “packages” in 2007 and 2008. In March 2007, the European Council adopted an action plan and the Commission started to propose legislation from September 2007.

In 2007, the Commission published a proposal for establishing a new energy policy and a strategy for achieving a better integrated and more competitive energy market within the EU designed to ensure a stable energy supply and combat climate change. The “EU Energy and Climate Change Legislation” set certain targets (known as the 20-20-20 goal), including: (i) further liberalization of electricity markets; (ii) a reduction of at least 20% in greenhouse gas emissions by 2020; (iii) renewable energies to make up a 20% share of EU energy consumption by 2020; and (iv) 20% energy savings by 2020 compared to 2020 projections (1,853 million tons of oil equivalent) made in 2007.

Subsequently, in 2009 the EU adopted the Third Energy Package which includes (besides the climate change related legislation described below) Directive 2009/72/EC Concerning Common Rules for the Internal Market in Electricity and repealing Directive 2003/54/EC (the “EU Third Electricity Directive”). These directives and regulations were collectively designed to complete liberalization of the electricity market within the EU. The energy legislation contemplated further separation of supply and production activities from transmission network operations. To achieve this goal, Member States could choose, subject to the respective conditions set forth in the EU Third Electricity Directive, between the following three options:

- *Full ownership unbundling*: this option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations. This option applies to new undertakings;
- *Independent System Operator* (the “ISO”): under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations. This option may apply to existing undertakings; and
- *Independent Transmission Operator* (the “ITO”): this option is a modification of the ISO option where vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission. This option may apply to existing undertakings.

The EU energy legislation also enhanced consumers’ rights by establishing the right for consumers to (i) change electricity or gas suppliers (the process of switching must be completed within three weeks), and receive the final closure statement at the latest six weeks after the switch; (ii) obtain compensation if quality targets are not met; (iii) receive information on supply terms through bills and company websites; and (iv) see complaints dealt with in an efficient and independent manner.

Finally, the EU Energy and Climate Change Legislation provides for the creation of an agency within the EU for the coordination of national energy regulators, which will issue non-binding framework guidelines for national agencies. This task was assigned to the Agency for the Cooperation of Energy Regulators. It is expected that this will result in a harmonized energy regulation environment across the EU.

In October 2014, the EU Energy Council enacted new targets and the architecture for the EU framework for climate and energy for the period 2020 to 2030. These targets were amended in 2018 and currently include the following: (i) reduction of at least 40% in greenhouse gas emissions by 2030, compared to 1990 levels (the total greenhouse gas emissions cap will be reduced by 2.2% each year from 2021, compared with the 1.74% annual reduction in the period from 2013 to 2020); (ii) 32% share energy consumption to be from renewable energy sources by 2030 (resulting in renewable energy sources being used in the generation of up to 47% of electricity consumed in the EU); (iii) an increase in EU wide energy efficiency by at least 32.5% by 2030; and (iv) to achieve at least 10% electricity interconnection by 2020.

In July 2015, the Commission proposed to revise the EU-ETS from 2020. An Innovation Fund and Modernization Fund will be established to help the power sector meet the innovation and investment challenges of the transition to a low-carbon economy. Free allowances will continue to be available to modernize the power sector in lower-income Member States. In addition, the legislative proposal on a

market stability reserve was approved in October 2015 and began operating in January 2019. In May 2022, the Commission issued a communication of the total number of allowances in circulation in 2021 for the purposes of the Market Stability Reserve under the EU-ETS and of the number of unallocated allowances during the period 2013 to 2020.

In November 2016, the Commission presented the EU Clean Energy Package, a set of legislative proposals, with the aim of providing a new framework for the EU energy sector to accelerate the clean energy transition in the EU as well as to deliver on the EU's Paris Agreement which was concluded in December 2015. On 22 May 2019, the EU Clean Energy Package was adopted by the European Parliament, and this date marked the final step in the EU's overhaul of its existing energy policy in order to facilitate the clean energy transition. The EU Clean Energy Package sets the EU energy efficiency and renewable energy ambitions for 2030. It also updates the rules that govern the functioning of the internal electricity market and the transmission and distribution grids. The package includes eight main directives and regulations on the electricity market and consumers, energy efficiency and energy performance of buildings, renewables and bioenergy sustainability as well as governance of the Energy Union. The EU Clean Energy Package implements major market changes through the increased use of renewable resources and the development of new technology within the EU. The Member States are also under the obligation to adopt measures to respond effectively in case of electricity crisis. The new rules also reflect the EU's ambitions of a climate-neutral economy by the end of 2050 while maintaining a framework for economic growth and competitiveness.

Cross-Border Trading of Electricity

Besides focusing on the liberalization of the internal energy markets in every Member State, EU energy regulation is also designed to improve the cross-border trade of electricity. Accordingly, the EU has also implemented Regulation (EC) No. 1228/2003 ("**Regulation (EC) No. 1228/2003**") on Conditions for Access to the Network for Cross-border Exchanges in Electricity. This Regulation required the establishment of a committee of national experts chaired by the Commission to adopt the guidelines on (i) inter-transmission system operator compensation for electricity transit flows; (ii) the harmonization of national transmission charges; and (iii) network congestion management. Regulation (EC) No. 1228/2003 established a fund mechanism to cover the costs resulting from cross-border trades, where the transmission system operators contribute to a fund according to their net physical import and export flows. The distribution of the accumulated funds then depends on the transit volume.

Although Regulation (EC) No. 1228/2003 was partially successful, the Commission adopted a subsequent Regulation on Cross-Border Exchanges. Regulation (EC) No. 714/2009 on conditions for access to the network for cross-border exchanges in electricity (the "**EU Regulation on Cross-Border Exchanges**") repealed Regulation (EC) No. 1228/2003 and established the rules designed to alleviate cross-border exchange difficulties, with a view to improving competition and harmonization in the internal EU electricity market.

The EU Regulation on Cross-Border Exchanges created the European Network of Transmission System Operators ("**ENTSO-E**"), which comprises the designated transmission system operator from all Member States, and has a duty to put in place the information exchange mechanisms in order to ensure the security of networks in the context of congestion management.

The costs related to the activities of ENTSO-E are borne by the transmission system operators which host cross-border flows of electricity on their networks. In return, they receive compensation from the transmission system operators from which cross-border flows originate and the systems where those flows end. Charges for access to networks are applied by operators as well.

On 23 February 2017, the Commission adopted the Proposal for a Regulation of the European Parliament and of the Council on the Internal Market for Electricity. The key objectives of the legislation were to better link wholesale and retail markets, strengthen regional cooperation, increase cross-border trade, and develop short-term and long-term markets to send positive signals in relation to investments for modern technologies to both producers and consumers of electricity. In May 2022, the EU adopted the Regulation (EU) 2022/869 on guidelines for trans-European energy infrastructure, amending Regulations (EC) No 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/72/EC and (EU) 2019/944, and repealing Regulation (EU) No 347/2013 (the "**TEN-E Regulation**") that aimed to improve security of supply, market integration, competition and sustainability in the energy sector. The aim of the TEN-E Regulation is to achieve an integrated internal electricity market by connecting the energy infrastructure between Member States in order to achieve the objectives of the EU Green Deal.

The TEN-E Regulation identifies priority corridors from different geographic areas in electricity, offshore grid and hydrogen infrastructure. One of the electricity corridors taken into account by the TEN-E Regulation is the north-south electricity interconnections in central eastern and south-eastern Europe aiming to achieve interconnections and internal lines in north-south and east-west directions to complete the EU internal energy market and integrate renewable energy sources.

Pursuant to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions issued on 18 May 2022 regarding the short term energy market interventions and long term improvements to the Electricity Market Design, the need for short term intervention measures on the electricity markets has been emphasized, taking into account the national and local context.

On 18 May 2022, the European Commission presented the Repower EU Plan in response to the disruption of the energy markets caused by Russia's invasion of Ukraine. The Repower EU Plan aims to reduce the dependence on Russian fossil fuels by 2027 while increasing the pace of the green transition by accelerating the use of renewable sources of electricity.

On 6 October 2022, the EU adopted Council Regulation 2022/1854 on an emergency intervention to address high energy prices ("**EU Regulation 2022/1854**") through exceptional and time limited measures. These are aimed at: (i) reducing electricity consumption; (ii) introducing a cap on market revenues that producers with lower marginal costs such as, *inter alia* hydropower without reservoir, receive from the generation of electricity and redistribute to final electricity customers in a targeted manner; and (iii) establishing rules for a mandatory temporary solidarity contribution from EU companies and permanent establishments with activities in the crude petroleum, natural gas, coal and refinery sectors to contribute to the affordability of energy for households and companies. EU Regulation 2022/1854 enables Member States to take exceptional measures of public intervention in the price setting for the supply of electricity for household customers and SMEs. The measures imposed by EU Regulation 2022/1854 will apply until 31 December 2023, subject to the following:

- the reduction of gross electricity consumption during peak hours will be applicable from 1 December 2022, until 31 March 2023;
- measures to achieve demand reduction and distribution of surplus revenues will be applicable from 1 December 2022;
- the mandatory market revenue cap, the application of the market revenue cap to electricity producers and national crisis measures will be applicable from 1 December 2022 until 30 June 2023; and
- the Commission's revisions will be applicable until 15 October 2024.

These dates should be considered without prejudice to the obligation of the Member States to ensure the distribution of surplus revenues; to use the revenues collected through the temporary solidarity contribution and to comply with the notification obligation.

Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency ("**REMIT Regulation**") is directly applicable in Romania and pursues the increase of the integrity and transparency of wholesale energy markets, for promoting open and fair competition of the energy wholesale markets, to the benefit of final consumers. REMIT Regulation prohibits market manipulation and insider trading and introduced the obligation for market participants to disclose in an effective and timely manner inside information which they possess in respect of business or facilities. Acts of manipulating the energy markets are detected and prevented through the enforcement of Commission Implementation Regulation No.1348/2014, which instigated various duties, including: (i) obligations of the market participants to report details including matched and unmatched orders to the European Union Agency for the Cooperation of Energy Regulators ("**ACER**") through the trade reporting system; (ii) a prohibition of using inside information when selling or buying electricity on the wholesale energy markets; (iii) a prohibition of spreading incorrect information entailing false information about supply demand and electricity prices; and (iv) a prohibition of manipulative transactions. Failure of the Company to comply with REMIT Regulation disclosure obligations is sanctioned according to the provisions of the Energy Law, as described in section "*Sanctions provided by the Energy Law if the Company fails to comply with its obligations both as a supplier and as a producer*" below.

For REMIT disclosure purposes, the Company has concluded two agreements which are described in the above section "*Business — Material Contracts — Conventions for REMIT data disclosures*".

Through Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, (the “**Market Abuse Regulation**”) insider trading and manipulation of the energy market are prohibited. Information required to be disclosed according to REMIT is considered inside information. Furthermore, the Market Abuse Regulation requires the disclosure of managers’ transactions at the issuer level as a preventive measure against market abuse.

Directive 2009/72/CE of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market for electricity and repealing Directive 2003/54/EC (“**Directive 2009/72**”) aimed to introduce measures to increase the efficiency of electricity supply by distinguishing between generation, transmission, distribution and supply in the energy sector. Directive 2009/72 was transposed into Romanian law but was repealed by Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (recast) (“**Directive 2019/944**”). Further, according to the Energy Law, the issuer must maintain separate accounting records for each activity performed in the electricity field.

The Energy Market in Romania

Key players

The key players in the Romanian electricity market are:

- the Ministry of Energy which determines the framework, plans, measures, and actions to be taken with respect to the application of the Government’s policy in the field of electricity;
- ANRE – the national energy regulatory authority, which prepares and supervises the application of the norms regarding the roles and the responsibilities of all the participants in the electricity market (e.g. grid operator, transmission and system operator, producers, suppliers, traders and clients), as provided by the European legislation in force. ANRE also settles potential disputes between market participants without prejudice to the right of settling the dispute in court;
- TSO – the transmission system operator, which is the sole operator of the electricity transmission grid, a joint stock company where the majority stake (approximately 59%) is owned by the Romanian state through the General Secretariat of the Government;
- OPCOM – a joint stock company 100% owned by TSO. It is the electricity market administrator and provides an organized, viable and efficient framework for trading on the wholesale energy market and green certificates market in a transparent and non-discriminatory manner. In addition, OPCOM is the designated Operator (OPEED) performing tasks related to the single day-ahead or intra-day market pairing;
- RCE – Romanian Commodities Exchange, as operator of organized electricity futures, day-ahead and intra-day markets;
- generators – in Romania, the electricity generation sector is dominated by companies controlled by the Romanian State;
- electricity distributors – the distribution of electricity is mostly privatized, being under the control of a number of large EU utilities companies such as Enel, E.On and CEZ, while the State retains part of the distribution grid via Electrica Distributie;
- traders and electricity suppliers – this sector is also privately owned with a few exceptions; and
- final consumers of electricity.

General overview

The Energy Law establishes the regulatory framework for companies operating in the electricity market in Romania, including producers and suppliers of electricity. The Energy Law implements the provisions of (i) Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC and Directive 2005/89/EC of the European Parliament and of the Council of 18 January 2006 concerning measures to safeguard security of electricity supply into infrastructure investments, and of (ii) Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.

On 4 October 2021 the Romanian Government approved the National Plan in the Field of Energy and Climate Change (“**PNIESC**”). In line with the “EU Fit for 55” package, the PNIESC is to detail the

reforms and policies aimed at achieving decarbonation of the energy system by promoting investments in renewable energy sources and technologies and energy efficiency. This will facilitate the green energy transition. To this end, the Ministry of Energy announced the intention to enact legislation to promote investments in storage capacities for solar, wind and hydro, as well hydrogen production facilities meant to ensure supply of electricity and to ease the balancing of the electricity system. According to PNIESC the total installed capacity is set to reach 22 GW in 2025 and 25 GW in 2030, while installed capacities based on hydro, wind and solar are set to increase in the next decade.

The European Commission has recommended that renewable energy represents 34% of the energy mix by 2030. The Romanian Government's target for this is set at 30.7% by 2030, which corresponds to a commissioning of an additional renewable capacity of 7GW, estimated to cost approximately EUR 22 billion (including investments in grid refurbishments and capacities for gas-fired power facilities).

This objective may be achieved by: (i) reinforcing the grid to allow the connection of new capacity as well as of new storage capacity; (ii) developing and operating more storage facilities; (iii) using of technologies of the future, mainly hydrogen; (iv) implementing a "smart grid" system; and (v) developing the existing grid infrastructure with a positive impact on improving access of renewable energy to the grid.

Conclusion of PPAs

For a period of approximately 8 years, Romanian power producers were not able to conclude PPAs off the market e.g., because of a direct negotiation process with a freely chosen buyer. Hence, the producers were obliged to sell the electricity on OPCOM markets to any interested supplier, trader, or final consumer (registered on the market) available to purchase it under market conditions and at the prevailing market price at the respective time. This measure had an impact on the development of new renewable projects, as it raised concerns about the predictability of the legislative framework and the stability of the market. Although the Romanian Government decided in 2020 to reintroduce PPAs to stimulate the investments in the energy sector, the PPA restriction was repealed only for projects commissioned after 1 June 2020, not for all existing projects. In order to implement the principle of a completely liberalized energy market in accordance with the European requirements, one of the most significant and long-awaited amendments to the Energy Law allows producers of electricity to conclude PPAs on the wholesale market, outside the markets operated by OPCOM. PPAs may be either financial instruments in order to mitigate the market volatility risk on a long term, or for physical delivery.

Generally, OPCOM markets will still be operational and influence the prices and liquidity of electricity, as the electricity producers must trade at least 40% of their production on the bilateral markets operated by OPCOM, other than the DAM, intra-day market and the balancing market except for the capacities commissioned after 1 June 2020 which have no such type of restriction. However, currently, in accordance with art III of GEO 153/2022, the Company will sell 80% of its produced electricity under the conditions of CEPM mechanism, which prevails over the general obligation provided by the Energy Law to trade at least 40% of production on the bilateral markets operated by OPCOM, except for the markets indicated above.

The possibility to conclude freely negotiated transactions on the wholesale energy market is designed to help secure the financing for energy capacities and is a step forward to ensure that Romania will achieve the national targets regarding renewable energy set for 2030. The Company may conclude bilateral agreements for capacity reservation on the basis of negotiated tariffs, in accordance with competition requirements.

Impact of enactments regarding measures applicable to final customers in the electricity and natural gas market on the electricity production

The Romanian Government adopted six main enactments between October 2021 and November 2022 dealing with the process of holding prices under control and centralized purchase of electricity which concern the electricity generators and suppliers, namely: (i) the GEO 118/2021; (ii) the GEO 27/2022; (iii) the GEO 119/2022; (iv) Law 357/2022; (v) GEO 153/2022; and (vi) the Government Emergency Ordinance 192/2022 for the amendment of GEO 27/2022 ("GEO 192/2022").

GEO 118/2021

On 29th October 2021 the first package of measures aiming to protect the electricity and gas consumers against the increase of electricity prices, was enacted based on Law 259/2021 approving GEO 118/2021.

The measures stated therein aimed to prevent the aggravation of the energy poverty and protect exposed electricity and gas consumers against the effects of the increase of electricity prices based on a compensation mechanism in place from November 2021 to March 2022. In addition to various facilities for electricity consumers, GEO 118/2021 also introduced a windfall tax applicable to electricity producers,

which means that by 31 March 2022 any additional income made by such producers and resulting from the difference between the average monthly selling price of electricity and the benchmark of RON 450/MWh, will be taxed at 80%. The windfall tax is deductible for corporation tax purposes.

GEO 27/2022

On 22nd March 2022, the Romanian Government issued GEO 27/2022 aiming to limit the effects of the increase of electricity prices for both domestic and industrial consumers. GEO 27/2022 extended the application of the windfall tax of 80% between 1 April 2022 and 31 March 2023 to all electricity producers, except for production capacities commissioned after the date of its entry, 1 April 2022. The methodology for calculating the 80% tax on additional income as established by GEO 27/2022 was applicable in the period between 1 April and 31 August 2022.

The additional income was calculated by multiplying the difference between the average monthly selling price and RON 450/MWh with the monthly quantity of electricity physically delivered. The 80% tax was then applied to that additional income.

GEO 119/2022

Starting from 1 September 2022, through an amendment brought to GEO 27/2022 by the GEO 119/2022 electricity producers were obliged to pay a contribution to the Energy Transition Fund for the period from 1 September to 31 August 2023. The contribution would be established using the formula of the total delivered quantities multiplied by the difference between the monthly sale price and the reference price (RON 450/MWh), thus resulting a contribution of 100% of net monthly average selling price in excess of RON 450/MWh. The electricity capacities commissioned after the date of entry into force of GEO 119/2022 (1 September 2022) and companies providing public heat services that produce electricity through cogeneration, were excluded from the obligation to pay the contribution.

Law 357/2022

Following the amendments to GEO 27/2022 enacted on the basis of Law 357/2022 of 16 December 2022 which approved GEO 119/2022, the contribution to the Energy Transition Fund was levied on the electricity producers for the period from 1 September 2022 to 31 March 2025, where the monthly sale price of electricity is higher than RON 450/MWh (the "Reference Price"). The contribution to the Energy Transition Fund is levied where the monthly sale price of electricity is higher than the Reference Price calculated as the difference between the monthly sale electricity price and the Reference Price, multiplied by the monthly quantity of electricity physically delivered from own production and/or transferred from the production portfolio to the supply portfolio where: (a) the monthly selling price of electricity is established by dividing the monthly net revenue by the quantity of electricity physically delivered in the relevant month, where the monthly net revenue is the difference between the monthly revenues and the monthly expenses; and (b) the monthly revenues include: (i) revenues from the sale of physically delivered electricity from own production; (ii) revenues from transferring electricity from the production portfolio into the supply portfolio; and (c) the monthly expenses include those for: (A) purchasing electricity for trades with physical delivery, including those on the balancing market up to 5% of the value of the electricity with physical delivery from own production; (B) made pursuant to the hedging agreements; and (C) covering the cost of CO2 certificates produced and sold in other conditions than through the mechanism provided by GEO 27/2022. Expenses for the actual production of electricity are excluded.

This contribution is not applicable to electricity production capacities commissioned after 1 April 2022 and to heat supply companies that produce electricity through cogeneration.

The Energy Transition Fund contribution is calculated, declared and paid by the issuer on a monthly basis up to and including the 25th of the month following the month for which it is due. The contribution must be paid into a separate cash account in RON opened with the State Treasury units of the competent central tax authorities, coded with the tax identification code of the issuer.

Bilateral contracts concluded by the electricity producers on the wholesale market through direct negotiation must be reported to ANRE within two business days as of their conclusion date.

In the context of the war in Ukraine affecting the supply of electricity to the Republic of Moldova, the Romanian electricity producers must conclude with priority bilateral agreements for certain available electricity quantities, with electricity traders and suppliers listed by the Republic of Moldova at the Reference Price to which the CO2 emissions cost is added (as the case may be). This aspect is relevant for state owned electricity producers such as the Company.

GEO 192/2022

The latest amendments to GEO 27/2022 have been enacted pursuant to GEO 192/2022 adopted on 30 December 2022. GEO 192/2022 extended the application of the measures brought by GEO 27/2022, including the payment of the contribution to the Energy Transition Fund, until 31 March 2025.

GEO 153/2022 introducing mechanism of centralized acquisition of electricity (CEPM)

Following the enactment of EU Regulation 2022/1854, CEPM was introduced through GEO 153/2022 as an extraordinary measure, driven by price increases in the electricity and gas markets and the effects caused by these increases. The CEPM of electricity became applicable between 1 January 2023 and 31 March 2025 to energy capacities with an installed power equal or higher than 10 MW.

Pursuant to CEPM, with some exceptions, all electricity producers with an installed capacity over 10MW will sell their electricity at a fixed price of RON 450/MWh to a sole purchaser, i.e. OPCOM. The following producers are exempted from the applicability of this mechanism: (i) electricity capacities commissioned after 1 April 2022; (ii) renewable energy capacities, for the technologies and installed capacities provided by article 3 paragraph 1 of the Law 220/2008 on the promotion system of the electricity production from renewable sources, which correspond to hydro electrical capacities with an installed capacity of maximum 10 MW that have been accredited by ANRE until 1 January 2017; and (iii) producers with electrical and thermal capacities in cogeneration delivering thermal electricity in SACET.

As the sole purchaser, OPCOM sells electricity to: (i) suppliers of final customers, (ii) TSO and (iii) the electricity distributors, to cover their own consumption costs, for a fixed price of RON 450/MWh.

ANRE notifies OPCOM and TSO of the list of all producers and economic operators purchasing electricity in the first year of implementation of the annual purchase procedure. Such a list was published on 14 November 2022 and includes the Company as one of the producers bound to sell a quantity of the produced electricity through the CEPM, which is calculated by Transelectrica and approved by ANRE on the basis of information communicated by the Company before 24 November 2022 such as: (i) electricity that is expected to be delivered into the grid in the following year; (ii) electricity forecasted in order to ensure contracted balancing requirements; (iii) quantity of electricity already contracted for sale at the time when GEO 153/2022 entered into force; and (iv) quantity of electricity available for sale, for the year of application, allocated per month, resulting from the difference between the forecasted quantity of electricity to be delivered and the quantity of electricity related to ensuring balancing services as well as the contracted quantity of electricity for sale. Transelectrica validates the forecasts of the electricity quantities to be delivered in the reference year and quantities of electricity required to ensure the contracted balancing services, taking into account the highest value between the one provided by the supplier and the one calculated by Transelectrica. It then computes 80% of the validated forecasts and communicates them to ANRE together with the electricity quantities submitted by the producers to Transelectrica from the production of the application year and which have been contracted to sale at the date of the entry into force of GEO 153/2022. Following the communication of such information, ANRE assesses their correctness and transmits to OPCOM the forecast of the electricity quantities which will be sold under the CEPM, divided into months based on a framework agreement approved by ANRE. At its turn, OPCOM provides the economic operators obliged to sell through CEPM with the values of the forecasts approved by ANRE which will be sold through CEPM, allocated by month until 20 December of the previous application year.

As per the list made available by ANRE, the Company is subject to the CEPM, both in its capacity as seller and buyer of electricity. The participation to the CEPM is conditional upon the conclusion of a convention between the issuer and OPCOM.

OPCOM organizes centralized electricity acquisition procedures as follows: (i) an annual acquisition procedure for each month of the following year and (ii) an additional acquisition procedure each month for the electricity quantities delivered in the following months.

Electricity supply

The maximum weighted average electricity price at which ANRE calculates the amounts to be settled from the State budget for electricity suppliers is RON 1,300/MWh (approximately EUR 265). In order to recover the amounts to be settled, the Company must submit to ANRE each month the following documents for each category of consumers (household or non-household):

- verified records attesting the value of the acquired electricity or transferred from the production line into the supply one.
- verified records ascertaining the amount of the monthly achieved imbalance.

- electricity quantity delivered each month in view of covering the consumption of the final consumers, split for each client category and consumption phases.
- any other documents requested by ANRE to calculate the amounts to be reimbursed to the Company.

In accordance with the provisions of GEO 27/2022, the Company, as a supplier performing electricity trading activities is to pay a levy to the Energy Transition Fund where the trading price is higher than the reference price (calculated in accordance with the provisions of Annex 1 of GEO 27/2022). Such levy is calculated based on the following formula: the difference between the average weighted price for the sale of electricity in the reference month and the average monthly weighted price of electricity in the reference month multiplied by 1.02, multiplied by the monthly delivered quantity of electricity.

Measures taken to protect the consumers from electricity price increases

Several measures have been taken by the Romanian Government to protect the consumers from increased electricity and gas prices. Following the mechanism enacted by Law 357/2022 on the approval GEO 119/2022 a final electricity price cap became applicable to electricity consumers as follows:

Household electricity consumers

- Maximum RON 0.68/kWh, VAT included, for household consumers in respect of their consumption between 1 September 2022 and 31 December 2022 as long as their average monthly consumption at the place of consumption in 2021 is between 0-100 kWh inclusive.
- The maximum price to be invoiced by the Company is set at RON 0.68/kWh VAT included for consumption between 1 January 2023 and 31 March 2025 in respect of the following categories of household consumers:
 - (i) household consumers whose monthly consumption is set between 0 and 100 kWh inclusive;
 - (ii) household consumers residing with individuals using services, apparatus or medical devices necessary for medical treatments as confirmed by a specialized doctor and detailed in the application submitted to the Company;
 - (iii) household consumers with at least three under aged children in care, based on an application submitted to the Issuer; the above age limit is extended until the age of 26 if the child is continuing their education; and
 - (iv) household consumers acting as single parents for at least one underaged child; this age limit is extended to the age of 26 if the child is continuing their education.
- maximum RON 0.80/kWh, VAT included, for household consumers whose average monthly consumption at the place of consumption in 2021 was between 100.01 and 300 kWh, for a maximum monthly consumption of 255 kWh. The electricity consumption exceeding 255 kWh /month is invoiced as follows: (a) maximum RON 0.80/kWh VAT included for electricity consumption between 1 January 2023 and 31 March 2025 by the household consumers ranging between 100,01kWh and 255kWh; (b) maximum RON 1.3/kWh VAT included for electricity consumption between 1 January 2023 and 31 March 2025 by the household consumers ranging between 255 and 300kWh/month; (c) maximum RON 1.3/kWh VAT included for electricity consumption between 1 January 2023 and 31 March 2025 by the household consumers exceeding 300 kWh/month.

Non-household consumers

- maximum RON 1/kWh for 85% of the monthly electricity consumption at the consumption place, the consumption difference being invoiced at a maximum price of RON 1.3/kWh, VAT included, based on the consumer's affidavit in respect of following categories of non-household consumers:
 - (i) small and medium-sized enterprises as defined by Law 346/2004 regarding the stimulation for the development and setting up of Small and Medium Enterprises;
 - (ii) operators/regional operators defined by article 2 paragraphs g) and h) of Law 51/2006, Metrorex SA, and the airports which are under the coordination of the Ministry of Transport;
 - (iii) economic operators from the food industry, (identified by CAEN code 10), and operators from the agricultural and fishing domains (identified by CAEN Codes 01 and 03);
 - (iv) authorities and local public institutions, public services of ministries and of other central authorities, private and public companies of county interest, all private and public institutions that supply a public service if these are set up at a county/city/municipality/county level; and

- (v) national institutes for research and development as defined by Law 57/2002 regarding scientific research and technological development, as amended.
- Maximum RON 1/kWh VAT included for the entire consumption of public and private hospitals, public and private educational units, nurseries, and private and public suppliers of social services.
- Maximum RON 1/kWh VAT included for 85% of the monthly consumption achieved at the consumption place for public institutions, other than the ones mentioned in the above paragraph, as well as for religious organizations. The consumption difference being invoiced at the maximum price of RON 1.3/kWh.
- Maximum RON 1.3/kWh VAT included for all other household or non-household (i.e. industrial consumers) which are not referred to in the above paragraphs.

These protection measures are expected to be applicable until 31 March 2025.

According to the provisions of GEO 27/2022, the final invoiced price is set by the Company as a lump sum of the following components.

- The acquisition component established for each applicable month of GEO 27/2022 as a difference between the final invoiced price to its final consumers and the supply component, regulated tariff component and the component regarding VAT, excise duty, green certificates. For producers that transfer electricity from a production portfolio in the supply component, relating to supply agreements for which electricity will be acquired from the market, will be established taking into account only the actual acquisition cost.
- The medium average price is also calculated by the Company for each month of the applicability term of GEO 27/2022 and will include: (1) the value of the electricity acquired through all its PPAs, as well as the transfer value between the production and supply activity for producers supplying electricity to final consumers; (2) the value of the achieved imbalance but not more than 5% of the electricity value provided in limb (1) above.
- The supply component amounting to RON 73/MWh.
- Regulated tariffs established by ANRE in force for the services supplied by the grid operators/ electricity transport and distribution.
- VAT, excise duty, contribution of the support scheme for promotion of high efficiency cogeneration based on the request of usable thermal energy, value of green certificates for the promotion system of electricity production from renewable sources of electricity.

The final invoiced price by the Company to its consumers whether they are household or non-household consumers, is the minimum value of the respective applicable capped price as described above and the contractual price. If the price of the supply contracts which were in force at the date of the entry into force of GEO 27/2022 is lower than the applicable capped price described above, then the Company will invoice the contractual price.

For electricity transferred from the production portfolio to the supply portfolio, the final electricity price is either the contractual price if it is in line with the capped prices applicable to the respective category of electricity consumer or, if the contractual price is higher than the capped price, the latter will be invoiced by the Company.

Structure of the Romanian electricity market

The electricity market in Romania has a decentralized structure where participants enter transactions relating to the purchase and sale of electricity. The principles governing the electricity market are: (i) non-discriminatory and regulated access for all participants to the electricity market, (ii) transparency of electricity tariffs, prices, and fees, (iii) improvement of the competitiveness of the internal electricity market and (iv) active participation in the formation of both the regional and the internal EU energy market and development of cross-border electricity trading.

According to the Energy Law, the Romanian electricity market is competitive, having been fully liberalized on 1 January 2021.

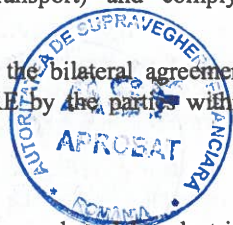
The Wholesale Energy Market

The wholesale energy market is where electricity is sold by producers to suppliers for either self-consumption purposes or for the latter to transfer electricity to the consumers or to the grid operators so that they cover their respective technological consumption. The following transactions may be concluded on the wholesale market: bilateral negotiated agreements; transactions for import and export of electricity; transactions concluded on the balancing market; and transactions concluded following the auctions on the centralized markets operated by market operators (OPCOM and RCE), namely:

- the day-ahead market (DAM);
- the intra-day market (IM);
- the market with double-continuous negotiation for electricity contracts (PC-OTC);
- the centralized market of bilateral contracts with an extended-auction mechanism (CMBC) by way of: (i) extended auction (PCCB-LE Flex), (ii) continuous negotiation (PCCB NC);
- the market for large consumers (PMC);
- the centralized market for universal service (PCSU);
- the centralized market for granting electricity contracts for long-term deliveries (PCTL); and
- the newly introduced centralized electricity purchasing mechanism (CEPM).

The participation on energy markets is conditional upon obtaining the required license as a market participant (i.e. generation/supply/distribution/transport) and complying with the procedures enacted by ANRE and OPCOM.

According to the provisions of GEO 27/2022, the bilateral agreements concluded on the wholesale market by direct negotiation, must be reported to ANRE by the parties within 2 business days since the conclusion date.



Retail energy market

The retail energy market is where electricity is purchased by electricity consumers in order to satisfy their consumption needs. As a consequence of market liberalization, electricity consumers ceased to pay the prices established by ANRE, as they are now able to compare supply offers before making a choice on the electricity supplier. The transactions may be freely negotiated between the parties or are concluded following the acceptance by the consumers of the general offers provided by the suppliers.

Balancing market

In addition, the Company is a participant in the balancing market operated by TSO. The purpose of this market is to ensure the safety and stability of the NES which is achieved pursuant to the reporting obligations of the energy market participants. TSO identifies the need for either production or consumption setting and acquires balancing electricity from the market participants. Furthermore, the Company, as an electricity producer, undertakes the financial liability towards TSO for any imbalances caused by any deviation between the scheduled production and the effective production or between the scheduled exchanges and the performed exchanges.

The prices on the balancing markets are the deficit price and the surplus price which are established in accordance with ANRE regulations. Furthermore, the calculations and settlements are performed in accordance with ANRE requirements. Please also see the “Balancing market” presentation in the “Business — Business and operations — Electricity generation” section of the Prospectus.

Licensing and authorization requirements in the energy sector

To participate in the electricity markets in Romania, an entity must obtain certain authorizations and/or licenses issued by the ANRE under the Regulation for granting licenses and authorizations in the electricity sector issued on 17 March 2015.

The main licenses and authorizations required for Romanian electricity market participants include:

- the set-up authorization – required for the construction of an electricity production facility if the installed capacity is higher than 1 MW;
- the generation license – required for the commercial operation of electricity production facilities with a capacity higher than 1 MW;

- the distribution license – required for the distribution of electricity through the distribution grid to final consumers;
- the trading license – required for trading electricity;
- the supply license – for selling electricity to final consumers;
- the transportation license – for ensuring the transmission of electricity to final consumers or distributors through the National Transmission System;
- aggregation activities authorizations – necessary for carrying out the business of combining the loads of more than one customer or the electricity produced by more than one source for sale, purchase or auction in any electricity market; and
- the storage license – for both stand-alone storage capacities and for storage capacities which are added to electricity generation facilities.

The validity period of a set-up authorization is decided by the ANRE. For electricity generation facilities, it is decided by taking into account the duration necessary for the execution of the related installation and operation works, and the deadlines mentioned in the documentation submitted by the applicant in this respect.

The applicable regulations set out the documentation to be prepared and criteria to be met by each applicant/ project for each category of licenses and authorizations, as well as the conditions the ANRE must observe for granting, updating, suspending, withdrawing or refusing to grant or update licenses and authorizations.

Where the Company intends to include new energy capacities or to exclude certain energy capacities from the license for the commercial operation of power generation capacities, the latter being relevant in case of modernization works to hydroelectrical plants, an amendment to the said license will be required in accordance with the provisions of the relevant above-mentioned provisions.

The holder of an authorization/license must notify ANRE at least 120 days before the date of any merger, division, transformation, as well as any operations having the following consequences:

- the assets for the activities comprised by the respective authorization and/or license will be transmitted to another person;
- the value of the existing share capital is reduced, in one tranche or in aggregate by at least 5%. The existing share capital of the holder of the authorization/license means the initial share capital at the date of the issue of the authorization/license or the existing share capital at the date of the last modification, obtained through share capital increases or decreases of the initial share capital, undertaken after the issue of the authorization/license, in accordance with the associated conditions of the authorization/license.

An authorization/license may be suspended or revoked, mainly for failure to comply with the obligations according to the applicable laws or for non-compliance with the associated conditions of the said authorization/license.

Licences obtained by the Company to participate on the Romanian electricity market

Energy generation

The issuer has obtained the License No. 332/2001 for the commercial operation of power generation capacities, including the provision of ancillary services, updated by the Decision no 2296/2022 issued by the ANRE president and valid until 24 July 2026. A new license needs to be applied for within 60 days before the expiry of the existing one. For details regarding provisions of the License No. 332/2001, please see “*Business — Material licenses — License for the electricity production and ancillary services*”.

The rights and obligations of the Company as an electricity producer are mainly established by the Energy Law. The main ones are described below:

The rights of the Company as an energy producer:

- to have access to the electricity networks of public interest, under the applicable laws. To this extent, the Company may benefit from electricity priority dispatch in accordance with the provisions of EU Regulation 2019/943 on internal market of electricity;
- to trade electricity on the energy market and to conclude reservation capacity contracts with TSO;

- to benefit from the national schemes of support;
- to establish and maintain its own telecommunications system for the connection of its electricity production capacities, with off-takers or with operative management; and
- to offer ancillary services on the European internal market according to ANRE regulations.

The obligations of the Company as an energy producer:

- to ensure the supply of electricity and ancillary services, in compliance with the conditions imposed by licenses, contracts and applicable laws;
- to send to TSO as operator of the balancing market, the balancing energy offers corresponding to the energy quantity, products and other requirements included in the balancing capacity supply contract;
- to offer ancillary services, according to TSO requirements and in accordance with the applicable laws; and
- to comply, from an operative point of view, with the requirements of TSO;

Support scheme through green certificates

Law 220/2008 on the promotion of electricity through renewable sources ("Law 220/2008") introduced a support scheme meant to encourage the development of renewable energy. Through this mechanism, renewable energy producers such as wind, solar, biomass, MHPPs (i.e. hydro power plants with an installed capacity of maximum 10 MW) were certified by ANRE and each month they receive a number of green certificates according to the electricity produced and delivered into the grid. The suppliers and certain energy producers must acquire the green certificates, based on the specific procedures issued by ANRE. Based on this support scheme, the renewable energy producers would receive a gain in addition to the energy sold on the market.

Such support scheme is applicable only to the renewable energy capacities commissioned and accredited by ANRE before 31 December 2016 and it covers:

- a duration of 15 years for electricity produced by new MHPPs. In order to qualify as new in accordance with the provisions of Law 220/2008, a MHPP should have been commissioned after 1 January 2004 and constructed only with new equipment;
- a duration of 10 years for electricity produced by refurbished MHPPs. According to the provisions of Law 220/2008, a refurbished MHPP is a hydroelectrical power plant with a life span of at least 15 years since its commissioning date, which has also been subject to various replacement operations of existing technologies in order to increase the efficiency of the production activity, or a new hydroelectrical group installed in an existing hydroelectrical power plant or in a hydrotechnical unit previously used with an energy related purpose;
- a duration of 3 years for electricity produced by non-refurbished MHPPs;
- a duration of 15 years for electricity produced by new wind power plants; and a duration of 7 years for electricity produced by wind generation facilities which have been previously used in other countries or, if such are utilized in isolated systems or commissioned in Romania before the date when the promotion system was enacted in Romania.

The support scheme through green certificates was amended in 2013. Currently, for MHPPs commissioned between 1 January 2014 and 31 December 2016, 2.3 green certificates are granted for each 1 MW delivered into the grid if the plants are new, two green certificates are allocated for each MW delivered into the grid if the plants are refurbished and one green certificate for each 2 MWh delivered into the grid if the plants are not new or refurbished. In each case, the total installed capacity of the hydropower plant must not exceed 10 MW. For wind power plants commissioned until 31 December 2016, 1.5 green certificates were granted until 2017 and 0.75 green certificates starting 2018 for each 1 MW delivered into the grid.

For MHPPs accredited by ANRE before 31 December 2013, as well as wind and solar generation facilities, the trading of green certificates was suspended between 1 July 2013 and 31 March 2017 by one green certificate for each MWh produced and delivered by such technologies, meaning that as of 1 January 2021, such green certificates cannot be traded. The recovery of the suspended green certificates is taking place between 1 January 2018 and 31 December 2025.

The support scheme for 2 MHPPs, 4 MHPPs and 1 MHPP ends in 2023, 2024 and 2027 respectively. The support scheme for 1 MHPP ended in 2022.

Enactment of a support scheme based on a contract for differences mechanism

Since the support scheme through green certificates is not available to micro-hydro energy projects commissioned starting 1 January 2017, a new support scheme must be put in place through the enactment of a support scheme based on a contract for differences mechanism (the “CfD support scheme”).

The most important advantage of the CfD support scheme is the safeguard granted to electricity producers from wholesale price volatility. The mechanism guarantees a strike price and tops up payments when the wholesale price falls below this amount, and vice versa. The memorandum on CfD support schemes has been approved by the Romanian Government in 2020. The Ministry of Energy is to initiate the public debate procedure and to adopt the final version of the CfD support scheme which will need to be approved by the European Commission for state aid purposes. The CfD support scheme should apply to the following: (i) new constructions using nuclear technology; (ii) technology for the use of renewable resources; and (iii) carbon capture, storage and utilization technology for fossil fuel-based electricity generation capacity when they become commercially viable.

Trading green certificates

In accordance with the provisions of Law 220/2008 green certificates are traded only on the centralized markets operated by OPCOM in a transparent and non-discriminatory manner between the operators that are under the legal obligation to acquire green certificates and renewable energy producers. The centralized markets operated by OPCOM are: (i) the centralized anonymous spot market of green certificates; (ii) the green certificates anonymous centralized term market; and (iii) the centralized market for electricity from renewable energy sources supported by green certificates where electricity produced from renewable sources and the corresponding green certificates are traded together, as a package, in a competitive, transparent, public, centralized and non-discriminatory manner.

Only a renewable energy producer is allowed to sell green certificates on the markets operated by OPCOM, while a green certificate may be the subject of a single transaction between the producer as seller and the supplier as buyer. In accordance with the provisions of Law 220/2008 until 2032, the minimum price per green certificates is EUR 29.40 and the maximum price is EUR 35, calculated in RON, at the average exchange rate established by the National Bank of Romania for the last month of the previous year.

Energy supply

Pursuant to Decision no. 718/06.05.2020 issued by the ANRE president, the Company has obtained License No. 2215/2020 for the supply of electricity, valid for 10 years starting 1 June 2020. The Company may request a new one at least 60 days before the expiry of the license.

For details regarding provisions of the License No.2215/2020, please see “*Business — Material licenses — Supply license*”.

The Company’s rights as an electricity supplier are dealt with mainly by ANRE Order 5/2023 approving the Regulation for the electricity supply to the final consumers (the “**Electricity Supply Regulation**”) and include:

The rights of the Company as a supplier of electricity:

- to receive the fee for the electricity invoiced at the consumer’s consumption place and delay penalties if these have been included in the supply electricity agreement;
- to initiate the amendment of the supply electricity agreement;
- to request the constitution of financial guarantees and to enforce them;
- to terminate the supply electricity agreement only under the conditions specified under the legal provisions in force. These mainly relate to the failure of the client to fulfil its contractual obligations. The supplier is not allowed to unilaterally terminate the supply electricity agreement outside the framework provided by the Electricity Supply Regulation and the applicable laws. As a rule, any supply electricity agreement may be terminated by the client, free of charge in case it does not accept the amendments to the supply agreement notified by the supplier. Any such termination may be exercised without prejudice to the obligations due deriving from the supply agreement;
- to cease the electricity supply under the conditions of the respective supply agreement and of the Electricity Supply Regulation; and

- to increase the electricity price only if the underlying agreement allows for such possibility during the validity period. The Company must notify clients of any intention to perform an increase of the electricity price. The Company should submit a notification to the client at least 14 days before the entry into force of such modification in respect of non-household consumers, while household consumers must be informed at least 30 days prior to the application of such amendment. The notification must provide the right of the client to unilaterally terminate the supply agreement should it not agree with such modification.

The Company's obligations as a supplier of electricity:

The obligations of a supplier of electricity are detailed in the Energy Law and the Electricity Supply Regulation, with the main obligations including:

- to inform the final consumers, through the single contact points, promotional materials, website and through the invoice or the documents attached to it, about their rights and manners to resolve disputes in the case of requests, complaints, referrals or appeals;
- to establish unique points of contact, whether physical or virtual, providing consumers with adequate means of information regarding their rights, the applicable laws and the settlement of potential disputes. The single points of contact may provide information to end customers free of charge;
- to inform ANRE regarding any fee imposed to the consumer for the termination of the supply agreement, as well as in case the calculation method or value thereof are amended;
- to make available to household consumers several payment methods for the electricity supplied, to allow them to opt for any of them, to provide the option to receive/access invoices and billing information electronically, and to provide flexible ways to make the actual payments of the invoices;
- to ensure that consumers are provided with consumption data in an easy-to-understand and harmonized format at a national level;
- to restrain from using incorrect or misleading commercial practices throughout the relationship with the consumers;
- to ensure the labelling of electricity according to the regulations of the competent authority and to inform, periodically, the final consumers regarding the structure, origin, characteristics and environmental impact of the electricity supplied to them;
- to acquire at least 40% of the electricity needed to cover the consumption of its consumers from markets other than the DAM, intra-day market and balancing market. This obligation needs to be correlated with the CEPM enacted by GEO 153/2022; and
- to provide the final consumers with information regarding the advantages, costs and risks of an electricity supply agreement with dynamic prices, including the need to have a smart metering system and to obtain the customer's approval prior to concluding this type of agreement.

According to the Electricity Supply Regulation, a supply agreement may be terminated in the following cases:

- at the end of the validity period of the supply agreement;
- upon the consent of both parties;
- the supplier is allowed to terminate the agreement in any of the following cases: (i) consumer's embezzlement of electricity; (ii) failure of the client to pay the invoices on terms and conditions stipulated in the agreement; (iii) other situations provided by the applicable legislation. Such termination may occur only after the supplier has undertaken the mandatory procedures provided by the Electricity Supply Regulation;
- the consumer may terminate the supply agreement for convenience in compliance with the requirements thereof (usually based on a prior notification or in case it disagrees with the amended contractual conditions as such have been notified by the supplier); and
- on the date of expiry/withdrawal of the electricity supply license.

Acquisition and invoicing of green certificates by the Company as an energy supplier

As per the provisions of Law 220/2008, energy suppliers and certain producers must acquire green certificates every year that equal the value of the mandatory quota for acquiring green certificates established by ANRE for the respective year, multiplied by the total number of MW. The estimated mandatory quota

for the purchase of green certificates in 2023 is set at the value of 0.4943963 green certificates/MWh, corresponding to a final consumption of electricity exempted from the payment of green certificates of 10,929.365 GWh.

As an electricity supplier, the Company invoices the value of the green certificates to its final consumers for the electricity invoiced during the invoiced period.

The value of the green certificates invoiced to the consumer is the multiplication of the following elements:

- electricity quantity invoiced during the billing period. In case of energy intensive consumers which benefit from exemption agreements in accordance with applicable law, the value of the invoiced green certificates corresponds to the quantity of electricity resulting from the reduction of the invoiced energy quantity with the exempted electricity quantity within the respective invoicing period;
- estimated mandatory annual quota of the acquisition of green certificates applicable during the invoice interval (green certificates/MWh) with the decimals number published by ANRE president order and with the corresponding used units of measurements;
- green certificate average weighted price from the previous month of the one when the invoice is being issued and calculated by OPCOM, with the decimals number published on its website, as a medium average closing price from the trading sessions on the centralized anonymous spot market of green certificates. In the event that no trading session occurred in the month preceding the month of the invoice issuance, the last closing price/weighted average closing prices of the trading sessions on the centralized anonymous spot market of green certificates from the last available month (RON/green certificates) shall be used.

The value of the green certificates is subject to amendment in case the annual estimated mandatory quota of green certificates is modified within an invoicing period.

The Company is required to submit to ANRE the necessary data required for monitoring the monthly invoicing of the green certificates to the final consumers and annual regularization of the value of the green certificates as follows:

- until 31 March of each year, data reporting regarding the monthly invoice of the green certificates value related to the invoiced electricity for the previous year by filling in the template provided by either Annex 1 or Annex 2 of the Procedure regarding the invoicing of green certificates enacted based on ANRE Order 187/2018 as amended by ANRE Order 19/2023. If, for an invoicing period, regularization invoices are issued for initially invoiced electricity, for the purpose of filling of the above-mentioned template, the data from the electricity regularization invoices are used.
- until 30 September of each year, reporting data regarding the annual regularization of the value of green certificates for the previous year, by filling in the template provided by either Annex 3 or Annex 4 of the of the Procedure regarding the invoicing of green certificates enacted based on ANRE Order 187/2018 as amended by ANRE Order 19/2023.

According to OPCOM regulations, the Company is allowed to transfer the green certificates it has obtained as an electricity producer to its supplier's account registered with OPCOM. If the mandatory quota of green certificates is not fulfilled through the respective transfer, then the Company must acquire the remainder from the green certificates markets operated by OPCOM, as mentioned in the section "*Regulatory Matters — Licences obtained by the Company to participate on the Romanian electricity market — Energy generation — Trading green certificates*".

Sanctions provided by the Energy Law if the Company fails to comply with its obligations both as a supplier and as a producer

- (i) *Sanctions provided by the Energy Law related to material breaches of obligations:* A fine from 1% to 5% of the annual turnover of sales on the wholesale energy market from the financial year prior to the application of the sanction, may be applied if the Company fails to comply with the following:
- obligations of the market participant (like the Company) as provided by European regulations;
 - transparency requirements provided in ANRE regulations, as well as in European regulations, with the exception of the REMIT Regulation; and
 - obligations provided under the provisions of article 4 paragraphs (1)-(3), article 8 paragraphs (1) and (5), article 9 paragraphs (1) and (5) and article 15 of the REMIT Regulation.

- (ii) A fine from 0.5% to 1% of the annual turnover of sales on the wholesale energy market from the financial year prior to the application of the sanction, may be applied if the Company fails to fulfill the following undertakings:
- to allow investigation and/or unannounced inspection actions to be carried out at their premises or to make available the electronic equipment on which information and data subject of the investigation is stored or archived; and
 - to provide the data and information, or providing inaccurate, incomplete or misleading data and information, as a result of ANRE requests, made pursuant to the provisions of article 85 and article 86 paragraph (1) letters c) and d) and paragraph (3) of the Energy Law.
- (iii) A fine between 5% and 10% of the annual turnover for the previous financial year prior to the application of the sanction may be applied for Company's failure to comply with the obligations provided in article 3 paragraphs (1)-(2) letter e) and article 5 of REMIT Regulation.
- (iv) A fine between 5 and 10% of the annual turnover achieved in the financial year preceding the application of the penalty may be applied to the Company as electricity producer for non-compliance with the following obligations:
- to supply to TSO as operator of the balancing market the offers corresponding to the volume, products and other requirements stipulated in the contract for the provision of balancing capacity;
 - to offer system services, in the situations provided for in the regulations issued by ANRE or European regulations;
 - to comply, from an operative point of view, with the requirements of TSO; and
 - to trade at least 40% of the annual electricity production through contracts on the electricity markets, on markets other than DAM, intra-day market and balancing market.
- (v) A fine between 5-10% of the annual turnover achieved in the previous financial year may be applied to the Company as electricity supplier for non-compliance with the following obligations:
- to inform at least household customers and micro-enterprises with an estimated annual consumption below 100,000 kWh, through invoices or in documents attached to them or through other agreed means of communication regarding the existence of the tool for comparing suppliers' offers, including the offers of electricity supply contracts made available by ANRE; and
 - to purchase electricity in such a way as to ensure the customers' consumption.

Sanctions provided by 153/2022 related to material breaches of obligations in connection with CEPM of electricity:

A fine of 1% to 5% of the annual turnover of the financial year preceding the sanction may be applied if the Company acting as an electricity producer or electricity supplier fails to comply with the following obligations.

- The obligation according to which the Company shall submit to ANRE and OPCOM by 24 November of the year preceding the year of application: (i) the forecast of the quantity of electricity to be delivered into the system in the year of application; (ii) the quantity of energy forecast to be required to provide the contracted balancing services; (iii) the quantity of electricity from the production of the year of application that has already been contracted for sale at the date of entry into force of GEO 153/2022; (iv) the quantity of electricity available for the year of application, broken down by month resulting from the difference between the forecast quantity of electricity to be delivered and the quantity of electricity needed to ensure balancing services, as well as the quantity of electricity already contracted for sale; (v) the situation regarding the quantity of electricity forecast to supply its own consumption sites.
- The obligation requiring the Company to send within 3 days to Transelectrica supporting documents for the forecast differences or corrected forecast values.
- The obligation, according to which the Company determines and transmits monthly to OPCOM on its own responsibility the forecasts of additional quantities, contracted quantities provided for in Article 9, letter e from GEO 153/2022 (i.e. those quantities which represent firm obligations of the electricity producers and which are evenly distributed over all the settlement intervals of each month).

- The obligation according to which the Company must sell to OPCOM according to CEPM the quantities of energy established and communicated according to the provisions of GEO 153/2022.
- The obligation which stipulates that any change in the monthly forecast of the additional quantities of electricity available/requested to be purchased to cover the consumption shall be sent to OPCOM with the relevant justification, at least 3 days before the date of the organisation of the purchase procedure, for differences greater than 2% between the additional quantity of electricity available/requested by producers/economic operators and the forecasts laid down in Article 5, paragraph 7 and Article 7, paragraph 4 of GEO 153/2022.
- The obligation applicable to electricity suppliers to submit to OPCOM annual consumption forecasts, as well as the quantities of electricity that have already been contracted for purchase on the date of entry into force of GEO 153/2022, broken down monthly, by 10 December of the year preceding the year of application.
- The obligation under which economic operators purchasing electricity shall determine and transmit to OPCOM monthly forecasts of quantities and the quantities already contracted for consumption, no later than the 15th day of the month preceding the month in which consumption is to take place.

Development/ Modernization of a hydro electrical project

The development, construction, commissioning, or the modernization of a hydro electrical project require various milestones to be reached, with an emphasis on abiding by the imperative norms of the environmental legislation, the most essential being:

- Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for the Community in respect of water policy has been transposed into Romanian law requiring among others, further protection, and sustainable management of water into various policy areas, such as energy.
- Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna which has also been transposed into Romanian law to ensure that biodiversity is maintained taking into account economic, social, cultural and regional requirements.
- Obtaining the required permits and approvals for certain operations, such as: urbanism certificate, emplacement approvals, water management approvals, environmental approvals, technical documentation (prepared in accordance with all environmental requirements), building permits, environmental authorization, water management authorization, technical approval for the connection to the grid, securing the connection agreement, and obtaining the connection certificate.

The Company must update the technical connection approval and the connection certificate in accordance with the requirements of the Regulation for the connection of the users to the public grid if any of the following circumstances occur:

- Development of the user's activity from a technical and energy perspective at the production and/or consumption place, including the installation at an existing consumption/production place of a storage facility or setting up a storage installation with high voltage direct current power supply system (HVDC) and a high voltage direct current power supply system (HVDC) at an existing production place, which requires exceeding the approved capacity.
- Amendment of technical or administrative elements of the consumption place and/or production place compared to the existing situation where either the technical connection approval or the connection certificate has been issued, without exceeding the approved capacity.
- Modification of the connection installation of a consumption place and/or of a production place without changing the approved capacity, in order to address the requests of the Company.
- Development of the user's activity from a technical and energy perspective at the consumption place by connecting other generators and/or storage facilities at its utilisation installation as the case may be, whether such new generator/storage facility injects energy into the upstream grid from the delimitation point, or not.

Available funding through different European mechanisms for the development of energy capacities with a potential impact on the Company

PNRR is a tool to assist EU countries by mitigating the economic and social consequences generated by the coronavirus crisis and to make EU countries economies sustainable, resilient, and better prepared for a green and digital future. In addition to funding available through PNRR, various European funding, detailed below, is available in Romania to implement investments to reach the target established for 2030.

In addition, the Modernization Fund is a program aimed at supporting 10 lower-income EU Member States during their transition to climate neutrality by improving energy efficiency and modernizing the energy systems. The incomes for the Modernization Fund derive from auctioning 2% of all the grants granted to the Member States under the EU-ETS mechanism for 2021-2030 period. Romania will benefit from a share of 11.98% of the 2% of the total quantity of grants given to the Member States through the EU-ETS mechanisms.

On May 9, 2022, the Government Emergency Ordinance no. 60/2022 approved the implementation of the funding made available to Romania from the Modernization Fund allocated to priority sectors such as renewable sources of energy, storage, energy infrastructure, high efficiency cogeneration and production of green hydrogen, in line with the Communication of the European Commission- 2022 Guidelines regarding state aid for climate, environmental protection and energy (2022/C80/01).

Further, Romania will make use of the funding amounting to EUR 4.4 billion available through the Just Transition Fund to be used in six counties in Romania which are currently heavily relying on the coal industry to cover energy needs.

Energy Efficiency

On 25 October 2012, the EU adopted Directive 2012/27/EU on Energy Efficiency amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (“**Directive 2012/27/EU on Energy Efficiency**”), building on the Energy Efficiency Plan 2011. This Directive establishes a common framework of measures for the promotion of energy efficiency within the EU to achieve the EU target of a 20% increase in energy efficiency and to pave the way for further energy efficiency improvements beyond that date. It lays down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy. It also provides for the establishment of indicative national energy efficiency targets for 2020.

Energy Efficiency Law no. 121/2014 transposes into Romanian law Directive 2012/27/EU on Energy Efficiency.

Romania intends to reduce the consumption of electricity and to encourage the use of renewable sources in relevant sectors, such as heating, cooling, transport, etc. As such, Romania aims to reach by 2030 a primary consumption of electricity of 32.3 Mtoe and a final consumption of 25.7 Mtoe, with energy savings of 45.1% for the primary consumption and of 40.4% for the final energy consumption.

With the recent enactment of the Government Emergency Ordinance 112/2022 regarding the measures to stimulate investments from non-reimbursable external funds in the field of energy efficiency and renewable sources for large, small and medium enterprises, green energy from renewable sources for public authorities as well as some measures from the field of intelligent specialization, Romania is allocating grants to companies to implement energy-saving measures and to produce green energy for its own consumption. As such, the grants will have a minimum value of EUR 50,000 and a maximum value of EUR 500,000 except for the grants allocated under the minimis scheme which will have a maximum value of EUR 200,000.

II. Data protection

In its normal course of business, the Group collects personal data from its employees and customers. Processing of personal data is mainly regulated by the GDPR, Law No. 190 dated 18 July 2018 on measures for the implementation of the GDPR and Law No. 506 of 17 November 2004 on the processing of personal data and the protection of privacy in the electronic communications sector, as subsequently amended (the “ePrivacy Law”). The processing of personal data is also subject to the decisions, opinions, guidelines, recommendations and best practices, etc. issued by the European Data Protection Board and, in Romania, by the National Authority for the Supervision of Personal Data Processing (“ANSPDCP”).

In general, the collection and processing of personal data should be performed for specified, explicit and legitimate purposes. The law imposes on controllers, as well as, among others, processors, obligations to inform the data subjects of their personal data that have been processed, the purpose, limitations and

duration of such processing, to maintain the security of the data they process, and to notify the supervisory authority or the data subjects of data security breaches.

Failure to comply with the legal requirements relating to personal data processing constitutes an administrative offense unless committed under such conditions as to constitute a criminal offense and may trigger fines up to EUR 20 million or 4% of the total worldwide annual turnover of the financial year preceding that in which the sanction was imposed, whichever is higher, depending on the type of infringement. However, the ANSPDCP may apply sanctions such as warnings and may also impose specific measures to be taken by the infringer to remedy the consequences of an infringement.

In addition to the abovementioned sanctions, individuals are entitled to compensation for material or non-material damage suffered as a result of an infringement of the data protection legislation. Contractual partners of the infringer or other entities may also be entitled to compensation or other civil remedies.

III. Networks security

The EU Directive 2016/1148/EU of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union (the “NIS Directive”) requires essential service operators within critical infrastructure sectors, such as energy suppliers (including the Company), to carefully review existing network security mechanisms, to implement state-of-the-art security measures which will ensure a level of security for their infrastructure appropriate to the risk of the respective entity, as well as to establish proper notification measures to promptly notify the competent authority of any incident which has a substantial impact on the services offered in the European Union. In January 2023, Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union, amending Regulation (EU) No 910/2014 and Directive (EU) 2018/1972, and repealing Directive (EU) 2016/1148 came into effect (“NIS 2”). This should be transposed in national legislation by 17 October 2024. In essence, NIS 2 is an amended version of the original NIS Directive and aims to solve the deficiencies therein and widen its scope as regards security requirements and covered entities and sectors. NIS 2 improves security measures and incident reporting procedure, and imposes stricter measures and sanctions.

The NIS Directive has been transposed in Romania by Law no. 362/2018 on ensuring a high common level of security of computer networks and systems, which sets out detailed obligations within the framework of the NIS Directive and provides for penalties for breaches that may be imposed. The authority supervising the observance of such rules was initially the Romanian National Computer Security Incident Response Team (in Romanian “*Centrul Național de Răspuns la Incidențe de Securitate Cibernetică — CERT-RO*”), currently replaced by the National Cyber Security Directorate (in Romanian “*Directoratul Național de Securitate Cibernetică — DNSC*”). Law no. 362/2018 provides for a wide range of violations that may represent misdemeanors, the fines being set between specific thresholds of RON 3,000 and RON 100,000. For companies with a turnover higher than RON 2 million (approximately EUR 400,000), the law provides fines amounting of 0.5% up to 5% of their annual turnover of the financial year preceding that in which the sanction was imposed, in case of repeated breaches.

In addition, as an operator of essential services, the Company would also fall under the provisions of Law no. 58/2023 regarding the cyber security and defense of Romania, for which secondary legislation is currently pending.

IV. Public tender

The Company qualifies as a contracting entity under Law no. 99/2016 related to utilities procurement. The Company is therefore required to observe the provisions therein when purchasing services, goods and/or works related to its object of activity. In most cases, procurement procedures conducted by the Company have as object the purchase of modernization, rehabilitation, re-technologization services and works related to electrical installations and constructions owned or used, as well as the purchase of monitoring systems, IT solutions, spare parts or of security. In relation to the tendering process, the Company mainly adopts open tendering or a simplified procedure, depending on whether the value of the procurement falls above or below the threshold for which the contract notice must be published in the Official Journal of the European Union.

Public procurement processes organized and conducted by the Company are carried out based on internally agreed rules based on regulations, operational procedures, and instructions. These internal regulations set out the procedures for (i) the various types of procurement carried out in practice by the Company, such as direct procurement, procurement of social services, etc.; (ii) the different phases of the procurement process,

such as the conduct of needs analysis, the conduct of market consultations and market sounding, the establishment of the contracting strategy, the drafting of tender documentation, the modus operandi of the evaluation committees, etc.; and (iii) the content of the tender documentation packages. Operational procedures are reviewed and updated periodically subject to the arising needs.

V. Environmental Regulations

Environment Protection

According to the provisions of the Emergency Government Ordinance no. 195/2005 regarding environmental protection (the “**Environmental Law**”), as approved by Law 265/2006, public authorities for environmental protection are responsible for, among others, (i) authorizing economic and social activities that impact the environment; and (ii) issuing environmental permits, approvals and endorsements. Environmental permits are mandatory for certain activities where the possible environmental impact is listed by the relevant legislation. The permits set out the conditions and/or operating parameters of such activities. Once issued, ordinary environmental permits remain valid for as long as the beneficiary obtains an annual visa confirming that the beneficiary is continuing the activity under the same conditions and that no changes occurred to the activity which would entail amendments to the permit. Environmental approvals must be obtained for new public or private investment projects or for those that modify existing projects related to activities that have a significant impact on the environment. Environmental endorsements must be obtained for the adoption of plans or programs and confirmation of the integration of environmental protection aspects into the plan or program subject to adoption. The environmental approvals and endorsements are valid during the development of the project or of the plan or program for which they were issued, except if when changes occur to the plan/program/project, in which case the relevant authorities must be notified, who may request that the environmental approval/environmental endorsement be updated based on a special procedure set out by the relevant legislation in this respect. However, if the building permit for the project for which the environmental approval has been issued is not obtained within 5 years since issuance of the environmental approval, the owner of the project must notify the issuing environmental authority in order to confirm that the environmental approval is still valid. Environmental authorities monitor compliance with previously granted permits, approvals and endorsements, which may be suspended for compliance failures. A company whose permit or approval has been suspended is given up to six months to bring its operations into compliance, otherwise the environmental authority may order the cancellation of the permit or approval and cessation of the respective project or activity.

Order no. 1798/2007 approving the procedure for issuing environmental permits, published in the Official Gazette on 27 November 2007, sets out the types of activities for which the issuance of an environmental permit is required and the steps, timeline and necessary documentation which must be submitted.

In addition to the above-mentioned Environmental Law, the legal framework for environment protection is completed by the below-mentioned specific pieces of legislation, regulating various branches of environment protection, as well as by European and international pieces of legislation, transposed and implemented at national level, e.g., Law no. 389/2006 on the ratification of the Framework Convention on the Protection and Sustainable Development of the Carpathians, adopted in Kyiv on May 22, 2003, Law no. 451/2002 for the ratification of the European Landscape Convention, adopted in Florence on October 20, 2000, Law no. 22/2001 for the ratification of the Convention on environmental impact assessment in a transboundary context, adopted in Espoo on February 25, 1991.

Industrial Emissions

Law no. 278/2013 on industrial emissions was published in the Official Gazette on 1 November 2013 and amended by Government Emergency Ordinance No.101/2017 and Law no. 203/2018. Its main objective is to prevent and control pollution resulting from industrial activities, setting out conditions for prevention or for reduction of emissions in air, water, and soil, as well as the prevention of the waste generation, to ensure high level of environmental protection. This law transposes Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control).

Water Management

Water from the reservoirs is used as a raw material by the Company to produce electricity, but also serves to maintain ecological balance. The reservoirs are a concession from the Romanian State to the Company and are operated by the Company’s branches. Therefore, the Company has the obligation to comply with water management and environmental legislation.

The right to use water, as well as the corresponding obligations resulting from the protection and conservation of water resources, must be exercised in accordance with the complex water management legal framework composed by the following main pieces of legislation: Water Law, Order no. 891 of 23 July 2019 approving the Procedure and powers for issuing, amending, withdrawing and temporarily suspending water management permits, as well as the Rules on the content of the technical documentation subject to authorization, Order no. 828/2019 regarding the approval of the Procedure and competences for issuing, amending and withdrawing the water management approval, including the procedure for assessing the impact on water bodies, the Normative content of the technical documentation subject to approval, as well as the Framework Content of the Study assessment of the impact on water bodies, Government Decision 148/2020 approving the manner of establishing the ecological flow (in Romanian “*debitul ecologic*”) (namely the water debit needed to protect the water ecosystem), Law 14/1999 ratifying the Romanian Serbian Convention on the exploitation and management of the hydropower and navigation facilities of Iron Gates I and II, Government Decision no. 1092/2010 for the approval of the Agreement between the Government of Romania and the Government of the Republic of Moldova regarding cooperation for the protection and sustainable use of the Prut and Danube waters, signed in Chisinau on June 28, 2010, as well as the National Management Plan updated, which includes a synthesis of the Management Plans updated at basin/hydrographic spaces level for the 11 Hydrographic Spaces of Romania (for 2022-2027), published in the Official Gazette, Part I, no. 551 and 551 Bis of 20 June 2023.

The Water Law sets out the general framework regarding the protection of waters and regime in connection with, water bodies. It transposes into Romanian law Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, as subsequently amended and supplemented (the “**Water Framework Directive**”), and Directive 2007/60/EC of the European Parliament and of the Council of 23 October 2007 on the assessment and management of flood risks.

According to the Water Law, hydropower plants activities are subject to authorization by the water management regulatory authorities through water management permits and safe exploitation permits.

The water management permit regulates the right and the technical and legal conditions for:

- (i) the operation and exploitation of new developments built on water or which have a connection with the surface waters, underground waters, coastal area, cliff, littoral and the sea beach, interior maritime waters, territorial sea, exclusive economic zone and the continental shelf;
- (ii) the operation and further exploitation of the existing developments built on water and
- (iii) storage activity, handling and/or transportation of dangerous substances through pipelines or other activities on the ground or underground which can lead to indirect release of dangerous substances in underground or surface waters.

Safe exploitation permits certify compliance with performance requirements during the dams’ exploitation period and are mandatory for obtaining the water management permit and the environmental permits.

The works that are built on or related to water, such as water use works, with related constructions and installations, e.g. drinking, industrial and irrigation water supplies, fish facilities, hydroelectric power plants, hydromechanical uses, facilities for navigation, floating bridges, tourist or leisure facilities, other works of this kind, as well as development, modernization or re-technological works of technological processes or existing installations, if they are related to water or if their implementation changes the final quantitative and qualitative parameters of water use set out in the water management permit, can be executed only on the basis of the water management approval issued by ANAR and its subordinate units. The commissioning or exploitation of these works is done only on the basis of the water management permit issued by ANAR and its subordinate units.

For the execution of new works and constructive interventions that modify the basic parameters of existing dam works, for permanent or non-permanent water retention, of dams and dykes that make deposits of industrial waste deposited by hydromechanization and of special hydrotechnical works, the issuance of the water management approval is conditioned by the existence of the safe exploitation approval issued by the central public authority in the field of water, in accordance with the legal provisions.

The procedure for issuing the water management approval includes the assessment of the impact of the works on the water bodies, based on the assessment study of the impact on the water bodies, as the case may be. The documentation for the substantiation of the water management approval must be prepared based on meteorological, hydrological, hydrogeological studies or on water management studies, as the case

may be. These studies and documentation will be drawn up by public or private institutions within the EU member states, certified by the central public authority in the field of water or by a competent authority in the EU area. The supporting documentation must demonstrate that the project owner can comply with the legal requirements. The water management approval loses its validity after 2 years from its issuance, if the execution of the respective works has not started within this interval. The water management approval is also necessary in case of development, modernization or re-technology of some technological processes or some existing installations of water users, if the provisions of the previously obtained approval are changed, as well as if this change occurred before commencing the respective works. The water management approval is also necessary in the case of the closure of some objectives built on the waters or related to the waters.

The water management approval and the water management permit do not exclude the obligation to obtain environmental regulatory acts, according to the relevant provisions.

According to Article 53 paragraph (4) of the Water Law, the new damming or water capture works located on the watercourses must be provided with installations that ensure the easement flow on a watercourse downstream, as well as, as the case may be, with constructions that ensure the migration of aquatic fauna, especially ichthyofauna, in order to achieve the environmental objectives set forth by the law. These provisions also apply to existing damming or water capture works located on watercourses, if technically feasible solutions exist and if their implementation does not involve disproportionate costs.

The easement flow is the minimum flow required to be permanently left on a watercourse downstream of a dam or water catchment work. The easement flow, mandatory in relation to riverbeds, are calculated in hydrological studies developed by public or private units certified by the central authority in the field/water management. They are expertized by the National Institute of Hydrology and Water Management and included in the water management permit.

The easement flow is composed of the ecological flow and the minimum flow required for downstream users.

The ecological flow is the flow needed to ensure the protection of aquatic ecosystems, both quantitatively and in terms of their dynamics, in order to achieve the environmental objectives for surface water bodies.

The requirement applies to the damming or water capture works in existence as at the date of entry into force of GEO 78/2017, provided that the needed installations and constructions are technically feasible and do not involve disproportionate costs. Further grandfathering provisions entered into force on 5 November 2018 and provided that by 5 November 2022 all beneficiaries of water management permits that involve damming or water capture works located on water courses must notify ANAR with respect to their compliance with article 53(4) of the Water Law, under the sanction of their respective water management permits becoming invalid.

Government Decision 148/2020 (“**GD 148/2020**”) establishes the method of determining and calculating the ecological flow, downstream of the damming or catchment works located on the watercourses. For heavily modified water bodies, the implementation of the measures needed to ensure the ecological flow must be done taking into account the particularities of each water body, excluding from the discharge of ecological flow the damming or water capture works located on the watercourses that do not have installations for the evacuation of the easement flow, for which there is no technically feasible solution to ensure this flow, and for which the solution to ensure this flow would generate disproportionate costs. According to GD 148/2020, the works that are subject to international agreements or conventions shall continue to be regulated by such international agreements/conventions.

The same GD 148/2020 sets out how to determine and calculate the ecological flow requirements. The technical unfeasibility and the disproportionality of the costs must be justified within technical-economic studies issued in this respect.

The National Management Plan updated 2015 (approved by Government Decision no. 859/2016), applicable before the entry into force of the National Water Management Plan updated and approved for the period 2022-2027, related to the portion of the international hydrographic basin of the Danube River in Romanian territory, provides threshold values regarding significant negative effect on water use by hydropower producers, as required factor in the disproportionality analysis. These threshold values represent loss of energy production by more than 2% per year at the level of a single hydropower plant or by more than 5% per year for hydropower development as a whole.

Where the technical-economic studies evidence that the technical solutions are infeasible or trigger disproportionate costs, then the relevant damming or water capture works are exempted from the application of the GD 148/2020, the initial regulatory conditions being maintained.

GD 148/2020 clarified that the requirements to ensure the easement flow (which includes the ecological flow), the technical infeasibility or the disproportionality of the costs must be justified through technical-economic studies performed by 5 November 2022. GD 148/2020 failed to provide for a sanction for a breach of such deadline. For hydropower plants the law further established that there is a cost disproportionality if the solution ensuring the easement flow that includes the ecological flow requirements triggers a loss of energy production by more than 2%/year at the level of a single hydropower plant or by more than 5%/year for the hydropower development, as a whole.

In order to prevent the deterioration of surface water bodies, the central public authority for water management developed management plans setting forth measures that must be taken by water bodies users.

The hydrographic basin management plan is a planning tool that pursues environmental objectives for surface and underground water bodies and protected areas in a certain hydrographic basin.

Romania is part of the international hydrographic basin of the Danube River.

The updated National management plan related to the portion of the international river basin of the Danube River that is included in the territory of Romania, which constitutes a synthesis of the 11 Management plans of the hydrographic basins/spaces established at national level updated for 2022-2027, has been adopted by Government Decision no. 392 on 26 April 2023 and published in the Official Gazette, Part I, no. 551 and 551 Bis of 20 June 2023.

Environment Liability

Emergency Government Ordinance no. 68/2007 pertaining to environmental liability with respect to the prevention and remedying of environmental damage, established that (a) operators in Romania are objectively liable for all damage caused to the environment, including to land, water and air, as a result of pollution; and (b) the operator must bear all costs related to such pollution, except in cases (i) where the damage is caused by a third party and occurred despite the fact that appropriate safety measures were in place; (ii) where the operator's production resulted from compliance with a compulsory order or instruction from a public authority other than an order or instruction made as a consequence of an emission or incident caused by the operator's own activities; (iii) involving any activity from which it was technically impossible to foresee damage; or (iv) of an emission or any specifically authorized event carried out fully in accordance with the conditions of the authorization in force at the date of the emission or event. This ordinance transposed Directive 2004/35/EC of the European Parliament and of the Council of 21 April 2004 on environmental liability regarding the prevention and remedying of environmental damage.

Waste management

Government Emergency Ordinance no. 92/2021 on waste management, published in the Official Gazette on 26 August 2021, defines the operator's obligations for ensuring a high level of environmental protection and the safety of the public's health by preventing or reducing the adverse impact of waste generation and efficient management of waste, reducing the adverse impacts determined by the generation and management of waste and by reducing overall impact of the use of resources and improving the efficiency of such use. This ordinance was adopted to transpose the Directive 2008/98/EC on waste and repealing certain Directives, as amended by Regulation (EU) no. 1357/2014, by Directive (EU)2015/1127, by Regulation (EU) 2017/997 and by Directive 2018/851. Pursuant to the law, waste management must be carried out without endangering human health, without harming the environment and it must not: (i) cause any risk to water, air, soil, fauna or vegetation; (ii) cause noise pollution or unpleasant smell; or (iii) negatively affect the countryside or places of special interest.

Government Decision No. 856/2002 sets out the legal regime for the evidence of waste management and approves the list of waste, including hazardous waste.

Electric and Electronic Equipment Waste

Government Emergency Ordinance no. 5/2015 regarding electric and electronic equipment waste sets out the rules for the collective selection, adequate treatment, recycling, reuse and realization of electric and electronic waste. This Government ordinance was adopted to transpose the provisions of Directive 2012/19/

EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment.

Prevention of Pollution of Soil and Subsoil

Law no. 74/2019 on the management of contaminated and potentially contaminated areas, published in the Official Gazette on 3 May 2019, provides that the operator has the obligation to complete and file reports for the identification of possible contaminated sites upon a request from the competent local environmental authority and that the polluter is obliged to bear all costs related to the remediation of the contaminated areas subject to feasibility studies and remediation measures.

Environmental assessment of plans and programs

Government Decision No. 1076/2004 on establishing the procedure for carrying out the environmental assessment of plans and programs (“GD 1076/2004”), published in the Official Gazette on 5 August 2004, as amended, sets out the steps for the environmental assessment of plans and programs and the process for the issuance of an environmental endorsement needed for the adoption of plans and programs that may have a significant impact on the environment. This decision was introduced into Romanian legislation to transpose Directive 2001/42/EC on the assessment of the effects of certain plans and programs on the environment.

GD 1076/2004 sets out the procedure for carrying out the environmental assessment, applied for the purpose of issuing the environmental endorsement necessary for the adoption of plans and programs that may have significant effects on the environment, defining the role of the competent authority for environmental protection, the requirements for consultation of interested factors and public participation. Environmental assessment is an integral part of the procedure for adopting plans and programs. The environmental assessment is carried out during the preparation of the plan or program and is completed before its adoption or its referral to the legislative procedure. This procedure is carried out in stages, as follows: (i) the screening stage, during which the plan or program is framed within the environmental assessment procedure; (ii) the finalization stage, during which the draft plan or program is finalized and the environmental report is issued; and (iii) the analysis stage, during which the quality of the environmental report is analyzed.

GD 1076/2004 do not apply to plans and programs: (i) whose sole purpose is national defense or civil protection; (ii) financial or budgetary; and (iii) regarding support for rural development through the European Agricultural Guidance and Guarantee Fund – Guarantee Section, for the year 2007.

The environmental assessment procedure is applied by the authorities holding the plan or program in collaboration with the competent authorities for environmental protection, with the consultation of central or local public health authorities and those interested in the effects of the implementation of plans and programs, as the case may be, as well as the public and it is completed with the issuance of the environmental endorsement for plans or programs.

The competence to issue the environmental endorsement rests with the county agencies for environmental protection, for local and county plans and programs, and the central public authority for environmental protection, for national and regional plans and programs. Public participation in the environmental assessment procedure takes place effectively from the initiation of the plan or program.

Assessment of the impact of certain public and private projects on the environment

Law no. 292/2018 on the assessment of the impact of certain public and private projects on the environment, published in the Official Gazette on 10 December 2018, sets out the procedure for the assessment of the impact that projects may have over the environment and the process for the issuance of an environmental approval. It transposes into national law Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment.

The environmental impact assessment procedure set out by Law No. 292/2018 is an integral part of the procedure for issuing the development approval, e.g., the building permit. The environmental impact assessment procedure integrates, as appropriate, the appropriate assessment of protected natural areas of community interest (i.e., Natura 2000 sites), the conservation of natural habitats, wild flora and fauna, as well as the assessment of the possible effects of industrial emissions and the assessment of major accident hazards in that involve hazardous substances. The environmental impact assessment procedure for projects that are built on or related to water, according to the provisions of Waters Law, is carried out in coordination with the procedure for issuing the water management approval, which includes the assessment of the impact on water bodies. The coordination of the environmental impact assessment procedure with the

procedure for issuing the water management approval is carried out by the competent authority for environmental protection.

Law No. 292/2018 does not apply to projects or parts of projects whose sole objective is national defense and security or response to emergency situations, if the central public authorities for national defense and security, respectively the authority for emergency situations, together with the central public authority for environmental protection establish, on a case-by-case basis, that carrying out the environmental impact assessment would have a negative effect on these objectives.

According to Article 5 paragraph (2) of Law No. 292/2018, in exceptional situations, the central public authority for environmental protection may partially or totally exempt a certain project from the application of the provisions of the law, provided that the objectives of this law are achieved without prejudice to the provisions setting out the cross-border procedure applicable in case of projects carried out on the territory of Romania that may have a significant effect on the environment of another EU member state or of another third state.

In such an exceptional situation, the central public authority for environmental protection has the following obligations: (i) analyzes whether another form of assessment is appropriate; (ii) makes available to the interested public the information obtained within the evaluation forms mentioned at item (i) above, as well as the information regarding the exemption decision and the reasons that were the basis for taking such a decision; (iii) informs the European Commission, before issuing the development approval, about the exemption decision taken, as well as the reasons justifying the granting of the exemption and provides, as the case may be, the information made available to the public.

If a project is adopted through a special normative act, the central public authority for environmental protection may exempt the respective project from the provisions regarding public consultations provided for by law no. 292/2018, provided that the objectives of law are achieved, without prejudice to the the provisions setting out the cross-border procedure applicable in case of projects carried out on the territory of Romania that may have a significant effect on the environment of another EU member state or of another third state.

The central public authority for environmental protection informs the European Commission about the exemption decision taken, every 2 years starting from the date of entry into force of this law no. 292/2018.

The environmental impact assessment identifies, describes and evaluates, appropriately, for each individual case, the significant direct and indirect effects of a project on the following factors: (i) population and human health; (ii) biodiversity, with a special focus on protected species and habitats in accordance with the provisions of Government Emergency Ordinance no. 57/2007 regarding the regime of natural protected areas, conservation of natural habitats, flora and fauna, approved with amendments and additions by Law no. 49/2011, with subsequent amendments and additions; (iii) lands, soil, water, air and climate; (iv) material assets, cultural heritage and landscape; and (v) the interaction between the factors mentioned at items (i) – (iv) herein.

The environmental impact assessment procedure is carried out in stages, as follows: (i) the screening stage, during which the project is framed within the environmental impact assessment procedure; (ii) the scoping stage, during which the scope of the assessment and of the report on the impact on the environment is defined; and (iii) the analysis stage, during which the quality of the environmental impact report is analyzed.

The environmental impact assessment procedure mentioned above is preceded by an initial assessment of the project, carried out by the competent authorities for environmental protection, by which the location of the project is identified in relation to the protected natural areas, and an assessment is done if the proposed project falls under the provisions of art. 48 and 54 of Waters' Law no. 107/1996, with subsequent amendments and additions, i.e., if the projects is built on or related to water bodies.

Some of the Company's pending investment projects (Jiului river HPD on Livezeni-Bumbesti section, Narrows Olt river on Cornetu-Avrig section HPD, Pascani HPD on Siret river, Rastolita HPD, Surduc-Siriu HPD, Siret river HPD on Cosmesti-Movileni section, Olt river HPD on Izbiceni-Dunare section; Islaz hydroelectrical plant and Cerna Belareca HPD; Hydrotechnical Facility Cerna-Motru Tismana, second stage), have been exempted from the application of certain stages of the environment impact assessment procedure, according to the provisions of Article 5 paragraph (2) of the Law no. 292/2018, through GEO 175/2022, which declared these investments projects of major public interest using renewable energy. However, the Company must still prepare also for these projects the environment impact assessment report, including the appropriate assessment study and the water bodies impact assessment study, which will be subject to the authorities' analysis and approval.

If the environment impact assessment procedure reveals that the project does not comply with the environmental legislation, if the appropriate assessment study reveals that the project has a significant negative impact on the natural protected area of Community interest or if the National Agency for Protected Natural Areas and/or the administrators of the respective protected natural areas of national/international interest do not provide their approval due to the potential negative impact on the environment or to specific restrictions set out by the regulations applicable to a certain natural protected area, the issuance of the environmental approval may be denied or certain restrictions for the development and/or operation of the facility may be imposed, to ensure protection of the environment or of certain species or habitats.

According to the explanatory memorandum accompanying the draft law regarding the approval of GEO 175/2022, the latter has been adopted in the context of the energy crisis generated, at the level of the EU, by the Russian-Ukrainian war, which determined the European Commission to launch, in May 2022, the REPowerEU measures plan, aiming to ensure Europe's independence from fossil fuel imports from Russia, by reducing dependence on energy imports from Russia and by increasing the share of renewable energy production to 45% at the end of this decade. The Recovery and Resilience Mechanism is a central tool in the financing of the REPowerEU plan, providing additional financing from the EU. Member states will add a chapter dedicated to REPowerEU in their recovery and resilience plans to direct investments towards REPowerEU's priority objectives and to undertake the necessary reforms.

The same explanatory memorandum mentions that, given the above-described context, the Supreme Council of Defense of the country ("CSAT") issued on 25 October 2022, the Resolution no. 169 regarding the improvement of Romania's energy resilience in order to ensure security in the field through operational adaption and development of new energy production capacities, and ordered the adoption of the necessary measures for its implementation. The directions of action related to the development of new electricity production capacities, letter B of REPowerEU measures plan, identified in the material issued by CSAT, include the Company's above-mentioned investment projects, which are needed to ensure the energy resilience.

The procedure for the adoption by the Romanian Parliament of the Law approving GEO 175/2022 is pending. If GEO 175/2022 is rejected by the Romanian Parliament, the Company's projects subject to GEO 175/2022 shall not be exempted anymore from certain stages of the environment impact assessment procedure set out by Law No. 292/2018.

The regime of natural protected areas, the conservation of natural habitats and of wild flora and fauna

The legal framework set out by Government Emergency Ordinance 57/2007 regarding the regime of protected natural areas and the conservation of natural habitats and wild flora and fauna ("GEO 57/2007") aims to contributing towards ensuring bio-diversity through the conservation of natural habitats and of wild fauna and flora on the territory of Romania.

In order to ensure special protection and conservation measures for the natural heritage, GEO 57/2007 sets out a differentiated regime of protection, conservation and use, according to the following categories of protected natural areas: (i) of national interest: scientific reserves, national parks, natural monuments, natural reserves, natural parks; (ii) of international interest: natural sites of the universal natural heritage, geoparks, wetlands of international importance, biosphere reserves; (iii) of community interest or "Natura 2000" sites: sites of Community importance, special conservation areas, special faunistic protection areas; and (iv) of county or local interest: established only on the public/private domain of administrative-territorial units, as the case may be.

The purpose and management regime of the categories of protected natural areas of national, international and Community interest (i.e., Natura 2000 sites), are regulated by the GEO 57/2007, while the establishment of the protected natural area regime for protected natural areas of local or county interest are regulated by decisions of the county or local councils. The provisions of GEO 57/2007 or of the relevant decisions of the county or local councils establishing the protected natural areas of local or county interest are supplemented specifically, for each protected natural area, by the management plan of the respective protected natural area, as well as by the regulation of the respective protected natural area. The management plan of the natural protected area is the document that describes and evaluates the current situation of the protected natural area, defines the objectives, specifies the necessary conservation actions and regulates the activities that can be carried out on the territory of the areas, in accordance with the management objectives. The regulation of the protected natural area is the document that includes all the provisions related to the permitted human activities and their approval method, as well as the restricted or prohibited activities on the territory of the protected natural area.

The administration of protected natural areas and other assets of the natural heritage located in the national network of protected natural areas is done, according to the law, by: (i) the territorial structures within the National Agency for Protected Natural Areas; and (ii) specially constituted administration structures, with legal personality, under the coordination/subordination, as the case may be, of autonomous administrations, national companies, local public administration authorities, decentralized services of the central public administration, public or private scientific research and education institutions, intercommunity development associations, museums, established according to the law and in a contractual relationship with the National Agency for Natural Protected Areas; (iii) the Administration of the "Danube Delta" Biosphere Reserve, subordinated to the central public authority for the protection of the environment and forests, for the "Danube Delta" Biosphere Reserve.

GEO 57/2007 sets out various prohibitions with respect to the activities that can be carried out within each category of protected natural areas. With respect to the perimeters of the protected natural areas of community interest, GEO 57/2007 prohibits the activities that may generate pollution or damage to habitats, as well as disturbances of the species for which the respective protected natural areas were designated, when these activities have a significant effect, considering the objectives of protection and conservation of species and habitats. In order to protect and conserve wild birds, including migratory ones, activities outside protected natural areas that would cause pollution or damage to habitats are prohibited. Any plan or project that does not have a direct connection or is not necessary for the management of the protected natural area of community interest, but that could significantly affect the area, alone or in combination with other plans or projects, is subject to an appropriate assessment of the potential effects on the natural area protected by community interest, taking into account its conservation objectives. The methodological guide regarding the appropriate assessment of the potential effects of plans or projects on natural areas protected by community interest has been adopted through Order 19/2010 issued by the Ministry of Environment and Forests. In the case of plans or projects subject to environmental assessment or environmental impact assessment, the appropriate assessment of the potential effects on the natural area protected by community interest is an integral part thereof. Following the appropriate assessment performed within the framework of the environmental assessment or environmental impact assessment, the competent authority for environmental protection issues the environmental approval or the decision to reject the request for an environmental approval (for public or private projects) or, as the case may be, the environmental endorsement or the decision to reject the request for an environmental endorsement (for plans and programs), these documents including the conclusions of the appropriate assessment. The environmental approval (for public or private projects) or the environmental endorsement (for plans and programs), as the case may be, is issued only if the project, plan or program does not negatively affect the integrity of the respective protected natural area and after public consultation, in accordance with the relevant legislation. However, as an exception from this rule, if the appropriate assessment reveals significant negative effects on the protected natural area and, in the absence of alternative solutions, the plan, program or project must still be carried out due to imperative considerations of major public interest, including social or economic ones. In this case, the authority for environmental protection issues the environmental approval or the environmental endorsement, as the case may be, only after establishing the compensatory measures necessary to protect the global coherence of the Natura 2000 network. At the same time, the central public authority for the protection of the environment and forests informs the European Commission about the compensatory measures adopted. In the event that the sites included in the Natura 2000 network, identified according to the legislation in force, harbor a type of priority natural habitat and/or a priority species, the only considerations that can be invoked for issuing the environmental approval or the environmental endorsement, as the case may be, are those regarding (i) public health or safety; (ii) certain beneficial consequences of major importance for the environment; (iii) other imperative reasons of major public interest on which the point of view of the European Commission was obtained.

In the procedure for issuing regulatory acts for plans, projects and/or activities that can significantly affect protected natural areas of community interest, the competent authorities for environmental protection request and take into account the opinion of the National Agency for Protected Natural Areas/administrators of protected natural areas of national and/or community interest. The National Agency for Protected Natural Areas or the administrators of protected natural areas of national and/or community interest, in order to take into account all aspects in the field, will be consulted by the competent environmental authorities during the stage of environmental screening of projects/plans/activities that can significantly affect protected natural areas. Issuance of regulatory documents for plans/projects/activities in protected natural areas is carried out only with the approval of the National Agency for Protected Natural Areas or of the administrators of the respective protected natural areas of national/international interest.

Access to Environmental Information

According to Government Decision No. 878/2005 regarding public access to environmental information published in the Official Gazette on 22 August 2005, companies holding environmental permits must continuously disclose certain environmental information to the public. This decision was adopted into Romanian law to transpose Directive No. 2003/4/EC pertaining to public access to environmental information.

Major Accidents Caused by Dangerous Substances

Law no. 59/2016 on the control of major accident hazards involving dangerous substances establishes measures for preventing major accidents involving dangerous substances to limit the consequences on human health and environment and to ensure a high level of protection, in a coherent and effective manner. This law transposes Directive 2012/18/EU of the European Parliament and of the Council of 4 July 2012 on the control of major-accident hazards involving dangerous substances, amending and subsequently repealing Council Directive 96/82/EC.

Environmental Fund

Emergency Government Ordinance No. 196/2005 for Environmental Fund, published in the Official Gazette on 30 December 2005, as amended and supplemented, provides for the obligation of operators to make certain contributions to the Environmental Fund, depending on the sources of pollution regulated therein. The Environmental Fund is an instrument designed to implement environmental protection projects and programs, the contribution of economic operators thereof being based, among others, on taxes charged for sales of waste, emissions of polluting substances into the atmosphere, the quantity of hazardous substances placed on the Romanian market or fees for the issuance of the environmental permits.

TAXATION

The following summary of certain Romanian and United States tax consequences of ownership of the Shares is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Shares. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the Shares. Each prospective investor is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of the Shares, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date. The tax legislation of the investor's state and of the Company's country of incorporation may have an impact on the income received from the Offer Shares.

Romanian Tax Considerations

Taxation of dividends

Dividends distributed to Romanian legal entities

Dividend income is not subject to separate taxation but will be included in the overall taxable base computed for corporate tax purposes (if the case). The corporate tax rate in Romania amounts to 16%. Any resulting tax profits may be sheltered by existing tax losses before final taxation. Tax loss carry forwards are possible within a period of 7 consecutive years. Under the provisions of the Fiscal Code, dividends received by Romanian legal entities from other Romanian legal entities are non-taxable for corporate income tax purposes (however, such dividends might be subject to withholding tax at the level of the payer, as detailed below).

Dividends paid by Romanian legal entities to Romanian legal entities are subject to a tax of 8% withheld at source. (the tax rate was 5% for dividend distributions made before 1 January 2023). The 8% tax rate also applies to dividends distributed/paid to Romanian pension funds/private pension funds (a dividend tax exemption for distributions made to such entities existed up to 1 January 2023).

Dividend income paid by a Romanian tax resident company to a Romanian legal entity is exempt from withholding tax (at source) if the following conditions are met, cumulatively:

- The Romanian resident entity making the dividend distribution is a corporate income taxpayer or subject to a similar tax;
- The recipient of the dividend income holds at least 10% in the share capital of the issuer, for an uninterrupted period of 1 year, ending at the moment when the dividend income is booked. Also, the recipient of the dividend income is a corporate income taxpayer or subject to a similar tax.

The provisions mentioned above regarding the non-taxable treatment of such income only applies to corporate income taxpayers.

The dividend tax is declared and paid to the state budget by the entity making the dividend distribution no later than the 25th of the following month when the dividends were paid. If the dividends were distributed but not paid by the end of the year in which the distribution was approved, the dividend tax must be paid no later than 25 January of the following year in which the dividend distribution was approved.

For Romanian investors which apply the microenterprise tax regime, dividend income obtained from a Romanian legal entity is exempt from tax (deductible from the taxable base when computing the 1% microenterprise tax).

Dividends distributed to non-resident legal entities

Dividends paid by a Romanian legal entity to a non-resident legal entity are subject to 8% withholding tax in Romania on the gross amounts paid.

The 8% standard Romanian withholding dividend tax rate can be reduced as follows:

- a) Application of a more favorable dividend tax rate included in a tax treaty for the avoidance of the double taxation ("DTT")

If the DTT concluded between Romania and the country of tax residency of the beneficiary of the dividends provides for a more favorable tax rate in respect of dividend distributions, such a rate can apply. Note however that in order for the DTT rate to apply, the beneficiary of the dividend must provide a tax residency certificate valid at the moment the dividend payment is performed.

If the tax residency certificate is not available at the moment of payment, the 8% standard tax will apply. If the tax residency certificate is obtained during the statute of limitation (i.e. 5 years), a reimbursement of the dividend tax initially withheld may be performed.

- b) Dividends paid to an entity resident in an EU Member State are exempt from dividend tax as long as:
- The Romanian resident entity making the dividend distribution is a corporate income taxpayer or subject to a similar tax.
 - The recipient of the dividend income is tax resident in another EU Member state and holds at least 10% in the share capital of the issuer, for an uninterrupted period of 1 year, ending at the moment when the dividend income is booked. Also, the recipient of the dividend income must be incorporated as a company with a legal form provided by the Fiscal Code (under art.43) and subject to corporate income tax or a similar tax.

For the application of these provisions, a valid tax residency certificate and an affidavit must be provided to the entity making the dividend payments.

Please note that the standard tax treatment also applies for dividend distributions to non-resident pension funds (the dividend tax exemption applicable prior to 1 January 2023 has been repealed).

The dividend tax is declared and paid to the state budget by the entity making the dividend distribution no later than the 25th of the following month when the dividends were paid. If the dividends were distributed but not paid by the end of the year in which the distribution was approved, the dividend tax must be paid no later than 25 January of the following year in which the dividend distribution was approved.

Individuals

Dividends paid by Romanian legal entities to individuals (either Romanian or non-Romanian tax residents) are subject to a tax of 8% withheld at source (the tax rate was 5% for dividend distributions made before 1 January 2023). The dividend tax is declared and paid to the state budget by the entity making the dividend distribution no later than the 25th of the following month when the dividends were paid. If the dividends were distributed but not paid by the end of the year in which the distribution was approved, the dividend tax must be paid no later than 25 January of the following year in which the dividend distribution was approved.

If the dividends are paid to non-resident individuals, the 8% tax rate may be reduced in accordance with the applicable DTT.

In addition, individuals who are considered Romanian payers, from a social security perspective, may be liable to pay 10% individual health fund contribution ("HFC"). As of January 2018, the HFC is due irrespective if the individual obtaining the dividend income also earns salary income or other types of income on which HFC is due and paid.

As of 2023, the 10% HFC is due if the individual earns from one or other sources of income (such as: income from independent activities, rental income, investment income, income from other sources etc.) an annual income at least equal with 6 national minimum gross salaries. For 2023, the value of such salary is RON3,000. Thus, as of 2023, the HFC is due on the following thresholds:

- a) in the case of actual earned income between 6 and 12 minimum gross salaries, the basis for calculating HFC is 6 minimum gross salaries.
- b) in the case of actual earned income between 12 and 24 minimum gross salaries, the basis for calculating HFC is 12 minimum gross salaries.
- c) in the case of actual earned income of more than 24 minimum gross salaries, the basis for calculating HFC will be 24 minimum gross salaries.

If the dividend income alone or corroborated with other non-salary income obtained by the individual exceeds the value of 6 national minimum gross salaries, HFC would be due as described above. If the dividend income (alone or corroborated with other non-salary income) is below such threshold, no HFC would be due by the individual payer.

The HFC is due by the individual payer through filing a Single purpose form and it is the individuals' obligation to file the return and to pay the related HFC by 25th May of the current year, for the previous year.

Taxation of capital gains

Romanian legal entities

Income from the transfer of shares is not subject to separate taxation but will be included in the overall taxable base computed for corporate tax purposes at the standard 16% tax rate. Any resulting tax profits may be sheltered by existing tax losses before final taxation.

According to the Romanian tax legislation, revenues derived by a Romanian tax resident from the alienation of shares held in another Romanian entity, are non-taxable if the seller holds at least 10% of the share capital in the company, for an uninterrupted period of at least one year ("minimum holding conditions"), ending at the moment of alienation.

The provisions mentioned above regarding the non-taxable treatment of such income only applies to corporate income taxpayers.

If the resident entity applies the microenterprise income tax regime, only the income from the sale of the shares will be included in the taxable base (representing the gross income, without deducting the acquisition, transaction, transfer, other costs.), to which a rate of 1% is applied.

Non-resident legal entities

Non-resident legal entities deriving capital gains from the shares held in a Romanian company are subject to 16% tax on the gain obtained.

Such gains may be exempt from taxation in Romania as long as the provisions of the DTT concluded between Romania and the country of residence of the capital gains beneficiary are applicable. Also, in case the taxing rights under a DTT are allocated to Romania, if the non-resident holds more than 10% of the share capital in the company, for an uninterrupted period of at least one year ("minimum holding conditions"), ending at the moment of alienation, the capital gains from the sale of shares is non-taxable for corporate tax purposes.

Non-resident entities deriving capital gains from the sale of shares held in a Romanian company are required to register for tax purposes with the Romanian tax authorities (according to art 82 of Law 207/2015 regarding the Fiscal Procedure Code). The registration requirement exists even if any capital gains derived are exempt from tax. The registration can be done either directly or through a fiscal representative in Romania, no later than 30 days since the capital gains were derived.

Individuals

According to the DTT, the capital gains are taxable only in the contracting state where the individual who alienates the shares is tax resident.

Capital gains/ losses derived from the sale of shares are subject to a 10% flat income tax rate. In line with the Tax Code's provisions, the annual net loss from transfer of shares, established through the statement regarding the income realized, is recovered from the annual net gains obtained in the following seven consecutive years. In addition, the annual net losses derived from abroad are carried forward and offset with the income of the same nature and source, earned from abroad, for each country, registered in the following seven consecutive fiscal years. The taxable moment would arise upon the sale of shares as capital gains and the individual must report the income via the Single purpose form (*Declaratie unica*) and to pay the related capital gains tax, by 25 May of the following year the income was earned. The capital gain is determined as the difference between the sale price and the fiscal value of the shares, including the costs related to the transaction. For personal income tax purposes, the tax value represents the acquisition value of the shares.

Starting from 1 January 2023, capital gains from the transfer of securities and from operations with derivative financial instruments, as determined according to the specific provisions of the Tax Code, made through Romanian tax resident entities or non-residents with permanent establishments in Romania are subject to withholding tax. The income tax rate at which individuals will pay for transfer of securities and from operations with derivative financial instruments made through intermediaries (Romanian tax residents or non-residents with a permanent establishment in Romania) is: (i) 1% on the capital gains from each transfer of securities disposed of / the operation of derivative financial instruments held for more than 365 days after the acquisition date or (ii) 3% on the capital gains from each transfer of securities disposed of / carrying

out operations with derivative financial instruments held for a period less than 365 days after the acquisition date. The capital gain tax is declared and paid to the state budget by the intermediary no later than the 25th of the following month.

Losses incurred through these intermediaries cannot be carried over and compensated with future capital gains. Thus, these losses represent a permanent loss for the taxpayer.

In addition, individuals who are considered Romanian payers, from a social security perspective, may be liable to pay 10% individual health fund contribution (hereinafter referred to as "HFC"). As of January 2018, the HFC is due irrespective if the individual obtaining the capital gains also earns salary income or other types of income on which HFC is due and paid.

As of 2023, the 10% HFC is due if the individual earns from one or other sources of income (such as: income from independent activities, rental income, investment income, income from other sources etc.) an annual income at least equal with 6 national minimum gross salaries. For 2023, the value of such salary is RON3,000. Thus, as of 2023, the HFC is due on the following thresholds:

- a) in the case of actual earned income between 6 and 12 minimum gross salaries, the basis for calculating HFC is 6 minimum gross salaries.
- b) in the case of actual earned income between 12 and 24 minimum gross salaries, the basis for calculating HFC is 12 minimum gross salaries.
- c) in the case of actual earned income of more than 24 minimum gross salaries, the basis for calculating HFC will be 24 minimum gross salaries.

If the capital gain alone or corroborated with other non-salary income obtained by the individual exceeds the value of 6 national minimum gross salaries, HFC would be due as described above. If the capital gain (alone or corroborated with other non-salary income) is below such threshold, no HFC would be due by the individual payer.

The HFC is due by the individual payer through filing a Single purpose form and it is the individuals' obligation to file the return and to pay the related HFC by 25 May of the current year, for the previous year.

Certain United States Federal Income Tax Considerations

The following discussion is a summary of certain material U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of Shares by a U.S. Holder (as defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"), existing and proposed U.S. Treasury regulations promulgated thereunder, administrative rulings and judicial interpretations thereof, all as of the date hereof and all of which are subject to differing interpretation or change, possibly on a retroactive basis. In particular, in December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cut and Jobs Act of 2017 ("**TCJA**") that includes significant changes to the taxation of individuals and business entities. Some aspects of the TCJA are not clear and could impact the tax considerations that we describe in this summary, as they apply to you. No ruling has been sought from the Internal Revenue Service ("**IRS**") with respect to any U.S. federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position.

This summary is limited to U.S. Holders that acquire Shares pursuant to the Offering as capital assets (generally, property held for investment) and use the U.S. dollar as their functional currency. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to an investor in light of its particular circumstances, including: tax-exempt organizations; financial institutions; insurance companies; dealers and traders in securities or currencies; regulated investment companies; real estate investment trusts; U.S. Holders that will hold Shares as part of a hedge, "straddle," "conversion transaction," "constructive sale," or other integrated transaction for U.S. federal income tax purposes; U.S. Holders liable for alternative minimum tax; certain former U.S. citizens or long-term residents of the United States subject to Section 877 or 877A of the Internal Revenue Code; and, except as specifically noted otherwise under "*Controlled Foreign Corporation Considerations*", U.S. Holders that own (directly, indirectly, or by attribution) 10% or more of the Company's stock by vote or value; This summary does not address U.S. federal estate or gift tax considerations, the tax on net investment income, U.S. state or local tax considerations, or non-U.S. taxes.

For purposes of this summary, a “U.S. Holder” means a beneficial owner of Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust, (a) the administration of which is subject to the primary supervision of a court within the United States and for which one or more U.S. persons have the authority to control all substantial decisions or (b) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (including any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Shares, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A partnership holding Shares should consult its tax advisor concerning the U.S. federal income and other tax consequences to its partners of the acquisition, ownership, and disposition of Shares.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF, THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S., AND OTHER TAX LAWS, AND POSSIBLE CHANGES IN TAX LAW.

Controlled Foreign Corporation Consideration

If more than 50% of the voting power or value of the Shares is treated as owned by U.S. citizens or residents, U.S. corporations or partnerships, or U.S. estates or trusts (as defined for U.S. federal income tax purposes), each of which owned, directly or by attribution, at least 10% of the Company’s voting power or value (each, a 10% U.S. Shareholder), then the Company and one or more of its subsidiaries will be a controlled foreign corporation, or “CFC,” for U.S. federal income tax purposes. If the Company (or one or more of its subsidiaries) is treated as a CFC for any taxable year, its 10% U.S. Shareholder may face adverse U.S. federal income tax consequences and information-reporting obligations, but such 10% U.S. Shareholder generally would not also be subject to all of the requirements generally applicable to owners of a passive foreign investment company as described in “*Passive Foreign Investment Company Considerations*”. Although the Company does not expect to be a CFC immediately following the Offering, whether or not the Company or a subsidiary will be a CFC will depend on the identity of the stockholders of the Company during each taxable year.

Passive Foreign Investment Company Considerations

Certain adverse tax consequences could apply to a U.S. Holder if the Company were treated as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes for any taxable year during which the U.S. Holder holds Shares. A non-U.S. corporation, such as the Company, generally will be treated as a PFIC for U.S. federal income tax purposes for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produces or is held for the production of passive income. In applying these tests, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the stock of another corporation is treated as if it held its proportionate share of the other corporation’s assets and received its proportionate share of the other corporation’s income. Passive income generally includes, among other things, dividends, interest, certain rents and royalties, and gain from the disposition of property that produces such income. However, rents and gains derived in the active conduct of a trade or business in certain circumstances are considered active income.

While the Company does not believe that it was a PFIC in the taxable year ending 31 December 2022, and does not expect to become a PFIC in the current taxable year ending 31 December 2023 or future taxable years, the PFIC determination is made annually, and a corporation’s status can change depending on, among other things, changes in the composition and relative value of the corporation’s and its subsidiaries’ gross receipts and assets (including goodwill), changes in operations and changes in the market value of its stock. The determination of whether the Company will be a PFIC will also depend, in part, on how, and how quickly, it uses its liquid assets. Accordingly, there can be no assurance that the Company will not be a PFIC in any taxable year.

If the Company were a PFIC for any taxable year in which a U.S. Holder holds Shares, then, unless such U.S. Holder made one of certain elections that could be available, such U.S. Holder would be subject to

additional taxes on any "excess distribution" and any gain realized from the disposition of Shares (regardless of whether the Company continued to be a PFIC). A U.S. Holder would have an excess distribution to the extent that distributions it receives on Shares during a taxable year exceeded 125% of the average annual distributions received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period). To compute the tax on excess distributions or any gain, (i) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period, (ii) the amount allocated to the current taxable year and any year before the Company became a PFIC would be taxed as ordinary income in the current year and (iii) the amount allocated to other taxable years (or portions thereof) would be taxed at the highest applicable marginal rate in effect for each year and an interest charge imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year. Additionally, dividends paid by the Company would not be eligible for the special reduced rate of tax on "qualified dividends" described below under "*Distributions*" if the Company is a PFIC in the taxable year of the dividend or the preceding taxable year. Certain elections may be available under the PFIC rules that alter the treatment discussed in this paragraph; however, it is not clear that such elections would be applicable to an investment in the Shares.

To mitigate the application of the PFIC rules discussed above, a U.S. Holder may make an election to treat the Company as a qualified electing fund ("QEF") for U.S. federal income tax purposes. To make a QEF election, the Company must provide U.S. Holders with information compiled according to U.S. federal income tax principles. The Company does not currently intend to prepare or provide the information that would enable you to make a QEF election.

The rest of this summary assumes that the Company will not be a PFIC for U.S. federal income tax purposes for any taxable year during which a U.S. Holder owns the Shares. U.S. Holders should consult their tax advisors regarding whether the Company will be a PFIC for any year in which they hold Shares, and their U.S. tax reporting requirements.

Distributions

Subject to the PFIC rules discussed above, any distribution of cash or property with respect to Shares (including any amount of any Romanian tax withheld) will generally be treated as a dividend to the extent paid out of the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles, and will be includible in the gross income of a U.S. Holder on the date the distribution is actually or constructively received. The Company does not intend to maintain calculations of its earnings and profits under U.S. federal income tax principles; therefore, any distribution (including for the avoidance of doubt any amount of any Romanian withholding tax) will generally be reported as a "dividend" for U.S. federal income tax purposes. Any such dividend income will not be eligible for the dividends-received deduction generally allowed to corporate U.S. Holders with respect to dividends received from U.S. corporations.

Subject to certain conditions, dividends paid to non-corporate U.S. Holders, including individual U.S. Holders, may be eligible for preferential rates of taxation as "qualified dividends" for U.S. federal income tax purposes. Dividends received with respect to Shares will be qualified dividends if (i) certain holding period requirements are satisfied, and (ii) the Company is eligible for the benefits of the income tax treaty between the United States and Romania (which the Company expects will be the case).

The amount of any dividend paid in currency other than U.S. dollars will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is, in fact, converted into U.S. dollars. If a dividend paid in non-U.S. currency is converted into U.S. dollars on the date of receipt, U.S. Holders generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. However, a U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. The gain or loss will be equal to the difference, if any, between (i) the U.S. dollar value of the amount included in income when the dividend was received and (ii) the amount received on the conversion of the currency into U.S. dollars. Generally, any such gain or loss will be treated as ordinary income or loss and generally will be treated as U.S.-source income. U.S. Holders are encouraged to consult their tax advisors regarding the treatment of foreign currency gain or loss on any currency received that is converted into U.S. dollars on a date subsequent to the date of receipt.

Dividends will generally be treated as income from non-U.S. sources for U.S. foreign tax credit purposes and will generally constitute passive category income. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any non-U.S. withholding taxes imposed on dividends received on Shares (such as any Romanian tax withheld). A U.S. Holder who does not elect to claim a foreign tax credit for non-U.S. tax withheld may instead claim a deduction, for U.S. federal

income tax purposes, in respect of such withholdings, but only for a year in which such U.S. Holder elects to do so for all creditable non-U.S. income taxes. If a refund of the tax withheld is available under foreign law or under an applicable U.S. income tax treaty, the amount of tax withheld that is refundable will not be eligible for such credit against a U.S. Holder's federal income tax liability (and will not be eligible for the deduction against U.S. federal taxable income). The rules governing the foreign tax credit are complex. Each prospective U.S. Holder is advised to consult its tax advisor regarding the availability of the foreign tax credit under its particular circumstances, including the effects of an applicable U.S. income tax treaty.

Sale or other Disposition

Subject to the PFIC rules discussed above, a U.S. Holder will recognize gain or loss for U.S. federal income tax purposes upon a sale or other disposition of its Shares in an amount equal to the difference, if any, between the amount realized from such sale or disposition and the U.S. Holder's adjusted tax basis in such Shares. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the Shares have been held by the U.S. Holder for more than one year and will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes. Long-term capital gain of non-corporate U.S. Holders is generally subject to preferential rates of tax. The deductibility of capital losses is subject to limitations.

A U.S. Holder's tax basis in a Share generally will be the U.S. dollar value of the purchase price paid in the Offer. The amount realized on a sale or other disposition of Shares for an amount in non-U.S. currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognize U.S.-source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. Alternatively, in the case of Shares traded on an established securities market that are sold by a cash basis U.S. Holder, or an accrual basis U.S. Holder that so elects, the amount realized will be based on the exchange rate in effect on the settlement date for the sale or other disposition, and no exchange gain or loss will be recognized at that time. If an accrual basis U.S. Holder makes the election, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

Medicare Tax

Certain U.S. Holders who are individuals, estates, or trusts are required to pay a 3.8% Medicare surtax on all or part of that holder's "net investment income" or "undistributed net investment income" in the case of an estate or trust, which includes, among other items, dividends on, and capital gains from the sale or other taxable disposition of, the Equity Shares, subject to certain limitations and exceptions. The 3.8% Medicare surtax is determined in a different manner than the regular U.S. income tax. *Prospective investors should consult their own tax advisors regarding the effect, if any, of this surtax on their ownership and disposition of the Equity Shares.*

Specified Foreign Financial Asset Reporting

Certain U.S. Holders may be required to submit to the IRS certain information with respect to their beneficial ownership of the Shares, if such Shares are not held on their behalf by certain financial institutions and the aggregate value of all such assets exceeds certain specified amounts. Penalties may be imposed on a U.S. Holder if such U.S. Holder is required to submit such information to the IRS and fails to do so. U.S. Holders should consult their tax advisors to determine whether they are subject to any foreign asset reporting requirements.

U.S. Information Reporting and Backup Withholding

Payments made on or proceeds from the sale, exchange or other disposition of the Shares made through a U.S. paying agent or U.S. intermediary to a U.S. Holder of Shares may be subject to information reporting unless such holder is a corporation or otherwise establishes that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding unless the holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment will be allowed as a credit against such U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS. U.S. Holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules.

THE ABOVE DISCUSSION IS A GENERAL SUMMARY, AND DOES NOT ADDRESS ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. A PROSPECTIVE INVESTOR SHOULD CONSULT ITS TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF INVESTING IN THE SHARES IN LIGHT OF THE PROSPECTIVE PURCHASER'S UNIQUE CIRCUMSTANCES.



SUBSCRIPTION AND SALE

General information about the Offering

The Selling Shareholder will offer for sale up to 78,007,110 Offer Shares representing 17.34%% of the total number of Shares issued by the Company.

The Offering will be split into two tranches: the Retail Tranche and the Institutional Tranche (as defined in “Offer Tranches” below). The Offer Shares will be offered at the Offer Price Range and the Offer Shares allocated in the Offering will be sold at the Final Offer Price or at the Discounted Final Offer Price, as applicable (see “Offer Price—Offer Price Range” below).

The Selling Shareholder, the Company and the Managers will enter into an underwriting agreement dated on or around the date of this Prospectus in relation to the sale and offer of the Offer Shares (the “Underwriting Agreement”). The closing of the Offering will be subject, among other things, (i) to the determination of the Final Offer Price and each of the Company’s, the Selling Shareholder’s and the Managers’ decisions to proceed with the Offering and (ii) to the satisfaction of the conditions contained in the Underwriting Agreement, including (among other conditions) the execution by the Selling Shareholder, the Company and the Managers of the Pricing Agreement (as defined in “Underwriting Agreement” below) and the Underwriting Agreement not having been terminated. In case any of the conditions set out at (i) or (ii) above is not met, the Offering will not be considered successfully closed and, as a consequence, the Selling Shareholder will reject all the subscriptions. Further details of the Underwriting Agreement are set out in section “Underwriting Agreement” below.

Allocation of the Offer Shares and (in relation to the Retail Tranche) the *pro rata* allocation factor, the Final Offer Price, the Discounted Final Offer Price and the final number of allocated Offer Shares will be publicly announced on the Business Day following the last day of the Offer Period, expected to be on 5 July 2023 (the “Allocation Date”) (see “Offer Price” and “Allocation of the Offer Shares” below).

The transaction related to the allocated Offer Shares is expected to take place on the next Business Day following the Allocation Date, namely on or around 6 July 2023 (the “Transaction Date”) and the transfer of the allocated Offer Shares will be settled through the Romanian Central Depository’s system within two (2) Business Days from the Transaction Date (see “Settlement” below).

Trading of the Shares on the Bucharest Stock Exchange is expected to commence on or around 12 July 2023.

The timetable above may be subject to change subject to the FSA approval. Certain events provided herein are beyond the control of the Company, the Selling Shareholder and/or the Managers.

Offer Period

Subscriptions can be made from 23 June 2023 to 4 July 2023 inclusive (the “Offer Period”). The Selling Shareholder, with the Company’s consent (which shall not be unreasonably withheld) and in consultation with the Joint Global Coordinators may decide to extend the Offer Period, close the Offering earlier than initially indicated in case the Offering is fully subscribed, increase the number of Offer Shares (without exceeding the maximum threshold held) or change other dates related to the Offering, in compliance with Romanian legislation. Any early closing of the Offer Period will be publicly announced on the Company’s website www.hidroelectrica.ro, the Selling Shareholder’s website www.fondulproprietatea.ro and as a press release on the Bucharest Stock Exchange website www.bvb.ro, and the dates for the pricing, allocation, publication of the Final Offer Price and the Discounted Final Offer Price, results of the Offering and trading in the Shares will in such case be adjusted accordingly.

Offer Tranches

Any Romanian or foreign investor, individual or entity (with or without legal personality) may participate in the Offering, except for those investors whose subscription in the Offering would constitute a violation of applicable legislation. Investors who intend to acquire Offer Shares must be familiar and comply with the terms and conditions of the Offering set out in this Prospectus, with the laws applicable to the Offering in their jurisdictions and the restrictions set out in “Selling and Transfer Restrictions” below. By purchasing the Offer Shares, investors undertake any liability arising if such purchase is deemed unlawful under their country of residence.

The Offering is split into two tranches (the “Offer Tranches”) as follows:

- (1) an Offer Tranche consisting of an initial number of 11,701,067 Offer Shares (representing 15% of the initial number of Offer Shares) addressed via a public offer in Romania to Retail Investors (the “Retail Tranche”); and
- (2) an Offer Tranche consisting of an initial number of 66,306,043 Offer Shares (representing 85% of the initial number of Offer Shares) addressed (i) to Institutional Investors outside the United States in reliance on Regulation S; and (ii) in the United States, only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act (the “Institutional Tranche”).

For the purpose of this Prospectus:

- “**Institutional Investor**” means (a) a “qualified investor”, as defined in Article 2 (e) of the Prospectus Regulation), or (b) an “eligible counterparty” within the meaning of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), or (c) a “qualified investor” as defined in Article 2(e) of the Prospectus Regulation, as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018), as amended, or (d) a QIB as defined in Rule 144A, or (e) an equivalent institution whose subscription in the Offering would not constitute a violation of applicable law or regulation and which is not located in any jurisdiction where the extension or availability of the Offering (and any other transaction contemplated thereby) would breach any applicable law or regulation; and
- “**Retail Investor**” means any individual or entity (with or without legal personality) that does not fall under the category of Institutional Investor.

The Shares offered within each of the Offer Tranches above are of the same class (ordinary shares), are subject to the same legal provisions and confer the same rights and obligations to their owners.

The final size of each Offer Tranche will be decided by the Selling Shareholder jointly with the Company, upon the recommendation of the Joint Global Coordinators, based on the level of subscriptions from investors, after the closing of the Offer Period, and will be made public on the Allocation Date (see “Allocation of the Offer Shares” below). Upon the recommendation of the Joint Global Coordinators, the Company and the Selling Shareholder may jointly decide to re-allocate Offer Shares from any of the Offer Tranches to the other Offer Tranche – which can lead to the Retail Tranche representing either (1) more than 15% (but not more than 20%) of the sold Offer Shares or, on the contrary (2) less than 15% of the sold Offer Shares (but such re-allocation from the Retail Tranche to the Institutional Tranche shall occur only in case the Retail Tranche is less than 100% subscribed).

A re-allocation between the Offer Tranches shall neither require nor be deemed as an amendment to the Prospectus.

Offer Price

Subscription Price

Offer Shares are offered at the Offer Price Range of RON 94 to RON 112 per Offer Share.

Retail Investors must subscribe for Offer Shares at the fixed price of RON 112 per Offer Share (*i.e.* the top of the Offer Price Range).

Institutional Investors may validly subscribe for Offer Shares at any price within the Offer Price Range (including the bottom and the top of the price range). The price tick for the subscription of Offer Shares by Institutional Investors is RON 0.5.

Final Offer Price

Final price for the Institutional Tranche

During the Offer Period, a book-building process for the Offer Shares will be carried out. During the book-building process, the Joint Global Coordinators and the Joint Bookrunners will gauge the level of interest of the Institutional Investors in the Offering and the price sensitivity of such investors in relation to the Offer Shares. Institutional Investors will be required to specify the number of Offer Shares which they would be prepared to acquire and the related price for such Offer Shares. Such number of Offer Shares and the price at which such Institutional Investors express their interest will be recorded in a book managed by the Joint Global Coordinators (the “Book”).

The Final Offer Price at which the Offer Shares will be allocated to investors will be determined by the Selling Shareholder in consultation with the Company and the Joint Global Coordinators after the closing of the Offer Period and will be made public on the Allocation Date.

The Offer Shares in the Institutional Tranche are only to be sold at the Final Offer Price and only to those Institutional Investors who subscribed for Offer Shares at a price equal to, or higher than, the Final Offer Price.

Final price for the Retail Tranche

Retail Investors are entitled to a discount of 3% of the Final Offer Price (the “**Discounted Final Offer Price**”) for applications validly submitted in the first five (5) Business Days of the Offer Period (i.e. until and including 29 June 2023); for the avoidance of doubt, depending on the level of the Final Offer Price, the Discounted Final Offer Price may fall below the lower limit of the Offer Price Range. A determination of the Final Offer Price below the lower end of the Offer Price Range shall neither require nor be deemed as an amendment to the Prospectus. The application of the discount for the Offer Shares purchased within the Retail Tranche will depend on the moment of registration of the trading order in the trading system of the Bucharest Stock Exchange.

Offer Shares which are subscribed for in the Retail Tranche starting the sixth (6th) Business Day of the Offering (i.e. from 30 June 2023 inclusive) will be sold to Retail Investors at the Final Offer Price.

For the avoidance of doubt, if a Retail Investor places one or several subscriptions in the first five (5) Business Days of the Offering and one or several other subscriptions after the fifth (5th) Business Day of the Offering, the discount shall be applied only to the subscription(s) placed by the relevant Retail Investor within the first five (5) Business Days of the Offering.

Price announcement

On the Allocation Date, the Selling Shareholder will notify investors, the FSA and the Bucharest Stock Exchange with respect to the Final Offer Price and the Discounted Final Offer Price. The relevant pricing notification will be published on the Company’s website www.hidroelectrica.ro, the Selling Shareholder’s website www.fondulproprietatea.ro and as a press release on the Bucharest Stock Exchange website www.bvb.ro.

Price reimbursement

Payment of the subscription price for Offer Shares by investors must be made as set out in “*Subscription of Offer Shares by Retail Investors – Payment Evidence for Subscriptions by Retail Investors*” or “*Subscription of Offer Shares by Institutional Investors – Payment Evidence for Subscriptions by Institutional Investors*”, as applicable.

In case:

- the Final Offer Price or the Discounted Final Offer Price, as applicable, is lower than the price already paid by a Retail Investor for each Offer Share that it subscribed, or
- the number of Offer Shares allocated to a Retail Investor is lower than the number of Offered Shares that such Retail Investor subscribed and validly paid for,

an amount equal to the difference between (i) the total consideration paid in advance by that Retail Investor for the Offer Shares that it subscribed, and (ii) the number of Offer Shares sold to the relevant Retail Investor multiplied by the Final Offer Price or the Discounted Final Offer Price, as applicable (less any bank transfer commissions and any applicable commissions of the relevant capital market institutions) will be returned to the relevant Retail Investor into the bank account indicated by each Retail Investor in the subscription form submitted in relation to the subscription of Offer Shares (the “**Subscription Form**”), in the investment services agreement or as otherwise agreed with the Manager or the Eligible Participant (as defined below) with whom the subscription is made, as applicable, within five (5) Business Days of the expiry of the Offer Period.

In case:

- the Offering is not successfully closed or settled and, as a consequence, all subscriptions are rejected by the Selling Shareholder;
- the subscription of a Retail Investor is not validated; and/or
- the subscription is withdrawn by a Retail Investor following the publication of a supplement to the Prospectus which entitles investors to withdraw their subscription within the period indicated in such amendment;

the relevant Retail Investor who subscribed for Offer Shares shall be returned the total consideration paid in advance by that Retail Investor for the Offer Shares, less any bank transfer commissions and any applicable commissions of the relevant capital market institutions. Such consideration will be returned to each Retail Investor into the bank account indicated by such Retail Investor in the Subscription Form, in the investment services agreement or as otherwise agreed with the Manager or the Eligible Participant (as defined below) with whom the subscription is made, as applicable, within five (5) Business Days from the date when the subscriptions were rejected/withdrawn/not settled or within five (5) Business Days from the expiry of the Offer Period in case the subscription was not validated, as applicable.

No interest shall be payable to investors in respect of such amounts.

The Managers will not be liable for any failure to transfer such amounts that occurred due to the information provided by an investor for such purposes having been incomplete or incorrect.

If an investor has indicated more than one account for the reimbursement of any such amounts, the Managers and Eligible Participants reserve the right to pay the whole amount to be reimbursed to only one of the accounts indicated by the investor, unless otherwise mentioned in the Subscription Form or the investment services agreement concluded with the relevant Manager/Eligible Participant.

Payments to the investors' bank accounts will be made firstly for valid subscriptions and subsequently for the invalid subscriptions.

Underwriting Agreement

The Selling Shareholder, the Company and the Managers will enter into the underwriting agreement on or around the date of this Prospectus (the "**Underwriting Agreement**") pursuant to which, on the terms and subject to the conditions contained therein, including the entry into of the pricing agreement between the Company, the Selling Shareholder and the Managers following the completion of the bookbuilding of the Offering (the "**Pricing Agreement**"), the Managers will, on a several and not a joint or joint and several basis, agree to use their reasonable endeavours to procure purchasers for the number of Offer Shares set out in the Pricing Agreement or, failing which to purchase or pay for those Offer Shares themselves, and the Selling Shareholder will agree to sell those Offer Shares at the Final Offer Price or the Discounted Final Offer Price, as applicable to purchasers procured by the Managers or, failing which, to the Managers themselves in the proportion and manner agreed in the Underwriting Agreement.

Under the Underwriting Agreement, the Company and the Selling Shareholder will give certain customary representations and warranties (including, as appropriate, in relation to the Company's business, financial statements and legal compliance in relation to the Shares and in relation to the contents of this Prospectus) and indemnities to the Managers in connection with the Offering. The obligations of the parties to the Underwriting Agreement will be subject to certain conditions that are typical for an agreement of this nature, including, amongst others, the accuracy of the representations and warranties under the Underwriting Agreement, there having occurred no material adverse change in relation to the Group, and the execution of the Pricing Agreement between the Selling Shareholder, the Company and the Managers in relation to the final number of Offer Shares, the Final Offer Price and the Discounted Final Offer Price on or around the Allocation Date. In addition, upon the occurrence of specific events, such as conditions precedent not being satisfied or waived, the Underwriting Agreement may cease to have effect immediately at any time prior to the Settlement Date and/or the Joint Global Coordinators (on behalf of the Managers) may elect to terminate the Underwriting Agreement at any time prior to the Settlement Date (or thereafter, the Stabilisation Manager may do so (on behalf of the Managers) in respect of the Over-Allotment Option only).

In consideration for the services to be performed by the Managers, the Managers will receive from the Selling Shareholder a percentage of the gross proceeds of the Offering including from the Over-allotment Option (as defined below) to the extent it has been exercised). In addition, the Selling Shareholder may, in its sole discretion, decide to award the Managers a discretionary fee representing a percentage of the gross

proceeds of the Offering (including from the proceeds from the Over-allotment Option (as defined below) to the extent it has been exercised).

Lock-up arrangements

Pursuant to the Underwriting Agreement, the Company will agree that during the period from the date of the Underwriting Agreement to, and including, 180 calendar days from the Admission (as defined below), neither it nor any member of its group will, among other things, directly or indirectly offer, issue, sell, contract to sell, pledge, grant options over or otherwise dispose (or publicly announce any such issuance, offer, sale or disposal) of the Shares or enter into any transaction with the same economic effect as any of the foregoing, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed) – provided, however, that the Company will not be prohibited from issuing or allotting Shares to the extent it is required to do so pursuant to applicable Romanian law requiring the increase of the Company's share capital corresponding to the value of plots of land contributed by the Romanian State for which the Company obtains ownership certificates after the Offering or for which it has obtained such certificates before the Offering but for which it has not yet increased its share capital (see also "*Risk Factors — Risks related to the Offer Shares — Share capital increases resulting from Romanian State-owned land contributions may result in dilution of shareholders*").

Pursuant to the Underwriting Agreement (and, in the case of the Ministry of Energy, a lock-up deed dated on or around the date of the Prospectus (the "**Lock-up Deed**")) each of the Selling Shareholder and the Ministry of Energy will also agree that during the period from the date of the Underwriting Agreement to, and including, 180 calendar days (and respectively, 12 months in the case of the Ministry of Energy) from the Admission, it will not, among other things, directly or indirectly offer, issue, sell, contract to sell, pledge, grant options over or otherwise dispose (or publicly announce any such issuance, offer, sale or disposal) of the Shares or enter into any transaction with the same economic effect as any of the foregoing, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed) – provided, however, that neither the Selling Shareholder nor the Ministry of Energy will be prohibited from:

- accepting a general offer made to all holders of Shares made in accordance with applicable Romanian takeover laws and regulations;
- selling or otherwise disposing of Shares pursuant to any offer by the Company to purchase its own Shares which is made on identical terms to all holders of Shares;
- transferring or disposing of Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its shareholders or any class of them which is agreed to by the creditors or shareholders;
- (in the case of the Selling Shareholder only) executing and delivering an irrevocable commitment or undertaking to accept a general offer (without any further agreement to transfer or dispose of any Shares or any interest therein) as is referred to above;
- (in the case of the Selling Shareholder only) transferring or otherwise disposing of Shares where such transfer or disposal is required by law or any competent authority or by a final order of a court of competent jurisdiction;
- (in the case of the Selling Shareholder only) entering into, and transferring Shares in accordance with the terms of the Underwriting Agreement or the Stock Lending Agreement and the Over-Allotment Option; or
- (in the case of the Ministry of Energy only) any such actions to the extent it is so obligated to take them pursuant to applicable law in Romania regarding share capital increases following issuances of ownership certificates in favour of the Company.

The Joint Global Coordinators, after consulting (to the extent practicable in the circumstances) with the Company and the Selling Shareholder, will be able to terminate the Underwriting Agreement at any time prior to the Settlement Date and, in the case of termination of the Over-allotment Option (as defined below) only until completion of the Over-allotment Option (as defined below), in certain specified circumstances that are typical for an agreement of this nature.

Subscription of Offer Shares by Institutional Investors

By subscribing for Offer Shares, each Institutional Investor confirms having read this Prospectus, having accepted the Terms and Conditions set out in this Prospectus and having made the subscription according to the terms included in this Prospectus and represents and warrants to the Company, the Selling Shareholder and the Managers that it is an investor who may lawfully acquire the Offer Shares (without being subject to any restriction or limitation) under its jurisdiction of residence. Any acquisition made in breach of this Prospectus or in breach of applicable law shall be invalid and shall be cancelled.

Time schedule and locations for subscriptions by Institutional Investors

Subscriptions of Offer Shares by Institutional Investors can be made only through the Managers, as set out in “*Subscription procedure for Institutional Investors*” below.

Institutional Investors can subscribe for Offer Shares during the entire Offer Period, during the working hours of the relevant Manager except that on the last Business Day of the Offer Period (namely on 4 July 2023) subscriptions will be accepted only until 12:00 pm (Romanian time).

Subscription procedure for Institutional Investors

Institutional Investors may validly subscribe for Offer Shares through any Manager, or an affiliate of a Manager, which they have concluded an investment services agreement with, on the basis of orders given as a regular investment services business and by any means of communication provided by such an agreement, **without** being required to submit any subscription form or identification documentation.

For the purpose of this Prospectus, the term “**affiliate(s)**” has the meaning given in Rule 501(b) of Regulation D or Rule 405 under the Securities Act, as applicable.

Institutional Investors which have not concluded an investment services agreement with a Manager or an affiliate of a Manager may validly subscribe for Offer Shares **only** if they submit a subscription form and the applicable identification documentation (listed at “*Subscription Documents*” below) to any of the Managers/their affiliates located in Romania.

In order to be able to place a valid order for Offer Shares, Institutional Investors must have a direct or indirect contractual arrangement with a Romanian custodian agent.

Each Manager (or the affiliate of the Manager, as the case may be) will communicate to Institutional Investors which subscribe through it the fees that will be payable in connection with the submission of their subscriptions of the Offer Shares, including the costs (if any) associated with the issuance of settlement commitments, guarantees, custody account, delay penalties, investment services commissions payable under any relevant agreements or pursuant to the policies of the Manager/the Manager’s affiliate accepting the subscription and any fees charged by the Bucharest Stock Exchange and the Central Depository. Such charges cannot be quantified by the Company, the Selling Shareholder or the Managers for the purpose of this Prospectus.

No minimum subscription requirement applies to Institutional Investors. Institutional Investors are not allowed to split their orders for Offer Shares.

Valid subscriptions for Offer Shares by Institutional Investors will be transferred in the Book.

Each Institutional Investor undertakes to pay the Final Offer Price for the Offer Shares allocated to it in such manner as shall be directed by the relevant Manager (or the affiliate of a Manager, as applicable) and to instruct the relevant Manager/its affiliate (no later than 15:00 Romania time on the Transaction Date) to use the funds (i) in its custody account for which it has provided proof, or (ii) in the securities account opened with the relevant Manager/affiliate of a Manager (as applicable), for settling the trade in relation to the Offer Shares that have been allocated to it.

Payment Evidence for subscriptions by Institutional Investors

The value of the Offer Shares allocated to an Institutional Investor must be guaranteed through:

- (A) Payment order evidencing that the price for the allocated Offer Shares has been transferred to the investment services account(s) opened by the Manager (or the affiliate of a Manager) which the Institutional Investor subscribed through, provided that such amount credits the relevant investment services account(s) before the order corresponding to the relevant subscription is registered in the relevant segment of the Bucharest Stock Exchange.

The payment order must contain the unique registration code and name of the Institutional Investor. The account number to be filled in by an Institutional Investor in the subscription form (if applicable) must be the number of the account out of which the subscription amount is effectively transferred to the relevant investment services account(s).

Institutional Investors must take into account potential transfer fees and, if applicable, account opening fees. No deposit in cash directly to the investment services account(s) is accepted. The amounts transferred by Institutional Investors, representing the value of the allocated Offer Shares, will not bear interest in favour of such Institutional Investors.

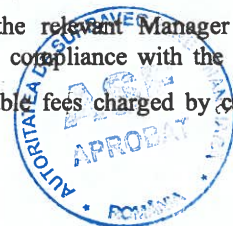
Each payment order is equivalent to a single subscription and combining more than one payment order for one single valid subscription is not permitted.

In circumstances where, during the period starting on the Allocation Date and until 15:00 Romanian time on the Transaction Date, there will be Institutional Investors which will not provide the Payment Evidence, the Joint Global Coordinators will reallocate the relevant Shares to other Institutional Investor(s), with the latter's consent and provided that such Institutional Investors can provide a Payment Evidence for the additionally allocated Shares. Should this not be possible, the number of Shares sold by the Selling Shareholder shall be decreased accordingly.

No Manager (or any affiliate thereof) will be liable if, for reasons outside its control, the investment services account(s) are not effectively credited with the amounts representing the value of the subscriptions at the latest at 15:00 Romanian time on the Transaction Date; or

- (B) A settlement commitment statement issued by the custodian agent undertaking the responsibility for the settlement in compliance with the FSA regulations;
- (C) A bank guarantee letter issued by a credit institution from the European Union covering the settlement risk undertaken by the relevant Manager; or
- (D) A settlement commitment statement issued by the relevant Manager or an affiliate of a Manager undertaking the responsibility for the settlement in compliance with the FSA limitations.

The guarantee or commitment must include any applicable fees charged by capital market institutions, if the case may be.



Subscription of Offer Shares by Retail Investors

By subscribing for Offer Shares, each Retail Investor confirms having read this Prospectus, having accepted the Terms and Conditions set out in this Prospectus and having made the subscription according to the terms included in this Prospectus and represents and warrants to the Company, the Selling Shareholder and the Managers that it is an investor who may lawfully acquire the Offer Shares (without being subject to any restriction or limitation) under his/her jurisdiction of residence. Any acquisition made in breach of this Prospectus or in breach of applicable law shall be invalid and shall be cancelled.

Time schedule and locations for subscriptions by Retail Investors

Subscriptions for Offer Shares by Retail Investors can be made during the entire Offer Period during the business hours of the Managers/Eligible Participants/Distribution Group (as defined below) **except that** on the last Business Day of the Offer Period (namely on 4 July 2023) subscriptions will be accepted only until 12:00 p.m. (Romania time).

Retail Investors can subscribe for Offer Shares through:

- Banca Comerciala Romana S.A. – at its headquarters at 159 Calea Plevnei, Business Garden Bucharest, Building A, 6th Floor, 6th District, Bucharest, Romania and its branch network as mentioned at <https://www.bcr.ro/ro/retea-unitati/unitati-atm>;
- BRD – Groupe Societe Generale S.A. (“BRD”) – at its headquarters at BRD Tower, 1-7 Ion Mihalache Blvd. 1st District, Bucharest, Romania and at its branch network listed at <https://www.brd.ro/en/agencies-and-atms>;
- BT Capital Partners (“BTCP”) – at its headquarter at 74-76 Constantin Brancusi Street, ground floor, Cluj-Napoca, Romania, at any BTCP unit mentioned at: <https://btcapitalpartners.ro/reteaua-bt-capital-partners> and at Banca Transilvania units (the “Distribution Group”) as mentioned at <https://www.bancatransilvania.ro/retea-unitati>;

- SSIF Swiss Capital S.A. at its headquarter at 20 Dacia Blvd., Romana Offices Building, 4th floor, 1st District, Bucharest, Romania; and
- any Eligible Participant from the list published on the website of the Bucharest Stock Exchange at www.bvb.ro, at its respective authorised venue;

or as otherwise agreed in the investment services agreement concluded between that Retail Investor and the relevant Manager/ Eligible Participant, if the case.

The following Retail Investors can apply for Offer Shares only at the headquarters of BRD or BTCP (and not, for the avoidance of doubt, through the respective branches/units of BRD or BTCP):

- Retail Investors who are resident/non-resident individuals or resident entities and use the services of a custodian agent or submit a bank guarantee or a settlement commitment letter from BRD or BTCP; and
- Retail Investors who are non-resident legal entities, irrespective of whether they are using the services of a custodian agent.

“**Eligible Participants**” means any intermediaries (other than the Managers) which are investment firms or credit institutions qualified as participants to the trading system of the Bucharest Stock Exchange, and which (i) have signed an irrevocable and unconditional undertaking (the “**Engagement Letter**”) to observe the provisions of this Prospectus and the applicable law, in the form made available by Banca Comerciala Romana S.A. and (ii) have submitted the Engagement Letter, in original, to Banca Comerciala Romana S.A.. A list of Eligible Participants shall be published on the website of the Bucharest Stock Exchange at www.bvb.ro.

Eligible Participants may not accept, register, process and validate subscriptions for the Offer Shares prior to the execution and submission of the Engagement Letter, in original, to Banca Comerciala Romana S.A..

Each Eligible Participant must comply, and must ensure that its internal systems allow it to comply, with the requirements set out in this Prospectus including, without being limited to, the requirements regarding the availability of funds and the settlement of the transactions carried out following the acceptance of subscriptions by the respective Eligible Participant. The Managers will not be liable for any non-compliance with the requirements set out in this Prospectus by any Eligible Participant, for any information or advice given by Eligible Participants to investors or for any distribution materials prepared by any Eligible Participant. All liability for such information, advice or materials will lie exclusively with the relevant Eligible Participant and such information, advice or materials will not be reviewed or endorsed by any of the Managers, the Company or the Selling Shareholder.

Any subscription placed with a participant who is not an Eligible Participant shall not be taken into consideration and the Company, the Selling Shareholder and the Managers shall have no liability whatsoever in relation thereto.

Trading orders corresponding to each subscription for Offer Shares by Retail Investors will be registered, during the Offer Period, by the Manager or the Eligible Participant which received and validated the respective subscription in the special markets agreed with the Bucharest Stock Exchange.

Subscription procedure for Retail Investors

The minimum subscription for Offer Shares by a Retail Investor must be for no less than fifty (50) Offer Shares.

If a Retail Investor has not concluded an investment services agreement with a Manager or an Eligible Participant, such Retail Investor can validly subscribe for Offer Shares by submitting:

- (1) a duly filled-in Subscription Form in two (2) original copies;
- (2) a Payment Evidence (as defined below); and
- (3) the requested documents listed at “*Subscription Documents*” below.

The subscription form will be available at the locations mentioned above in section “*Subscription of Offer Shares by Retail Investors — Time schedule and locations for subscriptions by Retail Investors*” or as otherwise communicated by the relevant Manager or Eligible Participant.

If a Retail Investor has concluded an investment services agreement with a Manager or an Eligible Participant, such Retail Investor may validly subscribe for Offer Shares on the basis of purchase orders

under such investment services agreement and by any means of communication provided by such an agreement, without being required to submit any subscription form or identification documents (unless any changes occurred in relation to his/her identification data since the latest update).

Subscription forms related to Offer Shares for which:

- (a) the amount (i) transferred into the relevant Collection Account(s) or the investment services account(s) or (ii) indicated in the settlement commitment statement or the bank guarantee, is not higher than or equal to the number of Offer Shares subscribed by that Retail Investor multiplied by the top of the Offer Price Range; or
 - (b) the subscription procedures were not complied with,
- will not be validated.

Subscriptions for Offer Shares that are not validated will not be considered in the allocation process. Retail Investors whose subscription forms for Offer Shares were not validated will be notified accordingly and the amounts paid will be returned to them in the account referred to in the subscription form within five (5) Business Days from the last Business Day of the Offer Period.

The Managers shall validate a subscription form exclusively at the time when the respective amount is credited in full to the relevant Collection Account(s). For the avoidance of doubt, in order for a subscription form to be valid, the amount payable for the subscribed Offer Shares must be paid in full.

Managers and Eligible Participants shall accept, validate, transmit and execute purchase orders into the system of the Bucharest Stock Exchange in accordance with their internal regulations and the rules regarding settlement risks management and the requirements provided for in this Prospectus and the applicable legislation.

Payment Evidence for subscriptions by Retail Investors

Subscriptions for Offer Shares by Retail Investors will be validated only if, no later than the last Business Day of the Offer Period, Subscription Forms are accompanied by the documents listed at "Subscription Documents" below and by one of the following documents (each, a "Payment Evidence"):

- (A) Evidence that the price for the Offer Shares subscribed by that Retail Investor has been paid, as follows:
 - for subscriptions through a Manager – (i) a payment order whereby the price for the subscribed Offer Shares has been transferred to the Collection Account opened by the Manager which it subscribed through or any other evidence accepted by the relevant Manager that the relevant Collection Account was duly credited with such amount, or (ii) bank transfers/ sufficient funds available in the investment services account(s) opened with the Manager through which the subscription is made, in case the relevant Retail Investor has concluded a valid investment services agreement with such Manager, as applicable; or
 - for subscriptions through an Eligible Participant – the subscription price for the Offer Shares may be paid, in cash or by bank transfer, depending on the internal procedures of the respective Eligible Participant as communicated by each Eligible Participant to Retail Investors;

provided that such amounts credit the relevant Collection Account no later than 16:00 Romania time on the last Business Day of the Offer Period.

The RON Collection Accounts for subscriptions of Offer Shares are the following:

- ✓ the RON bank account having the IBAN RO78RNCB0002B00195967091 opened with Banca Comerciala Romana S.A. (if the subscription is submitted through Banca Comerciala Romana S.A.);
- ✓ the RON bank account having the IBAN RO66BRDE427SV00021274270 opened with BRD (if the subscription is submitted through BRD);
- ✓ the RON bank account having the IBAN RO73BTRL0130120292569000 opened with Banca Transilvania S.A. (if the subscription is made through BTCP or the Distribution Group);
- ✓ the RON bank account having the IBAN RO66BRDE450SV23990724500 opened with BRD-SMCC (if the subscription is submitted through Swiss Capital);

The bank account number (IBAN) to be filled in by a Retail Investor in the subscription form must be the number of the bank account out of which the subscription amount is effectively transferred to the relevant Collection Account.

No deposit in cash directly to the Collection Accounts or to the Managers' investment services accounts is accepted. The amounts transferred by Retail Investors, representing the value of the subscribed Offer Shares, will not bear interest in favour of such Retail Investors.

For those subscriptions where payment is made by payment order, each payment order is equivalent to a subscription and combining several payment orders for one single valid subscription is not possible.

No Manager will be liable if, for reasons outside its control, the relevant Collection Accounts or investment services accounts are not effectively credited with the amounts representing the value of the subscriptions no later than 16:00 Romania time on the last Business Day of the Offer Period; or

- (B) Settlement commitment statement issued by the custodian agent undertaking the responsibility for the settlement; or
- (C) Bank guarantee letter issued by a credit institution from the European Union for the purpose of covering the settlement risk undertaken by the relevant Manager or Eligible Participant; or
- (D) Settlement commitment statement issued by the relevant Manager or Eligible Participant or an affiliate of that Manager with whom the purchase order is placed, undertaking the responsibility for the settlement for the value of the order, in compliance with the FSA regulations.

Retail Investors which have an investment services agreement with one of the Managers or Eligible Participants and which subscribe through that Manager or Eligible Participant may also subscribe using the amounts existing in the investment services account(s) and/or using a settlement commitment statement. In this case, Retail Investors shall ensure that the existing amounts from their investment services account(s) and/or the settlement commitment statement fully cover the subscribed amount.

A subscription cannot be covered by a mix of amounts available in the investment services account(s) and a payment order for the remaining amount.

The existing amount from the client account opened with the respective Manager or Eligible Participant which is designed for the payment of the subscribed Offer Shares cannot be used by the Retail Investor for other transactions.

If the amount (i) transferred by a Retail Investor into the relevant Collection Account(s) or the investment services account(s) or (ii) indicated in the bank guarantee or settlement commitment statement, is higher than the top of the Offer Price Range multiplied by the number of Offer Shares indicated by that Retail Investor in the subscription form / purchase order, the subscription will only be validated for the number of offer shares mentioned in the subscription form / purchase order.

In circumstances where the amount (a) transferred to the collection account(s) or the investment services account(s) or (b) indicated in the bank guarantee or the settlement commitment statement is lower than the subscribed amount, the subscription form will be invalidated for the entire subscribed amount.

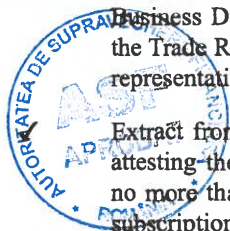
The price for the purchased Offer Shares does not include bank fees, account opening fees or other applicable charges, including any applicable fees and commissions of the relevant capital market institutions, nor any commissions charged by the Manager/Eligible Participant which subscriptions are placed with. Such fees and charges shall be borne separately by the Retail Investors. When making the necessary payments, Retail Investors must take into consideration the charges applicable to bank transfers and the duration of bank transfers.

Each Manager and Eligible Participant will communicate to Retail Investors who subscribe through it the fees that will be payable by Retail Investors in connection with the submission of their subscriptions of the Offer Shares, including the costs (if any) associated with opening and maintaining a securities account (unless the Retail Investor already has such an account), the issuance of settlement commitments, investment services commissions payable under any relevant agreements or pursuant to the regulations of the entity accepting the subscription from Retail Investors and any fees charged by the Bucharest Stock Exchange and the Central Depository. Such charges cannot be quantified by the Company, the Selling Shareholder or the Managers for the purpose of this Prospectus.

Subscription Documents

In order to be accepted, Subscription Forms for Offer Shares subscribed for by investors must be accompanied by a Payment Evidence and by the documents set out below, depending on each type of investor:

- | | | |
|--|---|---|
| Resident individuals subscribing in their own name: | ✓ | ID (original). |
| Resident individuals subscribing in the name of other individuals: | ✓ | ID (original) of the representative and the ID (in copy) of the represented individual; and |
| | ✓ | Power of attorney covering the subscription in the Offering in authenticated form (original and copy). |
| Resident individuals with no legal capacity (impaired judgment) or placed under guardianship: | ✓ | ID (original) of the resident individual subscribing for the represented individual and the ID of the person with no legal capacity (copy); |
| | ✓ | Passport (original) and/or residence permit (original and copy) of the individual subscribing for the person with no legal capacity – applicable only to foreign citizens; and |
| | ✓ | The guardianship document or, as appropriate, the trustee or the special trustee document (original and copy). |
| Resident corporate entities subscribing in their own name: | ✓ | Registration certificate issued by the Trade Registry (copy); |
| | ✓ | Certificate of current standing dated not earlier than 30 Business Days prior to the date of subscription, issued by the Trade Registry in original or online, evidencing the legal representative(s) of the resident entity; |
| | | Extract from the UBO Register or an equivalent document attesting the Beneficial owner of the entity (original) issued no more than 30 Business Days prior to the date of subscription; |
| | ✓ | In case subscriptions are made through a person other than the legal representative(s), power of attorney/Mandate (original and copy) for the person signing the Subscription Form; |
| | ✓ | ID (original) of the person subscribing in the name of the legal person; and |
| | ✓ | LEI Code. |
| Non-resident individual subscribing in their own name: | ✓ | Passport or ID for citizens of the EU/EEA (original and copy); and |
| | ✓ | Investor identification code according to art. 6 and Annex 1 of Commission Delegated Regulation (EU) 2017/590 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the reporting of transactions to competent authorities (“CDR (EU) 2017/590”). |
| Non-resident individual subscribing through resident authorised representatives: | ✓ | Passport or ID, for citizens of the EU/EEA (copy) for the represented individual; |
| | ✓ | ID for the authorised representative (original and copy); |



**Non-resident corporate entities
subscribing in their own name:**

- ✓ Investor identification code according to art. 6 and Annex 1 of CDR (EU) 2017/590; and
- ✓ Authenticated power of attorney setting out that the representative is authorised to act in the name of the non-resident individual (original and copy).
- ✓ Certificate of incorporation of the non-resident corporate entity issued by the Trade Registry or by any equivalent institution, if existing (copy);
- ✓ Certificate of current standing, in original, for the non-resident corporate entity evidencing the legal representatives of the non-resident entity issued by the Registry of Commerce or by an equivalent institution (issued no more than 30 Business Days prior to the date of subscription). If no authority or institution is authorised to issue such certificate, any corporate document evidencing the legal representatives of the non-resident corporate entity shall be submitted (issued no more than 30 Business Days prior to the date of subscription); such corporate document of the non-resident corporate entity shall set out clearly whether the legal representatives are entitled to act individually or jointly;



Extract from the UBO Register or an equivalent document attesting the Beneficial owner of the entity (original) issued no more than 30 Business Days prior to the date of subscription;

- ✓ In case subscriptions are made through a person other than the legal representative(s) of the non-resident corporate entity, the Power of attorney/Mandate signed by the legal representatives of the non-resident corporate entity empowering the respective person to subscribe on behalf of the non-resident corporate entity in the Offer Shares (in original and in copy);
- ✓ IDs for the person making the subscription as legal representative or attorney in fact of the non-resident corporate entity: passport, ID, for citizens of EU/EEA (copy); and

**Non-resident corporate entities
subscribing through a resident
corporate entity:**

- ✓ LEI Code.
- ✓ Certificate of incorporation of the non-resident corporate entity issued by the Trade Registry or by any equivalent institution, if existing (copy);
- ✓ Certificate of current standing, in original, for the non-resident corporate entity evidencing the legal representatives of the non-resident entity issued by the Registry of Commerce or by an equivalent institution (issued no more than 30 Business Days prior to the date of subscription). If no authority or institution is authorised to issue such certificate, any corporate document evidencing the legal representatives of the non-resident corporate entity shall be submitted (issued no more than 30 Business Days prior to the date of subscription); such corporate document shall set out clearly whether the legal representatives are entitled to act individually or jointly;

International Financial Institutions (IFIs)

- ✓ Extract from the UBO Register or an equivalent document attesting the Beneficial owner of the entity (original) issued no more than 30 Business Days prior to the date of subscription;
- ✓ Incorporation certificate for the representing resident corporate entity issued by the Trade Registry (copy);
- ✓ Certificate of current standing, in original, for the representing resident corporate entity issued by the Trade Registry (not older than 30 Business Days prior to the date of subscription);
- ✓ ID for the legal representative of the representing resident corporate entity subscribing on behalf of the non-resident corporate entity (original);
- ✓ In case subscriptions are made through a person other than the legal representative(s), power of attorney signed by the legal representative(s) of the non-resident corporate entity empowering the resident corporate entity to subscribe to the Offering; and
- ✓ LEI Code.
- ✓ Constitutive act of the IFI or a copy of the Romanian law whereby Romania accepts or adheres to the constitutive act of the relevant IFI;
- ✓ In case subscriptions are made through a person other than the legal representative(s), power of attorney/Certificate empowering the person who will sign the subscription form to subscribe on behalf of the IFI (in original or notarised copy);
- ✓ ID for the person who signs the subscription form on behalf of the IFI (copy); and
- ✓ LEI Code.



The Manager (or affiliate of a Manager) or Eligible Participant, as the case may be, through which an investor subscribes is entitled (i) to request any additional documents for the purpose of carrying out its duty to comply with the “know your customer” rules, based on its internal norms and procedures of client identification or (ii), on the contrary to waive any of the documents listed above. Each investor must comply with the appropriate money laundering checks and other relevant internal procedures required by the relevant Manager (or affiliate of a Manager) or the Eligible Participant through whom he/she/it subscribed for Offer Shares.

Official documents in a language other than Romanian or English submitted by an investor shall be apostilled or over-legalized, as the case may be, and accompanied by a notarised translation thereof in Romanian or English.

In case of investors without legal personality, the identification documents of the management company must be submitted.

Change and Withdrawal of Subscriptions

Institutional Investors may change or withdraw their initial subscription for Offer Shares until the close of the Book on the last Business Day of the Offer Period (inclusive) as such timing will be communicated by the Managers to Institutional Investors. The change of subscriptions by Institutional Investors will be subject to the same submission, processing and validation requirements as those for the initial subscription.

Retail Investors may not change or withdraw any subscriptions for Offer Shares except if the Prospectus is subject to an amendment – in which case subscriptions may be withdrawn by any Retail Investor within

two (2) Business Days from the date when the respective amendment to the Prospectus was published, by filling in a revocation form at the same unit of the Manager or Eligible Participant where the subscription was made, and the amounts paid by the Retail Investors will be returned to them as set out above in section “Offer Price — Price Reimbursement”. The withdrawal of a subscription can be performed only in relation to the entire subscription and only within the period indicated in the amendment to the Prospectus.

Allocation of the Offer Shares

The subscribed Offer Shares will be allocated to investors on the basis of the joint decision of the Company and Selling Shareholder, upon the recommendation of the Joint Global Coordinators on the Allocation Date.

The final number of Offer Shares will be decided by the Selling Shareholder in consultation with the Company, upon the recommendation of the Joint Global Coordinators, based on the level of subscriptions in the Book.

The final size of each Offer Tranche will be jointly decided by the Selling Shareholder and the Company, upon the recommendation of the Joint Global Coordinators, based on the level of subscriptions in the Book. Upon the recommendation of the Joint Global Coordinators, the Company and the Selling Shareholder may jointly decide to re-allocate Offer Shares from any of the Offer Tranches to the other Offer Tranche – which can, for the avoidance of doubt, lead to the Retail Tranche representing either (1) more than 15% (but not more than 20%) of the sold Offer Shares or, on the contrary (2) less than 15% of the sold Offer Shares (but such re-allocation from the Retail Tranche to the Institutional Tranche shall occur only in case the Retail Tranche is less than 100% subscribed).

Allocation of Offer Shares within the Retail Tranche

- (A) If the number of Offer Shares validly subscribed within the Retail Tranche is lower than, or equal to, the Offer Shares allocated to the Retail Tranche (as determined on the Allocation Date), each valid subscription of Retail Investors will receive the number of subscribed Offer Shares.
- (B) If the number of Offer Shares validly subscribed within the Retail Tranche is higher than the Offer Shares allocated to the Retail Tranche (as determined on the Allocation Date), the Offer Shares from the Retail Tranche will be allocated to each valid subscription of Retail Investors proportionally to the number of Offer Shares in such subscription (*pro rata* allocation). For the avoidance of any doubt, such *pro rata* allocation will equally apply to all subscriptions in the Retail Tranche, whether submitted within the first five (5) Business Days of the Offer Period or within the other Business Days of the Offer Period.

To this end, a *pro-rata* factor shall be calculated as follows: $\text{Pro-rata factor} = \frac{\text{Total number of Offer Shares allocated to the Retail Tranche}}{\text{Total number of Offer Shares subscribed for in the Retail Tranche}}$.

Each subscription of Retail Investors shall be allocated the number of Offer Shares equal to the number of Offer Shares validly subscribed for, multiplied by the *pro-rata* factor, which will have ten (10) decimal places.

If the number of Offer Shares allocated to a subscription of a Retail Investor after the *pro rata* factor is applied is not an integer, the number of Offer Shares allocated to the relevant subscription shall be rounded down to the immediately lower integer.

For the purpose of allocating any remaining Offer Shares (resulting from such rounding down of the number of Offer Shares within the process of *pro rata* allocation), subscriptions of Retail Investors shall be ranked in decreasing order based on the number of Offer Shares in each subscription and, if one or more subscriptions refer to the exact number of Offer Shares they will be ranked in increasing order based on the time stamp in the Bucharest Stock Exchange electronic system associated with their trading order, and the resulting unallocated Offer Shares in the Retail Tranche shall be allocated one per subscription (but so that the number of Offer Shares allocated in aggregate to a subscription does not exceed the number of Offer Shares initially requested through that subscription), starting with the largest allocation.

In case of over-subscription, Retail Investors will be reimbursed the difference between the amount paid for the subscribed Offer Shares and the value of the allocated Offer Shares (less the bank transfer fees and any applicable capital market institutions' fees) as detailed in “Offer Price” above.

Reasons independent from the Company, the Selling Shareholder or the Managers may lead to delays in processing the data and in preparing and sending the notice regarding the Offering results to the FSA and BSE. As a consequence, neither the Company, the Managers nor the Selling Shareholder will be liable for delays in the return of the amounts due to the investors in the event that the Offering is over-subscribed. In such circumstances, the Company, the Selling Shareholder and the Managers shall have no liability to any investors.

Shares allocated to Retail Investors will be automatically transferred into "Section I" of the Romanian Central Depository after the Settlement Date (as defined below), except for the Offer Shares allocated to those Retail Investors who have a valid investment agreement with the Manager or Eligible Participant through which they have subscribed in the Offering.

By applying for Offer Shares, Retail Investors acknowledge and agree that they may be allocated fewer Offer Shares than they have applied for, in accordance with the paragraphs above. Retail Investors also acknowledge and agree that they cannot refuse the Offer Shares allocated to them in accordance with this Prospectus, and shall have no right to contest or oppose such allocation.

Allocation of Offer Shares within the Institutional Tranche

The number of Offer Shares allocated to each Institutional Investor will be jointly determined by the Company and the Selling Shareholder, upon the recommendation of the Joint Global Coordinators, on the basis of the Book. Institutional Investors will be notified (verbally, by email or by other means agreed with the Manager/affiliate of a Manager which they subscribed through) of the number of Offer Shares that they have been allocated, as soon as practicable following pricing and allocation.

By subscribing in the Offering, Institutional Investors acknowledge and agree that they may be allocated fewer Offer Shares than they have subscribed for, or they may receive no Offer Shares at all, and that they cannot refuse the allocation.

Institutional Investors also acknowledge and agree that they will have no right to request, and the Selling Shareholder, the Company and the Managers shall have no obligation to disclose, the reasons for the Selling Shareholder's and/or Company's allocation and pricing decisions.

Transaction

Orders corresponding to valid subscriptions for Offer Shares made by Retail Investors are entered by the Managers and the Eligible Participants into the system of the Bucharest Stock Exchange on a daily basis during the Offer Period, including on the last Business Day of the Offer Period.

During the period starting on (and including) the Allocation Date and ending on the Transaction Date (at the hour agreed between the Managers and the Bucharest Stock Exchange), the orders corresponding to the Shares allocated to the Institutional Investors shall be registered in the system of the Bucharest Stock Exchange, exclusively in accordance with the allocations made jointly by the Company and the Selling Shareholder, provided that the corresponding subscriptions are valid and the Payment Evidence is received.

In circumstances where, during the period starting on the Allocation Date and until 15:00 Romania time on the Transaction Date, there will be Institutional Investors which will not provide the Payment Evidence, the Joint Global Coordinators will reallocate the relevant Shares to other Institutional Investor(s) (with the latter's consent and provided that such Institutional Investor(s) can provide a Payment Evidence for the additionally allocated Shares) failing which, the Managers will purchase, or pay for, themselves such Offer Shares in the proportions and the terms set out in the Underwriting Agreement. Should this not be possible, the number of Shares sold by the Selling Shareholder shall be decreased accordingly. The allotment of the Shares made by the Company jointly with the Selling Shareholder is mandatory and is legally binding for the Institutional Investors and also for the Managers.

On the Transaction Date the Managers which are members of the Bucharest Stock Exchange will carry out the trades related to the Offer Shares through the Bucharest Stock Exchange as agreed in the Underwriting Agreement.

Settlement

Settlement of the allocated Offer Shares will be made through the Romanian Central Depository clearing settlement system within two (2) Business Days of the Transaction Date (the "Settlement Date").

Admission to trading

The Bucharest Stock Exchange has issued an approval in principle for the admission of the Shares to trading on the Regulated Spot Market ("*piata reglementata*") of the Bucharest Stock Exchange (the "**Admission**"). After the completion of the Offering, the Company intends to apply to the Bucharest Stock Exchange for obtaining the final approval for the Admission. If and when admitted to trading on the Bucharest Stock Exchange, the Shares will be registered under ISIN RO4Q0Z5RO1B6 and will trade under the symbol "H2O".

In the event the application for the Admission to trading of the Shares is rejected by the Bucharest Stock Exchange, investors are entitled to request the reimbursement of their subscribed funds within 60 days from the date when the announcement regarding such rejection is published.

The relevant amounts will be returned to such investors no more than three (3) Business Days from the date the funds reimbursement application has been received by the relevant Manager, affiliate of a Manager or Eligible Participant through which the investor has subscribed in the Offering.

No interest shall be payable to investors in respect of such amounts.

If an investor has indicated more than one bank account for the reimbursement of any such amounts, the Managers and the Eligible Participants reserve the right to pay the whole amount to be reimbursed to only one of the bank accounts indicated by the investor, unless otherwise mentioned in the Subscription Form.

Stabilisation

In connection with the Offering, Erste Group Bank AG as stabilising agent (the "**Stabilisation Agent**") acting directly or through Banca Comerciala Romana S.A. may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Offer Shares or effect other stabilising transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market, based on the stabilisation strategy set by Citigroup Global Markets Europe AG as stabilising manager (the "**Stabilisation Manager**"). The Stabilisation Manager is not required to enter into such transactions and such transactions may be effected on the Bucharest Stock Exchange and may be undertaken at any time during the period commencing on the Admission day and ending no later than 30 calendar days thereafter.

However, there will be no obligation on the Stabilisation Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. In no event will measures be taken to stabilise the market price of the Shares above the Final Offer Price. Such stabilisation, if commenced, may be discontinued at any time without prior notice. Except as required by law or regulation, neither the Stabilisation Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilising transactions conducted in relation to the Offering.

Over-allotment Option

In connection with the Offering, the Stabilisation Agent may, for stabilisation purposes, over-allot Offer Shares up to a maximum of 15% of the total number of Offer Shares comprised in the Offering. For the purposes of allowing the Stabilisation Agent to cover short positions resulting from any such over-allotments and/or from sales of Offer Shares effected by it during the Stabilisation period, the Selling Shareholder will have granted to the Managers an over-allotment option, pursuant to which the Managers may purchase or procure purchasers for additional Offer Shares up to a maximum of 15% of the Over-allotment Shares at the Final Offer Price (the "**Over-allotment Option**"). The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilisation Agent, at any time on or before the 30th calendar day after the Admission. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Offer Shares, including for all dividends and other distributions declared, made or paid on the Offer Shares, will be purchased on the same terms and conditions as the Offer Shares being sold in the Offering and will form a single class for all purposes with the other Shares.

Stock Lending Agreement

In connection with the arrangements detailed above, the Stabilisation Manager, the Stabilising Agent and Banca Comerciala Romana S.A. will enter into a stock lending agreement (the "**Stock Lending Agreement**") with the Selling Shareholder, pursuant to which the Stabilisation Agent will be able to borrow from the Selling Shareholder, free of charge, Offer Shares up to an amount equal to 15% of the size of the Offering for the purposes, amongst other things, of allowing the Stabilisation Agent to settle over-allotments, if any, made in connection with the Offering.

If the Stabilisation Agent borrows any Offer Shares pursuant to the Stock Lending Agreement, it will be required to return equivalent securities to the Selling Shareholder by no later than two (2) Business Days following the end of the stabilisation period.

Cornerstone investors

Three Romanian institutional investor groups (the “**Cornerstone Investors**”) have agreed to be cornerstone investors in the Offering and entered into cornerstone investor agreements with the Company and the Selling Shareholder. The Cornerstone Investors have undertaken to purchase in aggregate RON 2.24 billion in shares at the Final Offer Price, subject to certain customary conditions. The Selling Shareholder and the Company will instruct the Joint Global Coordinators to fully allocate the corresponding number of Offer Shares to the Cornerstone Investors in the Offering. The Cornerstone Investors will not receive consideration for their willingness to invest in the Company.

Assuming (i) that all the Offer Shares are sold and the Over-allotment Option is exercised in full and (ii) the Final Offer Price is equal to the midpoint of the Offer Price Range, following the Offering the Cornerstone Investors will own in aggregate 27.88% of the total number of Offer Shares and 4.83% of the Company’s total issued Shares, respectively.

Other Relationships

Each of the Managers is a full-service financial institution engaged in various activities, which may include the provision of investment banking, commercial banking and financial advisory services. The Managers and their respective affiliates in the ordinary course of business may in the past have engaged in transactions with, and performed various investment banking, commercial banking, financial advisory and/or other services for, the Company, the Selling Shareholder and their respective affiliates from time to time, for which they have received customary fees and reimbursement of expenses. The Managers and their respective affiliates may in the future, from time to time, provide such services for the Company and the Selling Shareholder and their respective affiliates in the ordinary course of business, for which they may receive customary fees and reimbursement of expenses.

In the ordinary course of their various business activities, the Managers and their respective affiliates may hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) in the Company, the Selling Shareholder and their respective affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments.

In addition, certain of the Managers or their affiliates are, or may in the future be, lenders, and in some cases agents or managers for the lenders, under certain of the credit facilities and other credit arrangements of the Company, the Selling Shareholder or their respective affiliates. In their capacity as lenders, such lenders may, in the future, seek a reduction of a loan commitment to the Company, the Selling Shareholder or their respective affiliates or impose incremental pricing or collateral requirements with respect to such facilities or credit arrangements, in the ordinary course of business. In addition, certain of the Managers or their respective affiliates that have a lending relationship with the Company, the Selling Shareholder or their respective affiliates may routinely hedge their credit exposure to the Company, the Selling Shareholder or their respective affiliates consistent with their customary risk management policies; a typical such hedging strategy would include these Managers or their respective affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Company, the Selling Shareholder or their respective affiliates. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In connection with the Offering, each of the Managers and any of their respective affiliates, may take up a portion of the Offer Shares in the Offering as a principal position and in that capacity may retain, purchase, sell, offer to sell, or otherwise deal for its or their own account(s) in, such Offer Shares, any other securities of the Company or any related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Offer Shares being offered, acquired, placed or otherwise dealt with should be read as including any offer, acquisition, placing or dealing by any of the Managers or any of their respective affiliates acting in such capacity. In addition, certain of the Managers or their respective affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) with investors, in connection with which such Managers (or their respective affiliates) may from time to time acquire, hold or dispose of Shares. None of the Managers (or their respective affiliates) intends to disclose the extent of any

such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.



SELLING AND TRANSFER RESTRICTIONS

GENERAL

The distribution of the Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Company, the Selling Shareholder or the Managers to permit a public offering of the Offer Shares anywhere other than in Romania or the transmission or distribution of the Prospectus into any other jurisdiction where action for that purpose may be required. This Prospectus has been approved by the FSA.

NO PUBLIC OFFERING OUTSIDE ROMANIA

No action has been or will be taken in any country or jurisdiction (other than in Romania) that would permit a public offering of the Offer Shares or possession or distribution of this Prospectus (or any other offering or publicity material relating to the Offer Shares) in any country or jurisdiction where action for that purpose is required.

Accordingly, neither the Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction other than in Romania, except under circumstances that will result in compliance with applicable laws and regulations. Persons taking possession of the Prospectus are required to inform themselves about, and observe any, such restrictions, including those set out in the following paragraphs.

Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

UNITED STATES

The Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except in transactions that are exempt from registration under the Securities Act. Accordingly, the Offer Shares are being offered (i) in the United States only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from the registration requirements of the US Securities Act; or (ii) outside the United States in offshore transactions in reliance on Regulation S. The Managers may arrange for the offer and sale of the Shares in the United States through United States registered broker-dealers, which may be their affiliates.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made other than in accordance with Rule 144A or another exemption from registration under the Securities Act.

Selling and Transfer Restrictions for Purchasers of Offer Shares outside the United States

Each purchaser of the Offer Shares outside the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged as follows:

- The purchaser acknowledges that the Offer Shares have not been and will not be registered under the Securities Act or with any securities' regulatory authority of any state of the United States;
- At the time the Offer Shares are purchased the purchaser will be the beneficial owner of those Offer Shares;
- The person, if any, for whose account it is acquiring the Offer Shares, is located outside the United States (within the meaning of Regulation S) and is purchasing the Offer Shares in an offshore transaction meeting the requirements of Regulation S; and
- The purchaser acknowledges that the Company, the Selling Shareholder, the Managers and the Company's respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs.

Selling and Transfer Restrictions for Purchasers of Offer Shares within the United States

Each purchaser of the Offer Shares within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged as follows:

- The purchaser acknowledges that the Offer Shares have not been and will not be registered under the Securities Act or with any securities' regulatory authority of any state of the United States;

- The purchaser is: (i) a QIB; (ii) aware, and each beneficial owner of such Offer Shares has been advised, that the sale of Offer Shares is being made in reliance on Rule 144A or another exemption from registration under the Securities Act; and (iii) acquiring such Offer Shares for its own account or for the account of a QIB;
- The purchaser agrees (or if it is acting for the account of another person, such person, has confirmed to it that such person agrees) that it (or such person) will not offer, resell, pledge or otherwise transfer those Offer Shares except: (a) to a person whom it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (b) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; (c) in accordance with Rule 144 under the Securities Act (if available); or (d) pursuant to an effective registration statement under the Securities Act, and in each case in accordance with any applicable securities laws of any state of the United States. The purchaser will, and each subsequent holder is required to, notify any subsequent purchaser from it of those Offer Shares of the foregoing resale restrictions. No representation can be made as to the availability of the exemption provided by Rule 144A for resale of the Offer Shares;
- The purchaser understands that the Offer Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the effect set out in the preceding paragraph;
- If the purchaser is acquiring Offer Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;
- The purchaser understands that for so long as the Offer Shares are “restricted securities” within the meaning of the US federal securities laws, no such shares may be deposited into any unrestricted depositary receipt facility established or maintained by a depositary bank;
- The purchaser understands that the Offer Shares will not settle or trade through the facilities of the Depository Trust & Clearing Corporation or any other US clearing system;
- The purchaser acknowledges that the Company, the Selling Shareholder, the Managers and the Company’s respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs.

NOTICE TO PROSPECTIVE INVESTORS IN EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM

This Prospectus has been approved by the FSA but it has not been, approved by or notified to any other competent authority of a Member State of the European Economic Area (other than Romania) and the United Kingdom (each a “Relevant State”).

No Offer Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that the Offer Shares may be offered to the public in that Relevant State at any time:

- to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;
- to fewer than 150 natural or legal persons per member state of the EEA (other than qualified investors as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 1 para. 4 of the Prospectus Regulation and/or within Section 86 of the United Kingdom Financial Services and Markets Act 2000, as amended (the “FSMA”), as applicable,

provided that no such offer to the public of the Offer Shares shall require the Company, the Selling Shareholder or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or Section 85 of the FSMA, as applicable, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

In addition, in the United Kingdom, this Prospectus is only addressed to and directed to qualified investors within the meaning of Article 2 of the Prospectus Regulation (i) who have professional experience in matters relating to investments falling within Article 19 para. 5 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, and/or (ii) who are high net worth entities falling within Article 49 para. 2(a) through (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, and/or (iii) who are other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**Relevant Persons**”). The securities described herein are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

For the purposes of this Section of this Prospectus, the expression “offer to the public” in relation to the Offer Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offer Shares, including any placing of Offer Shares through financial intermediaries, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129, and/or, as applicable, such Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

NOTICE TO PROSPECTIVE INVESTORS IN AUSTRALIA

This Prospectus (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 (Cth) of the Commonwealth of Australia, as amended (“**Corporations Act**”); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission (“**ASIC**”), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors (“**Exempt Investors**”) who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are “wholesale clients” for the purpose of section 761 G of the Corporations Act.

The Offer Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Offer Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Offer Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer Shares, each purchaser or subscriber of the Offer Shares represents and warrants to the Company, the Selling Shareholder, the Managers and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Offer Shares under this Prospectus, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Offer Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Offer Shares each purchaser or subscriber of the Offer Shares undertakes to the Company, the Selling Shareholder and the Managers that such purchaser or subscriber will not, for a period of 12 months from the date of issue or purchase of the Offer Shares, offer, transfer, assign or otherwise alienate those Offer Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

The Offer Shares are not being offered and may not be sold to any purchaser in a province or territory of Canada other than purchasers in the provinces of Alberta, British Columbia, Manitoba, Ontario and Quebec (the “**Specified Provinces**”) that satisfy the requirements specified below. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Offer Shares. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgement on this Prospectus or on the merits of the Offer Shares, and any representation to the contrary is an offense. The offer and sale of the Offer Shares in Canada is being made on a private

placement basis only and is exempt from the requirement that the Company prepares and files a prospectus under applicable Canadian securities laws.

The Offer Shares may be offered and sold only in the Specified Provinces to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions (“NI 45-106”) or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103- Registration Requirements, Exemptions and Ongoing Registrant Obligations (“NI 31-103”).

Each Bank making offers and sales of Offer Shares in any of the Specified Provinces will do so relying on the “international dealer exemption” in NI 31-103 from the registration requirements of the Specified Province and will provide its jurisdiction of residence and the name and address of its agent for service of process to purchasers of Offer Shares in such Specified Province. Each purchaser in the Specified Provinces acknowledges that it has been notified that (a) none of the Managers is registered as a securities dealer in any province or territory of Canada (or, if so registered, is not relying upon its registration status to trade the Offer Shares); (b) all or substantially all of the assets of the Managers may be situated outside of Canada; and (c) there may be difficulty enforcing legal rights against the Managers for these reasons.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105- Underwriting Conflicts (“NI 33-105”), the Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

In addition, the information in this Prospectus, including any documents incorporated by reference, has not been prepared with regard to matters that may be of particular concern to purchasers in Canada, including with respect to the tax consequences of purchasing, holding and disposing of the Offer Shares, and, accordingly, should be read with this in mind. Prospective purchasers are advised to consult their own advisors about their individual circumstances.

By purchasing the Offer Shares in Canada and accepting a purchase confirmation, a purchaser is representing and covenanting to the Company and the Managers that:

- the purchaser is resident in or otherwise subject to the securities laws of one of the Specified Provinces;
- the purchaser is basing the purchaser’s investment decision solely on this Prospectus and not on any other information concerning the Company or the offering of the Offer Shares and the offering of the Offer Shares was made exclusively through this Prospectus and was not made through an advertisement of the Offer Shares in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada;
- the purchaser is entitled under applicable securities laws to purchase the Offer Shares without the benefit of a prospectus qualified under those securities laws and, without limiting the generality of the foregoing, the purchaser is an “accredited investor” as defined in NI 45-106 or, if resident in the province of Ontario, as defined in subsection 73.3(1) of the Securities Act (Ontario);
- the purchaser is a “permitted client” as defined in NI 31-103;
- the purchaser is purchasing the Offer Shares as principal and not as agent, or is otherwise deemed to be purchasing as principal in accordance with applicable securities laws;
- the purchaser is purchasing the Offer Shares for investment only and not with a view to resale or distribution;
- the purchaser shall promptly notify the Company and the Managers, as applicable, if the purchaser discovers that any such representations cease to be true, and shall provide the Company and the Managers, as applicable, with appropriate information in connection therewith; and

if required by applicable securities laws or stock exchange rules, the purchaser will execute, deliver and file or assist the Company in filing such reports, undertakings and other documents relating to the purchaser of the Offer Shares as may be required by any securities commission, stock exchange or other regulatory authority, including for greater certainty any information that is required for completion of Form 45-106F1 under NI 45-106. By purchasing the Offer Shares, each purchaser in Canada acknowledges that the Company and the Managers and their respective agents and advisors may collect, use and disclose the name of such purchaser and other specified personally identifiable information (the “personal information”), including the amount of Offer Shares that the purchaser has purchased for purposes of meeting legal, regulatory and audit requirements and as otherwise permitted or required by law or regulation. Each such purchaser consents to the disclosure of all such personal information. In addition, by purchasing the Offer Shares, each such purchaser will be deemed to have represented to the Company and the Managers that: (a) it has been notified by the Company that the company is required to provide information pertaining to each such purchaser that is required to be disclosed in Schedule 1 of Form 45-106F1 under NI 45-106 (including the purchaser’s name, address, telephone number, email address, number of Offer Shares the purchaser has acquired, the value of the Offer Shares purchased, the statutory exemption relied on, whether the purchaser is an “insider” of the Company or a “registrant, each as defined under applicable securities legislation, and the date of distribution); (b) the personal information will be delivered to the applicable securities regulatory authority or regulator in accordance with NI 45-106; (c) the personal information is being collected indirectly by the applicable securities regulatory authority or regulator under the authority granted to it under applicable securities legislation; (d) the personal information is being collected for the purposes of the administration and enforcement of the securities legislation of the applicable local jurisdiction; and (e) the public official in the applicable local jurisdiction who can answer questions about the security regulatory authority’s or regulator’s indirect collection of such personal information is as follows: (i) Alberta Securities Commission, Suite 600, 250 Sth Street SW, Calgary, Alberta T2P 0R4, Attention: FOIP Coordinator; (ii) Autorité des marchés financiers, 800, rue du Square-Victoria, 22e étage, C.P. 246, Tour de la Bourse, Montréal, Québec H4Z 1G3, Attention: Corporate Secretary, Tel: (514) 395-0337 or 1-877-525-0337, Email: financement@essocietes@lautorite.gc.ca, Public official contact regarding indirect collection of information: Secrétaire générale; (iii) British Columbia Securities Commission, P.O. Box 10142, Pacific Centre 701 West Georgia Street, Vancouver, British Columbia V7Y 1L2, Attention: FOI Inquiries, Tel: (604) 899-6854, Toll free in Canada: 1-800-373-6393, Email: FOI-privacy@besc.bc.ca, Public official contact regarding indirect collection of information: FOI Inquiries; (iv) The Manitoba Securities Commission, 500-400 St. Mary Avenue, Winnipeg, Manitoba R3C 4K5, Tel: (204) 945-2561, Toll free in Manitoba: 1-800-655-5244, Facsimile: (204) 945-0330, Public official contact regarding indirect collection of information: Director; and (v) Ontario Securities Commission, 20 Queen Street West, 22nd Floor, Toronto, Ontario MSH 3S8, Attention: Inquiries Officer, Tel: (416) 593-8314, Toll free in Canada: 1-877-785-1555, Email: exemptmarketfilings@osc.gov.on.ca, Public official contact regarding indirect collection of information: Inquiries Officer. Further, by purchasing the Offer Shares, each such purchaser, if an individual, acknowledges that its name and other specified information as set forth above, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws. Each such purchaser consents to the foregoing.

Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. By purchasing the Offer Shares, each purchaser in a Specified Province acknowledges that unless permitted under securities legislation the holder of the Offer Shares must not trade the Offer Shares before the date that is 4 months and a day after the later of (i) the date on which delivery of the Offer Shares is made, and (ii) the date the Company becomes a reporting issuer in any province or territory. The Company is not, and may never be, a “reporting issuer”, as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada and there is no public market for any of the securities of the Company in Canada, including the Offer Shares, and one may never develop. Listing of the Offer Shares on the Bucharest Stock Exchange (Bursa de Valori Bucuresti S.A.) will not affect such resale restrictions. Canadian purchasers are advised to seek legal advice prior to any resale of the Offer Shares.

In order to comply with the dealer registration requirements of Canadian securities laws, any resale of the Offer Shares must be made either by a person not required to register as a dealer under applicable Canadian securities laws, or through an appropriately registered dealer or in accordance with applicable Canadian securities laws, or through an appropriately registered dealer or in accordance with an exemption from the dealer registration requirements.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Offer Shares (including any purchase confirmation or notice) be drawn up in the English language only.

NOTICE TO PROSPECTIVE INVESTORS IN UNITED ARAB EMIRATES (EXCLUDING THE ABU DHABI GLOBAL MARKET AND THE DUBAI INTERNATIONAL FINANCIAL CENTRE)

This Prospectus is strictly private and confidential and is being distributed to a limited number of Professional Investors, within the meaning of the United Arab Emirates SCA's Board of Directors Decision No. 13 of 2021 Concerning the Financial Activities Rule Book, and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. If you are in any doubt about the contents of this Prospectus, you should consult an authorised financial adviser.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that this Prospectus has not been approved by or filed with the Central Bank of the United Arab Emirates (the "UAE") (the "UAE Central Bank"), the Securities and Commodities Authority of UAE (the "SCA") or any other authorities in the UAE, nor have the Managers received authorisation or licensing from the UAE Central Bank, the SCA or any other authorities in the UAE to market or sell securities or other investments within the UAE. No marketing of any financial products or services has been or will be made from within the UAE other than in compliance with the laws of the UAE and no subscription to any securities or other investments may or will be consummated within the UAE. It should not be assumed that any of the Managers is a licensed broker, dealer or investment advisor under the laws applicable in the UAE, or that any of them advise individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Offer Shares may not be offered or sold directly or indirectly to the public in the UAE. This does not constitute a public offer of securities in the UAE in accordance with Federal Decree-No. 32 of 2021 on Commercial Companies or otherwise.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Any person considering acquiring securities should consult with an appropriate professional for specific advice rendered based on their respective situation.

NOTICE TO INVESTORS IN THE ABU DHABI GLOBAL MARKET

This Prospectus is not subject to any form of regulation or approval by the Financial Services Regulatory Authority ("FSRA") of the Abu Dhabi Global Market ("ADGM"). The FSRA has not approved this Prospectus nor does it have any responsibility for reviewing or verifying any document or other documents in connection with this offering. Accordingly, the FSRA has not taken any steps to verify the information set out in this Prospectus or any other documents in connection with this offering, and has no responsibility for them.

The Offer Shares have not been offered and will not be offered to any persons in the ADGM except on the basis that an offer is:

- an "Exempt Offer" in accordance with the Market Rules of the FSRA; and
- made only to, and is only capable of being accepted by, persons who are Authorised Persons or Recognised Bodies (as such terms are defined in the ADGM Financial Services and Markets Regulations 2015, as amended ("FSMR")), or persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 18 of FSMR) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated.

The Offer Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Company and the Offer Shares. If you do not understand the contents of this Prospectus, you should consult an authorised financial adviser.

NOTICE TO PROSPECTIVE INVESTORS IN THE DIFC

This Prospectus is not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA") of the Dubai International Financial Centre ("DIFC"). The DFSA has not approved this Prospectus and does not have any responsibility for reviewing or verifying any document or other documents in connection with this offering. Accordingly, the DFSA has not approved this Prospectus or any

other associated documents nor taken any steps to verify the information set out in this Prospectus or any other documents in connection with this offering, and has no responsibility for them.

The Offer Shares have not been offered and will not be offered to any persons in the DIFC except on the basis that an offer is:

- an “Exempt Offer” in accordance with the Markets Rules (MKT) module of the DFSA rulebook; and
- made only to, and only capable of being accepted by, persons who meet the “deemed” Professional Client criteria set out in Rule 2.3.4 of the Conduct of Business (COB) module of the DFSA rulebook and who are not natural persons.

This Prospectus must not, therefore, be delivered to, or relied on by, any other type of person.

The Offer Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Company and the Offer Shares. If you do not understand the contents of this Prospectus, you should consult an authorised financial advisor.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

The Shares have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”) in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement as provided for in “ha” of Article 2, Paragraph 3, Item 2 of the FIEA.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Offer Shares. The Offer Shares may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“FinSA”) and no application has or will be made to admit the Offer Shares to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offer Shares constitutes a prospectus pursuant to FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Offer Shares may be publicly distributed or otherwise made publicly available in Switzerland.

NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

- to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the “SFA”) pursuant to Section 274 of the SFA;
- to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or
- otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA

Where the Offer Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation which is not an accredited investor (as defined in Section 4A of the SFA), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust, where the trustee is not an accredited investor, whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be

transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA, except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- where no consideration is or will be given for the transfer; where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities based Derivatives Contracts) Regulations 2018.

In this section, any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time, including by such subsidiary legislation as may be applicable at the relevant time.

Notification under Section 309(B)(1)(c) of the SFA: The Offer Shares offered or sold under this Offering, unless otherwise specified before an offer of Offer Shares, are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

SETTLEMENT AND TRANSFER

Settlement and Transfer of Shares

All Shares have been issued in nominative dematerialized (book-entry) form and, in view of their Admission to trading on the regulated market of the Bucharest Stock Exchange, will be registered with the FSA and with the Romanian Central Depository.

Transfers of Offer Shares within the Offering and secondary market sales of Offer Shares will be settled and cleared through the settlement system managed by the Central Depository, in accordance with applicable Romanian regulations. The Romanian Central Depository will maintain the record of the aggregate holdings of Shares.

Romanian Central Depository

The Central Depository, a Romanian joint stock company having its headquarters in Romania, Bucharest, 2nd District, 34-36 Carol I Boulevard, floors 3, 8 and 9, is authorized and supervised by the FSA, and provides depository, registrar, clearing and settlement services in connection with transactions involving financial instruments. The Central Depository is the administrator of RoClear (the Romanian Clearing-Settlement, Custody, Depository and Registry System), the payment system ensuring funds clearing and the settlement of transactions with financial instruments.

All classes of securities traded on a Romanian regulated market or multilateral trading facility, including the Offer Shares, are mandatorily registered in the Central Depository's system for the purpose of performing securities operations in a centralized manner and maintaining records of such operations. All securities accepted in the Central Depository's system are dematerialized and evidenced by book-entry.

Clearing and Settlement Procedures

The transfer of ownership over the Offer Shares will occur on the Settlement Date, in the clearing-settlement system managed by the Central Depository.

Transactions with Shares will be settled on a delivery versus payment basis, the Shares being delivered only if the purchase price is paid. Ownership transfer is usually registered on a T+2 basis by debiting/crediting the relevant Share accounts.

As an exception from the principle according to which the Shares may be transferred only through a transaction on the Bucharest Stock Exchange, there are certain cases when the Central Depository may operate direct ownership transfers of the Shares as a consequence, among others, of: (i) succession; (ii) split up of property; (iii) assignment by the Issuer of its own Shares to its employees; (iv) when the Issuer acquires its own Shares following the withdrawal of shareholders who do not agree with the decisions of the Issuer's general shareholders meeting, according to legal provisions in force; (v) merger, split or liquidation; (vi) enforcement of a final court decision; (vii) transfer between a parent-company and its subsidiaries or among subsidiaries of the same parent-company, with the FSA's prior consent; (viii) other transfers of rights according to special laws or applicable regulations, with the express approval of the FSA or other relevant body. Direct ownership transfers over the Shares will be operated by the Central Depository within three days from the submission of the application and the supporting documentation.

Although the foregoing sets out the procedures of the Central Depository facilitating transfers of Shares (including the Offer Shares), the Central Depository is not under any obligation to perform or continue to perform such procedures (as provided above) in the future, and, therefore, such procedures may be discontinued at any time.

None of the Selling Shareholder, the Company, the Managers or their respective agents will have any responsibility for the performance by the Central Depository or its respective participants of their respective obligations under the rules and procedures governing their operations at the date of this Prospectus.

The Company will not impose any fees in respect of holdings of the Shares; however, holders of Shares may incur fees normally payable in respect of the maintenance and operation of accounts in the system of the Romanian Central Depository.

Initial settlement

For a description of the settlement procedures applicable to the transfers of the Offer Shares, see section "Subscription and Sale".

Secondary market trading

For a description of the transfer restrictions relating to the Shares, see section “*Important Information about this Prospectus*” and “*Selling and Transfer Restrictions*”.



TERMS AND CONDITIONS OF THE OFFER

These terms and conditions apply to all investors agreeing to purchase Offer Shares in the Offering (the "Terms and Conditions").

Terms and Conditions applicable to Institutional Investors

Each Institutional Investor agrees with each of the Company, the Selling Shareholder and the Managers to be bound by these Terms and Conditions as being the terms and conditions upon which Offer Shares will be sold to the relevant Institutional Investor under the Offering.

Institutional Investors' agreement to acquire Offer Shares

Each Institutional Investor agrees to acquire the Offer Shares allocated to it as described in section "Subscription and Sale – Allocation of the Offer Shares – Allocation of Offer Shares within the Institutional Orders' Tranche" at the Final Offer Price.

To the fullest extent permitted by law, each Institutional Investor acknowledges and agrees that it will not be entitled to exercise any right to rescind or terminate or, subject to any statutory rights, to withdraw part of or its entire subscription for Offer Shares in the Offering, or otherwise to withdraw from such commitment.

If the Selling Shareholder, the Company or the Joint Global Co-ordinators (on behalf of themselves and the other Managers) or any of their agents request any information about an Institutional Investor's agreement to purchase Offer Shares, such Institutional Investor must promptly disclose it to them and ensure that such information is complete and accurate in all respects.

Representations and warranties by Institutional Investors

Without prejudice to any other representation or warranty deemed made by Institutional Investors elsewhere in this Prospectus, each Institutional Investor (and, in the case of sub-paragraph (r) below, any person confirming an agreement to purchase Offer Shares on behalf of an Institutional Investor) represents, warrants and acknowledges to each of the Company, the Selling Shareholder and the Managers that:

- (a) neither the Managers, nor any of their respective affiliates nor any person acting on behalf of any such persons is responsible for or will have any liability for any information, representation or statement contained in this Prospectus, the pricing notification and any supplementary prospectus or any information published by or on behalf of the Company or any member of the Group and neither the Managers, nor any of their respective affiliates nor any person acting on behalf of any such persons will be liable for any decision by the relevant Institutional Investor to participate in the Offering based on any information, representation or statement contained in the Prospectus, the pricing notification and any supplementary prospectus or otherwise;
- (b) in agreeing to purchase Offer Shares under the Offering, the Institutional Investor is relying on this Prospectus, the pricing notification and any supplementary prospectus that may be approved; no person is authorized in connection with the Offering to give any information or make any representation other than as contained in the Prospectus, the pricing notification and any supplementary prospectus and, if given or made, any information or representation must not be relied upon as having been authorized by the Company, the members of its Management Board, the Selling Shareholder, any of the Managers or any other person;
- (c) the Managers are not making any recommendations to the Institutional Investors or advising any of them regarding the suitability or merits of any transaction they may enter into in connection with the Offering, and each Institutional Investor acknowledges that participation in the Offering is on the basis that the Managers are acting for the Company and the Selling Shareholder and no one else, and they will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to any other person for providing the protections afforded to their respective clients, nor for giving advice in relation to the Offering, the contents of this Prospectus, the pricing notification and any supplementary prospectus or any transaction, arrangements or other matters referred to herein;
- (d) it understands that no action has been or will be taken in any jurisdiction other than Romania by the Selling Shareholder or any other person that would permit a public offering of the Offer Shares, or possession or distribution of this Prospectus, the pricing notification and any supplementary prospectus in any country or jurisdiction where action for that purpose is required;

- (e) having had the opportunity to obtain and read the Prospectus, the pricing notification and any supplementary prospectus, the Institutional Investor shall be deemed to have read all such documents in their entirety and to have noted all information concerning the Company, the Selling Shareholder or any member of the Group and the Offering contained in the Prospectus, the pricing notification and any supplementary prospectus;
- (f) it has complied with all laws applicable to it and the purchase of Offer Shares by it and none of the Company, the Selling Shareholder or the Managers or any other person will infringe any laws as a result of such Institutional Investor's agreement to purchase Offer Shares or any actions arising from such Institutional Investor's rights and obligations under the Institutional Investor's agreement to purchase Offer Shares and, in making this representation and warranty, the Institutional Investor confirms that it is aware of the selling and transfer restrictions set out in section "*Selling and Transfer Restrictions*";
- (g) the Institutional Investor is participating in the Offering in compliance with the selling and transfer restrictions set out in "*Selling and Transfer Restriction*", including the representations, warranties and acknowledgements contained therein;
- (h) if the Institutional Investor is a natural person, such investor is not under the age of majority (18 years of age in Romania) on the date of such investor's agreement to purchase Offer Shares under the Offering;
- (i) if the Institutional Investor in any member state of the EEA it is: (1) a "qualified investor", as defined in Article 2 letter (e) of the Prospectus Regulation or an "eligible counterparty" or a "professional client" within the meaning of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast); or (2) otherwise permitted by law to be offered and sold Offer Shares in circumstances which do not require the publication by the Company or the Selling Shareholder or any of the Managers of a prospectus pursuant to Article 3 of the Prospectus Regulation or other applicable laws;
- (j) the Offer Shares have not been and will not be registered under the Securities Act, or qualified for sale under the laws of any state of the United States. Subject to certain exceptions, the Offer Shares may not be offered or sold in or into the United States. The Offer Shares are being offered and sold in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and outside the United States in accordance with Regulation S;
- (k) if the Institutional Investor is in the United States, it is: (1) a QIBs as defined under and in accordance with Rule 144A; and (2) acquiring the Offer Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein;
- (l) the Institutional Investor has complied with its obligations in connection with money laundering and terrorist financing under any applicable legislation concerning prevention of money laundering and, if it is making payment on behalf of a third party, it has obtained and recorded satisfactory evidence to verify the identity of the third party as required by the applicable legislation concerning prevention of money laundering;
- (m) it is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services);
- (n) if the Institutional Investor is in the United Kingdom, it is a "qualified investor", as defined in Article 2(e) of the Prospectus Regulation, as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**") who is also: (1) a person having professional experience in matters relating to investments who falls within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); or (2) a high net worth body corporate, unincorporated association or partnership or trustee of a high value trust as described in Article 49(2) of the Financial Promotion Order, or is otherwise a person to whom an invitation or inducement to engage in investment activity may be communicated without contravening the Financial Promotion Order;

- (o) the Institutional Investor is liable for any capital duty, stamp duty, SDRT and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable by it or any other person on the acquisition by it of any Offer Shares or the agreement by it to acquire any Offer Shares;
- (p) if the Institutional Investor is acquiring Offer Shares as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;
- (q) any material downloaded from the Group's website in relation to the Offering (i) is done at the Institutional Investor's own risk and the Institutional Investor will be solely responsible for any damage or loss of data that results from the download of any material and (ii) will be used solely for personal use and will not be distributed in or into the United States, Australia, Canada or Japan or to any other person wherever located or resident;
- (r) in the case of a person who confirms to any Manager, on behalf of an Institutional Investor which is a legal entity, an agreement to purchase Offer Shares, that person represents and warrants that he/she/it has authority to do so on behalf of the Institutional Investor; and
- (s) the Company, the Selling Shareholder and the Managers will rely upon the truth and accuracy of the foregoing representations, warranties and undertakings.

Miscellaneous

The rights and remedies of the Selling Shareholder, the Company and the Managers under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to them, and the exercise or partial exercise of one will not prevent the exercise of others.

The contract to purchase Offer Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, English law. For the exclusive benefit of the Company, the Selling Shareholder and the Managers, each investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an investor in any other jurisdiction.

Terms and Conditions applicable to Retail Investors

Each Retail Investor agrees with each of the Company, the Selling Shareholder and the Managers to be bound by these Terms and Conditions as being the terms and conditions upon which Offer Shares will be sold to the relevant Retail Investor under the Offering.

Retail Investors' agreement to acquire Offer Shares

Subject to certain conditions, each Retail Investor agrees to acquire the Offer Shares allocated to him/her/it at the Final Offer Price or the Discounted Final Offer Price, as applicable. The number of Offer Shares allocated to Retail Investors under the Offering will be in accordance with the arrangements described in section "*Subscription and Sale – Allocation of the Offer Shares – Allocation of Offer Shares within the Retail Tranche*".

To the fullest extent permitted by law, each Retail Investor acknowledges and agrees that he/she/it will not be entitled to exercise any rights to rescind or terminate or, subject to any statutory rights, to withdraw a subscription for Offer Shares in the Offering, or otherwise to withdraw from such commitment.

By applying for Offer Shares in the Retail Tranche, each Retail Investor shall:

- (i) offer to acquire at the Final Offer Price or the Discounted Final Offer Price, as applicable the number of Offer Shares allocated to him/her/it, subject to the provisions of the Prospectus (including these Terms and Conditions), the terms of such Retail Investor's subscription, the pricing notification, any supplementary prospectus and the New Articles of Association;
- (ii) acknowledge and agree that if the Company is required to publish a supplementary prospectus, each Retail Investor who has applied to purchase Offer Shares in the Offering will have at least two (2) Business Days following the publication of the supplementary prospectus within which he/she/it may withdraw his/her/its offer to acquire Offer Shares in the Offering, but if the subscription is not

- withdrawn (through a revocation form submitted to the same Manager/ Eligible Participant which the subscription was made through) within the period stipulated in the supplementary prospectus, any offer to subscribe for Offer Shares in the Offering will remain valid and binding;
- (iii) acknowledge and agree that if the Offer Price Range is increased, Retail Investors would have a statutory right to withdraw their subscriptions for Offer Shares, but if their subscription for Offer Shares is not withdrawn (through a revocation form submitted to the same Manager/ Eligible Participant which the subscription was made through) within the period stipulated in the supplementary prospectus, (1) their subscriptions for Offer Shares in the Offering will remain valid and binding for the number of Offer Shares equal to the nearest natural number (rounding down) resulting from the amount mentioned in their initial Payment Evidence or transferred in the respective Collection Account (as applicable) divided by the Final Offer Price (if the Final Offer Price is higher than the higher end of the initial Offer Price Range), **unless** (2) they submit an additional Payment Evidence or provide the necessary additional amounts to be transferred in the respective Collection Accounts for the difference between the subscribed Offer Shares multiplied by the higher end of the changed Offer Price Range and the subscribed Offer Shares multiplied by the higher end of the initial Offer Price Range;
 - (iv) agree that, in the event their subscription is scaled back pursuant to the *pro rata* allocation, the Retail Investor will receive Offer Shares representing less than the full value (based on the Final Offer Price or the Discounted Final Offer Price, as applicable) of the amount he/she/it applied to invest;
 - (v) agree that, subject to any statutory rights of withdrawal, Retail Investors' subscriptions for Offer Shares are irrevocable, may not be revoked or withdrawn, except for the case when a supplement to the Prospectus is published;
 - (vi) agree, on request by Managers, to disclose promptly in writing such information as they may request in connection with such Retail Investor's subscription;
 - (vii) acknowledge and agree that if such Retail Investor's subscription for the purchase of Offer Shares does not observe all of the conditions mentioned in section "Subscription and Sale – Subscription of Offer Shares by Retail Investors" (including, without being limited to, the form and contents of the subscription and/or of the Payment Evidence, timing, places for submission, etc mentioned therein), his/her/its subscription may be rejected by the Manager or Eligible Participant whom the subscription is made with. In these circumstances, the respective Manager's or Eligible Participant's decision as to whether to reject or treat the subscription as valid shall be final and binding on the relevant Retail Investor. None of the Company, the Selling Shareholder or the Managers nor any of their respective officers, agents or employees will accept any liability for any such decision and no claim will be made against any such persons in respect of such Retail Investor not receiving Offer Shares or for any loss resulting from such non-receipt.

Representations and warranties by Retail Investors

Without prejudice to any other representation or warranty given by Retail Investors on the basis of other sections in this Prospectus, by applying for the purchase of Offer Shares in the Retail Tranche, each Retail Investor represents, warrants and acknowledges to each of the Company, the Selling Shareholder and the Managers that:

- (a) he/she is not under the age of majority (18 years of age in Romania) on the date of his/her subscription to purchase Offer Shares under the Offering;
- (b) neither the Managers, nor any of their respective affiliates nor any person acting on behalf of any such persons is responsible for or will have any liability for any information, representation or statement contained in this Prospectus, the pricing notification and any supplementary prospectus or any information published by or on behalf of the Company or any member of the Group and neither the Managers, nor any of their respective affiliates nor any person acting on behalf of any such persons will be liable for any decision by the relevant Retail Investor to participate in the Offering based on any information, representation or statement contained in the Prospectus, the pricing notification and any supplementary prospectus or otherwise;
- (c) in agreeing to purchase Offer Shares under the Offering, the Retail Investor is relying on this Prospectus, the pricing notification and any supplementary prospectus that may be approved and no person is authorized in connection with the Offering to give any information or make any representation other than as contained in the Prospectus, the pricing notification and any supplementary

prospectus and, if given or made, any information or representation must not be relied upon as having been authorized by the Company, the Directors, the Selling Shareholder, any of the Managers or any other person;

- (d) the Managers are not making any recommendations to the Retail Investors or advising any of them regarding the suitability or merits of any transaction they may enter into in connection with the Offering, and each Retail Investor acknowledges that participation in the Offering is on the basis that the Managers are acting for the Company and the Selling Shareholder and no one else, and they will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to any other person for providing the protections afforded to their respective clients, nor for giving advice in relation to the Offering, the contents of this Prospectus, , the pricing notification and any supplementary prospectus or any transaction, arrangements or other matters referred to herein;
- (e) he/she/it has complied with all laws applicable to the purchase of Offer Shares by him/her/it and none of the Company, the Selling Shareholder or the Managers or any other person will infringe any laws as a result of such Retail Investor's agreement to purchase Offer Shares or any actions arising from such Retail Investor's rights and obligations under the Retail Investor's agreement to purchase Offer Shares and, in making this representation and warranty, the Retail Investor confirms that he/she/it is aware of the selling and transfer restrictions set out in section "*Selling and Transfer Restrictions*";
- (f) he/she/it understands that no action has been or will be taken in any jurisdiction other than Romania by the Selling Shareholder or any other person that would permit a public offering of the Offer Shares, or possession or distribution of this Prospectus, the pricing notification and any supplementary prospectus in any country or jurisdiction where action for that purpose is required;
- (g) having had the opportunity to obtain and read the Prospectus, the pricing notification and any supplementary prospectus, the Retail Investor shall be deemed to have read all such documents in their entirety and to have noted all information concerning the Company, the Selling Shareholder or any member of the Group and the Offering contained in the Prospectus, the pricing notification and any supplementary prospectus;
- (h) the Retail Investor is participating in the Offering in compliance with the selling and transfer restrictions set out in "*Selling and Transfer Restrictions*", including the representations, warranties and acknowledgements contained therein;
- (i) the Retail Investor is not a national, resident or citizen of Australia or Japan, will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Offer Shares in Australia or Japan or to any national, resident or citizen of Australia or Japan and acknowledges that the Shares have not been and will not be registered under the applicable securities laws of Australia or Japan and that the same are not being offered for sale, and may not, directly or indirectly, be offered, sold, transferred or delivered, in Australia or Japan;
- (j) the Retail Investor has complied with his/her/its obligations in connection with money laundering and terrorist financing under any applicable legislation concerning prevention of money laundering and, if he/she/it is making payment on behalf of a third party, he/she/it has obtained and recorded satisfactory evidence to verify the identity of the third party as required by the applicable legislation concerning prevention of money laundering;
- (k) any returned monies will be transferred into the bank account specified in the Retail Investor's subscription and any such documents and return monies will be sent at the Retail Investor's own risk;
- (l) the Retail Investor's subscription for Offer Shares is not and will not be funded using funds provided by another person under an arrangement whereby any Offer Shares allocated to the Retail Investor or all or substantially all of the value of such Offer Shares are to be transferred to that other person;
- (m) the Retail Investor is not, and he/she/it is not applying on behalf of a person engaged in, or whom he/she/it knows or has reason to believe is, engaged in money laundering;
- (n) agree that none of the Company, the Selling Shareholder or the Managers or any other person is liable for any loss of data in the course of receiving and/or processing the subscriptions or responsible for the loss or accidental destruction of any subscription or personal data relating to the Retail Investor or any financial or other loss or damage which may result, directly or indirectly, therefrom, including any loss in relation to the non-allocation or non-delivery of any Offer Shares as a result of such loss or destruction;

- (o) any material downloaded from the Group's website in relation to the Offering (i) is done at the Retail Investor's own risk and that the Retail Investor will be solely responsible for any damage or loss of data that results from the download of any material and (ii) will be used solely for personal use and will not be distributed in or into the United States, Australia, Canada or Japan or to any other person wherever located or resident;
- (p) in the case of a person who confirms to any Manager, on behalf of a Retail Investor which is a legal entity, an agreement to purchase Offer Shares, that person represents and warrants that he/she/it has authority to do so on behalf of the Retail Investor; and
- (q) the Company, the Selling Shareholder and the Managers will rely upon the truth and accuracy of the foregoing representations, warranties and undertakings.

Miscellaneous

The rights and remedies of the Selling Shareholder, the Company and the Managers under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to them, and the exercise or partial exercise of one will not prevent the exercise of others.

All subscriptions by Retail Investors, acceptances of such subscriptions and contracts resulting from them shall be exclusively governed by and construed in accordance with Romanian law (subject to the matters falling within the scope of the agreement with the Manager or Eligible Participant through whom the subscription is made, which shall be governed by the law applicable to such agreement) and each Retail Investor irrevocably submits to the exclusive jurisdiction of the Romanian courts and agree that nothing shall limit the right of the Company, the Selling Shareholder or the Managers to bring any action, suit or proceedings arising out of or in connection with any such subscription, acceptances or contracts in any other manner permitted by law or in any court of competent jurisdiction.

Each Retail Investor agrees and acknowledges that none of the Managers acts for he/she/it nor will they treat him/her/it as their customer by virtue of a subscription being accepted under the Offering and agrees that the Managers are acting for the Company and the Selling Shareholder and no one else in connection with the Offering and will not be responsible for providing to such Retail Investor the protections afforded to its customers and that none of the Managers owes his/her/it any duties or responsibilities concerning the price of the Offer Shares or the suitability of the Offer Shares for the Retail Investor as an investment or otherwise in connection with the Offering.

Each Retail Investor authorizes the Company, the Selling Shareholder and their respective agents to do all things necessary to effect registration into his/her/its name of any Offer Shares acquired by such Retail Investor and authorizes any representative of the Company and the Selling Shareholder to execute and/or complete any document of title required therefor.

All correspondence, documents and remittances sent or delivered to or by Retail Investors will be sent or delivered at each Retail Investor's own risk.

RECOGNITION AND ENFORCEMENT OF JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS

The Company is incorporated under the laws of Romania. Certain persons referred to herein are residents of Romania and certain entities referred to herein are organized under the laws of Romania. All or a substantial portion of the assets of such persons and entities are located in Romania. As a result, it may not be possible for investors to:

- effect service of process within other countries upon the Company or any of the Company's directors and senior managers named in this Prospectus; or
- enforce, in other countries, court judgments obtained in courts of such other countries against the Company or any of its directors and senior managers named in this Prospectus in any action, or obtain the recognition of such judgments.

Romania is a Member State. Regulation (EU) 1215/2012 of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) (the "**Recast Brussels Regulation**") provides for mutual recognition and enforcement of judgements of any Member State in all other Members States.

The United States and Romania currently do not have bilateral or other treaties between them providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. A final and conclusive judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in Romania.

A judgment of a court of law of a non-EU member state made in persona for a certain sum, which is not impeachable as void or voidable under the internal laws of the foreign jurisdiction (a "**Non-EU Judgment**") would be recognized in Romania, provided that: (a) the Non-EU Judgment is final (*hotărâre definitivă*) according to the law of the state where it was given; (b) the court rendering such Non-EU Judgment had, according to *lex fori*, jurisdiction to try the relevant litigation, but without relying exclusively on the presence in that jurisdiction of the defendant or of some of its assets which are not directly connected with that litigation; (c) there is reciprocity regarding the effects of foreign judgments between Romania and the foreign jurisdiction which rendered the Non-EU Judgment whose recognition is sought; (d) when given in default of appearance, the party who lost the trial was served in due course with the summoning for appearance for the hearing where the court tried the merits of the case and with the document which instituted the proceedings, was given the possibility to defend itself and was given the possibility to challenge the Non-EU Judgment. The recognition of a Non-EU Judgment may be rejected in any of the following cases: (a) the Non-EU Judgment is manifestly inconsistent with or contrary to public order of Romanian international private law; (b) the Non-EU Judgment is rendered in an area of law where persons cannot dispose freely of their rights and it was obtained exclusively for the purpose of withholding the matter from the incidence of the law that would otherwise be applicable pursuant to Romanian conflict of law rules; (c) the action or proceeding involving the same parties resulted in a judgment (even if not final) of the Romanian courts or is pending before Romanian courts as at the date the action or proceeding commenced before the foreign court which rendered the Non-EU Judgment; (d) the Non-EU Judgment is irreconcilable with a prior foreign judgment which may be recognized in Romania; (e) Romanian courts had exclusive jurisdiction to try the subject matter of the Non-EU Judgment pursuant to Romanian civil procedure laws; (f) the right of defense was breached; and (g) the Non-EU Judgment may be challenged in any other manner in the state where it was rendered. The application for recognition before Romanian courts should be made according to Romanian procedural rules and should enclose all the documentation thereby required. Additionally, the recognition of the Non-EU Judgment may not be refused solely for the reason that the foreign court rendering the Non-EU Judgment applied another law than the law that would have been applicable according to Romanian conflict of law rules, except where the trial concerns the civil status and the capacity of a Romanian citizen and the solution adopted by the court differs from the solution that would have been reached according to the Romanian law. A Non-EU Judgment can be enforced in Romania based on a final decision of a Romanian competent court approving the enforcement, only if: (i) the requirements mentioned above for the recognition in Romania of Non-EU Judgments are met; (ii) the Non-EU Judgment is enforceable according to the law of the jurisdiction where it was made; (iii) where the Non-EU Judgment establishes an obligation arising from a foreign fiscal law, there exists reciprocity regarding the effects of foreign judgments in the relevant fiscal matter between Romania and the foreign jurisdiction which rendered the Non-EU Judgment whose recognition and enforcement is sought; (iv) the enforcement of such Non-EU Judgment does not constitute, directly or indirectly, the enforcement of foreign

penal laws; (v) the right to require enforcement is not time barred according to the statute of limitation provisions (*prescripția dreptului de a cere executarea silită*) of the Romanian law; and (vi) the application for enforcement before Romanian courts is duly made according to the Romanian procedural rules and encloses all the documentation thereby required.

A court judgment rendered in an EU member state other than Romania (an “EU Judgment”) is recognized in Romania by operation of law without any special procedure. Such recognition is rejected upon the request of any interested parties in the following circumstances: (a) such recognition is manifestly contrary to public order in Romania; (b) where the EU Judgment was given in default of appearance, if the defendant was not served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable them to arrange for their defence, unless the defendant failed to commence proceedings to challenge the judgment when it was possible for them to do so; (c) it is irreconcilable with a judgment given in a dispute between the same parties in Romania; (d) it is irreconcilable with an earlier judgment given in a EU member state (other than Romania) or in a third state involving the same cause of action and between the same parties, provided that the earlier judgment fulfils the conditions necessary for its recognition in Romania; and (e) the EU Judgment conflicts with the provisions of Council Regulation (EU) no. 1215/2012 of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (“**Regulation no. 1215/2012**”) in respect of jurisdiction in matters relating to insurance, jurisdiction over consumer contracts and individual employment contracts and exclusive jurisdiction.

An EU Judgment can be enforced in Romania pursuant to Regulation no. 1215/2012 without any decision of a Romanian competent court approving the enforcement being necessary only if: (i) it is enforceable in the EU member state where the EU Judgment was rendered; (ii) the Romanian competent court is provided with a copy of the EU Judgment which satisfies the conditions necessary to establish its authenticity; (iii) the Romanian competent court is provided with an original certificate issued by the relevant EU member state’s court in the form set out in Annex I of Regulation no. 1215/2012 and none of the conditions above preventing the recognition of an EU Judgment is applicable; (iv) where the EU Judgment orders a periodic payment by way of penalty, (including, but not limited to, default interest), the amount of the payment has been finally determined by the courts of the EU member state of origin; and (v) the right to enforce the final judgment is not time barred.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Company with respect to Romanian law by Dentons Europe – Zizzi-Caradja si Asociatii SPARL, and with respect to English and U.S. federal securities laws by Dentons UK and Middle East LLP.

Certain legal matters in connection with the Offering will be passed upon for the Managers by Clifford Chance Badea SPRL, Clifford Chance LLP and Clifford Chance Partnerschaft MBB, with respect to Romanian, English and U.S. laws.

Certain legal matters in connection with the Offering will be passed upon for the Selling Shareholder with respect to Romanian law by Filip SCA and with respect to English law by Linklaters LLP.



INDEPENDENT AUDITORS

The consolidated financial statements of the Company as of 31 December, 2022, 2021, and 2020 and for each of the years in the three-year period ended 31 December, 2022, included in the Prospectus, have been audited by KPMG Audit S.R.L., independent auditors, as stated in their report appearing herein, which includes an emphasis of matter paragraph which references the basis of preparation for the purposes of the initial public offering.

With respect to the Unaudited Condensed Consolidated Interim Financial Statements for the three-month period ended 31 March 2023, included herein, KPMG Audit S.R.L. has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report for the three-month period ended 31 March 2023, included herein, which includes an other matter paragraph related to corresponding figures not being audited or subject to a review, states that they did not audit and they do not express an opinion on the condensed consolidated interim financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

KPMG Audit S.R.L. is based in Romania, 88A Soseaua Bucuresti-Ploiesti, 013685 Bucharest, registered with the Trade Register under no J40/4439/2000, having sole registration code 12997279, registered in the electronic public register of financial auditors and audit firms under no. FA9.

GENERAL INFORMATION

Listing and Trading

It is expected that the Shares will be admitted to trading on the regulated market of the Bucharest Stock Exchange on or around 12 July 2023. The security identification number and trading symbols of the Offer Shares are expected to be as follows: Shares ISIN: RO4Q0Z5RO1B6; Bucharest Stock Exchange trading symbol for the Shares: "H2O".

Authorizations

The Company has obtained all consents, approvals and authorizations in Romania in connection with the Admission to trading of the Shares on the regulated market of the Bucharest Stock Exchange. In particular, the Admission to trading of the Shares on the regulated market of the Bucharest Stock Exchange has been approved by resolution no. 3 of 31 March 2022 of the general meeting of shareholders of the Company, while the Offering has been approved by resolution no. 3 dated 15 November 2022 of the general meeting of shareholders of the Selling Shareholder.

Documents Available for Inspection

Copies of the following documents will be available for inspection free of charge on the Company's website www.hidroelectrica.ro and, during normal business hours on any weekday, at the registered offices of the Company, from the date of publication of this Prospectus to Listing Date:

- this Prospectus;
- the Company's Articles of Association and New Articles of Association;
- the Audited Consolidated Financial Statements, including the independent auditors' reports thereon; and
- the Unaudited Condensed Consolidated Interim Financial Statements.

The registered office of the Company is located at 15-17 Ion Mihalache Blvd., floors 10-15, Bucharest, sector 1, Romania.

Final Offer Price

The Shares are each issued with a par value of RON 10. The Shares are fully paid, see section "*Settlement and transfer*".

The Final Offer Price will be determined in accordance with section "*Subscription and Sale*" — "*Price*" — "*Final Offer Price*". The results of the Offering will be communicated to the FSA and the Bucharest Stock Exchange, within five business days as of the closing of the Offering. The results of the Offering will be published in Romanian and English, on the Company's website <https://www.hidroelectrica.ro>, on the Selling Shareholder's website at www.fondulproprietatea.ro and on the Bucharest Stock Exchange website www.bvb.ro, no later than five working days after its closing date.

Significant Change

Except as described in "*Management discussion and analysis of financial condition and results of operations—Recent developments and trends*", there has been no significant change in the financial position of the Group since 31 March 2023.

Subsidiaries

As of the date of this Prospectus, the Company has one subsidiary, namely SOCIETATEA DE SERVICII HIDROENERGETICE HIDROSERV S.A. (S.S.H. Hidroserv S.A.).

Information not applicable to the Prospectus in accordance with Annex 1 and Annex 11 of the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004

The following sections of Annexes 1 and 11 of the Commission Delegated Regulation (EU) 2019/980, based on which this Prospectus has been drawn up, are not applicable to the Company and/or to the Shares:

- Annex 1: 2.2, 5.5, 11.1, 11.2, 11.3, 15.2, 15.3, 16.3, 16.4, 18.1.2, 18.1.5, 18.2.1, 18.3.1a, 18.3.2, 18.3.3, 18.4.1, 19.1.2, 19.1.3, 19.1.4, 19.1.5, 19.1.6, 19.2.2, 19.2.3
- Annex 11: 1.4, 4.6, 4.7, 4.10, 4.12, 5.1.10, 5.3.3, 5.3.4, 5.4.2, 6.2, 6.3, 6.4, 9, 10.2



DEFINITIONS AND GLOSSARY OF SELECTED TERMS

ADGM	Abu Dhabi Global Market
Adjusted Cash Conversion	net cash from operating activities <i>divided by</i> Adjusted EBITDA
Adjusted EBITDA	EBITDA adjusted for (a) impairment/reversal of impairment of property, plant and equipment and (b) gain on bargain purchase of subsidiaries
Adjusted EBITDA Margin	adjusted EBITDA <i>divided by</i> revenue
Adjusted Net Debt/(Cash)	bank borrowings and lease liabilities less cash and cash equivalents and Short-term Investments (investments in deposits and government bonds)
Adjusted Net Debt/(Cash) to Adjusted EBITDA Ratio	Adjusted Net Debt/(Cash) <i>divided by</i> Adjusted EBITDA
Admission	admission of the Shares to trading on the Regulated Spot Market (“ <i>piata reglementata</i> ”) of the Bucharest Stock Exchange
ACER	Agency for the Cooperation of Energy Regulators
Allocation Date	5 July 2023
ANSPDCP	National Authority for the Supervision of Personal Data Processing
ANAF	National Tax Agency
ANAR	Administrația Națională Apele Române (in English the National Water Authority)
ANRE	Autoritatea Națională de Reglementare în domeniul Energiei (in English, National Energy Regulatory Authority)
APMs	Alternative Performance Measures, as defined in the ESMA Guidelines on Alternative Performance Measures dated 5 October 2015 and further guidance published by ESMA through to the date of this Prospectus.
Articles of Association	Company’s Articles of Association as currently in force
ASIC	the Australian Securities and Investments Commission
Audited Consolidated Financial Statements	The Group’s audited consolidated financial statements for the years ended 31 December 2022, 31 December 2021 and 31 December 2020.
Bidder	a shareholder that has carried out a public offering addressed to all shareholders and for all their holdings
BRD	BRD - Groupe Societe Generale S.A.
BRD Facility	the unsecured term loan facility agreement no. 30/8130/2021 granted for the purpose of financing the acquisition of certain green target companies and financing of green assets and capacities entered into by the Company as borrower, and BRD – Groupe Societe Generale S.A. as lender and agent on 4 March 2021
BTCP	BT Capital Partners
Book	The book managed by the Joint Global Coordinators
Bucharest Stock Exchange or BSE	Bursa de Valori Bucuresti S.A. (in English the Bucharest Stock Exchange S.A.)
BSE Corporate Governance Code	Bucharest Stock Exchange Corporate Governance Code.
CADP	<i>land ownership ascertaining certificates</i> (in Romanian <i>certificat de atestare a dreptului de proprietate</i>) that constitute title deeds (of administrative nature) issued by the Romanian authorities
CCP	Central counterparty clearing house.

CDR (EU) 2017/590	Commission Delegated Regulation (EU) 2017/590 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the reporting of transactions to competent authorities
CEE	A country from the Central and Eastern European market which includes Estonia, Latvia, Lithuania, Poland, Germany, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Slovenia, Croatia, Albania, Serbia, Bosnia-Herzegovina, Montenegro, Kosovo and Macedonia.
CEH	Complexul Energetic Hunedoara
CEO	Chief Executive Officer
CEPM	Centralized Electricity Purchasing Mechanism
CEPM Agreement	Electricity sale and purchase framework agreement entered into between the Company and OPCOM following participation on CEPM
CfD	Contracts for Difference
CfD support scheme	support scheme based on a contract for differences mechanism
CFC	controlled foreign corporation
CSAT	the Supreme Council of Defense of the country
CSR	Corporate Social Responsibility
Co-Lead Managers	Auerbach, Grayson & Co. LLC, BRD – Groupe Société Générale, BT Capital Partners S.A. and Swiss Capital S.A.
Company, Hidroelectrica or the Issuer	SOCIETATEA DE PRODUCERE A ENERGIEI ELECTRICE IN HIDROCENTRALE "HIDROELECTRICA" S.A., a joint stock company incorporated under the laws of Romania, registered with the Bucharest Trade Registry Office under no. J40/7426/2000, having sole registration code 13267213.
Companies' Law	Romanian Companies' Law 31/1990 as amended and subsequently republished
Concession Agreement	The concession agreement no. 171 dated 27 December 2004 entered into between the Ministry of Economy and Commerce acting as entity granting the concession and the Company, as beneficiary.
CONEL	National Electricity Company CONEL S.A.
Cornerstone Investors	Three Romanian institutional investor groups which have agreed to be cornerstone investors in the Offering and entered into cornerstone investor agreements with the Company and the Selling Shareholder
Corporations Act	the Corporations Act 2001 (Cth) of the Commonwealth of Australia, as amended
Crucea Wind Farm	the Crucea wind farm with an installed capacity of 108 MW consisting of 36 Vestas V112 type turbines of 3 MW each, located in Constanța County, Romania
DAM	Day Ahead Market
Discounted Final Offer Price	discount of 3% of the Final Offer Price to which Retail Investors are entitled
Distribution Group	Banca Transilvania units as mentioned at https://www.bancatransilvania.ro/retea-unitati
Directive on Markets in Financial Instruments	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

Directive 2009/72	Directive 2009/72/CE of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market for electricity and repealing Directive 2003/54/EC
Directive 2019/944	Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (recast)
Directive 2012/27/EU on Energy Efficiency	Directive 2012/27/EU on Energy Efficiency amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC
DFSA	Dubai Financial Services Authority of the Dubai International Financial Centre
DIFC	Dubai International Financial Centre
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	EBITDA <i>divided</i> by revenue
EC	European Commission.
EEA	European Economic Area.
Electricity Supply Regulation	ANRE Order 5/2023 approving the Regulation for the electricity supply to the final consumers
Engagement Letter	Irrevocable and unconditional undertaking signed by Eligible Participants to observe the provisions of this Prospectus and the applicable law, in the form made available by Banca Comerciala Romana S.A.
Energy Law	The Energy and Natural Gas Law no. 123/2012
Environmental Law	Emergency Government Ordinance no. 195/2005 regarding environmental protection
ESG	Environmental, social responsibility and governance
ESMA	European Securities and Markets Authority
Ethical Code	Company's ethical code
EU	European Union.
EU Judgment	a court judgment rendered in an EU member state other than Romania
EU-ETS	EU Emission Trading Scheme
EU Third Electricity Directive	the Third Energy Package which includes Directive 2009/72/EC Concerning Common Rules for the Internal Market in Electricity and repealing Directive 2003/54/EC
EU Regulation on Cross-Border Exchanges	Regulation (EC) No. 714/2009 on conditions for access to the network for cross-border exchanges in electricity
EU Regulation 2022/1854	Council Regulation 2022/1854 on an emergency intervention to address high energy prices
ENTSO-E	European Network of Transmission System Operators
ePrivacy Law	Law No. 506 of 17 November 2004 on the processing of personal data and the protection of privacy in the electronic communications sector, as subsequently amended.
Exchange Act	United States Securities Exchange Act of 1934, as amended.

Exempt Investors	Investors from Australia who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (in) are “wholesale clients” for the purpose of section 761 G of the Corporations Act.
FIEA	Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended)
FinSA	Swiss Financial Services Act
Financial Promotion Order	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
Final Offer Price	The price per Offer Share at which Offer Shares will be sold to investors
FSA	Financial Supervisory Authority
FSA Regulation no. 5/2018	FSA Regulation no. 5/2018 on issuers of financial instruments and market, with subsequent amendments and additions.
FSMA	United Kingdom Financial Services and Markets Act 2000, as amended
FSMR	ADGM Financial Services and Markets Regulations 2015, as amended
FSRA	Financial Services Regulatory Authority of the Abu Dhabi Global Market
Listing Date	The date of 13 July 2023 when all the Shares are expected to be admitted to trading on the regulated market of the Bucharest Stock Exchange
GCCMBC	Green Certificates bilateral contracts market
GD 148/2020	Government Decision no. 148/2020
GD 1076/2004	Government Decision no. 1076/2004 on establishing the procedure for carrying out the environmental assessment of plans and programs
GDP	Gross Domestic Product.
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data
GEO 27/2022	Government Emergency Ordinance no. 27/2022 regarding the applicable measures to final consumers of electricity and natural gas during 1 April 2022-31 March 2023
GEO 78/2017	Government Emergency Ordinance no. 78/2017
GEO 109/2011	Government Emergency Ordinance no. 109/2011
GEO 175/2022	Government Emergency Ordinance no. 175/2022 for establishing measures regarding objective investments for the construction of hydropower development pending development, as well as other projects of major public interest using renewable energy
GEO 118/2021	the Government Emergency Ordinance no. 118/2021 on establishing a compensation scheme for the electricity consumption and natural gas for 2021-2022 cold season, and supplementing Government Ordinance No 27/1996 on granting facilities to individuals residing or working in certain localities in Apuseni mountains and in the Danube Delta Biosphere Reservation
GEO 119/2022	GEO 119/2022 for the amendment of GEO 27/2022 regarding measures applicable to final consumers on electricity and gas markets during 1 April 2022-31 March 2023

GEO 153/2022	the Government Emergency Ordinance 153/2022 for the amendment of GEO 27/2022 and GEO 119/2022
GEO 192/2022	Government Emergency Ordinance 192/2022 for the amendment of GEO 27/2022
GEO 57/2007	Government Emergency Ordinance 57/2007 regarding the regime of protected natural areas and the conservation of natural habitats and wild flora and fauna
GMS or General Meeting of Shareholders	General Meeting of Shareholders which can be either Ordinary General Meeting of Shareholders (“OGMS”) or Extraordinary General Meeting of Shareholders (“EGMS”)
Group	the Company and its subsidiary, S.S.H. Hidroserv S.A.
HFC	health fund contribution
Hidroserv	The subsidiary of the Company, S.S.H. Hidroserv S.A.
HPPs or hydropower plants	Hydropower plants
HPD or hydropower development	Hydropower development
HPNS	Hydropower and Navigation Systems
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards.
IFRS-EU	International Financial Reporting Standards as adopted by the European Union
Institutional Investor	(a) a “qualified investor”, as defined in Article 2 (e) of the Prospectus Regulation), or (b) an “eligible counterparty” within the meaning of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), or (c) a “qualified investor” as defined in Article 2(c) of the Prospectus Regulation, as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018), as amended, or (d) a QIB as defined in Rule 144A, or (e) an equivalent institution whose subscription in the Offering would not constitute a violation of applicable law or regulation and which is not located in any jurisdiction where the extension or availability of the Offering (and any other transaction contemplated thereby) would breach any applicable law or regulation
Institutional Tranche	An Offer Tranche consisting of an initial number of 66,306,043 Offer Shares (representing 85% of the initial number of Offer Shares) addressed (i) to Institutional Investors outside the United States in reliance on Regulation S under the Securities Act; and (ii) in the United States, only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act
IRS	Internal Revenue Service
Internal Revenue Code	Internal Revenue Code of 1986, as amended
ISIN	International Securities Identification Number
IT	Information technology
Law 24/2017	Law no. 24/2017 on issuers of financial instruments and market operations, republished
ISCIR	The State Inspection for the Control of Boilers, Pressure Vessels and Lifting Installations
ISO	Independent System Operator

ITO	Independent Transmission Operator
Joint Bookrunners	Banca Comerciala Romana S.A., Barclays Bank Ireland PLC, BofA Securities Europe SA, UBS Europe SE, UniCredit Bank AG Milan Branch and WOOD & Company Financial Services, a.s.
Joint Global Coordinators	Citigroup Global Markets Europe AG, Erste Group Bank AG, Jefferies GmbH and Morgan Stanley Europe SE
JVA	joint venture agreement entered into by the Company and Masdar on 19 March 2023
JVC	Joint venture company
KPMG	The statutory auditor with its registered office located at 89A Soseaua Bucuresti-Ploiesti, 013685 Bucharest, registered with the Trade Register under no J40/4439/2000 having sole registration code RO12997279, registered in the electronic public register of financial auditors and audit firms under number FA9
Law 357/2022	Law 357/2022 for the approval of GEO 119/2022
Law 220/2008	Law 220/2008 on the promotion of electricity through renewable sources
LEI	Legal Entity Identifier
License 332/2001	The Company's license No. 332 / 2001 for the commercial exploitation of electricity production capacities, including the provision of ancillary services, as updated by ANRE Decision no. 2296 / 2022
Lock-up Deed	The lock-up deed dated on or around the date of the Prospectus entered into by the Ministry of Energy and the Managers
M&A	Mergers & acquisitions
Management Board	The Company's management board
Managers	the Joint Global Coordinators, Joint Bookrunners and Co-Lead Managers
Mandatory Public Takeover Offering	The obligation of a person, according to the Law 24/2017, which, as a result of his/her direct acquisition or an acquisition by persons acting in concert therewith, holds securities issued by an issuer that, added to his/her prior holdings or to the holdings of persons he/she acts in concert with, gives him/her, directly or indirectly, more than 33% of the voting rights in the issuer, to initiate a mandatory public takeover offering addressed to all securities holders
Market Abuse Regulation	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC
MAS	The Monetary Authority of Singapore
Masdar	Abu Dhabi Future Energy Company-PJSC- Masdar (UAE)
Member State	Any member state of the European Union
MHPP	Micro-hydropower plants
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended
MiFID II Product Governance Requirements	MiFID ii, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and local implementing measures
Ministry	Ministry of Economy and Commerce

Modernization Agreements	agreements in connection with the purchase of modernization, rehabilitation, re-technologization services and works related to electrical installations and constructions entered into by the Company
NBR	the National Bank of Romania.
NES	National Energy System
New Articles of Association	the new Articles of Association of the Company approved on 22 June 2023 by the EGMS with the aim of implementing corporate governance policies and practices appropriate for a company whose shares are admitted to trading on the regulated market
NIS Directive	EU Directive 2016/1148/EU of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union
NIS 2	Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union, amending Regulation (EU) No 910/2014 and Directive (EU) 2018/1972, and repealing Directive (EU) 2016/1148
NI 45-106	National Instrument 45-106 Prospectus Exemptions
NI 31-103	National Instrument 31-103- Registration Requirements, Exemptions and Ongoing Registrant Obligations
NI 33-105	National Instrument 33-105- Underwriting Conflicts
Nuclearelectrica PPA	Bilateral sale-purchase agreement no. 20222643 of 30 September 2022 concluded with Nuclearelectrica
Non-EU Judgment	A judgment of a court of law of a non-EU member state made in persona for a certain sum, which is not impeachable as void or voidable under the internal laws of the foreign jurisdiction
Non-IFRS measures	Measures, metrics and ratios in the analysis of its business, financial position and performance that are not measures defined by IFRS/IFRS-EU, some of which constitute APMs
Offer Period	The offer period for the Offer Shares that will commence on 23 June 2023 and expire on 4 July 2023
Offer Shares	The Shares in the Offering, comprising of up to 78,007,110 Shares offered by the Selling Shareholder
Offer Tranche	Each of the Retail Tranche and the Institutional Tranche.
Offering	The Offering to which this Prospectus relates to
OPCOM	Romanian electricity and gas market operator – Opcom S.A.
OPCOM Reporting Convention	Agreement for reporting and accessing data concluded with OPCOM
OSIM	Romanian Office for Inventions and Trademarks.
Order	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
OT	Operational technology
PC-OTC	centralized market with double continuous negotiation
Over-allotment Option	Option of the Managers to purchase, or procure purchasers for, up to 11,701,067 additional Offer Shares
Over-allotment Shares	Additional Offer Shares up to a maximum of 15% of the total number of Offer Shares comprised in the Offering for which the Managers may procure purchasers pursuant to the Over-allotment Option

Payment Evidence	One of the documents indicated in the section “Subscription and Sale” which must accompany the Subscription Form
PFIC	passive foreign investment company
PPA	Power purchase agreement
PNIESC	National Plan in the Field of Energy and Climate Change approved by the Romanian Government on 4 October 2021
PNRR	Romanian Recovery and Resilience Plan
Pricing Agreement	The pricing agreement entered into between the Company, the Selling Shareholder and the Managers following the completion of the bookbuilding of the Offering
Prospectus	This prospectus prepared in accordance with Prospectus Regulation
Prospectus Regulation	The Prospectus Regulation (EU) 2017/1129 of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended.
Public Domain Assets	The hydropower facilities (such as dams, piers, locks, water storage reservoirs) and the land on which they are located, which were leased by the Ministry to the Company
QIB	“Qualified institutional buyers” in the United States.
qualified investors	Qualified investors within the meaning of Article 2(e) of the Prospectus Regulation that also: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); or (ii) who fall within Article 49(2)(a) to (d) of the Order; or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as the “relevant persons”)
QEF	qualified electing fund
Recast Brussels Regulation	Regulation (EU) 1215/2012 of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast)
Reference Price	RON 450/MWh
Regulation S	Regulation S under the Securities Act.
Regulation (EC) No. 1228/2003	Regulation (EC) No. 1228/2003 on Conditions for Access to the Network for Cross-border Exchanges in Electricity
Regulation no. 1215/2012	Council Regulation (EU) no. 1215/2012 of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters
RCC	Romanian Competition Council
RCE	Romanian Commodities Exchange S.A.
RCE Reporting Convention	Convention concluded with Romanian Commodities Exchange S.A.
REMIT Regulation	Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency
Retail Investors	Any individual or entity (with or without legal personality) that does not fall under the category of Institutional Investor.
Retail Tranche	an Offer Tranche consisting of an initial number of 11,701,067 Offer Shares (representing 15% of the initial number of Offer Shares) addressed via a public offer in Romania to Retail Investors
Selling Shareholder	Fondul Proprietatea S.A.

SFA	Securities and Futures Act 2001 of Singapore
SHPPs	Small hydropower plants
Specified Provinces	provinces of Alberta, British Columbia, Manitoba, Ontario and Quebec
Stock Lending Agreement	The stock lending agreement which will be entered into by the Stabilisation Manager, the Stabilising Agent and Banca Comerciala Romana S.A. on or around the date of the Prospectus
RENEL	Regia Autonoma de Electricitate”
Romanian Central Depository	Depozitarul Central S.A.
RON	Romanian Lei.
Rule 144A	Rule 144A under the Securities Act
SCA	the Securities and Commodities Authority of UAE
SEC	The United States Securities and Exchange Commission.
Securities Act	U.S. Securities Act of 1933, as amended.
Settlement Date	10 July 2023
Shares	The existing ordinary shares in the share capital of the Company each of which is issued, fully paid with a par value of RON 10 and carrying one vote in a general meeting of shareholders
Stabilization Accounts	Investment accounts with the Stabilizing Manager or another person indicated by the Stabilizing Manager.
Stabilisation Agent	Erste Group Bank AG (acting directly or through Banca Comerciala Romana S.A.)
Stabilisation Manager	Citigroup Global Markets Europe AG
Stabilisation Period	30 (thirty) calendar days following the first day of trading of the Shares on the regulated market of the Bucharest Stock Exchange.
Stabilization Regulation	European Parliament and Council Regulation No. 596/2014 regarding the market abuse and EU Commission Delegated Regulation No. 1052/2016.
Supervisory Board	The Company’s supervisory board.
Supply License	The Company’s license No. 2215 / 2020 for the supply of electricity by way of ANRE Decision no. 718 / 2020
Target Market Assessment	a product approval process to which the Offer Shares have been subject to, which has determined that such Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II
TCJA	Tax Cut and Jobs Act of 2017
TEN-E Regulation	Regulation (EU) 2022/869 on guidelines for trans-European energy infrastructure, amending Regulations (EC) No 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/72/EC and (EU) 2019/944, and repealing Regulation (EU) No 347/2013
Terms and Conditions	Terms and conditions that apply to all investors agreeing to purchase Offer Shares in the Offering
Transaction Date	6 July 2023.
Transelectrica or the TSO	the national electricity system operator
UAE	the United Arab Emirates

UAE Central Bank	the Central Bank of the United Arab Emirates
UK	United Kingdom.
UK Prospectus Regulation	Prospectus Regulation, as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018
Unaudited Condensed Consolidated Interim Financial Statements	the unaudited condensed consolidated interim financial statements of the Group as of and for the three months ended 31 March 2023
Underwriting Agreement	The underwriting agreement entered into on or around the date of this Prospectus by the Selling Shareholder, the Company and the Managers in relation to the sale and offer of the Offer Shares
The U.S. or United States	United States of America.
Water Law	The Water Law 107/1996
Water Framework Directive	Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, as subsequently amended and supplemented
Wood Mackenzie	Wood Mackenzie group
Wood Mackenzie Report	Wood Mackenzie Market Report dated 3 March 2023

THE COMPANY

SPEEH HIDROELECTRICA SA

15-17 Ion Mihalache Blvd., floors 10-15, Bucharest, Romania

SELLING SHAREHOLDER

FONDUL PROPRIETATEA S.A.

76-80 Buzești Street, 7th floor, Bucharest, Romania

JOINT GLOBAL COORDINATORS

Citigroup Global Markets Europe AG

Reuterweg 16, 60323
Frankfurt am Main
Germany

Erste Group Bank AG

Am Belvedere 1, 1100
Vienna
Austria

Morgan Stanley Europe SE

Große Gallusstraße 18
60311 Frankfurt am Main
Germany

Jefferies GmbH

Bockenheimer Landstraße 24
60323 Frankfurt am Main
Germany

JOINT BOOKRUNNERS

Banca Comerciala Romana S.A.

159 Calea Plevnei, Business
Garden Bucharest, Building A
6th floor, Bucharest 6
Romania

Barclays Bank Ireland PLC

One Molesworth Street
Dublin 2
Ireland D02 RF29

BofA Securities Europe SA

51 rue La Boétie
75008 Paris
France

UniCredit Bank AG,

Milan Branch
Piazza Gae Aulenti 4
20154 Milan

UBS Europe SE

Bockenheimer Landstrasse 2-4
OpernTurm, 60306
Frankfurt am Main
Germany

WOOD & Company Financial Services, a.s.

Nam. Republiky 1079/1a Palladium
110 00 Prague
Czech Republic

CO-LEAD MANAGERS

Auerbach Grayson & Co LLC

20 West 55th Street
New York, NY 10019
USA

BRD – Groupe Societe Generale S.A.

1-7 Ion Mihalache
Boulevard, BRD Tower
District 1, Bucharest
Romania

BT Capital Partners S.A.

74-76 Constantin Brancusi
Cluj-Napoca, 400347
Romania

Swiss Capital S.A.

20 Dacia Boulevard,
4th floor, Romania Offices
Building
District 1, 010412
Bucharest
Romania



LEGAL ADVISERS TO THE COMPANY

(As to Romanian law)

Dentons Europe – Zizzi-Caradja si Asociatii SPARL

The Mark
Calea Grivitei nr. 84-98
Bucharest
Romania

(As to English and U.S. laws)

Dentons UK and Middle East LLP

One Fleet Place
London EC4M 7WS
United Kingdom

LEGAL ADVISERS TO THE MANAGERS

(As to Romanian law)

Clifford Chance Badea SPRL

28-30 Academiei Street
Bucharest
Romania

(As to English law)

Clifford Chance LLP

10 Upper Bank Street
London E14 5JJ
United Kingdom

(As to U.S. laws)

Clifford Chance Partnerschaft

MBB
Junghofstrasse 14
Frankfurt Am Main
Germany

LEGAL ADVISERS TO THE SELLING SHAREHOLDER

(As to Romanian law)

Filip SCA

2 Gara Herăstrău Street
Equilibrium Building 11th floor
District 2, Bucharest
Romania

(As to English law)

Linklaters

One Silk Street
London EC2Y 8HQ
United Kingdom

INDEPENDENT AUDITORS

KPMG Audit SRL

89A Soseaua Bucuresti-Ploiesti
Bucharest
Romania



For and on behalf of

**SOCIETATEA DE PRODUCERE A ENERGIEI ELECTRICE IN HIDROCENTRALE
"HIDROELECTRICA" S.A.**

**Management Board of SOCIETATEA DE PRODUCERE A ENERGIEI ELECTRICE IN
HIDROCENTRALE "HIDROELECTRICA" S.A.**

Bogdan-Nicolae BADEA

Chairman of the Management Board

Signed

Marian BRATU
Member of the
Management Board

Signed

Razvan Ionut PATALIU
Member of the
Management Board

Signed

Andrei GEREĂ
Member of the
Management Board

Signed

Cristian VLADOIANU
Member of the
Management Board

Signed

Legal department
Mihai-Radu SAPTEFRATI
Department Manager

Signed

For and on behalf of

FONDUL PROPRIETATEA S.A.

Johan MEYER

Permanent representative of Franklin Templeton International Services S.à r.l., the alternative
investment fund manager and sole director of FONDUL PROPRIETATEA S.A.

Signed

I, the undersigned, Bogdan Constantin Ceașescu, being a sworn translator under Authorisation no. 31571/2011 issued by the Romanian Ministry of Justice, hereby certify the accuracy of the translation into the English language of the document written in the Romanian language, which has been seen by me.

Subsemnatul, Bogdan Constantin Ceașescu, traducător autorizat conform autorizației nr. 31571/2011 emisă de Ministerul de Justiție, certific exactitatea traducerii în limba engleză a textului înscris în documentul în limba română care a fost vizat de mine.

Translator/Traducător,
BOGDAN CONSTANTIN CEAȘESCU



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KPMG Audit SRL
Bucharest - Ploiești Road no. 89A
Sector 1, Bucharest
013685, P.O.Box 18 - 191
Tel: +40 372 377 800
Fax: +40 372 377 700
www.kpmg.ro

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

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica S.A. ("the Company") and its subsidiary (together "the Group") as at 31 March 2023, the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the condensed consolidated interim financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the three-month period ended 31 March 2023 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Other matter - Corresponding figures

The corresponding figures for the three-month period ended 31 March 2022 were not audited or subject to a review.

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



Andreea Vasilescu

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

Bucharest, Romania

24 May 2023



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

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

**Auditor financiar: VASILESCU ANDREEA
Registrul Public Electronic: AF2689**

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








**Firma de audit: KPMG AUDIT S.R.L.
Registrul Public Electronic: FA9**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023
(All amounts are in thousand RON, unless otherwise stated)

	Note	31 March 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment.....		19,368,470	19,521,363
Intangible assets		6,356	6,250
Restricted cash		101,057	101,057
Investments in corporate bonds.....	12	357,957	351,338
Other non-current assets		216,991	218,236
Total non-current assets		20,050,831	20,198,244
Current assets			
Inventories.....		74,584	72,433
Trade receivables.....	13	2,314,868	1,350,677
Investments in deposits.....	12	3,677,291	3,034,745
Cash and cash equivalents.....	11	1,233,150	660,734
Other current assets.....		177,435	115,400
Total current assets		7,477,328	5,233,989
Total assets		27,528,159	25,432,233
Equity			
Share capital.....		5,513,466	5,513,466
Prepaid capital contribution from shareholders.....	14	10,752	—
Revaluation reserve.....		10,917,075	11,021,335
Other reserves.....		1,023,188	1,023,188
Retained earnings.....		5,856,476	4,028,861
Total equity		23,320,957	21,586,850
Liabilities			
Non-current liabilities			
Bank borrowings.....		367,910	390,491
Lease liabilities.....		7,257	7,567
Deferred income.....		180,176	181,522
Deferred tax liabilities.....		1,311,901	1,315,946
Employee benefits.....		122,172	121,840
Provisions.....		825,166	817,089
Trade payables.....		25,453	428
Other payables.....		8,903	5,765
Total non-current liabilities.....		2,848,938	2,840,648

	Note	31 March 2023	31 December 2022
Current liabilities			
Bank borrowings		93,456	94,001
Lease liabilities		6,145	7,834
Trade payables		389,982	282,996
Contract liabilities		70,946	84,684
Current tax liabilities	10	514,397	171,978
Deferred income		5,655	5,696
Employee benefits		99,317	105,845
Provisions		121,680	121,760
Tax for electricity producers	7D	23,939	91,370
Other payables		32,747	38,571
Total current liabilities		1,358,264	1,004,735
Total liabilities		4,207,202	3,845,383
Total equity and liabilities		27,528,159	25,432,233








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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023
(All amounts are in thousand RON, unless otherwise stated)

	Note	Three month period ended	
		31 March 2023	31 March 2022
Revenue	6	3,272,090	2,491,586
Other income		10,366	29,571
Turbinated water	7A	(163,598)	(110,856)
Employee benefits expenses		(157,913)	(130,086)
Transport and distribution of electricity	7C	(250,401)	(74,396)
Electricity purchased	7B	(160,210)	(40,435)
Green certificates expenses		(36,857)	(34,982)
Depreciation and amortization		(198,221)	(191,947)
Reversal of impairment loss on property, plant and equipment		144	33,948
Impairment loss on trade receivables		(34,977)	(2,700)
Repair, maintenance, materials and consumables		(18,286)	(15,592)
Tax for electricity producers	7D	(230,561)	(369,042)
Other operating expenses		(46,832)	(38,543)
Operating profit		1,984,744	1,546,526
Finance income		87,813	28,303
Finance costs		(10,828)	(9,947)
Net finance result		76,985	18,356
Profit before tax		2,061,729	1,564,882
Income tax expense	10	(338,374)	(276,984)
Profit for the period		1,723,355	1,287,898
Earnings per share			
Basic and diluted earnings per share (RON)	9	3.84	2.87
Other comprehensive income		—	—
Total comprehensive income		1,723,355	1,287,898

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








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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023
(All amounts are in thousand RON, unless otherwise stated)

	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2022	5,513,466	9,612,905	962,074	3,095,072	19,183,517
Total comprehensive income for the period					
Profit of the period	—	—	—	1,287,898	1,287,898
Total comprehensive income for the period	—	—	—	1,287,898	1,287,898
Other changes in shareholders' equity					
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment.....	—	(92,452)	—	92,452	—
Balance at 31 March 2022	5,513,466	9,520,453	962,074	4,475,422	20,471,415

	Share capital	Prepaid capital contribution from shareholders	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2023	5,513,466	—	11,021,335	1,023,188	4,028,861	21,586,850
Total comprehensive income for the period						
Profit of the period	—	—	—	—	1,723,355	1,723,355
Total comprehensive income for the period	—	—	—	—	1,723,355	1,723,355
Transactions with the owners of the Company						
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
Other changes in shareholders' equity						
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	5,513,466	10,752	10,917,075	1,023,188	5,856,476	23,320,957

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








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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023
(All amounts are in thousand RON, unless otherwise stated)

	Note	Three month period ended	
		31 March 2023	31 March 2022
Cash flow from operating activities:			
Profit for the period		1,723,355	1,287,898
<i>Adjustments for:</i>			
Depreciation		197,702	191,333
Amortisation		519	614
Reversal of impairment on property, plant and equipment, net		(144)	(33,948)
Impairment loss on trade receivables, net		34,977	2,700
Gain on disposal of property, plant and equipment		—	(27)
Net foreign exchange gains		(146)	(164)
Interest income		(86,488)	(28,303)
Interest expense		2,766	1,230
Income tax expense	10	338,374	276,984
		2,210,915	1,698,317
<i>Changes in:</i>			
Trade receivables		(998,872)	(277,002)
Inventories		(2,151)	(2,782)
Restricted cash		—	(800)
Other assets		(52,733)	(64,504)
Trade payables		139,852	46,194
Deferred income		(1,386)	(1,401)
Employee benefits		(6,197)	(6,687)
Provisions		7,996	7,699
Other payables		(84,094)	(167,063)
Cash generated from operating activities		1,213,330	1,231,971
Interest paid		(2,822)	(430)
Income tax paid		—	—
Net cash from operating activities		1,210,508	1,231,541
Cash flow from investing activities:			
Payments for acquisition of property, plant and equipment		(41,761)	(29,790)
Payments for acquisition of intangible assets		(617)	—
Proceeds from the sale of property, plant and equipment		—	203
Payments for deposits held for investment purposes		(3,630,000)	(2,250,000)
Proceeds from deposits held for investment purposes		2,980,000	100,000
Proceeds from maturity of government bonds		—	235,410
Interest received		78,970	14,220
Net cash used in investing activity		(613,408)	(1,929,957)

	Note	Three month period ended	
		31 March 2023	31 March 2022
Cash flow from financing activities:			
Repayment of borrowings.....		(22,822)	(22,977)
Lease payments		(1,862)	(1,359)
Net cash used in financing activities		(24,684)	(24,336)
Net increase/(decrease) in cash and cash equivalents		572,416	(722,752)
Cash and cash equivalents at 1 January.....	11	660,734	1,104,890
Cash and cash equivalents at 31 March	11	1,233,150	382,138

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023**
(All amounts are in thousand RON, unless otherwise stated)

1. REPORTING ENTITY AND GENERAL INFORMATION

(a) General information about the Group

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

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

The Company’s shareholders are the Romanian State represented by the Ministry of Energy with a shareholding of 80.06% and Fondul Proprietatea, with a shareholding of 19.94% of the shares.

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

Initial public offering (“IPO”)

According to Shareholders’ Decision dated 31 March 2022 the initial public offering of the Company was approved. Up to 19.94% of the shares will be offered for sale (shares owned by Fondul Proprietatea, the minority shareholder) to both individual and institutional investors on the Romanian market, as well as to qualified investors on the US market. The IPO process is planned for the year 2023.

List of subsidiaries

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

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

On 23 December 2020 the Company concluded a share purchase agreement with STEAG GmbH for the acquisition of 100% of Crucea Wind Farm S.A. and Hidroelectrica Wind Services S.R.L. (formerly STEAG Energie Romania S.R.L.). The Company obtained the control of these entities in March 2021. The main business of Crucea Wind Farm S.A. is wind power generation. Crucea wind farm, located in Crucea, Constanta County, started operations on 1 October 2014 and has an installed capacity of 108 MW, consisting of 36 Vestas turbines of 3 MW. Hidroelectrica Wind Services S.R.L. is an operation, maintenance (O&M) and management company that provides services exclusively to Crucea Wind Farm S.A.

At 31 December 2022, Crucea Wind Farm S.A. and Hidroelectrica Wind Services S.R.L. were legally merged into Hidroelectrica.

(b) Regulatory environment

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

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

(c) Main operations of the Group

Electricity generation and system services

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

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

On 1 January 2023 a centralized electricity acquisition mechanism was implemented by the Government through which the electricity producers shall sell 80% of the available production (i.e. of the production that is not contracted as of October 2022) quantity of electricity to the market operator, OPCOM, at a fixed price of RON 450 per MWh. OPCOM will re-sell the electricity to electricity suppliers and certain large consumers (such as electricity distribution operators) at the same price of RON 450 per MWh. This price fixing mechanism is applicable between 1 January 2023 and 31 March 2025.

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

Electricity supply to end users

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

The Group supplies electricity at negotiated tariffs to both industrial consumers and household consumers. The supply tariff include, in addition to the electricity price, the electricity transmission and distribution costs, 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 2023 was a reduction of revenue due to capped prices by RON 278 million and recovery through subsidy from the State estimated of RON 460 thousand, subsidy which will be recorded by the Group after issuing the invoices to final consumers (first quarter of 2022: reduction of revenue of RON 42 million, subsidy nil; financial year 2022: reduction of revenue of RON 551 million, subsidy: RON 23 million).

Green certificates ("GC")

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

The Group receives between 2.86 and 3 green certificates for each MWh generated by the eligible micro-hydropower plants (7 in 2023; 8 in 2022) and 0.75 green certificates for each MWh generated by the wind farm.

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

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

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

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 2022. They do not include all of the information required for a complete set of financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRS-EU). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

These interim consolidated financial statements were authorized for issue by the Company’s Board of Directors on 23.05.2023.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

i. Fair value of the property, plant and equipment

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

Most the Group’s property, plant and equipment are revalued based on the net replacement cost approach, one of the main driver being the evolution of the cost of construction materials.

As at 31 March 2023, 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 2022.

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

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

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

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 2023.

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	<p>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).</p> <p>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.</p>
Electricity supply	<p>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.</p>

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

B. Information about operating segments

Three month period ended 31 March 2023	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)

Three month period ended 31 March 2022	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
External revenues.....	2,045,475	446,111	2,491,586	—	2,491,586
Inter-segment revenue.....	158,278	—	158,278	(158,278)	—
Segment revenue.....	2,203,753	446,111	2,649,864	(158,278)	2,491,586
Segment profit before tax.....	1,379,537	185,345	1,564,882	—	1,564,882
Net finance income/(cost).....	18,228	128	18,356	—	18,356
Amortization and depreciation.....	(191,934)	(13)	(191,947)	—	(191,947)
Impairment loss on property, plant and equipment.....	33,948	—	33,948	—	33,948
Electricity purchased.....	(40,435)	(154,519)	(194,954)	154,519	(40,435)
Green certificates expenses.....	(2,871)	(35,870)	(38,741)	3,759	(34,982)
Employee benefits expenses.....	(128,399)	(1,687)	(130,086)	—	(130,086)
Turbinated water.....	(110,856)	—	(110,856)	—	(110,856)
Tax for electricity producers.....	(369,042)	—	(369,042)	—	(369,042)
Transport and distribution of electricity	(8,980)	(65,416)	(74,396)	—	(74,396)
Other expenses.....	(53,517)	(3,318)	(56,835)	—	(56,835)

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

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

Inter-segment revenue includes the value of electricity produced and transferred within the same entity from producer portfolio (generation segment) to supplier portfolio (supplier segment) of RON 334,562 thousand for the three month period ended 31 March 2023 (three month period ended 31 March 2022: RON 139,369 thousand). Inter-segment revenue is calculated based on a methodology approved by Board of Directors in 2021. The methodology used for computing transfer price between segments is based on the average electricity production cost in the last 12 months ending 2 months prior the calculation month, plus an internal margin.

All revenues are generated in Romania.

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

6. REVENUE

A. Revenue from contracts with customers

The Group generates revenue from:

	Three month period ended	
	31 March 2023	31 March 2022
Wholesale of electricity.....	2,047,901	1,929,317
Electricity supplied to final consumers (retail sales).....	1,155,034	446,111
System services	69,111	110,295
Sales of green certificates.....	—	3,642
Maintenance services	44	2,221
Total	3,272,090	2,491,586

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

The majority of the Group's supply revenue is to non-household consumers (approx. 75% of volume), for which automated readings are performed at the end of each month. Also, approximately 60% of the volume supplied to household consumers is determined based on meter readings at the end of the period, and the rest is based on estimates of the consumption. Therefore, the Group assesses that the risk of revenue adjustment subsequent to period end that could result from the difference between the meter readings and the estimated volumes would have a limited impact on the financial statements.

For the three month period ended 31 March 2023, the Group produced 4,410 GWh (three month period ended 31 March 2022: 3,299 GWh), and sold 4,831 GWh (three month period ended 31 March 2022: 3,463 GWh). From total quantity sold, 1,479 GWh were supplied to end users in the three month period ended 31 March 2023 (724 GWh in the three month period ended 31 March 2022).

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

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

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

- Transelectrica SA, the electricity system operator – system services and production of electricity for system balancing (latter included in Sale of electricity produced) – RON 308,629 thousand in the three month period ended 31 March 2023 (9%), RON 544,675 thousand in the three month period ended 31 March 2022 (22%);
- OPCOM SA, the market operator – wholesale of electricity produced on the market for the centralized acquisition mechanism and on the spot market of RON 1,238,180 thousand in the three month period ended 31 March 2023 (38%), and wholesale of electricity produced on the spot market RON 642,135 thousand in the three month period ended 31 March 2022 (26%).

Timing of revenue recognition:

	Three month period ended	
	31 March 2023	31 March 2022
Revenue transferred over time.....	3,272,046	2,485,722
Revenue transferred at a point in time	44	5,864
Total	3,272,090	2,491,586

7. OPERATING EXPENSES

A. Turbined water

Turbined water represents the water used by the hydropower plants in order to generate electricity. According to the Romanian legislation, a fee per cubic meter of water used is established annually by the

National Agency for Water Administration. For the first quarter of 2023 the fee was RON 1.40 per thousand cubic meters (first quarter of 2022: RON 1.23 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.

In the first quarter of 2023 the Group purchased 421 GWh (first quarter of 2022: 164 GWh) for RON 160,210 thousand (first quarter of 2022: RON 40,435 thousand). Increase of electricity purchases in the first quarter of 2023 represents the electricity purchased for the supply segment.

C. Transport and distribution of electricity

	Three month period ended	
	31 March 2023	31 March 2022
Injection of electricity produced in the national system	10,631	4,946
Distribution of electricity supplied	184,651	45,440
Transport of electricity supplied	55,119	24,010
Total	250,401	74,396

D. Tax for electricity producers

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

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

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

The tax computed by the Group for the three month period ended 31 March 2023 is RON 230,561 thousand (three month period ended 31 March 2022: RON 369,042 thousand). As at 31 March 2023 the outstanding amount payable is RON 23,939 thousand (31 December 2022: RON 91,370 thousand).

Romanian tax authorities, through the General Antifraud Fiscal Division, performed three controls at the Group on the tax for electricity producers, two for the period September-December 2022, which were concluded in a report issued on 11 April 2023 for the Company and a report issued on 12 April 2023 for Crucea Wind Farm and one for the period April-August 2022 which was concluded in a report issued on 19 April 2023. As per the report issued on 11 April 2023, the authorities did not make any changes to the method of computing the tax or to the method of computing the transfer price between the production and supply portfolios, but only raised an issue on 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, which was presented by the Company as contingent liability. Further analysis on the retroactive application of the law is presented in Note 16 c).

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

8. FINANCE RESULT

	Three month period ended	
	31 March 2023	31 March 2022
Interest income	86,489	28,303
Other finance income	1,324	—
Finance income	87,813	28,303
Interest expense	(2,766)	(1,230)
Unwinding of non-current provisions.....	(8,076)	(6,851)
Gain or (loss) from foreign exchange differences.....	14	41
Other finance expenses.....	—	(1,907)
Finance expenses	(10,828)	(9,947)
Net finance result	76,985	18,356

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 2023	31 March 2022
<i>Profit attributable to the owners of the Company</i>		
Profit for the period attributable to the owners of the Company	1,723,355	1,287,898
Profit attributable to ordinary shareholders	1,723,355	1,287,898
<i>Weighted average number of ordinary shares (basic and diluted)</i>		
Issued ordinary shares at 1 January.....	448,459,482	448,459,482
Weighted average number of ordinary shares at 31 March	448,459,482	448,459,482
Earnings per share (basic and diluted) RON/share	3.84	2.87

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 16). 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 2023 was 16.4% (three month period ended 31 March 2022: 17.7%). The change in effective tax rate was mainly caused by the effect over 2022 effective tax rate of the distribution of previously deducted revaluation reserve, as in 2022 the amount distributed from previously deducted revaluation reserve was significantly higher than the amount the Group estimate it will distribute in 2023.

(b) Current tax liabilities

As at 31 March 2023 the outstanding amount payable is RON 514,397 thousand (31 December 2022: RON 171,978 thousand), as the legal term for submitting the annual income tax statement for the year 2022 was postponed from 25 March 2023 to 25 June 2023.

(c) Potential consequences on income tax

The Group may have potential consequences on corporate income tax that may result from the payment to shareholders of dividends from revaluation reserves transferred to retained earnings which, according to tax law, are taxed at the time of change of destination, to the extent they were previously tax deducted. Thus, the distribution of dividends from such reserves will generate additional income tax. The Company has such reserves transferred in retained earnings at 31 March 2023, which following the distribution would generate additional income tax for the Group of RON 23,603 thousand (31 December 2022: RON 21,499 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 369,650 thousand at 31 March 2023 (RON 371,761 thousand at 31 December 2022).

11. CASH AND CASH EQUIVALENTS

	31 March 2023	31 December 2022
Bank accounts	217,777	647,941
Bank deposits with a maturity below 3 months.....	1,014,000	12,500
Petty cash	127	125
Cash equivalents.....	1,246	168
Total	1,233,150	660,734

12. INVESTMENTS IN DEPOSITS AND BONDS

	31 March 2023		31 December 2022	
	Current	Non-current	Current	Non-current
Bank deposits with maturity less than 1 year held for investment purposes.....	3,677,291	—	3,034,745	—
Corporate bonds with a maturity more than 1 year ...	—	357,957	—	351,338
Total.....	3,677,291	357,957	3,034,745	351,338

Bank deposits are short-term deposits with maturity between 3 to 12 months held for investment purposes rather than for short term cash commitments. The average interest rate on term deposits was 8.3% per year in the first quarter of 2023 (first quarter of 2022: 3.8% per year).

In 2022 the Group acquired corporate bonds with maturity on 30 December 2025. The balance as at 31 March 2023 represents principal of RON 351,386 thousand and related interest of RON 6,571 thousand (31 December 2022: principal of RON 351,265 thousand and related interest of RON 73 thousand). The corporate bonds annual yield is 7.5%.

13. TRADE RECEIVABLES

	31 March 2023	31 December 2022
Trade receivables – generation segment (wholesale).....	448,285	468,749
Trade receivables – supply segment (retail).....	1,979,044	959,412
Impairment allowance	(112,461)	(77,484)
Total	2,314,868	1,350,677

The amount of the unbilled revenues included in trade receivables amounts to RON 2,044,691 thousand gross at 31 March 2023 (RON 1,116,046 thousand at 31 December 2022), out of which RON 1,810,889 thousand gross relate to supply segment (RON 767,612 thousand as at 31 December 2022). In 2022 the Group started the implementation of a new billing system, which together with the frequent regulatory changes with respect of supply prices to end-users and the significant increase in the number of retail clients of the Group, conducted to a significant delay in the billing process of the Group and a significant balance of unbilled revenues at 31 March 2023 and 31 December 2022.

Trade receivables ageing analysis is disclosed in Note 15. Trade receivables due from related parties are disclosed in Note 17.

14. PREPAID CAPITAL CONTRIBUTION

On 27 March 2023, the Shareholder General Meeting approved the increase of share capital by RON 13,431 thousand, representing 1,343,085 shares, out of which RON 10,752 thousand contribution in kind by the Ministry of Energy representing land and RON 2,679 thousand in cash, for which Fondul Proprietatea has a right to subscribe within 30 days from the shareholders decision.

Until 31 March 2023, the Company did not issue the shares, while the Ministry of Energy transferred the ownership right over land with a fair value of RON 10,752 thousand, recorded by the Company as prepaid capital contributions.

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.

(b) Financial risk management

Credit risk

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

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

Exposure to credit risk

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

	31 March 2023	31 December 2022
Trade receivables.....	2,314,868	1,350,677
Cash and cash equivalents.....	1,233,150	660,734
Restricted cash.....	101,057	101,057
Investments in corporate bonds and deposits.....	4,035,248	3,386,083
Total.....	7,684,323	5,498,551

Trade receivables

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

Increase of trade receivables is due to significant unbilled revenues due to delays in the invoicing electricity supplied to end users, due to the implementation of a new billing system for supply activity and due to a significant increase in new customers. The amount of the unbilled revenues included in trade receivables amounts to RON 2,044,691 thousand at 31 March 2023 (RON 1,116,046 thousand at 31 December 2022).

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

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Net trade receivables
Not past due.....	2.32%	1,927,655	(44,631)	1,883,024
Past due – from 0 to 3 months.....	28.82%	44,590	(12,850)	31,740
Past due – from 3 to 6 months.....	85.84%	23,920	(20,534)	3,386
Past due – from 6 months to 1 year.....	100.00%	13,656	(13,656)	—
Past due – more than 1 year.....	100.00%	20,790	(20,790)	—
Total.....		2,030,611	(112,461)	1,918,150
Customers analyzed individually.....		396,718	—	396,718
Total trade receivables.....		2,427,329	(112,461)	2,314,868

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

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

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

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

The Group has guarantees received from customers of RON 470,357 thousand at 31 March 2023 (RON 907,555 thousand at 31 December 2022). These are guarantees for payment in the form of bank letters of guarantee received in relation to electricity sales contracts. Decrease of guarantees received from customers is due to the implementation of the market for centralised acquisition mechanism of electricity. Transactions on this market are made through Opcom as intermediary, meaning that the Group concluded one wholesale contract with Opcom, thus the number of wholesale contracts decreased in the first quarter of 2023.

16. CONTINGENCIES

16.1 Litigation, claims and tax uncertainties

The main litigations involving the Group, with a potential exposure of RON 882,864 thousand as at 31 March 2023 and 31 December 2022, are disclosed as contingent liabilities:

a) *Litigation with Ministry of Energy*

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

Plaintiff: Ministry of Energy

File no. 3200/2/2018

The Ministry of Energy claims the following:

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

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

On 11 May 2021, the first Court rejected the claims of the Ministry of Energy as groundless. During 2022, the Ministry of Energy appealed the Court decision, but no date for the first court appearance was established.

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

b) *Litigations with Tax authorities regarding past tax treatments*

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

Plaintiff: Hidroelectrica

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

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

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

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

c) *Dispute over the additional tax for electricity producers claimed*

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

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

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

On 28 April 2023 the Company received the imposing decision for the amount of RON 62,052 thousand. The Group will challenge the imposing decision within 45 days of the receipt.

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

d) *Litigation with Hidroconstructia SA*

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

Plaintiff: Hidroconstructia SA

File no. 12257/3/2022

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

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

e) Arbitration with Romelectro S.A.

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

Plaintiff: Romelectro S.A.

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

Hidroelectrica filed an arbitration request for RON 78.7 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 5,917 thousand, the equivalent of RON 29,250 thousand, plus VAT and legal expenses. The claims mainly refer to the counter value of the costs borne by Romelectro, generated by delays attributable to Hidroelectrica, such as site organization costs, personnel costs, finance costs.

In December 2022, the Arbitration Court requested a financial and accounting analysis to be performed by an independent expert. Currently, the expert report is being drafted, next term being 12 July 2023.

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

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

f) Litigation with Hidroconstructia SA

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

Plaintiff: Hidroconstructia SA

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

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

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

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

In April 2022, the Court requested an expertise report in hydrotechnical constructions and an accounting expertise report to be performed by independent experts. Currently, the expert report is being drafted, next term being 13 June 2023.

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

g) *Litigation with Beny Alex S.R.L.*

Potential exposure: RON 43,570 thousand as at 31 March 2023 and 31 December 2022

Plaintiff: Beny Alex SRL

File no. 36646/3/2018*

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

In December 2022, an independent expert report was finalized. Based on the expert report the value of the additional works performed is RON 40,115 thousand. Hidroelectrica submitted objections to the report. Currently, the objections are drafted, the next term being 30 May 2023.

Beny Alex made the same claims against Hidroserv in 2017, as part of Hidroserv's insolvency procedure. In a separate ruling, the Court rejected Beny Alex claims against Hidroserv in 2018, the decision is final and not eligible for appeal.

In addition, the Group argues that the claims of Beny Alex refer to costs incurred by the plaintiff during the Company's insolvency, for which Beny Alex did not make any request for payment during the insolvency procedure, and consequently the right of Beny Alex to claim the payment of these amounts after the end of the Company's insolvency has expired. Consequently, management estimates the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

h) *Litigation with Hidroconstructia SA*

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

Plaintiff: Hidroconstructia SA

File no. 31451/3/2020

Hidroconstructia SA filed claims in the amount of RON 28,963 thousand representing discounts granted during 2014 – 2019 to the Group for construction of AHE Siriu-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.

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.

On 10 April 2023, the court rejected Hidroconstructia claims, this decision can be appealed.

16.2 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. No tax audits were performed on Crucea Wind Farm and Hidroelectrica Wind Services.

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.

16.3 Decommissioning obligations

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

17. RELATED PARTIES

a) Ultimate controlling party

The Company's shareholders are the Romanian State, represented by the Ministry of Energy, with a shareholding of 80.0561% and Fondul Proprietatea SA with a shareholding of 19.9439% as at 31 March 2023.

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 2023	31 March 2022
Expenses recognized during the period		
Fixed component.....	638	570
Variable component accrual.....	—	—
Total	638	570
Payments made in the period		
Fixed component.....	638	570
Variable component (for the previous year).....	—	—
Total	638	570

The Board of Directors consists of 5 members.

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

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

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

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

Supervisory Board remuneration

	Three month period ended	
	31 March 2023	31 March 2022
Expenses recognized during the period		
Fixed component.....	236	222
Variable component accrual.....	—	—
Total	236	222
Payments made in the period		
Fixed component.....	236	222
Variable component (for the previous year).....	—	—
Total	236	222

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

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

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

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

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

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

Supplier	Purchases (without VAT) in three months period ended	Payables (including VAT)
	31 March 2023	31 March 2023
Administratia Nationala Apele Romane.....	165,184	113,607
Transelectrica (Romanian Electricity System Operator).....	112,336	57,714
OPCOM (Romanian Electricity Market Operator).....	1,253	307
SN Nuclearelectrica SA.....	137,004	(38,892)
Distributie Energie Electrica Romania.....	78,543	32,142
Others.....	6,136	1,587
Total	500,465	166,465

Supplier	Purchases (without VAT) in three months period ended 31 March 2022	Payables (including VAT) 31 December 2022
Administratia Nationala Apele Romane.....	105,362	78,625
Transelectrica (Romanian Electricity System Operator).....	74,786	70,417
OPCOM (Romanian Electricity Market Operator).....	1,457	85
SN Nuclearelectrica SA.....	—	(41,256)
Distributie Energie Electrica Romania.....	13,450	14,902
Others.....	3,069	1,564
Total.....	198,124	124,337

Client	Sales (without VAT) in three months period ended 31 March 2023	Receivables Gross Carrying amount (including VAT)	Impairment loss	Receivables Net Carrying amount (including VAT)
			31 March 2023	
Transelectrica (Romanian Electricity System Operator).....	308,628	135,545		135,545
Electrica Furnizare.....	25,621	8,806	—	8,806
OPCOM (Romanian Electricity Market Operator).....	1,238,180	183,200	—	183,200
E.ON Energie Romania.....	21,428	7,374	—	7,374
Engie Romania.....	15,097	5,196	—	5,196
Others.....	117,469	158,565	(18,725)	139,840
Total.....	1,726,423	498,686	(18,725)	479,961

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

Client	Sales (without VAT) in three months period ended 31 March 2022	Receivables Gross Carrying amount (including VAT)	Impairment loss	Receivables Net Carrying amount (including VAT)
				31 December 2022
Transelectrica (Romanian Electricity System Operator).....	544,675	276,208	—	276,208
Electrica Furnizare.....	87,021	42,420	—	42,420
OPCOM (Romanian Electricity Market Operator).....	642,135	2,821	—	2,821
E.ON Energie Romania.....	67,884	27,343	—	27,343
Engie Romania.....	39,531	6,539	—	6,539
Distributie Energie Electrica Romania..	3,620	73	(16)	57
Romaero.....	—	7,502	(7,502)	—
Metrorex.....	—	8,024	(7,819)	205
Others.....	15,980	155,019	(15,671)	139,348
Total.....	1,400,846	525,949	(31,008)	494,941

18. SUBSEQUENT EVENTS

Acquisition of UCM Resita business lines

On 22 February 2023, the Group was declared winner of the sales procedure of business lines ABC and Calnicel platform, which are the property of UCM Resita SA. The Group and UCM Resita SA have not signed yet the sales-purchase agreement. The value of the transaction is of RON 67,879 thousand. This is expected to be signed in the first half of 2023.

Joint Venture

On 15 March 2023, the Shareholders General Meeting approved the joint venture agreement between the Company and Abu Dhabi Future Energy Company PJSC Masdar. The purpose of this joint venture is to develop, invest, construct and operate renewable energy projects in Romania. The joint venture will focus on projects and investments exclusively from the following technology categories: floating photovoltaic projects and offshore wind projects – fixed and floating.

The joint venture will be incorporated in Bucharest, Romania, in accordance with the rules and regulations of the Romanian Law as a limited liability company or a joint-stock company. Each party will have 50% holdings in the joint venture. As at 31 March 2023, the signing of the joint venture agreement was not yet performed.

Board of Directors

The current Board of Directors was appointed in June 2019, with a term that extends through 10 June 2023. On 6 April 2023, the Supervisory Board approved the termination of mandate contracts of the members of the Board of Directors by mutual agreement and re-appointed the current members as interim members of the Board of Directors starting 7 April 2023, with a mandate of 4 months or until the appointment of new members of the Board of Directors according to GEO 109/2011.

Dividends distribution

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

- Dividends distributed from the 2022 profit of RON 3,914,389 thousand, representing 90% of the 2022 eligible for distribution net profit in the statutory separate financial statements of the Company; and
- Dividends distributed from retained earnings representing amortised and transferred revaluation reserve of RON 435,000 thousand from the statutory separate financial statements of the Company.



Bogdan BADEA
President of the Board
of Directors



Marian BRATU
Member of the Board of
Directors



Andrei GEREĂ
Member of the Board of
Directors



Cristian VLADOIANU
Member of the Board of
Directors



Razvan PATALIU
Member of the Board of
Directors



Marian FETITA
Accounting Manager



Gabriela VASILESCU
Head of Financial Reporting and Budgeting



KPMG Audit SRL
DN1, Soseaua Bucuresti-Ploiesti nr. 89A
Sector 1

P.O. Box 18-191
Bucharest 013685
Romania
Tel: +40 (372) 377 800
Fax: +40 (372) 377 700
www.kpmg.ro

Independent Auditors' Report

To the Shareholders of Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica S.A.
15-17 Ion Mihalache Blvd., Sector 1, Bucharest, Romania
Unique Registration no: 13267213

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Societatea de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica S.A. ("the Company") and its subsidiaries (together "the Group"), as at and for the years ended 31 December 2022, 31 December 2021 and 31 December 2020, which comprise:

- the consolidated statements of financial position as at 31 December 2022, 31 December 2021, 31 December 2020 and 1 January 2020,
- the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years ended 31 December 2022, 31 December 2021 and 31 December 2020, and
- notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 31 December 2021 and 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"), Regulation (EU) no. 537/2014 of the European Parliament and of the Council ("the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Romania, including the Regulation and the Law, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements for each of the years in the three-year period ended 31 December 2022. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition from electricity supply (year ended 31 December 2022)

Revenue – Electricity supplied to final consumers (retail sales): RON 2,148,983 thousand for the year ended 31 December 2022 – Note 9

Trade receivables – electricity supply segment (retail): RON 959,412 thousand gross as at 31 December 2022, of which RON 767,612 thousand gross represents unbilled revenues – Note 18

Refer to Notes 6(c) (accounting policies), 9 and 18 (explanatory disclosures) to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>The share of the Group’s electricity supply segment in total revenues increased significantly in 2022, reaching 23% of the revenues (6% in both 2021 and 2020).</p> <p>Revenue from the supply of electricity to final consumers is recognised as a product of the lower of the agreed contractual prices with customers and, where applicable, the capped electricity prices as per legislation, and the electricity consumption of each consumer determined based on meter readings, self-readings or volumes estimated by distribution operators, as applicable.</p> <p>Further, in 2022, the Group started the implementation of a new billing system, which, combined with frequent regulatory changes in respect of supply prices to final consumers and the significant increase in the number of retail clients, lead to significant delays in the Group’s billing process and a resulting material balance of unbilled revenues in the electricity supply segment as at 31 December 2022.</p> <p>In addition, the Group could not rely on its IT systems in the determination of the electricity supply revenues, due to the limited functionalities of the billing systems. Instead, the process relied on substantial manual input and end-user computing, with large amount of data processed. Accordingly, our audit was characterised by an increased reliance on substantive procedures.</p> <p>Due to the factors mentioned above, we considered the area to be associated with a significant risk of a material misstatement, which required our increased attention in</p>	<p>Our audit procedures in the area included, among others:</p> <ul style="list-style-type: none"> • obtaining an understanding of the electricity supply revenue recognition process; • obtaining an independent confirmation from the electricity transport operator of the total electricity volume transported to final consumers during the year and tracing it to the Group’s records; • for a sample of revenue transactions recognized during the year, tracing the underlying prices to customer contracts or the applicable capped electricity prices as per legislation, and the volumes sold to those reported by the distribution operators or self-readings, where available; where the volumes reported by the distribution operators were not based on meter readings but were estimated, performing an independent expectation of the volumes based on past consumption of respective customers; • for a sample of retail business customers, obtaining independent confirmations from the customers for annual sales, both billed and unbilled, and reporting date balances, and tracing those to the Group’s records; • for a sample of revenues billed during the year, tracing the amounts recognized to subsequent collections;



<p>the audit. As such, we considered it to be a key audit matter.</p>	<ul style="list-style-type: none"> assessing the accuracy and completeness of the Group's revenue-related disclosures in the consolidated financial statements against the requirements of the relevant financial reporting standards.
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Property, plant and equipment carried under the revaluation model (31 December 2022, 2021 and 2020)

Property, plant and equipment carried under the revaluation model: RON 18,588,177 thousand as at 31 December 2022; RON 17,083,143 thousand as at 31 December 2021; RON 12,822,606 thousand as at 31 December 2020 – Note 20

Revaluation reserve: RON 11,021,335 thousand as at 31 December 2022; RON 9,612,905 thousand as at 31 December 2021; RON 6,094,878 thousand as at 31 December 2020 – Note 21(b)

Increase in revaluation recognized in other comprehensive income, net: RON 2,116,546 thousand in 2022; RON 4,591,568 thousand in 2021; nil in 2020 – Notes 20, 21(b)

Increase/decrease in revaluation recognized in profit of loss, net: revaluation gain of RON 40,002 thousand in 2022; loss of RON 255,636 thousand in 2021; nil in 2020 – Note 20

Refer to Notes 6(h) (accounting policies), 20 and 21(b) (explanatory disclosures) to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>Property, plant and equipment represents a significant portion of the Group's total assets. The Group carries all of its property, plant and equipment, other than assets under construction and leased assets, under the revaluation model, with most recent revaluations performed as at 31 December 2022 and 2021. As at 31 December 2020 and 2019, management concluded that the carrying amount of property, plant and equipment did not materially differ from its fair value.</p> <p>In the Group's case, the fair value of property, plant and equipment is estimated based on the following principal methods:</p> <ul style="list-style-type: none"> market approach - for land and certain equipment and vehicles; and net replacement cost method (including the economic obsolescence test) - for hydro-power industry-specific constructions, plant and equipment. <p>Estimating the assets' fair value requires management to make significant judgments and complex assumptions, including those made in selecting the appropriate valuation methods, identifying comparable</p>	<p>Our audit procedures in the area, performed assisted, where applicable, by our own valuation specialists, included, among others:</p> <ul style="list-style-type: none"> assessing the appropriateness and consistency of application of the methods and models used in estimating the fair values of property, plant and equipment against the requirements of the financial reporting standards and generally accepted valuation methods; challenging the Group's conclusion that the carrying amount of property, plant and equipment as at 31 December 2020 and 2019 did not materially differ from its fair value as at those dates, based, among other things, on our understanding of the asset characteristics, market environment, prices and economic indicators, such as inflation rates and changes in construction cost; evaluating key assumptions in the Group's valuation models, as follows (in all cases for a sample of assets): <ul style="list-style-type: none"> for the market approach – by reference to publicly available market price information



transactions and information for the determination of the replacement cost, determining useful lives of production plant and equipment, capacity utilization rates, among other things. The management involved an external valuation expert to assist them in making those significant judgements and assumptions.

Due to the above factors, coupled with the magnitude of the amounts involved, we considered the area to be a key audit matter.

for similar assets, adjusted, where necessary, for differences in key asset characteristics;

- for the net replacement cost method, by:
 - o tracing the construction cost and price change indices to external technical catalogues applicable to the industry and other publicly available external resources, respectively;
 - o tracing asset useful lives to those in specialized reference catalogues for similar assets;
 - o tracing external and functional depreciation to the Group's historical data on the capacity utilization rate per hydroaggregate;
 - o benchmarking the assets' revalued amounts per Megawatt installed at hydroaggregate level against the metrics presented within industry technical studies;
- evaluating the key assumptions in the economic obsolescence test (based on a discounted cash flow model), as follows:
 - revenue and costs projections – by reference to the most recent approved budgets;
 - discount rate – by reference to publicly available external sources;
- assessing the accuracy and completeness of the revaluation and fair value-related disclosures in the consolidated financial statements against the requirements of the relevant financial reporting standards.



Impairment of assets under construction (31 December 2022, 2021 and 2020)

Assets under construction: RON 918,032 thousand as at 31 December 2022; RON 905,554 thousand as at 31 December 2021; RON 974,232 thousand as at 31 December 2020 – Note 20

Impairment loss for assets under construction, net: RON 63,871 thousand in 2022; RON 102,949 thousand in 2021; RON 98,687 thousand in 2020 – Note 20

Refer to Notes 4 a3) (judgements), 6(l)(ii) (accounting policies) and 20 (explanatory disclosures) to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>The Group carries substantial amounts of assets under construction as at 31 December 2022, 2021 and 2020. Certain of the assets represent investment projects initiated several decades ago, whose development was either significantly slowed down (for procedural, legal or technical reasons), mothballed or abandoned. Whether or not to continue or resume these projects and their economic viability thereof are assessed by the Group on an annual basis. Based on the past impairment tests, these investment projects under construction were written down to nil, with the exception of Bumbesti-Livezeni, Rastolita and Siriu-Surduc projects.</p> <p>In performing the impairment assessment, management compares the carrying amount of the assets with their recoverable amount, determined based on their value in use.</p> <p>Determination of the recoverable amount requires significant management judgment and complex assumptions, in particular those relating to the grouping of assets into cash-generating units, electricity price evolution, profit margin, costs to complete, project capacity and discount rates.</p> <p>Due to the above factors, coupled with the higher estimation uncertainty stemming from the current volatile business environment, assessment of assets under construction for impairment required significant judgment and increased attention in the course of our audit. As a consequence, we considered the area to be a key audit matter.</p>	<p>Our audit procedures in the area, performed assisted, where applicable, by our own valuation and energy market specialists, included, among others:</p> <ul style="list-style-type: none"> • evaluating the appropriateness of the methods and models used to determine the assets' recoverable amount against the requirements of the relevant accounting standard; • evaluating the quality of the Group's forecasting by comparing historical projections with actual outcomes; • inspecting minutes of the shareholders', board of directors' and supervisory board's meetings for discussions, analysis or decisions related to the continuation, resumption or abandonment of the investment projects, as well as those providing information on the estimated time and cost to complete; • inspecting the Group's investment plans for subsequent years and analysing the amounts allocated to the continuation of the respective investment projects; • inspecting documentation provided by the Company's environmental and project management departments on the progress of the process to obtain new construction and environmental authorisations for Bumbesti-Livezeni, Rastolita and Siriu-Surduc projects and making inquiries of the representatives of those departments about the likelihood of the favorable outcome; • considering the evidence from the preceding procedures, challenging key assumptions in the Group's discounted future cash flows models, as follows: <ul style="list-style-type: none"> - estimated costs to complete - by reference to the internal documentation, contracts where



	<p>available, inquiries of the selected members of the Board of Directors;</p> <ul style="list-style-type: none"> - forecasted electricity prices – by reference to electricity price projections from external energy market reports and our own analysis of the electricity market; - power plant installed capacities – by reference to the relevant technical documentation of the investment projects; - power plant utilization rate - by reference to the Group’s recent actual performance; - profit margin – by reference to the Group’s recent actual performance; and - discount rate - by reference to publicly available external sources; <ul style="list-style-type: none"> • evaluating the sensitivity of the discounted future cash flow model to reasonably possible changes in assumptions; • assessing the accuracy and completeness of the Group’s impairment-related disclosures in the consolidated financial statements against the requirements of the relevant financial reporting standards.
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Litigation, claims and tax uncertainties (31 December 2022, 2021 and 2020)

Contingent liabilities: RON 882,864 thousand as at 31 December 2022; RON 736,681 thousand as at 31 December 2021; RON 692,800 thousand as at 31 December 2020 – Note 30.1

Tax for electricity producers: RON 671,739 thousand for 2022 – Note 11D

Provisions for litigation and claims: RON 120,354 thousand as at 31 December 2022; RON 116,260 thousand as at 31 December 2021; RON 196,304 thousand as at 31 December 2020 – Note 26

Refer to Notes 6(o), 6(p) and 6(q) (accounting policies), 4 a6) (judgements), 11D, 30.1, and 26 (explanatory disclosures) to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>In the normal course of the Group’s business, potential exposures arise from administrative, taxation or court proceedings. As disclosed in Notes 26 and 30.1 to the consolidated financial statements, the Group is involved in a number of litigations and disputes with various authorities, business partners or other parties, including, among others:</p>	<p>Our audit procedures in the area, performed assisted, where applicable, by our own tax and legal specialists, included, among others:</p> <ul style="list-style-type: none"> • inquiring of the Group’s in-house legal advisors regarding recent developments and the status of material litigations, claims and tax uncertainties,



- Ministry of Energy, in relation to a litigation for claims of RON 373,050 thousand disclosed as contingent liabilities as at each 31 December 2022, 2021 and 2020; and
- tax authorities, in relation to litigations for the amount of RON 214,385 thousand representing additional income tax and VAT and related interest and penalties claimed by the tax authorities, disclosed as contingent liabilities as at each 31 December 2022, 2021 and 2020.

In addition, as described in Note 11D, a number of changes were enacted to the legislation of Romania that involved levying certain taxes applicable to the Group as an energy producer. Certain of the key terms of the above-mentioned legislation have not been sufficiently precise and as such can be subject to differing interpretations. Accordingly, measuring the amount of the tax to be recognized for the year ended 31 December 2022 and related liability as at that date was therefore associated with a significant judgement and an increased estimation uncertainty.

Significant management judgement is required in assessing such matters in order to determine, among other things:

- for income tax uncertainties – whether it is probable that the relevant authority will accept each tax treatment that it used or plans to use in its income tax filing; and
- for non-income tax-related proceedings and uncertainties – whether present obligation exists as a result of past events, the likelihood of an outflow of economic resources, and therefore, whether a provision or a disclosure of contingent liabilities is required.

Significant judgment is also required in measuring the amounts of related liabilities or contingent liabilities, if any.

In forming the above judgements, management seeks support from its in-house and external legal advisers, as considered appropriate.

As the ultimate outcome of the matters is uncertain, and the positions taken by management are based on the application of their best judgement at the reporting date, and also due to magnitude of the amounts involved, we considered the area to be a key audit matter.

including the events that occurred after the reporting date;

- inspecting the registry of open legal cases and minutes of the shareholders', board of directors' and supervisory board's meetings to corroborate the status of material litigations and claims and to satisfy ourselves regarding the completeness of current and potential litigations identified by the Group;
- evaluating the Group's in-house and external lawyers' responses to our audit inquiry letters and making inquiries with selected members of the Board of Directors, accounting personnel and the Group's lawyers as to the nature and status of the proceedings and potential related exposures;
- for a sample of individually significant litigations, claims or disputes, challenging the Group's judgments and assumptions in respect of the liabilities recognized or contingent liabilities disclosed in the financial statements. This involved assessing the probability of an unfavourable outcome and the reliability of estimates of related obligations. In performing the procedure, we considered the evidence obtained from the preceding procedures and also inspected the case files, relevant legislation, contracts and tax reports, as considered relevant;
- in addition, specifically in respect of the uncertainties associated with the tax for electricity producers, as described in Note 11D, we:
 - obtained an understanding of the key terms of the new legislation, and based thereon, as supplemented by inquiries of selected members of the Board of Directors and accounting personnel, challenged the Group's methods, assumptions and data used in the measurement of the tax obligation;
 - inspected the reports issued by the Romanian tax authorities through General Tax Antifraud Division following their controls of the tax for electricity producers;
- assessing the accuracy and completeness of the Group's disclosures in respect of the litigations, claims, tax uncertainties and contingent liabilities in the consolidated financial statements against the requirements of the relevant financial reporting standards.



Emphasis of Matter

We draw attention to Note 2 to the accompanying consolidated financial statements, which describes that the consolidated financial statements have been prepared in connection with the public offering of the Company's shares on the Bucharest Stock Exchange. As described in Note 2, the Group also published consolidated financial statements as at and for each of the years ended 31 December 2022, 2021 and 2020 prepared in accordance with another general purpose framework (Order of Minister of Public Finance no. 2844/2016 and related amendments), which represented its statutory annual financial statements. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements - Public Interest Entities

We were appointed by the General Shareholders' Meeting of the Company on 19 March 2019 to audit the financial statements of the Group for the year ended 31 December 2020 and on 23 December 2021 to audit the financial statements of the Group for the years ended 31 December 2021 and 2022. Our total uninterrupted period of engagement is 5 years, covering the years ended 31 December 2018 to 31 December 2022.

We confirm that:

- Our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which we issued on 21 April 2023. We also remained independent of the audited entity in conducting the audit.
- We have not provided to the Group prohibited non-audit services referred to in article 5(1) of EU Regulation no. 537/2014.

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



Andreea Vasilescu

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

Bucharest, Romania

27 April 2023

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

Auditor financiar: VASILESCU ANDREEA

Registrul Public Electronic: AF2689



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

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

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

Registrul Public Electronic: FA9

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022, 31 DECEMBER 2021 AND 31 DECEMBER 2020
(All amounts are in thousand RON, unless otherwise stated)

	Note	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Assets					
Non-current assets					
Property, plant and equipment.....	20	19,521,363	18,000,990	13,817,527	14,432,015
Intangible assets.....		6,250	7,192	4,598	3,442
Restricted cash.....	16	101,057	—	10,257	10,257
Deferred tax assets.....	15	—	15,081	13,265	—
Investments in corporate bonds.....	17	351,338	—	—	—
Other non-current assets.....	19	218,236	219,920	220,279	216,776
Total non-current assets.....		20,198,244	18,243,183	14,065,926	14,662,490
Current assets					
Inventories.....		72,433	65,305	68,255	48,010
Green certificates.....		—	34,781	—	—
Trade receivables.....	18	1,350,677	663,528	338,037	306,036
Investments in deposits and government bonds.....	17	3,034,745	2,561,467	1,730,071	1,736,855
Cash and cash equivalents.....	16	660,734	1,104,890	354,845	222,976
Restricted cash.....	16	—	10,257	—	—
Other current assets.....	19	115,400	78,293	36,735	25,814
Total current assets.....		5,233,989	4,518,521	2,527,943	2,339,691
Total assets.....		25,432,233	22,761,704	16,593,869	17,002,181
Equity					
Share capital.....	21	5,513,466	5,513,466	5,513,346	5,511,265
Revaluation reserve.....	21	11,021,335	9,612,905	6,094,878	6,458,436
Other reserves.....	21	1,023,188	962,074	780,502	687,947
Retained earnings.....		4,028,861	3,095,072	2,121,586	2,328,113
Total equity.....		21,586,850	19,183,517	14,510,312	14,985,761
Liabilities					
Non-current liabilities					
Bank borrowings.....	22	390,491	483,919	3,395	26,446
Lease liabilities.....		7,567	8,914	14,630	14,530
Deferred income.....	25	181,522	187,170	190,229	195,414
Deferred tax liabilities.....	15	1,315,946	1,017,223	350,386	350,349
Employee benefits.....	14	121,840	122,949	117,137	101,207
Provisions.....	26	817,089	728,638	660,520	599,360
Trade payables.....	23	428	2,506	5,643	13,738
Other payables.....	24	5,765	18,882	30,850	14,096
Total non-current liabilities.....		2,840,648	2,570,201	1,372,790	1,315,140
Current liabilities					
Bank borrowings.....	22	94,001	93,877	28,528	43,561
Lease liabilities.....		7,834	3,592	6,384	5,065
Trade payables.....	23	282,996	171,421	172,746	161,426
Contract liabilities.....	9	84,684	93,331	73,660	31,460
Current tax liabilities.....		171,978	123,394	81,406	181,676
Deferred income.....	25	5,696	5,724	5,528	5,538
Employee benefits.....	14	105,845	94,398	111,378	69,060
Provisions.....	26	121,760	116,531	196,317	183,300
Tax for electricity producers.....	11 D	91,370	133,415	—	—
Other payables.....	24	38,571	172,303	34,820	20,194
Total current liabilities.....		1,004,735	1,007,986	710,767	701,280
Total liabilities.....		3,845,383	3,578,187	2,083,557	2,016,420
Total equity and liabilities.....		25,432,233	22,761,704	16,593,869	17,002,181

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



Bogdan BADEA
President of the Board
of Directors



Marian BRATU
Member of the Board of
Directors



Andrei GERE
Member of the Board of
Directors



Cristian VLADOIANU
Member of the Board of
Directors



Razvan PATALIU
Member of the Board of
Directors



Marian FETITA
Accounting Manager



Gabriela VASILESCU
Head of Financial Reporting and Budgeting

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2022, 31 DECEMBER 2021 AND 31 DECEMBER 2020
(All amounts are in thousand RON, unless otherwise stated)

	Note	2022	2021	2020
Revenue	9	9,451,955	6,489,297	3,841,443
Other income	10	46,249	175,347	68,836
Turbinated water	11 A	(450,963)	(540,145)	(307,077)
Employee benefits expenses.....	14	(630,723)	(589,838)	(490,267)
Transport and distribution of electricity.....	11 C	(498,055)	(110,416)	(72,778)
Electricity purchased	11 B	(697,142)	(90,121)	(15,383)
Green certificates expenses.....		(183,171)	(53,690)	(13,951)
Depreciation and amortization	20	(772,150)	(760,503)	(720,531)
Impairment loss on property, plant and equipment	20	(23,869)	(359,329)	(105,966)
Impairment loss on trade receivables.....	18	(43,461)	(11,348)	(79)
Repair, maintenance, materials and consumables.....		(82,337)	(70,684)	(104,562)
Tax for electricity producers	11 D	(671,739)	(133,417)	—
Other operating expenses	11 E	(236,243)	(189,496)	(205,702)
Operating profit		5,208,351	3,755,657	1,873,983
Finance income.....	12	247,196	73,150	61,995
Finance costs	12	(38,111)	(44,056)	(29,386)
Net finance result.....		209,085	29,094	32,609
Profit before tax.....		5,417,436	3,784,751	1,906,592
Income tax expense	15	(953,436)	(668,602)	(348,580)
Profit for the year		4,464,000	3,116,149	1,558,012
Earnings per share				
Basic and diluted earnings per share (RON).....	13	9.95	6.95	3.48
Other comprehensive income				
Revaluation of property, plant and equipment, net of tax	20	1,777,815	3,856,576	—
Remeasurement of defined benefit liabilities, net of tax .	14	(7,536)	(13,269)	(7,904)
Impairment of property, plant and equipment recognized in revaluation reserve, net of tax		—	—	(24,357)
Other comprehensive income		1,770,279	3,843,307	(32,261)
Total comprehensive income.....		6,234,279	6,959,456	1,525,751

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



Bogdan BADEA
President of the Board
of Directors



Marian BRATU
Member of the Board of
Directors



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Member of the Board of
Directors



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Razvan PATALIU
Member of the Board of
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Marian FETTA
Accounting Manager



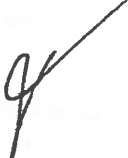






Gabriela VASILESCU
Head of Financial Reporting and Budgeting

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2022, 31 DECEMBER 2021 AND 31 DECEMBER 2020
(All amounts are in thousand RON, unless otherwise specified)

	Note	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2020		5,511,265	6,458,436	687,947	2,328,113	14,985,761
Total comprehensive income for the year						
Profit for the year		—	—	—	1,558,012	1,558,012
Other comprehensive income for the year						
Impairment of property, plant and equipment recognized in revaluation reserve, net of tax.....	20	—	(24,357)	—	—	(24,357)
Remeasurement of defined benefit liabilities, net of tax		—	—	—	(7,904)	(7,904)
Total other comprehensive income for the year		—	(24,357)	—	(7,904)	(32,261)
Total comprehensive income for the year		—	(24,357)	—	1,550,108	1,525,751
Transactions with owners of the Company						
Contributions and distributions						
Dividends		—	—	—	(2,003,281)	(2,003,281)
Issurance of ordinary shares	21	2,081	—	—	—	2,081
Total transactions with owners of the Company		2,081	—	—	(2,003,281)	(2,001,200)
Other changes in shareholders' equity						
Set up of legal reserves		—	—	92,555	(92,555)	—
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment.....	21	—	(339,201)	—	339,201	—
Balance at 31 of December 2020		5,513,346	6,094,878	780,502	2,121,586	14,510,312
Balance at 1 January 2021		5,513,346	6,094,878	780,502	2,121,586	14,510,312
Total comprehensive income for the year						
Profit of the year.....		—	—	—	3,116,149	3,116,149
Other comprehensive income for the year						
Revaluation of property, plant and equipment, net of tax.....	20, 21	—	3,856,576	—	—	3,856,576
Remeasurement of defined benefit liabilities, net of tax	14	—	—	—	(13,269)	(13,269)
Total other comprehensive income for the year		—	3,856,576	—	(13,269)	3,843,307
Total comprehensive income for the year		—	3,856,576	—	3,102,880	6,959,456
Transactions with owners of the Company						
Contributions and distributions						
Dividends	21	—	—	—	(2,286,371)	(2,286,371)
Issue of ordinary shares.....	21	120	—	—	—	120
Total transactions with owners of the Company		120	—	—	(2,286,371)	(2,286,251)
Other changes in shareholders' equity						
Set up of legal reserves		—	—	181,572	(181,572)	—
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment.....	21	—	(338,549)	—	338,549	—
Balance at 31 December 2021		5,513,466	9,612,905	962,074	3,095,072	19,183,517

	Note	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2022		5,513,466	9,612,905	962,074	3,095,072	19,183,517
Total comprehensive income for the year						
Profit of the year.....		—	—	—	4,464,000	4,464,000
Other comprehensive income for the year						
Revaluation of property, plant and equipment, net of tax.....	20,21	—	1,777,815	—	—	1,777,815
Remeasurement of defined benefit liabilities, net of tax	14	—	—	—	(7,536)	(7,536)
Total other comprehensive income for the year		—	1,777,815	—	(7,536)	1,770,279
Total comprehensive income for the year		—	1,777,815	—	4,456,464	6,234,279
Transactions with owners of the Company						
Contributions and distributions						
Dividends	21	—	—	—	(3,830,946)	(3,830,946)
Total transactions with owners of the Company		—	—	—	(3,830,946)	(3,830,946)
Other changes in shareholders' equity						
Set up of legal reserves		—	—	61,114	(61,114)	—
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment.....	21	—	(369,385)	—	369,385	—
Balance at 31 December 2022		5,513,466	11,021,335	1,023,188	4,028,861	21,586,850

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

				
Bogdan BADEA President of the Board of Directors	Marian BRATU Member of the Board of Directors	Andrei GERE Member of the Board of Directors	Cristian VLADOIANU Member of the Board of Directors	Razvan PATALI Member of the Board of Directors
				
Marian FETTITA Accounting Manager	Gabriela VASILESCU Head of Financial Reporting and Budgeting			

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2022, 31 DECEMBER 2021 AND 31 DECEMBER 2020
(All amounts are in thousand RON, unless otherwise stated)

	Note	2022	2021	2020
Cash flow from operating activities:				
Profit for the year		4,464,000	3,116,149	1,558,012
<i>Adjustments for:</i>				
Depreciation	20	769,968	758,138	719,297
Amortisation		2,182	2,365	1,234
Impairment loss on property, plant and equipment, net	20	23,869	359,329	105,966
Impairment loss on trade receivables, net	18	43,461	11,348	79
Write-down of inventories		638	5,053	751
Gain from bargain purchase of subsidiaries	28	—	(31,530)	(26,274)
Loss on disposal of property, plant and equipment	11 E	2,051	3,605	6,505
Net foreign exchange loss	12	574	8,792	1,836
Interest income	12	(243,708)	(72,066)	(61,987)
Interest expense	12	10,637	15,893	10,998
Income tax expense	15	953,436	668,602	348,580
		6,027,108	4,845,678	2,664,997
<i>Changes in:</i>				
Trade receivables		(730,610)	(332,316)	(9,644)
Inventories		(7,766)	(2,045)	(3,785)
Restricted cash		(90,800)	—	—
Other assets		14,348	(14,129)	(18,565)
Trade payables		91,041	30,400	(12,729)
Deferred income		(5,676)	(2,863)	(5,491)
Employee benefits		(4,830)	(27,143)	13,206
Provisions		88,383	(37,158)	69,642
Other payables		(214,973)	264,579	33,830
		5,166,225	4,725,003	2,731,461
<i>Cash generated from operating activities</i>				
Interest paid		(2,658)	(1,631)	(1,496)
Income tax paid		(928,247)	(675,889)	(453,295)
		4,235,320	4,047,483	2,276,670
Cash flow from investing activities:				
Payments for acquisition of property, plant and equipment		(169,005)	(176,805)	(167,319)
Payments for acquisition of intangible assets		(1,240)	(2,385)	(2,390)
Proceeds from the sale of property, plant and equipment		203	—	494
Payments for acquisition of corporate bonds		(351,265)	—	—
Payments for deposits held for investment purposes		(8,575,000)	(5,013,000)	(3,210,000)
Proceeds from deposits held for investment purposes		7,898,000	4,430,000	3,215,000
Payments for acquisition of government bonds		—	(235,410)	—
Proceeds from maturity of government bonds		235,410	—	—
Interest received		212,038	53,917	63,771
Payments for acquisition of subsidiaries, net of cash acquired	28	—	(598,255)	9,426
		(750,859)	(1,541,938)	(91,018)
Net cash flow used in investing activity				
Cash flow from financing activities:				
Proceeds from issue of shares	21	—	24	415
Proceeds from borrowings	22	—	635,219	—
Repayment of borrowings	22	(93,307)	(97,580)	(44,303)
Lease payments	22	(4,364)	(6,792)	(6,614)
Dividends paid	21	(3,830,946)	(2,286,371)	(2,003,281)
		(3,928,617)	(1,755,500)	(2,053,783)
Net cash used in financing activities				
Net increase/(decrease) in cash and cash equivalents		(444,156)	750,045	131,869
Cash and cash equivalents at 1 January	16	1,104,890	354,845	222,976
Cash and cash equivalents at 31 December	16	660,734	1,104,890	354,845

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



Bogdan BADEA
President of the Board
of Directors



Marian BRATU
Member of the Board of
Directors



Andrei GERA
Member of the Board of
Directors



Cristian VLADOIANU
Member of the Board of
Directors



Razvan PATALIU
Member of the Board of
Directors



Marian FETITA
Accounting Manager



Gabriela VASILESCU
Head of Financial Reporting and Budgeting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2022, 2021 AND 2020
(All amounts are in thousand RON, unless otherwise stated)

1. REPORTING ENTITY AND GENERAL INFORMATION

(a) General information about the Group

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

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

The Company’s shareholders are the Romanian State represented by the Ministry of Energy with a shareholding of 80.06% and Fondul Proprietatea, with a shareholding of 19.94% of the shares.

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

Initial public offering (“IPO”)

According to Shareholders’ Decision dated 31 March 2022 the initial public offering of the Company was approved. Up to 19.94% of the shares will be offered for sale (shares owned by Fondul Proprietatea, the minority shareholder) to both individual and institutional investors on the Romanian market, as well as to qualified investors on the US market. The IPO process is currently planned for year the 2023.

List of subsidiaries

As of 31 December 2022, 31 December 2021 and 31 December 2020 Hidroelectrica has the following subsidiaries:

Subsidiary	Activity	Registered Office	% participation at 31 December 2022	% participation at 31 December 2021	% participation at 31 December 2020
Hidroserv S.A. (company in insolvency)	Services (maintenance, repairs, construction)	Bucharest, Romania	100%	100%	100%
Crucea Wind Farm S.A.	Wind power generation	Constanta, Romania	—	100%	—
Hidroelectrica Wind Services S.R.L.	Engineering and technical consulting services	Constanta, Romania	—	100%	—

At 31 December 2022, Crucea Wind Farm S.A. and Hidroelectrica Wind Services S.R.L. were legally merged into Hidroelectrica. All amounts are recorded at previous carrying amount in the consolidated financial statements and therefore the merger had no impact on the consolidated financial statements as at 31 December 2022.

Hidroserv S.A. entered the insolvency proceedings in October 2016. Hidroelectrica SA lost control of Hidroserv SA in February 2018 as a result of a decision made by the insolvency judge to remove the governing right of the Company and to assign it to a legal administrator. In 2020, a reorganization plan of the subsidiary was approved by the Assembly of Creditors. According to the law the plan was confirmed by the insolvency judge. Following the confirmation of the reorganization plan by the insolvency judge, the special administrator of Hidroserv S.A. has been appointed by Hidroelectrica S.A. in the ordinary general shareholders meeting on 8 September 2020, consequently the Company regained control over the subsidiary.

On 23 December 2020 the Company concluded a share purchase agreement with STEAG GmbH for the acquisition of 100% of Crucea Wind Farm S.A. and Hidroelectrica Wind Services S.R.L. (formerly STEAG Energie Romania S.R.L.). The Company obtained the control of these entities in March 2021.

The main business of Crucea Wind Farm S.A. is wind power generation. Crucea wind farm, located in Crucea, Constanta County, started operations on 1 October 2014 and has an installed capacity of 108 MW, consisting of 36 Vestas turbines of 3 MW.

Hidroelectrica Wind Services S.R.L. is an operation, maintenance (O&M) and management company that provides services exclusively to Crucea Wind Farm S.A.

Information about business combinations is presented in Note 28.

(b) Regulatory environment

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

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

(c) Main operations of the Group

Electricity generation and system services

The Group generates electricity by operating 187 hydropower plants and micro-hydropower plants (the main generation capacity being Portile de Fier I, which represents approximately 30% 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).

In accordance with Government decisions, between 1 January 2020 and 31 December 2020 the Group delivered 3.1 TWh of electricity to suppliers of last resort at a regulated wholesale price of 108.15 RON/MWh, representing approximately 21% of the total electricity produced by the Group during that year. There were no wholesale price regulations between 1 January 2021 and 31 December 2022.

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 October 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.

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 transmission and distribution costs (see accounting policy 6 c)), 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:

- Compensation by the State of part of the electricity bill for household consumers until 31 March 2022 – this mechanism had no impact on the Group’s financial performance in 2021 and 2022;
- 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 2022 was a reduction of revenue due to capped prices by RON 551 million and recovery through subsidy from the State estimated at RON 23 million, subsidy which will be recorded by the Group after issuing the invoices to final consumers (2021: reduction of revenue nil, subsidy nil).

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.

The Group receives 0.34 green certificates for each MWh generated by the eligible micro-hydropower plants (8 in 2022; 14 in 2021, 17 in 2020) and 0.75 green certificates for each MWh generated by the wind farm. At the end of 2022, 7 micro-hydropower plants and the wind farm remained in the support scheme.

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, 2021 and 2020 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 quota for 2022 is 0.5014313 green certificate per Mwh (2021: 0.4505 green certificate per Mwh and 2020: 0.45074 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU"). These are the Group's first consolidated financial statements prepared in accordance with IFRS-EU and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

The Group presents three years of IFRS-EU financial statements for the purposes of inclusion in the Prospectus prepared for the initial public offering.

The Group's transition date to IFRS-EU was elected 1 January 2020. An explanation of how the transition to IFRS-EU has affected the reported financial position, financial performance and cash flows of the Group is provided in Note 32. The Group did previously prepare financial statements under IFRS, but ceased to prepare them in 2018. At transition the Group did not apply any exemption provided by IFRS 1.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on 24.04.2023

The Company also issues an original version of these consolidated financial statements prepared in accordance with IFRS-EU in Romanian language that will be used for filing with Romanian Financial Supervisory Authority for the IPO purposes.

These consolidated financial statements have been prepared on a going concern basis. Details of the Group's accounting policies are included in Note 6.

The Group also published consolidated financial statements as at and for the years ended 31 December 2022, 2021 and 2020 prepared in accordance with Order of Minister of Public Finance no. 2844/2016 and subsequent amendments.

3. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Romanian Lei (RON), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is presented below:

a1) Concession agreement

In November 1998 Law no. 213/1998 was issued regulating the statute of the public domain. This law provides that the ownership right over the public domain assets belongs to the State or local authorities, which can lease the assets that are in public property. In accordance with the provisions of Law no. 213/1998 and Law no. 219/1998, the Ministry of Economy and Commerce (currently the Ministry of Energy) has leased to the Company the hydropower facilities (dams, piers, locks, water storage reservoirs) and the land on which they are located. Thus, in December 2004, the concession contract no. 171/27.12.2004 was concluded between the Ministry of Economy and Commerce (currently the Ministry of Energy) (grantor) and Company (operator) for the hydropower assets in the public patrimony existing as at 31 December 2003.

The main terms of the concession contract and its subsequent amendments are the following:

- The State, through the Ministry of Economy and Commerce (currently the Ministry of Energy), holds the ownership right over the public assets that are the subject matter of the contract;
- The Company has the right to use these assets for a period of 49 years from the signoff date (the period may be extended in accordance with the provisions of the concessions law, by half of the original period, by mutual agreement of the parties), for the purpose of operation, refurbishment, modernization, rehabilitation, as well as construction of new hydro-power facilities according to the investment programs;
- The Company pays an annual royalty of 1/1000 of the annual revenues from power generation and system services;
- Upon termination of the contract, certain assets that were used by the operator in carrying out the concession will be returned to the grantor, as explained below;
- The Company has the obligation to use the assets in accordance with the provisions of the concession contract and the operating license.

The concession contract provides for the following types of assets:

- Assets to be returned – assets of public domain that belong to the grantor and that are returned to the grantor in full right, free of charge and free of any encumbrances, upon termination of the concession contract. Assets to be returned are assets of public domain such as dams, piers, locks, that are subject to the concession/lease, as well as those resulting from investments/improvements to these assets made by the Company during the concession contract period. The Company depreciates these assets over the lower of the concession contract remaining period and the useful life of those assets.
- Takeover assets – assets that belong to the operator and are used by the operator during the concession period and which are similar in nature to assets of public domain above (land improvements and constructions, technical installations and machinery), over which, upon termination of the concession contract, the grantor has an option to take over those assets in exchange for a payment equal to the “present book value” on the takeover date. In Company's interpretation, the

“present book value” is the net book value at the date of the takeover, and given that the Company uses the revaluation model, this value will be the revalued amount at that date. These assets are depreciated over their estimated useful life.

- Own assets – assets that, upon termination of the concession contract, remain the property of the operator. Own assets are assets (constructions, technological installations, machinery and equipment, measuring and control devices; vehicles; furniture, office equipment, protective equipment and other tangible assets) that belong to the operator and are used by the operator during the concession period, except for the takeover assets. These assets are depreciated over their estimated useful life.

In assessing the application of IFRIC 12 “Service concession arrangements”, the Group considered the following criteria of the public-private service concession arrangements in the analysis of the concession contract:

- a) The grantor controls or regulates what services the operator must provide within the infrastructure, to whom it must provide them and at what price; and
- b) The grantor controls – by ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group concluded that it is not within the scope of IFRIC 12 because it does not meet criterium a) above, the grantor does not regulate to whom the operator must provide the service and at what price. The Group considered that the price fixing mechanism introduced by the Government starting 1 January 2023 does not affect this conclusion as this mechanism is temporary and applied only to part of the production.

The Group recognises the royalty of the concession contract in Other operating expenses.

a2) Leasing and refurbishing of assets to be returned

In assessing the application of IFRS 16 “Leases” to the concession contract presented above, the Group considered the following criteria to determine whether this contract contains a lease:

- a) the lessee has the right to obtain in essence all the economic benefits using the identified asset;
- b) the lessee has the right to direct the use of the identified asset.

The Group concluded that both criteria are met and, consequently, the concession contract contains a lease as the Ministry of Energy transferred the right to control the use of the assets of the public domain (assets to be returned) to the Group in exchange for a royalty. According to IFRS 16, the Group measured the carrying amount of the right-of-use asset and the amount of lease liability related to this contract as nil, because the future lease payments are variable and depending on Company’s revenue, the royalty being calculated as a percentage of revenues.

In respect of refurbishments made to the assets to be returned, the Group concluded that they are improvements of a leased asset for which the Group is the “accounting owner”, in the sense that these improvements serve the Group’s interest, as lessee, to use the leased assets. Consequently, the Group recognized improvements of assets to be returned as property, plant and equipment. The Group depreciates these assets over the lower of the concession contract remaining period and the useful life of those assets.

The Group believes that the following facts indicate that the Group is the “accounting owner” of improvements made:

- a) The Ministry of Energy, as a lessor, does not reimburse the Company, as lessee, for the cost of the improvements made. Consequently, the improvements are fully funded from the Group’s sources, and the Group is responsible to incur the costs;
- b) The Group has no obligation to make improvements of the assets to be returned. The decisions regarding refurbishment of the assets to be returned are made by the Group depending on its needs to use these assets and are unique to the Group’s intended use of the leased assets;
- c) The Group is permitted to alter the leasehold improvements without the consent of the lessor or without compensating the lessor;
- d) Improvements are made on the risk and responsibility of the Group (the Group bears the risk of overruns) and are not available to the grantor until the termination of the concession contract.

a3) Cash-generating units (“CGU”)

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets.

The Group concluded that the assets relating to hydro-power plants except for the ones mentioned below represent a single cash-generating unit, mainly based on the following considerations:

- the Company has a single hydro-power generation license which covers all power plants as a whole;
- the license stipulates the Company’s obligation to maintain the availability of its production capacities as a whole;
- the decision to produce electricity in a hydro-power plant is made based on the technical operating conditions of the other hydro-power plants;
- the balancing of the electricity contracted and produced is made at the Company’s level and not at individual plants;
- the contracts are concluded based on the total estimated electricity to be produced in a specific period in all of the Company’s hydro-power plants, and the price is set for the entire production.

Also, the Group concluded that the wind park is a separate single CGU and that each investment objective related to hydro-power assets with complex/multiple functions represent separate cash-generating units.

a4) Decommissioning obligations

Order of the Ministry of Water and Environment no. 119 of 11 February 2002 on approval of the Procedure of passage into conservation, post-utilisation or abandonment of dams provides the procedures for post-utilisation and abandonment of dams (including levees, hydro-power plants and locks) that must be carried out by the holders of dams under certain conditions provided by law. The Company has no legal or contractual obligations to disassemble and restore the site, other than those arising from Order no. 119, which are presented in the paragraphs below.

Dam holders are defined by GEO no. 244 of 28 November 2000 (republished) on the safety of the dams as legal persons of any title, who have in their possession, ownership and/or administration a dam.

Post-utilisation refers to the dams that have reached their normal operating life span and can be used for purposes other than those for which they were originally constructed for. Post-utilisation requires the implementation of a set of measures and works that will ensure the new functionality of the dam to protect the population and the environment in safe conditions. The necessary measures and works are carried out through the care of both the holder or administrator of the dam, and the post-user.

The post-utilisation of the dams is proposed by the holders of the dams and is approved by order of the minister that exercises control, coordination or authority over the entity that holds the dam, based on the endorsement of the Ministry of Water and Environment.

After the performance of the works required by the post-utilisation project, the hand over reception protocol between the former holder and the post-user is performed.

Abandonment refers to completed or unfinished dams, with or without the normal life span exceeded, which can no longer be kept in operation or post-utilisation due to technical impossibility or very high costs and which, at the same time, represent a potential danger for the population and the environment. Abandonment requires the implementation of a set of measures and works for the decommissioning of the dam, the ecological reconstruction of the area and enabling adequate liquid and solid flows, including the maximum water flow in the dammed section. The necessary measures and works are carried out with the care of the holder or the administrator of the dam and must ensure the flow conditions existing prior to the construction of the dam.

The triggering events of dam abandonment operations include:

- the request of the holders of the dams, when they find that the necessary performance requirements according to the law cannot be met, the dams presenting an unacceptable associated risk;
- the disposition of the control bodies, following expertises that show that the dams present an unacceptable associated risk, constituting a real danger for the population and the environment;

- accidents, when the conclusions of the expert report specifically indicate the abandonment due to the very high cost of the necessary repairs, as well as not meeting the performance requirements and the safety criteria, etc.

The reception of the decommissioning and ecological reconstruction works is carried out by representatives of the holder of the dam and of the central or local public administration, who take over the respective area, by concluding a handover protocol.

The Romanian State, represented by the Ministry of Economy and Commerce, currently the Ministry of Energy, holds the ownership right over the hydropower developments (dams, levees, locks, storage lakes) and the land on which they are located that belong to the public domain and which are the subject of the concession contract mentioned above. The Group has the right to use these assets for a period of 49 years (remaining 31 years as of 31 December 2022).

According to the concession contract, the Group has the right during the contract to abandon or deactivate assets that are part of the public domain with the consent of the grantor.

The Group considers that, in accordance with the applicable legal provisions and practices, abandonment occurs in extreme situations, when the dams become an unacceptable risk impacting the environment and the population. Given that these constructions have complex functions in addition to power generation, including flood protection, water supply, irrigation etc., post-utilisation is the usual way in which these constructions will be transferred to central or local public administration, after they can no longer be used for power generation purposes.

The necessary works for post-utilisation are established by technical documentation prepared on the basis of an assessment of the safety status of the dam at that time, carried out by experts certified by the ministries and certified/endorsed by the Ministry of Water and Environment.

Moreover, the abandonment works are carried out on the basis of a special documentation prepared with the water authority approval, the environmental protection agreement, and the endorsement of the local and central public administration. These documentations and endorsements will establish the activities necessary for abandonment.

The works and costs of transition into post-utilisation or abandonment are subject to significant uncertainties caused by the fact that the rate of degradation and the life span of a dam vary significantly from one case to another (some could reach more than 100 years), as well as by the complexity and variety of works that may be necessary for transition into post-use or abandonment, depending on the specific factual status of each dam at the time of entering post-utilisation or abandonment, on the cost sharing between the holder and the post-user, as well as by the very remote time period from present to the moment when the abandonment works would be performed, if any. Also, there are significant uncertainties related to the evolution of the degree of degradation and to the determination of the actual life span of a dam, which are dependent on natural disasters (floods, landslides, earthquakes, etc.) and on the reliability of the construction.

In addition, the Group estimates that, by the end of the concession contract (the remaining period of 31 years as of 31 December 2022), the occurrence of situations requiring post-utilisation or abandonment of public domain assets or its own assets – levees, hydro-power plants and locks (other than those in progress assets described in Note 20) is unlikely, considering the long life of the dams, which can be significantly extended over 100 years by maintenance and improvements.

Consequently, the Group recognizes decommissioning provisions only when management has taken the decision to abandon an asset or switch to post-utilisation or has no realistic alternative but to do so during the concession period. The provisions are recognized based on the costs resulting from the technical documentation prepared by specialists employed by the Group.

a5) Electricity sale-purchase contracts

Under IFRS 9 “Financial Instruments”, a contract to buy or sell a non-financial item (including electricity) may be classified and recognized as a financial instrument. According to paragraphs 2.4 and 2.6 of IFRS 9, if the contracts to buy or sell non-financial items can be settled net in cash or in another financial instrument, or by exchanging financial instruments, including if the underlying commodity is readily convertible into cash, they are in the scope of IFRS 9. The standard provides an exemption from applying IFRS 9 for the contracts that are entered into and continue to be held for the purpose of the receipt or delivery a non-financial item in accordance with the entity’s expected purchase, sale or usage requirements (“own-use exemption”).

The electricity is a commodity readily convertible into cash and therefore management has conducted an analysis in order to determine if own use exemption applies to its contracts.

The main considerations are:

- the Group is an electricity producer and its only intention and purpose is to sell all the electricity produced;
- the forward sell contracts are concluded with the sole intention of delivering the electricity produced; the Group does not act as an electricity broker/dealer;
- the buy-sell transactions on the spot markets (day-ahead, intra-day and balancing markets) are entered into only for meeting the Group's own balancing necessity and responsibility;
- in 2020 the Group started to be active in the electricity supply sector (selling electricity to end users), acting also as a service provider (including customer service); and
- the Group has used limited forward purchase electricity contracts and their purpose was to cover the needs for the contractual commitments for deliveries to final end consumers.

The Group concluded that own use exemption applies in all its electricity sale and purchase contracts in 2022, 2021 and 2020 and therefore are not in scope of IFRS 9.

a6) 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.

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, transaction fees, such as market administration fees and trading fees. Electricity production costs are not included in the monthly expenses.

The Group analysed the nature of the tax in order to assess whether it falls under IAS 12 *Income tax* or IFRIC 21 *Levies*, main considerations being:

- the tax is revenue driven, as the main cost incurred by the producers, electricity production cost, is not considered in the net monthly revenue taxed;
- the costs deducted in the calculation (cost of electricity purchased and transaction fees) are marginal to revenue, as the Group has limited acquisitions of electricity as part of the electricity generation activity, and those are only for the purpose of balancing the production to the contractual commitments for sale of electricity on the wholesale market;
- the threshold of RON 450 per MWh for tax computation is not linked to producers' costs, but rather reflects a sales price cap.

The Group concluded that the tax for electricity producers is a levy falling under the provisions of IFRIC 21 *Levies*, and not income tax.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- Note 20 – assumptions related to the revaluation of property, plant and equipment;
- Note 20 – assumptions related to determination of recoverable amount of assets under construction;
- Note 6 h) and i) – estimates of useful lives of property, plant and equipment and intangible assets;
- Note 11 D – estimates in relation to electricity transfer price between production and supply activity used in calculation of tax for electricity producers;
- Notes 26 and 30 – recognition and measurement of provisions and contingent liabilities;
- Notes 6 l), 18 and 27 b) – determination of expected credit losses for trade receivables;

- Note 14 – assessment of obligations resulting from defined benefit plans and other long-term employee benefits: the main actuarial assumptions;
- Note 26 – estimates related to decommissioning provisions.

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 following notes:

- Note 20: property, plant and equipment;
- Note 27: financial instruments; and
- Note 28: acquisition of subsidiaries.

5. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis except for land, buildings, equipment and other items of property, plant and equipment, which are measured using revaluation model.

6. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements and in preparing the opening statement of financial position at 1 January 2020 for the purposes of transition to the accounting policies in accordance with IFRS-EU.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see 6 (a) (ii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling interests (“NCI”)

NCI are measured initially at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains or losses (except for foreign currency transactions gains or losses), are eliminated.

(b) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

(c) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

	Nature and satisfaction of contractual obligations	Revenue recognition
Wholesale of electricity	The Group sells the majority of electricity produced on forward contracts with electricity suppliers and traders, on the spot market (day-ahead market) to the market operator (OPCOM) and on the balancing market to the system operator (Transelectrica).	Revenue is recognized over time, because the customer simultaneously receives the benefits provided by the performance of the Group as the Group delivers electricity; generation and use of electricity are simultaneous because electricity is not stored.

	Nature and satisfaction of contractual obligations	Revenue recognition
	<p>Invoices are issued at the end of the month or at the beginning of the following month for the electricity delivered in the current month.</p> <p>The payment term is 30 days from invoice date.</p>	<p>Advance payments collected from customers for future electricity sales are recognized as contract liabilities.</p>
Electricity supply to end users (retail sales of electricity)	<p>The performance obligation is represented by delivery of electricity to the customer's location, which includes transmission and distribution, performed via third party assets.</p> <p>Customers obtain control of electricity as electricity is consumed. Revenue is recognized based on the volumes communicated to the Group by the distribution operators, which are based on automated or manual meter readings performed by the distribution operators, self-readings reported by the consumers, or based on estimates of electricity delivered for which readings were not yet performed for the interval between the date of last reading and the end of period.</p> <p>Invoices are usually issued on a monthly basis, in the month following consumption. However, in 2022, the Group incurred significant delays in invoicing final consumers, due to the implementation of a new billing system for supply activity and due to a significant increase in the number of new customers.</p> <p>The payment term is 45 days from invoice date.</p>	<p>Revenue is recognized over time, because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group delivers electricity.</p> <p>Electricity supply revenue include transmission and distribution tariffs, which are invoiced by the Group to end users. The transmission and distribution services are provided by the transmission operator and the distribution operators, and the related costs are billed by the transmission operator and the distribution operators to the Group.</p> <p>The Group assessed whether it is a principal or an agent in relation to transmission and distribution services passed through to the customer and it concluded that it acts as a principal. The considerations supporting this conclusion include: the Group has a single performance obligation, i.e. delivery of electricity to end user location, which includes transmission and distribution; electricity consumption happens instantaneously as the electricity is generated at the Group's plants and delivered through the transmission and distribution grids to the end user's location.</p>
System services	<p>System services consist of Group making available an agreed generation capacity to the system operator, Transelectrica, for a certain period of time. This capacity is used by Transelectrica in the process of balancing the electricity system.</p> <p>Invoices for system services are issued on a monthly basis, at the beginning of each month for the services provided in the previous month.</p> <p>The payment term is 30 days from invoice date.</p>	<p>As the Group makes available generation capacity measured in MWh and not specific assets, the Group concluded that the contract does not contain a lease and therefore is in scope of IFRS 15.</p> <p>Revenue is recognized over time, because the customer simultaneously receives and consumes the benefits provided by the Groups's performance as the services are performed.</p> <p>The fee received for system services depends on the hourly capacities made available (ie number of hours for which the capacity multiplied by the capacity) and the hourly tariffs.</p> <p>Both the hourly capacities and the hourly tariffs are established based on the results of daily auctions (for 2021 and</p>

Nature and satisfaction of contractual obligations

Revenue recognition

		2020: monthly auctions) organized by the system operator. If, during the interval the capacity is made available, the system operator orders the Group to produce electricity using the capacity made available, the electricity produced is sold on the balancing market at the price established on the respective market (see <i>Wholesale of electricity</i> section above).
Sales of green certificates	The Group sells on the spot market part of the green certificates granted through the support scheme to its wind farm for its green production. The customer obtains control of green certificates when the transaction is registered by the market operator in its electronic registry. The invoices are issued on transaction date. The payment term is 30 days from invoice date.	Revenue is recognised at a point in time, i.e. when the control over green certificates is transferred.

(d) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount. There are no plan assets.

The defined benefit plans include cash benefits on retirement and benefits in kind consisting of free electricity granted to employees after retirement.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income ("OCI"). The Group determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that the employees have earned in return for their service in the current period and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

Other long term employee benefits include cash benefits paid to employees at the moment when they achieve certain seniority milestones.

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(e) Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes finance result and income taxes.

(f) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) recognised on financial assets (other than trade receivables);
- unwinding of non-current provisions.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(g) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences that occur on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are initially recognised at cost, which includes capitalized borrowing costs.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

After initial recognition:

- land, buildings, equipment and other items of property, plant and equipment are measured at revalued amount; and
- assets in progress are measured at cost less any accumulated impairment losses.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, the accumulated depreciation is eliminated from the gross book value, and the net amount is adjusted to the revalued amount of the asset.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised and accumulated in equity under revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same amount of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognized in equity in revaluation reserve if there is any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated using the straight-line method over the assets estimated useful lives, and is recognized in profit or loss. Land and assets under construction are not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Category	Useful life (years)
Buildings and special installations	65-97
Buildings and special installations representing assets to be returned, according to the concession contract (see Note 4 a1)).....	The lesser of useful economic life and remaining period of the concession contract
Technological equipment.....	25-47
Measurement and control devices	15-23
Vehicles	16-24
Fixture and fittings.....	12

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

(i) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets include mainly software and licenses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

The estimated useful lives of software and licenses for current and comparative periods are 3-5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Green certificates

The Group recognizes the green certificates granted under the support scheme for renewable energy generators at cost (which is 0) at the time of obtaining the right to receive the grant (when electricity is generated).

The Group recognizes the green certificates purchased at cost.

The Group, as an electricity supplier, is required by law to purchase a number of green certificates (see Note 1 c)), whose cost is subsequently charged to the end users based on the quantities of electricity consumed. In order to meet the legal annual purchase obligation (annual target or quota), the Group uses both green certificates granted under the support scheme and green certificates purchased.

Green certificates purchased to meet the purchase obligation (quota) are recognized in profit or loss when acquired. Green certificates purchased in excess of the mandatory quota at the end of the reporting period are recognized in the consolidated statement of financial position. If the mandatory quota is not met at the end of the reporting period, then the Group recognized a liability in the consolidated statement of financial position.

The cost of green certificates recharged to end users is recognized in profit or loss as part of Revenue from contracts with customers.

(k) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents include cash balances, demand deposits and deposits with maturity of up to three months from the date of origination that have an insignificant exposure to the risk of change in fair value, and are used by the Group to manage short-term commitments.

A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified into one of three business models: held to collect, held to collect and sell or other.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is classified as held to collect and measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets of the Group are classified as held to collect.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortized cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains or losses

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains or losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(l) Impairment

(i) Non-derivative financial assets

The Group recognizes a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessments, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs, according to the judgement described in Note 4 a3).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss, except for the property, plant and equipment measured at revalued amount, in which case the impairment loss is recognized in other comprehensive income and decreases the revaluation reserve within equity to the extent that it reverses a previous revaluation surplus related to the same asset.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

A reversal of an impairment loss other than on revalued assets is recognized in profit or loss. A reversal of an impairment loss on a revalued asset is recognized in profit or loss to the extent that it reverses an impairment loss on the same asset that was previously recognized as an expense in profit or loss.

(m) Share capital

The Group recognized changes in share capital in accordance with the applicable legislation and after approval of the General Meeting of Shareholders and registration in the Trade Register.

Until 31 December 2003, the statutory share capital in nominal terms was restated according to IAS 29 "*Financial Reporting in Hyperinflationary Economies*" with a corresponding adjustment to retained earnings.

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 (see 6 (g)).

(n) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognized as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a current, legal or constructive obligation, which can be reliably estimated and it is likely that an outflow of resources incorporating economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Decommissioning

A decommissioning provision in respect of abandoned or switched to post-utilization hydro-power assets, and the related expenses are recognized when management has taken the decision to abandon an asset or switch an asset to post-utilisation or the Group has not a realistic alternative except to abandon or move to post-utilization an asset before the end of the concession period (see Note 4 (a4)).

Subsequent to initial measurement, the obligation is measured at the end of each reporting period to reflect the time value of money and any changes in the estimated future cash flows underlying the obligation. The increase in the provision due to time value of money is recognized as finance costs, while the changes in estimated future cash flow is recognized as operating expense.

The Group recognizes a decommissioning provision against property, plant and equipment in respect of decommissioning of the wind turbines. The obligation is measured at the end of each reporting period to reflect the time value of money and any changes in the estimated future cash flows underlying the obligation. The change in the provision due to time value of money is recognized as finance costs, while the changes in estimated future cash flow is recognized against property, plant and equipment.

(p) Contingent assets and liabilities

A contingent liability is:

- a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- b) a present obligation that arose from past events but is not recognized because:
 - i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognized in the financial statements, unless it is virtually certain. Contingent assets are only disclosed when an inflow of economic benefits is considered probable.

(q) Tax uncertainties

The Group applies IFRIC 23 *Uncertainties over income tax treatment* to account for uncertainties related to income tax.

An 'uncertain tax treatment' is an income tax treatment for which there is uncertainty over whether the relevant tax authority will accept it under tax law. Whether an uncertain tax treatment is present depends both on the specific position taken by the Group and on the applicable tax law. Therefore, uncertain tax treatments often occur when the applicable tax law is unclear or is not consistently understood.

If there is uncertainty about an income tax treatment, then the Group considers whether it is probable (more likely than not) that a tax authority will accept the Group's tax treatment included or planned to be included in its tax filing.

The Group reflects uncertainty about a tax treatment in measuring its current and deferred taxes as follows.

Tax authority is likely to accept the Group's tax treatment: If the Group concludes that it is probable that the tax authority will accept its tax treatment, then it measures current and deferred taxes consistently with the tax treatment used or planned to be used in its income tax filing.

Tax authority is unlikely to accept the Group's tax treatment: If the Group concludes that it is not probable that the tax authority will accept its tax treatment, then it reflects the effect of that tax uncertainty in determining the related taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates. To do so, the Group uses either the most likely amount or the expected value method – whichever better predicts the resolution of the uncertainty.

Uncertainties related to taxes that are not income taxes (e.g. value added tax or taxes in scope of IFRSC 21 *Levies*) are recognized and measured in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*, unless they are dealt with specifically in another standard (e.g. IAS 19 *Employee Benefits* for social security taxes).

Uncertainties surrounding the amount to be recognized as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. The name for this statistical method of estimation is 'expected value'. The provision will therefore be different depending on whether the probability of a loss of a given amount is. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.

Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the liability. However, even in such a case, the Group considers other possible outcomes. Where other possible outcomes are either mostly higher or mostly lower than the most likely outcome, the best estimate will be a higher or lower amount.

(r) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if this rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group

changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in Property, plant and equipment in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases of low-value assets (less than USD 5,000 equivalent). The Group recognises the lease payments associated with these leases as an expenses on a straight-line basis over the lease term.

(s) Government grants

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants related to the acquisition of assets are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

For green certificates grants refer to Note 6 (j).

(t) Subsequent events

Events occurring after the reporting dates until the date these financial statements were authorized for issue, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in these financial statements. Events occurring after the reporting dates until the date these financial statements were authorized for issue, which provide information on events that occurred after the reporting dates (non-adjusting events), when material, are disclosed in the notes to the financial statements.

(u) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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 (see Note 4 (b)).

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

7. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

(i) Standards and interpretations endorsed by the EU

– *Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment of retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The amendments are effective from 1 January 2023 but may be applied earlier. The Group did not early adopt the amendments. The amendments would not have a significant impact on the financial statements.

– *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Making Materiality Judgements*

The key amendments to IAS include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023 but may be applied earlier.

The Group expects that the adoption of the amendments will not have a significant impact on the Group's disclosures.

– *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments introduce a definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which a company applies the amendments.

The Group expects that the adoption of the amendments will not have a significant impact on the Group's financial statements.

– IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 – effective for periods beginning on or after 1 January 2023 – The Group expects that the amendments will not have a significant impact on the Group's financial statements.

– *Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information* – effective for periods beginning on or after 1 January 2023 – The Group expects that the amendments will not have a significant impact on the Group's financial statements.

(ii) Standards and interpretations that have not been endorsed by the EU

- *Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- *Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback*
- *Amendments to IFRS 10 and IAS 28: Sales of contribution of Assets between an Investor and its Associate or Joint Venture.*

8. 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	<p>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).</p> <p>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.</p>
Electricity supply	<p>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.</p>

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

B. Information about operating segments

Year ended 31 December 2022	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
External revenues.....	7,302,972	2,148,983	9,451,955	—	9,451,955
Inter-segment revenue.....	854,256	—	854,256	(854,256)	—
Segment revenue	8,157,228	2,148,983	10,306,211	(854,256)	9,451,955
Segment profit before tax	4,911,266	506,170	5,417,436	—	5,417,436
Net finance income/(cost).....	204,718	4,367	209,085	—	209,085
Amortization and depreciation	(772,103)	(47)	(772,150)	—	(772,150)
Impairment loss on property, plant and equipment.....	(23,869)	—	(23,869)	—	(23,869)
Electricity purchased.....	(582,179)	(937,715)	(1,519,893)	822,751	(697,142)
Green certificates expenses.....	(34,781)	(179,895)	(214,676)	31,505	(183,171)
Employee benefits expenses.....	(622,197)	(8,526)	(630,723)	—	(630,723)
Turbinated water.....	(450,963)	—	(450,963)	—	(450,963)
Tax for electricity producers.....	(671,739)	—	(671,739)	—	(671,739)
Transport and distribution of electricity.....	(43,292)	(454,763)	(498,055)	—	(498,055)
Other expenses.....	(295,806)	(66,235)	(362,041)	—	(362,041)

Year ended 31 December 2021	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
External revenues.....	6,070,765	418,532	6,489,297	—	6,489,297
Inter-segment revenue.....	229,623	—	229,623	(229,623)	—
Segment revenue	6,300,388	418,532	6,718,920	(229,623)	6,489,297
Segment profit before tax	3,717,163	67,588	3,784,751	—	3,784,751
Net finance income/(cost).....	29,095	(1)	29,094	—	29,094
Amortization and depreciation	(760,287)	(216)	(760,503)	—	(760,503)
Impairment loss on property, plant and equipment.....	(359,329)	—	(359,329)	—	(359,329)
Electricity purchased.....	(90,121)	(222,460)	(312,581)	222,460	(90,121)
Green certificates expenses.....	(19,833)	(41,020)	(60,853)	7,163	(53,690)
Employee benefits expenses.....	(585,554)	(4,284)	(589,838)	—	(589,838)
Turbinated water.....	(540,145)	—	(540,145)	—	(540,145)
Tax for electricity producers.....	(133,417)	—	(133,417)	—	(133,417)
Transport and distribution of electricity.....	(49,241)	(61,175)	(110,416)	—	(110,416)
Other expenses.....	(248,514)	(23,014)	(271,528)	—	(271,528)

Year ended 31 December 2020	Electricity generation	Electricity supply	Total for reportable segments	Inter-segment eliminations	Consolidated total
External revenues.....	3,619,067	222,376	3,841,443	—	3,841,443
Inter-segment revenue.....	108,041	—	108,041	(108,041)	—
Segment revenue	3,727,108	222,376	3,949,484	(108,041)	3,841,443
Segment profit before tax	1,851,099	55,493	1,906,592	—	1,906,592
Net finance income/(cost).....	32,609	—	32,609	—	32,609
Amortization and depreciation	(720,510)	(21)	(720,531)	—	(720,531)
Impairment loss on property, plant and equipment.....	(105,966)	—	(105,966)	—	(105,966)
Electricity purchased.....	(15,383)	(104,469)	(119,853)	104,469	(15,383)
Green certificates expenses.....	—	(17,523)	(17,523)	3,572	(13,951)
Employee benefits expenses.....	(489,608)	(659)	(490,267)	—	(490,267)
Turbinated water.....	(307,077)	—	(307,077)	—	(307,077)
Transport and distribution of electricity.....	(31,866)	(40,912)	(72,778)	—	(72,778)
Other expenses.....	(310,180)	(163)	(310,343)	—	(310,343)

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

Electricity generation segment includes also system services and production of electricity for system balancing which are billed to the system operator, Transelectrica SA (see details in Note 9).

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 714,079 thousand (2021: RON 166,592 thousand; 2020: RON 104,469 thousand). Inter-segment revenue for 2022 and 2021 is calculated based on a methodology approved by Board of Directors in 2021, and for 2020 based on a methodology approved by Board of Directors in 2018. The methodology used in 2022 and 2021 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. The methodology used in 2020 is based on the electricity production cost for the preceeding second month before 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.

In 2021 and 2020, revenue and profit before tax of the supply segment represented less than 10% of Group's total revenues, Group's total profit before tax (see Note 9). The Group presented segment information for 2022 and comparatives for 2021 and 2020.

9. REVENUE

A. Revenue from contracts with customers

The Group generates revenue from:

	2022	2021	2020
Wholesale of electricity.....	6,960,753	5,629,044	3,269,701
Electricity supplied to final consumers (retail sales).....	2,148,983	418,532	222,366
System services.....	316,532	415,960	336,063
Sales of green certificates.....	24,632	23,218	—
Maintenance services.....	1,055	2,543	13,313
Total.....	9,451,955	6,489,297	3,841,443

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

The majority of the Group's supply revenue is to non-household consumers (approx. 85% of volume), for which automated readings are performed at the end of each month. Also, approximately 35% of the volume supplied to household consumers is determined based on meter readings at the end of the year, and the rest is based on estimates of the consumption. Therefore, the Group assesses that the risk of revenue adjustment subsequent to period end that could result from the difference between the meter readings and the estimated volumes would have a very limited impact on the financial statements.

In 2022, the Group produced 13,549 GWh (2021: 16,712 GWh and 2020: 14,583 GWh), and sold 14,691 GWh (2021: 17,350 GWh and 2020: 15,963 GWh). From total quantity sold, 3,675 GWh were supplied to end users in 2022 (1,029 GWh in 2021 and 626 GWh in 2020).

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 2,063,761 thousand in 2022 (22%), RON 1,468,065 thousand in 2021 (23%), RON 561,203 thousand in 2020 (15%);

- OPCOM SA, the market operator – sale of electricity produced on the spot market of RON 1,233,993 thousand in 2022 (13%), RON 1,267,616 thousand in 2021 (20%), and RON 392,862 thousand in 2020 (10%);
- Electrica Furnizare SA – sale of electricity produced on the wholesale market in 2020 of RON 453,485 thousand (12%).

Timing of revenue recognition:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenue transferred over time	9,426,267	6,463,536	3,828,130
Revenue transferred at a point in time.....	25,688	25,761	13,313
Total	<u>9,451,955</u>	<u>6,489,297</u>	<u>3,841,443</u>

B. Contract liabilities

As at 31 December 2022, the Group has contract liabilities of RON 84,684 thousand (31 December 2021: RON 93,331 thousand, 31 December 2020: RON 73,660 thousand and 1 January 2020: RON 31,460 thousand). These represent advance payments from customers for future contractual obligations for electricity delivery and supply.

Contract liabilities as at 31 December 2021 of RON 93,331 thousand were recognized as revenues during 2022 (2021: RON 73,660 thousand; 2020: RON 31,460 thousand).

10. OTHER INCOME

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Grant income (Note 25)	5,714	5,805	5,500
Gain from bargain acquisition of subsidiaries (Note 28#)	—	31,530	26,274
Compensations, fines and penalties from suppliers	26,582	118,784	20,245
Other income	13,953	19,228	16,817
Total	<u>46,249</u>	<u>175,347</u>	<u>68,836</u>

The Group recognized a gain on a bargain purchase of RON 31,530 thousand (see Note 28) as a result of the acquisition of Crucea Wind Farm S.A. and Hidroelectrica Wind Services S.R.L. in March 2021.

In September 2020, following the confirmation of the reorganization plan by the insolvency judge dated 24 June 2020, Hidroelectrica's shareholders appointed the Special Administrator of its subsidiary, Hidroserv S.A., and consequently the Company regained control over this subsidiary (see Note 28).

In 2021, the sentence was pronounced in the arbitration file no. ICC 20540/MHM, following which Hidroelectrica won the right to receive compensations of EUR 20,515 thousand, the equivalent of RON 101,487 thousand for faulty works performed by Andritz Hydro GMBH Ravensburg.

11. OPERATING EXPENSES

A. Turbined water

Turbined water represents the water used by the hydropower plants in order to generate electricity. According to the Romanian legislation, a fee per cubic meter of water used is established annually by the National Agency for Water Administration. For 2022 the fee was RON 1.23 per cubic meter (2021: RON 1.17 per cubic meter, 2020: RON 1.12 per cubic meter).

B. Electricity purchased

The Group purchases electricity only to balance the deficit between the electricity contracted for sales and the actual electricity produced.

In 2022 the Group purchased 1,141 GWh (2021: 638 GWh, 2020: 1,380 GWh) for RON 697,142 thousand (2021: RON 90,121 thousand and 2020: RON 15,383 thousand). The increases in 2022 and 2021 are due to the significant increases in electricity prices starting the last quarter of 2021.

C. Transport and distribution of electricity

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Injection of electricity produced in the national system.....	30,868	21,772	14,080
Distribution of electricity supplied.....	342,984	54,073	54,222
Transport of electricity supplied.....	124,203	34,571	4,476
Total.....	<u>498,055</u>	<u>110,416</u>	<u>72,778</u>

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 licenced activities (generation and supply), which was approved by the Board of Directors on 8 June 2021, before the issuance of the legislation regarding the tax for electricity producers. This methodology is based on the average electricity production cost in the last 12 months ending 2 months prior the calculation month, plus an internal margin. This methodology may differ from the methodologies used by other companies taking into consideration that there is no regulation that stipulates a certain definition or method of calculation.

The tax computed by the Group for 2022 is RON 671,739 thousand (2021: RON 133,417 thousand, 2020: nil), out of which RON 557,086 thousand for Hidroelectrica SA and RON 114,653 thousand for Crucea Wind Farm subsidiary (2021: RON 113,220 thousand for Hidroelectrica SA and RON 20,197 thousand for Crucea Wind Farm subsidiary). As at 31 December 2022 the outstanding amount payable is RON 91,370 thousand (31 December 2021: RON 133,417 thousand and 31 December 2020: nil).

Romanian tax authorities, through the General Antifraud Fiscal Division, performed three controls at the Group on the tax for electricity producers, two for the period September-December 2022, which were concluded in a report issued on 11 April 2023 for the Company and a report issued on 12 April 2023 for Crucea Wind Farm and one for the period April-August 2022 which was concluded in a report issued on 19 April 2023. As per the report issued on 11 April 2023, the authorities did not make any changes to the method of computing the tax or to the method of computing the transfer price between the production and supply portfolios, but only raised an issue on 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, which was presented by the Company as contingent liability. Further analysis on the retroactive application of the law is presented in Note 30 c).

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

E. Other operating expenses

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Movement in provisions, net.....	73,503	36,177	57,624
Local taxes.....	60,839	52,522	50,152
Security.....	20,639	16,114	16,277
Sponsorship.....	1,930	13,235	11,445
Professional services.....	10,928	10,068	11,381
Services related to abandoned constructions.....	7,647	8,176	8,378
ANRE contribution.....	6,496	3,299	7,090
Loss on disposal of property, plant and equipment.....	2,051	3,605	6,505
Other expenses.....	52,210	46,300	36,850
Total.....	<u>236,243</u>	<u>189,496</u>	<u>205,702</u>

12. FINANCE RESULT

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Interest income.....	243,708	72,066	61,987
Other finance income.....	3,488	1,084	8
Finance income.....	<u>247,196</u>	<u>73,150</u>	<u>61,995</u>
Interest expense.....	(10,637)	(15,893)	(10,998)
Unwinding of non-current provisions.....	(28,246)	(17,124)	(16,553)
Gain or (loss) from foreign exchange differences.....	936	(8,792)	(1,835)
Other finance expenses.....	(164)	(2,247)	—
Finance expenses.....	<u>(38,111)</u>	<u>(44,056)</u>	<u>(29,386)</u>
Net finance result.....	<u>209,085</u>	<u>29,094</u>	<u>32,609</u>

13. 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.

	2022	2021	2020
<i>Profit attributable to the owners of the Company</i>			
Profit for the year attributable to the owners of the Company	4,464,000	3,116,149	1,558,012
Profit attributable to ordinary shareholders.....	4,464,000	3,116,149	1,558,012
<i>Weighted average number of ordinary shares (basic and diluted)</i>			
Issued ordinary shares at 1 January.....	448,459,482	448,447,467	448,239,331
Effect of shares issued in September 2020.....	—	—	52,034
Effect of shares issued in October 2021.....	—	2,003	—
Weighted average number of ordinary shares at 31 December.....	448,459,482	448,449,470	448,291,365
Earnings per share (basic and diluted) RON/share.....	9.95	6.95	3.48

14. EMPLOYEE BENEFITS

	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Defined benefit plans	89,410	87,256	82,687	74,506
Other long-term employee benefits	49,034	43,268	38,771	36,219
Salaries payable.....	61,922	65,145	75,007	47,096
Social security contributions.....	17,135	14,853	22,029	8,394
Tax on salaries	3,257	3,161	4,570	2,098
Other.....	6,927	3,664	5,451	1,954
Total.....	227,685	217,347	228,515	170,267
– Current	105,845	94,398	111,378	69,060
– Non-current.....	121,840	122,949	117,137	101,207

Current portion of employee benefits is as follows:

	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Defined benefit plans	9,873	8,802	12,213	3,885
Other long-term employee benefits	7,284	4,286	4,101	5,943
Salaries payable.....	61,369	60,037	63,279	47,096
Social security contributions.....	17,135	14,853	22,029	8,394
Tax on salaries	3,257	3,161	4,570	2,098
Other.....	6,927	3,259	5,186	1,644
Total.....	105,845	94,398	111,378	69,060

Salaries payable include salaries rescheduled for payment according to Hidroserv reorganization plan, as follows:

	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Current portion.....	4,124	5,794	5,468	—
Non-current portion.....	—	5,108	11,727	—
Total	4,124	10,902	17,195	—

Post-employment benefits (defined benefit plans)

In accordance with the Collective Labour Agreements, the Group provides cash benefits to employees at retirement depending on the years of service in the Company and Hidroserv, as follows:

Retirement bonus

Years of service	Number of monthly base gross salaries			
	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Up to 10 years	1	1	1	1
Between 10 and 25 years	3	3	3	3
More than 25 years	6	6	6	6

Benefits in kind

Also, in accordance with Collective Labour Agreements, the Group provides benefits in kind consisting of free electricity (within the limit of 1,200 kWh annually) to employees retired from the Company and from Hidroserv subsidiary subject to meeting certain conditions (at least 15 cumulative years of seniority in the Company, Hidroserv or other companies operating in the electricity sector or at least 10 consecutive years of service in such companies before retirement). In the event of the retired person's death, the surviving spouse has the right to receive the same benefit until the time of their remarriage or death.

Until 27 June 2022, the Group provided benefits in kind consisting of free electricity (within the limit of 1,200 kWh annually) to employees retired from the predecessors entities of Hidroelectrica SA in accordance with the Government Decision no. 1041/2003. On 27 June 2022, the High Court of Cassation and Justice of Romania cancelled the Government Decision no. 1041/2003, following a request made by another Romanian energy sector entity. As a result, as at 31 December 2022, the Group does not have the obligation to provide benefits in kind to employees retired from the predecessors entities.

Other long-term employee benefits

In accordance with the Collective Labour Agreements, the Group provides cash benefits to the Company's and Hidroserv's employees depending on seniority, as follows:

Jubilee bonus

Seniority	Number of monthly base gross salaries			
	31 December 2022	31 December 2021	31 December 2020	1 January 2020
20 years	1	1	1	1
25 Years.....	2	2	2	2
30 years	3	3	3	3
35 years	4	4	4	4
40 years	5	5	5	5
45 years	6	6	6	6

(i) Movement in the defined benefit liability and other long-term employee benefits

The following tables show the reconciliation between the opening and closing balance for the defined benefit liability and other long-term employee benefits and their components. There are no benefit plan assets.

Defined benefit liabilities	2022	2021	2020
Balance at 1 January	87,256	82,687	74,506
Included in profit or loss			
Current service cost	3,819	3,113	2,834
Past service cost	(5,932)	—	—
Interest cost	4,005	2,259	3,196
Benefits paid	(8,710)	(16,599)	(7,259)
Included in other comprehensive income			
Actuarial losses	8,972	15,796	9,410
Balance at 31 December	89,410	87,256	82,687

Other long-term employee benefits	2022	2021	2020
Balance at 1 January	43,268	38,771	36,219
Impact of taking control over Hidroserv	—	—	3,893
Included in profit or loss	—	—	—
Current service cost	3,680	1,480	1,649
Interest cost	2,192	1,065	1,400
Actuarial losses	5,903	9,192	3,939
Benefits paid	(6,009)	(7,240)	(8,329)
Balance at 31 December	49,034	43,268	38,771

(ii) Actuarial assumptions

The following are the main actuarial assumptions at each reporting date:

(a) Macroeconomic assumptions:

- the inflation rate used as at 31 December 2022 is based on the forecast of the National Bank of Romania (“NBR”) for the inflation for RON (31 December 2021: forecast of NBR for the next 10 years starting 2022 and the long-term inflation of the Euro Zone for the remaining period; 31 December 2020: the forecast of NBR for the next 4 years starting 2021 and the long-term inflation of the Euro Zone for the remaining period; 31 December 2019: the forecast of the NBR for the next 5 years starting 2020 and the long-term inflation of the Euro Zone for the remaining period), as follows:

Year	Valuation date 31 December 2022	Valuation date 31 December 2021	Valuation date 31 December 2020	Valuation date 1 January 2020
2020	n/a	n/a	n/a	3%
2021	n/a	n/a	2.5%	3%
2022	n/a	7.2%	2.5%	3%
2023	12.4%	3.9%	2.5%	3%
2024	7.5%	2.5%	2.5%	3%
2025	4.2%	2.5%	2.5%	1.37%
2026 – 2032	4.2%	2.5%	1.7%	1.37%
2033+	2.3%	1.2%	1.7%	1.37%

- discount rate used was obtained from the interest rates for RON published by the European Insurance and Occupational Pensions Authority (EIOPA) as follows:

Year	Valuation date 31 December 2022	Valuation date 31 December 2021	Valuation date 31 December 2020	Valuation date 1 January 2020
2020	n/a	n/a	n/a	3.446%
2021	n/a	n/a	2.285%	3.550%
2022	n/a	3.931%	2.361%	3.659%
2023	7.091%	4.342%	2.435%	3.866%
2024	7.246%	4.520%	2.511%	3.975%
2025	7.437%	4.608%	2.581%	4.092%
2026+	7.638%-3.631% (average 5.647%)	4.680%-4.022% (average 4.486%)	2.651% – 3.631% (average 3.386%)	4.191% – 4.809% (average of 4.452%)

- increase in electricity price per kWh in line with the inflation rate. The electricity price used in the actuarial calculation is RON 0.747/kWh as at 31 December 2022 (31 December 2021: RON 0.6600/kWh; 31 December 2020: RON 0.547/kWh and 1 January 2020: RON 0.5570/kWh);
- mortality rate used on is the rate published by the National Institute of Statistics for the last 10 years as of the valuation date for 31 December 2022, 31 December 2021, 31 December 2020 and the rate published by the National Institute of Statistics in 2018 for 1 January 2020.
- taxes and social contributions are those in force at the reporting dates.

(b) *Group specific assumptions:*

- growth rate of gross salaries used as at 31 December 2022 is 9.6% for 2023 and a rate equal to the inflation rate in the following years (31 December 2021: 7.2% for 2022, 3.9% for 2023, 2.5% for the period 2024-2031 and a rate equal to the inflation rate in the following years, 31 December 2020: 5% in 2021 and a rate equal to the inflation rate in the following years and 1 January 2020: 5% in 2020 and a rate equal to the inflation rate for the following years);
- employee' turnover rate used as at 31 December 2022 is based on annual averages of employee' turnover for the last 6 years differentiated by age and gender (31 December 2021: last 5 years averages, 31 December 2020: last 4 years averages; 1 January 2020: the last 3 years averages). The weighted average employee' turnover rate used as at 31 December 2022 is 1.56% (31 December 2021: 1.44%, 31 December 2020: 2.17%;1 January 2020: 3.38%).

(iii) *Sensitivity analysis*

The significant actuarial assumptions used for the determination of the defined benefits and other long-term employee benefits obligations are discount rate, expected salary increase and employee turnover. The sensitivity analysis below shows the effect on employee benefit liabilities – increase/(decrease), and was determined based on the reasonable changes in the respective assumptions at the end of the reporting periods, while other assumptions remain constant.

	31 December 2022		31 December 2021	
	Increase	Decrease	Increase	Decrease
Discount rate (100 bp).....	(9,546)	11,016	(9,685)	11,202
Employee turnover ratio (100 bp).....	(7,002)	4,276	(7,159)	4,803
Annual salary increase rate (100 bp)	6,066	(5,500)	6,190	(5,578)

	31 December 2020		1 January 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (100 bp).....	(9,494)	11,023	(8,543)	9,874
Employee turnover ratio (100 bp).....	(6,768)	4,562	(6,037)	1,814
Annual salary increase rate (100 bp)	6,362	(5,714)	5,893	(5,308)

The sensitivity analysis presented above may not be representative for the actual change in the benefit obligation, as it is unlikely that changes in the assumptions would occur independent from each other, while certain assumptions may be correlated. In the sensitivity analysis above, the present value of the benefit obligation was calculated using the projected unit credit method at the end of the reporting period, which is the same as the one applied to calculate the obligations recognized in the statement of financial position.

Employee benefits expense

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Average number of employees	4,494	4,398	3,719
Number of employees at 31 December	4,621	4,518	4,551
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Salaries and other remuneration	594,930	559,964	466,433
Social security contributions	15,196	12,497	11,220
Meal tickets.....	20,597	17,378	12,614
Total.....	<u>630,723</u>	<u>589,838</u>	<u>490,267</u>

15. INCOME TAX

In the determination of the current and deferred tax the Company takes into account the impact of uncertain tax positions (see Note 30). 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) Amounts recognized to profit or loss

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current tax expense	976,926	717,824	353,140
Deferred tax benefit	(23,490)	(49,222)	(4,560)
Total.....	<u>953,436</u>	<u>668,602</u>	<u>348,580</u>

(b) Amounts recognized in OCI

	2022			2021			2020		
	Before tax	Tax (expense)/benefit	Net	Before tax	Tax (expense)/benefit	Net	Before tax	Tax (expense)/benefit	Net
<i>Items that will not be reclassified to profit or loss</i>									
Revaluation of property, plant and equipment	2,116,546	(338,731)	1,777,815	4,591,569	(734,993)	3,856,576	(24,357)	—	(24,357)
Remeasurement of defined benefit liability	(8,972)	1,436	(7,536)	(15,796)	2,527	(13,269)	(9,410)	1,506	(7,904)
	<u>2,107,574</u>	<u>(337,295)</u>	<u>1,770,279</u>	<u>4,575,773</u>	<u>(732,466)</u>	<u>3,843,307</u>	<u>(33,767)</u>	<u>1,506</u>	<u>(32,261)</u>

(c) Reconciliation of effective tax rate

	2022	2021	2020		
Profit before tax		5,417,436		3,784,751	1,906,592
Tax using the Company's domestic tax rate	16.0%	866,790	16.0%	605,560	305,054
Tax effect of:.....					
– Non-deductible expenses.....	0.07%	3,614	0.2%	8,004	29,329
– Tax-exempt income	(0.2%)	(10,471)	(0.2%)	(5,693)	(4,601)
– Tax incentives.....	(0.5%)	(26,968)	(0.9%)	(32,970)	(47,676)
– Deduction of legal reserves.....	(0.6%)	(7,390)	(0.8%)	(29,052)	(14,809)
– Distribution of previously tax deducted revaluation reserves	2.4%	127,861	3.2%	122,753	81,283
Income tax	<u>17.6%</u>	<u>953,436</u>	<u>17.7%</u>	<u>668,602</u>	<u>348,580</u>

In 2022 and 2021, tax incentives refer to reinvested profit tax facility, positive equity tax incentive and sponsorships granted. In 2020, the tax incentives refer to timely payment of the income tax in the first three quarters of 2020, reinvested profit tax facility and sponsorships granted.

According to the Fiscal Code, certain revaluation reserves are subject to income tax at their distribution as dividends, if the revaluation reserves were previously tax deducted.

(d) Movement in deferred tax balances

	Net balance at 1 January 2022	Recognized in profit or loss	Reconized in OCI	Net balance at 31 December 2022	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment and intangible assets.....	1,195,215	(21,104)	338,731	1,512,841	—	1,512,841
Provisions.....	(121,377)	(14,275)	—	(135,652)	(135,652)	—
Employee benefits.....	(27,609)	1,326	(1,436)	(27,719)	(27,719)	—
Trade receivables	(15,591)	(7,668)	—	(23,259)	(23,259)	—
Inventories	(5,646)	(103)	—	(5,749)	(5,749)	—
Green certificates	5,565	(5,565)	—	—	—	—
Tax loss carried forward.....	(28,415)	23,899	—	(4,516)	(4,516)	—
Total deferred tax liabilities (assets) before set-off	<u>1,002,142</u>	<u>(23,490)</u>	<u>337,295</u>	<u>1,315,946</u>	<u>(196,895)</u>	<u>1,512,841</u>
Set-off tax					196,895	(196,895)
Net deferred tax liabilities (assets)					—	<u>1,315,946</u>

	Net balance at 1 January 2021	Acquired in business combination	Recognized in profit or loss	Recognized in OCI	Net balance at 31 December 2021	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment and intangible assets	518,378	3,293	(61,449)	734,993	1,195,215	—	1,195,215
Provisions	(121,209)	(3,286)	3,118	—	(121,377)	(121,377)	—
Employee benefits	(25,696)	—	614	(2,527)	(27,609)	(27,609)	—
Trade receivables	(16,250)	—	659	—	(15,591)	(15,591)	—
Inventories	(4,838)	—	(808)	—	(5,646)	(5,646)	—
Green certificates	—	8,738	(3,173)	—	5,565	—	5,565
Tax loss carried forward	(13,264)	(26,968)	11,817	—	(28,415)	(28,415)	—
Total deferred tax liabilities (assets) before set-off	337,121	(18,223)	(49,222)	732,466	1,002,142	(198,638)	1,200,780
Set-off tax						183,557	(183,557)
Net deferred tax liabilities (assets)						(15,081)	1,017,223

	Net balance at 1 January 2020	Acquired in business combination	Recognized in profit or loss	Recognized in OCI	Net balance at 31 December 2020	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment and intangible assets	502,589	7,189	8,600	—	518,378	—	518,378
Provisions	(109,764)	—	(11,445)	—	(121,209)	(121,209)	—
Employee benefits	(22,035)	(623)	(1,532)	(1,506)	(25,696)	(25,696)	—
Trade receivables	(15,854)	(358)	(38)	—	(16,250)	(16,250)	—
Inventories	(4,587)	(106)	(145)	—	(4,838)	(4,838)	—
Tax loss carried forward	—	(13,264)	—	—	(13,264)	(13,264)	—
Total deferred tax liabilities (assets) before set-off	350,349	(7,162)	(4,560)	(1,506)	337,121	(181,257)	518,378
Set-off tax						167,992	(167,992)
Net deferred tax liabilities (assets)						(13,265)	350,386

(e) 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 December 2022, which following the distribution would generate additional income tax for the Group of RON 21,499 thousand (31 December 2021: RON 135,799 thousand, 31 December 2020: RON 241,566 thousand, 1 January 2020: RON 305,825 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 371,761 thousand at 31 December 2022, RON 380,277 thousand at 31 December 2021 and RON 415,749 thousand at 31 December 2020).

16. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents

	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Bank accounts	660,441	1,104,777	354,706	222,833
Petty cash	125	108	132	137
Cash equivalents	168	5	7	6
Total	660,734	1,104,890	354,845	222,976

Restricted cash

As at 31 December 2022, restricted cash represents a collateral deposit of RON 101,057 thousand at Banca Comerciala Romana for issuance of bank guarantee. The maturity of the collateral is 30 April 2024; during the period until maturity the Group does not have access to this deposit.

17. INVESTMENTS IN DEPOSITIS AND BONDS

	31 December 2022		31 December 2021	31 December 2020	1 January 2020
	Current	Non-current	Current	Current	Current
Bank deposits with maturity less than 1 year held for investment purposes.....	3,034,745	—	2,320,325	1,730,071	1,736,855
Government bonds with maturity less than 1 year	—	—	241,142	—	—
Corporate bonds with a maturity more than 1 year	—	351,338	—	—	—
Total	3,034,745	351,338	2,561,467	1,730,071	1,736,855

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 6.61% per year in 2022 (2021: 2.06% per year and 2020: 2.91% per year).

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

In 2021 the Group acquired government bonds with maturities in 2021 and 2022. The balance as at 31 December 2021 represents government bonds with maturity March 2022 of RON 235,410 and related interest of RON 5,732 thousand. The government bonds annual yield is between 1.74% and 2.25%.

18. TRADE RECEIVABLES

	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Trade receivables – generation segment (wholesale).....	468,749	497,427	278,160	244,160
Trade receivables – supply segment (retail)	959,412	200,124	82,552	83,376
Impairment allowance	(77,484)	(34,023)	(22,675)	(21,500)
Total	1,350,677	663,528	338,037	306,036

The amount of the unbilled revenues included in trade receivables amounts to RON 1,116,046 thousand gross at 31 December 2022 (RON 540,482 thousand at 31 December 2021, RON 264,784 thousand at 31 December 2020, RON 234,158 thousand at 1 January 2020), out of which RON 767,612 thousand gross

relate to supply segment (RON 68,945 thousand as at 31 December 2021; RON 21,040 thousand as at 31 December 2020; RON 19,245 thousand as at 1 January 2020). In 2022 the Group started the implementation of a new billing system, which together with the frequent regulatory changes with respect of supply prices to end-users and the significant increase in the number of retail clients of the Group, conducted to a significant delay in the billing process of the Group and a significant balance of unbilled revenues at 31 December 2022.

The movement of impairment loss for trade receivables is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance at 1 January	34,023	22,675	21,500
Acquisition through business combinations.....	—	—	1,096
Impairment loss recognized.....	58,731	11,706	991
Impairment loss reversed.....	(15,270)	(358)	(912)
Balance at 31 December	77,484	34,023	22,675

Trade receivables ageing analysis is disclosed in Note 27. Trade receivables due from related parties are disclosed in Note 31.

19. OTHER ASSETS

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Payments made in connection with uncertain tax treatments.....	—	214,385	—	214,385
Social security contributions receivable.....	—	—	9,871	—
Prepayments.....	60,641	—	29,780	—
Value added tax receivable.....	41,648	—	10,367	—
Other assets.....	22,502	3,851	39,325	5,535
Impairment loss on other assets.....	(9,391)	—	(11,050)	—
Total	115,400	218,236	78,293	219,920

	<u>31 December 2020</u>		<u>1 January 2020</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Payments made in connection with uncertain tax treatments.....	—	214,385	—	214,385
Social security contributions receivable.....	6,771	—	2,052	—
Prepayments.....	7,455	—	2,543	—
Other assets.....	33,873	5,894	29,843	2,391
Impairment loss on other assets.....	(11,364)	—	(8,624)	—
Total	36,735	220,279	25,814	216,776

The movement of impairment losses for other receivables is as follows:

	2022	2021	2020
Balance at 1 January	11,050	11,364	8,624
Acquisition through business combination	—	—	938
Impairment loss recognized.....	148	—	1,857
Impairment loss reversed.....	(1,807)	(314)	(55)
Balance at 31 December.....	9,391	11,050	11,364

Payments made in connection with uncertain tax treatments

RON 214,385 thousand represents amounts paid by the Group as a result of the forced execution by ANAF in 2016 of the bank guarantee issued by ING Bank in favor of the Company for guaranteeing the amounts resulting from a Tax Inspection concluded by ANAF in 2014. The Company open lawsuits against ING Bank and ANAF in order to recover this amount executed. Litigation details are presented in Note 30.

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

20. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings and special constructions and installations	Machinery, equipment and other items	Assets under construction	TOTAL
GROSS CARRYING AMOUNT					
Balance at 1 January 2020	747,181	10,560,381	2,848,798	4,603,492	18,759,852
Acquisitions through business combinations	8,082	41,609	39,214	3,377	92,282
Additions.....	1,666	1,455	22,865	155,034	181,020
Transfers from assets under construction.....	—	109,637	117,290	(226,928)	—
Impairment of property, plant and equipment recognized in revaluation reserve.....	—	(22,962)	(1,395)	—	(24,357)
Disposals.....	(372)	(589)	(231)	(5,313)	(6,505)
Balance at 31 December 2020	756,557	10,689,531	3,026,541	4,529,664	19,002,293
Balance at 1 January 2021	756,557	10,689,531	3,026,541	4,529,664	19,002,293
Acquisition through business combinations.....	5,982	215,263	364,655	—	585,900
Additions.....	100	1,089	1,132	134,768	137,088
Transfers from assets under construction.....	—	332,365	68,695	(401,060)	—
Disposals.....	(327)	(9,785)	(2,187)	(2,856)	(15,156)
Revaluation recorded in other comprehensive income, net.....	(55,528)	3,928,290	718,806	—	4,591,568
Revaluation recorded in profit or loss, net	(74,767)	(109,236)	(71,632)	—	(255,636)
Accumulated depreciation eliminated against gross carrying amount at revaluation.....	(31)	(1,219,087)	(1,032,615)	—	(2,251,734)
Accumulated impairment eliminated against gross carrying amount at revaluation.....	—	(332,906)	(69,657)	—	(402,564)
Balance at 31 December 2021	631,985	13,495,523	3,003,736	4,260,516	21,391,761
Balance at 1 January 2022	631,985	13,495,523	3,003,736	4,260,516	21,391,761

	Land and land improvements	Buildings and special constructions and installations	Machinery, equipment and other items	Assets under construction	TOTAL
Additions.....	1,477	1,026	338	204,966	207,807
Transfers from assets under construction.....	—	55,771	63,247	(119,018)	—
Disposals.....	(35)	(246)	(424)	(9,599)	(10,304)
Revaluation recorded in other comprehensive income, net.....	(27,269)	1,812,847	330,968	—	2,116,546
Revaluation recorded in profit or loss, net.....	(9,007)	24,105	24,904	—	40,002
Accumulated depreciation eliminated against gross carrying amount at revaluation.....	—	(334,771)	(441,176)	—	(775,947)
Balance at 31 December 2022	597,151	15,054,255	2,981,593	4,336,865	22,969,865
ACCUMULATED DEPRECIATION					
Balance at 1 January 2020	46	437,549	343,867	—	781,463
Acquisition through business combinations.....	—	1,389	29,018	—	30,407
Depreciation charge.....	—	391,018	328,279	—	719,297
Accumulated depreciation of disposals.....	—	(8)	(225)	—	(233)
Balance at 31 December 2020	46	829,948	700,940	—	1,530,934
Balance at 1 January 2021	46	829,948	700,940	—	1,530,934
Depreciation charge.....	339	409,965	347,835	—	758,138
Accumulated depreciation of disposals.....	(15)	(35)	(1,479)	—	(1,529)
Accumulated depreciation eliminated against gross carrying amount at revaluation.....	(31)	(1,219,087)	(1,032,615)	—	(2,251,734)
Balance at 31 December 2021	339	20,790	14,680	—	35,809
Balance at 1 January 2022	339	20,790	14,680	—	35,809
Depreciation charge.....	520	331,941	437,507	—	769,968
Accumulated depreciation of disposals.....	—	(79)	(82)	—	(161)
Accumulated depreciation eliminated against gross carrying amount at revaluation.....	—	(334,771)	(441,176)	—	(775,947)
Balance at 31 December 2022	859	17,881	10,929	—	29,669
ACCUMULATED IMPAIRMENT LOSSES					
Balance at 1 January 2020	47	23,390	67,686	3,455,253	3,546,376
Addition through business combinations.....	—	—	—	1,492	1,492
Impairment loss.....	—	6,181	4,136	250,023	260,340
Reversal of impairment loss.....	(47)	(85)	(2,907)	(151,336)	(154,375)
Balance at 31 December 2020	—	29,486	68,915	3,555,432	3,653,833
Balance at 1 January 2021	—	29,486	68,915	3,555,432	3,653,833
Impairment loss.....	—	2	742	132,706	133,450
Impairment loss transferred.....	—	303,418	—	(303,418)	—
Reversal of impairment loss.....	—	—	—	(29,757)	(29,757)
Accumulated impairment eliminated against gross carrying amount at revaluation.....	—	(332,906)	(69,657)	—	(402,564)
Balance at 31 December 2021	—	—	—	3,354,962	3,354,962
Balance at 1 January 2022	—	—	—	3,354,962	3,354,962
Impairment loss.....	—	—	—	142,780	142,780
Reversal of impairment loss.....	—	—	—	(78,909)	(78,909)
Balance at 31 December 2022	—	—	—	3,418,833	3,418,833
NET CARRYING AMOUNT					
Balance at 1 January 2020	747,088	10,099,442	2,437,246	1,148,239	14,432,015

	Land and land improvements	Buildings and special constructions and installations	Machinery, equipment and other items	Assets under construction	TOTAL
Balance at 31 December 2020	756,511	9,830,098	2,256,686	974,232	13,817,527
Balance at 31 December 2021	631,647	13,474,733	2,989,056	905,554	18,000,990
Balance at 31 December 2022	596,293	15,036,374	2,970,664	918,032	19,521,363

Property, plant and equipment in use

The Group's property, plant and equipment include mainly special constructions, namely hydro-power plants, energy pumping stations, micro hydro-power plants, floodgates, as well as hydro-aggregates, equipment and installations and wind turbines. The Group operates 187 hydro-power plants with an installed capacity of 6,372.172 MW, 5 pumping stations with an installed capacity of 91.5 MW and 36 wind turbines with an installed capacity of 108 MW.

In 2021, a part of Racovita hydro-power plant ("HPP") was put into use. Following this, the impairment loss related to HPP Racovita amounting to RON 303,418 thousand was transferred from impairment allowance for assets under construction to impairment allowance for property, plant and equipment.

According to applicable legislation, the Group has to obtain environmental authorizations in order to operate. Starting 2021 the Group has obtained permanent authorizations, however there is an obligation to apply for annual permits from the Environmental Protection Agencies and Romanian Water Agency. In 2022 and 2023 annual permits were obtained for all authorisations falling under these rules, except for those facilities that are not in use.

The conditions enacted by the environmental authorisations include monitoring the environmental factors and compliance with the environmental legislation applicable to hydro-power objectives. In order to monitor the environmental factors, the Group performs measurements of the physical and chemical quality indicators of water in the reservoirs, of industrial and wastewater, and measurements of the noise level at site boundaries. In 2022 all the required measurements have been made and the legal limits of the indicators were not exceeded. The Group expects that for 2023 the legal limits of the indicators not to be exceeded as well.

Right-of-use assets

Property, plant and equipment include right-of-use assets mainly in relation to the Company's headquarters and the car fleet of RON 15,154 thousand as at 31 December 2022 (31 December 2021: RON 12,293 thousand; 31 December 2020: RON 20,689 thousand; 1 January 2020: RON 19,444 thousand) classified in Buildings and installations and Machinery, equipment and other items.

Revaluation of property, plant and equipment

Property, plant and equipment, except for assets under construction and right-of-use assets, were revalued by an independent valuation expert at 31 December 2022 (RON 18,588,177 thousand) and 31 December 2021 (RON 17,083,143 thousand). The carrying amounts of property, plant and equipment as at 31 December 2020 (RON 12,822,606 thousand) and 1 January 2020 (RON 13,271,483 thousand) were based on a revaluation performed by an independent valuation expert as of 31 December 2018. The Group did not performed a revaluation exercise as at 31 December 2020 and 1 January 2020 as the management assessed that the carrying value of the property, plant and equipment approximated its fair value as of those date, considering the low inflation rates during those years.

Measurement of fair value

The following paragraphs describe the valuation techniques used in measuring the fair values (Level 3) for the revaluation of land, buildings and special installations, machinery, equipment and other fixed assets, as well as the significant unobservable input used.

In 2022, the revaluation increase was driven mainly by approximately 9% increase in the cost of construction materials (i.e – concrete, steel, other metals) due to the economic environment, as well as the inflation in the construction industry of aprox. 12%.

In 2021, the revaluation increase was driven mainly by approximately 35% increase in the cost of construction materials (i.e – concrete, steel, other metals) due to global shortages, as well as inflation in the construction industry of aprox. 18%.

Land

Valuation technique – Direct comparison approach

The fair value was estimated based on the price per square meter for land plots with similar characteristics (i.e. property rights, location, physical characteristics, area, best use). The market price is based on the most recent transactions.

Significant unobservable inputs

- adjustments for liquidity (negotiation margin between -25% and -10%), surface area (between -65% and 0%).

Inter-relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- adjustments for liquidity and surface area would be smaller (larger).

Special constructions and installations

Valuation technique

(a) Cost approach – Net reconstruction cost

For construction items where recent comparative constructions were not available in the market (include hydro-power facilities and other highly specialized items, with no such works being undertaken in the last decades in Romania), the valuation expert determined the net reconstruction cost (gross reconstruction cost, less physical, functional and external depreciation).

– Gross reconstruction cost

Gross reconstruction cost was determined based on cost information extracted from valuation catalogues relevant to the type of each construction (Catalogue 125 Meteorological, hydrotechnical, water supply and sewerage constructions and Catalogue 128 Hydrotechnical constructions and annex buildings for energy development, 1964 editions, republished by Matrix Rom Publishing House). These catalogues are used in the Romanian valuation practice by the licensed valuers body in all instances where there is no recent information for costs for similar constructions and acknowledged by the licensed valuers body – Romanian Association of Licensed Valuers (ANEVAR).

For specific types of constructions, the catalogues provide the cost per unit of relevant construction parameters (i.e. volume, surface, power output etc.). The valuation expert applied the cost per unit to the specific parameters of the each construction item of the Group. Since the catalogues are outdated and no other recent sources were available, the results have been indexed to the present date by using price indices corresponding to the asset type (such as hypower constructions, industrial buildings) available in the Technical Expertise Documentary Bulletin no. 162 (31 December 2021: Technical Expertise Documentary Bulletin no. 157) , published by the Romanian Body of Technical Experts in December 2022 (31 December 2021: September 2021).

– Physical depreciation

Physical depreciation was determined as the ratio of remaining useful life to the economic useful life of each asset applied to the gross replacement cost. Useful lives were discussed between the Group and the valuation expert and verified by the valuation expert for the main items with public information related to life duration of similar constructions, worldwide.

– Functional and external depreciation

Functional depreciation, specific to the net reconstruction cost approach, is usually determined by comparing the item subject to valuation to a similar asset existing in the market in terms of functionality. External depreciation is due to external factors affecting the asset (i.e. market, political, environmental factors). The valuation expert did not identify similar assets for those subject to valuation in order to determine functional depreciation. Consequently, in order to account for both functional and external depreciation, the valuation expert determined the depreciation factor of each hydro-power facility as the ratio of actual power output

(based on recent production reports) to the total capacity of the asset. The lower actual output of the Group's hydro-power facilities was deemed as due to both functional and external factors.

(b) Cost approach – Net replacement cost

For general purpose construction items, the valuation expert determined the net replacement cost (i.e. the cost to replace an asset with another comparable asset available in the market), computed as gross replacement cost, less physical and external depreciation (functional depreciation is accounted for when computing the gross replacement cost – i.e. the replacement cost does not include the cost of specific functionalities that are not specific to the asset subject to valuation).

– *Gross replacement cost*

Gross replacement cost was determined based on cost information extracted from the most recent valuation catalogue (Reconstruction Costs – Replacement Costs, Industrial, Commercial and Agricultural Buildings. Special Constructions, published by IROVAL Publishing House – Evaluation Research, Bucharest, 2016) relevant to each type of construction.

For specific types of constructions and relevant construction stages (i.e. foundation, roof etc.) and functionalities (i.e. elevators, utilities), the catalogue provides the cost per unit of relevant parameters (i.e. volume, surface etc.). The valuation expert applied the cost per unit to the specific parameters of the each construction item of the Group. The results have been indexed to the present date by using price indices published by IROVAL for the same catalogues, on an annual basis, that are correlated with construction price market, per categories of constructions and installation works, and used in the valuation practice in Romania.

– *Physical depreciation*

Physical depreciation was determined as the ratio of remaining useful life to the economic useful life of each asset, applied to the gross replacement cost.

– *External depreciation*

External depreciation was applied to those general purpose construction items that are part of an operating unit for which an external depreciation due to low capacity use was identified, as described above.

Significant unobservable inputs

- gross replacement / reconstruction cost determined based on technical catalogues;
- price indices;
- adjustments for physical depreciation (average of 35%);
- adjustments for low capacity use (average of 13.4%).

Inter-relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- different judgement would be applied on determination of gross reconstruction/replacement cost; and
- physical, functional and external depreciations would be lower (higher).

Machinery, equipment and other items

Valuation technique

(a) Direct comparison approach

The direct comparison approach was used for machinery, equipment and other items for which there are observable offer prices- for similar items (vehicles, office equipment etc.). Under this approach, the price of similar assets obtained from public market sources was adjusted to account for market conditions and differences in technical characteristics between the asset subject to valuation and the similar asset.

(b) Cost approach – Net replacement cost

For machinery and equipment for which there is no active market, the valuation expert determined the net replacement cost, computed as gross replacement cost, less physical and external depreciation.

– *Gross replacement cost*

Gross replacement cost was determined as follows:

- direct method: for assets where comparable assets were identified (i.e. power transformers), gross replacement cost was derived from price information of comparable new assets in the international market (i.e. supplier price information);
- indirect method: for highly specialized assets for which no comparable asset was identified (i.e. hydro-power equipment), gross replacement cost was derived from the gross book value of the asset subject to valuation, indexed with specific price indices published by the Romanian institute of statistics (INSSE).

– *Physical depreciation*

Physical depreciation was determined as the ratio of remaining useful life to the economic useful life of each asset, applied to the gross replacement cost.

– *External depreciation*

External depreciation was applied to those highly specialized equipment that are part of an operating unit for which an external depreciation due to low capacity use was identified, as described above.

Significant unobservable inputs

- assets appraised under the direct comparison approach: price adjustments depending on the availability of trading negotiations and the current conditions of the specific market (5% – 20%), the comparability of the technical characteristics at the level of each identified comparability;
- assets appraised under the cost approach: adjustments for physical depreciation (3% – 90%, 37% on average), and external depreciation – adjustments for low capacity use (average of 13.4%).

Inter-relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- market price adjustments would be lower (higher);
- adjustments for physical and external depreciation applied under the cost approach would be lower (higher).

Assets under construction

As at 31 December 2022, the Group has assets under construction with a gross carrying amount of RON 4,336,865 thousand (31 December 2021: RON 4,260,516 thousand; 31 December 2020: RON 4,529,664 thousand; 1 January 2020: RON 4,603,492 thousand) for which it recognized accumulated impairment losses of RON 3,418,833 thousand (31 December 2021: RON 3,354,962 thousand; 31 December 2020: RON 3,555,432 thousand; 1 January 2020: RON 3,455,253 thousand).

The main assets under construction relate to the construction or rehabilitation of the following hydro-power projects or plants: construction of hydro- power plants – Bumbesti – Livezeni, Siriu – Surduc, Rastolita, Cornetu-Avrig, Pascani, Cerna Belareca, Cerna-Motru-Tismana, Bistra, Cosmesti-Movileni, Valea Sadului, Fagaras Hoghiz, Runcu Firiza; and rehabilitation of hydro-power plants – CHE Stejaru, CHE Slatina.

These assets under construction include mainly investments with complex functions, represented by historical investment objectives regarding hydropower development schemes with social functions (described below) which have been designed to have a secondary energy function. The primary objectives of these investment objectives are rational and safe water supply management, including:

- Limitation of flooding effects;
- Protection of population, communities and agricultural land;
- Water supply to riverain communities;
- Insuring water reserves to supply population and industry;
- Insuring flow for irrigation during periods of drought;
- Retaining solid flow in the water accumulations.

The social functions described above are specific to public authorities, which are not-for-profit entities. In fact, many of these investments belonged to the “Romanian Waters” National Agency, the governmental body concerned with regional planning and water management, in the past. Hidroelectrica SA is incorporated under Companies Law no. 31/1990 and is not a not-for-profit organization. In addition, Hidroelectrica does not benefit from public funds to complete such social investments, which, if continued to be funded, would impair shareholder value.

These “historical” hydro-power projects were mainly initiated between 1982 and 1989, following a number of Decrees of the State Council, and were financed by public funds, through the ministries involved as owners. After 1989, some of these projects were continued by the Romanian Waters National Agency, financed with public funds, before they were transferred to Hidroelectrica. The economic and energy conditions have significantly changed compared to 1980s and 1990s, mainly due to the shut down of the state centralized investment fund, and the beneficiaries of these complex works ceased funding the specific works included in the hydro-power projects, while the costs of these works remained to be incurred by Hidroelectrica.

After Hidroelectrica entered insolvency in June 2012 and in the view of the planned future listing of the Company’s shares, the legal administrators strongly prioritized the Company focus on profit and rational cash management.

In 2017 the Company contracted a specialized engineer to estimate the costs of abandonment, conservation and securing the works performed on the investments with complex functions. In 2018, based on the analysis of costs and benefits, the management decided to abandon certain investment objectives, as presented below and in Note 26.

For the investment objectives for which the decision to abandon was taken an impairment losses were recognized at the amount of their total gross carrying amount. The gross book value of abandoned investments is RON 590,823 thousand as at the end of all periods presented. For these investment objectives the Group recognized provisions for decommissioning and site restoration (see Note 26).

Project	Purpose	Gross carrying amount as at 31 December 2022, 2021, 2020 and 2019	Accumulated impairment as at 31 December 2022, 2021, 2020 and 2019	Net carrying amount as at 31 December 2022, 2021, 2020 and 2019
Borca – Poiana Teiului	Galu Step	9,022	(9,022)	—
Cosmesti – Movileni	Cosmesti Step	93,207	(93,207)	—
Surduc – Siriu	Ciresu-Surduc Step	17,345	(17,345)	—
Fagaras-Hoghiz.....	Fagaras – Hoghiz	174,950	(174,950)	—
Runcu – Firiza.....	Runcu Firiza	87,809	(87,809)	—
Dambovita – Clabucet.....	Dambovita – Clabucet	34,762	(34,762)	—
Valea Sadului-Vadeni	Valea Sadului-Vadeni	165,209	(165,209)	—
Others		8,519	(8,519)	—
Total		590,823	(590,823)	—

For 2022, 2021 and 2020 impairment losses were recognized for assets under construction, other than the abandoned assets discussed above, as follows:

Project	Gross carrying amount 31 Dec 2022	Accumulated impairment loss 31 Dec 2022	Net book value 31 Dec 2022	Impairment loss/(reversal) 2022
AHE Bumbesti-Livezeni.....	770,520	(359,013)	411,507	48,201
CHE Racovita	70,557	(70,557)	—	5,065
AHE Rastolita	696,498	(631,039)	65,459	(43,217)
AHE Siriu-Surduc	743,895	(664,957)	78,938	85,053
AHE Pascani	373,570	(373,570)	—	3,596
AHE Cerna-Belareca.....	318,248	(318,248)	—	165
AHE Cornetu-Avrig	106,944	(105,668)	1,276	(153)
Cerna Motru Tismana – stage II	72,943	(72,943)	—	—
Lac redresor Sebes.....	56,138	(56,138)	—	—
Bistra	45,061	(45,061)	—	(6)
Rehabilitation of Portile de Fier II .	45,265	(45,265)	—	—
Others	91,349	(85,551)	5,799	(34,833)
Total.....	3,390,989	(2,828,010)	562,979	63,871

Project	Gross carrying amount 31 Dec 2021	Accumulated impairment loss 31 Dec 2021	Net book value 31 Dec 2021	Impairment loss/ (reversal) 2021
AHE Bumbesti-Livezeni.....	770,212	(310,812)	459,400	94,980
CHE Racovita	65,492	(65,492)	—	8,329
AHE Rastolita	690,683	(674,256)	16,427	1,218
AHE Siriu-Surduc	739,470	(579,904)	159,566	(1,643)
AHE Pascani	369,974	(369,974)	—	1,332
AHE Cerna-Belareca.....	318,083	(318,083)	—	193
AHE Cornetu-Avrig	106,929	(105,821)	1,108	—
Cerna Motru Tismana – stage II	72,943	(72,943)	—	5
Lac redresor Sebes.....	56,138	(56,138)	—	—
Bistra	45,067	(45,067)	—	26,648
Rehabilitation of Portile de Fier II .	45,265	(45,265)	—	—
Others	121,694	(120,383)	1,311	(28,114)
Total.....	3,401,950	(2,764,139)	637,811	102,949

Project	Gross carrying amount 31 Dec 2020	Accumulated impairment loss 31 Dec 2020	Net book value 31 Dec 2020	Impairment loss/(reversal) 2020
AHE Bumbesti-Livezeni	770,146	(215,832)	554,313	(87,795)
CHE Racovita	360,582	(360,582)	—	9,784
AHE Rastolita	685,061	(673,038)	12,022	9,332
AHE Siriu-Surduc	733,993	(581,547)	152,445	53,897
AHE Pascani	368,642	(368,642)	—	45,052
AHE Cerna-Belareca.....	317,890	(317,890)	—	80,362
AHE Cornetu-Avrig	107,097	(105,821)	1,276	—
Cerna Motru Tismana – stage II ...	72,937	(72,937)	—	253
Lac redresor Sebes	56,138	(56,138)	—	—
Bistra	45,056	(18,419)	26,637	18,419
Rehabilitation of Portile de Fier II .	45,265	(45,265)	—	—
Others	155,642	(148,497)	7,145	(30,616)
Total	3,718,448	(2,964,609)	753,839	98,687

Project	Gross carrying amount 1 Jan 2020	Accumulated impairment loss 1 Jan 2020	Net book value 1 Jan 2020
AHE Bumbesti-Livezeni	769,837	(303,628)	466,209
CHE Racovita	350,798	(350,798)	—
AHE Rastolita	681,522	(663,706)	17,816
AHE Siriu-Surduc	718,258	(527,651)	190,607
AHE Pascani	367,925	(323,590)	44,334
AHE Cerna-Belareca.....	317,828	(237,528)	80,300
AHE Cornetu-Avrig	107,097	(105,821)	1,276
Cerna Motru Tismana – stage II.....	72,684	(72,684)	—
Lac redresor Sebes	56,138	(56,138)	—
Bistra	43,952	—	43,952
Rehabilitation of Portile de Fier II	45,265	(45,265)	—
Others	254,585	(177,621)	76,963
Total	3,785,888	(2,864,430)	921,458

Determination of recoverable amounts

The determination of the recoverable amounts of the investments under construction above was based on a series of assumptions related to the feasibility of completion of the investments and the projected cash flows.

The significant assumptions used in estimating the recoverable amount are presented below. The estimates were based both on historical data, as well as on management's assessment of future trends related to electricity prices, margins, costs to complete:

Estimates	Method for building the estimates			
	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Cost to complete the projects, annual cash flows to completion and the date of commissioning	based on the contracts concluded with the suppliers for each project or estimation made by management (see below)			
Installed capacities	based on technical data for each project (see below)			
Production capacity	85% of the production capacity on average (based on Company average historical electricity production for the previous 5 years)			
Electricity prices	Based on reports prepared by external consultants for the period 2023 – 2035; 2% annual price increase (long-term inflation rate) for the period 2036 – 2050	Based on reports prepared by external consultants and internal management estimates for the period 2022 – 2050	Based on reports prepared by external consultants for the period 2021 – 2050	Based on internal estimates for the period 2021 – 2050
PPE EBITDA margin (*)	72%	72%	72%	72%
Useful life	50 years	50 years	50 years	50 years
Discount rate before tax	10.5%	9.3%	8.9%	8.6%

(*)PPE EBITDA margin represents the margin used by the Group in impairment testing of assets under construction and is computed as Adjusted EBITDA as defined in Note 21 plus tax on electricity producers, changes in provisions and impairment loss on trade receivables, divided by Revenues.

The Group's estimates of the costs necessary to complete the projects under construction, as well as the annual production capacities to be installed per year, are as follows:

Year	Estimated costs to complete				Installed capacity per year (GW)			
	31 December 2022	31 December 2021	31 December 2020	1 January 2020	31 December 2022	31 December 2021	31 December 2020	1 January 2020
2020	—	—	—	58,111	—	—	—	—
2021	—	—	61,967	90,901	—	—	—	—
2022	—	39,422	285,216	260,163	—	—	—	—
2023	132,321	250,162	236,684	165,195	—	—	—	—
2024	517,861	424,328	200,039	133,177	—	252	252	304
2025	608,731	243,133	134,801	106,478	299	238	66	66
2026	408,431	114,936	50,000	50,000	222	25	197	197
2027	14,585	70,200	50,000	50,000	20	—	—	—
2028	—	36,595	—	—	—	45	45	45
Total	1,681,929	1,178,776	1,018,707	914,025	540	560	560	612

The Group estimated that approximately 90% of the additional generation capacity will be installed by the end of 2027.

The impairment losses recognized in 2022, 2021 and 2020 were mainly driven by the updated estimated costs to complete of certain projects, as well as by the update of the work schedule until completion, and decrease in installed capacity for certain projects as detailed below.

The impairment losses reversed in 2022, 2021 and 2020 were mainly determined by the change in the assumptions used on future prices of electricity.

The main variations in the recoverable amount/ impairment loss refer mainly to the following investment projects:

- Bumbesti-Livezeni project, with a net carrying amount of RON 411,507 thousand as at 31 December 2022 (31 December 2021: RON 459,400 thousand, 31 December 2020: RON 554,313 thousand and 1 January 2020: RON 466,209 thousand), for which the works were suspended in 2017 due to the fact that the construction and environmental authorisations were cancelled as a result of litigation lost by the Company with non-profit organizations. The project started in 2003, while in 2005 the National Park “Defileul Jiului” was ruled as protected area; therefore the Company needs to reassess the impact on the environment and obtain new authorisations.

The impairment loss of RON 48,201 thousand in 2022 for Bumbesti-Livezeni project was driven by the increase in cost to complete by RON 231,938 thousand as a result of the new claims and litigation initiated by the constructor in 2022. (see also Note 26 (i)), offset by the increase in forecasted electricity prices.

The impairment loss of RON 94,980 thousand in 2021 for Bumbesti-Livezeni project was driven mainly by the decrease of the production capacity by 20% as a result of the changes in the environmental legislation that caused the Company to decrease the water flow, affecting therefore the project capacity.

The release of impairment loss of RON 87,795 thousand in 2020 for Bumbesti-Livezeni project was driven by the increase in forecasted electricity prices.

The Group is currently in process of obtaining new construction and environmental authorisations in order to continue the works; the steps taken by the Company include the design of the documentation necessary for obtaining the environment authorization prepared by an external consultant, including the environmental impact assessment procedure, obtaining the approvals requested by the urbanism certificates. In 2022, the authorities informed the Group that the documentation submitted does not comply with the legal requirements and needs to be revised. The Group is in process of contracting a new external consultant to complete the documentation for obtaining the environmental authorization.

Also, in December 2022, the Government issued the Emergency Ordinance no. 175/2022 (“OUG 175/2022”), through which a number of investments projects developed by Group, including Bumbesti-Livezeni, are declared public interest projects and are considered exceptional situations under the definition of Law no. 292/2018 regarding the evaluation of certain projects’ impact on environment. According to the Law no. 292/2018, in exceptional situations the relevant authority can exempt a project from the partial or full application of the requirements for obtaining the environmental authorization.

Although the environmental documentation needs to be revised and re-submitted to the authorities, the management believes that there are no issues that would prevent the Company to obtain the authorisations and complete the project. Consequently, the recoverable value of the project was determined considering that the project will be completed in 2025.

- Siriu-Surduc project with a net carrying amount of RON 78,938 thousand as at 31 December 2022 (31 December 2021: RON 159,566 thousand, 31 December 2020: RON 152,445 thousand and 1 January 2020: RON 190,607 thousand), for which works were suspended due to the fact that the construction and environmental authorizations for the construction of the dam were cancelled as a result of litigation lost by the Company with non-profit organizations. The project started in 1983 and comprises 3 hydropower plants, out of which one was put in function in 1988, for another one the management decided to abandon the project and the third one is under construction, with the works suspended until revision of the impact on the environment and obtain new authorisations.

Impairment loss of RON 85,053 thousand in 2022 for Siriu – Surduc project was driven by the increase of the estimated cost to complete by RON 163,446 thousand as result of the high increase in prices of construction materials corroborated with offers received by the Group for other refurbishment projects with the same characteristic as the above mentioned project.

Management believes that there are no issues that would prevent the Company to obtain the authorisations and complete the project. Consequently, the recoverable value of the project was determined considering that the project will be completed in 2026.

Sensitivity analysis

The sensitivity analysis below shows the effect on profit before tax, and was determined based on the reasonable changes in key assumptions at the end of the reporting periods, while other assumptions remain constant.

Discount rate before tax	Increase/ (decrease) of Profit before tax	
	100 bp increase	100 bp decrease
2022	(129,295)	162,003
2021	(118,232)	148,125
2020	(142,438)	182,095

PPE EBITDA margin	Increase/ (decrease) of Profit before tax	
	500 bp increase	500 bp decrease
2022	84,120	(84,120)
2021	72,035	(72,035)
2020	74,234	(74,234)

Electricity prices	Increase/ (decrease) of Profit before tax	
	5% increase	5% decrease
2022	60,566	(60,566)
2021	51,865	(51,865)
2020	53,448	(53,448)

Production capacity	Increase/ (decrease) of Profit before tax	
	500 bp increase	500 bp decrease
2022	30,589	(30,589)
2021	24,243	(24,243)
2020	21,841	(21,841)

21. CAPITAL AND RESERVES

(a) Share capital

	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Nominal share capital	4,484,595	4,484,595	4,484,475	4,482,394
Inflation adjustments in accordance with IAS 29	1,028,871	1,028,871	1,028,871	1,028,871
Total	5,513,466	5,513,466	5,513,346	5,511,265

At 31 December 2022, the authorized, subscribed share capital of the Company is divided into 448,459,482 ordinary shares (31 December 2021: 448,459,482 ordinary shares, 31 December 2020: 448,447,467 ordinary shares and 1 January 2020: 448,239,331 ordinary shares) with a nominal value of RON 10 per share. The shareholders are entitled to dividends and each share grants a voting right.

Shareholders	31 December 2022		31 December 2021	
	Number of shares	%	Number of shares	%
Ministry of Energy.....	359,019,169	80.0561%	359,019,169	80.0561%
Fondul Proprietatea.....	89,440,313	19.9439%	89,440,313	19.9439%
Total.....	448,459,482	100%	448,459,482	100%

Shareholders	31 December 2020		1 January 2020	
	Number of shares	%	Number of shares	%
Ministry of Energy.....	359,009,551	80.0561%	358,842,926	80.0561%
Fondul Proprietatea.....	89,437,916	19.9439%	89,396,405	19.9439%
Total.....	448,447,467	100%	448,239,331	100%

Until 31 December 2003, the share capital in nominal terms was restated in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies", the related adjustments being recognized against retained earnings.

(b) Revaluation reserve

The reconciliation between opening balance and closing balance of the revaluation reserve is as follows:

	2022	2021	2020
Balance at 1 January	9,612,905	6,094,878	6,458,436
Transfer of revaluation reserve to retained earnings following depreciation and disposal of property, plant and equipment, net of tax.....	(369,385)	(338,549)	(339,201)
Revaluation reserve adjustments on impairment of property, plant and equipment.....	—	—	(24,357)
Revaluation of property, plant and equipment.....	2,116,546	4,591,568	—
Deferred tax related to revaluation reserve.....	(338,731)	(734,992)	—
Balance at 31 December	11,021,335	9,612,905	6,094,878

(c) Other reserves

Other reserves include:

- legal reserve of RON 926,188 thousand (31 December 2021: RON 865,074 thousand, 31 December 2020: RON 683,502 thousand and 1 January 2020: RON 590,947 thousand), set-up annually at each Group company level as 5% of the profit before tax until the total legal reserve reach 20% of the paid-up nominal share capital. Legal reserves are mandatory, are deductible for income tax purposes and are not distributable.
- Other non-distributable reserves of RON 97,000 thousand at 31 December 2022, 2021, 2020 and 2019, set-up in 2006 based on Government Emergency Ordinance no. 89/2004.

(d) Dividends

The Company declared and paid dividends as follows:

	2022	2021	2020
Dividends declared and paid.....	3,830,946	2,286,371	2,003,281
Dividend per share (RON).....	8.54	5.10	4.47

Romanian companies may distribute dividends from statutory earnings only, as per separate financial statements prepared in accordance with Romanian accounting regulations.

(e) Capital management

The capital management of the Group is significantly influenced by the regulations. The distribution of dividends is governed by special regulation, including the Government Ordinance no. 64/2001, according to which, in the case of companies wholly or majority-owned by the State, minimum 50% of the accounting profit shall be distributed as dividends, unless otherwise provided by special laws.

The Groups' policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future developments of the business. Management monitors the return on capital, as well as the level of dividends to shareholders. The net debt / (net cash and short-term investments) to ADJUSTED EBITDA should not exceed 3.

	2022	2021	2020
Bank borrowings	484,492	577,796	31,923
Lease liabilities	15,401	12,506	21,014
Less: Cash and cash equivalents.....	(660,734)	(1,104,890)	(354,845)
Less : Short-term investments.....	(3,034,745)	(2,561,467)	(1,730,071)
Net debt /(net cash and short-term investments) A.....	(3,195,586)	(3,076,055)	(2,031,979)
ADJUSTED EBITDA⁽¹⁾ B	6,008,630	4,834,004	2,672,379
Net debt /(net cash and short-term investments) to ADJUSTED EBITDA ratio A/B	(0.53)	(0.64)	(0.76)

(1) ADJUSTED EBITDA (Earnings before interest, tax, depreciation and amortisation) is calculated as EBITDA defined and calculated as profit/(loss) before tax before (i) depreciation and amortization of property, plant and equipment and (ii) interest income and expense, and ADJUSTED FOR (a) impairment/reversal of impairment of property, plant and equipment and (b) gain on bargain purchase of subsidiaries. EBITDA and ADJUSTED EBITDA are not IFRS measures and should not be treated as an alternative to IFRS measures. Moreover, ADJUSTED EBITDA is not uniformly defined. The method used to calculate ADJUSTED EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the ADJUSTED EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA or ADJUSTED EBITDA of other companies.

22. BORROWINGS

Description	31 December 2022	31 December 2021	31 December 2020	1 January 2020
<p>International Bank for Reconstruction and Development (“IBRD”) dated 13 July 2005 of EUR 66 million – loan contracted for the rehabilitation of a hydro-power plant and assistance in the Company’s institutional development (technical, financial and risk management), in supervision of rehabilitation works, and in contract management.</p> <p>Repayment: equal semi-annual installments between 15 March 2010 and 15 September 2021.</p> <p>Year of maturity: 2021.</p>	—	—	26,944	53,123
<p>BRD Groupe Societe Generale – ING Bank dated 7 April 2020 of EUR 50 million – loan contracted for general financing.</p> <p>Repayment: equal 20 quarterly installments until 23 December 2020.</p> <p>Interest is linked to EURIBOR 3 months plus a margin</p> <p>Year of maturity: 2020.</p>	—	—	—	16,884
<p>BRD Groupe Societe Generale dated 4 March 2021 of RON 1,250 million – loan contracted for financing the acquisition of a Crucea Wind Farm SA and Hidroelectrica Wind Services SRL. Proceeds from loan: EUR 130,000 thousand (representing RON 635,219 thousand)</p> <p>Repayment: quarterly installments between 11 June 2021 and 11 March 2028.</p> <p>Interest is linked to EURIBOR 3 months plus a margin.</p> <p>Year of maturity: 2028.</p>	483,013	574,400	—	—
<p>Banca Transilvania – Credit line of Hidroserv subsidiary classified as non-current at 31 December 2021 and 31 December 2020 according to the reorganization plan;</p> <p>Repayment: quarterly installments until second quarter of 2023.</p> <p>Year of maturity: 2023.</p>	1,479	3,396	4,979	—
Total loans	484,492	577,796	31,923	70,007
Current portion	94,001	93,877	28,528	43,561
Non-current portion	390,491	483,919	3,395	26,446

Nominal interest rates of the borrowings range from 0.2% to 2.5%.

In 2022 the Group repaid loans of RON 93,307 thousand (2021: RON 97,580 thousand; 2020: RON 44,303 thousand).

The loan agreement with BRD Groupe Societe Generale include the following financial ratios: Debt Service Coverage Ratio – minimum 1.1 and debt rate – maximum 3.0. As at 31 December 2022 and 31 December 2021 the Group met the financial ratios mentioned. In case any of the covenants is not met, the borrower is entitled, upon written notice, to request full or partial accelerated reimbursement of the borrowing.

Reconciliation of movements of liabilities to cash flows arising from financing activity

	Bank borrowings	Lease liabilities	Total
Balance at 1 January 2022	577,796	12,506	590,302
Changes from financing cash flows			
Repayment of bank loans.....	(93,307)	—	(93,307)
Lease payments	—	(4,364)	(4,364)
Total changes from financing cash flows	(93,307)	(4,364)	(97,671)
The effect of changes in foreign exchange rates	(575)	—	(575)
Other changes			
<i>Liability-related</i>			
Lease modifications.....	—	7,259	7,259
Interest expense.....	2,708	528	3,236
Interest paid.....	(2,130)	(528)	(2,658)
Total liability-related other changes	578	7,259	7,837
Balance at 31 December 2022	484,492	15,401	499,893
	Bank borrowings	Lease liabilities	Total
Balance at 1 January 2021	31,923	21,014	52,937
Changes from financing cash flows			
Proceeds from bank loans.....	635,219	—	635,219
Repayment of bank loans.....	(97,580)	—	(97,580)
Lease payments	—	(6,792)	(6,792)
Total changes from financing cash flows	537,639	(6,792)	530,847
Changes arising from business combinations	—	7,571	7,571
The effect of changes in foreign exchange rates	8,168	—	8,168
Other changes			
<i>Liability-related</i>			
New leases.....	—	448	448
Lease modification	—	(9,735)	(9,735)
Interest expense.....	1,009	688	1,697
Interest paid.....	(943)	(688)	(1,631)
Total liability-related other changes	66	(9,287)	(9,221)
Balance at 31 December 2021	577,796	12,506	590,302

	Bank borrowings	Lease liabilities	Total
Balance at 1 January 2020	70,007	19,594	89,601
<i>Changes from financing cash flows</i>			
Repayment of bank loans.....	(44,303)	—	(44,303)
Lease payments	—	(6,614)	(6,614)
Total changes from financing cash flows	(44,303)	(6,614)	(50,917)
Changes arising from business combinations	5,948	—	5,948
The effect of changes in foreign exchange rates	1,087	—	1,087
<i>Other changes</i>			
<i>Liabilities-related</i>			
New leases.....	—	8,034	8,034
Interest expense.....	680	—	680
Interest paid.....	(1,496)	—	(1,496)
Total liability-related other changes	(816)	8,034	7,218
Balance at 31 December 2020	31,923	21,014	52,937

23. TRADE PAYABLES

	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Electricity suppliers.....	70,602	24,885	9,848	10,645
Electricity distribution services suppliers	45,065	2,250	90	—
Property, plant and equipment suppliers	61,785	39,822	87,295	81,197
Turbinated water supplier	79,810	73,374	55,433	45,287
Maintenance and repairs suppliers .	6,415	9,246	3,855	29,198
Other suppliers	19,747	24,350	21,868	8,837
Total trade payables	283,424	173,927	178,389	175,164
Current portion.....	282,996	171,421	172,746	161,426
Non-current portion.....	428	2,506	5,643	13,738

The suppliers of electricity, water and repairs are mainly those presented in Note 31 Related Parties.

Other suppliers include service providers, materials and consumables providers.

The Group has guarantees received from suppliers of RON 235,775 thousand at 31 December 2022 (RON 268,223 thousand at 31 December 2021; RON 86,626 thousand at 31 December 2020; RON 261,414 thousand at 1 January 2020). These are good performance guarantees in the form of bank letters of guarantee, insurance policies and escrow accounts.

24. OTHER PAYABLES

	31 December 2022		31 December 2021		31 December 2020		1 January 2020	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Payables to the State	14,223	—	45,208	8,861	20,468	20,342	7,225	—
Performance deposits from suppliers	12,114	5,719	9,948	9,768	12,363	10,449	10,670	14,051
Payables in relation to amounts lost in litigation.....	—	—	114,469	—	—	—	—	—
Other	12,234	46	2,678	253	1,989	59	2,299	45
Total.....	38,571	5,765	172,303	18,882	34,820	30,850	20,194	14,096

Current payables to the State represent VAT payable of RON 3,098 thousand as at 31 December 2022 (31 December 2021: RON 29,774 thousand, 31 December 2020: RON 9,309 thousand and 1 January 2020: RON 6,106 thousand) and the current portion of taxes that have been rescheduled for payment according to the approved reorganization plan of Hidroserv SA of RON 8,752 thousand as at 31 December 2022 (31 December 2021: RON 11,281 thousand, 31 December 2020: RON 9,195 thousand and 1 January 2020: nil).

Non-current payables to the State represent taxes that have been rescheduled for payment according to the approved reorganization plan of Hidroserv SA.

As at 31 December 2021 payables in relation to amounts lost in litigations represents the amount payable to Andritz Hydro GMBH Ravensburg of RON 114,469 thousand as a result of arbitration disputes finalized in 2021 (see Note 26).

25. DEFERRED INCOME

	31 December 2022		31 December 2021		31 December 2020		1 January 2020	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Government grants	5,685	181,517	5,710	187,156	5,514	190,205	5,527	195,383
Other	11	5	14	14	14	24	11	31
Total.....	5,696	181,522	5,724	187,170	5,528	190,229	5,538	195,414

Government grants represent amounts received from the State for the construction of certain investment projects.

Reconciliation between opening closing balance of government grants:

	2022	2021	2020
Balance at 1 January	192,866	195,719	200,910
Increase in the year.....	50	2,952	309
Released to income.....	(5,714)	(5,805)	(5,500)
Balance at 31 December.....	187,202	192,866	195,719

26. PROVISIONS

	31 December 2022		31 December 2021		31 December 2020		1 January 2020	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Litigation and claims	120,354	—	116,260	—	196,304	—	183,300	—
Decommissioning	—	723,968	—	642,078	—	561,239	—	502,728
Tax provisions	—	93,121	—	86,560	—	99,281	—	96,632
Other provisions	1,406	—	271	—	13	—	—	—
Total.....	121,760	817,089	116,531	728,638	196,317	660,520	183,300	599,360

	Litigation and claims	Decommissioning	Tax provisions	Other provisions	Total
Balance at 1 January 2022	116,260	642,078	86,560	271	845,169
Provisions recognized against property, plant and equipment	—	(5,298)	—	—	(5,298)
Provisions recognized in profit or loss	7,359	62,558	2,945	1,135	73,997
Provisions used	(2,771)	—	—	—	(2,771)
Provisions reversed	(494)	—	—	—	(494)
Unwinding of provisions (Note 12)	—	24,630	3,616	—	28,246
Balance at 31 December 2022	120,354	723,968	93,121	1,406	938,849

	Litigation and claims	Decommissioning	Tax provisions	Other provisions	Total
Balance at 1 January 2021	196,304	561,240	99,280	13	856,837
Acquisition through business combinations	—	25,490	—	—	25,490
Provisions recognized in profit or loss	10,415	40,945	—	258	51,618
Provisions used	(90,459)	—	—	—	(90,459)
Provisions reversed	—	—	(15,441)	—	(15,441)
Unwinding of provisions (Note 12)	—	14,403	2,721	—	17,124
Balance at 31 December 2021	116,260	642,078	86,560	271	845,169

	Litigation and claims	Decommissioning	Tax provisions	Other provisions	Total
Balance at 1 January 2020	183,300	502,728	96,632	—	782,660
Provisions recognized in profit or loss	13,530	44,607	—	13	58,150
Provisions used	(526)	—	—	—	(526)
Unwinding of provisions (Note 12)	—	13,905	2,648	—	16,553
Balance at 31 December 2020	196,304	561,240	99,280	13	856,837

(i) Provisions for litigation and claims

As at 31 December 2022, 2021 and 2020, provisions for litigations include RON 47,404 thousand relating to a litigation started in December 2022 by Hidroconstructia SA, one of the constructors used for Bumbesti-Livezeni investment project. Hidroconstructia requested RON 47,404 thousands representing works performed in 2017 and related interest and costs incurred during the period the project was in stand-by due to the annulment of the required construction and environmental authorizations. These costs include security and safety of the project during the stand-by period.

Considering the probability of an unfavourable outcome, the Group recognized a provision of RON 47,404 thousands.

As at 31 December 2022, 2021 and 2020 provisions for litigations include RON 67,618 thousand relating to the litigation with the Association of Romelectro SA, Hidroconstructia SA and ISPH Project Development SA (the Association) started in 2013. The subject of the litigation is disputes over the contract signed in 2004 for the Bumbesti-Livezeni investment project.

The Association requested RON 88,441 thousand representing additional works performed by the Association starting 2010 until the date of commencement of the litigation.

Following several rulings and appeals in 2019 the file was sent to retrial. In 2020 the Court requested a technical expert report. Based on the past rulings, the expert report issued on 17 February 2022 and considering the probability of an unfavourable outcome the Group recognized a provision of RON 67,618 thousand.

In 2021, the Group utilized provisions of RON 88,721 thousand following the arbitration sentences issued in the arbitration disputes no. ICC 22482/MHM, no. ICC 22047/MHM and no. 20540 / MHM between Andritz Hydro and Hidroelectrica. According to these decisions Hidroelectrica had to pay RON 139,674 thousand (out of which RON 88,721 thousand were recorded previously as provisions and RON 50,953 thousand were recorded as trade payables). In 2021, the Company settled through compensations with receivables from Andritz payables of RON 25,205 thousand, the remaining amount of RON 114,469 thousand included in other payables (Note 24) was paid in 2022.

(ii) Decommissioning provision

In 2018 and 2019, the management of the Company decided to abandon certain investment projects in progress (Note 20). As a result, the Company recognized decommissioning provisions against profit or loss for the present value of the works estimated to be necessary to abandon those assets. The decommissioning costs were estimated based on studies performed by an external technical expert in 2017, adjusted with inflation or estimated increase in costs in construction and transportation industry.

Main abandonment costs included in the provision are:

- cost to demolish existing constructions, average demolition cost: RON 195 per cubic meter;
- cost to transport the waste materials to the nearest ecological deposit, average transportation cost: RON 100 per kilometer and per tonne transported;
- environmental tax, in accordance with the legal requirements of RON 120 per tonne of waste;
- cost to deposit the waste at an ecological deposit of RON 100 per tonne.

The costs were discounted using discounts rate between 4.12% and 5.3% (31 December 2021: between 4% and 4.9%, 31 December 2020: between 2.6% and 2.9% and 1 January 2020: between 2.6% and 2.8%), depending on the expected period of decommissioning.

In 2021, the Group took-over a decommissioning provision of RON 25,490 thousand related to the wind farm of the subsidiary Crucea Wind Farm S.A. The effects of changes in assumptions underlying the decommissioning costs for the wind farm are recognized against property, plant and equipment.

(iii) Tax provisions

Tax provisions of RON 93,121 thousand at 31 December 2022 (31 December 2021: RON 86,560 thousand, 31 December 2020: RON 99,280 thousand and 1 January 2020: RON 96,632 thousand) represent the present value of the VAT expected to be paid at the write off of the abandoned investment projects (Note 20).

27. FINANCIAL INSTRUMENTS – Fair Values and Risk Management

(a) Accounting classifications and fair values

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

(b) Financial risk management

Credit risk

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

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

Exposure to credit risk

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

	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Trade receivables.....	1,350,677	663,528	338,037	306,036
Cash and cash equivalents.....	660,734	1,104,890	354,845	222,976
Restricted cash.....	101,057	10,257	10,257	10,257
Investments in corporate bonds, deposits and government bonds	3,386,083	2,561,467	1,730,071	1,736,855
Total.....	5,498,551	4,340,142	2,433,210	2,276,124

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.

Increase of trade receivables is due to significant unbilled revenues due to delays in the invoicing electricity supplied to end users, due to the implementation of a new billing system for supply activity and due to a significant increase in new customers. The amount of the unbilled revenues included in trade receivables amounts to RON 1,116,046 thousand at 31 December 2022 (RON 540,482 thousand at 31 December 2021, RON 264,784 thousand at 31 December 2020, RON 234,158 thousand at 1 January 2020).

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

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

The following table provide information about the exposure to credit risk and expected credit loss (ECL) for trade receivables as at 31 December 2021:

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Net trade receivables
Not past due.....	1.95%	163,198	(3,181)	160,017
Past due – from 0 to 3 months	40.29%	7,886	(3,177)	4,709
Past due – from 3 to 6 months	88.77%	3,710	(3,293)	417
Past due – from 6 months to 1 year	100.00%	3,413	(3,413)	—
Past due – more than 1 year	100.00%	20,959	(20,959)	—
Total.....		199,166	(34,023)	165,143
Customers analysed individually.....		498,385	—	498,385
Total trade receivables		697,551	(34,023)	663,528

The following table provide information about the exposure to credit risk and expected credit loss (ECL) for trade receivables as at 31 December 2020:

	Weighted average loss rate	Gross carrying amount	Impairment losses allowance	Net trade receivables
Not past due.....	1.62%	176,557	(2,857)	173,700
Past due – from 0 to 3 months	50.12%	11,896	(5,963)	5,933
Past due – from 3 to 6 months	100.00%	6,199	(6,199)	—
Past due – from 6 months to 1 year	100.00%	3,383	(3,383)	—
Past due – more than 1 year	100.00%	4,273	(4,273)	—
Total.....		202,308	(22,675)	179,633
Customers analysed individually.....		158,404	—	158,404
Total trade receivables		360,712	(22,675)	338,037

The following table provide information about the exposure to credit risk and expected credit loss (ECL) for trade receivables as at 1 January 2020:

	Weighted average loss rate	Gross carrying amount	Impairment losses allowance	Net trade receivables
Not past due.....	1.76%	133,257	(2,351)	130,906
Past due – from 0 to 3 months	62.16%	23,807	(14,799)	9,008
Past due – from 3 to 6 months	100.00%	2,921	(2,921)	—
Past due – from 6 months to 1 year	100.00%	1,253	(1,253)	—
Past due – more than 1 year	100.00%	176	(176)	—
Total.....		161,414	(21,500)	139,914
Customers analysed individually.....		166,122	—	166,122
Total trade receivables		327,536	(21,500)	306,036

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

Loss rates for 2022 are based on the actual credit loss experienced over the past five years (2021: four years and 2020: three years).

The Group has guarantees received from customers of RON 907,555 thousand at 31 December 2022 (RON 593,039 thousand at 31 December 2021, RON 432,851 thousand at 31 December 2020; RON 386,010 thousand at 1 January 2020). These are guarantees for payment in the form of bank letters of guarantee received in relation to electricity sales contracts.

Liquidity risk

Liquidity risk represents the risk that the Group may have difficulties in meeting the obligations associated with financial liabilities settled by transfer of cash or another financial asset. The Group has significant cash and cash equivalents and short-term investments, therefore it does not face significant liquidity risk.

The Group monitors the level of cash inflows forecasted from collection of trade receivables, as well as the level of cash outflows forecasted for the payment of loans, trade and other payables. The Group aims to maintain a level of current bank accounts and bank deposits that exceeds the cash outflows forecasted for the payment of financial liabilities.

Exposure to liquidity risk

The following table shows the remaining contractual maturities of financial liabilities at the reporting date. The contractual cash flows are presented gross and undiscounted, and include estimated contractual interest payments.

31 December 2022	Contractual cash flows				
	Carrying amount	Total	< 12 months	1 – 5 Years	> 5 years
Financial liabilities					
Trade payables	283,424	283,424	282,996	428	—
Bank borrowings	484,492	513,201	103,302	386,803	23,096
Lease liabilities	15,401	17,881	8,301	4,677	4,903
Total	783,317	814,506	394,599	391,908	27,999

31 December 2021	Contractual cash flows				
	Carrying amount	Total	< 12 months	1 – 5 Years	> 5 years
Financial liabilities					
Trade payables	173,927	173,927	171,421	2,506	—
Bank borrowings	577,796	581,514	95,251	371,222	115,041
Lease liabilities	12,506	15,536	4,500	5,243	5,793
Total	764,229	770,977	271,172	378,971	120,834

31 December 2020	Contractual cash flows				
	Carrying amount	Total	< 12 months	1 – 5 Years	> 5 years
Financial liabilities					
Trade payables	178,389	178,389	172,746	5,643	—
Bank borrowings	31,923	32,044	29,057	2,987	—
Lease liabilities	21,014	21,637	8,583	13,054	—
Total	231,326	232,070	210,386	21,684	—

1 January 2020	Carrying amount	Contractual cash flows			
		Total	< 12 months	1 – 5 Years	> 5 years
Financial liabilities					
Trade payables	175,164	175,164	161,426	13,738	—
Bank borrowings	70,007	71,494	44,300	27,194	—
Lease liabilities	19,595	20,269	4,775	15,494	—
Total	264,766	266,927	210,501	56,426	—

Market risk

Market risk is the risk that changes in market prices – foreign exchange rate and interest rate – will affect the Group's profit or the value of the financial instruments held. The objective of market risk management is to control market risk exposures within acceptable parameters, while optimizing the return.

(i) Interest rate risk

The Group has long-term bank borrowings with variable interest rates, which may expose the Group to interest rate risk.

	31 December 2022	31 December 2021	31 December 2020	1 January 2020
Fixed-rate instruments				
Financial assets				
Restricted cash	101,057	10,257	10,257	10,257
Investments in corporate bonds, deposits and government bonds	3,386,083	2,561,467	1,730,071	1,736,855
Total	3,487,140	2,571,724	1,740,328	1,747,112
Financial liabilities				
Lease liabilities	(15,401)	(12,506)	(21,014)	(19,595)
Total	(15,401)	(12,506)	(21,014)	(19,595)
Variable-rate instruments				
Financial liabilities				
Bank borrowings	(484,492)	(577,796)	(31,923)	(70,007)
Total	(484,492)	(577,796)	(31,923)	(70,007)

Fair value sensitivity analysis of fixed-rate instruments

The Group has no financial assets and financial liabilities with a fixed interest rate recognized at fair value through profit or loss. Therefore, a change in interest rates on the reporting date would not result in a gain or loss in profit or loss.

Cash flow sensitivity analysis of variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) the profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular currency exchange rates, remain constant.

	Increase/ (decrease) of Profit before tax	
	50 bp increase	50 bp decrease
2022		
Variable-rate instruments.....	(2,422)	2,422
2021		
Variable-rate instruments.....	(821)	17
2020		
Variable-rate instruments.....	(160)	160

(ii) Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of the Group is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated are RON. Certain liabilities are denominated in foreign currencies as EUR and USD. The Group's risk management policy is to primarily use the local currency. The Group does not use derivative instruments or hedging instruments.

	31 December 2022			
	– RON thousand equivalent of the currency –			
	EUR	USD	CHF	HUF
Trade receivables	221	—	—	—
Investments in corporate bonds, deposits and government bonds.....	351,338	—	—	—
Cash and cash equivalents.....	4,020	228	2	—
Trade payables	(3,971)	—	—	—
Bank borrowings.....	(483,013)	—	—	—
Lease liabilities	(13,585)	—	—	—
Net statement of financial position exposure.....	(144,990)	228	2	—

	31 December 2021			
	– RON thousand equivalent of the currency –			
	EUR	USD	CHF	HUF
Trade receivables	2,788	—	—	—
Cash and cash equivalents.....	99,503	225	334	200
Trade payables	(4,666)	(175)	—	—
Bank borrowings.....	(574,400)	—	—	—
Lease liabilities	(8,668)	—	—	—
Net statement of financial position exposure.....	(485,443)	50	334	200

31 December 2020				
– RON thousand equivalent of the currency –				
	EUR	USD	CHF	HUF
Cash and cash equivalents.....	1,046	131	314	200
Trade payables.....	(69,930)	(159)	—	—
Bank borrowings.....	(26,944)	—	—	—
Lease liabilities.....	(16,060)	—	—	—
Net statement of financial position exposure.....	(111,888)	(28)	314	200

1 January 2020				
– RON thousand equivalent of the currency –				
	EUR	USD	CHF	HUF
Cash and cash equivalents.....	347	174	307	218
Trade payables.....	(53,254)	(176)	—	(1)
Bank borrowings.....	(70,007)	—	—	—
Lease liabilities.....	(4,198)	—	—	—
Net statement of financial position exposure.....	(127,112)	(2)	307	217

The following exchange rates have been applied:

	31 December 2022	31 December 2021	31 December 2020	1 January 2020
RON / EUR.....	4.9474	4.9481	4.8694	4.7793
RON / USD.....	4.6346	4.3707	3.966	4.2608
RON / CHF.....	5.0289	4.7884	4.4997	4.4033
RON / 100 HUF.....	1.2354	1.3391	1.3356	1.4459

Sensitivity analysis

A 5% appreciation of the Romanian leu (RON) against all other foreign currencies as at 31 December would have affected the profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	Increase/ (decrease) of Profit before tax 2022 (RON thousand)	Increase/ (decrease) of Profit before tax 2021 (RON thousand)	Increase/ (decrease) of Profit before tax 2020 (RON thousand)
EUR.....	7,250	24,272	5,594
USD.....	(11)	(3)	1
CHF.....	—	(17)	(16)
100 HUF.....	—	(10)	(10)
Total.....	7,239	24,242	5,569

A 5% depreciation of the Romanian leu (RON) against all other foreign currencies as at 31 December would have affected the profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	Increase/ (decrease) of Profit before tax 2022 (RON thousand)	Increase/ (decrease) of Profit before tax 2021 (RON thousand)	Increase/ (decrease) of Profit before tax 2020 (RON thousand)
EUR.....	(7,250)	(24,272)	(5,594)
USD.....	11	3	(1)
CHF.....	—	17	16
100 HUF.....	—	10	10
Total.....	(7,239)	(24,242)	(5,569)

28. ACQUISITION OF SUBSIDIARIES

In March 2021 Hidroelectrica gain control of Crucea Wind Farm S.A. and Hidroelectrica Wind Services S.R.L. following a share purchase agreement concluded with STEAG GmbH for the acquisition of 100% shares of above mentioned companies.

The total consideration transferred was EUR 130 million, out of which EUR 51.1 million purchase price for the shares and EUR 78.9 million settlement of former shareholder loan. There was no other contingent payment. The Group incurred acquisition related costs of RON 1,362 thousand for due diligence and legal fees. These costs are included in other operating expenses.

For the 9 months period ended 31 December 2021, the subsidiaries contributed revenue of RON 164,579 thousand and profit of RON 38,946 thousand to the Group's results. If the acquisition had occurred on 1 January 2021, management estimates that the consolidated revenue for the year 2021 would have been RON 6,519,268 thousand, and consolidated profit for the year would have been RON 3,145,893 thousand. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same if the acquisition had occurred on 1 January 2021.

The following table summarises the amounts of assets acquired and liabilities assumed at the date of acquisition:

	RON thousand
Property, plant and equipment.....	585,900
Intangible assets.....	2,573
Green certificates	54,614
Inventories.....	58
Trade and other receivables.....	4,523
Other current assets	8,729
Cash and cash equivalents.....	36,964
Deferred tax assets.....	18,223
Total fair value of assets acquired	711,585
Lease liabilities	7,571
Provisions.....	25,490
Trade and other payables.....	4,790
Current income tax	43
Employee benefits.....	179
Other current liabilities	1,122
Total fair value of liabilities assumed.....	39,197
Fair value of identifiable net assets acquired	672,388

The result of the transaction is as follows:

	RON
Fair value identifiable net assets acquired	672,388
Consideration transferred.....	640,858
Gain on bargain purchase	31,530

The valuation of the assets and liabilities was carried out by an valuation expert.

The valuation techniques used in measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	<p><i>Market comparison technique and cost technique:</i> The valuation model based on the cost method considers the current replacement cost of the asset, from which depreciation elements that lead to the loss of value of the asset as a result of physical, functional or external depreciation are deducted. The direct comparison approach was used for equipment for which there is an active market for similar items. Significant unobservable inputs were:</p> <ul style="list-style-type: none"> - The replacement cost as determined based on historical cost, indexed with price indices according to the catalogues published by specialized institutions; - Physical deterioration (average 23%); - Functional obsolescence (18%); - External obsolescence has not been identified.

In September 2020 the Company regained control over its subsidiary, Hidroserv S.A. (see Note 1), for no consideration. The fair values of the assets and liabilities acquired were as follows:

	RON thousand
Property, plant and equipment.....	60,383
Other assets.....	6,026
Inventories.....	17,211
Trade receivables.....	22,436
Other current assets.....	4,289
Cash and cash equivalents.....	9,426
Deferred tax assets.....	7,277
Total assets.....	127,048
Employee benefits.....	35,632
Bank loans.....	5,948
Deferred income.....	296
Trade payables.....	10,700
Provisions.....	4,535
Other liabilities.....	43,661
Total liabilities.....	100,772
Gain from regaining control.....	26,276

For the 3 months period ended 31 December 2020, the subsidiary contributed revenue of RON 13,098 thousand and profit of RON 21,090 thousand to the Group's results. If the acquisition had occurred on 1 January 2020, management estimates that the consolidated revenue for the year 2020 would have been RON 3,841,443 thousand, and consolidated profit for the year would have been RON 1,539,442 thousand. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same if the acquisition had occurred on 1 January 2020.

29. COMMITMENTS

29.2 Contractual commitments

The Group has the following contractual commitments:

	31 December 2022	31 December 2021	31 December 2020
Acquisition of property, plant and equipment and intangible assets.....	545,184	761,087	710,977

29.3 Guarantees

The Group issued good performance guarantees of RON 35,213 thousand at 31 December 2022 (31 December 2021: RON 48,018 thousand, 31 December 2020: RON 86,626 thousand; 1 January 2020: RON 142,140 thousand) mainly in relation to its obligations to deliver electricity, and in relation to its payment obligations related to electricity purchase transactions on the day-ahead and intra-day markets.

30. CONTINGENCIES

30.1 Litigation, claims and tax uncertainties

The main litigations involving the Group, with a potential exposure of RON 882,864 thousand as at 31 December 2022 (31 December 2021: RON 736,681 thousand; 31 December 2020: RON 692,800 thousand), are disclosed as contingent liabilities:

a) *Litigation with Ministry of Energy*

Potential exposure: RON 373,050 thousand as at 31 December 2022, 2021 and 2020

Plaintiff: Ministry of Energy

File no. 3200/2/2018

The Ministry of Energy claims the following:

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

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

On 11 May 2021, the first Court rejected the claims of the Ministry of Energy as groundless. During 2022, the Ministry of Energy appealed the Court decision, but no date for the first court appearance was established.

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

b) *Litigations with Tax authorities regarding past tax treatments*

Potential exposure: RON 214,385 thousand as at 31 December 2022, 2021 and 2020

Plaintiff: Hidroelectrica

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

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

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

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

c) *Dispute over the additional tax for electricity producers claimed*

Potential exposure: RON 62,052 thousand as at 31 December 2022

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 Decembre 2022.

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

tax authorities applied the changes introduced by the law retroactively starting 1 September 2022, and therefore computed additional tax of RON 62,052 thousand.

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

d) *Litigation with Hidroconstructia SA*

Potential exposure: RON 98,762 thousand as at 31 December 2022

Plaintiff: Hidroconstructia SA

File no. 12257/3/2022

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

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

e) *Arbitration with Romelectro S.A.*

Potential exposure: RON 29,250 thousand as at 31 December 2022 and RON 43,881 thousand as at 31 December 2021

Plaintiff: Romelectro S.A.

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

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

In December 2022, the Arbitration Court requested a financial and accounting analysis to be performed by an independent expert. Currently, the expert report is being drafted, next terms being 27 and 28 April 2023.

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

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

f) *Litigation with Hidroconstructia SA*

Potential exposure: RON 32,832 thousand as at 31 December 2022, 2021 and 2020

Plaintiff: Hidroconstructia SA

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

Hidroconstructia SA claims the costs generated by the suspension of construction works rendered before the Company's insolvency. The Group argues that such claims have no grounds considering the insolvency

process of Hidroelectrica and the fact that the claimant lost its right to claims as it failed to register the claim in the table of creditors.

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

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

In April 2022, the Court requested an expertise report in hydrotechnical constructions and an accounting expertise report to be performed by independent experts. Currently, the expert report is being drafted, next term being 13 June 2023.

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

g) *Litigation with Beny Alex S.R.L.*

Potential exposure: RON 43,570 thousand as at 31 December 2022, 2021 and 2020

Plaintiff: Beny Alex SRL

File no. 36646/3/2018*

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

In December 2022, an independent expertise report was finalized. Based on the expert report the value of the additional works performed is RON 40,115 thousand. Hidroelectrica submitted objections to the report. Currently, the objections are drafted, the next term being 5 May 2023.

Beny Alex made the same claims against Hidroserv in 2017, as part of Hidroserv's insolvency procedure. In a separate ruling, the Court rejected Beny Alex claims against Hidroserv in 2018, the decision is final and not eligible for appeal.

In addition, the Group argues that the claims of Beny Alex refer to costs incurred by the plaintiff during the Company's insolvency, for which Beny Alex did not make any request for payment during the insolvency procedure, and consequently the right of Beny Alex to claim the payment of these amounts after the end of the Company's insolvency has expired. Consequently, management estimates the litigation will be ruled in favor of the Group and consequently an outflow of resources is not probable.

h) *Litigation with Hidroconstructia SA*

Potential exposure: RON 28,963 thousand as at 31 December 2022, 2021 and 2020

Plaintiff: Hidroconstructia SA

File no. 31451/3/2020

Hidroconstructia SA filed claims in the amount of RON 28,963 thousand representing discounts granted during 2014 – 2019 to the Group for construction of AHE Siriu-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.

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.

On 10 April 2023, the court rejected Hidroconstructia claims, this decision can be appealed.

30.2 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. No tax audits were performed on Crucea Wind Farm and Hidroelectrica Wind Services.

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.

30.3 Decommissioning obligations

As described in Note 4 a4), 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 (see Notes 20 and 26), the occurrence of events that would require abandonment or switching to post-utilisation of other assets in the public domain or hydro-power plants owned by the Group by the end of the concession contract (31 years from 31 December 2022) is unlikely, considering the long useful life of dams, which can be significantly extended over 100 years by maintenance and improvements.

31. RELATED PARTIES

a) Ultimate controlling party

The Company's shareholders are the Romanian State, represented by the Ministry of Energy, with a shareholding of 80.0561% and Fondul Proprietatea SA with a shareholding of 19.9439% as at 31 December 2022.

b) Transaction with key management personnel

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

Board of Directors remuneration	2022	2021	2020
Expenses recognized during the year			
Fixed component	2,343	2,325	2,343
Variable component accrual.....	8,201	8,201	8,201
Reversal of overaccrual of the previous year	—	(3,053)	—
Total.....	10,544	7,473	10,544
Payments made in the year	2022	2021	2020
Fixed component	2,343	2,325	2,343
Variable component (for the previous year)	8,201	5,148	4,167
Total.....	10,544	7,473	6,510

The Board of Directors include 5 directors appointed for 4 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 financial and non-financial performance indicators based on which the variable remuneration is determined include:

- Financial indicators: Revenues, adjusted EBITDA rate, Gross profit, Liquidity (current ratio), Indebtdness (debt ratio); outstanding payments to the State budget;
- Operating indicators: percentage of completeness of investment plan, percentage of completeness of maintenance plan, powerplants availability;
- Services indicators: degree of realization of system services and obligations regarding supply/sale of electricity;
- Corporate governance indicators: timely preparation of the revenues and expenses budget; establishment of policies for risk management and control and implementation of the internal control system.

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

The Company accrued RON 8,201 thousand at 31 December 2022 for the variable component of the Board of Directors' remuneration (31 December 2021: RON 8,201 thousand, 31 December 2020: RON 8,201 thousand; 1 January 2020: RON 4,101 thousand).

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

Supervisory Board remuneration

	2022	2021	2020
Expenses recognized during the year			
Fixed component	890	921	890
Variable component accrual.....	1,038	1,038	1,038
Reversal of overaccual of the previous year.....	(148)	(148)	(233)
Total.....	1,780	1,810	1,695
Payments made in the year			
Fixed component	890	920	890
Variable component (for the previous year)	890	890	805
Total.....	1,780	1,810	1,695

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

Remuneration of the members of the Supervisory Board was approved by shareholders decision in 2019. According to this decision, the remuneration of the Supervisory Board members consists of a monthly fixed salary, limited to two times the average monthly gross salary for the last 12 months prior to appointment published by National Institute of Statistics for the Company's activity code (CAEN) according to the classification of activities in the national economy. The variable component is limited to 12 fixed monthly salaries. The financial and non-financial indicators based on which the variable remuneration for the members of the Supervisory Board is determined are the same as for the Board of Directors.

The Group accrued RON 1,038 thousand at 31 December 2022 for the variable component of the Supervisory Board (31 December 2021: RON 1,038 thousand, 31 December 2020: RON 1,038 thousand; 1 January 2020: RON 1,635 thousand).

There were no loans granted to the members of Supervisory Board or Board of Directors in 2022, 2021 and 2020. 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) 2022	Payables (including VAT) 31 December 2022
Administratia Nationala Apele Romane.....	436,700	78,625
Transelectrica (Romanian Electricity System Operator).....	452,299	70,417
OPCOM (Romanian Electricity Market Operator)	368,245	85
SN Nuclearelectrica SA.....	185,197	(41,256)
Distributie Energie Electrica Romania.....	111,807	14,902
Others.....	17,442	1,564
Total.....	1,571,690	124,337

Supplier	Purchases (without VAT) 2021	Payables (including VAT) 31 December 2021
Administratia Nationala Apele Romane.....	524,275	71,671
Transelectrica (Romanian Electricity System Operator).....	128,822	24,931
OPCOM (Romanian Electricity Market Operator)	10,410	572
Hidroconstructia.....	23,524	13,215
Others.....	20,544	2,386
Total.....	707,575	112,775

Supplier	Purchases (without VAT) 2020	Payables (including VAT) 31 December 2020
Administratia Nationala Apele Romane.....	299,242	53,848
Transelectrica (Romanian Electricity System Operator).....	68,680	9,516
Others.....	21,829	1,388
Total.....	389,751	64,752

Supplier	Payables (including VAT) 1 January 2020
Administratia Nationala Apele Romane.....	43,369
Transelectrica (Romanian Electricity System Operator).....	7,181
Others.....	837
Total.....	51,387

Client	Sales	Receivables	Impairment	Receivables Net
	(without VAT)	Gross Carrying amount (including VAT)		loss
	2022	31 December 2022		
Transelectrica (Romanian Electricity System Operator).....	2,063,761	276,208	—	276,208
Electrica Furnizare	518,952	42,420	—	42,420
OPCOM (Romanian Electricity Market Operator).....	1,233,993	2,821	—	2,821
E.ON Energie Romania	305,686	27,343	—	27,343
Engie Romania	143,877	6,539	—	6,539
Distributie Energie Electrica Romania.....	78,198	73	(16)	57
Romaero	3,439	7,502	(7,502)	—
Metrorex	7,753	8,024	(7,819)	205
Others	178,243	155,019	(15,671)	139,348
Total	4,533,902	525,949	(31,008)	494,941

Other customers include mainly public institutions, local authorities and public educational institutions to which the Company supplied electricity in 2022.

Client	Sales	Receivables	Impairment	Receivables Net
	(without VAT)	Gross Carrying amount (including VAT)		loss
	2021	31 December 2021		
Transelectrica (Romanian Electricity System Operator).....	1,468,065	336,422	—	336,422
Electrica Furnizare	197,642	14,279	—	14,279
OPCOM (Romanian Electricity Market Operator).....	1,267,616	486	—	486
E.ON Energie Romania	151,198	10,412	—	10,412
STB Bucharest	53,489	10,684	—	10,684
Metrorex	43,531	16,723	—	16,723
Engie Romania	368,664	2,594	—	2,594
Others	14,475	7,981	—	7,981
Total	3,564,680	399,581	—	399,581

Client	Sales	Receivables	Impairment loss	Receivables Net
	(without VAT)	Gross Carrying amount (including VAT)		Carrying amount (including VAT)
	2020		31 December 2020	
Transelectrica (Romanian Electricity System Operator)	561,203	73,621	—	73,621
Electrica Furnizare.....	453,485	34,424	—	34,424
OPCOM (Romanian Electricity Market Operator)	392,862	8	—	8
E.ON Energie Romania.....	137,136	12,019	—	12,019
STB Bucharest.....	40,249	30,085	—	30,085
Metrorex	35,236	—	—	—
Others.....	21,958	18,579	—	18,579
Total	1,642,128	168,736	—	168,736

Client	Receivables	Impairment loss	Receivables Net
	Gross Carrying amount (including VAT)		Carrying amount (including VAT)
		1 January 2020	
Transelectrica (Romanian Electricity System Operator)	88,916	—	88,916
Electrica Furnizare	24,408	—	24,408
OPCOM (Romanian Electricity Market Operator) Engie Romania.....	—	—	—
E.ON Energie Romania	15,374	—	15,374
E.ON Energie Romania	8,550	—	8,550
STB Bucharest	21,771	—	21,771
Metrorex	30,652	—	30,652
Others	2,679	—	2,679
Total	192,350	—	192,350

32. TRANSITION TO IFRS-EU

The accounting policies set out in Note 6 have been applied in preparing the financial statements for the years ended 31 December 2022, 31 December 2021 and 31 December 2020, and in the preparation of an opening IFRS statement of financial position at 1 January 2020 (the Group's date of transition).

In preparing its opening IFRS-EU statement of financial position, the Group has adjusted the amounts reported previously in financial statements prepared in accordance with Order of the Minister of Public Finance no. 2844/2016 – i.e. previous general accepted accounting practices (“GAAP”). An explanation of how the transition from previous GAAP to IFRS-EU has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

	Note	1 January 2020			
		Previous GAAP	Effects of subsequent events and accounting errors	Effect of transition to IFRS-EU	IFRS-EU
Assets					
Non-current assets					
Property, plant and equipment.....	A,B(i)	14,695,507	(263,492)	—	14,432,015
Intangible assets.....		3,442	—	—	3,442
Restricted cash.....		10,257	—	—	10,257
Other non-current assets.....		216,776	—	—	216,776
Total non-current assets.....		14,925,982	(263,492)	—	14,662,490
Current assets					
Inventories.....	B(ii)	70,883	(22,873)	—	48,010
Trade receivables.....	B(vi)	327,536	(21,500)	—	306,036
Short-term investments.....		1,736,855	—	—	1,736,855
Cash and cash equivalents.....		222,976	—	—	222,976
Other current assets.....	A	8,196	17,618	—	25,814
Total current assets.....		2,366,446	(26,755)	—	2,339,691
Total assets.....		17,292,428	(290,247)	—	17,002,181
Equity					
Share capital.....	C(ii)	4,482,394	—	1,028,871	5,511,265
Inflation adjustment to share capital.....	C(ii)	1,028,871	—	(1,028,871)	—
Public patrimony.....	C(iii)	39,619	—	(39,619)	—
Revaluation reserve.....		6,458,436	—	—	6,458,436
Other reserves.....		687,947	—	—	687,947
Retained earnings.....	A,B(vii)	2,398,101	(69,987)	—	2,328,113
Total equity.....		15,095,368	(69,987)	(39,619)	14,985,761
Liabilities					
Non-current liabilities					
Bank borrowings.....		26,446	—	—	26,446
Lease liabilities.....		14,530	—	—	14,530
Deferred income.....	C(iii)	155,795	—	39,619	195,414
Deferred tax liabilities.....	A, B(i), (ii), (v), (vi)	708,992	(358,643)	—	350,349
Employee benefits.....		101,207	—	—	101,207
Provisions.....	A(iii)	582,561	16,799	—	599,360
Trade payables.....		13,738	—	—	13,738
Other payables.....		14,096	—	—	14,096
Total non-current liabilities.....		1,617,365	(341,844)	39,619	1,315,140
Current liabilities					
Bank borrowings.....		43,561	—	—	43,561
Lease liabilities.....		5,065	—	—	5,065
Trade payables.....		161,426	—	—	161,426
Contract liabilities.....	A(iv)	—	31,460	—	31,460
Current tax liabilities.....		181,676	—	—	181,676
Deferred income.....	A(iv)	36,998	(31,460)	—	5,538
Employee benefits.....	B,C(iv)	32,019	12,101	24,940	69,060
Provisions.....	B,C(iv)	98,756	109,483	(24,940)	183,300
Other payables.....		20,194	—	—	20,194
Total current liabilities.....		579,695	121,584	—	701,280
Total liabilities.....		2,197,060	(220,260)	39,619	2,016,420
Total equity and liabilities.....		17,292,428	(290,247)	—	17,002,181

	Previous GAAP	Effects of subsequent events and accounting errors	Effect of transition to IFRS-EU	IFRS-EU
31 December 2022				
Assets				
Non-current assets				
Property, plant and equipment.....	19,486,017	—	35,346	19,521,363
Intangible assets.....	41,596	—	(35,346)	6,250
Restricted cash.....	101,057	—	—	101,057
Other investments.....	351,338	—	—	351,338
Other non-current assets.....	218,236	—	—	218,236
Total non-current assets.....	20,198,244	—	—	20,198,244
Current assets				
Inventories.....	72,433	—	—	72,433
Trade receivables.....	1,350,677	—	—	1,350,677
Other investments.....	3,034,745	—	—	3,034,745
Cash and cash equivalents.....	660,734	—	—	660,734
Other current assets.....	115,400	—	—	115,400
Total current assets.....	5,233,989	—	—	5,233,989
Total assets.....	25,432,233	—	—	25,432,233
Equity				
Share capital.....	4,484,594	—	1,028,872	5,513,466
Inflation adjustment to share capital.....	1,028,872	—	(1,028,872)	—
Public Patrimony.....	45,324	—	(45,324)	—
Revaluation reserve.....	11,084,018	(62,683)	—	11,021,335
Other reserves.....	1,023,188	—	—	1,023,188
Retained earnings.....	3,966,177	62,683	—	4,028,861
Total equity.....	21,632,173	—	(45,324)	21,586,850
Liabilities				
Non-current liabilities				
Bank borrowings.....	390,491	—	—	390,491
Lease liabilities.....	7,567	—	—	7,567
Deferred income.....	136,198	—	45,324	181,522
Deferred tax liabilities.....	1,315,946	—	—	1,315,946
Employee benefits.....	121,840	—	—	121,840
Provisions.....	817,089	—	—	817,089
Trade payables.....	428	—	—	428
Other liabilities.....	5,765	—	—	5,765
Total non-current liabilities.....	2,795,324	—	45,324	2,840,648
Current liabilities				
Bank borrowings.....	94,001	—	—	94,001
Lease liabilities.....	7,834	—	—	7,834
Trade payables.....	282,996	—	—	282,996
Contract liabilities.....	84,684	—	—	84,684
Current tax liabilities.....	171,978	—	—	171,978
Deferred income.....	5,696	—	—	5,696
Employee benefits.....	71,047	—	34,798	105,845
Provisions.....	156,558	—	(34,798)	121,760
Tax for electricity producers.....	91,370	—	—	91,370
Other current liabilities.....	38,571	—	—	38,571
Total current liabilities.....	1,004,735	—	—	1,004,735
Total liabilities.....	3,800,059	—	45,324	3,845,383
Total equity and liabilities.....	25,432,233	—	—	25,432,233

Reconciliation of comprehensive income

	Previous GAAP	Effects of subsequent events and accounting errors	Effect of transition to IFRS-EU	IFRS-EU
Year ended 31 December 2022				
Revenue	9,451,955	—	—	9,451,955
Other income	66,812	(20,563)	—	46,249
Turbined water	(450,963)	—	—	(450,963)
Employee benefits expenses	(626,049)	—	(4,674)	(630,723)
Transport and distribution of electricity	(498,055)	—	—	(498,055)
Electricity purchased	(697,142)	—	—	(697,142)
Cost of green certificates sold	(183,171)	—	—	(183,171)
Depreciation and amortization	(772,150)	—	—	(772,150)
Impairment loss on property, plant and equipment	(145,863)	121,994	—	(23,869)
Impairment loss on trade receivables	(42,627)	(834)	—	(43,461)
Repair, maintenance, materials and consumables	(82,337)	—	—	(82,337)
Tax for electricity producers	(671,739)	—	—	(671,739)
Other operating expenses	(337,715)	96,798	4,674	(236,243)
Operating profit	5,010,956	197,395	—	5,208,351
Finance income	247,196	—	—	247,196
Finance costs	(38,111)	—	—	(38,111)
Net finance result	209,085	—	—	209,085
Profit before tax	5,220,041	197,395	—	5,417,436
Income tax expense	(758,866)	(194,570)	—	(953,436)
Profit for the period	4,461,175	2,825	—	4,464,000
Other comprehensive income				
Revaluation of property, plant and equipment, net of tax	1,777,815	—	—	1,777,815
Remeasurement of defined benefit liabilities, net of tax	(7,536)	—	—	(7,536)
Other comprehensive income	1,770,279	—	—	1,770,279
Total comprehensive income	6,231,453	2,825	—	6,234,279

Notes to the reconciliation

(A) Effect of subsequent events

Effect of subsequent events that took place until the date of authorization of these consolidated financial statements is summarized below:

	<u>1 January 2020</u>	<u>31 December 2022</u>
Consolidated Statement of Comprehensive Income		
(e)Decrease / (Increase) in Other operating expenses		40,813
(e)Decrease / (Increase) in Income tax expense.....		(6,530)
(Decrease) / Increase in total comprehensive income.....		34,283
Consolidated Statement of Financial Position		
(b) Property, plant and equipment	56,367	—
(d) Other current assets	17,618	—
(a)Provisions.....	111,540	—
Deferred tax liabilities.....	(10,764)	—
(c)Employee benefits.....	10,043	—
Decrease in retained earnings.....	(36,834)	—

Main subsequent events and the related impact are summarized below:

- (a) Finalization of litigations with Andritz and Voith in 2021 for which provisions of RON 83,910 thousand and related tax effect were recognized at the transition date, as the conditions that determined the loss of the litigations existed also at 1 January 2020.
- (b) Compensations established within the litigation and paid by the Group were recognized in these financial statements against property, plant and equipment as they represent cost of workings rendered by suppliers and equipment delivered in relation CAPEX projects. Compensations representing interest for late payment were recognized as finance costs.
- (c) Finalisation of a series of litigations with the Group's employees in 2020 for payment of overtime incurred in 2019 for which employee benefits liabilities of RON 10,043 thousand and related tax effect were recognized in local GAAP in 2020 and in these financial statements were adjusted as of 1 January 2020.
- (d) Adjustment of RON 17,618 thousand recorded in 2020 in local GAAP for the contribution due to energy sector regulator in respect of 2019 financial year, which was recognized in these financial statements as of 1 January 2020.
- (e) In 2022, Romelectro started a new litigation against the Group, requesting compensations for costs incurred in relation to Bumbesti Livezeni investment project starting with 2018 to present (during the period the workings on the projects were put on hold due to annulment of the authorisations). The Group considers that a cash flow out in respect of this litigation is more probable than not, as a result provision of RON 27,630 thousand and related tax effect was recognized at the transition date, as the conditions based on which the outflow was estimated existed also at 1 January 2020.

(B) Effect of accounting errors

(i) Impairment of property, plant and equipment

In 2022 the Group identified that in its impairment testing at 31 December 2019, 2020 and 2021, cost to complete for Siriu Surduc investment was understated by RON 121 million. As a result an additional impairment of RON 115,283 thousand was recorded as of 1 January 2020 (recorded subsequently in local GAAP).

In 2022 the Group identified that in local GAAP for the year ended 31 December 2021 it recorded as operating expenses compensations paid based on Court decisions finalized in 2021 to CAPEX suppliers for works performed by the suppliers of RON 62,684 thousand. In these financial statements, the Group corrected this accounting records and recorded these amounts as CAPEX from 1 January 2020.

The Group identified that in its impairment testing at 31 December 2019 Rastolita project included two stages, each with its own production capacity, although the management of the Group had decided in 2019 that only one of the stages will be finalized. As a result an additional impairment of RON 193,023 thousand was recorded as of 1 January 2020 (recorded subsequently in local GAAP).

	<u>1 January 2020</u>	<u>31 December 2022</u>
Consolidated Statement of Comprehensive Income		
Decrease / (Increase) in Impairment loss on property, plant and equipment		121,994
(Decrease) / Increase in Revaluation of property, plant and equipment, net of tax.....		(62,684)
(Decrease) / Increase in total comprehensive income.....		59,310
Consolidated Statement of Financial Position		
Property, plant and equipment.....	(316,203)	—
Revaluation reserve.....	—	(62,684)
Decrease in retained earnings.....	(316,203)	(62,684)

(ii) Write down of obsolete inventories

The Group performed an obsolescence analysis as of 1 January 2020, and recorded write-down of inventories as follows:

	<u>1 January 2020</u>	<u>31 December 2022</u>
Consolidated Statement of Financial Position		
Inventories.....	(26,529)	—
Deferred tax liability.....	(4,245)	—
Decrease in retained earnings.....	(22,284)	—

(iii) Decommissioning provision

The Group identified that at 31 December 2019 it did not compute and record correctly the decommissioning provision.

	<u>1 January 2020</u>	<u>31 December 2022</u>
Consolidated Statement of Comprehensive Income		
Decrease / (Increase) in Other operating expenses.....		58,077
Decrease / (Increase) in Income tax expense.....		(9,292)
(Decrease) / Increase in total comprehensive income.....		48,785
Consolidated Statement of Financial Position		
Provisions.....	16,799	—
Deferred tax liabilities.....	(2,688)	—
Decrease in retained earnings.....	(14,111)	—

(iv) Contract liabilities

Under previous GAAP, as of 1 January 2020 the Group presented the advance payments from customers for future contractual obligations for electricity delivery as Deferred Income, instead of Contract liabilities.

	<u>1 January 2020</u>
Consolidated Statement of Financial Position	
Contract liabilities.....	31,460
Deferred income.....	(31,460)
Decrease in retained earnings.....	<u>—</u>

(v) Income tax expense

Under previous GAAP, as of 1 January 2020 the Group did not recognise deferred tax assets related to the carried forward tax losses of Hidroserv subsidiary at the business combination date, although based on the forecasted future taxable profit Hidroserv would have been able to use the carried forward tax losses. Also, the Group identified that as of 1 January 2020 it omitted certain deductible temporary differences in the deferred tax computation.

	<u>1 January 2020</u>	<u>31 December 2022</u>
Consolidated Statement of Comprehensive Income		
Decrease / (Increase) in Income tax expense.....		(178,881)
(Decrease) / Increase in total comprehensive income.....		<u>(178,881)</u>
Consolidated Statement of Financial Position		
Deferred tax liabilities.....	(337,507)	—
Increase in retained earnings.....	<u>337,507</u>	<u>—</u>

(vi) Expected credit losses

Under previous GAAP, at of 31 December 2019 the Group did not compute and record the expected credit losses for trade receivables in accordance with IFRS 9.

	<u>1 January 2020</u>	<u>31 December 2022</u>
Consolidated Statement of Comprehensive Income		
Decrease / (Increase) in Impairment loss on trade and other receivables ...		(834)
Decrease / (Increase) in Income tax expense.....		133
(Decrease) / Increase in total comprehensive income.....		<u>(701)</u>
Consolidated Statement of Financial Position		
Trade receivables.....	(21,500)	—
Deferred tax liabilities.....	(3,440)	—
(Decrease) / increase in retained earnings.....	<u>(18,060)</u>	<u>—</u>

(vii) *Impact in Retained earnings*

		<u>1 January 2020</u>	<u>31 December 2022</u>
Consolidated Statement of Financial Position			
Impairment of property, plant and equipment.....	B(i)	(316,203)	(62,683)
Write-down of obsolete inventories.....	B(ii)	(22,284)	—
Decommissioning provision.....	B(iii)	(14,111)	—
Income tax expense.....	B(v)	337,507	—
Expected credit losses.....	B(vi)	(18,060)	—
(Decrease) / increase in retained earnings.....		<u>(33,152)</u>	<u>(62,683)</u>

(C) **Effect of transition to IFRS-EU**

(i) *Classification of assets representing connection of power generation capacities to the electricity grid*

Under previous GAAP, the fee paid for the connection of the power generation capacities to the electricity grid is classified as intangible asset. In the IFRS-EU financial statements, these items are classified as property, plant and equipment.

	<u>1 January 2020</u>	<u>31 December 2022</u>
Consolidated Statement of Financial Position		
Property, plant and equipment.....	—	35,346
Intangible assets.....	—	(35,346)
Adjustments to retained earnings.....	—	—

(ii) *Presentation of IAS 29 adjustments*

Under previous GAAP, adjustments resulting from the adoption of IAS 29 *Financial Reporting in Hyperinflationary Economies* are presented in the statement of the financial position as a separate element of equity. In the IFRS-EU financial statements IAS 29 adjustments to share capital are presented as Share capital.

	<u>1 January 2020</u>	<u>31 December 2022</u>
Consolidated Statement of Financial Position		
Share capital.....	1,028,871	1,028,871
Adjustments resulting from the adoption of IAS 29.....	(1,028,871)	(1,028,871)
Adjustments to retained earnings.....	—	—

(iii) Presentation of cash contribution from State for construction of assets

Under previous GAAP, cash contribution received from State for construction of public domain assets (ie certain type of assets such as dams which will be transferred to the State at the end of its economic life) are presented in the statement of financial position as an equity element in Public patrimony. In the IFRS-EU financial statements, such cash contributions received from state are presented in the statement of financial position as Deferred Income.

	1 January 2020	31 December 2022
Consolidated Statement of Financial Position		
Public patrimony	(39,619)	(45,324)
Deferred Income.....	39,619	45,324
Adjustments to retained earnings.....	—	—

(iv) Presentation of accruals for employee bonuses and untaken holidays

Under previous GAAP, the Group presented the accruals for employee bonuses and untaken holiday as Provisions. In the IFRS-EU financial statements, such accruals are classified as employee benefits liabilities.

	1 January 2020	31 December 2022
Consolidated Statement of Financial Position		
Provisions	(26,996)	34,798
Employee benefits	26,996	(34,798)
Adjustment to retained earnings	—	—

33. SUBSEQUENT EVENTS

Acquisition of UCM Resita business lines

On 22 February 2023, the Group was declared winner of the sales procedure of business lines ABC and Calnicel platform, which are the property of UCM Resita SA. The Group and UCM Resita SA have not signed yet the sales-purchase agreement. The value of the transaction is of Ron 67,879 thousand. This is expected to be signed in the first half of 2023.

Joint Venture

On 15 March 2023, the Shareholders General Meeting approved the joint venture agreement between the Company and Abu Dhabi Future Energy Company PJSC Masdar. The purpose of this joint venture is to develop, invest, construct and operate renewable energy projects in Romania. The joint venture will focus on projects and investments exclusively from the following technology categories: floating photovoltaic projects and offshore wind projects – fixed and floating.

The joint venture will be incorporated in Bucharest, Romania, in accordance with the rules and regulations of the Romanian Law as a limited liability company or a joint-stock company. Each party will have 50% holdings in the joint venture.

Appointment of a new Supervisory Board

As the mandate of the members of the Supervisory Board expired, on 28 March 2023, the Shareholders General Meeting approved the appointment of a new Supervisory Board starting with 29 March 2023 for a period of 4 years until 28 March 2027. The new Supervisory Board includes 4 members from the previous Supervisory Board.

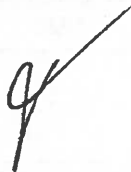
Board of Directors

The current Board of Directors was appointed in June 2019, with a term that extends through 10 June 2023. On 6 April 2023, the Supervisory Board approved the termination of mandate contracts of the members of the Board of Directors by mutual agreement and re-appointed the current members as interim members of

the Board of Directors starting 7 April 2023, with a mandate of 4 months or until the appointment of new members of the Board of Directors according to GEO 109/2011.

Share capital increase

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



Bogdan BADEA
President of the Board
of Directors



Marian BRATU
Member of the Board of
Directors



Andrei GERA
Member of the Board of
Directors



Cristian VLADOIANU
Member of the Board of
Directors



Razvan PATALIU
Member of the Board of
Directors



Marian FETITA
Accounting Manager



Gabriela VASILESCU
Head of Financial Reporting and Budgeting