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Analysis of the economic and financial performance of Romania's state-owned companies in 2023

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Note:

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Abstract

This paper analyses the economic and financial performance of state-owned companies in Romania during 2023, while also comparing it with the performance of private sector companies. The study was performed on a sample of 753 public sector companies, which was later divided into the Top 5 companies in terms of net profit and the rest of the state-owned companies, because a small number of companies with substantial profits significantly influence the aggregate performance of public sector companies.

In recent years, during which pro-cyclical policies have also influenced the evolution of macroeconomic indicators, the results of both state-owned and private companies must be interpreted with caution. For example, if the profitability of a company that performed well in the years preceding a macroeconomic correction (such as a budget deficit reduction) were compared to its results during the correction period, the profitability would decline. However, does this decline necessarily indicate a deterioration in corporate governance?

2023 was marked by moderate economic growth of 2.4%, a deceleration of 1.6 percentage points compared to the previous year. The high level of investment was the main factor supporting economic dynamics, while household and government consumption grew only marginally. The influence of these factors was offset by declining external demand, and external geopolitical tensions remained high. In this context, the results of both state-owned and private companies slightly declined compared to 2022, although their levels remained high. These results should be assessed considering the significant influence of energy sector companies on the overall performance of state-owned enterprises. Specifically, several companies in the hydropower, nuclear energy, and natural gas sectors were the main sources of profit for state-owned firms, due to their monopoly positions, the evolution of energy prices, and the public energy price cap scheme. On the other hand, around 34.5% of state-owned companies did not record a profit, reflecting both a significant level of inefficiency and the authorities' decision to subsidize certain public goods and services in this way.

In 2023, state-owned companies in Romania recorded marginal increases in total revenues (+0.5%), turnover (+0.5%), and gross value added (+2.8%), achieving a total net profit of 11.8 billion lei (0.9 billion lower than in 2022). The Top 5 most profitable state-owned companies reported an increase in net profit, from 10.7 billion lei to nearly 12 billion lei. In contrast, the rest of the state-owned companies shifted from a total profit of 1.96 billion lei in 2022 to a loss of approximately 0.2 billion lei in 2023. Notably, between 2009 and 2023, state-owned companies excluding the Top 5 recorded a positive aggregate net result only in 2017 and 2022. The decline in the net result of state-owned enterprises led to reductions in their profitability indicators; however, due to the performance of the Top 5 companies, these indicators remain high overall. The contribution of state-owned companies to Romania's economic activity remained low in 2023 as well, with their share of total economy revenues at 3.5%, turnover at 3.5%, and gross value added at 8.7%. Additionally, 2023 saw liquidity and solvency indicators remaining

close to the levels recorded in the previous year, a decrease in the interest coverage ratio, and an increase in new investments.

The arrears of state-owned companies increased in 2023 by 12.6% in nominal terms compared to the previous year, reaching 21.5 billion lei (representing 24.5% of total overdue payments in the entire economy, up from 22.2% in 2022). However, considering the high GDP deflator of 12.8% in 2023, the share of state-owned company arrears in GDP decreased to 1.3%, compared to 1.4% in 2022. On the other hand, data shows an increase of 2.6 percentage points in the share of arrears relative to total turnover (from 21.1% in 2022 to 23.7% in 2023). It should also be noted that the ranking of companies with the highest volume of overdue payments points to a chronic nature of the arrears issue in certain sectors, with some state-owned companies continuing to appear year after year in this ranking.

The improvement in the economic and financial performance of state-owned enterprises during 2015-2017 was supported by legislative reforms, particularly the enactment of Emergency Ordinance no. 109/2011 on corporate governance of public enterprises. However, a series of subsequent amendments exempted most state-owned companies from applying corporate governance practices. These changes coincided with a decline in most economic and financial indicators for state-owned enterprises starting in 2018. In this context, Law no. 187/2023 was adopted to amend and supplement Emergency Ordinance no. 109/2011, introducing a series of measures aimed at improving the performance of state-owned companies. Additionally, Government Decision no. 617/2023 established the organizational and operational framework of the Agency for Monitoring and Evaluation of the Performance of Public Enterprises (AMEPIP). The mission of this agency is to coordinate and oversee corporate governance actions and policies to ensure a fair and transparent environment within public enterprises. While the adoption of these initiatives is commendable, the Fiscal Council continues to advocate, as in its previous analyses, for the proper implementation of the existing legal framework on corporate governance of Romania's state-owned companies. This recommendation is also supported by the most recent OECD report, which highlights that while having adequate legislation is important, only proper implementation can bring corporate governance up to OECD standards.

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Introduction

The accumulation of losses and arrears by companies in which the state is the majority shareholder represents a potential medium-term risk to fiscal sustainability. If these companies fail to make their business more efficient, it will be necessary for the Government to intervene with public resources, potentially leading to a deterioration of public finances and an increase in the budget deficit. On the other hand, the existence of efficient and profitable state-owned enterprises can serve as a source of increased budget revenues. Therefore, continuous monitoring of the economic and financial performance of public sector companies is essential. In this regard, the current report analyses the results obtained by Romanian state-owned enterprises (SOE) in 2023, while also comparing them to the performance of private sector companies, based on the annual financial statements submitted to the Ministry of Finance (MF) by all companies operating on Romania's territory.

The economic and financial performance of both state-owned and private companies should be analysed considering the macroeconomic context and other specific factors that influenced their activity. In this regard, 2023 was characterized by moderate economic growth, with the real GDP growth rate decelerating by approximately 1.6 percentage points (pp) compared to the previous year. The high level of investment was the main driver supporting economic dynamics, while household and government consumption grew only marginally. The impact of these factors was offset by declining external demand, and external geopolitical tensions remained high.

Moderate economic growth was reflected in the results of both state-owned and private companies. Additionally, companies in the energy sector had a significant influence on the overall performance of state-owned enterprises. On one hand, a homogeneous sample of companies in the hydropower, nuclear energy, and natural gas sectors represented the main source of profit for state-owned companies, due to their monopoly positions, the evolution of energy prices, and the public price cap scheme. On the other hand, a considerable number of companies in the thermal power and coal-based energy sectors continued to record losses, similar to previous years. It should be noted that approximately 34.5% of state-owned companies did not report a profit, reflecting both a significant level of inefficiency and the authorities' decision to subsidize certain public goods and services in this way.

Dataset

The analysis was conducted on a sample of 753 state-owned companies, relatively similar in size and structure to the sample used in 2022, which included 781

At the end of 2023, a total of 1,764 companies from the non-financial sector reported in their annual financial statements that they are fully or majority state-owned companies. Following a thorough analysis of their organizational form, scope of activity, and ownership structure, it was found that numerous limited liability companies had mistakenly declared themselves as state-owned enterprises, with the vast majority

companies. From this perspective, it is expected that the results of the current study will be comparable to those obtained in previous years.

To accurately reflect the economic and financial results of state-owned companies in Romania, the data sample used was adjusted to eliminate the influence of factors found in the financial statements that do not represent an actual change in the economic and financial situation.

indicating they were organized as autonomous public bodies. After correcting these reporting errors, the final number of state-owned companies included in the analysis was 753, which is relatively close to the sample size for 2022 (781 companies). From this perspective, it is expected that the results of the present study will be comparable to those obtained in previous years.

Subsequently, a series of adjustments were made to the reported financial data to ensure that the analysis accurately reflects the economic and financial results of companies in the public sector. Thus, similarly to the 2018-2022 period, the National Company for Road Infrastructure Administration (C.N.A.I.R. S.A.) reported concession rights following the contract signed with the Ministry of Transport regarding state-owned public assets, with a remaining amortizable value of 59.73 billion lei¹ as of December 31, 2023. Since these concession rights do not represent the result of investment activities (being treated as subsidies according to IFRS²) and significantly affect the study's results, leading to a substantial increase in the volume of assets and the indebtedness ratio of state-owned companies, they were excluded from the analysis. Additionally, starting in 2018, the financial statements reported by C.N.A.I.R. S.A. showed a significant decrease in work-in-progress tangible assets (by over 10 billion lei at that time), offset by a similar increase in work-in-progress inventories³. Considering that these changes have an important impact on liquidity indicators and the level of investments made by state-owned companies, the respective indicators were adjusted accordingly.

In 2022 and 2023, Complexul Energetic Oltenia S.A. reported significant net profits (3.5 billion lei in 2022 and 1 billion lei in 2023), ranking second among the most profitable state-owned companies in 2022 and fourth in 2023. However, considering that, according to the Restructuring Plan, the company benefits from state aid for restructuring totalling 1.090 billion euros until 2025⁴, the profits of Complexul Energetic Oltenia S.A. were excluded from the analyses for 2022 and 2023. This exclusion was necessary because including these profits would have artificially improved the aggregated profitability of state-owned companies and distorted the overall analysis results.

¹ According to the notes to the financial statements of C.N.A.I.R. S.A. for the year 2023.

² International Financial Reporting Standards (IFRS).

³ The reclassification of these amounts is most likely the result of the accounting policies applied.

⁴ According to the consolidated administrators' report for the period 01.01.2023–31.12.2023, page 5, Complexul Energetic Oltenia benefited from state aid of nearly 3.8 billion lei in 2022 (2022 Report, page 11) and 449 million lei in 2023 (Decision no. 247/2023).

Starting in 2018, no outstanding payments were reported by Compania Națională a Huilei S.A. (which had 5.4 billion lei in outstanding payments at the end of 2017) and Electrocentrale București S.A. (which had 1.7 billion lei in outstanding payments at the end of 2017). This is the reason why the arrears of state-owned companies recorded a significant decrease in 2018 (over 36%) compared to the previous year. It should be noted that the lack of reporting does not indicate that these outstanding payments were settled; rather, it is most likely due to the fact that at that time, C.N. a Huilei S.A. was undergoing bankruptcy proceedings, and Electrocentrale București S.A. was in insolvency.

Similar adjustments were made in the analyses of certain previous years in order to obtain the most realistic assessment possible of the results of state-owned companies, as follows:

- Oltchim S.A. reported a notional profit of 1.7 billion lei in 2021, representing approximately 29% of the total profit of state-owned companies. Considering that this company was in bankruptcy proceedings (with a judicial liquidator appointed since 2019), the profit obtained by Oltchim was excluded from the analysis conducted for 2021;
- At the end of 2018, the National Freight Railway Transport Company (Societatea Națională de Transport Feroviar de Marfă – S.N.T.F.M. C.F.R. Marfă S.A.) reported an increase of 4.3 billion lei in tangible fixed assets compared to the previous year, following a revaluation process of tangible fixed assets and real estate investments. This information was treated cautiously, recognizing the increase in the volume of state-owned companies' assets, but this increase was not considered as investments in fixed assets;
- From the 2017 sample, the Company for Energy Stakes Management (Societatea de Administrare a Participațiilor în Energie – SAPE) and the Romanian Television Company (Societatea Română de Televiziune – SRT) were excluded, as they significantly distorted the analysis of state-owned companies' profitability due to the amount of 401.2 million euros received by SAPE from the Enel group (following the court case won at the Paris Arbitration Court), and due to the substantial increase in the subsidy granted to SRT by the Romanian state (from 95 million lei in 2016 to 946 million lei in 2017), following the elimination of the radio-TV tax and also aimed at reimbursing the public television's historical debts;

- A similar situation occurred in 2015, when Oltchim S.A. recorded a notional profit of over 2.3 billion lei (representing almost 48% of the total profit of state-owned companies), following the write-off of a significant portion of its debts. In this case as well, the profit obtained by Oltchim was excluded from the analysis conducted for 2015.

Last but not least, it should be noted that the aggregated results of private companies are influenced by one company that has reported significant and growing current assets in recent years, exceeding 1,000 billion lei at the end of 2023. This considerable volume of current assets positively affects liquidity and the overall indebtedness level of private companies but has the effect of lowering their profitability ratios by enlarging the base against which the aggregated net profit is reported.

Results of the empirical analysis

Against the backdrop of slowing economic growth, the gross value added, in real terms, generated by companies in the non-financial sector increased by only 2% in 2023, down from a 12.2% growth in 2022. At the level of state-owned companies, the indicator decreased by 8.8%.

2023 was marked by a slowdown in economic growth by approximately 1.6 pp. A high level of investments was the main factor supporting economic dynamics, while household and government consumption grew only marginally. The influence of these factors was tempered by declining external demand, and external geopolitical tensions remained high. In this context, in real terms, the gross value added generated by companies in the non-financial sector increased by only 2% in 2023, compared to a 12.2% rise in 2022. For state-owned companies, this indicator decreased by 8.8%, while the gross value added, in real terms, generated by private companies grew by 3.1%.

The results of companies in the energy sector, the moderate economic growth, and the sustained high proportion of unprofitable state-owned companies influenced their overall performance in 2023.

The results of state-owned companies were influenced by several factors. Firstly, companies in the energy sector had a significant impact on the overall performance of state-owned enterprises. On one hand, a homogeneous group of companies operating in the hydroelectric, nuclear energy, and natural gas sectors represented the main source of profit for state-owned companies, due to their monopolistic position, energy price developments, and the public price-capping scheme. However, in 2023, energy price increases were more moderate compared to previous years. On the other hand, a considerable number of companies in the thermal power and coal-based energy sectors continued to record losses, similar to previous years. Secondly, although investment levels remained high, the moderation in household and government consumption also negatively affected the results of state-owned companies. Additionally, it should be noted that approximately 34.5% of state-owned companies did not record a profit, reflecting both a significant

level of inefficiency and the authorities' decision to subsidize certain public goods and services in this way.

The revenues of state-owned companies increased by 0.5% compared to the previous year. This development was accompanied by a 0.5% rise in turnover and a 2.8% increase in gross value added in nominal terms.

The total revenues of state-owned companies increased by 493.4 million lei (+0.5%) compared to the previous year, while their turnover grew by 442.3 million lei (+0.5%) compared to 2022. This growth is significantly lower than the increases recorded in 2022, which were 47.5% and 48.2%, respectively. For companies in the private sector, total revenues rose by 0.5%, and turnover increased by 1.2%, with these developments also falling short of the growth rates recorded in 2022. Regarding gross value added in nominal terms, it recorded a positive dynamic across the entire economy (+15%), supported by both public sector companies (+2.8%, equivalent to +1.6 billion lei) and private sector companies (+16.3%, equivalent to +87.7 billion lei).

Public sector companies had a limited and declining contribution to Romania's economic activity.

The contribution of state-owned companies to Romania's economic activity remained low, as their share in the total number of companies was just 0.08%. Additionally, in 2023, their share of total revenues and turnover in the economy was 3.5% (similar to the shares recorded in the previous year), while their share of gross value added was 8.7% (down from 9.7% in 2022).

In 2023, the downward trend in the number of employees in state-owned companies continued, with this indicator reaching its lowest level during the period under review.

In 2023, the downward trend in the number of employees in state-owned companies, which began in 2020, continued. This indicator decreased by approximately 8.3 thousand people (-3.3%) compared to the previous year, reaching the lowest number of employees in state-owned companies for the period in question. In the case of private companies as well, the number of employees declined by around 25.5 thousand people (-0.6%) compared to 2022.

Labour productivity in state-owned companies declined by 5.7% in 2023; however, it remained at a high level. In the case of private sector firms, labour productivity increased by 3.8% compared to the previous year.

In state-owned companies, the gross value added in real terms experienced a larger decline (-8.8%) than the reduction in the number of employees, which led to a decrease in labour productivity compared to 2022 (126.4 million lei per 1,000 employees in 2023, compared to 134 million lei per 1,000 employees in 2022). In the private sector, labour productivity increased to 80.7 million lei per 1,000 employees (+3.8% compared to 2022), supported by growth in gross value added in real terms (+3.1%) and a decrease in the number of employees (-0.6%).

The aggregate net profit earned by non-financial companies decreased by 20.1 billion lei in nominal terms (-9.8%). The total net profit of state-owned companies amounted to 11.8

The aggregate net profit at the level of all non-financial companies experienced a downward trend, decreasing by 20.1 billion lei in nominal terms (-9.8%). This unfavourable development can be observed both among state-owned and private companies. Thus, the net profit of state-owned companies amounted to 11.8 billion lei (a decrease of 915 million lei, representing a 7.2% decline compared to

billion lei (-7.2% compared to the previous year). Private sector companies also recorded a decline in total net profit, down by 19.2 billion lei (-9.9% compared to the previous year).

The analysis conducted for each year highlighted that a small number of state-owned companies with significant profits have a substantial impact on the aggregated results of public sector companies. Thus, in 2023, the profit generated by the Top 5 state-owned companies accounted for approximately 97.8% of the total profit of state-owned companies. In this context, to more accurately reflect the overall performance of state-owned companies, this study will analyse specific indicators both at the aggregate level and by excluding the five most profitable companies – the Top 5.

2022). Private sector companies recorded a net profit decrease of approximately 19.2 billion lei (-9.9% compared to the previous year). This result marks a turning point in the growth trajectory of private companies' profits in recent years (+55.2% in 2016, +30.9% in 2017, +23.6% in 2018, +19.4% in 2019, +10.5% in 2020, +40.5% in 2021, and +33.3% in 2022).

The analysis of the profitability of state-owned companies can be further refined by separately highlighting the five best-performing companies in terms of net profit (Top 5 – presented in [Table 2](#)). Thus, the companies included in the Top 5 recorded significant profits over the past six years, increasing every year except 2019, from 4.6 billion lei in 2018 to 11.9 billion lei in 2023⁵ (which is 1.2 billion lei more than in 2022). Examining the evolution of the Top 5, a stable composition can be observed over the last six years, predominantly including state-owned companies from the energy sector. Specifically, over the past six years, Hidroelectrica S.A., Romgaz S.A., and Nuclearelectrica S.A. have been included in the Top 5 every year, while Electrocentrale București S.A. and C.N. Aeroporturi București S.A. have appeared three times. It is noteworthy that, in the last six years, the first position has consistently been held by Hidroelectrica S.A., with significant shares of the Top 5 profits ranging between 34.7% and 53.1%.

In 2023, the Top 5 was dominated by companies from the energy sector, whose profits accounted for approximately 97.8% of the total profits of state-owned companies. The performance of companies in this sector was supported by several factors. Firstly, historically, this has been a homogeneous group of companies holding monopolies in their respective sectors. Secondly, during 2021-2022, prices in this sector rose sharply (the price index for electricity, gas, and central heating increased by 28.1% in December 2021 compared to December 2020, and by 39.7% in December 2022 compared to December 2021). Although this index decreased by 7.5% in December 2023 compared to December 2022, energy prices remained at a high level, with the decline being marginal relative to the previous increases.

Removing the impact of the Top 5 companies, which are characterized by high profitability, reveals a considerable decrease in the profitability of the other state-owned companies. Thus, except for

⁵ As mentioned earlier, the profit reported by Complexul Energetic Oltenia S.A. was excluded from the analysis for 2022 and 2023, including from the total profits of the Top 5 companies, because it was driven by grants received under the company's restructuring plan. The need for this adjustment is even more evident given that the reported profit was substantial (placing Complexul Energetic Oltenia S.A. in 2nd place in the Top 5 in 2022 and 4th place in 2023 — see [Table 2](#)), which would have artificially improved the aggregated profitability of state-owned companies and distorted the overall results of the analysis.

2017 and 2022, state-owned companies excluding the Top 5 recorded net losses, in aggregate, throughout the entire analysed period. In 2023, state-owned companies excluding the Top 5 posted a net loss of 190.3 million lei, compared to a net profit of 1.96 billion lei the previous year. The percentage of public companies reporting a positive result slightly decreased, from 67.5% to 65.5%. In this context, the profit gap between the top five state-owned companies and the rest increased to 12.2 billion lei, compared to 8.7 billion lei in the previous year. Comparing the overall net result of state-owned companies excluding the Top 5 with that of the Top 5 companies shows that a small number of highly profitable companies significantly influence the aggregated results of state-owned companies. Accordingly, to more accurately reflect the performance of the entire sector, this study will analyse specific indicators both at the level of all state-owned companies and excluding the influence of the Top 5.

The evolution of the main economic and financial indicators of state-owned companies in Romania during the analysed period is presented in [Table 1](#).

**Table 1: The evolution of the main economic and financial indicators
of the Romanian companies from the non-financial sector**

		2009	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of companies	SOEs	774	1,155	1,143	916	807	803	827	793	787	781	753
	All companies, non-financial sector	602,190	643,644	647,872	677,843	692,966	723,011	744,176	790,635	828,724	890,830	915,646
	Share of SOEs in all companies	0.13%	0.18%	0.18%	0.14%	0.12%	0.11%	0.11%	0.10%	0.09%	0.09%	0.08%
Total revenues, mil. lei	SOEs	50,756	44,487	48,578	46,586	50,432	54,640	57,079	51,384	62,317	91,897	92,390
	All companies, non-financial sector	845,396	1,113,445	1,186,900	1,269,290	1,369,313	1,550,721	1,687,325	1,665,158	2,016,759	2,593,737	2,607,074
	Share of SOEs in all companies	6.0%	4.0%	4.1%	3.7%	3.7%	3.5%	3.4%	3.1%	3.1%	3.5%	3.5%
Gross value added, mil. lei	SOEs	20,454	25,220	26,687	26,143	28,845	32,856	34,862	31,660	38,503	57,641	59,259
	All companies, non-financial sector	189,633	255,957	260,530	286,190	308,113	350,600	390,356	393,044	472,892	594,892	684,163
	Share of SOEs in all companies	10.8%	9.9%	10.2%	9.1%	9.4%	9.4%	8.9%	8.1%	8.1%	9.7%	8.7%
Gross value added in real terms, mil. lei (constant prices 2010)	SOEs	21,667	22,654	23,214	22,160	23,364	25,062	24,865	21,690	24,976	33,357	30,410
	Private companies	179,215	207,262	203,412	220,431	226,203	242,372	253,555	247,579	281,784	310,915	320,689
Number of employees, thousands of persons	SOEs	364	297	291	281	273	276	279	266	255	249	241
	All companies, non-financial sector	4,019	3,882	3,959	4,078	4,055	4,150	4,120	4,016	4,048	4,248	4,215
	Share of SOEs in all companies	9.1%	7.6%	7.4%	6.9%	6.7%	6.6%	6.8%	6.6%	6.3%	5.9%	5.7%
Labour productivity, mil. lei/1,000 employees (constant prices 2010)	SOEs	59.57	76.32	79.67	78.84	85.66	90.91	89.26	81.55	97.78	134.03	126.38
	Private companies	49.03	57.80	55.46	58.05	59.80	62.56	66.00	66.02	74.30	77.74	80.70
Net profit, mil. lei	SOEs	-3,443	2,401	1,200	3,108	4,818	2,574	-1832	918	4,131	12,686	11,771
	SOEs, excluding top 5	-4,573	-1,323	-2,034	-513	380	-2,004	-5,509	-3,267	-2,300	1,961	-190
	Private companies	11,399	17,020	31,088	48,251	63,150	78,075	93,189	102,967	144,663	192,844	173,680
Arrears, mil. lei	SOEs	34,405	24,370	21,226	23,232	21,599	13,757	16,598	22,171	16,957	19,087	21,491
	Private companies	62,406	93,508	94,875	89,390	73,758	75,399	69,544	69,631	64,348	66,829	66,307
	Share of SOEs in all companies	35.5%	20.7%	18.3%	20.6%	22.6%	15.4%	19.3%	24.1%	20.9%	22.2%	24.5%
Arrears, % of GDP	SOEs	6.5%	3.6%	3.0%	3.1%	2.5%	1.4%	1.6%	2.1%	1.4%	1.4%	1.3%
Arrears, % of net turnover	SOEs	68.9%	55.7%	44.6%	50.7%	43.3%	25.7%	30.0%	45.1%	27.8%	21.1%	23.7%

Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

Note: Starting with 2018, C.N. a Huilei S.A. and Electrocentrale București S.A. did not report any overdue payments, which is the reason for the significant reduction of arrears compared to 2017.

Table 2: Top 5 SOEs in terms of net profit

Top 5 net profit in 2023		Top 5 net profit in 2022		Top 5 net profit in 2021	
Company name	Net profit (mil. lei)	Company name	Net profit (mil. lei)	Company name	Net profit (mil. lei)
1 S.P.E.E.H. HIDROELECTRICA S.A.	6,352.33	1 S.P.E.E.H. HIDROELECTRICA S.A.	4,394.38	1 S.P.E.E.H. HIDROELECTRICA S.A.	3,019.51
2 S.N.G.N. ROMGAZ S.A.	2,649.28	2 COMPLEXUL ENERGETIC OLTENIA S.A.	3,499.91*	2 S.N.G.N. ROMGAZ S.A.	1,962.51
3 S.N. NUCLEARELECTRICA S.A.	2,506.52	3 S.N. NUCLEARELECTRICA S.A.	2,764.42	3 S.C. OLTCHIM S.A.	1,701.27**
4 COMPLEXUL ENERGETIC OLTENIA S.A.	1,027.33*	4 S.N.G.N. ROMGAZ S.A.	2,531.95	4 S.N. NUCLEARELECTRICA S.A.	1,036.26
5 COMPANIA NAȚIONALĂ AEROPORTURI BUCUREȘTI S.A.	453.32	5 ELECTROCENTRALE BUCUREȘTI S.A.	1,034.40	5 ELECTROCENTRALE BUCUREȘTI S.A.	412.94
Total	11,961.44***	Total	10,725.15***	Total	6,431.22***
Top 5 net profit in 2020		Top 5 net profit in 2019		Top 5 net profit in 2018	
Company name	Net profit (mil. lei)	Company name	Net profit (mil. lei)	Company name	Net profit (mil. lei)
1 S.P.E.E.H. HIDROELECTRICA S.A.	1,451.58	1 S.P.E.E.H. HIDROELECTRICA S.A.	1,386.54	1 S.P.E.E.H. HIDROELECTRICA S.A.	1,939.28
2 S.N.G.N. ROMGAZ S.A.	1,278.88	2 S.N.G.N. ROMGAZ S.A.	1,046.41	2 S.N.G.N. ROMGAZ S.A.	1,360.55
3 S.N. NUCLEARELECTRICA S.A.	699.32	3 S.N. NUCLEARELECTRICA S.A.	535.67	3 S.N.T.G.N. TRANSGAZ S.A.	495.67
4 SAPE S.A.	396.63	4 COMPANIA NAȚIONALĂ AEROPORTURI BUCUREȘTI S.A.	359.62	4 S.N. NUCLEARELECTRICA S.A.	410.61
5 ELECTROCENTRALE BUCUREȘTI S.A.	358.72	5 S.N.T.G.N. TRANSGAZ S.A.	348.26	5 COMPANIA NAȚIONALĂ AEROPORTURI BUCUREȘTI S.A.	371.82
Total	4,185.13	Total	3,676.49	Total	4,577.93

Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

* The profit reported by Complexul Energetic Oltenia was excluded from the analysis for 2022 and 2023, as it was determined by the grants received according to the company's restructuring plan.

** The profit reported by Oltchim S.A. was excluded from the analysis for 2021, as the company was in a bankruptcy situation.

*** Thus, the Top 5 for 2021, 2022, and 2023 effectively only includes 4 companies.

In 2023, the arrears of state-owned companies increased by 12.6% in nominal terms compared to the previous year, reaching 21.5 billion lei (representing 24.5% of the total outstanding payments across the entire economy).

The evolution of arrears⁶ accumulated by state-owned companies is analysed considering that, starting from 2018, Compania Națională a Huilei S.A. (with outstanding payments of 5.4 billion lei at the end of 2017) and Electrocentrale București S.A. (with outstanding payments of 1.7 billion lei at the end of 2017) ceased to report arrears. This explains the significant decrease in arrears of state-owned companies in 2018 (by 36.3%, or 7.8 billion lei) compared to the previous year. The lack of reporting does not indicate the settlement of these outstanding payments, but is most likely because, at that time, C.N. a Huilei S.A. was undergoing bankruptcy proceedings, and Electrocentrale București S.A. was in insolvency.

In 2023, there was a nominal increase in the outstanding payments of state-owned companies (+2.4 billion lei, or +12.6%) compared to the previous year, reaching 21.5 billion lei, representing 24.5% of the total outstanding payments in the entire economy (see [Figure 1](#)). However, considering the high GDP deflator of 12.8% in 2023, the share of state-owned companies' arrears in GDP decreased from 1.4% in 2022 to 1.3% in 2023. Analysing the top state-owned companies with the largest arrears (see [Table 3](#)), it is noted that the nominal increase was mainly caused by S.C. COMPLEXUL ENERGETIC HUNEDOARA S.A. (which recorded arrears of approximately 2.3 billion lei) and has been in insolvency since the end of 2019.

Although the share of state-owned companies' arrears in the total outstanding payments across the entire economy is well below the peak level of 35.5% recorded in 2009, it remains significantly higher than the contribution of state-owned companies to Romania's economic activity, with an average share over the past ten years of 3.6% of total revenues and 9.1% of total gross value added (these average shares reflecting a declining trend over the last decade). This highlights a chronic issue regarding the arrears of certain state-owned companies.

Analysing the evolution of state-owned companies' arrears as a share of GDP and total turnover reveals a general

Analysing the evolution of state-owned companies' arrears as a share of GDP and total turnover, it is observed that after reaching the peak levels of the analysed period for both indicators in 2009, a general downward trend followed. In 2020, arrears in the public sector

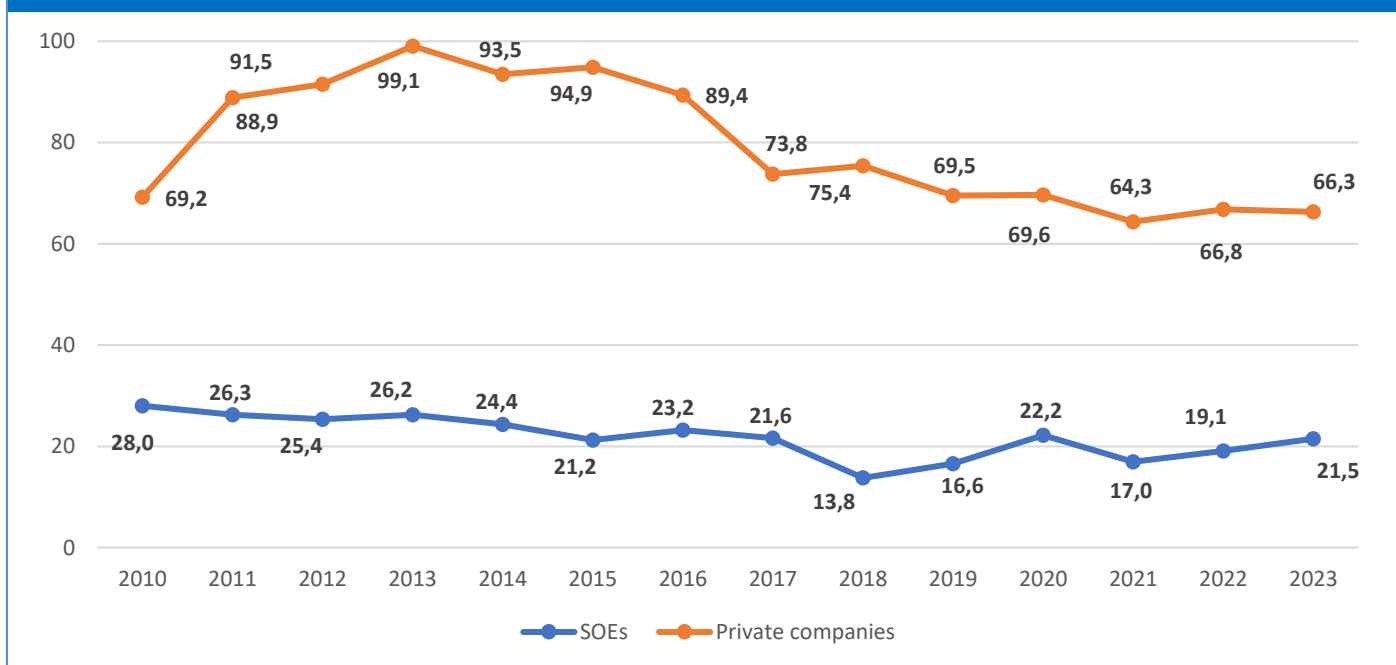
⁶ According to the Ministry of Finance, companies' arrears represent delayed payments to banks, the state budget, the social security budget, suppliers, and other creditors exceeding 30 days past contractual or legal deadlines, which generate payment obligations.

downward trend. Thus, at the end of 2023, the arrears of state-owned companies accounted for 1.3% of GDP and 23.7% of total turnover.

increased due to the COVID-19 pandemic; however, the economic recovery from 2021 onwards led to a resumption of the downward trend. Thus, at the end of 2023, state-owned companies' arrears accounted for 1.3% of GDP (a decrease of 0.1 pp compared to the previous year), marking the lowest level in the analysed period. Nevertheless, relative to total turnover, there was a slight increase in the share of arrears of state-owned companies, rising to 23.7% (an increase of 2.6 pp compared to the previous year, following a decrease of 6.7 pp recorded in 2022).

The generally favourable evolution of arrears in the public sector since 2010 was also driven by measures⁷ agreed upon within the balance of payments agreements concluded with international financial institutions (EC, IMF, and WB) during 2009-2013.

Figure 1: Evolution of arrears – SOEs and private companies (billion lei)



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

Note: Starting with 2018, C.N. a Huilei and Electrocentrale București no longer reported overdue payments, which is the reason for the significant decrease in SOE arrears compared to 2017.

⁷ These measures aimed to align arrears with the indicative quarterly targets and included budgetary transfers, placing state-owned enterprises into voluntary liquidation or insolvency, as well as converting arrears into shares.

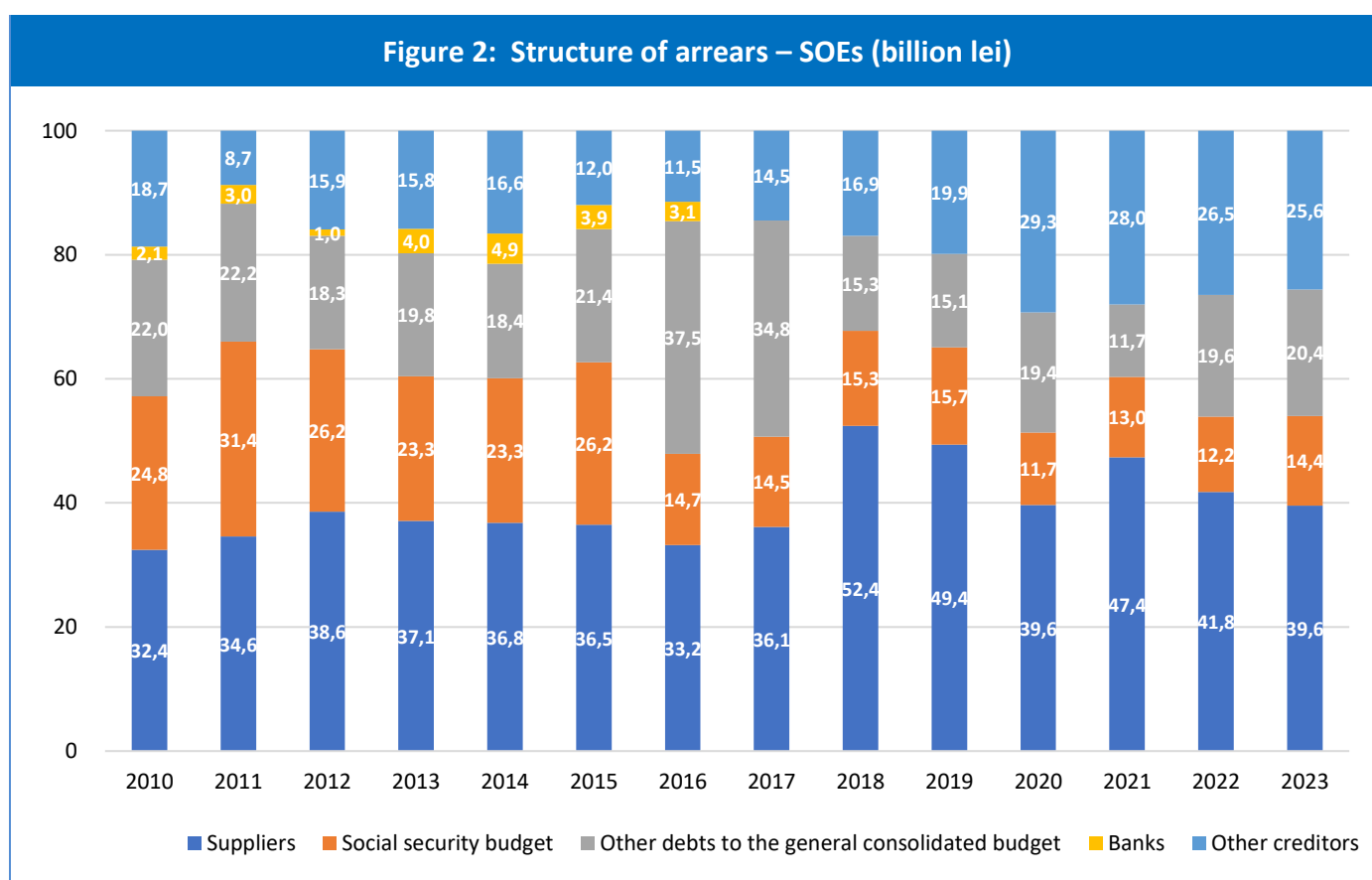
In 2023, 39.6% of the arrears of state-owned companies were owed to suppliers, 25.6% to other creditors, and 34.8% represented outstanding payments to the general consolidated budget. The increase of 2.4 billion lei in arrears compared to the previous year was mainly due to the rise in overdue payments by state-owned companies to the general consolidated budget.

An analysis of the structure of state-owned companies' arrears in 2023 shows that overdue payments to *suppliers* were predominant. These amounted to 8.5 billion lei (an increase of 0.5 billion lei compared to the previous year) and accounted for 39.6% of the total arrears recorded by state-owned companies.

Arrears to the *general consolidated budget* rank second in the hierarchy, accounting for 34.8% of the total. Compared to the previous year, this category of arrears recorded the largest increase (+1.4 billion lei).

Arrears to *other creditors* amounted to 5.5 billion lei (an increase of 0.4 billion lei compared to the previous year), representing 25.6% of the total.

The evolution of the structure of state-owned companies' arrears is shown in *Figure 2*.



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

Note: Starting from 2017, due to changes in the reporting form F30, data on arrears towards the banking sector is no longer available.

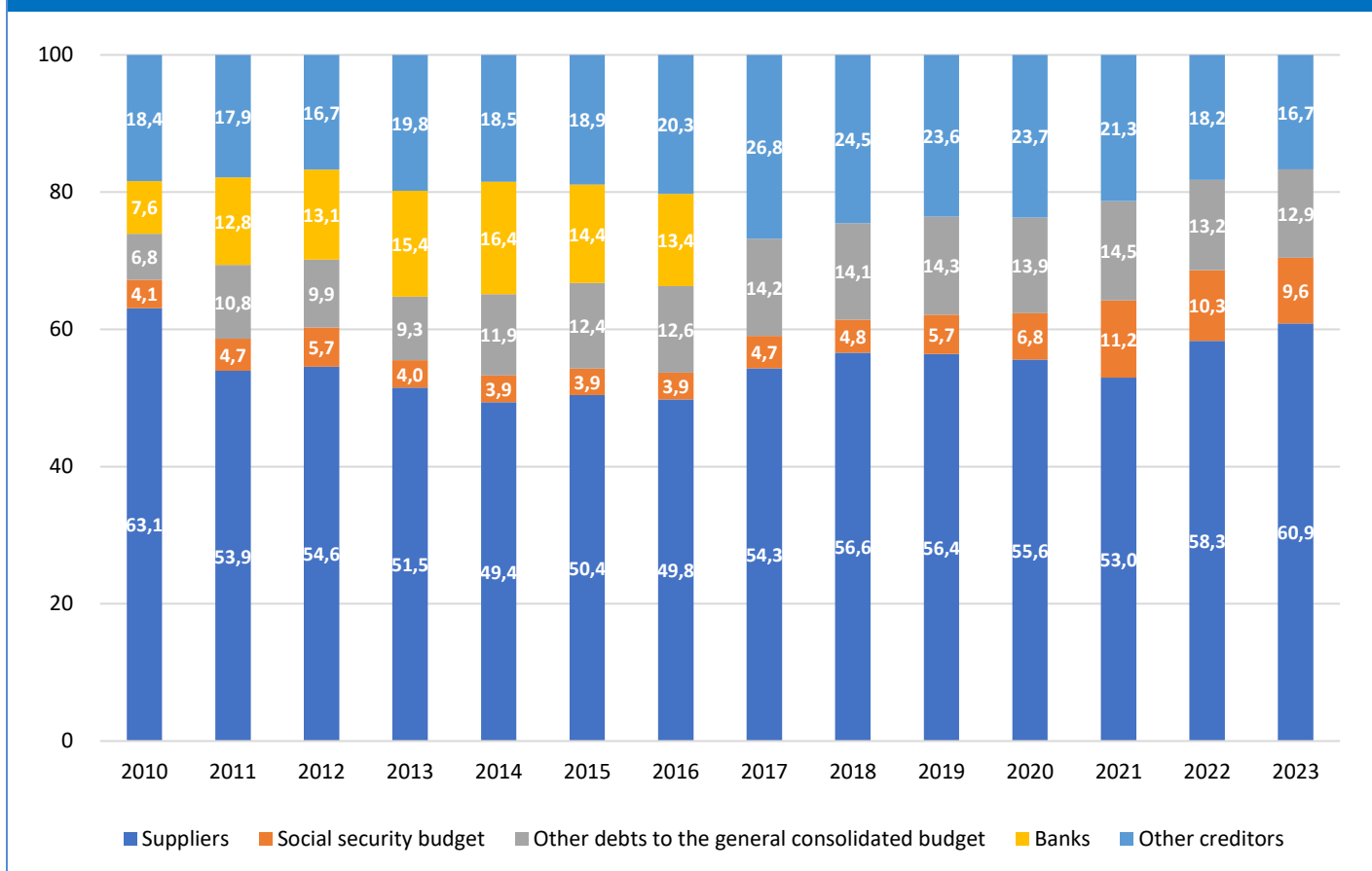
At the level of private companies, in 2023 the largest share of arrears was owed to suppliers (60.9% of the total), followed by outstanding payments to the general consolidated budget (22.5%) and to other creditors (16.6% of the total).

From the perspective of the arrears structure, in 2023 private companies had the highest volume of outstanding payments to *suppliers* (60.9% of total arrears), with over 47% of these payments being overdue by more than one year.

The second largest category was outstanding payments to the *general consolidated budget* (22.5%), followed by payments overdue to *other creditors* (16.6% of the total).

The evolution of the arrears structure for private companies is shown in [Figure 3](#).

Figure 3: Structure of arrears – Private companies (billion lei)



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

Note: Starting from 2017, due to changes in the reporting form F30, data on arrears towards the banking sector is no longer available.

The arrears of state-owned companies are concentrated in a small number of firms,

A more detailed analysis of the arrears of state-owned companies identified the top 10 firms ranked by the volume of outstanding payments (Top 10 – presented in [Table 3](#)). In 2023, the companies in the

predominantly operating in the mining sector, thermal energy distribution, and the chemical industry. Thus, the top 10 companies ranked by the volume of outstanding payments (Top 10) have accumulated over 74% of the total arrears of state-owned companies. Another notable aspect is that many companies consistently appear year after year in the Top 10, indicating a chronic issue of arrears in certain sectors.

Top 10 accounted for 74.6% of the total arrears of state-owned companies. Analysing the Top 10 over the past three years reveals the predominance of enterprises from the mining sector, thermal energy distribution, and the chemical industry, as well as the fact that seven companies have appeared in the ranking every year, demonstrating the chronic nature of the arrears problem in certain companies and industrial sectors.

Regarding the top arrears owed to the general consolidated budget (also presented in [Table 3](#)), a persistent trend of outstanding payments is observed, with six companies appearing in the ranking every year over the past three years. The predominance of companies from the mining sector and thermal energy distribution remains. In the case of arrears to the general consolidated budget, the top 10 companies accounted for 78.5% of the total. In conclusion, the analysis of the top arrears of state-owned companies to the general consolidated budget also highlights a concentration of arrears in a limited number of companies and the chronic nature of this problem within certain economic sectors.

Table 3: Top 10 SOEs with the largest arrear

Top 10 arrears in Dec. 2023

	Company name	Arrears (mil. lei)
1	S.N.T.F.M. CFR MARFĂ S.A.	4,451.68
2	RADET BUCUREȘTI	4,009.33
3	S.C. COMPLEXUL ENERGETIC HUNEDOARA S.A.	2,336.59
4	COMPANIA NAȚIONALĂ UNIFARM S.A.	1,337.84
5	REGIA AUTONOMĂ DE TRANSPORT BUCUREȘTI R.A.	927.09
6	COMPANIA MUNICIPALĂ TERMOENERGETICA S.A.	769.38
7	RADET CONSTANȚA	599.37
8	COMPANIA NAȚIONALĂ A METALELOR PREȚIOASE ȘI NEFEROASE REMIN S.A.	591.96
9	SOCIETATEA NAȚIONALĂ A CĂRBUNELUI S.A.	503.99
10	OLTCHIM S.A.	497.18
	% of total	74.6%

Top 10 arrears to the general consolidated budget in Dec. 2023

	Company name	Arrears (mil. lei)
1	S.C. COMPLEXUL ENERGETIC HUNEDOARA S.A.	1,782.61
2	COMPANIA NAȚIONALĂ UNIFARM S.A.	1,337.84
3	REGIA AUTONOMĂ DE TRANSPORT BUCUREȘTI R.A.	893.42
4	S.N.T.F.M. CFR MARFĂ S.A.	561.77
5	SOCIETATEA NAȚIONALĂ A CĂRBUNELUI S.A.	502.45
6	AVERSA S.A.	206.00
7	S.C. ELECTROCENTRALE CONSTANȚA	181.35
8	REGIA AUTONOMĂ DE TRANSPORT PUBLIC IAȘI R.A.	138.00
9	COMPANIA NAȚIONALĂ A URANIULUI	136.06
10	S.N. „ÎMBUNĂȚĂȚIRI FUNCiare” S.A.	135.07
	% of total	78.5%

Top 10 arrears in Dec. 2022

	Company name	Arrears (mil. lei)
1	S.N.T.F.M. CFR MARFĂ S.A.	4,348.21
2	RADET BUCUREȘTI	4,008.95
3	COMPANIA NAȚIONALĂ UNIFARM S.A.	1,340.30
4	REGIA AUTONOMĂ DE TRANSPORT BUCUREȘTI R.A.	1,059.33
5	RADET CONSTANȚA	600.73
6	COMPANIA NAȚIONALĂ A METALELOR PREȚIOASE ȘI NEFEROASE REMIN S.A.	587.99
7	SOCIETATEA NAȚIONALĂ A CĂRBUNELUI S.A.	504.75
8	OLTCHIM S.A.	503.11
9	S.C. ELECTROCENTRALE CONSTANȚA	446.38
10	APATERM S.A.	407.64
	% of total	72.3%

Top 10 arrears to the general consolidated budget in Dec. 2022

	Company name	Arrears (mil. lei)
1	COMPANIA NAȚIONALĂ UNIFARM S.A.	1,340.14
2	REGIA AUTONOMĂ DE TRANSPORT BUCUREȘTI R.A.	1,005.23
3	SOCIETATEA NAȚIONALĂ A CĂRBUNELUI S.A.	503.23
4	S.N.T.F.M. CFR MARFĂ S.A.	485.45
5	S.C. ELECTROCENTRALE CONSTANȚA	240.71
6	AVERSA S.A.	203.83
7	COMPANIA NAȚIONALĂ A URANIULUI S.A.	202.48
8	REGIA AUTONOMĂ DE TRANSPORT PUBLIC IAȘI R.A.	141.08
9	S.N. „ÎMBUNĂȚĂȚIRI FUNCiare” S.A.	134.19
10	S.C. DE REPARAȚII LOCOMOTIVE C.F.	116.07
	% of total	72.1%

Top 10 arrears in Dec. 2021

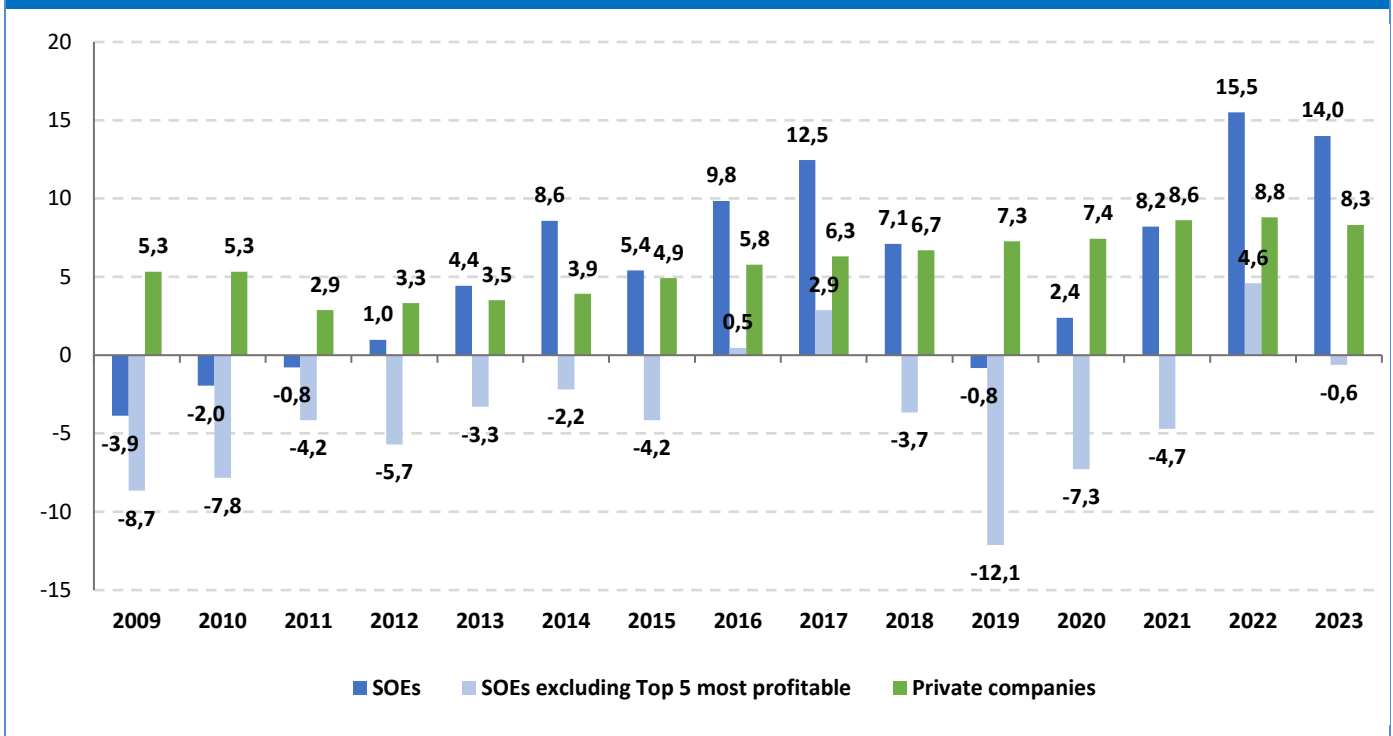
	Company name	Arrears (mil. lei)
1	S.N.T.F.M. CFR MARFĂ S.A.	4,121.89
2	RADET BUCUREȘTI	4,035.91
3	REGIA AUTONOMĂ DE TRANSPORT BUCUREȘTI R.A.	877.71
4	COMPANIA NAȚIONALĂ A METALELOR PREȚIOASE ȘI NEFEROASE REMIN S.A.	655.25
5	RADET CONSTANȚA	608.83
6	SOCIETATEA NAȚIONALĂ A CĂRBUNELUI S.A.	552.47
7	OLTCHIM S.A.	513.21
8	S.C. ELECTROCENTRALE CONSTANȚA	445.32
9	APATERM S.A.	410.01
10	S.N. „ÎMBUNĂȚĂȚIRI FUNCiare” S.A.	400.55
	% of total	74.4%

Top 10 arrears to the general consolidated budget in Dec. 2021

	Company name	Arrears (mil. lei)
1	REGIA AUTONOMĂ DE TRANSPORT BUCUREȘTI R.A.	836.44
2	SOCIETATEA NAȚIONALĂ A CĂRBUNELUI S.A.	536.99
3	S.N.T.F.M. CFR MARFĂ S.A.	412.02
4	S.C. ELECTROCENTRALE CONSTANȚA	269.49
5	REGIA AUTONOMĂ DE TRANSPORT PUBLIC IAȘI R.A.	142.76
6	S.N. „ÎMBUNĂȚĂȚIRI FUNCiare” S.A.	135.25
7	S.C. DE REPARAȚII LOCOMOTIVE C.F.	120.45
8	RADET BUCUREȘTI	109.05
9	SOCIETATEA COMERCIALĂ „UZINA MECANICĂ SADU” S.A.	100.67
10	CENTRALA ELECTRICĂ DE TERMOFICARE IAȘI (C.E.T.) S.A.	91.01
	% of total	65.9%

Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

Figure 4: Operating margin (%)



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector
 Note: Operating margin (%) = Operating profit/Total revenues * 100 (the operating profit does not include interest expenses and those related to corporate income tax).

In 2023, the operating profit margin for state-owned companies decreased to 14%, down from 15.5% in the previous year. For companies in the private sector, the operating profit margin fell to 8.3% in 2023, from 8.8% in 2022.

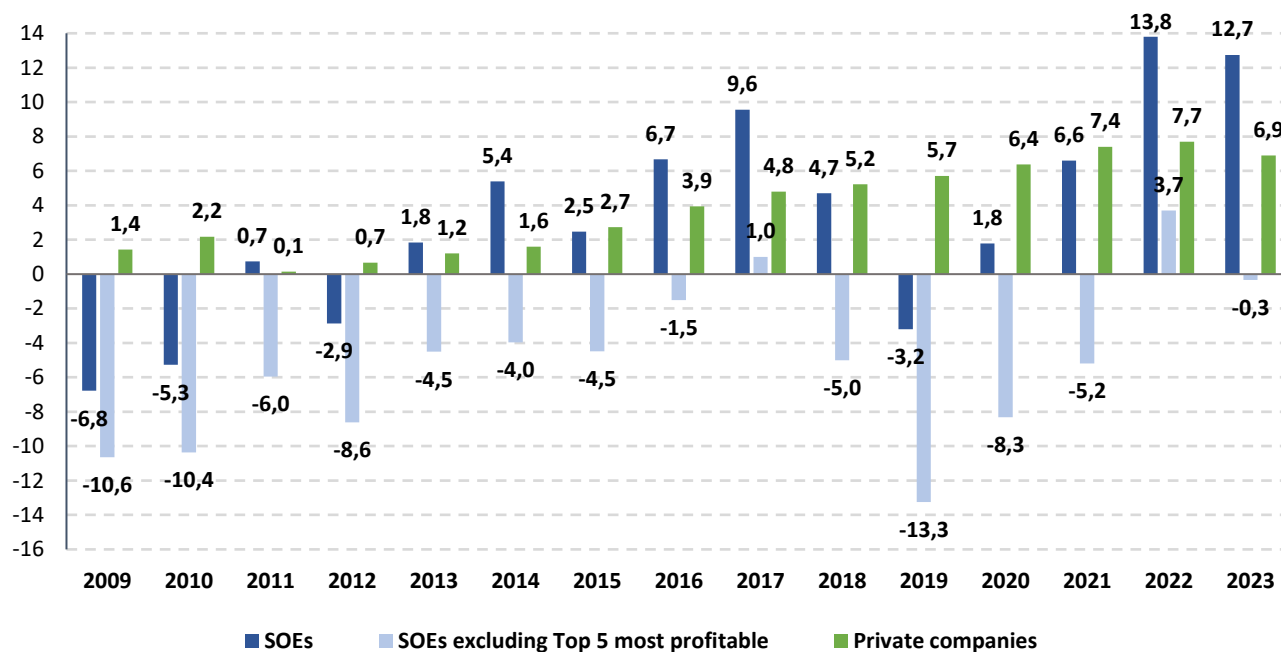
In 2023, the operating profit margin for state-owned companies decreased compared to the previous year, from 15.5% (which represents the highest level in the analysed period – see [Figure 4](#)) to 14%. This indicator measures the profitability of core operations by relating earnings before interest and tax to total revenues. This decline was driven by a reduction in the aggregate operating profit, which fell from 14.3 billion lei in 2022 to 12.9 billion lei in 2023 (a decrease of 9.3%), while total revenues increased by 0.5%. Meanwhile, companies in the private sector also experienced a contraction in the operating profit margin, which dropped by 0.5 pp in 2023 compared to 2022, reaching 8.3%.

Excluding the Top 5, the indicator deteriorated by 5.2 pp, reaching -0.6%.

Excluding the Top 5 most profitable state-owned companies, the indicator stands at a much lower level of -0.6%, representing a deterioration of 5.2 pp compared to the previous year. The gap observed when excluding the five best-performing companies is

considerable, demonstrating their significant impact on the aggregated results of state-owned companies.

Figure 5: Profit margin (%)



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

Note: Profit margin (%) = Net profit/Total revenues * 100.

The profit margin of state-owned companies also declined, from 13.8% in 2022 to 12.7% in 2023. Similarly, the aggregate profit margin of companies in the private sector decreased from 7.7% in 2022 to 6.9% in 2023.

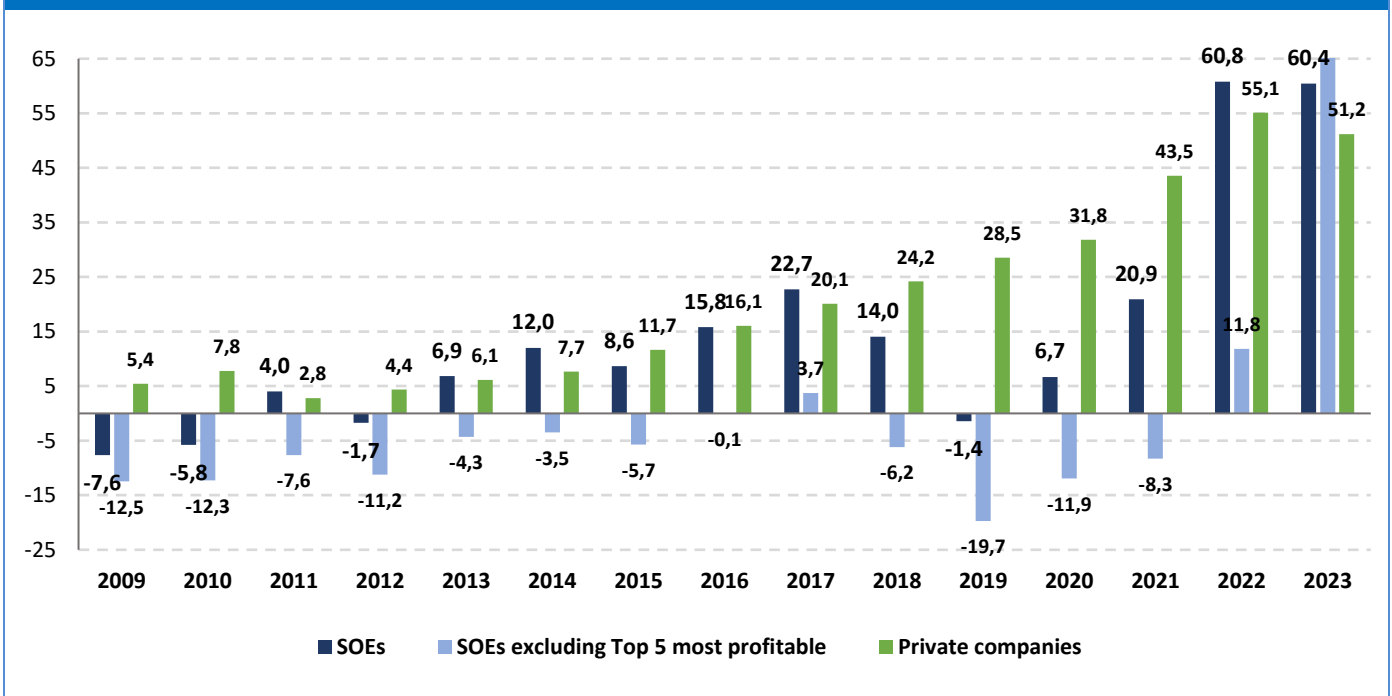
The weakening of the operational position of state-owned companies, as reflected by the operating profit margin, is also evident in the decline of the net profit margin, which fell from 13.8% in 2022 to 12.7% in 2023 (see Figure 5). This development was driven by a decrease in aggregate net profit – from a net profit of 12.7 billion lei in 2022 to 11.8 billion lei in 2023, a reduction of 7.2% – while total revenues increased by 0.5% compared to the previous year. Similarly, companies in the private sector recorded a drop in their aggregate net profit margin from 7.7% in 2022 to 6.9% in 2023, mainly due to a 9.9% decrease in aggregate net profit. The difference between the operating profit margin and the net profit margin can be explained by the fact that the latter considers financial and extraordinary results. Consequently, due to the negative impact of interest expenses and corporate tax on the net result, the net

profit margin registers lower values compared to the operating profit margin.

Excluding the Top 5 state-owned companies, the indicator returned to negative territory, reaching -0.3%.

Excluding Top 5 companies, after reaching the highest level of the analysed period at 3.7% in 2022, the profit margin returned to negative territory, decreasing by 4 pp to -0.3% in 2023.

Figure 6: Gross profit per 1,000 employees (million lei)



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

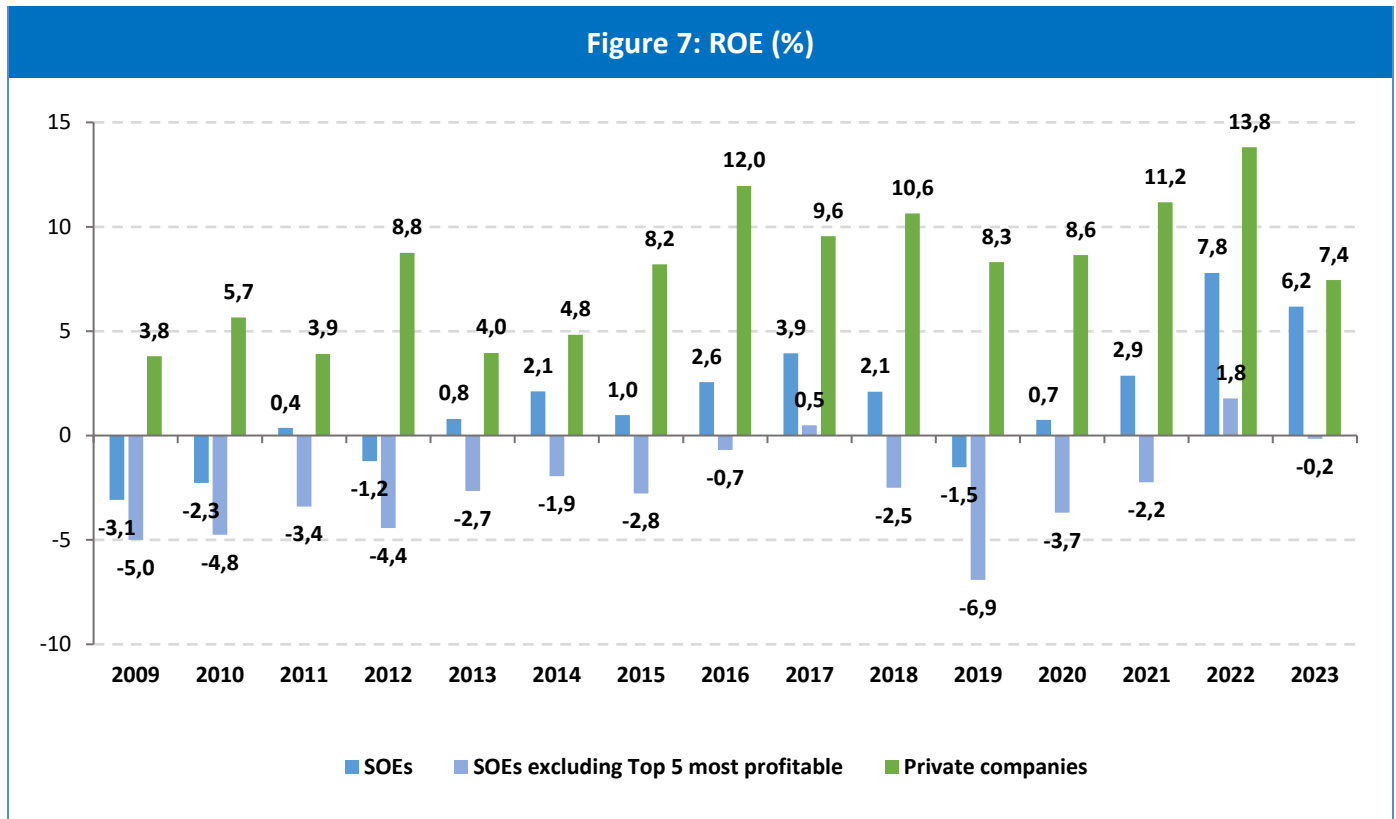
The gross profit per 1,000 employees experienced a slight decrease among state-owned companies, registering 60.4 million lei in 2023 compared to 60.8 million lei in 2022. Private sector companies saw a more significant reduction in labour efficiency, declining from 55.1 million lei in 2022 to 51.2 million lei in 2023.

This indicator measures the average gross profit generated per 1,000 employees, representing a measure of companies' efficiency in utilising their workforce to maximise profit. For state-owned companies in 2023, the indicator remained close to the level recorded in 2022 (60.8 million lei), with a slight decrease of 0.4 million lei (see Figure 6). This evolution was driven by a contraction in the aggregate gross profit – from 15.1 billion lei in 2022 to 14.5 billion lei in 2023 – while the number of employees decreased by approximately 3.3%. It is noteworthy that in both 2022 and 2023, this indicator for state-owned companies remained above the level recorded by private companies. However, private companies also maintained an upward trajectory in workforce efficiency over recent years, although in 2023 their gross profit per 1,000

employees declined to 51.2 million lei from 55.1 million lei the previous year.

Excluding the Top 5 state-owned companies, the indicator shows a marked deterioration, dropping from 11.8 million lei in 2022 to 1.8 million lei in 2023.

Excluding the Top 5, there is a significant decline in labour efficiency, with the indicator falling to 1.8 million lei per 1,000 employees in 2023, compared to 11.8 million lei in the previous year. However, it is worth noting that the indicator remains in positive territory.



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

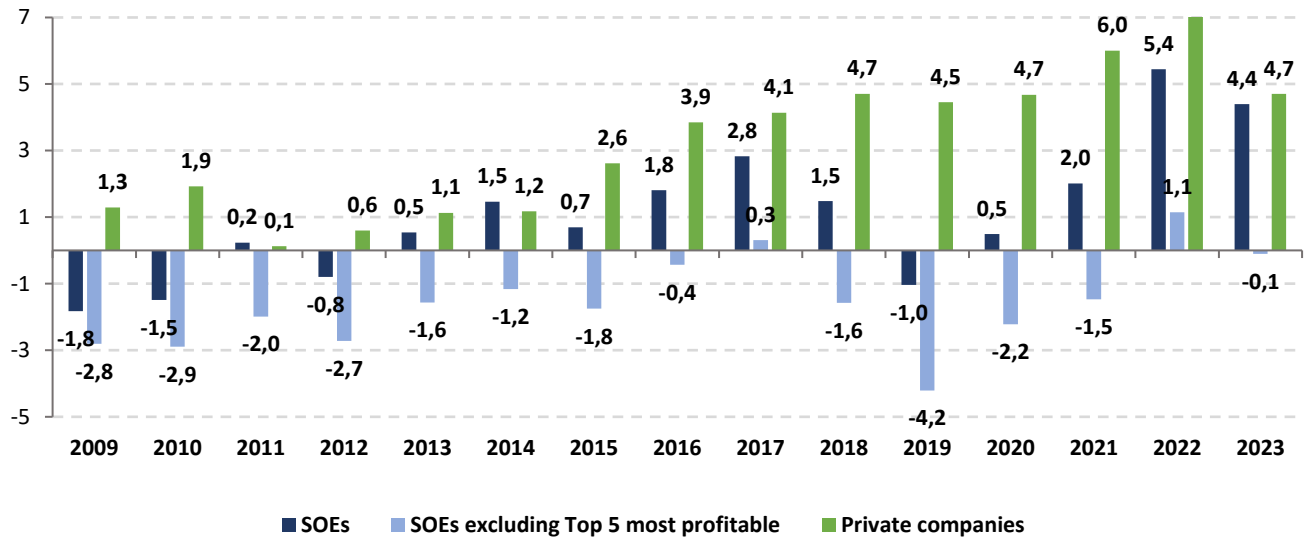
Note: $ROE (\%) = \text{Net profit} / \text{Equity} * 100$

Return on equity (ROE) and Return on assets (ROA) are two of the most conclusive profitability indicators for a company.

Return on equity (ROE) and Return on assets (ROA) are two of the most conclusive profitability indicators for a company:

- ROE measures the efficiency of using shareholders' equity (how many lei of profit are generated for every leu invested by the shareholders);
- ROA measures the efficiency of asset utilisation (how many lei of profit are generated for every leu invested in the company's assets).

Figure 8: ROA (%)



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

Note: ROA (%) = Net profit/Total assets * 100

Amidst the decline in aggregate net profit, the financial profitability of state-owned companies decreased in 2023 compared to the previous year. Specifically, ROE dropped by 1.6 pp to 6.2%, while private sector companies recorded a ROE of 7.4%. Excluding the influence of the Top 5 companies, financial profitability returned to negative territory at -0.2%.

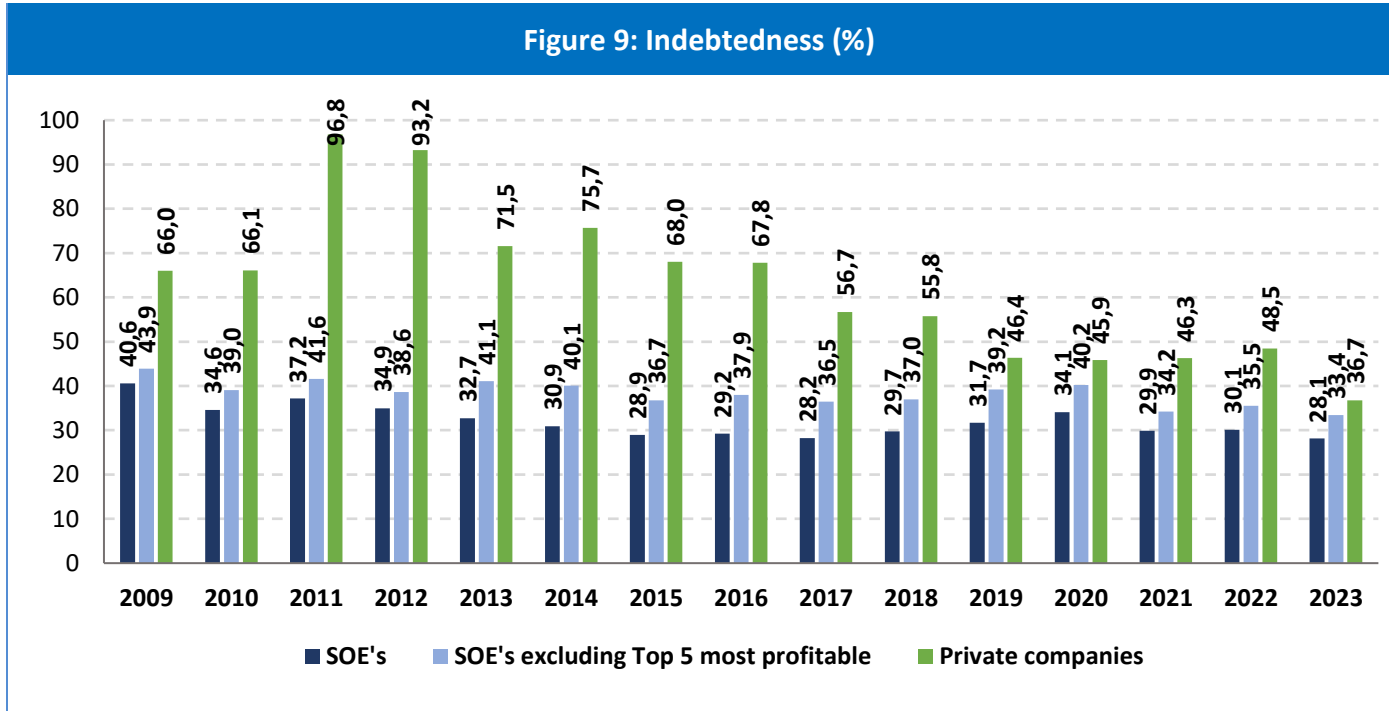
In 2023, as reflected by the trends in other profitability indicators, the results of state-owned companies declined, with both profitability ratios decreasing. This was mainly driven by the reduction in aggregate net profit, which fell from 12.7 billion lei in 2022 to 11.8 billion lei in 2023. Thus, ROE reached 6.2%, down 1.6 pp compared to the previous year (see [Figure 7](#)), while ROA dropped to 4.4% from 5.4% in 2022 (see [Figure 8](#)). The gap between the profitability of state-owned and private companies persisted in 2023 but narrowed compared to the prior year, standing at 1.2 pp for financial profitability and 0.3 pp for economic profitability.

Economic profitability (ROA) of state-owned companies also declined, dropping from 5.4% in 2022 to 4.4% in 2023. Excluding the Top 5 companies, ROA returned to negative territory, at -0.1%. Over the same period, the economic

Excluding the influence of the Top 5 most profitable state-owned companies, both indicators returned to negative territory, reaching -0.2% for ROE and -0.1% for ROA. Given the significant gap compared to the values recorded including the Top 5 companies, the impact of these companies on the aggregated profitability of state-owned enterprises is once again evident. Regarding private companies, both profitability

profitability of private sector companies decreased by 2.4 pp, from 7.1% to 4.7%.

rates experienced a downward trend in 2023, with ROE decreasing by 6.4 pp compared to the previous year, and ROA by 2.4 pp. Although these results are partially influenced by the reduction of aggregate net profit (-9.9%), they should be interpreted with caution. As mentioned in the preamble of this study, the aggregate results at the level of private companies are affected by one company that has reported significant and growing current assets in recent years, which exceeded 1,000 billion lei at the end of 2023. As a result of these reports, the denominators of the profitability ratios for private companies (total assets +36.1%, total equity +67.1%) increased considerably, significantly impacting the decrease in ROE and ROA.



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector
 Note: Indebtedness (%) = Total debt/Total assets * 100

The indebtedness level of state-owned companies decreased by 2 pp compared to 2022, reaching 28.1%, but there is an uneven distribution, with some

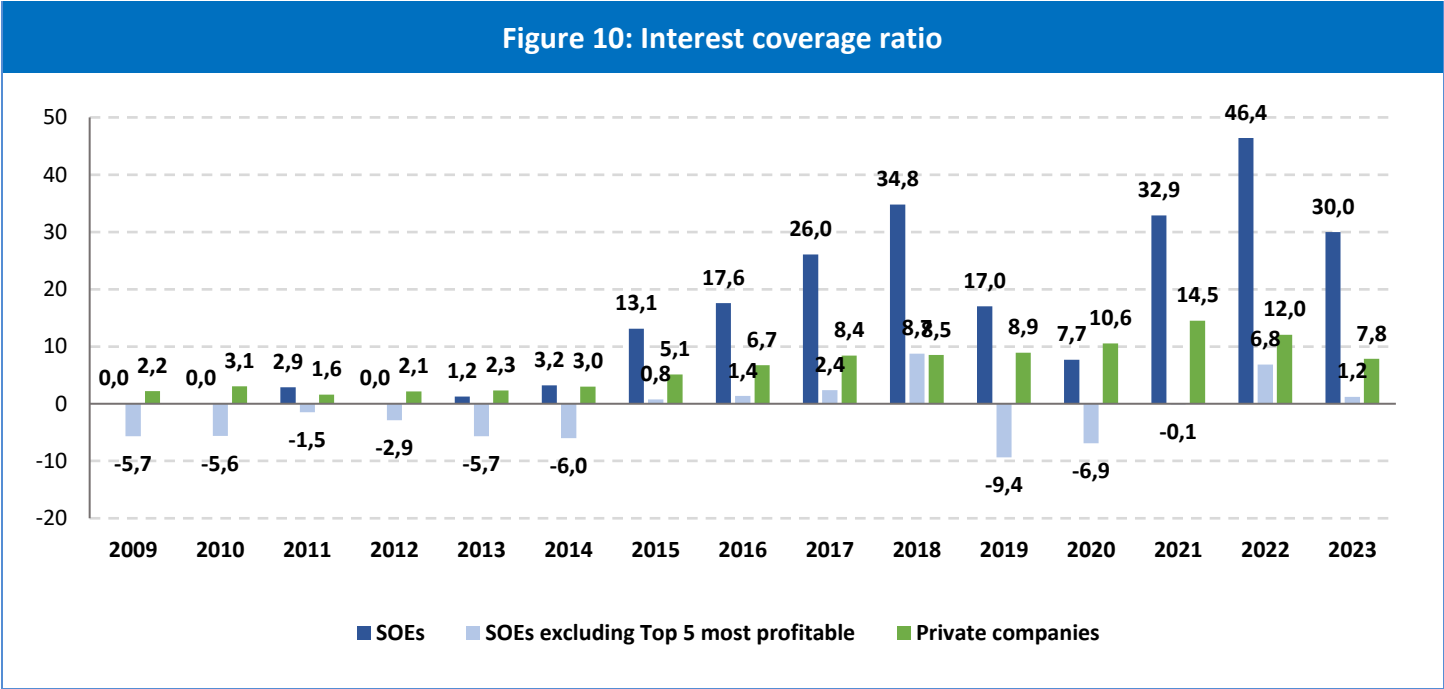
The indebtedness level of state-owned companies, as reflected by the share of liabilities in total assets, decreased from 30.1% in 2022 to 28.1% in 2023 (Figure 9). This development is explained by the fact that the total assets of state-owned companies increased by 13.9%, while total liabilities rose by only 6.4%. The result should also be assessed considering the uneven

companies having very low levels of debt, while others are heavily indebted.

distribution of indebtedness among state-owned companies, as this group includes very large firms with a low level of debt. Excluding the top five most profitable state-owned companies, the indebtedness level is higher, at 33.4%, although still down from the 35.5% recorded in 2022.

Overall, in 2023 as well, the share of liabilities in total assets remained lower for state-owned companies compared to private ones.

The indebtedness level of private sector firms is higher than that of state-owned companies, standing at 36.7%. Although the liabilities of private companies increased by 3.2% compared to the previous year, the indebtedness level decreased by nearly 12 pp. This result should also be interpreted with caution, as the significant reduction in indebtedness was heavily influenced by the reported current assets of one company (which exceeded 1,000 billion lei at the end of 2023), leading to a substantial increase in the denominator of the indebtedness ratio (total assets +36.1%).



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector
 Note: Interest coverage ratio = (Current profit or loss + Financial profit or loss + Adjustments for provisions - Other revenues + Other expenses + Interest expenses - Interest revenues)/Interest expenses

In 2023, the interest coverage ratio of state-owned companies declined, reaching a value of 30,

The interest coverage ratio is a solvency indicator that measures a company’s ability to meet the interest payments on its accumulated debt. Essentially, the indicator shows how many times a company

compared to 46.4 in the previous year. This development was due to a decrease in the numerator, alongside a substantial increase in interest expenses. Excluding the Top 5 companies, the interest coverage ratio for state-owned companies is significantly lower, at 1.2, down from 6.8 recorded in 2022.

could pay its interest expenses using its available earnings. A value below one indicates that the company does not generate sufficient income to cover its interest expenses and will need to draw on its reserves to do so.

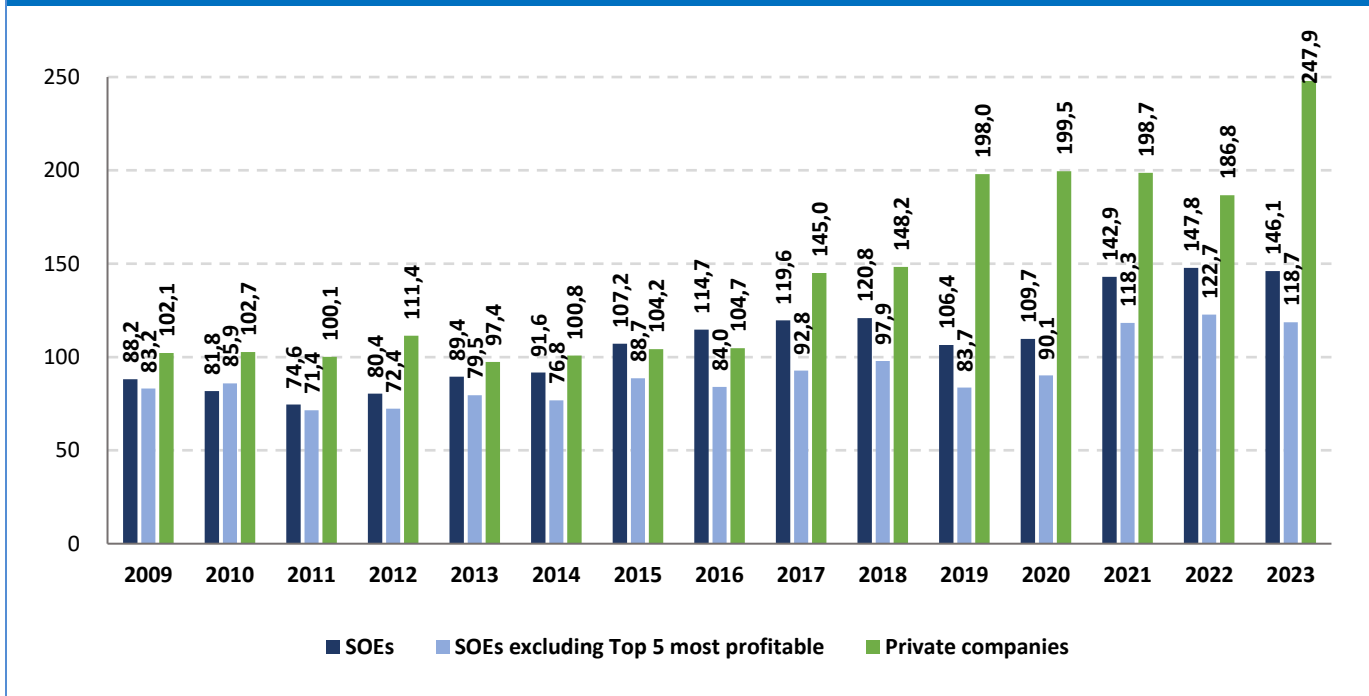
After the significant increase recorded between 2014 and 2018 among state-owned companies (from 3.2 to 34.8), followed by a sharp decline to 7.7 in 2020, an accelerated upward trend resumed starting in 2021. In 2022, the interest coverage ratio reached a historical high of 46.4 (*Figure 10*). However, in 2023 the ratio dropped to 30, against the backdrop of a 3.4% decrease in the numerator compared to the previous year, while interest expenses (the denominator) increased by 49.5%. A more detailed analysis of state-owned companies reveals a significant increase in the numerator for S.P.E.E.H. HIDROELECTRICA S.A. (an increase of 2.2 billion lei), while S.N.T.G.N. TRANSGAZ S.A. MEDIAŞ recorded the most notable rise in interest expenses (+38.8 million lei).

The interest coverage ratio for private sector companies decreased from 12 in 2022 to 7.8 in 2023. This development can be attributed to the increase in interest expenses, given the economic context characterised by high interest rates.

Excluding the Top 5, the interest coverage ratio for state-owned companies is significantly lower, at 1.2, representing a deterioration compared to the previous year, when it stood at 6.8. Thus, against the backdrop of declining profits, the evolution of the interest coverage ratio points to a worsening of these companies' solvency.

The interest coverage ratio also declined in the case of private sector companies, from 12 in 2022 to 7.8 in 2023. This development can be attributed to the increase in interest expenses, in the context of an economic environment marked by high interest rates.

Figure 11: Liquidity ratio (%)



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

Note: Liquidity ratio (%) = Current assets/Short term debt * 100

In 2023, the liquidity ratio of state-owned companies recorded a slight decrease compared to the previous year, falling from 147.8% to 146.1%, due to a slower growth rate of current assets compared to short-term liabilities. Similar to recent years, the level of this indicator remains lower than that recorded by companies in the private sector.

The current liquidity ratio measures a company's ability to meet its short-term obligations using its current assets. The higher this ratio, the greater the company's capacity to pay its short-term liabilities, while a value below one may indicate that the company is unable to meet its debts if they become due at that time. On the other hand, a very high value of the indicator does not necessarily imply that the company is in an exceptional liquidity position. Depending on how assets are allocated, such a situation may suggest that the company is not using its assets efficiently or is not attracting financing.

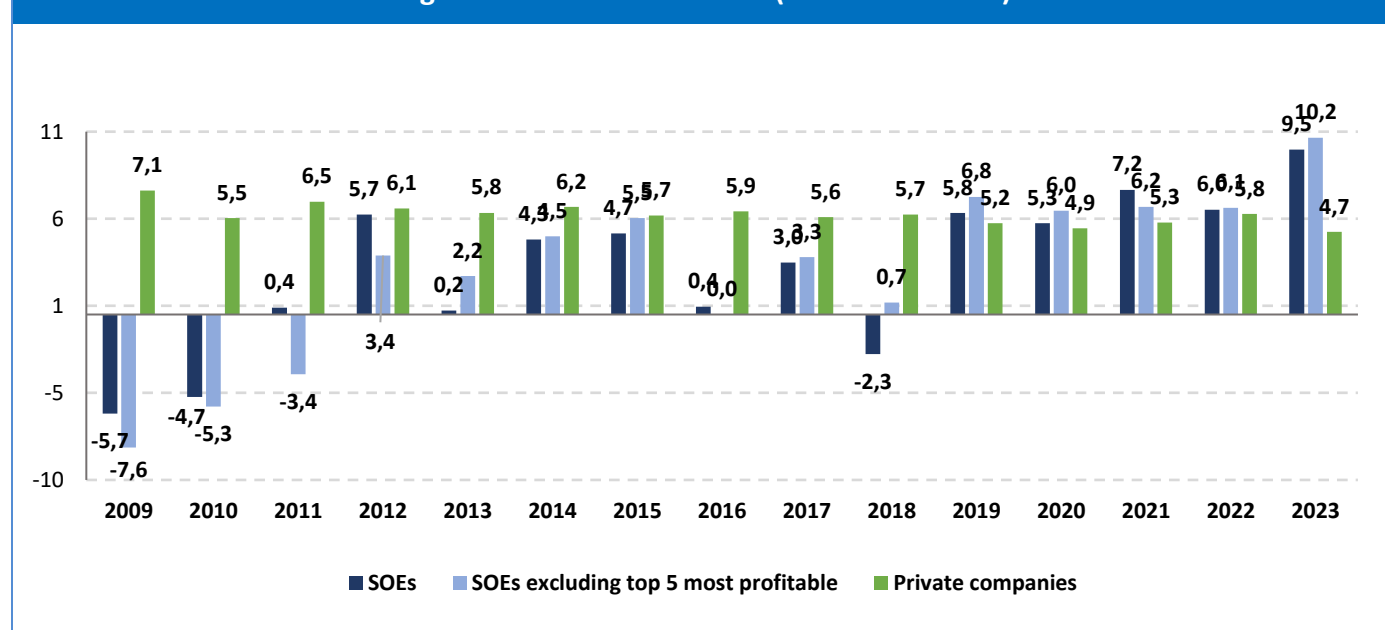
In 2023, the liquidity ratio of state-owned companies recorded a slight decrease compared to the previous year, falling from 147.8% to 146.1% (Figure 11), due to a slower growth rate of current assets (+8.4%) compared to short-term liabilities (+9.7%). Similar to recent years, the level of this indicator remains lower than that recorded by companies in the private sector, whose liquidity ratio increased

significantly in 2023 to nearly 248%⁸, representing the highest level in the analysed period. Overall, it can be observed that both categories of companies recorded liquidity ratios that can be considered adequate.

Excluding the top five most profitable state-owned companies, there is a deterioration in the liquidity ratio, from 122.7% to 118.7%, although the indicator remains above one.

Excluding the top five most profitable state-owned companies, the liquidity ratio deteriorated from 122.7% in 2022 to 118.7% in 2023, although the indicator remains above one.

Figure 12: New investments (% of total assets)



Source: MF, based on annual financial reports submitted by economic agents from the non-financial sector

Note: New investments are calculated as the change in non-financial assets + amortization and depreciation expenses

The rate of new investments in state-owned companies showed a fluctuating trend over the

The rate of new investments in state-owned companies exhibited a fluctuating trend over the analysed period, with a significant increase in 2023, reaching 9.5%, which represents the highest level during the

⁸ As mentioned in the introduction to this study, the aggregate liquidity of private companies is strongly influenced by one company that has reported significant and increasing current assets in recent years, which exceeded 1,000 billion lei at the end of 2023. If this value were excluded, the liquidity ratio for the private sector would be approximately 143%, close to the level recorded for state-owned companies.

analysed period, with a significant increase in 2023, reaching 9.5%. Excluding the Top 5, the indicator stands slightly higher, at 10.2%. In the case of private sector firms, the indicator decreased from 5.8% in 2022 to 4.7% in 2023.

period under review ([Figure 12](#)). This development was supported by investments made by C.F.R. S.A., which totalled 3.8 billion lei in 2023, accounting for over 15% of total investments by state-owned companies. Excluding the five most profitable state-owned companies, the indicator stands slightly higher, at 10.2%, up from 6.1% in 2022.

In the case of private sector companies, the rate of new investments decreased from 5.8% in 2022 to 4.7% in 2023 (representing the lowest level during the analysed period). However, it is noteworthy that this indicator has not experienced significant fluctuations, remaining relatively stable from 2010 through to 2023.

With the entry into force of Emergency Ordinance no. 109/2011 on corporate governance of public enterprises, visible progress was made regarding the transparency and monitoring of state-owned companies' activities, which was also reflected in the improvement of their economic and financial results during 2015-2017.

The improvement of the economic and financial results of state-owned enterprises during 2015-2017 was also supported by legislative reforms, concretised through the entry into force of Emergency Ordinance no. 109/2011 on corporate governance of public enterprises. The application of this ordinance initiated the process of implementing good corporate governance practices, aiming to depoliticise and professionalise the management of state-owned companies through the selection, appointment, and operation of the Board of Directors and managers, as well as increasing transparency by providing information to ensure accountability of state-owned companies⁹.

However, this progress was largely undone by the entry into force of Law No. 111/2016, which exempted numerous state-owned companies from the application of corporate governance principles. In practice, the provisions of Emergency Ordinance No. 109/2011 ceased to apply to most

Since 2016, new regulations have been introduced to promote corporate governance: Law no. 111/2016 approving Emergency Ordinance no. 109/2011; the establishment of a specialised directorate within the Ministry of Finance to oversee the implementation of the provisions of Emergency Ordinance no. 109/2011; monitoring of state-owned companies using performance indicators, based on which the Ministry of Finance was required to prepare an annual report on the activity of public enterprises, among other measures. A subsequent regulation (Law no. 13/2019) also

⁹ Initially, the set of performance indicators regarding corporate governance included: the development of evaluation models for executive management and the implementation of the evaluation process and remuneration policy for the general director; the implementation of the code of ethics, the corporate governance code, and ensuring transparency concerning public information; and the establishment, review, and monitoring of performance indicators at the level of the public enterprise.

state-owned companies from 2018 onwards.

provided for the inclusion of a Ministry of Finance representative on the boards of autonomous public bodies.

However, the application of Law No. 111/2016¹⁰ exempted dozens of companies and institutions¹¹ in the fields of defence, energy, chemical industry, road infrastructure, and others from the corporate management provisions of Emergency Ordinance No. 109/2011. Thus, the reduction in commitment to corporate governance principles based on professionalism, integrity, transparency, and accountability coincided with a reversal of the upward trend in the performance of state-owned companies starting from 2018. This was further compounded by the imposition of an obligation to distribute a minimum of 90% of net profit as dividends to the state to meet the budget deficit target, which significantly affected the investment capacity and long-term development of the most profitable state-owned companies.

To improve the performance of state-owned companies, a series of measures were adopted through Law No. 187/2023 amending and supplementing Emergency Ordinance no. 109/2011 on corporate governance of public enterprises. However, the most recent OECD report on Romania notes that having adequate legislation is not sufficient; only its proper implementation can bring corporate governance up to OECD standards.

In this context, Law no. 187/2023 was adopted to amend and supplement Emergency Ordinance no. 109/2011 on corporate governance of public enterprises¹², aiming to improve the performance of state-owned companies by:

- separation of regulatory and ownership functions within public authorities;
- prohibition of adopting regulations that favour public enterprises over private ones or distort fair competition between public and private enterprises;
- imposition of profitability requirements similar to those of privately-owned companies;
- prohibition preventing certain officials – including senators, members of parliament, government ministers, prefects and deputy prefects, mayors, and deputy mayors – from holding the position of director or administrator of a state-owned enterprise;

¹⁰ The corporate governance regulations were amended several times between 2016 and 2018 through a series of Minister of Finance Orders.

¹¹ The complete list of companies exempted from the application of Emergency Ordinance No. 109/2011 can be found here: <https://www.cdep.ro/comisii/economica/pdf/2017/rp226>. The list of public enterprises exempted from the application of Emergency Ordinance 109/2011 was expanded in 2018.

¹² <https://legislatie.just.ro/Public/DetaliiDocument/271760>

- the establishment of the Agency for Monitoring and Evaluation of the Performance of Public Enterprises (AMEPIP) – a specialised legal entity under the Government and coordinated by the Prime Minister through the General Secretariat of the Government – tasked with setting corporate governance policy, coordinating implementation of governance rules, monitoring and evaluating compliance, and applying sanctions for identified breaches¹³.

According to the 2024 activity report¹⁴, AMEPIP monitors 1,319 public enterprises, out of which 144 are central-level public enterprises and 1,175 are local-level public enterprises.

Although the adoption of Law no. 187/2023 represents an important step towards improving the corporate governance of public enterprises, the most recent OECD report on Romania¹⁵ notes that having adequate legislation is not sufficient; only its proper implementation can bring corporate governance up to OECD standards.

The revised OECD Guidelines on Corporate Governance of State-Owned Enterprises include a new chapter, “State-Owned Enterprises and Sustainability,” which provides recommendations on how these entities should consider opportunities and risks related to climate and other sustainability aspects.

In 2024, the OECD revised its *Guidelines on Corporate Governance of State-Owned Enterprises*¹⁶, emphasising the need for the state to act professionally with clearly defined public policy objectives. The revision also underlines that members of boards of directors should possess the necessary skills, integrity, and impartiality to fulfil their roles. The new *Guidelines* introduced a chapter entitled “State-Owned Enterprises and Sustainability”, which provides recommendations on how these entities should consider opportunities and risks related to climate and other aspects of sustainability. In 2025, the Romanian-language version of the *OECD Guidelines on Corporate Governance of State-Owned Enterprises*¹⁷ was published, aiming to ensure that “state-owned enterprises

¹³ <https://amepip.gov.ro/prezentare/>

¹⁴ <https://amepip.gov.ro/wp-content/uploads/2025/02/AMEPIP-Raport-activitate-2024-1.pdf>

¹⁵ *OECD Economic Surveys - Romania*, March 2024, available at: https://read.oecd-ilibrary.org/economics/oecd-economic-surveys-romania-2024_106b32c4-en#page57

¹⁶ https://www.oecd.org/en/publications/oecd-guidelines-on-corporate-governance-of-state-owned-enterprises-2024_18a24f43-en.html

¹⁷ https://www.oecd.org/ro/publications/ghidul-ocde-privind-guvernanta-corporativa-a-intreprinderilor-de-stat-2024_ec0549ef-ro/full-report.html#preface-d1e21-2947ea2f98

contribute to sustainability, economic security, and resilience by maintaining fair competitive conditions and upholding high global standards of integrity and professional conduct”.

In 2023, the combined contribution of the main companies within central and local public administration to the budget balance remained low but turned negative. For state-owned companies included in local public administration, their contribution was modest and predominantly negative, except for 2022.

The impact of state-owned companies on the budget balance under European accrual-based standards (ESA10) can represent additional pressure on the government’s committed deficit targets. This impact on the consolidated general budget, according to ESA10 standards, may manifest through: (i) the issuance of state guarantees (which are also subject to EU state aid regulations); (ii) the reclassification of certain state-owned enterprises within public administration, with their results being included in the budget balance.

Between 2019 and 2022, the combined contribution of the main companies within the central¹⁸ and local public administration was positive, albeit relatively modest. In 2023, this contribution remained low but turned negative. [Table 4](#) ranks in descending order the central-level companies with the most significant contributions in 2023, which, together with state-owned companies included in local public administration, had an impact on the budget balance of -0.14% of GDP. In previous years, the overall contribution of state-owned companies to the budget balance was 0.05% of GDP in 2019¹⁹, 0.01% in 2020²⁰, 0.001% in 2021²¹, and 0.13% in 2022²², according to analyses by the Fiscal Council on the economic and financial performance of state-owned companies in Romania for those respective years. The contribution of state-owned companies included in local public administration to the budget balance evolution, under ESA 2010 standards, was minor and predominantly negative, except for 2022.

¹⁸ Both companies with the most significant positive and negative contributions were considered.

¹⁹ <https://www.fiscalcouncil.ro/Analiza%20SOE%202019%20EN.pdf>

²⁰ <https://www.fiscalcouncil.ro/SOE%202020%20EN.pdf>

²¹ <https://www.fiscalcouncil.ro/SOE%202021%20EN%2017.04%20final.pdf>

²² <https://www.fiscalcouncil.ro/SOE%202022%20EN.pdf>

Table 4: Contribution of the main state-owned companies included in the public administration sector to the general consolidated budget balance in 2023 (million lei, ESA10 standards)

1. Main companies at central level	-2,198.1
ELECTROCENTRALE BUCUREȘTI S.A.	243.5
COMPANIA NAȚIONALĂ DE TRANSPORTURI AERIE NE ROMANE TAROM S.A.	172.6
COMPANIA NAȚIONALĂ "ADMINISTRAȚIA PORTURILOR MARITIME" - S.A. CONSTANȚA	89.6
F.N.G.C.I.M. - Fondul Național de Garantare a Creditelor pentru Întreprinderi Mici și Mijlocii	77.6
COMPANIA NAȚIONALĂ ROMARM S.A. BUCUREȘTI FILIALA SOCIETATEA UZINA MECANICĂ CUGIR S.A.	68.8
I.A.R. S.A.	43.8
S.N. RADIOCOMUNICAȚII S.A.	42.0
F.G.C.R. - Fondul de Garantare a Creditelor Rurale IFN – S.A.	35.7
Administrația Fluvială a Dunării de Jos Galați	34.8
ELECTROCENTRALE CONSTANTA S.A.	29.4
C.N. ROMTEHNICA S.A.	24.9
C.N. Administrația Canalelor Navigabile Constanța S.A.	21.0
S.C. SOROCAM S.R.L.	19.4
COMPANIA NAȚIONALĂ ROMARM SA - FILIALA S.C. UZINA MECANICA MIJA SA	18.1
Regia Autonomă Monetăria Statului	11.1
COMPANIA NAȚIONALĂ A URANIULUI S.A.	10.8
COMPANIA NAȚIONALĂ ROMARM SA - FILIALA SOCIETATEA COMERCIALĂ METROM S.A.	-10.1
C.N. ROMARM S.A.- FILIALA UZINA MECANICĂ BUCUREȘTI	-10.6
Institutul Național de Cercetare-Dezvoltare pentru Chimie și Petrochimie	-15.0
SOCIETATEA COMERCIALĂ ROMAERO S.A.	-16.2
I.N.C.D. I.N.C.A.S. "ELIE CARAFOLI"- București	-24.2
R.A. Imprimeria Băncii Naționale a României	-27.6
INSTITUTUL NATIONAL DE CERCETARE DEZVOLTARE PENTRU FIZICA LASERILOR, PLASMEI SI RADIATIEI - INFLPR RA	-28.2
Societatea Națională Aeroportul Internațional Mihail Kogălniceanu	-29.1
AVIOANE CRAIOVA S.A.	-33.4
REGIA AUTONOMĂ TEHNOLOGII PENTRU ENERGIA NUCLEARĂ	-61.8
UNIFARM	-87.7
Other companies	-108.3
S.N.T.F.C. C.F.R. Calatori S.A.	-130.4
S.C.T.M.B. Metrorex S.A.	-252.4
COMPANIA NAȚIONALĂ DE INVESTITII S.A.	-451.3
C.N. de Căi Ferate C.F.R. S.A.	-498.4
Compania Națională de Administrare a Infrastructurii Rutiere	-1,089.9
Units under liquidation	-266.7
2. Companies at local level	-95.6
Local airports	-295.8
Heating stations with local subordination	98.1
Other local units	102.1
3. Total main SOEs	-2,293.7
% of GDP	-0.14

Source: NIS, Eurostat

Conclusions

This paper analyses the economic and financial performance of state-owned companies in Romania during 2023, while also comparing it with the performance of private sector companies. The study was performed on a sample of 753 public sector companies, which was later divided into the Top 5 companies in terms of net profit and the rest of the state-owned companies, because a small number of companies with substantial profits significantly influence the aggregate performance of public sector companies.

In recent years, during which pro-cyclical policies have also influenced the evolution of macroeconomic indicators, the results of both state-owned and private companies must be interpreted with caution. For example, if the profitability of a company that performed well in the years preceding a macroeconomic correction (such as a budget deficit reduction) were compared to its results during the correction period, the profitability would decline. However, does this decline necessarily indicate a deterioration in corporate governance?

2023 was marked by moderate economic growth of 2.4%, a deceleration of 1.6 percentage points compared to the previous year. The high level of investment was the main factor supporting economic dynamics, while household and government consumption grew only marginally. The influence of these factors was offset by declining external demand, and external geopolitical tensions remained high. In this context, the results of both state-owned and private companies slightly declined compared to 2022, although their levels remained high. These results should be assessed considering the significant influence of energy sector companies on the overall performance of state-owned enterprises. Specifically, several companies in the hydropower, nuclear energy, and natural gas sectors were the main sources of profit for state-owned firms, due to their monopoly positions, the evolution of energy prices, and the public energy price cap scheme. On the other hand, around 34.5% of state-owned companies did not record a profit, reflecting both a significant level of inefficiency and the authorities' decision to subsidize certain public goods and services in this way.

In 2023, state-owned companies in Romania recorded marginal increases in total revenues (+0.5%), turnover (+0.5%), and gross value added (+2.8%), achieving a total net profit of 11.8 billion lei (0.9 billion lower than in 2022). The Top 5 most profitable state-owned companies reported an increase in net profit, from 10.7 billion lei to nearly 12 billion lei. In contrast, the rest of the state-owned companies shifted from a total profit of 1.96 billion lei in 2022 to a loss of approximately 0.2 billion lei in 2023. Notably, between 2009 and 2023, state-owned companies excluding the Top 5 recorded a positive aggregate net result only in 2017 and 2022. The decline in the net result of state-owned enterprises led to reductions in their profitability indicators; however, due to the performance of the Top 5 companies, these indicators remain high overall. The contribution of state-owned companies to Romania's economic activity remained low in 2023 as well, with their share of total economy revenues at 3.5%, turnover at 3.5%, and gross value added at 8.7%. Additionally, 2023 saw liquidity and solvency indicators remaining close to the levels recorded in the previous year, a decrease in the interest coverage ratio, and an increase in new investments.

The arrears of state-owned companies increased in 2023 by 12.6% in nominal terms compared to the previous year, reaching 21.5 billion lei (representing 24.5% of total overdue payments in the entire

economy, up from 22.2% in 2022). However, considering the high GDP deflator of 12.8% in 2023, the share of state-owned company arrears in GDP decreased to 1.3%, compared to 1.4% in 2022. On the other hand, data shows an increase of 2.6 percentage points in the share of arrears relative to total turnover (from 21.1% in 2022 to 23.7% in 2023). It should also be noted that the ranking of companies with the highest volume of overdue payments points to a chronic nature of the arrears issue in certain sectors, with some state-owned companies continuing to appear year after year in this ranking.

The improvement in the economic and financial performance of state-owned enterprises during 2015-2017 was supported by legislative reforms, particularly the enactment of Emergency Ordinance no. 109/2011 on corporate governance of public enterprises. However, a series of subsequent amendments exempted most state-owned companies from applying corporate governance practices. These changes coincided with a decline in most economic and financial indicators for state-owned enterprises starting in 2018. In this context, Law no. 187/2023 was adopted to amend and supplement Emergency Ordinance no. 109/2011, introducing a series of measures aimed at improving the performance of state-owned companies. Additionally, Government Decision no. 617/2023 established the organizational and operational framework of the Agency for Monitoring and Evaluation of the Performance of Public Enterprises (AMEPIP). The mission of this agency is to coordinate and oversee corporate governance actions and policies to ensure a fair and transparent environment within public enterprises. While the adoption of these initiatives is commendable, the Fiscal Council continues to advocate, as in its previous analyses, for the proper implementation of the existing legal framework on corporate governance of Romania's state-owned companies. This recommendation is also supported by the most recent OECD report, which highlights that while having adequate legislation is important, only proper implementation can bring corporate governance up to OECD standards.