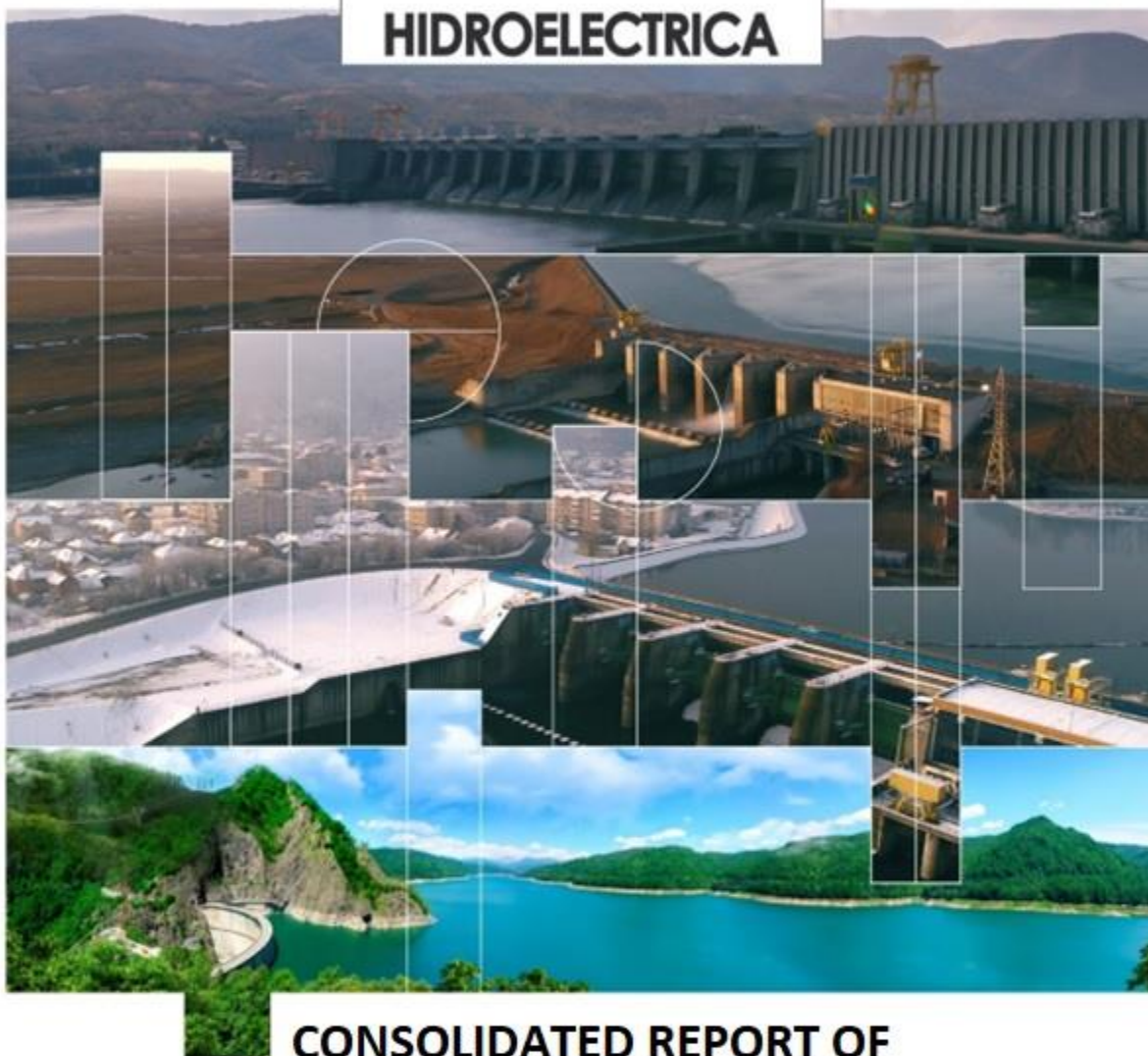




HIDROELECTRICA



**CONSOLIDATED REPORT OF
SPEEH HIDROELECTRICA'S SA
DIRECTORATE FOR THE FINANCIAL
EXERCISE ENDED ON 31.12.2021**

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1. IDENTIFICATION DATA

- Name of the company: S.P.E.E.H. HIDROELECTRICA S.A.
- Registered office: Bucharest, 15-17 Ion Mihalache Blvd., floors 10-15, sector 1, 011171
- Phone/fax: 021.303.25.00; 021.303.25.78
- Sole registration number at the Trade Register Office: 13267213
- Fiscal registration number: RO13267213
- Registered at Trade Register Office under no.: J40/7426/2000
- Paid-in and subscribed share capital: RON 4,484,474,670

2. GENERAL DATA

S.P.E.E.H. Hidroelectrica S.A. is a joint stock company, established based on Romanian Government's Decision no. 627/13 July 2000, with registered office in Bucharest, sector 1, 15-17 Ion Mihalache Blvd., floor 10-15, fiscal registration number RO13267213 and registered with the Trade Register Office to the Bucharest Tribunal under no. J40 / 7426/2000.

The share capital of S.P.E.E.H. Hidroelectrica S.A. as on December 31, 2018 was in amount of RON 4,484,474,670, consisting of 448,447,467 ordinary shares, issued in dematerialized form, by registration in account, with a par nominal value of RON 10, having the following structure of the shareholders:

- *ROMANIAN STATE* through the Ministry of Energy (currently Ministry of Economy, Energy and Business Environment) holding a number of 359,009,551 shares, with a total nominal value of RON 3,590,095,510, representing 80.06% of the share capital of the Company;
- *Fondul Proprietatea S.A.*, holding 89,437,916 shares, with a total nominal value of RON 894,379,160, representing 19.94% of the share capital of the Company.

The main activities of the company consist of:

- production of electricity in hydropower plants;
- selling electricity;
- performing ancillary services for the National Energy System;
- provide water management services from own accumulations by supplying raw water, debit adjustments, floods' protection, debit insurance and other common water management services
- ensuring navigation on the Danube river by locking;
- achieve control and ensure the attenuation of flood waves for the transit of catastrophic flows in the hydro-energetic facilities on the internal rivers under Hidroelectrica'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 company contributes to a very important extent in limiting and eliminating these situations.

The company operates based on the licenses granted by the National Regulatory Authority for Energy (ANRE), which are regularly updated, thus:

- License No.332/ 2001 for the commercial exploitation of power generation capacities, including the provision of ancillary services, updated by ANRE Decision no.509 / 2017, valid until 24.07.2026.
- License No.2215/ 2020 for the supply of electricity, updated by the ANRE Decision no. 718/06.05.2020, valid for 10 years.

The organizational structure, the company consists of 7 branches without juridical personality distributed on the territory of the country, namely:

- SH Bistrița - 13 Locotenent Drăghiescu Street, Piatra Neamț;
- SH Cluj - 1 Taberei Street, Cluj Napoca;
- SH Curtea de Argeș - 82-84 Basarabilor Street, Curtea de Argeș;
- SH Hațeg - 23 Nicolae Titulescu Blvd, Hațeg;
- SH Porțile de Fier - 2 I.C.Bibicescu Street, Drobeta Turnu Severin;
- SH Râmnicu Vâlcea - 11 Decebal Street, Râmnicu Vâlcea;
- SH Sebeș - 9 Alunului Street, Sebeș.

3. HIDROELECTRICA IN FIGURES

FINANCIAR	2021	2020	2021/2020
Revenues from operation (mil. RON)	6,501	3,850	169%
EBITDA (mil RON)	4,669	2,711	172%
Net Profit (mil. RON)	3,020	1,452	208%
OPERATIONAL (TWh)			
Energy produced	2021	2020	2021/2020
Energy delivered	16.91	14.97	113%
Energy sold	16.51	14.58	113%
FINANCIAR	17.11	15.96	107%

* EBITDA (Profit before interest, tax, depreciation and amortization) is calculated by the Company based on profit (loss) before tax adjusted by i) depreciation and amortization / resumption of impairment of tangible and intangible assets, ii) movements in provisions, iii) value adjustments / resumption of adjustments of net current assets and iv) the financial result (except for the income from late payment penalties in the amount of 20,598,866 lei for 2020).

The EBITDA calculation method used by other companies may be significantly different from that used by the company. Consequently, the EBITDA presented in this note cannot be used, as such, for the purpose of comparison with EBITDA of other companies.

Note: The financial information presented in the table above is related to the individual financial statements of the S.P.E.E.H. Hidroelectrica S.A..

4. BENCHMARKS OF 2021

The year 2021 can be characterized as the year of extremes on the one hand and on the other hand the year in which important trends in the world economy have come to an end and even reversed.

At the end of the second year of the pandemic, the effects of unprecedented economic stimulus materialized in historical highs on most stock markets and also in increased prices in line for all

commodities, generating inflationary outbursts that were initially characterized as transient, until the end of the year when the EDF signaled a change in monetary policy to reverse the monthly stimulus and even announced interest rate hikes to counterfight the level of inflation.

In this context, what happened in 2021 in the European energy market is what we can call the "perfect storm" because a series of factors overlapped that triggered almost simultaneously and fed one other, creating the price increasing spiral.

Broadly speaking, the moment Europe has decided to implement the circular economy package (the so-called Green Deal package), by which member countries will become neutral in terms of greenhouse gas emissions by 2050, coinciding with humanity's exit from the worst crisis caused by the SARs-VOC2 virus pandemic, which has led to a widespread rise in global commodity prices.

On the other hand, the reaction of central banks (especially the Fed, the US central bank), which have run programs to stimulate the economy on an unprecedented scale to offset the devastating effects of the global economic lockdown, is another catalyst and amplifier of the price increases of all asset classes and not only of the primary sector - that of raw materials, goods.

Thus, during 2021 the global stock price reached an all-time high, the price of goods experiencing spectacular developments, we are talking here about the price of ferrous and non-ferrous metals, the category of construction materials, the rise in the price of a barrel of oil, industries that generate significant growth on the entire supply chain.

1. The effects of the resumption of savings after the major blockages caused by the Covid 19 pandemic with short-term inflationary effects recorded in almost all asset classes.
2. The policy of central banks to literally flood the market with liquidity to counteract the effects of the economic downturn.
3. EU energy policy leading to a triple price of EUA (carbon certificates)
4. The accelerated increase in the price of natural gas in the last quarter of the year.

Conclusion

The evolution of the energy price in Europe and in Romania implicitly represents only the beginning of a fundamental change of the electricity production mix, with consequences regarding the implementation of the EU's energy policies in the next 10-20 years.

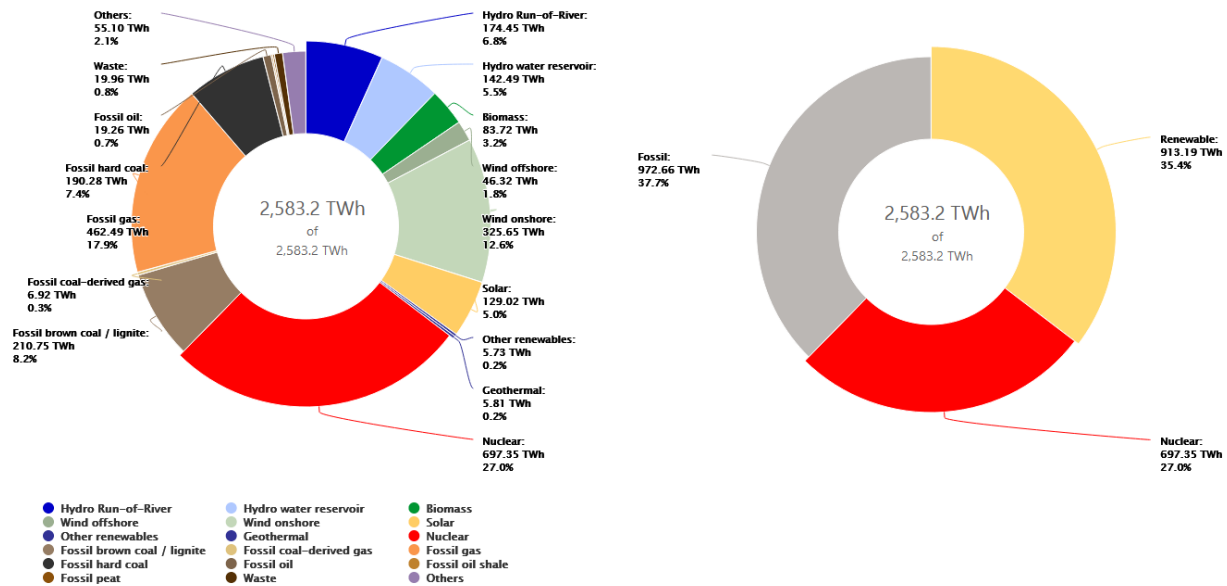
Thus, as a result of the economic crisis caused by the pandemic, like many other sectors of the world economy, the energy sector is facing a massive resettlement. This was anticipated by the EU's (green deal) policies that put us on a one-way street - that of decarbonising the economies of EU countries.

In our opinion, this "crisis" creates the opportunity to accelerate decarbonization and invest in new capacities from renewable sources as well as in efficient energy storage technologies, in order to capture the energy produced by intermittent renewable sources.

In this context, it is worth mentioning the performance of Romania, which currently has a share of renewable energy in total energy production above the Union average. While the share of renewable energy in total EU production is 35%, Romania has a share of renewable energy of about 44%.

EU production mix in 2021 – 2583 TWh

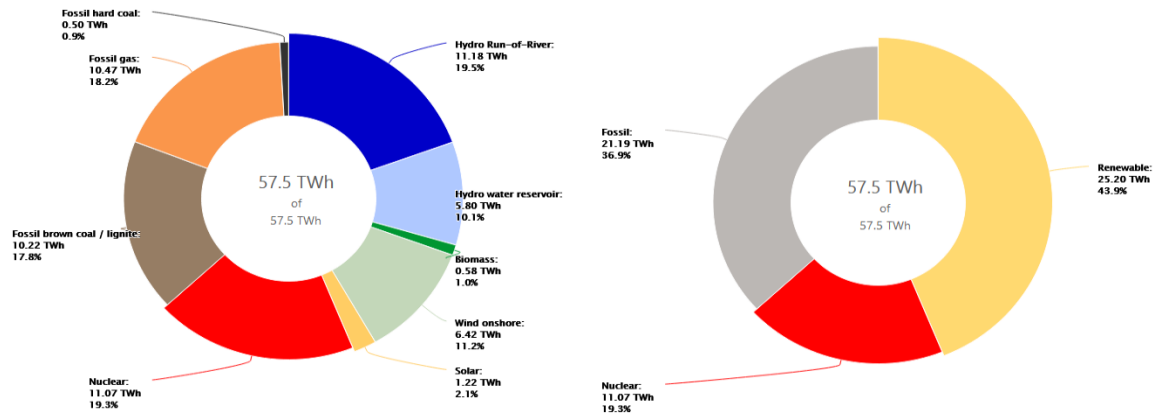
Annual electricity generation in Europe in 2021



Source https://energy-charts.info/charts/energy_pie/chart.htm?l=en&c=RO&interval=year&year=2021

The production mix in Romania in 2021 – 57,5 TWh

Annual electricity generation in Romania in 2021



https://energy-charts.info/charts/energy_pie/chart.htm?l=en&c=RO&interval=year&year=2021

At the local level, we can highlight the modification of the legal framework in order to facilitate the investments in new renewable energy capacities by:

- Amendment of the energy law by transposing the European directive 944/2019 and the EU regulation no. 943 which introduces the possibility of concluding long-term bilateral contracts
- Presentation of the government's intention to implement a new support scheme as certificates for difference (CFD), in order to encourage investments in low carbon technologies.
- Investment financing projects in line with European green deal policy but also efforts to restore savings after the pandemic. The energy industry enjoys additional funds allocated through various mechanisms and reform programs i.e. PNRR, Modernization Fund.

The convergence of these factors led during 2021 to a real explosion of renewable energy projects, either by rethinking the projects from the first period of renewables in Romania as well as new projects, being attracted important players in industry and manufacturing companies, utility companies that want to diversify its business by adding own production capacities, investment funds with exposure in the energy market but also investment funds in search of investments with superior returns.

5. COMPANY ADMINISTRATION AND MANAGEMENT. CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The corporate governance within Hidroelectrica has as references EGO no.109 / 2011, regarding the corporate governance of public enterprises, republished, with subsequent amendments and completions, Hidroelectrica's Articles of Association, the provisions of SR EN ISO 9001: 2015 Quality management systems - Requirements, SR EN ISO 31000: 2018 Risk management - Guidelines and OSGG 600/2018 updated for the approval of the Code of internal managerial control of public entities. The requirements of these regulations are convergent and can be found in the documents resulting from the implementation and development of procedures M01.001 Strategic Planning, M02.001 Evaluation Modeling the Process Map and the Internal Management Control System of Hidroelectrica and M02.010 Implementation Evaluation a process through which is established the framework / way of determining, regulating, managing and executing the activities / operations in a **professional, coherent, transparent, integral and simple manner**, having a constructive and common approach, at the level of the entire company.

By its policy, approved by the company's Supervisory Board, Hidroelectrica intends to have a management system complying the requirements of quality, environmental and occupational safety and health management standards, continuously monitored and adapted / 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 quality management system - SR EN ISO 9001: 2015, the environmental management system - SR EN ISO 14001: 2015 and the occupational health and safety management system SR OHSAS 18001: 2008 of Hidroelectrica by SRAC, IQNET partner (The International Certification Network) - RENAR accredited certification body.

Considering the performance indicator established by the Hidroelectrica Management Plan for 2019-2023 regarding the implementation / validation of the implementation each year of a number of 4 standards according to the Order of the General Secretariat of the Government no. 600/2018 on the approval of the Code of internal managerial control of public entities, during 2021 the following standards were revised and confirmed as implemented: Standard 12 - Information and communication, Standard 13 - Document

management, Standard 14 - Accounting and financial reporting and Standard 15 - Evaluation of the internal managerial control system.

Hidroelectrica has a permanent concern for preventing and combating human rights abuses, as well as for establishing and developing tools to combat corruption and bribery.

The Code of Ethics approved by the Supervisory Board is a guide for the company's management and employees regarding professional conduct and ways to solve issues of business' ethics.

The members of the Supervisory Board are appointed by the Ordinary General Meeting of Shareholders, and the Directorate is appointed by the Supervisory Board, exercising their attributions under the control of the Supervisory Board (consisting of 7 members).

Supervisory Board

On 05.02.2019, the shareholders appointed the members of the Supervisory Board with a term of office of 4 years:

No.	SB Member
1.	Ioana-Andreea LAMBRU (Chairperson)
2.	Daniel NAFTALI
3.	Mihai MIHALACHE
4.	Karoly BORBELY
5.	Cătălin POPESCU
6.	Carmen RADU
7.	Cristian-Nicolae STOINA

Within the Supervisory Board, the following committees are appointed, having an advisory role:

1. Nomination and Remuneration Committee
2. Audit Committee
3. Strategy and IPO Committee

Directorate

Starting 10.06.2019, the members of the Directorate were appointed for a period of 4 years.

The members of the Directorate during 2020 are presented below.

Bogdan-Nicolae BADEA	10.06.2019	09.06.2023	Hot. CS 39 din 03.06.2019
Marian BRATU	10.06.2019	09.06.2023	Hot. CS 40 din 03.06.2019
Răzvan-Ionuț PAȚALIU	10.06.2019	09.06.2023	Hot. CS 41 din 03.06.2019
Radu-Cristian POP	10.06.2019	09.06.2023	Hot. CS 42 din 03.06.2019
Cristian VLĂDOIANU	10.06.2019	09.06.2023	Hot. CS 43 din 03.06.2019

In accordance with Art. 51 of GEO no. 109/2011, with subsequent amendments and completions, the company posted on its website the followings: the structure of the Supervisory Board, the advisory committees, as well as the Management Board, the resumes of the members of the Supervisory Board and the Directorate, their remuneration, the Code of Ethics, Statutory financial statements on 30.06.2019, decisions of the General Meeting of Shareholders, etc..

On 25.07.2019, the General Meeting of Shareholders approved, with majority of votes, the company's Management Plan, as well as the financial and non-financial performance indicators of the members of company's Supervisory Board and the Directorate.

Below are presented the approved performance indicators and the ratio of fulfillment on 31.12.2021:

Total degree of fulfillment of the KPI for 2021

No.	Key performance indicators (KPI) HE Directorate	2021						
		Target	Value of target	Realized value	Ratio of fulfilling of KPI target (%)	Weighting coefficient KPI (%)	Result (%)	Target
Financial KPI							50	
1	Turnover (million RON)	Min. 90% of REB Q4	4.152	3.737	6.335	170	10	16.96
2	EBITDA margin (%) Note 1	Min. 90% of REB Q4	58	52	64%	122	10	12.18
3	Gross profit (million RON)	Min. 90% of REB Q4	1.464	1.318	3.538	269	15	40.28
4	Current liquidity	min. 1	1	1	6.18	200	5	10.00
5	Net borrowing rate	max. 3	3	3	(0.12)	200	5	10.00
6	Outstanding payments to the state budget (thousand RON)	0	0	0	0	100	5	5.00
Operational KPI							25	
1	Implementation of investment program in upgrades / modernizations (%) Note 2 *	min. 60%	114.347	68.318	69.287	101	10	10.14
2	Carrying out a physical maintenance program for planned works (%)	min. 60%	4.516	2.710	3.991	147	10	14.73
3	Availability of hydro units (%)	min. 75%	100%	75%	93%	124	5	6.19
Public service-oriented KPI							10	

1	Carrying out the system services necessary to ensure the operational stability of the SEN (secondary control reserve and fast tertiary adjustment reserve). at the request of DEN (%) - values in hMW	min. 90%	7,456,801	6,711,121	7,456,801	111	5	5.56
2	Fulfillment of electricity supply obligations from sales contracts (%) - values in MWh	min. 90%	17,115,575	15,404,018	17,115,575	111	5	5.56
KPI on corporate governance							15	
1	Timely preparation of the revenue and expenditure budget (%)	100%	100%	100%	100%	100	3	3.00
2	Establishing risk management policies and monitoring risk (%)	min. 90%	100%	90%	92%	102	3	3.06
3	Implementation of the internal managerial control system –	min. 4 standa rde	100%	4	4	100	3	3.00
4	Development of reporting and control capabilities according to BSE principles	100%	100%	100%	100%	100	3	3.00
5	Preparing and performing the listing process Note 3*	100%	100%	100%	0%	0	3	0.00
Total degree of KPI compliance Directorate HE(%)								148.64

Nota 1: EBITDA (Profit before interest, tax, depreciation and amortization) for the purpose of determining the KPI is calculated by the Company based on pre-tax profit (loss) adjusted by (i) depreciation and amortization / reversal of impairment of tangible and intangible assets (except for the depreciation / resumption of impairment resulting from revaluation), ii) movements in provisions, iii) value adjustments / resumption of adjustments of net current assets and iv) the financial result (excluding income from late payment penalties in the amount of RON 20,598. 866 for 2020).

The EBITDA calculation method used by other companies may be significantly different from that used by the company. Consequently, the EBITDA presented in this note cannot be used, as such, for the purpose of comparison with EBITDA of other companies..

Note 2: On 31.12.2021, the savings are in value of RON 484 thousand.

Note 3 During the preparation of the listing process in 2020, service contracts were signed with the legal consultant (Dentons Europe SPARL), as well as the 'equity adviser' consultant (STJ Advisors Group Ltd.). Currently, the amendment of Law no. 173/2020, which provides for the suspension of the operations of alienation of the shares held by the Romanian state for a period of 2 years, is in the final stage of approval by the plenum of the Chamber of Deputies. Following approval and promulgation, the preparation of the listing process, at the end of which the brokerage consortium is to be engaged, will be resumed.

Note 4 The indicators presented in the table above are determined at the level of the individual financial statements of S.P.E.E.H. Hidroelectrica S.A..

6. FINANCIAL AND ECONOMIC ACTIVITY

Statement of financial position as on December 312021

thousand RON

	Individual statements		Consolidated statements	
	31.Dec.21	31.Dec.20	31.Dec.21	31.Dec.20
Fixed assets				
Tangible fixed assets	17,505,687	13,895,332	18,097,930	13,950,681
Intangible assets	3,667	3,356	44,155	4,598
Investments in subsidiaries	299,845	28,755	0	0
Subsidiary loans	321,627	0	0	0
Restricted cash	0	10,257	0	10,257
Deferred tax receivables			15,081	0
Other fixed assets	218,349	220,301	219,921	220,280
Total Fixed Assets	18,348,175	14,158,001	18,377,087	14,185,816
Current assets				
Inventories	56,749	59,652	65,305	68,255
Green certificates			34,781	0
Trade receivables	654,118	354,790	662,694	361,526
Short-term investments	2,561,467	1,730,071	2,561,467	1,730,071
Cash and cash equivalents	1,028,396	343,410	1,104,890	354,845
Restricted cash	10,257	0	10,257	0
Other current assets	27,103	13,635	45,820	15,934
Total current assets	4,338,090	2,501,558	4,485,214	2,530,631
Total assets	22,686,265	16,659,559	22,862,301	16,716,447
Equity and debt				
Equity				
Social capital	4,484,475	4,484,475	4,484,475	4,484,475
Inflation adjustment of share capital	1,028,872	1,028,872	1,028,872	1,028,872
Unpaid share capital	120	0	120	0
Public patrimony	45,324	45,285	45,324	45,285
Revaluation reserve	9,654,525	6,094,877	9,675,587	6,094,877
Other reservations	953,989	777,064	962,074	780,501
Reported result	2,985,601	2,096,479	3,035,212	2,084,633
Total equity	19,152,906	14,527,052	19,231,664	14,518,643
Liability				
Long-term liabilities				
Bank loans	482,440	0	483,919	3,395

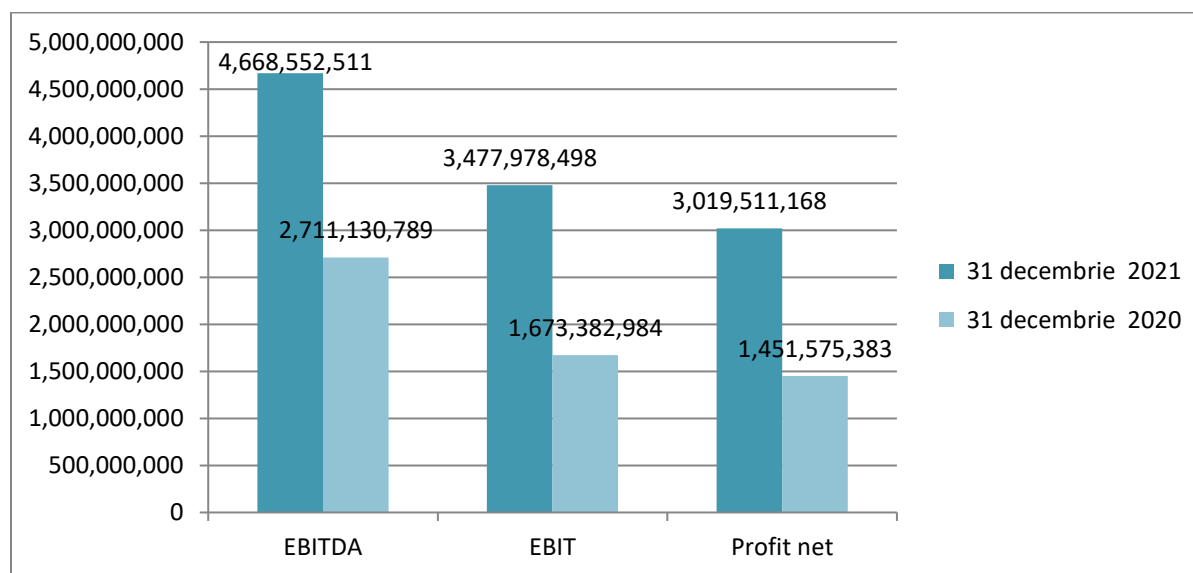
	Individual statements		Consolidated statements	
	31.Dec.21	31.Dec.20	31.Dec.21	31.Dec.20
Leasing	1,858	14,630	8,914	14,630
Revenues recorded in advance	141,555	144,648	141,846	144,943
Deferred tax liabilities	1,211,770	686,746	1,211,794	692,353
Employee benefits	114,338	101,516	122,949	117,137
Provisions	649,632	620,020	670,561	620,020
Trade receivables	204	-	2,506	5,643
Other debts	6,849	8,916	18,881	30,849
Total long-term debt	2,608,646	1,576,476	2,661,370	1,628,970
Current liabilities				
Current portion of bank loans	91,960	26,944	93,877	28,528
The current portion of the lease	3,012	6,384	3,592	6,384
Commercial debts	179,868	194,326	171,421	172,746
Debts related to contracts with clients	93,331	73,660	93,331	73,660
Current profit tax	123,301	81,406	123,394	81,406
Revenues recorded in advance	5,724	5,528	5,724	5,528
Employee benefits	41,862	62,734	54,456	77,260
Provisions	114,332	85,919	117,752	88,498
Other current debts	271,323	19,130	305,720	34,824
Total current debt	924,713	556,031	969,267	568,834
Total liabilities	3,533,359	2,132,507	3,630,637	2,197,804
Total equity and liabilities	22,686,265	16,659,559	22,862,301	16,716,447

Profit / loss statement and other comprehensive income:

thousand RON

	Individual statements		Consolidated statements	
	31.Dec.21	31.Dec.20	31.Dec.21	31.Dec.20
Income				
Revenues from contracts with customers	6,322,895	3,828,344	6,489,297	3,841,443
Other operating revenues	178,398	22,094	209,426	35,326
Total revenue	6,501,293	3,850,438	6,698,723	3,876,769
Operating expenses				
Waste water expenses	(540,145)	(307,077)	(540,145)	(307,077)
Salaries and other remuneration	(487,771)	(470,536)	(586,965)	(500,355)
Transport and distribution of electricity	(97,553)	(61,649)	(97,811)	(61,649)
Purchased electricity	(59,413)	(15,383)	(90,121)	(15,383)
Expenditure on green certificates	(33,857)	(13,951)	(52,184)	(13,951)

	Individual statements		Consolidated statements	
	31.Dec.21	31.Dec.20	31.Dec.21	31.Dec.20
Depreciation of tangible and intangible assets	(737,411)	(764,920)	(760,503)	(766,581)
Adjustments for impairment of tangible and intangible assets, net	(394,013)	(177,106)	(408,181)	(177,106)
Value adjustments of trade and other receivables, net	(19,049)	(16,128)	(19,555)	(18,110)
Depreciation adjustments, net	(5,145)	(27,434)	(5,053)	(27,280)
Expenses with repairs, maintenance, materials and consumables	(173,227)	(142,862)	(65,622)	(103,812)
Movements in provisions	(34,948)	(31,463)	(30,448)	(33,400)
Other operating expenses	(440,783)	(148,546)	(469,728)	(158,377)
Total operating expenses	(3,023,315)	(2,177,055)	(3,126,316)	(2,183,081)
Operating profit	3,477,978	1,673,383	3,572,407	1,693,688
Financial income	99,687	111,341	68,468	82,241
Financial expenses	(39,180)	(2,369)	(42,447)	(2,365)
Net financial result	60,507	108,972	26,021	79,876
Profit before tax	3,538,485	1,782,355	3,598,428	1,773,564
Income tax	(518,974)	(330,780)	(512,812)	(330,397)
Net income	3,019,511	1,451,575	3,085,616	1,443,167
Other elements of the overall result				
Revaluation of tangible fixed assets	4,622,863	0	4,647,936	0
Deferred tax on revaluation reserve	(724,667)	0	(728,678)	0
Remeasurement of obligations regarding employee benefits, net of tax	(5,640)	0	(5,641)	0
Revaluation reserve adjustments, net of tax	0	(24,357)	0	(24,357)
Other elements of the overall result	3,892,556	(24,357)	3,913,617	(24,357)
The total overall result	6,912,067	1,427,218	6,999,233	1,418,810



* EBITDA (Profit before interest, tax, depreciation and amortization) is calculated by the Company based on profit (loss) before tax adjusted by i) depreciation and amortization / resumption of impairment of tangible and intangible assets, ii) movements in provisions, iii) value adjustments / resumption of adjustments of net current assets and iv) the financial result (except for the income from late payment penalties in the amount of RON 20,598,866 for 2020).

The EBITDA calculation method used by other companies may be significantly different from that used by the company. Consequently, the EBITDA presented in this note cannot be used, as such, for the purpose of comparison with EBITDA of other companies.

EBIT - represents the profit before interest and tax (operating profit).

Note: The financial information presented in the table above is determined based on the individual financial statements of the S.P.E.E.H. Hidroelectrica S.A.

In 2021, the Company distributed dividends in the amount of RON 2,286,371,242 (RON 5.10 / share) from the profit for the year 2020 and from the result carried forward representing the revaluation reserve made as the depreciation or scrapping of tangible assets.

Dividends distributed in 2021	
Dividends distributed from the profit of 2020	1,286,371,242
Dividends distributed from retained earnings representing realized revaluation reserves	1,000,000,000
Total	2,286,371,242

In 2020, the Company distributed dividends in the amount of RON 2,003,281,336 (RON 4.47 / share) from the 2019 profit and from the carried forward result representing the revaluation reserve made as the depreciation or scrapping of tangible assets.

Dividends distributed in 2020	
Dividends distributed from the profit of 2019	1,253,281,336
Dividends distributed from retained earnings representing revaluation reserves realized	750,000,000
Total	2,003,281,336

In 2021, were paid dividends in the amount of RON 2,286,371,242 (2020: RON 2,003,281,336).

Cash flow statement

thousand RON

	Individual statements		Consolidated statements	
	31.Dec.21	31.Dec.20	31.Dec.21	31.Dec.20
Cash flows from operating activity:				
Net income	3,019,511	1,451,575	3,085,616	1,443,167
Adjustments for non-monetary items:				
Depreciation of tangible assets	735,735	763,686	756,925	765,347
Depreciation of intangible assets	1,677	1,234	3,579	1,234
Impairment adjustments for tangible assets, net	394,013	177,106	408,181	177,106
Adjustments for impairment of financial assets	(20,329)	(28,755)		
Adjustments for impairment of trade and other receivables, net	19,049	16,226	19,555	18,110
Stock depreciation adjustments	5,145	27,434	5,053	27,280
Updating long-term provisions	25,816	0	26,206	
Profit from taking control of subsidiaries	-	-	(31,530)	(13,009)
Loss from disposals of tangible assets	18,863	15,511	19,179	19,066
Resumption of income from investment subsidies	(5,801)	(5,498)	(5,766)	(5,500)
Unrealized losses due to exchange rate differences	3,543	1,087	8,168	1,087
Interest income	(76,726)	(61,978)	(67,384)	(61,986)
Interest expenses	4,934	680	5,215	680
Income tax expense	518,974	330,779	512,812	330,397
	4,644,404	2,689,086	4,745,809	2,702,979
Movements into:				
Trade receivables	(318,355)	(41,904)	(316,200)	(29,665)
Other assets	(12,736)	(10,538)	(485)	(926)
Inventories	(2,242)	(16,203)	(2,044)	(7,441)
Trade debts	32,124	7,841	30,641	(12,728)
Revenues recorded in advance	2,941	(31,452)	2,902	(31,452)
Employee benefits	(13,691)	31,024	(22,811)	25,539
Provisions	32,209	24,621	28,100	22,665
Other debts	268,721	68,074	270,762	61,906
Cash generated from operating activities	4,633,375	2,720,550	4,736,674	2,730,877
Interest paid	(4,867)	(680)	(5,148)	(1,496)
Profit tax paid	(675,647)	(453,295)	(675,889)	(453,295)

	Individual statements		Consolidated statements	
	31.Dec.21	31.Dec.20	31.Dec.21	31.Dec.20
Net cash from operating activity	3,952,861	2,266,575	4,055,637	2,276,086
Cash flows from investment activity:				
Payments for acquisitions of tangible fixed assets	(192,121)	(160,125)	(184,958)	(166,733)
Payments for acquisitions of intangible assets	(1,987)	(1,149)	(2,385)	(2,391)
Proceeds from the sale of tangible fixed assets	0	436	0	494
Payments for the purchase of government securities	(235,410)	0	(235,410)	
Payments for the acquisition of subsidiaries	(635,219)	0	-	
Dividends received	1,345	0	-	
Receipts from loans granted to subsidiaries	68,457	0		
Interest received	63,594	63,762	53,916	63,771
Payments for deposits with an initial maturity of more than 3 months	(5,013,000)	(3,210,000)	(5,013,000)	(3,210,000)
Receipts from deposits with an initial maturity of more than 3 months	4,430,000	3,215,000	4,430,000	3,215,000
Payments for the acquisition of subsidiaries, net of the acquired cash	0	0	(598,255)	9,426
Net cash from / (used in) investment activity	(1,514,341)	(92,512)	(1,550,092)	(90,433)
Cash flows from financing activity:				
Cash contributions to share capital	24	415	24	415
Withdrawals from loans	635,219	0	635,219	
Loan repayments	(95,997)	(44,149)	(97,580)	(44,303)
Leasing payments	(6,409)	(6,614)	(6,792)	(6,615)
Dividends paid	(2,286,371)	(2,003,281)	(2,286,371)	(2,003,281)
Net cash used in financing activity	(1,753,534)	(2,053,630)	(1,755,500)	(2,053,784)
Net increase in cash and cash equivalents	684,986	120,433	750,045	131,869
Cash and cash equivalents as of January 1	343,410	222,976	354,845	222,976
Cash and cash equivalents as of December 31	1,028,396	343,410	1,104,890	354,845

Indicator (thousand RON)	2021	2020	Variation (%)
Net income	3,019,511	1,451,575	108.02%
Gross operating profit	3,477,978	1,673,383	107.84%
Fiscal value*	6,335,390	3,839,909	64.99%
Operating expenses	3,023,315	2,177,055	38.87%
EBITDA **	4,668,553	2,711,131	72.20%
Liquidity (cash, restricted cash and cash equivalents; bank deposits and government securities)	3,589,863	2,083,738	72.28%

* Calculated according to the form S1040-Annual accounting report to ANAF.

** EBITDA (Profit before interest, tax, depreciation and amortization) is calculated by the Company based on profit (loss) before tax adjusted by i) depreciation and amortization / resumption of impairment of tangible and intangible assets, ii) movements in provisions, iii) value adjustments / resumption of adjustments of net current assets and iv) the financial result (except for the income from late payment penalties in the amount of 20,598,866 lei for 2020).

The EBITDA calculation method used by other companies may be significantly different from that used by the company. Consequently, the EBITDA presented in this note cannot be used, as such, for the purpose of comparison with EBITDA of other companies.

Note: The financial information presented in the table above is unconsolidated.

Main financial and non-financial indicators

Indicator [RON]	Calculation formula	u.m.	2021	2020
Profitability indicators				
EBITDA in total sales	EBITDA * / CA	%	73.69%	70.60%
EBITDA in equity	EBITDA * / Equity	%	24.38%	18.66%
Gross profit rate	Gross profit / CA	%	55.85%	46.42%
Rate of return on capital	Gross profit / Equity	%	18.47%	12.27%
Asset rate of return	Net profit / Total assets	%	13.31%	8.72%
Liquidity and solvency indicators				
Current liquidity indicator **	Current assets / DPTS	X	6.18	7.58
Immediate liquidity indicator **	Current assets - Stocks / DPTS	X	6.09	7.41
Equity solvency	Equity / Total debt	X	5.42	6.87
Risk indicators				
Debt indicator	Borrowed capital / Equity	x.	3.02%	0.33%
Activity indicators				
Rotation rate of gross value-customer flows	Average customer balance * 365 / CA	zile	28	31
Credit-supplier turnover rate	Average supplier balance adjusted VAT * 365 / CA	zile	9	14

* EBITDA (Profit before interest, tax, depreciation and amortization) is calculated by the Company based on profit (loss) before tax adjusted by i) depreciation and amortization / resumption of impairment of tangible and intangible assets, ii) movements in provisions, iii) value adjustments / resumption of adjustments of net current assets and iv) the financial result (except for the income from late payment penalties in the amount of RON 20,598,866 for 2020).

The EBITDA calculation method used by other companies may be significantly different from that used by the company. Consequently, the EBITDA presented in this note cannot be used, as such, for the purpose of comparison with EBITDA of other companies.

** Indicators calculated on the basis of the form S1040-Annual accounting report to ANAF.

Note: The financial information presented in the table above is unconsolidated.

The Company's main results

No.	Indicator[thousand RON]	Achieved 2021	Achieved 2020	Variation (%)
0	1	2	3	4=2/3
1	Operating income	6,501,293	3,850,438	69%
2	Operating expenses	3,023,315	2,177,055	39%
3	Profit from exploitation	3,477,978	1,673,383	108%
4	Financial expenses	39,180	2,369	65%
5	Financial income	99,687	111,341	-10%
6	Net financial income / expenses	60,507	108,972	-44%
7	Profit before tax	3,538,485	1,782,355	99%
8	Net income tax expense	518,974	330,780	57%
9	Profit for the financial year	3,019,511	1,451,575	108%

Note: The financial information presented in the table above is unconsolidated.

Execution of the Revenue and Expenditure Budget as on December 31, 2021

The income and expenditure budget is prepared at the level of the individual financial statements.

In 2021, all revenue indicators were exceeded (total revenues were 157% of budgeted revenues). Expenditure indicators - including those of a salary nature - were respected except for the expenses registered as a result of the revaluation of fixed assets and additional taxes calculated in 2021. Thus, the total expenses incurred were equal to 112% compared to the budgeted expenses.

mii lei

	Indicators*	Row no.	REB 2021 approved	Achieved 2021	% Achieved vs. approved [col.5/ col 4]
1	2	3	4	5	6
I.	TOTAL INCOME	1	4,230,328	6,647,972	157%
	(Row2+Row5+Row6)				
1.	Total operating income, of which:	2	4,177,828	6,513,041	156%
	Subsidies, according to the legal provisions in force	3	-	-	0%
	Transfers, according to the legal provisions in force	4	-	-	0%
2.	Financial income	5	52,500	134,931	257%
3.	Extraordinary income	6	-	-	0%
II.	TOTAL EXPENDITURE	7	2,765,875	3,109,487	112%
	(Row8+Row20+Row21)				
1.	Operating expenses	8	2,728,023	3,035,063	111%
	(Row9+Row10+Row11+ Row19)				
A.	Expenditure on goods and services	9	1,137,593	969,317	85%
B.	Expenses with taxes, fees and similar payments	10	55,133	171,293	311%
C.	Personnel expenses	11	535,727	490,335	92%

7. DOMAINS OF ACTIVITY

7.1 PRODUCTION AND OPERATION

Evolution of electricity consumption and production in 2021

The total power installed in NES in 2021 was 18,568.61 MW (ANRE commercially licensed power plants) of which 3,092.2 MW in coal-fired power plants, 2,873.98 MW in hydrocarbon power plants, 6,644.65 MW in hydro power plants, 1,413 MW in nuclear power plants, 3,014.91 MW in wind farms, 136.26 MW in biomass plants and 1,393.57 MW in photovoltaic plants and 0.05 MW in geothermal plants.

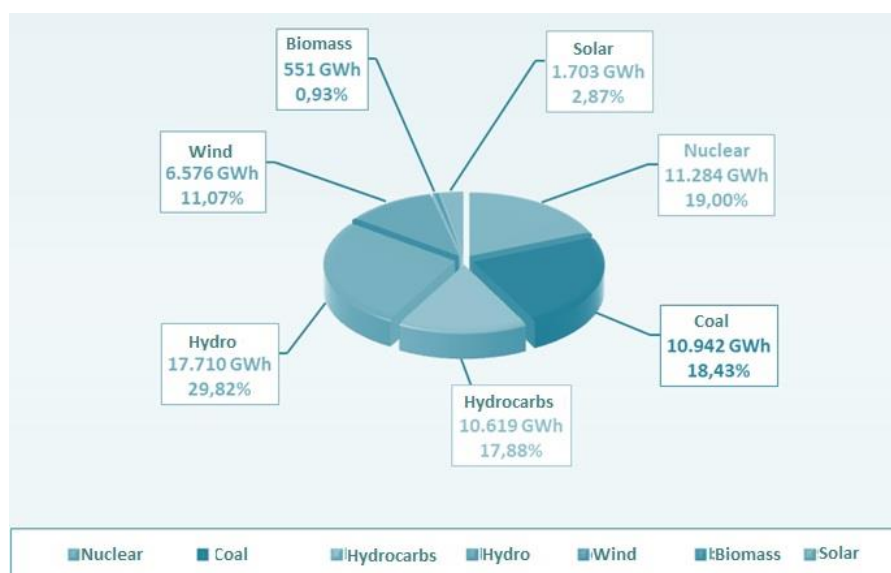
Romania's domestic electricity consumption in 2021 was 61,588 GWh, with a value 4.52% lower than the value recorded in 2020 (58,919 GWh).

Electricity production in 2021 was 59,385 GWh, of which 10,942 GWh produced in coal-fired power plants, 10,619 GWh in hydrocarbon power plants, 11,284 GWh in nuclear power plants, 17,710 GWh in hydroelectric power plants (of which 16,911 GWh in hydroelectric power plants SPEEH Hidroelectrica SA), 6,576 GWh in wind power plants, 551 GWh in biomass power plants and 1,703 GWh in photovoltaic power plants.

The electricity produced in the installations of SPEEH Hidroelectrica S.A. represented 28.47% of the total production of the country. The share of production achieved in Hidroelectrica installations compared to the total production of NES was between 42.44% (May) and 19.28% (November).

The production realized in 2021 in the hydroelectric power plants of SPEEH Hidroelectrica SA was 13% (1,945 GWh) higher than the one realized in the previous reporting year 2020. The table below shows the participation in the monthly coverage of the load schedule of NES of Romanian producers (depending on the type of fuel).

The structure of Romania's electricity production in 2021, according to the nature of the fuel - data National Energy Dispatcher



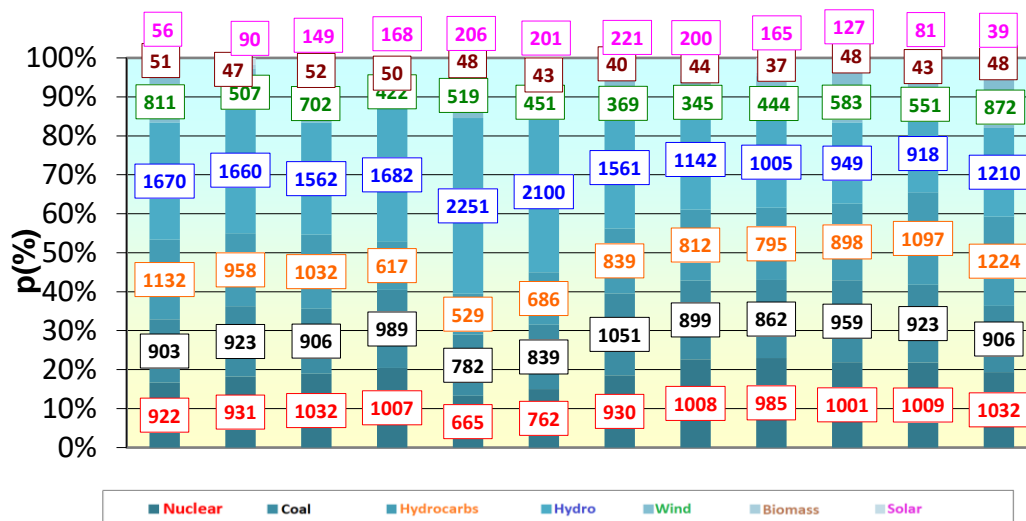
Source: National Energy Dispatcher

The table below shows the participation in the monthly coverage of the NES load schedule of Romanian producers (depending on the type of fuel).

[GWh]											
Month	Consumption	Production	Production	Production	Production	Production	Production	Production	Production	Exp	Imp
	total	nuclear	coal	hydrocarbs	hydro	wind	biomass	solar	total	(-)	(+)
Jan	5625	922	903	1132	1670	811	51	56	5545	-381	461
Feb	5189	931	923	958	1660	507	47	90	5116	-338	411
Mar	5551	1032	906	1032	1562	702	52	149	5435	-325	441
Apr	5091	1007	989	617	1682	422	50	168	4935	-257	413
May	4750	665	782	529	2251	519	48	206	5000	-480	230
Jun	4744	762	839	686	2100	451	43	201	5082	-558	220
Jul	5240	930	1051	839	1561	369	40	221	5011	-262	491
Aug	4959	1008	899	812	1142	345	44	200	4450	-143	652
Sep	4672	985	862	795	1005	444	37	165	4293	-208	587
Oct	5049	1001	959	898	949	583	48	127	4565	-217	701
Nov	5142	1009	923	1097	918	551	43	81	4622	-234	754
Dec	5576	1032	906	1224	1210	872	48	39	5331	-404	649
Total 2021	61588	11284	10942	10619	17710	6576	551	1703	59385	-3807	6010

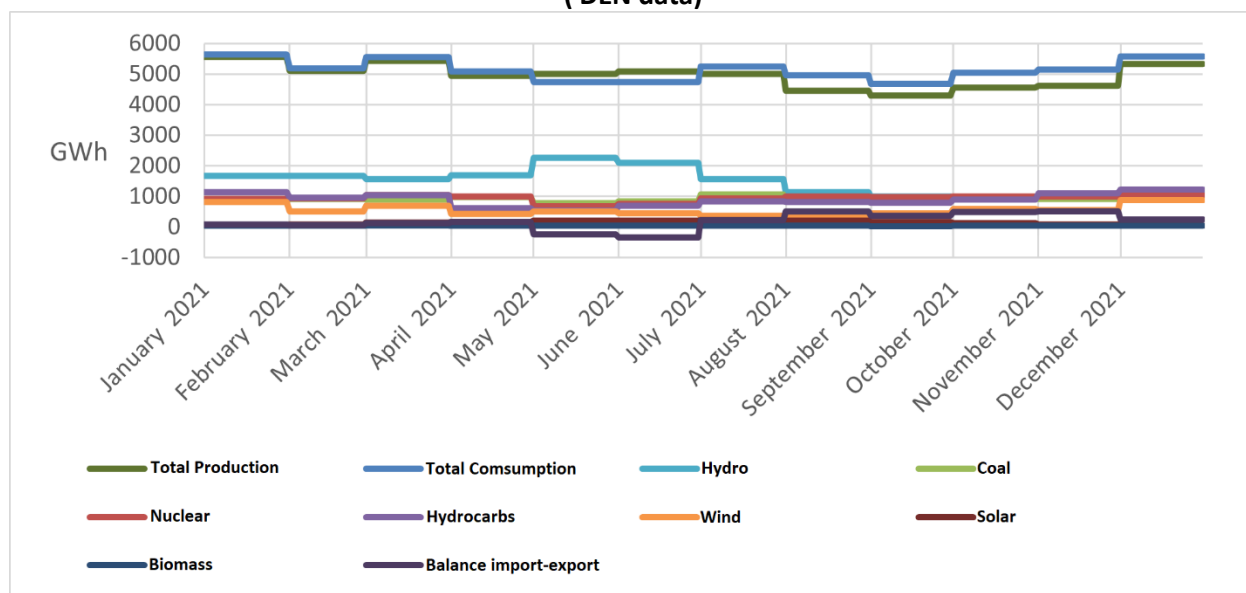
Source: National Energy Dispatcher

**Monthly shares of Romania's electricity production in 2021
(by nature of fuel - DEN data)**



Source: National Energy Dispatcher

**The structure of Romania's energy production according to the nature of the fuel and the balance (+) import (-) export
(DEN data)**



Source: National Energy Dispatcher

Hydroelectrica's production of energy

The gross energy production of SPEEH Hidroelectrica SA was 16,911 GWh and was realized in branches (branches and plants).

Energy production in hydroelectric power plants in 2021 was obtained in quota of 100% due to the natural influx, registering a storage of 95.8 million cubic meters (39.57 GWh), the energy reserve of large lakes for the accumulation of increased from 2,027.19 GWh on 31.12.2020 (1,639.18 million cubic meters of stock) to 2,066.76 GWh on 31.12.2021 (1,734.98 million cubic meters of stock).

Providing ancillary services

Hidroelectrica, through the volume and quality of the ancillary services provided, is one of the main factors that contribute to ensuring the stability in operation of NES.

The volume of ancillary services provided by Hidroelectrica in the national energy system is presented in the following table:

Name of service	UM	Auctioned	Assigned	Contracted	Achieved
Secondary control reserve	hMW	2,510,026	0	2,510,026	2,510,026
UP fast tertiary reserve	hMW	4,325,445	0	4,325,445	4,325,445
DOWN fast tertiary reserve	hMW	621,330	0	621,330	621,330

Reactive energy discharged or absorbed from the network into the secondary voltage control band	hrs X group	-	-	1,410	1,410
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The following table and figures show the volume of ancillary services performed in 2021 by Hidroelectrica compared to the total at NES level.

Name of service	UM	NES need	Achieved by Hidroelectrica	* Achieved HE (%)
Secondary control reserve	hMW	4,323,570	2,510,026	60.43%
UP fast tertiary reserve	hMW	5,470,200	4,325,445	79.37%
DOWN fast tertiary reserve	hMW	2,365,650	621,330	26.81%
Reactive energy discharged or absorbed from the network into the secondary voltage control band	Ore X grup	1,410	1,410	100%

*(%) of the NES values

Following the regulations regarding the qualification of domestic producers as ancillary service providers (Transelectrica procedure PO TEL-07 V OS-DN / 154/2001), Hidroelectrica continued in 2020 the qualification program of its units.

Compared to the previous reporting year, the situation is unchanged, currently Hidroelectrica obtaining the qualification for the following ancillary services:

- **Secondary frequency - power control** → **28** hydro-aggregates;
- **Fast Tertiary Reserve** → **95** Hydro Aggregates;
- **Reactive power regulation in the secondary voltage adjustment band** → **28** hydro-aggregates;
- **Restoration of NES** → **5** hydro-aggregates;

We should mention that the qualification process has a permanent character, each qualified unit for the provision of ancillary services must periodically reconfirm, through tests, the ability to perform the ancillary services for which it was initially qualified.

Dynamics of power installed in Hidroelectrica in 2021. HPP participation in the power balance

In Hidroelectrica's installations, a number of 187 capacities with a capacity of 6,372,172 MW were in operation on 31.12.2020.

Compared to 2020, the installed power in operation in the hydroelectric power plants from the Hidroelectrica patrimony was maintained at the same level according to the Commercial Operation License no. 332 / 24.07.2001.

The maximum value (percentage of terminal production) of domestic consumption for production and processing was registered at the Curtea de Argeş branch (including Buzau plant) (1.83%) and the minimum value was registered at the Portile de Fier branch (including Tg Jiu plant) (0.51%). Overall, the mentioned percentage value of domestic consumption for production and processing was 0.06% lower than in 2020.

The situation of green certificates

In 2021, there were 14 accredited plants (including those postponed from accreditation) to benefit from green certificates. Practically 8 power plants benefited from green certificates (Bistrița Prislop, Godeanu2, Vălenii de MunteMHC, Zăbala 4A, Fughiu, Obreji de Căpâlna, Cugir, Chemp Râul Alb). A number of 6 power plants had their accreditation suspended in 2021 (Gresu - the first 5 months, Cernavoda, Chiojd 2, Boia1, Leșu, Vulcan2) being unavailable.

In the reporting year 2021 SPEEH Hidroelectrica SA received a number of 77,315 green certificates for energy produced and delivered in 2021 by accredited plants (the energy that benefited from green certificates was 28,437,647 MWh) and were returned (of the once postponed since 2013) 19,728 green certificates, practically Hidroelectrica benefited for trading from a number of 97,043 green certificates.

7.2. TRADING / ELECTRICITY SUPPLYING ACTIVITY

The trading of electricity on the platforms managed by OPCOM takes into account several factors related to the trading strategy, the evolution of market prices, the moment of bidding, the degree of useful filling of lakes, the flow of the Danube and inland rivers, the analysis of the main competitors. etc.

During the analyzed period, offers were submitted containing structured products (band and peak) with delivery in 2020, 2021 and 2022, thus having exposure on the following OPCOM platforms for the sale of electricity, in a transparent and non-discriminatory manner:

- a. Centralized market of bilateral electricity contracts - the mode of trading by extended auction and by continuous negotiation (PCCB-EA and PCCB-CN);
- b. Centralized market with continuous double negotiation of bilateral electricity contracts (OTC).

The total amount of energy traded between 01.01.2021-31.12.2021 on PCCB-LE Flex and PCCB-NC was 7,897,480 MWh representing deliveries in the years 2021, 2022 and 2023 required by Hidroelectrica S.A. to achieve the level of contracting approved in the sales strategy. The total value of transactions was RON 3,875.32 million.

On the Centralized Market with continuous double negotiation of bilateral electricity contracts (OTC), Hidroelectrica S.A. had a constant presence. The total quantity sold by Hidroelectrica S.A. between January-December 2021 on OTC was 3,202,061 MWh representing deliveries in 2021 and 2022, and the total value of transactions was RON 1,015.184 million.

Electricity sales (quantities, prices and values) in 2021

Sale types	Quantities (MWh)	% of total sales	Average price TG (RON/MWh)	Sales revenue TG included (RON)
Sales on forward contracts (PCCB-LE, PCCB- NC, PCSU, PC- OTC)	12,440,028	72.71	268.23	3,336,774,762
Sales on NDM	2,752,377	16.08	413.13	1,137,092,572
Sales on INTRADAY	805	0.005	699.61	562,836
Sales Balancing	720,981	4.21	1.330.39	959,185,029
Positive PRE imbalances	172,242	1.01	301.43	51,918,045
Supply	1,029,143	5.99	310.17	319,204,679

TOTAL sales 1 Jan. - 31 Dec. 2021	17,115,575	-	339.15	5,804,737,923
TOTAL sales STS (hMW) 1 Jan.- 31 Dec. 2021	7,458,211	-	-	415,960,492

Total energy sold

Indicator	Quantities (GWh)
Net production (GWh)	16,517
Energy Purchases (GWh) - NDM, Balancing Market, Competitive Markets	598
Total Energy sold	17,116

Electricity supply activity

In order to develop the supply activity within Hidroelectrica SA, in accordance with the approved strategy, the following actions were carried out:

1. Technical infrastructure development:

- Improving Call Center Services by increasing the number of external operators to 15 and organizing a second internal call center with 35 operators;
- implementation of CRM Salesforce which will ensure the flow of bidding / contracting, which is currently in the testing phase;
- implementation of SAP IS-U modules which will ensure the issuance of electricity bills which are currently in the analysis phase;
- digitization of customer interactions through the web applications "Hiring new customers" which will take over the contracting requests, "Complaints and notifications" which will take the customer requests and "Conversational Assistant (Chatbot)" to lead the customer directly to the process or the information he needs. "Hiring new customers" is in the analysis phase.

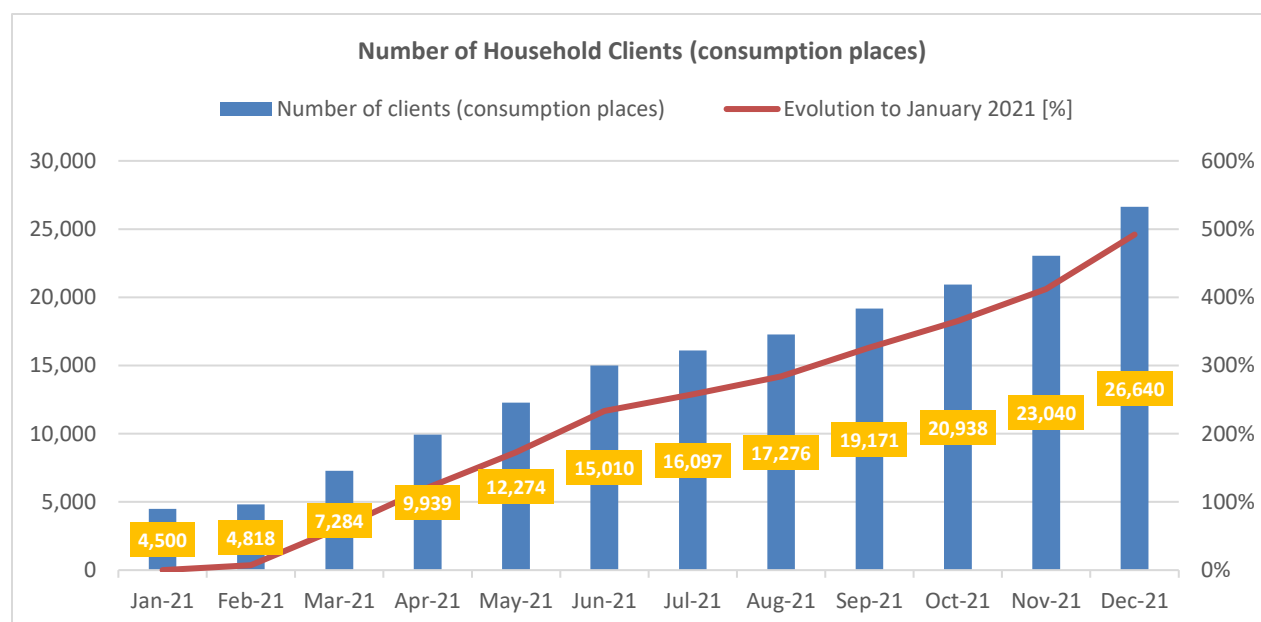
2. The evolution of the client portfolio:

Household client

In order to attract domestic clients, the supply price for the domestic client was set at RON 245 / MWh for January 2021 - June 2021, respectively RON 250 / MWh for the rest of the contracting period starting with July 2021.

Thus, in December 2021 we had in our portfolio a number of 26,640 clients places belonging to household customers compared to 962 in December 2020, only in January 2021 reaching 4,500 places of consumption.

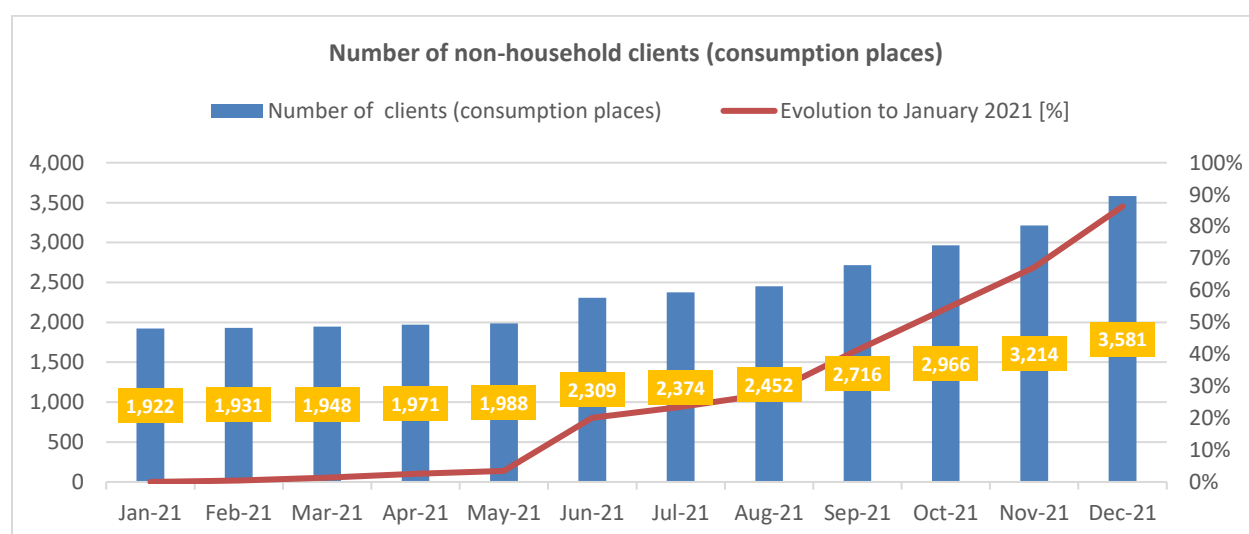
The evolution of consumer places belonging to household clients in 2021 is as follows:



Non-household clients

In December 2021, we had in our portfolio a number of 3,581 consumer places belonging to non-household clients compared to 1,922 in December 2020.

The price offers for non-household clients with annual consumption of less than 1 GWh followed the ascending course of the wholesale market, the offer being in April of RON 295 / MWh and reaching in December 2021 to RON 1,900 / MWh.

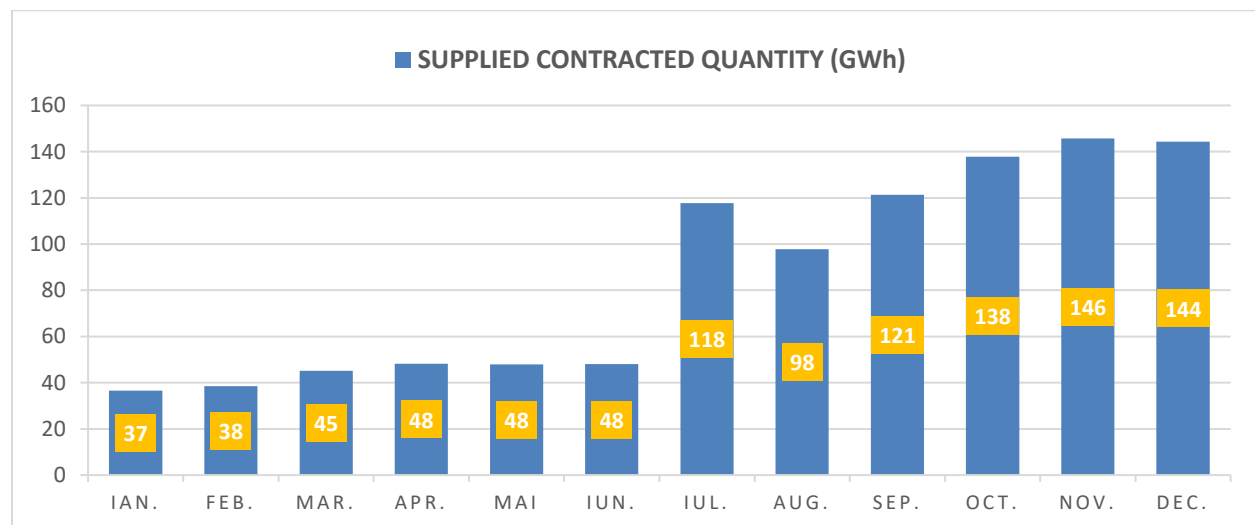


Evolution of the amount of electricity sold to clients:

In 2021 we provided to clients (domestic and non-domestic) a quantity of 1029 GWh compared to 621 GWh in 2020.

The quantity supplied monthly in 2021 is as follows:

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Dov.	dec.	Total
CONTRACTED QUANTITY PROVIDED (GWh)	37	38	45	48	48	48	118	98	121	138	146	144	1029



Starting July 2021, the amount of electricity supplied increased by over 100%, being concluded contracts with a series of non-household clients with a significant consumption.

7.3. INVESTMENT ACTIVITY

The degree of accomplishment of the Investment Program related to REB 2021 Hidroelectrica S.A., is presented in the following table:

thousand lei

Activity	Approved 2021	Achieved 2021	Savings 2021	Constraints 2021	Performance (01.01-31.12) (%)
Development	54,992	34,806	1,706	8,272	76.25%
Development Trading, DSAC, DAP	18,773	836		-	4.45%
Refurbishment	114,347	69,287	484	-	60.85%
Construction maintenance with capitalization	22,223	23,173	-	-	102.27%

Rehabilitation works for hydrotechnical constructions with capitalization	20,995	7,599	-	-	36.19%
Rehabilitation works for administrative buildings with capitalization	4,109	0	-	-	0%
Facilities	62,558	20,266	-	-	32.40%
Total	297,997	155,966	1,560	8,272	54.12%

The investment activity carried out in 2021 focused on the continuation of the program for the promotion and development of the projects included in the Company's Strategy, also following their behavior during the guarantee period.

Maintenance and equipment

For 2021, the equipment maintenance program was prepared based on the proposals of the Hidroelectrica Branches, in amount of RON 214.340 million, of which the estimated value of the equipment maintenance works to be performed with SSH Hidroserv is RON 186.327 million.

The equipment maintenance program was updated both in value and physically, within the initial budget, by the Decision of the Directorate no. 501 / 02.06.2021. Thus, following the update, the estimated value of the equipment maintenance program is RON 213.615 million, distributed as follows:

- RON 185.027 million with SSH Hidroserv of which RON 21.315 million works contracted and not executed or partially executed in the previous years that will continue in 2021;
- RON 28.588 million third party executors / own forces.

By the Decision of the Board of Directors no. 637 / 19.11.2021 was approved the waiver of a number of 31 uncontracted works, in amount of RON 2.9 million, their value being redistributed for corrective maintenance works and additional works.

Reporting the implementation of the maintenance program both physically and in value refers to the updated Equipment Maintenance Program.

Through the annual equipment maintenance program, updated, for the year 2021, a number of 4,276 maintenance works are scheduled to be executed, being distributed on executors as follows:

- ✓ 3,815 works with SSH Hidroserv;
- ✓ 461 works with third party executors / own forces.

The situation of the value accomplishment of the equipment maintenance works on 31.12.2021

- millions RON-

ESTIMATED VALUE OF WORKS ACCORDING TO PAM 2021	VALUE OF WORKS PERFORMED AT 31.12.2021			
	TOTAL AMOUNT PAM ACHIEVEMENTS 2021	Of which:		
		TOTAL REALIZED HIDROSERV	CORRECTIVE MAINTENANCE	
213,615	178,252	160,183	TOTAL REALIZED	OF WHICH ADDITIONAL WORKS TO THE SCHEDULED WORKS
			34,26	9,06

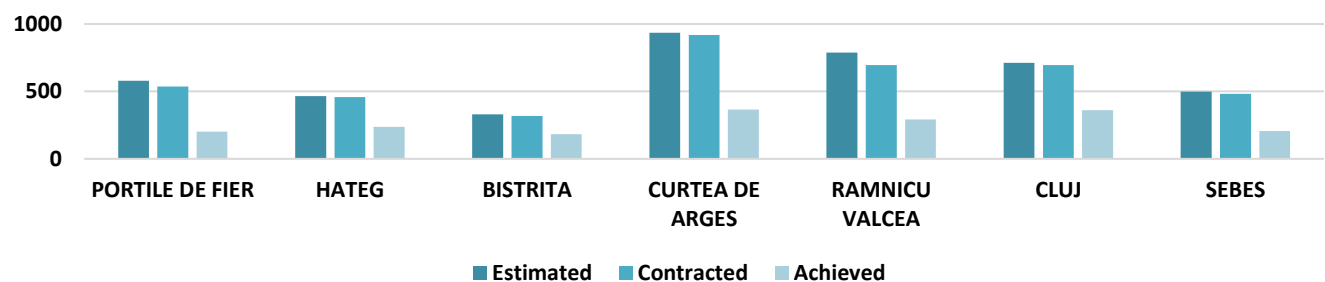
Equipment maintenance achievements - physical stage

As on 31.12.2021, a number of 3,915 works were completed, representing 93.24% of the contracted works and 91.56% of the works scheduled according to the updated WFP 2021.

No.	BRANCH	ESTIMATED WORKS NO. ACC.PAM 2021	NO. CONTRACTED WORKS	NO. WORKS PERFORMED ON 31.12.2021	PERCENTAGE
1.	PORTILE DE FIER	577	571	509	88,21%
2.	HATEG	461	459	456	98,92%
3.	BISTRITA	328	325	310	94,51%
4.	CURTEA DE ARGES	930	923	824	88,60%
5.	RAMNICU VALCEA	781	733	690	88,35%
6.	CLUJ	700	697	653	93,29%
7.	SEBES	497	489	471	94,77%
8.	EXECUTIV	2	2	2	100%
TOTAL		4,276	4,99	3,915	91,56%

* for VTU services, was considered only one position scheduled / contracted / performed on the Branch.

Physical state - Annual equipment maintenance program 2021



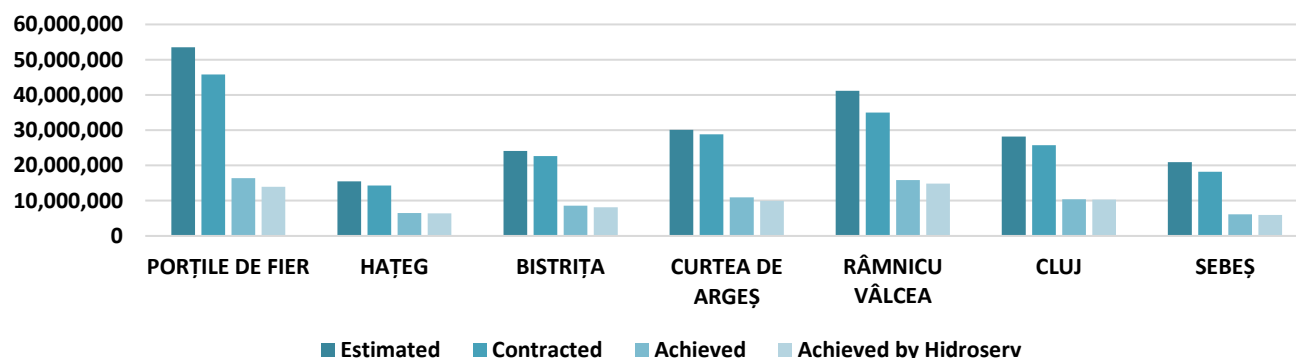
Value achievements maintenance-equipment

Until 31.12.2021, equipment maintenance works were carried out in the amount of RON 178.25 million, representing 86.53% of the contracted value and 83.45% of the scheduled value according to the updated WFP 2021.

No.	BRANCH	ESTIMATED WORK VALUE ACCORDING TO PAM 2021		VALUE OF CONTRACTED WORKS		VALUE OF WORKS PERFORMED ON 31.12.2021	
		TOTAL	HIDROSERV	TOTAL	HIDROSERV	TOTAL	HIDROSERV
1.	PORTILE DE FIER	53,471,470	40,444,027	48,798,965	38,834,438	42,618,572	34.443.818
2.	HAȚEG	15,569,248	14,934,465	16,006,801	15,750,962	15,268,236	14.926.595
3.	BISTRIȚA	24,070,705	21,720,498	23,950,181	22,264,957	19,007,514	17.687.759
4.	CURTEA DE ARGEȘ	30,132,892	27,468,000	29,019,078	26,461,430	25,533,880	23.404.509
5.	RÂMNICU VÂLCEA	41,173,848	35,973,391	42,146,390	38,624,815	36,356,838	32.344.846
6.	CLUJ	28,225,668	27,356,458	26,443,016	26,309,500	23,567,378	23.488.052
7.	SEBEȘ	20,964,174	17,130,497	19,618,192	16,239,016	15,893,637	13.888.227
8.	EXECUTIV	7,400	-	6,135	-	6,135	-
TOTAL		213.615.405	185,027,338	205,988,758	184,485,118	178,252,191	160,183,806

Note * The contracted values also contain maintenance works with execution duration 2021-2022

Value achievements - Annual equipment maintenance program 2021



It should be mentioned that until 31.12.2021, all the maintenance works necessary for the safe operation of the hydropower installations were performed.

Monitoring the behavior of hydropower constructions activity and construction maintenance

Monitoring the behavior of hydropower constructions activity

The constructions managed by Hidroelectrica S.A., registered a normal behavior in terms of parameters measured at the measuring and control equipment and visual observations made by teams of MBC specialists (monitoring the behavior of constructions), which allowed operation under normal conditions.

Hydromechanical equipment for large water drains has a normal behavior, which has allowed the safe transit of easements and large waters (where appropriate).

On 16.08.2021, the accumulation of Râul Mare within HPD Râul Mare Retezat reached the quota NNR 1072.50 mdMN.

According to the Report prepared by the Advisory Committee, the behavior of the buildings during the filling period and so far has been normal.

The process of controlled filling of the Motru accumulation within the HED Cerna Motru Tismana continues. In accordance with Report no. 8092/2021 prepared by the Advisory Commission, the behavior of the constructions during the filling period was a normal one and it is proposed to continue the operation at the quota of 472.20 mdMN.

Construction maintenance activity

For 2021, the construction maintenance program was prepared, based on the proposals of the Hidroelectrica branches, amounting to RON 57.59 million in total, with third party executors.

For 2021, through the annual construction maintenance program, a number of 240 maintenance works are scheduled to be executed in total, with third party contractors.

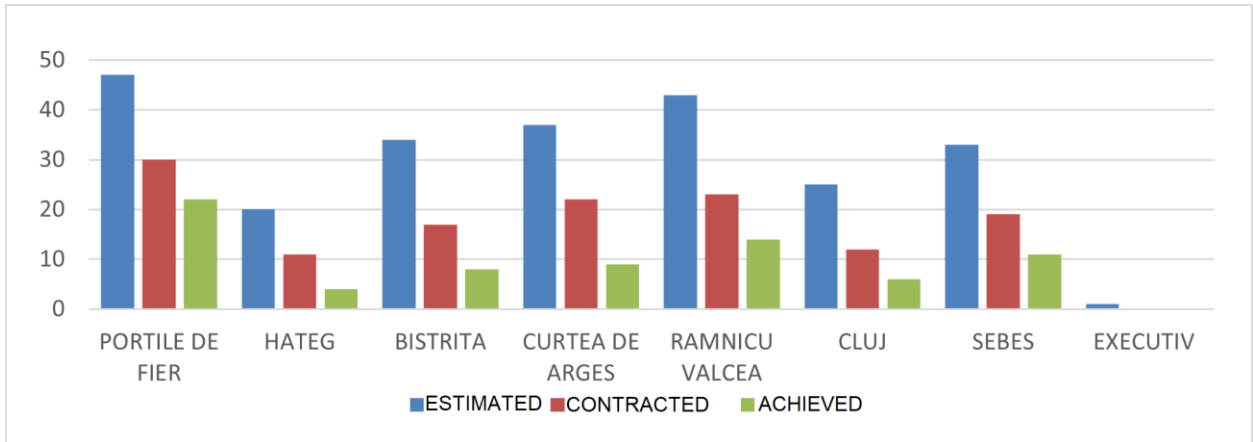
The situation of the physical accomplishment of the construction maintenance works on 31.12.2021

On 31.12.2021, a number of 134 works in amount of RON 34.24 million were contracted, in total with third party executors, out of which 76 construction maintenance works in amount of RON 15.93 million were carried out. The corrective maintenance works carried out in 2021 were in amount of RON 0.13 million.

Construction maintenance achievements - physical stage on 31.12.2021

NO.	BRANCH	NUMBER OF PLANNED WORKS ESTIMATED ACCORDING TO WFP 2021	NUMBER OF PLANNED WORKS CONTRACTED	CONTRACTED PERCENTAGE	NUMBER OF WORKS PERFORMED ON 31.12.2021	PERCENTAGE
1	PORTILE DE FIER	47	30	63.83%	22	47 %
2	HATEG	20	11	55.00%	5	25 %
3	BISTRITA	34	17	50.00%	8	24%
4	CURTEA DE ARGES	37	22	59.46%	9	24%
5	RAMNICU VALCEA	43	23	53.49%	14	33%
6	CLUJ	25	12	48.00%	7	28%
7	SEBES	33	19	57.58%	11	33,33%
8	EXECUTIV	1	0	0.00%	0	0,00%
	TOTAL	240	134	55,83%	76	32%

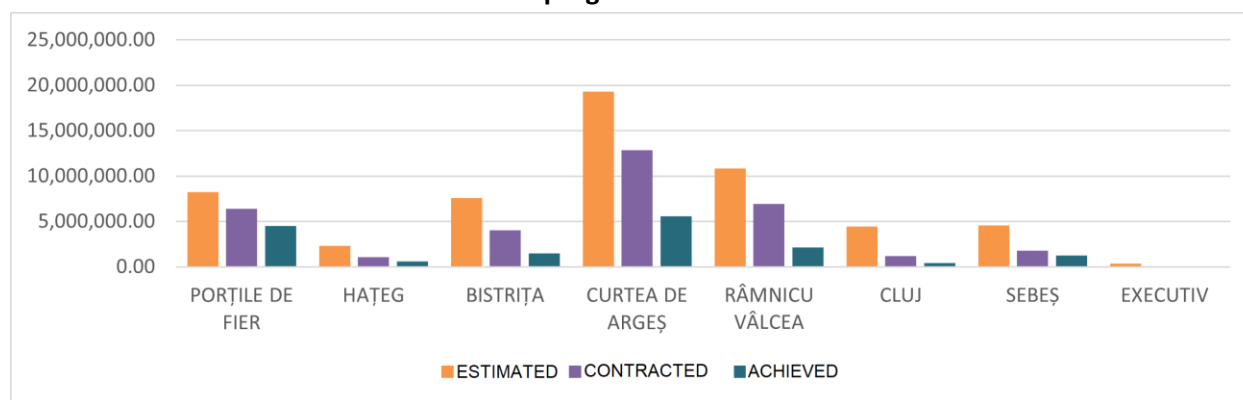
Physical state - Annual maintenance program 2021



Achievements in construction maintenance on 31.12.2021

NO.	BRANCH	NUMBER OF PLANNED WORKS ESTIMATED ACCORDING TO WFP 2021	NUMBER OF PLANNED WORKS CONTRACTED	CONTRACTED PERCENTAGE	NUMBER OF WORKS PERFORMED ON 31.12.2021	PERCENTAGE PERFORMANCE / CONTRACTED	PERCENTAGE COMPLETED / CONTRACTED
1	PORTILE DE FIER	8,213,357.42	6,395,025.37	77.86%	4,478,014.16	54.52%	70 %
2	HATEG	2,293,575.25	1,067,948.19	46.56%	593,659.84	25.88%	56%
3	BISTRITA	7,598,412.20	4,014,949.30	52.84%	1,493,423.22	19.65%	37%
4	CURTEA DE ARGES	19,293,238.32	12,863,360.72	66.67%	5,549,456.34	28.76%	43%
5	RAMNICU VALCEA	10,852,394.31	6,910,208.53	63.67%	2,123,702.40	19.57%	31%
6	CLUJ	4,452,044.22	1,183,179.12	26.58%	471,659.59	10.59%	40%
7	SEBES	4,540,639.90	1,804,738.88	39.75%	1,222,898.09	26.93%	68%
8	EXECUTIV	350,000.00	0,00	0.00%	0	0.00%	0%
TOTAL		57,593,661.62	34,239,410.11	59.45%	15,932,813.64	27.66%	47%

Value achievements - Annual maintenance program 2021



Construction maintenance works carried out in 2021 compared to 2020:

• Construction maintenance achievements - physical stage 2021 compared to 2020:

The comparison of the physical condition between 2020 and 2021 shows that in 2020, 74 works representing 34.26% of the total scheduled works were carried out, and in 2021 76 works representing 31.67% of the total scheduled works were carried out.

NO.	BRANCH	CUMULATED 12 MONTHS 2020				CUMULATED 12 MONTHS 2021			
		NUMBER OF ESTIMATED WORKS ACCORDING TO PAM 2020	NUMBER OF CONTRACTED WORKS	NUMBER OF WORKS PERFORMED	PERCENTAGE 2020	NUMBER OF ESTIMATED WORKS ACCORDING TO PAM 2020	NUMBER OF CONTRACTED WORKS	NUMBER OF WORKS PERFORMED	PERCENTAGE 2021
1	PORȚILE DE FIER	16	15	8	50.00%	47	30	22	46.81%
2	HATEG	44	24	17	38.64%	20	11	5	25.00%
3	BISTRITA	27	27	18	66.67%	34	17	8	23.53%
4	CURTEA DE ARGES	34	17	11	32.35%	37	22	9	24.32%
5	RAMNICU VALCEA	44	23	12	27.27%	43	23	14	32.56%
6	CLUJ	25	6	1	4.00%	25	12	7	28.00%
7	SEBES	24	7	7	29.17%	33	19	11	33.33%
8	EXECUTIV	2	0	0	0.00%	1	0	0	0.00%
TOTAL		216	119	74	34.26%	240	134	76	31.67%

For 2021, a number of 4,516 works were scheduled through the annual equipment maintenance and construction maintenance programs, being carried out, until 31.12.2021 a number of 3,991 works, representing 88.37% of the scheduled works.

8. PREDICTABLE DEVELOPMENT OF THE COMPANY

Hidroelectrica's strategy is linked to national realities and objectives, as well as to European energy directions and policies.

In accordance with the Investment Strategy of SPEEH Hidroelectrica S.A. for 2020-2025, approved by the EGMS Decision no. 8/2020, but also with the Management Plan of SPEEH Hidroelectrica S.A. 2019-2023, approved by the OGMS Decision no. 16/2019, Hidroelectrica aims to diversify its production portfolio, including by developing new capacities based on renewable energy sources and maintaining the company's position in the field of electricity production and the provision of ancillary services both nationally and in regional plan.

Thus, taking into account the opportunities offered by the market for renewable resources, the development of which is strongly supported by the European Union, Hidroelectrica aims to focus on capitalizing them. Hidroelectrica is in line with the European target of switching to neutral energy production in terms of CO2 emissions by 2050, respectively of accelerating the investment rate in the area of clean and sustainable energy, whose need is also strengthened by national policy.

In the last year, Hidroelectrica has reaffirmed its intention to keep its interests in the area of renewable energy, keeping the 100% green company label at the heart of the company's values.

Hidroelectrica aims to maintain its position as a leading company in the field of electricity production and the provision of ancillary services, both nationally and regionally. The main lines of action are to support the efforts to transform Hidroelectrica into a major player in the in South-Eastern European electricity market, as well as to expand the company's activity at regional level, by consolidating current activities and identifying new business opportunities, including the acquisition of other companies, depending on the opportunities that the market offers.

8.1. *Strategic activity and institutional relations*

In 2021, the opportunities for the development of projects for the diversification of the electricity production source (acquisitions of participations and development of new capacities), documentation and analysis, as well as the availability of financing instruments from European funds in order to attract non-reimbursable external financing for the company's projects of interest, respectively: PNRR, Modernization Fund, EEA & Norway Grants, PODD, as well as the preparation of the documentation related to each project.

The main directions of Hidroelectrica's investment strategy approved by the Decision of the General Meeting of Shareholders no. 8 / 15.06.2020, pursued also in 2021, are: completion of production capacities in advanced stage of execution, completion of new hydropower capacities, refurbishment and modernization of existing power plants, new projects to diversify the activity, by realizing capacities from

other renewable energy sources, but also through the implementation of research and innovation activities at the level of company.

The concepts for the future of the company are aimed at increasing the degree of innovation, especially by increasing the technological level of both the efficient exploitation of the resources used and the optimal mix of renewable sources for electricity production.

Interest in investing in onshore and offshore wind farms, photovoltaic, terrestrial and floating wind farms, hydrogen production by hydrolysis, development of electric car charging networks, electricity storage solutions, which correlate with the implementation of the most modern and secure systems aims to transform and strengthen the company by defining it as a Romanian and regional champion of the transition to clean energy.

Thus, in 2021, the activity of strategy and institutional relations focused mainly on the following directions of action:

- Following the directions of the company's investment strategy, by constantly analyzing the context in which the company operates;
- Identifying strategic opportunities for company development and analyzing the best options;
- Identifying the financing opportunities of interest from available European funds and elaborating and submitting the financing applications for obtaining the non-reimbursable funds for the projects of interest;
- Identifying and adapting the medium and long-term objectives of the company and the necessary directions of action to strengthen the company's strategy;
 - Refurbishment of hydroelectric power plants;
 - Development of new hydro production capacities;
 - Unlocking the situation of hydropower facilities with complex uses and reduced energy component, which are in various stages of execution;
 - Diversification of the production portfolio through energy production projects, especially from renewable sources (wind, solar), but also involvement in other economic fields, taking into account current conditions and the evolution of the energy market at national and regional level;
 - Implementation of new technologies in the process of electricity production;
 - Development of the research-development-innovation activity in Hidroelectrica.
- Integration of actions aimed at managing, maintaining and developing the relations between Hidroelectrica and institutions: at local, county, regional and national level in order to carry out the activity and achieve the assumed objectives;
- Monitoring the companies that have purchased micro-hydro power plants over time and the fulfillment of the contractual obligations assumed.
- Improving the external representation of the company by developing and developing the relationship with the organizations and professional associations of which Hidroelectrica is a member: IHA, WORLD ENERGY COUNCIL through CNR-CME, CRE, EURELECTRIC through IRE, ARIR.

- Following the objectives established within the Investment Strategy of HIDROELECTRICA S.A. approved by the Decision of the General Meeting of Shareholders no. 8 / 15.06.2020, actions were taken in order to diversify the company's activity and to promote the following new projects:

✓ ***E-mobility: Electric car charging station network (Project H-Charge)***

In June, the selection procedure for the feasibility study necessary to establish the technical solution, the budget and the implementation schedule was resumed, as well as the documentation for obtaining the approvals, agreements and authorizations necessary for the development of its own network of electric vehicle charging stations, at national level, intended for both own and commercial use, the process of technical and financial evaluation of bids. The public auction was completed in December, with the award of the service contract to the first bidder, AGO Proiect Engineering SRL from Cluj Napoca;

✓ ***RES – Solar (Nufărul Project)***

In order to capitalize the potential of the surface of the accumulation lakes by placing floating photovoltaic systems, during the year were carried out actions related to the documentation and project concept, the approval of the concept note at the company level, preparation and approval of the necessary documentation to draw up the Feasibility Study, to obtain the necessary authorizations, agreements and opinions as well as to draw up the specifications necessary to contract the execution of the project (design and execution phases). The public auction was launched in September. The aim is to replicate the project at the level of several accumulation lakes managed by Hidroelectrica;

✓ ***RES - Hydropower (SHPP Poiana Ruscă Project)***

Following the identification of the opportunity to obtain a non-reimbursable financing for a hydroelectric project, during the year actions related to the substantiation and approval of Hidroelectrica's participation in the selection launched by EEA & Norway Grants to access the non-reimbursable financing available under the Energy Program in Romania, Area: Renewable Energy - Call 1.1. 'Increased capacity for renewable energy production - Hydropower' with the SHPP Poiana Ruscă project.

In this regard, in order to finance a new hydro capacity that exploits the existing potential in the hydropower facilities in operation, the financing request was prepared and submitted according to the specific instructions of the financing instrument and all clarifications requested by Innovation Norway were answered.

At the end of September, Innovation Norway sent the decision to approve the requested grant at a value of Euro 462,000, representing approx. 60% of the total value of the eligible expenses of the project, and during November the documents related to the financing contract were finalized and approved, which has as starting date 01.11.2021. The public communication on the SHPP Poiana Ruscă Project financed with the support of grants granted by Iceland, Liechtenstein and Norway through the EEA financial mechanism 2014-2021, within the "Romanian Energy Program" was made by sending a press release, publishing an article on the website the company, as well as on social networks.

Subsequently, for the implementation of the project, the award documentation was prepared and the public tender was launched for the turnkey contracting of the design and execution of SHPP Poiana Ruscă, estimated to be completed in March 2022.

8.2. Corporate Business Activity

In 2021, the activity carried out followed the objectives and strategic directions approved by Hidroelectrica Management Plan 2019-2023, in order to increase the value and sustainable development of the company. The main mergers and acquisitions (M&A) projects in which the company has engaged, grouped by areas of interest, are the following:

• ARIZONA Project - The acquisition process by Hidroelectrica of Crucea Wind Farm S.A. and Flag Energy Romania S.R.L.

- ✓ By Decision no. 1 / 01.02.2021 The General Meeting of Shareholders of Hidroelectrica approved "The transaction for the purchase of 100% of the shares, respectively shares, held by Steag GmbH and Steag 2 Beteiligungs GmbH in Crucea Wind Farm S.A. and Flag Energy Romania S.R.L. (Arizona project perimeter), in accordance with the submitted bid and the negotiated sale-purchase agreement (SPA)";
- ✓ On 11.03.2021, the Transaction was completed, being amended the articles of incorporation of the 2 companies, to reflect the effects of the transfer of ownership, and the name of the company Steag Energie Romania S.R.L. was changed to Hidroelectrica Wind Services S.R.L. Company name Crucea Wind Farm S.A. has not been modified;
- ✓ Based on the GMS Decision no. 10 / 25.06.2020 and following the auction organized by Hidroelectrica during December 2020-February 2021, the Company contracted with BRD Groupe Societe Generale SA a loan for acquisitions of participations in the amount of RON 1,250,000,000, of which, on 11.03.2021 the necessary tranche for the acquisition of 100% of the shares of Crucea Wind Farm and of 100% of the shares of Steag Energie Romania SRL was drawn from the credit;
- ✓ Cross Wind Farm S.A. owns Crucea Nord Power Plant, of 108 MW located in the vicinity of Crucea, Vulturu and Pantelimon communes in Constanța County, which has 36 Vestas V112 3MW wind turbines;
- ✓ Hidroelectrica Wind Services S.R.L. is the company that provides technical and commercial operation services, exclusively for Crucea Wind Farm SA;
- ✓ Both companies are 100% owned by Hidroelectrica SA and are to be integrated into Hidroelectrica's portfolio by merger by absorption;
- ✓ The Hidroelectrica project team, together with the consultants selected for the preparation and implementation of the merger by absorption, prepared and proposed to the Management the Project of the Merger by absorption of Hidroelectrica Wind Services S.R.L. and Cross Wind Farm S.A. by S.P.E.E.H. Hidroelectrica S.A. The Management Board approved the Merger Project will be approved by the Supervisory Board and approved by the General Meeting of Shareholders;

SCORILO project - Hidroelectrica's acquisition of UCMR Resita's assets to be used in maintenance, modernization / refurbishment activities

- ✓ In 2021, following the strategic development directions of the company established by the shareholders within the Hidroelectrica Management Plan for 2019 - 2023, the actions of analyzing the takeover of a part of UCMR Resita assets to be used in current maintenance activities continued and repairs, as well as in modernization / refurbishment projects of the existing hydro aggregate portfolio;
- ✓ Thus, with the specialized support of the consultants selected by Hidroelectrica, specific due diligence activities were carried out in all fields, in order to identify the perimeter of interest, evaluate the technical condition of the selected assets, as well as evaluate the financial, fiscal, commercial;
- ✓ The selected assets were evaluated in compliance with ANEVAR norms, being established the market value, the important entry date in the next stages of financial modeling of the transaction and structuring of the binding offer;
- ✓ All the analyzes performed and their results will be the basis for the decision approving the transaction and, if applicable, for the elaboration and transmission to UCM Resita of a binding offer for the acquisition of assets of interest, actions planned for 2022.

- ***Other M&A projects***

During 2021, Hidroelectrica participated in the procedures regarding the potential acquisition of development projects for electricity production parks from renewable sources (3 wind farms and 1 photovoltaic park), which are in various stages of development and for which Hidroelectrica is in competition with other companies. For each of these parks, Hidroelectrica submitted non-binding Price Indicative Offers (NBO) in the Q IV 2121, based on the approvals obtained from the HE Board of Directors and the approvals issued for this purpose by the Supervisory Board.

The total installed capacity of the 4 production park projects exceeds 2 GW, with an estimated total project energy of almost 5 TWh / year. The total value of investments in these parks was estimated by Hidroelectrica at approximately EUR 2.3 billion, according to information provided by sellers or collected from the market.

Through the acquisition of the wind farm at Crucea Nord, Hidroelectrica made the first major acquisition of private companies by a company with a majority state shareholder, a first step that materializes the strategic direction to diversify the production portfolio and also an indispensable step from Hidroelectrica's positioning, in the context of the European Green Pact and the objectives of decarbonising the energy sector.

At the same time, by financing the acquisition through credit, the capital structure of the company is streamlined and implicitly the performance indicators that measure the return on shareholders' capital are enhanced, through the leverage effect created. Also, the assets taken over, with the current portfolio of power plants owned by Hidroelectrica, create the premises for the improvement of the equity story and the image of the company in the perspective of its listing.

8.3. International Relations, Investor Relations, Representation and IPO

In 2020-2021, Hidroelectrica continued the preparations for IPO and listing, following the following steps:

- ✓ The preparation and implementation of the listing process, during 2020, the service contracts were signed with the legal consultant (Dentons Europe SPARL), as well as the 'equity adviser' consultant (STJ Advisors Group Ltd.);
- ✓ Following the promulgation in August 2020 of Law no. 173/2020, providing the prohibition for a period of 2 years of the alienation of state-owned shares in national companies and corporations, in credit institutions, as well as in any other company in which the state has the status of shareholder, the preparation phase of the process of listing, at the end of which the authorized intermediary was to be hired, has been suspended;
- ✓ On March 22, 2021, the Romanian Senate adopted the Draft Law amending Law no. 173/2020 on some measures for the protection of national interests in economic activity which was submitted to the Chamber of Deputies for the preparation of a report by the specialized commissions for approval for adoption as a decision-maker. Currently, the Draft is on the agenda of the plenary of the Chamber of Deputies;
- ✓ During September 2021, the procedures regarding the extension of the contract with STJ Advisors Group Ltd. were started until November 20, 2023, following the conclusion of an additional act.

Also, in 2021, the aim was to continue streamlining the reporting method at the company level, by elaborating all the reports in compliance with the provisions of the Updated Procedure P_M01_010 Periodic Reporting.

Granting sponsorships / donations

From 2021 budget, 20 sponsorships were granted to the medical field, in the total amount of RON 11,320,100, six education and research projects in the total amount of RON 375,000, four sports projects in the total amount of RON 875,000, a cultural project in the amount of RON 75,000, an environmental protection project in the amount of RON 50,000 and two social projects in the total amount of RON 540,000. Food sponsorships were also granted in the total amount of RON 386,489.03.

9. HUMAN RESOURCES

The human resources activity is carried out in accordance with the company's Management Plan.

Optimizing and streamlining the organizational structure of the company

In 2021, the organizational structure valid on 15.04.2021 was approved, approved by the Supervisory Board by Decision no. 18 / 08.04.2021 and endorsed by the company's Board of Directors. The organizational structure of the S.P.E.E.H. Hidroelectrica S.A. valid as of 15.04.2021 includes a number of 3,674 positions, of which 395 in the Executive and 3,279 in branches.

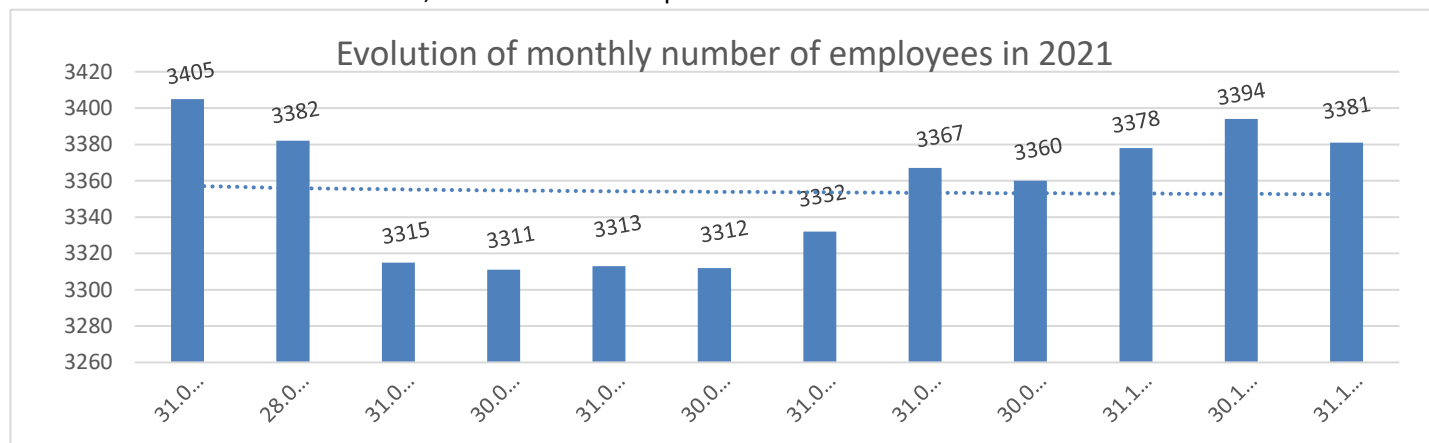
This organizational structure has brought the following changes:

- reorganization of the Supply Trading Department in:
 - Trading Department with 17 positions in the Executive;
 - Supply Department with 31 positions in the Executive and 48 positions in branches.
- reorganization of the Dispatched Energy Management Department by taking over some activities from the Supply Trading Department and setting up 2 positions in the Executive;
- the establishment of the Network Access Service with a number of 18 stations, also taking over the Electricity Supply Center from UHE Buzău, which changes its name into the Siriu Network Access Center, consisting of the 7 existing stations;
- change in operational subordination and direct reporting of the branch staff to the manager, the head of the organizational entity in the Hidroelectrica executive only of the heads of services / offices in the branches, respectively of the entire staff of the non-head entities;
- cancellation of 2 manager positions.

Evolution of the number of staff and the salary fund

In the approved REB of 2021, the average number of staff is set at 3,385 and the number at the end of the year at 3,550 employees.

As on 31.12.2021, the actual number was 3,381 employees, of which 21 with contracts suspended for various reasons. A total of 3,379 full-time and 2 part-time.



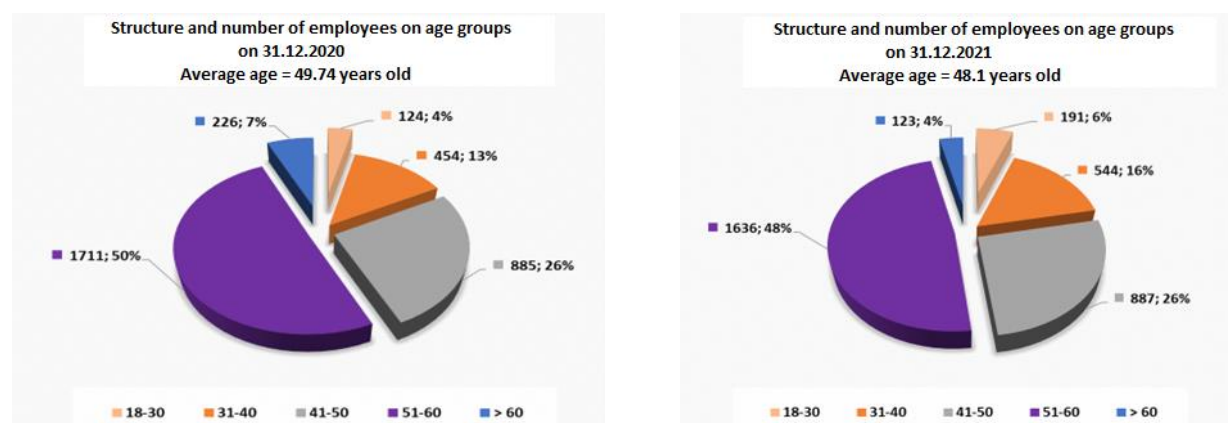
Between January and December 2021, there were 513 employees in the organization, out of which 108 TESA, 2 Masters, 403 workers and 4 reinstatements as a result of the annulment by the courts of the decisions regarding the dismissal.

The number of departures from the organization between **January and December 2020** was **536**, mainly due to the retirement of employees, but also for other reasons such as (termination of LC for a fixed period, termination of LC with the agreement of the parties, resignations, etc.). Following the departure of staff from the organization, there is a rejuvenation of Hidroelectrica staff, its average age decreasing from 49.74 years at the end of 2020 to 48, 1 year at the end of 2021.

Significant changes are also observed in the 31-40 age group, where the share of staff in this group increased by 3 percent, (in 2020 the share of staff in the 31-40 age group was 13%, and at the end of 2021 is 16%).

Also, the share of staff in the age group 51-60 years decreased, from 50% of the total staff in 2020, to 48% of the total staff in 2021.

The structure and number of Hidroelectrica's employees by age groups on 31.12.2020 and on 31.12.2021 is as follows:



10. RISK MANAGEMENT

By positioning in the Romanian energy system, Hidroelectrica is a vital company in a strategic sector of the country, being a leader in electricity production and the main provider of necessary technological services in the National Energy System. Due to the nature of the activity, Hidroelectrica is subject to specific risks, some significant ones, which is why the company pays special attention to efficient and prudent risk management, within acceptable limits and with an attitude of continuous improvement. The risk management system represents an integral component of the corporate governance structure, in line with the best practices in the industry, with the requirements of the Order of the General Secretariat of the Government no. 600/2018 on the approval of the Code of internal managerial control of public entities, of the Risk Management Methodology 2018, developed by the General Secretariat of the Government, of ISO 9001 and ISO31000, the system being built as an integrated and comprehensive framework for identification, evaluation, treatment, monitoring and reporting of risks.

2021 was marked by a series of events that exceeded the usual framework of previous periods, from major domestic initiatives, such as the start of the implementation of the Supply Strategy, to significant external events, such as the unprecedented rise in prices (raw materials, energy, etc.) or the insolvency of relevant entities (electricity suppliers, key service providers or insurers). Also, the pressures induced by the Covid-19 pandemic persisted in 2021, with new waves of infections and the state of alert maintained throughout the year, the effects of this situation having repercussions on the entire population. The recent launch of the events in Ukraine on February 24, 2022 has determined, from the perspective of geopolitical risk, an accentuation of the related risk factors, not only regionally, but even worldwide.

Throughout the year, Hidroelectrica continued its efforts to manage the effects of the third and fourth waves of Covid-19 infection. Since the outbreak of the pandemic, Hidroelectrica has responded promptly to the challenges and has aligned itself with all the requirements imposed by the authorities but also the best practices in crisis management, so that in 2021 there were no more outbreaks of infection among employees. Proactive measures and actions required to manage these risks have included:

- intensification of testing activities in order to diagnose COVID-19 and to prevent the appearance of outbreaks of infection;
- updating the business continuity plan, taking into account the specific context;
- acquisition and endowment of employees with protective equipment and hygienic-sanitary materials;
- organizing the epidemiological triage at all work points;
- implementation of the work from home on a rotating basis for a significant group of support and administrative staff;
- implementation of specific rules regarding the access of third parties in the key perimeters of the company and preponderantly ensuring communication by electronic methods;
- continuous implementation and monitoring of rules of conduct and protection in the context of the pandemic;
- increasing IT capabilities for digitization and remote system work.

Another significant risk factor, manifested mainly in the second half of 2021, was the situation of maximum volatility of market prices, both global, regional and Romanian. Significant changes in the commodity price segment (especially for gas and CO2 certificates) were immediately felt in the evolution of the energy price starting with the second half of 2021, culminating with a historical record in terms of the average trading price on the spot platform of the OPCOM stock exchange in December 2021. The hedging strategy implemented at the company level, corroborated with the prudent risk policy, determined that the impact of this volatility should not expose the company to uncontrollable risks regarding unsecured exposures on some counterparties in accordance with the new specific conditions. The end of 2021 was also marked by important legislative changes regarding the rights and obligations of producers on the wholesale market (introduction of the possibility to conclude directly negotiated bilateral contracts, imposing trading percentages on centralized markets, etc.). For these reasons, a rapid adaptation to the new market context was required with the aim of reducing exposure to the inherent risks arising from this new reality.

During 2021, Hidroelectrica continued the process of developing and adapting risk management in order to respond optimally to the uncertainties and changes determined by the evolution of the context and risk factors. Thus, Hidroelectrica aimed, inter alia, to improve the internal regulatory framework by reviewing all procedures related to risk management, as well as the development and implementation of new ones, also carrying out over 50 consulting missions, granted to those responsible for risks in order to identify and define risk treatment measures in the context of developing or updating internal procedures. The entire portfolio of significant clients has been re-evaluated and updated on risk profiles, additional counterparty risk mitigation measures have been implemented as prevention and protection actions, and actions have been successfully taken to reduce exposure to guarantee instruments, good execution issued by an insurer entered into insolvency. Also, in the last quarter of the year, an extensive process of updating the risk registers at the level of organizational structures with direct responsibility to the Directorate was carried out, as well as the introduction of new tools for documenting risks, organizing and conducting a significant number of sessions, internal training of the managers of the respective structures and of the persons nominated, the aggregate result of these initiatives being found in the Risk Register updated for the year 2021 at the company level.

Last but not least, Hidroelectrica considers that any form of corruption directly and negatively affects the company's activity and jeopardizes its Strategic Objectives. As such, the company defines and implements the method of analysis, identification and of corruption risks management, having as references the specific legal regulations (National Anti-Corruption Strategy), the standard SR ISO 37001 Anti-bribery management systems and the Guide of good practices on internal controls, ethics and compliance issued by the OECD. Starting with September 2021, Hidroelectrica obtained the certification of compliance with the requirements of SR ISO 37001 Anti-bribery management systems.

Market and financial risks

Note: All values presented in this section are consolidated data at Group level and are expressed in RON. Where currencies are indicated, the corresponding values represent the RON equivalent of those currencies on the date indicated.

Financial risks

- **Energy price:**

Price risk involves registering financial losses or failure to achieve estimated results due to adverse changes in market prices or factors that may influence price developments. Both the price of electricity and the volume of sales are influenced by external factors: climatic conditions (hydrological) and market conditions (volume of demand). Also, the prices on the trading markets are influenced by the price of fuels, of the elements from the support schemes, or by variations of the production from other sources. Hidroelectrica manages this risk by mitigating exposure to adverse variations, using a mix of measures such as analysis of statistical series on hydrological conditions to optimize production and sale plans, short- and medium-term forward sales contracts for a significant amount of estimated production, together with measures to control and optimize the cost base, so that Hidroelectrica's profitability objectives are achieved.

- **Credit risk (including counterparty risk):**

Credit risk is the risk that the company will incur a financial loss due to the breach of contractual obligations by a customer or a counterparty to a financial instrument, and this risk results mainly from trade receivables, cash and cash equivalents and bank deposits.

Cash and bank deposits (representing deposits with an initial maturity of more than 3 months) are placed in financial institutions that are considered to have a high creditworthiness. The carrying amount of financial assets represents the maximum exposure to credit risk.

Consolidated	31 December 2021	31 December 2020
Trade receivables	662,693,754	361,526,411
Long-term receivables	219,920,208	220,278,961
Cash and cash equivalents	1,104,890,224	354,845,179
Restricted cash	10,257,471	10,257,471
Short-term investments	2,561,467,287	1,730,071,123
Total	4,559,228,944	2,676,979,145

The Group's exposure to commercial credit risk is mainly influenced by the individual characteristics of each customer. The company has established a credit policy according to which each significant client is individually analyzed in terms of creditworthiness before concluding a contract, so that the sale is made to customers with an appropriate creditworthiness. The adjustment for impairment of trade receivables is the amount of expected losses, calculated on the basis of loss rates.

The following tables provide information on the Group's exposure to commercial credit risk and expected loss rates * (ECL) as at 31 December 2021 and 31 December 2020:

31 December 2021 Consolidated	Weighted average loss rate	Gross value	Depreciation adjustment	Net trade receivables
Not past due	1.95%	145,616,462	(2,837,842)	142,778,620
Outstanding - from 0 to 3 months	40.29%	8,728,720	(3,516,763)	5,211,957
Outstanding - from 3 to 6 months	88.77%	3,710,078	(3,293,253)	416,825
Outstanding - from 6 months to 1 year	100.00%	3,413,344	(3,413,344)	-
Outstanding – more than 1 year	100.00%	100,669,874	(100,669,874)	-
Total		262,138,478	(113,731,076)	148,407,401
Customers analyzed separately **		514,286,353		514,286,353
Total receivables		776,424,831	(113,731,076)	662,693,754

31 December 2020 Consolidated	Weighted average loss rate	Gross value	Depreciation adjustment	Net trade receivables
Not past due	0.00%	322,324,396	-	322,324,396
Outstanding - from 0 to 3 months	0.23%	23,717,558	(53,639)	23,663,919
Outstanding - from 3 to 6 months	2.62%	13,968,956	(365,654)	13,603,302
Outstanding - from 6 months to 1 year	91.40%	22,495,402	(20,560,608)	1,934,794
Outstanding – more than 1 year	100.00%	71,790,917	(71,790,917)	-
Total		454,297,229	(92,770,818)	361,526,411

* Loss rates are based on actual experience of credit losses over the past four years (for 2020 - last three years)

** Represents clients with outstanding balances as of December 31, 2021 for which the Group considers that there is no risk of non-collection of receivables.

Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with financial liabilities that are settled by transferring cash or another financial asset. Group has significant cash and cash equivalents, so it does not face liquidity risk.

The Group monitors the level of expected cash inflows from the collection of trade receivables, as well as the level of expected cash outflows for the payment of loans, trade payables and other debts.

Group aims to maintain a level of current bank accounts that exceeds the expected cash outflows for the payment of financial debts.

Exposure to liquidity risk

The following table shows the contractual maturities of financial liabilities at the reporting date. The amounts are presented as gross and out of date and include estimated interest payments.

Contractual cash flows					
31 December 2021 Consolidated	Carrying amount	Total	< 12 months	1 - 5 years	> 5 years
Financial liabilities					
Suppliers and similar accounts	173,926,328	173,926,328	171,419,835	2,506,493	
Long-term loans	577,795,146	577,795,146	93,876,520	369,052,019	114,866,607
Leasing	12,506,121	12,506,121	3,592,402	4,053,345	4,860,373
Total	764,228,326	764,228,326	268,889,488	375,611,857	119,726,980

Contractual cash flows					
31 December 2020 Consolidated	Carrying amount	Total	< 12 months	1 - 5 years	> 5 years
Financial liabilities					
Suppliers and similar accounts	178,388,616	178,388,616	172,745,871	5,642,745	
Long-term loans	31,922,296	31,922,296	28,527,674	3,394,622	
Leasing	21,013,966	21,013,966	6,383,664	14,630,302	
Total	231,324,878	231,324,878	207,657,209	23,667,669	-

- **Interest risk:**

The Group has long-term loans with variable interest rates, which may expose the company to interest rate risk. The group considers that the potential impact is reduced considering the level of loans and the credit conditions.

Consolidated	31 December 2021	31 December 2020
Fixed interest rate instruments		
Financial assets		
Restricted cash	10,257,471	10,257,471
Short-term investments	2,561,467,287	1,730,071,123
Total	2,571,724,758	1,740,328,594
Variable interest rate instruments		
Financial debts		
Bank loans	(577,795,146)	(31,922,296)
Leasing	(12,506,121)	(21,013,966)
Total	(590,301,267)	(52,936,262)

Sensitivity analysis of the fair value of fixed interest rate instruments: The Group has no financial assets and financial liabilities at a fixed interest rate recognized at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis of cash flows of variable interest rate instruments: a reasonably possible increase (decrease) in interest rates by 50 basis points at the reporting date would have increased (decreased) the pre-tax profit with the amounts below (assumes that all other variables, especially exchange rates, remain constant):

Consolidated	Increase / (decrease) Profit before tax (RON)	
	Increase with 50 base points	Decrease with 50 base points
31 December 2021		
Related to variable interest rate instruments	(883,666)	79,506
31 December 2020		
Related to variable interest rate instruments	(264,681)	264,681

- Foreign exchange risk:**

The Group is exposed to foreign exchange risk to the extent that there is an imbalance between the currencies in which it makes sales and purchases and in which the loans are denominated and the functional currency of the Group. The functional currency of the Group is the Romanian Leu (RON). The currencies in which the transactions are denominated are mainly RON. Certain debts are denominated in foreign currency. The Group's policy is to use as much local currency as possible in the transactions it conducts. The group does not use derivatives or hedging instruments.

Consolidated	31 December 2021 - the RON equivalent of the currency -			
	EUR	USD	CHF	HUF
Clients and similar accounts	2,787,612			
Cash and cash equivalents	99,503,227	224,670	333,869	199,733
Commercial debts	(4,665,906)	(175,170)		
Bank loans	(574,400,041)			
Leasing	(8,667,831)			
Net exposure to the statement of financial position	(485,442,939)	49,500	333,869	199,733

Consolidated	31 December 2020 - the RON equivalent of the currency -			
	EUR	USD	CHF	HUF
Cash and cash equivalents	1,045,649	130,929	313,740	200,334
Trade debts	(69,930,303)	(158,951)		(134)
Bank loans	(26,944,219)			
Leasing	(16,059,680)			
Net exposure to the statement of financial position	(111,888,553)	(28,022)	313,740	200,200

The following exchange rates have been applied at the end of the period:

Consolidated	31 December 2021	31 December 2020
RON / EUR	4,9481	4,8694
RON / USD	4,3707	3,9660
RON / CHF	4,7884	4,4997
RON / 100 HUF	1,3391	1,3356

Sensitivity analysis

A 5% appreciation of the RON against the following foreign currencies on December 31, 2021 and 2020 would have increased the profit by the amounts indicated below (assuming that all other variables remain constant; values expressed in RON):

Consolidated	Increase / (decrease) Profit before tax	Increase / (decrease) Profit before tax
	2021	2020
EUR	24,272,147	5,594,428
USD	(2,475)	1,401
CHF	(16,693)	(15,687)
100 HUF	(9,987)	(10,010)
Total	24,242,992	5,570,132

A 5% depreciation of the Ron against foreign currencies on December 31, 2021 and 2020 would have had a similar but opposite effect on the above amounts (assuming that all other variables remain constant; values expressed in RON):

Consolidated	Increase / (decrease) Profit before tax	Increase / (decrease) Profit before tax
	2021	2020
EUR	(24,272,147)	(5,594,428)
USD	2,475	(1,401)
CHF	16,693	15,687
100 HUF	9,987	10,010
Total	(24,242,992)	(5,570,132)

Other risks

- **HSE (Health, Safety and Environment):**

Hidroelectrica's number one priority in terms of HSE remains to avoid any accidents among the staff and partners operating within the company's perimeters, to act in a sustainable, ethical and environmentally responsible manner and to comply with all relevant legal requirements. Hidroelectrica 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.

During 2021, 3 work accidents were registered, resulting in the temporary unavailability of the respective employees. The number of fatalities attributable to work accidents, both among its own employees and among the contractors who carried out activities in the Hidroelectrica perimeters, was zero.

Also, taking into account the specific activity and the nature of the managed production assets, Hidroelectrica has implemented intervention plans in case of accidental pollution as well as action plans in case of accidents at dams.

- **Cyber threats:**

With the increasing digitalization of processes and activities, the adoption of new work technologies and the expansion of remote work situations, the risk of cyber threats and vulnerabilities increases significantly. Coupled with the current pandemic and geopolitical context, the global trend indicates an increase in the frequency and intensity of cyber attacks.

Many public institutions and companies, including Hidroelectrica, have adopted the work from home model during this period, remote access to the networks of these entities becoming a necessity to ensure compliance with social distance. Thus, eliminating interactions between employees has reduced the risk of excessive spread of the SARS-CoV2 virus, but has increased the risk of exposure to IT&C infrastructures used in cyber attacks. In this context, Hidroelectrica pays special attention to managing this risk through a complex system that includes multiple lines of defense such as: hard / software protection systems, redundancy, specific procedures, awareness training and preventive behavior of users, etc. Work from home involves remote connection to the networks in which information is circulated from the institutions and private companies that have implemented this model. Hidroelectrica has introduced security procedures and policies that allow employees to perform their duties remotely and, at the same time, adapted to maintain a high level of cybersecurity and reduce the risks posed by possible incidents. In this context, the main measures taken were:

- Training users on the associated cyber security risks;
- Restrictions on the management of remote computer networks, with access to the company's network through the exclusive use of secure connections;
- Prohibiting the exposure of network services on the Internet;
- Up-to-date security policies adapted to firewall equipment, antivirus applications and activated firewall;
- Logging the activities of users who connect remotely; restrictions on access with external devices to the USB ports of all terminals on the network;
- Advanced intrusion detection / intrusion prevention / web filtering firewall solutions, supported by a series of specific equipment dedicated to cyber security;
- Hidroelectrica is part of the companies of national interest that were selected in the cybersecurity project Titeica2, in which additional systems of cyber security and institutional cooperation based on AI were installed and configured;
- Development of a new cyber security policy at the company's level, the policy from which derive IT&C security standards, procedures and regulations, for compliance with the NIS directive (Law 362/2018), along with the implementation of an application for evidence and monitoring of security incidents and detection of vulnerabilities at the company level (executive headquarters, branches, headquarters), for compliance with the NIS directive.

- **GDPR:**

Given the potential significant risk determined by the regulations in the field of personal data protection, Hidroelectrica has assumed that this issue must become an integral part of the company's internal risk management system, becoming a high priority at the management level.

Taking into account the context and purposes of the processing, as well as the risks with varying degrees of probability and seriousness for the rights and freedoms of individuals, Hidroelectrica has implemented appropriate technical and organizational measures to ensure and be able to demonstrate that the processing is carried out in accordance with the applicable regulations in the field. Those measures shall be reviewed and updated as necessary. In this regard, Hidroelectrica has created a department dedicated to the protection of the rights and freedoms of subjects, whose manager is appointed responsible for data protection. At the same time, the company adopted the following main technical and organizational measures:

- Regulation on the protection of personal data applicable within Hidroelectrica, which contains policies on the protection of personal data
- Operational procedures in order to ensure the compliance of the processing activities with the interferences of the national and European provisions in the field of data protection
- Staff training and testing to permanently develop an organizational culture aimed at respecting the rights and freedoms of subjects

At the same time, Hidroelectrica takes the necessary steps to permanently ensure:

- Informing and advising the company and the employees who deal with the processing of personal data related to the implicit legal obligations;
- Monitoring compliance with data protection legislation and company's data protection policies, including responsibilities and awareness-raising and training of personnel involved in processing operations, as well as related audits;
- Effective implementation of measures to assess the impact on data protection and monitor its operation;
- Cooperation with the supervisory authority in order to comply with the required obligations

- **Production assets base:**

By producing electricity, but also providing ancillary services, hydropower facilities are a key factor in for Romania's energy security. It is therefore vital that these capabilities operate and be exploited with an appropriate technical condition. In this sense, Hidroelectrica's strategy provides for an increase in hydropower capacity by promoting new projects and completing those in progress, but it is necessary to invest permanently to maintain the optimal operation of the facilities.

Through the Refurbishment Strategy prepared by the refurbishment department, Hidroelectrica aims for staggered operating capacities, as the normal operating times will be reached, that all the equipment and constructions related to them, within the production capacities, will be refurbished or modernized.

Hidroelectrica, in addition to the strategy of refurbishment and modernization of equipment in hydropower facilities, will promote specific policies aimed at assessing the technical condition of buildings and the way in which maintenance activities are carried out, as well as monitoring the behavior in construction time. With the implementation of these strategies, Hidroelectrica's goal is to achieve the necessary conditions for the implementation of a system of remote management and supervision for power plants (operational management without operating personnel). In this sense, the communication with the higher hierarchical level (DHE - Dispecerat Hidroelectrica) must be based on 100% available and

redundant communication channels, properly sized and capable of ensuring the transmission of SCADA data to DHE.

- **Human capital:**

Human capital represents for Hidroelectrica a key element for fulfilling the company's objectives. Hidroelectrica aims to attract and retain qualified workforce by: optimizing and streamlining the organizational structure, increasing human capital and regular training / preparation of employees, introducing a performance management system for employees, improving staff development measures through courses and trainings . The company's risk factors in terms of human capital are: the long-term demographic decline associated with the exodus to other countries of well-trained labor force, a decline in young people's interest in technical schools and a high average age of the company's staff. To combat these risks, Hidroelectrica has a number of initiatives underway such as:

- offering private scholarships to students, especially from the faculties with energy profile but also to the students from the high schools with energy profile, the organization of intership and apprenticeship at work;
- support for dual education (Hidroelectrica supports approximately 200 students in dual vocational education from high schools with energy profile, who will obtain qualification as electricians or electromechanics for all branches of the company, will perform internships in hydroelectric power plants, to be hired at the end of their studies) ;
- practice in hydroelectric power plants, performed by pupils and students, based on the practice agreements made with the profile universities / high schools;
- motivating salary packages and other benefits paid to employees according to CLA, professional training courses, authorization in occupations specific to the energy sector;
- relocation support for employees from remote locations, established by the CLA in force (examples: granting insulation, accommodation facilities in Hidroelectrica locations, transport to and from work for the staff that ensures the operation of hydroelectric power plants, etc.);
- the ongoing development of both external recruitment processes, in order to recruit new human resources with a good professional training, thus ensuring the quality of human capital in the future, as well as internal, and ensuring career development opportunities for the company's employees.

- **Political, legal and regulatory risk:**

Due to the specifics of its activity and the sector in which it operates, Hidroelectrica presents a high exposure to political and regulatory risk, determined by the possibility of materializing some legislative changes, norms and policies, as a result of the action of the decisive factors. In the context of the continuing pandemic, as well as the unprecedented evolution of regional and global energy prices, 2021 has brought an increase in exposure to this risk by intensifying some legislative changes adopted or discussed. Hidroelectrica continues to closely monitor all changes in regulatory policies and is engaged in a continuous and constructive dialogue with the relevant authorities.

Also, the company's activity is permanently subject to the legal risk determined both by the economic activity essential in the functioning of the economy and by the economic evolution of the contractual partners, economic crises, changes in the energy supply parameters coming from abroad, etc. In this respect, it should be mentioned the permanent concern regarding the allocation of the necessary resources to protect the interests of the company through the legal department or through external lawyers, so as to ensure legal security.

11. PROCESS MANAGEMENT. INTERNAL AUDIT

Process management

Procedures M02.001 Evaluation Modeling Process Map and Managerial Internal Control System and M02.010 Implementation evaluation process within Hidroelectrica establishes the analysis and responsibilities for the maintenance and development of the quality process management system through the Process Map tool, implementation and monitoring of the execution of each process included in the Process Map.

The compliance of the Hidroelectrica Process Quality Management System with the requirements of SR EN ISO 9001: 2015 is certified by SRAC through Certificate No. 325, valid until 20.06.2024.

In order to ensure the level of knowledge necessary for the proper understanding and execution of the responsibilities of the managers regarding the way of monitoring / analyzing the operations, regulation within the company, part of the Hidroelectrica management system, was developed a course and a set tests on the online E-Learning Hidroelectrica platform. Each manager should pass it annually.

The Office of Analysis, Monitoring Processes and Reporting, subordinated to the President of the Hidroelectrica's Directorate monitors, provides the necessary support, and reports compliance, effectiveness, and alignment with the Hidroelectrica's Management Strategy.

Company's / management-level goals include components for the development and maintenance of the management system at each individual department level, based on Hidroelectrica Policy. During the evaluation and targeting sessions, opportunities for improvement at the company / department level were identified and analyzed and the extent to which those were set in earlier periods.

Considering the performance indicator established by the Hidroelectrica Management Plan for the period 2019-2023 on the implementation / validation of the implementation in each year of a number of 4 standards according to the Order of the General Secretariate of the Government no. 600/2018 for the approval of the Code of internal managerial control of public entities, during 2020 the following standards were revised and confirmed as implemented: : Standard 12 - Information and communication, Standard 13 - Document management, Standard 14 - Accounting and financial reporting and Standard 15 - Evaluation of the internal managerial control system. The multi-annual Revenue and Expenditure Budget has identified, analyzed, established and ensured the resources necessary for the proper functioning of the company's processes, so that the objectives set, including those on process performance and compliance of electricity production / delivery can be achieved.

During the meetings of the Supervisory Board / Directorate, the implementation of the Hidroelectrica Budget was analyzed on each component, including the components with an impact on the proper functioning of the management system, and the necessary measures were taken when deficiencies were found.

Internal Audit

The public internal audit activity in Hidroelectrica is carried out through the Internal Public Audit Department, subordinated to the Audit Committee of the Company's Supervisory Board, according to the procedures M09.001 Internal Audit Planning, M09.010 Implementation of internal audit mission and

M09.090 Monitoring annual internal audit plan, with reference to the requirements established by Law No. 162/2017 on Statutory Audit, Law 672/2002 (updated) on Internal Public Audit and ISO 19011: 2018 - Guidelines on Audit of Management Systems and of OSGG no. 600/2018 updated for the approval of the Code of internal managerial control of public entities.

(The requirements of these regulations are convergent and are found in the system procedures implemented by the Supervisory Board).

The Public Internal Audit Department carries out insurance and advisory missions both at Hidroelectrica Executive level and at branches' level with the mission of increasing and protecting the value of the company and determining the effectiveness of the management system by providing objective risk-based assurance, counseling and support for company's management, following the achievement of the targets established by the Hidroelectrica Management Plan for 2020-2023.

During 2021, 19 insurance missions were carried out, following which the procedures regarding the audited processes were implemented and / or updated. For each of these processes, multiple meetings were held with both the employees of the executive and those of the Hidroelectrica branches responsible for their documentation and with the process owners, to ensure the standardized and unitary documentation.

Regarding the implementation of the new procedures necessary for the standardization and efficiency of the company's activities, a number of 58 informal counseling missions were carried out to assess the way in which the objectives were set, if they meet the SMART criteria (specific, measurable and verifiable) , necessary, realistic, with deadlines), identification of risks relevant to the company's activities, their assessment and taking measures to eliminate the risks specific to regulated activities.

The internal audit missions cover both the activities with specific financial accounting, and those with specific operational / quality / environment / HSE within Hidroelectrica, being carried out, efficiently coordinated by internal auditors within the department, because they have been certified for internal audit of quality management systems according to ISO 9001: 2015, ISO 14001: 2015 and ISO 45001 2018 in accordance with ISO 19011: 2018.

Considering the attributions of the Audit Committee presented at art. 65, paragraph 6, letter c of Law 162/2017, during 2020, meetings of the Audit Committee were organized, attended by the Manager of the Public Internal Audit Department, on which occasion the internal audit reports were presented and the activity of the department was analyzed.

The activity of Hidroelectrica's public internal audit department consisted, in 2021, in carrying out the presented audit missions, a real support in optimizing the way the processes are carried out, bringing value in a visible way. Also, in many situations, through the counseling activities, being ensured an environment of conciliation between the different organizational structures of the company.

12. LITIGATIONS

The main disputes in which the company is involved on December 31, 2021, have a total potential of RON 737,6 million and are the following:

a) Litigation on file 3200/2/2018 against Ministry of Energy

The dispute concerns the Concession Agreement no. 171/2004 regarding public assets.

Petitioner: Ministry of Economy, Energy and Business Environment

Defendant: Hidroelectrica SA

Potential exposure: RON 373 million.

The Ministry of Economy, Energy and Business Environment requested the following from the court:

- (i) Supplementing Hidroelectrica's consent to conclude an addendum to the concession contract, whereby the contract is modified so that:
 - The Ministry of Energy, as a concession provider, can unilaterally modify the amount of the royalty; and
 - amend the amount of the royalty at the value of the annual amortization of assets received under concession.
- (ii) Subsequently, the Ministry of Energy supplemented the action in court, requesting Hidroelectrica to pay RON 373 million, representing the difference between the amortization of the assets received in concession and the royalty paid for 2013-2018.

The action in court of the Ministry was initiated following an inspection and a report of the Court of Accounts at the Ministry of Economy, Energy and Business Environment. According to this report, the method of establishing the royalty for the concession agreement violate Law no. 15/1994 regarding the amortization of the fixed capital in tangible and intangible assets and the methodological application norms, applicable to the economic agents. According to the provisions of the mentioned law, the amortization of the concessional assets belongs to the owner, in this case, in charge of the Ministry's. This depreciation is recovered by royalty.

The company has as arguments against the request of the Ministry the provisions of Ordinance no. 81/2003 on the revaluation and depreciation of fixed assets in the patrimony of public institutions, according to which the assets belonging to the public domain are not subject to depreciation. This category also includes the goods granted by the Ministry to the Company. Thus, the value of the depreciation that the Ministry has in its charge, as the owner of some concessional public domain assets, is invalid, consequently the value that should be recovered through the royalty is zero.

In the case, the evidence with the accounting expertise was approved and administered, having as objective the determination of the depreciation value, respectively of the difference between the determined depreciation and the royalty paid by the Company. The court also approved a party expert for Hidroelectrica.

Both the forensic expert and the party expert appointed by the Company concluded that the royalty calculated and paid in the period 2013-2018 by the Company was in accordance with the provisions of the concession contract no. 171/2004 and is correct, there being no other differences.

On 11.05.2021, the court of first instance rejected the request for summons filed by the Ministry of Energy as unfounded.

Until the date of the financial statements, the Sentence was not communicated to the parties, so that the term of 15 days for the appeal of the Ministry of Energy did not start to run.

Based on the arguments presented above, as well as the conclusions of the expert's report of the appointed expert, conclusions that are favorable to the Company, the management estimates that it will win this litigation and, consequently, has not registered a provision in connection with this litigation.

b) Litigation against ANAF

The litigation opened by Hidroelectrica for the cancellation of the Decision for solving the preliminary fiscal appeal no. 406 / 18.12.2014 and the annulment of the Tax Decision no. F-MC 851 / 21.01.2014.

Potential exposure: RON 214.4 million

As presented in note 9, points i. - ii., The company was under general fiscal inspection, following which ANAF issued the Tax Decision no. F-MC 851 / 21.01.2014 regarding additional fiscal payment obligations in the amount of RON 232.6 million. The company challenged the taxation decision, and through the Decision for solving the preliminary fiscal appeal no. 406 / 18.12.2014, the General Directorate for Solving Appeals within ANAF partially admitted the appeal filed by the Company for the amount of RON 18.2 million. Thus, the obligations imposed by the decision F-MC 851 / 21.01.2014 were reduced to RON 214.4 million. The company requested in court the annulment of both decisions on May 29, 2015.

In 2021, in this litigation, the experts appointed by the court finalized and submitted the expertise report in which they established that from the disputed amounts, ANAF would be entitled to receive an amount of 510,872 RON, plus interest and penalties.

The next trial date is April 15, 2022, in order for the designated experts to submit the answers to the objections raised by ANAF.

The company analyzed possible future events taking into account the following:

- The final decision of the Bucharest Court of Appeal, within the insolvency file of the Company, according to which ANAF is deprived of the right to request the payment of the tax claim generated by the taxation decision (more information is presented in note 9 - point iii).
- in case the court considers that the fiscal decisions are valid, the court will also have to analyze the forfeiture of ANAF's rights regarding the fiscal claim, in order to decide if the Company owes the imposed amounts.

Considering the final decision of the Bucharest Court of Appeal according to which ANAF is deprived of the right to request the payment of the tax claim generated by the taxation decision, corroborated with litigation 51487/299/2021 by which ING Bank requested the return of the execution of the amount of 214,4 million lei to Hidroelectrica, as well as corroborated with the favorable expertise of the Company, the Company considers that it is probable that the litigation will be finalized in favor of the Company, and, consequently, it did not register any provision.

c) Litigation regarding file 44443/3/2016 against Hidroconstructia SA

Petitioner: Hidroconstrucția S.A.

Defendant: Hidroelectrica

Potential exposure: RON 32,8 million

Hidroconstructia SA filed claims in amount of RON 32.8 million, representing the equivalent of the costs generated by cessation of the construction works related to some of the investment projects under execution. The company has asked the court to reject Hidroconstructia's request, motivating the following:

- the claims made by Hidroconstructia does not represent costs of preserving the works during the period of their ceasing, but the costs incurred by Hidroconstructia before the insolvency of the Company;
- thus, as a claim before the insolvency proceedings, it should have been declared at the creditors' group within the preemptive term stipulated in the Law no. 85/2006, in the case of the Company the term being 06.08.2012; and
- failure to submit the claim in the legal term means Hidroconstructia is losing the right to request the collection of the debt.

In March 2018, the court of first instance (Bucharest Tribunal) rejected Hidroconstructia's request, the decision being challenged by both parties. Hidroelectrica contested because it was obliged to pay administrative fees.

In April 2019, the Bucharest Court of Appeal admitted the appeals filed by the parties and sent the case for retrial to the Bucharest Tribunal.

Hidroelectrica filed a appeal against this solution and an incidental appeal by Hidroconstructia. On November 3, 2020, the High Court dismissed the appeals as unfounded.

Therefore, the case is to be retried on the merits by the Bucharest Tribunal. So far, no trial has been set for retrial.

The company considers that the claims made by Hidroconstructia represent costs incurred before company's insolvency, costs that Hidroconstructia did not register in the credit group during the insolvency proceedings, thus losing its right to request payment of these amounts. Based on this argument, as well as based on the rejection of Hidroconstructia's request by the court in the first trial, the company estimates that it will win this dispute.

d) Litigation 36646/3/2018* with Beny Alex S.R.L

Litigation regarding contracts:

- no. 129 / 02.09.2011 concluded by the company with HIDROSERV HATEG S.A., having as object the provision of deforestation services at HPD Raul Mare Retezat, Gura Apelor Dam: Ecologization and sanitation by deforestation of Gura Apelor reservoir; and
- the subcontracting contract concluded by HIDROSERV HATEG SA with Beny Alex no. 104 / 07.10.2011.

Petitioner: Beny Alex S.R.L.

Defendant: Hidroelectrica

Potential exposure: RON 43.6 million.

Beny Alex requested from the company the amount of RON 43.6 million representing additional works executed by this petitioner based on the contract concluded with Hidroserv subsidiary in 2011.

The court of first instance rejected the applicant's request as time-barred.

During 2020, the appeal declared by Benny Alex was admitted by the court of judicial control which cancelled in all the appealed sentence, rejected as unfounded the exception of the prescription of the material right to action and sent the case to the same court to continue the trial.

The next trial term is 29.03.2022, when the trial of the case on the merits will resume.

The company considers that the claims made by Beny Alex represent costs incurred during company's insolvency proceedings, costs which were not requested for payment during the insolvency proceedings, thus losing the right to request payment after the exit from the insolvency. Based on this argument, the company estimates that the court's decision will be favorable to the company and, consequently, has not registered a provision in connection with this dispute.

e) Arbitral file 8/2021 with Romelectro S.A.

Litigation regarding the claims deriving from the Contract on the refurbishment of the Stejaru hydroelectric power plant.

Potential exposure: RON 73.8 million

Through the arbitration action, Hidroelectrica S.A. requested the Arbitral Tribunal to order the defendant Romelectro to pay the amounts below (cumulating RON 78.7 million, plus court expenses):

- RON 14,775,965, representing penalties for delay of works;
- the interests related to the amount of RON 14,775,965, calculated from the date of filing the arbitration request and until the date of the effective termination;
- court costs incurred by Hidroelectrica SA during the arbitration dispute;
- subsequently, the Company formulated an additional request by which it introduced a request consisting in obliging Romelectro to pay some estimated delay penalties (on 23.06.2021) to the amount of Euro 13,127,804, applied according to Clause 26 of the Conditions Special features of the contract and related to non-compliance with the deadlines for the receipt of works or parts of works corresponding to the units regulated by the Contract concluded by the parties.

The claims requested by Romelectro through the counterclaim on 15.11.2021 consist in obliging the Company to pay the following amounts (cumulating EUR 14,923,274, the equivalent of RON 73.8 million, plus interest and court costs):

- EUR 11,277,312, in RON equivalent at the date of the actual payment, representing the provisional estimate of the additional costs generated by Romelectro due to the delays registered in the execution of the Contract;
- EUR 1,537,098, in RON equivalent at the date of actual payment, representing the profit not realized by Romelectro due to delays in the execution of the Contract;
- EUR 535,672, in RON equivalent on the date of actual payment, representing general administration expenses calculated between 15.11.2021 - 16.08.2024;
- EUR 1,573,193, in RON equivalent on the date of actual payment, representing the value of the technical projects submitted to the Beneficiary;

- Legal interest at the amounts indicated above, starting with 19.04.2021 (date of introduction of the counterclaim), according to the provisions of art.3 paragraph 2 of GO no.13 / 2011, and until the effective date of payment;
- Payment of VAT applicable to the amounts indicated above, in accordance with the legal provisions in force;
- Payment of court costs incurred in resolving the arbitration dispute.

At the same time, Romelectro S.A. also formulated the following heads of claim without direct quantified pecuniary impact:

- To ascertain the non-existence of the Hidroelectrica's right to benefit from the assurance of a new life cycle of 30 years of the spiral chambers for the turbines type I and II in the absence of their replacement;
- To ascertain or, as alternative, to order the extension of the commissioning terms;
- To order the extension of some terms

Romelectro also requested that the Arbitral Tribunal, in so far as both the principal and the counterclaim, be upheld in part, find that it operates in full as legal compensation for mutual debts up to the lowest competition and, by way of consequently, to oblige Hidroelectrica to pay the resulting difference.

On 10.03.2022, the Tribunal discussed with the parties Romelectro's requests as a result of the opening the insolvency procedure, namely:

- finding that the main claim and the additional claim against the specific provisions of the insolvency law have been terminated by law, and
- the disjunction of the counterclaim and the suspension of the newly formed file until the moment of elaboration by the judicial administrator of the report on the causes and circumstances that led to the occurrence of the insolvency according to art. 97 (1) of Law no. 85/2014.

Following the closing of the debates on these issues, the Tribunal ordered the postponement of the ruling for April 7, 2022, asking the parties to submit written conclusions regarding the requests made by Romelectro S.A.

Bogdan BADEA
Chairman of
Directorate

Marian BRATU
Member of
Directorate

Răzvan-Ionuț PAȚALIU
Member of
Directorate

Radu-Cristian POP
Member of
Directorate

Cristian VLĂDOIANU
Member of
Directorate

13. ABBREVIATIONS

HPD - Hydropower development

ANRE - National Energy Regulatory Authority

REB – Revenue and Expenditure Budget

NACE - Classification of Activities in the National Economy

CLA – Collective Labor Agreement

HPP - Hydroelectric Power Plant

CHEMP - Low Power Hydroelectric Power Plant

HA – Hydroaggregate

HE - Hidroelectrica

GH – Government’s Decision

RGD – Romanian Government’s Decision

INTRADAY - " within a day "

SHPP – Small Hydropower Plant

OPCOM - Operator of the Romanian Electricity Market

OTC - Centralized Market with continuous double negotiation of bilateral electricity contracts

PCCB - Centralized Market of Bilateral Contracts (EA – extended auction, CN – continuous negotiation)

PCSU – Centralized Market for Universal Service

NDM – Next Day Market

SCADA - Surveillance, Control and Data Acquisition System

NES – National Energetic System

HPB - Hydropower Plant Branch

HSW – Health and Safety at Work

MCB - Monitoring constructions’ behavior