

September 3, 2025

Hidroelectrica

Weak hydrology and heavy refurbishments cap valuation

* We update our view on Hidroelectrica with a NEUTRAL recommendation and TP of RON 115.0/share. Hidroelectrica's investment case shows free cash flows trending down as weak hydrology meets lower power prices. A refurbishment-led rise in capital intensity preserves capacity but does not add incremental earnings, depressing ROIC/ROCE and leaving little room for valuation upside despite the support from July 2025 electricity market liberalisation and the removal of the windfall tax.

* **FY 2025 outlook.** We forecast FY 2025 consolidated net profit at RON 3,172m, down 23% Y/Y and 11% below budget, with EBITDA at RON 4,473m (-19% Y/Y; 9% below budget). This follows a 41% Y/Y net contraction in H1, when sales volumes fell 23% Y/Y to 6.74 TWh as hydro output declined 27% Y/Y to 6.07 TWh and third-party acquisitions rose 62% Y/Y to 0.67 TWh. H1 EBITDA dropped by 37% Y/Y to RON 2,190m with a 51% margin, as lower volumes and weaker realisations in supply (-5% Y/Y to RON 431/MWh) and balancing (-3% Y/Y to RON 1,532/MWh) were only partly offset by stronger wholesale prices (+18% Y/Y to RON 522/MWh). Output ended 0.8 TWh below budget, and management compared 2025 with 2012, the weakest hydrological year on record. We now see full-year net hydro at c.11.5 TWh, 15% down Y/Y and 1.5 TWh below budget. Partial offsets such as lower electricity purchase costs, other expenses under budget and a halved construction tax rate cannot close the hydrology gap to meet the budgeted net profit of RON 3,571m.

* **Power prices.** Forward prices point to a gradual decline. Romanian forwards for 2025 trade at EUR 105.4/MWh, a EUR 16.8/MWh premium to the German benchmark of EUR 88.6/MWh. The premium reflects weaker market coupling and a different power mix. German prices are expected to fall to EUR 70/MWh by 2030, while Romanian bilateral contracts prices are seen easing more gradually, stabilising near EUR 75/MWh. The spread is expected to persist through the 2027–2029 nuclear refurbishment window, before narrowing to a structural EUR 5/MWh by 2030.

* **Persistent drought challenges medium-term hydrology assumptions.** Our base case had been a reversion to the 10-year average after a drought year; but 2025 challenges it, with H1 data showing further deterioration after a dry 2024. We therefore modelled 2026 as a transition year, with a gross hydro output of 13.8 TWh, the midpoint between our 2025 estimate of 11.9 TWh and the revised 10-year average of 15.7 TWh. From 2027 we return to this average, now trimmed by the weak 2024 print.

* **Hidroelectrica is entering a heavy investment cycle.** Between 2025 and 2027, planned CAPEX exceeds RON 8b, split between refurbishment (RON 3.17b), development (RON 2.8b) and business development (RON 1.98b for PV stakes). Net of capitalised works, the programme totals c. RON 7.1b. Over 2025–2030, we estimate CAPEX at c. RON 6.9b, anchored in major refurbishments such as Vidraru, Stejaru, Mărișelu, Râul Mare Retezat and Brădișor. These investments preserve capacity but do not add incremental earnings. Based on our cash-flow forecasts, the envelope can be covered from internal sources, but rising capital intensity against falling earnings depresses ROIC/ROCE and weighs on valuation.

* **Supply and regulation.** Electricity market liberalisation from 1 July 2025 support supply margins helped by the removal of the windfall tax and household tariffs reset to RON 450/MWh. Procurement remains advantageous: H1 purchases averaged c. RON 335/MWh, roughly 35% below BCM, cushioning further the retail margins. These gains are partly offset by the temporary special constructions tax in 2025–2026, which we estimate at around RON 67m per year. Overall, regulation is supportive but insufficient to offset the drag from heavy refurbishments.

* **Valuation and risks.** At market and target price, Hidroelectrica trades at a premium to Verbund on 2025 EV/EBITDA and P/E, but at a discount in 2026. We view the discount as warranted: investors face weakening earnings momentum alongside high sustaining investment with low returns, a mix that compresses multiples. Near-term upside would require faster hydrology normalisation or stronger supply profitability. Risks skew to prolonged drought, steeper forward price declines and higher-than-budgeted refurbishment costs.

Romania, Renewable Energy

NEUTRAL

BQ: H2O RO

Last close **RON 121.7**

Target price o/w **RON 115.0**

Upside/downside **-5.5%**

52 - Week range **RON 115.0 | RON 125.9**

Market cap (m) **RON 54,741** **EUR 10,780**

2024A 2025E 2026E 2027E

Trading multiples

EV/EBITDA **9.3 11.4 9.2 8.6**

P/E **13.3 17.3 13.4 12.5**

DIVY **7.4% 5.6% 7.3% 7.9%**

DPS (RON) **9.0 6.9 8.9 9.6**

P&L summary (RONm)*

Revenues **9,123 8,809 10,366 10,938**

Wholesale of electricity **5,217 3,913 4,189 4,549**

Supply sales **3,602 4,711 5,981 6,188**

System services **303 185 194 200**

OPEX **(4,759) (5,363) (5,860) (6,093)**

Turbinated water **(518) (442) (512) (584)**

Employee benefits **(866) (1,048) (1,160) (1,218)**

Electricity purchased **(209) (513) (519) (463)**

Supply pass-through **(1,502) (1,734) (2,103) (2,303)**

D&A **(905) (932) (959) (967)**

PP&E impairment **(39) 0 0 0**

Windfall tax **(235) (120) 0 0**

Receivables impairment **(66) (62) (78) (82)**

Repair and maintenance **(92) (111) (116) (120)**

Other **(326) (401) (414) (357)**

Adjusted EBITDA **5,517 4,473 5,563 5,916**

EBIT **4,588 3,541 4,604 4,949**

Net financial result **257 235 214 219**

EBT **4,845 3,776 4,818 5,168**

Net profit **4,128 3,172 4,095 4,393**

Balance Sheet summary (RONm)*

Total assets **26,977 26,150 27,102 27,489**

Net debt (cash) **(4,677) (4,518) (4,968) (4,825)**

Total liabilities **4,126 4,170 4,114 4,119**

Shareholders' equity **22,851 21,980 22,988 23,370**

Source: Hidroelectrica; Swiss Capital estimates; *IFRS consolidated



Price performance

1m 3m 12m YTD
-2% -2% 0% 0%

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Investment case

Hidroelectrica's investment case shows free cash flows trending down as weak hydrology meets lower power prices. A refurbishment-led rise in capital intensity preserves capacity but does not add incremental earnings, depressing ROIC/ROCE and limiting scope for a re-rating despite the support from July 2025 electricity market liberalisation and the removal of the windfall tax.

FY 2025 outlook. We forecast FY 2025 consolidated net profit at RON 3,172m, down 23% Y/Y and 11% below budget, with EBITDA at RON 4,473m (–19% Y/Y; 9% below budget). This follows a 41% Y/Y contraction in H1 net profit, when total electricity sales volumes fell 23% Y/Y to 6.74 TWh as net output declined 27% Y/Y to 6.07 TWh on weak hydrology and third-party acquisitions rose 62% Y/Y to 0.67 TWh to bridge the gap. H1 EBITDA fell to RON 2,190m with a 51% margin as lower hydro volumes and weaker realised prices in supply (–5% Y/Y to RON 431/MWh, ex pass-through) and balancing (–3% Y/Y to RON 1,532/MWh) were only partly offset by stronger wholesale realisations (+18% Y/Y to RON 522/MWh). Wholesale benefited from the fall-away of MACEE and forward contracting, but lower own volumes capped monetisation. Output was 0.8 TWh below budget in H1; management compared 2025 with 2012, the weakest hydrological year on record. We now see full-year net hydro at c. 11.5 TWh (–15% Y/Y; 1.52 TWh below budget). Partial offsets to the deeper-than-budgeted output decline include the halved construction tax rate, lower electricity purchase costs and other expenses running below budget, but these are not sufficient to close the hydrology gap to meet the budgeted net profit of RON 3,571m.

Forward electricity prices indicate a declining trajectory through 2030. Romanian forwards for 2025 stand at EUR 105.4/MWh, EUR 16.8/MWh above the German benchmark of EUR 88.6/MWh, a premium tied to weaker market coupling and a different generation mix. German prices are expected to fall to EUR 70/MWh by 2030, while Romanian bilateral prices are expected to ease more gradually, stabilising around EUR 75/MWh. The spread is set to persist through the 2027–2029 nuclear refurbishment window—when domestic supply is constrained—before narrowing to a structural EUR 5/MWh by decade-end.

Persistent drought challenges medium-term output assumptions. Our base case had been a reversion to the 10-year average after a drought year; but 2025 challenges that template, as H1 data point to further deterioration after a dry 2024. While it remains too early to conclude whether such patterns represent a structural shift, we refrained from an automatic reversion in 2026 and modelled it as a transition year with gross hydro output of 13.8 TWh, the midpoint between our 2025 estimate of 11.9 TWh and the updated 10-year average of 15.7 TWh (15.9 TWh previously). From 2027 we return to this 10-year average, now trimmed by the weak 2024 print.

Hidroelectrica is entering a heavy investment cycle. Between 2025 and 2027, planned CAPEX exceeds RON 8b, balanced across refurbishment (RON 3.17b), development (RON 2.8b) and business development (RON 1.98b for PV stakes). Major refurbishments—Vidraru (RON 565m), Stejaru (RON 183m), Mariselu (RON 126m), Raul

Hidroelectrica Update

September 3, 2025

SWISS CAPITAL

Mare Retezat (RON 151m), Bradisor (RON 149m) and high-power pumping stations—are sustaining in nature, preserving capacity rather than expanding it. Net of capitalised works, the 2025–2027 programme totals c. RON 7.1b. Over 2025–2030, we estimate CAPEX (excluding capitalised works and acquisitions) at c. RON 6.9b, anchored in large refurbishments and other development initiatives. Based on our cash-flow forecasts, the CAPEX envelope can be covered from internal funding sources. Crucially, these investments preserve existing generation capacity while offering limited contribution to long-term earnings capacity and thus weigh on valuation.

Supply and regulation. Electricity market liberalisation from 1 July 2025 support supply margins helped by the removal of the windfall tax and household tariffs reset to RON 450/MWh. Procurement remains advantageous: H1 purchases averaged c. RON 335/MWh, roughly 35% below BCM, cushioning further the retail margins. These gains are partly offset by the temporary special constructions tax in 2025–2026, which we estimate at around RON 67m per year. Overall, regulation is supportive but insufficient to offset the drag on FCF from heavy refurbishments.

Valuation and risks. At market and target price, Hidroelectrica trades at a premium to Verbund on 2025 EV/EBITDA and P/E, but at a discount in 2026. We view the medium-term discount as warranted: investors face weakening earnings momentum alongside high sustaining investment with low incremental returns, a mix that compresses multiples. Near-term upside would require faster-than-modelled hydrology normalisation or a stronger-than-expected uplift in supply profitability under liberalisation. Risks skew to prolonged drought, steeper forward price declines and higher-than-budgeted refurbishment costs.

H1 2025 Results

Q2/H1 2025 P&L Summary & KPIs

| | Q2'24 | Q2'25 | H1'24 | H1'25 |
|----------------------------------|----------------|----------------|----------------|----------------|
| P&L Summary (RONm)* | | | | |
| Revenues | 2,614 | 2,447 | 5,150 | 4,315 |
| BCM & DAM revenues | 1,221 | 1,089 | 2,486 | 1,687 |
| <i>Average price (RON/MWh)</i> | 446 | 518 | 441 | 522 |
| Balancing revenues | 305 | 82 | 450 | 169 |
| <i>Average price (RON/MWh)</i> | 1,602 | 1,497 | 1,580 | 1,532 |
| Supply sales | 852 | 1,175 | 1,854 | 2,296 |
| <i>Average price (RON/MWh)</i> | 728 | 710 | 745 | 704 |
| <i>Average price** (RON/MWh)</i> | 435 | 453 | 454 | 431 |
| System services | 126 | 60 | 191 | 101 |
| Other | 109 | 41 | 170 | 62 |
| Total operating income | 2,620 | 2,452 | 5,173 | 4,339 |
| OPEX | (1,100) | (1,345) | (2,146) | (2,588) |
| Turbinated water | (151) | (129) | (311) | (228) |
| Employee benefits | (194) | (252) | (370) | (471) |
| Electricity purchased | (36) | (130) | (47) | (225) |
| <i>Average price (RON/MWh)</i> | 154 | 273 | 113 | 335 |
| Supply pass-through | (310) | (433) | (711) | (898) |
| D&A | (225) | (220) | (447) | (440) |
| PP&E impairment | 1 | (0) | 1 | 1 |
| Windfall tax | (90) | (104) | (90) | (120) |
| Receivables impairment | 2 | 29 | (2) | (2) |
| Repair and maintenance | (10) | (27) | (25) | (51) |
| Other | (86) | (77) | (144) | (152) |
| EBITDA | 1,744 | 1,328 | 3,473 | 2,190 |
| <i>EBITDA margin</i> | 66.7% | 54.2% | 67.4% | 50.8% |
| EBIT | 1,520 | 1,107 | 3,027 | 1,751 |
| Net financial result | 99 | 78 | 179 | 137 |
| EBT | 1,619 | 1,185 | 3,206 | 1,889 |
| Net profit | 1,364 | 997 | 2,690 | 1,587 |
| KPIs (TWh) | | | | |
| Q2'24 | Q2'25 | H1'24 | H1'25 | |
| Total electricity sold, o/w : | 4.23 | 3.89 | 8.71 | 6.74 |
| Net production of electricity | 4.00 | 3.41 | 8.29 | 6.07 |
| Electricity acquisition | 0.24 | 0.48 | 0.42 | 0.67 |
| Supplied volume | 1.17 | 1.66 | 2.49 | 3.26 |
| <i>HH%</i> | 28.4% | 19.3% | 34.0% | 29.0% |
| <i>Non-HH%</i> | 71.6% | 80.7% | 66.0% | 71.0% |
| Balancing volume | 0.19 | 0.06 | 0.28 | 0.11 |

Source: The Company, Swiss Capital estimates; * IFRS consolidated

** Pass-through costs excluded

* For H1 2025, Hidroelectrica reported a net profit of RON 1,587m, down 41% Y/Y and 1.5% below our RON 1,611m estimate.

* H1 2025 total electricity sales declined 23% Y/Y to 6.74 TWh, as net output dropped 27% Y/Y to 6.07 TWh on weak hydrology, while third-party acquisitions surged 62% Y/Y to 0.67 TWh.

* Revenue fell 16% Y/Y to RON 4,315m, 4% under our forecast on weaker realised prices in the supply and balancing markets, while wholesale revenues were broadly in line with our estimate. Wholesale revenue declined 32% Y/Y to RON 1,687m; supply active-energy revenue grew 24% Y/Y to RON 1,405m; and balancing revenues fell 62% Y/Y to RON 169m. System services revenue dropped 47% Y/Y to RON 101m on the back of a changed pricing methodology. The wholesale average price increased 18% Y/Y to 522 RON/MWh as MACEE fell away and forward contracting supported pricing, but lower own volumes capped monetisation. The supply average price (ex pass-through) fell 5% Y/Y to 431 RON/MWh amid competition, while the balancing price was down 3% Y/Y to RON 1,532/MWh.

* OPEX rose 21% Y/Y to RON 2,588m, 6% below our estimate on lower electricity purchase costs, supply pass-through, windfall tax, receivable impairments, D&A and other expenses. Supply pass-through costs increased 26% Y/Y, driven mainly by a 31% Y/Y increase in the volume of electricity supplied and an average 13% rise in distribution tariffs from 1 January 2025. Employee expenses rose 27% Y/Y on wage settlements in 2H 2024/May 2025 and consolidation effects. Electricity purchases increased 4.8x Y/Y on higher volumes (+62%) and a tripling of the average realised purchase price. The windfall tax grew 34% Y/Y on higher realised wholesale prices. Turbined water costs fell 27% in line with lower production.

* EBIT declined 42% Y/Y to RON 1,751m, 1% below our forecast, while EBITDA fell 37% Y/Y to RON 2,190m, 1.6% below our estimate mainly on lower-than-expected D&A expenses, with EBITDA margin at 51% versus 67% in H1 2024. The net financial result decreased 23% Y/Y to RON 137m, in line with our expectations, taking EBT to RON 1,889m, down 41% Y/Y and RON 16m below our RON 1,905m forecast. A higher effective tax rate (16% vs. our 15.4% assumption) reduced net profit by RON 24m versus our forecast.

* FY 2025 OUTLOOK. For H1 2025, the company's power output was 0.8 TWh below budget due to deteriorating hydrological conditions. Management noted that 2025 resembles 2012, the company's worst hydrological year on record. Net hydro output for the full year is now seen at around 11.5 TWh, down 15% Y/Y and 1.52 TWh below budget. Given this backdrop, the budgeted net profit of RON 3,571m is unlikely to be met. We forecast FY 2025 IFRS consolidated net profit at RON 3,172m, 23% lower Y/Y and 11% below budget, with EBITDA at RON 4,473m, down 19% Y/Y and 9% below budget. As a partial offset to the higher-than-budgeted output decline, we factor in the halved construction tax on the reduced rate, lower electricity purchase costs and below budget other expenses.

Valuation

We update our view on Hidroelectrica with a NEUTRAL recommendation and a target price of RON 115.0 per share revealing a downside potential of 6% against last close. We used a DCF model with a 6-year explicitly forecast period after which a terminal free cash flow with a perpetual growth rate of 3.0% was employed. Both at market and target price, Hidroelectrica trades at a premium to Verbund on 2025 EV/EBITDA and P/E, but at a discount in 2026. We see the discount as warranted by the sizeable refurbishment CAPEX, which is mainly preserving existing capacity and dilutive to ROIC, offering limited contribution to long-term earnings capacity.

Hidroelectrica: Discounted Cash Flow

| (RONm) | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|-------------------------------------|---------------|--------------|--------------|--------------|--------------|--------------|
| EBIT | 3,541 | 4,604 | 4,949 | 4,412 | 3,825 | 3,324 |
| Plus: D&A | 932 | 959 | 967 | 986 | 997 | 1,005 |
| Minus: Tax on EBIT | (531) | (691) | (742) | (662) | (574) | (499) |
| CAPEX | (556) | (1,321) | (1,616) | (1,896) | (920) | (595) |
| (Increase)/decrease in WC | 336 | (197) | 124 | 455 | 89 | 77 |
| Free cash flow | 3,722 | 3,355 | 3,682 | 3,295 | 3,418 | 3,313 |
| WACC | 11.3% | 10.8% | 10.3% | 9.8% | 9.4% | 8.9% |
| Present value | 3,589 | 2,919 | 2,903 | 2,366 | 2,244 | 1,997 |
| Cumulative net present value | 3,589 | 6,508 | 9,411 | 11,777 | 14,021 | 16,019 |
| Growth rate | 3.0% | | | | | |
| Terminal value | | | | | | 57,843 |
| Net present value of terminal value | 32,022 | | | | | |
| Enterprise value | 48,040 | | | | | |
| Less: FY 2025E Net debt (Net cash) | (4,518) | | | | | |
| Less: Decommissioning provisions | 848 | | | | | |
| Value of equity | 51,710 | | | | | |
| Target price (RON/share) | 115.0 | | | | | |
| Last close (RON/share) | 121.7 | | | | | |
| Upside (Downside) potential | -6% | | | | | |
| WACC assumptions | | | | | | |
| Risk free rate | 7.45% | 6.96% | 6.47% | 5.98% | 5.49% | 5.00% |
| Market premium | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| Beta leveraged | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Cost of debt | 7.5% | 7.0% | 6.5% | 6.0% | 5.5% | 5.0% |
| Cost of equity | 11.4% | 10.9% | 10.4% | 9.9% | 9.4% | 8.9% |
| Beta unleveraged | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Debt/(Debt+Equity mv) | 1% | 0% | 0% | 0% | 0% | 0% |

Source: Hidroelectrica, Swiss Capital estimates

Hidroelectrica: Peers group

| Company | Reuters RIC code | EV/EBITDA | | | P/E | | | DIVY | | | EBITDA margin | | |
|-------------------------------|---------------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|---------------|-------|-------|
| | | 2024A | 2025E | 2026E | 2024A | 2025E | 2026E | 2024A | 2025E | 2026E | 2024A | 2025E | 2026E |
| Verbund | VERB.VI | 6.9x | 8.5x | 9.8x | 11.4x | 14.4x | 18.2x | 4.6% | 3.4% | 2.8% | 42.2% | 33.8% | 28.4% |
| Hidroelectrica @ Market price | ROH2O.BX | 9.3x | 11.4x | 9.2x | 13.3x | 17.3x | 13.4x | 7.4% | 5.6% | 7.3% | 60.5% | 50.8% | 53.7% |
| Premium(Discount) | | 35% | 35% | -6% | 17% | 20% | -27% | 62% | 64% | 159% | 43% | 50% | 89% |
| Hidroelectrica @ Target price | ROH2O.BX | 8.7x | 10.7x | 8.6x | 12.5x | 16.3x | 12.6x | 7.8% | 6.0% | 7.8% | 60.5% | 50.8% | 53.7% |
| Premium(Discount) | | 27% | 27% | -11% | 10% | 14% | -31% | 71% | 74% | 175% | 43% | 50% | 89% |

Source: Hidroelectrica; Reuters Ikon; Bloomberg; Swiss Capital estimates

Key DCF assumptions

2025-2027 Planned CAPEX

Hidroelectrica's investment cycle is intensifying, with capital expenditure set to rise sharply through 2027.

Investment activity: Realised & Planned

| (RONm) | 2023 | | 2024 | | 2025 | 2026 | 2027 |
|---|------------|------------|------------|------------|--------------|--------------|--------------|
| | Budget | Realised | Budget | Realised | Budget | Budget | Budget |
| Development | 220 | 59 | 183 | 102 | 307 | 1,189 | 1,299 |
| Ongoing investments | 194 | 59 | 150 | 95 | 172 | 678 | 891 |
| New investments | 26 | 0.265 | 33 | 7 | 135 | 511 | 407 |
| Refurbishment o/w | 256 | 192 | 408 | 353 | 659 | 1,195 | 1,317 |
| Refurbishment with capitalisation | 83 | 62 | 129 | 83 | 233 | 410 | 276 |
| Refurbishment without capitalisation | 173 | 130 | 279 | 270 | 426 | 786 | 1,042 |
| Other investment projects (equipment acquisitions) | 72 | 17 | 62 | 16 | 70 | 0 | 0 |
| Acquisitions | 529 | 0 | 315 | 120 | 660 | 660 | 660 |
| TOTAL excluding capitalisation | 995 | 206 | 839 | 508 | 1,463 | 2,635 | 3,000 |
| Degree of achievement | | 20.7% | | 60.6% | | | |
| TOTAL excluding capitalisation and acquisitions | 465 | 206 | 524 | 388 | 803 | 1,975 | 2,340 |
| Degree of achievement | | 44.3% | | 74.1% | | | |

Source: Hidroelectrica - 2025 Budget & 2024 Annual Report

2024 CAPEX rebounded sharply but remained below budget. In 2024, Hidroelectrica's capital expenditure, net of capitalised works, amounted to RON 508m — about 2.5x the 2023 level of RON 206m, which had remained broadly in line with the company's historical investment pace. Stripping out the one-off impact of the UCM Reșița acquisition and the equity contribution to an affiliated entity, totalling RON 120m, underlying CAPEX reached RON 388m, up 88% Y/Y. The breakdown of 2024 CAPEX reveals RON 102m in development-related spending, including RON 95m for ongoing projects and RON 7m for new ones. Refurbishment CAPEX totalled RON 353m, of which RON 83m was recognised as capitalised works. Other corporate acquisitions remained limited at RON 16m.

However, 2024 performance once again reflects persistent under-execution. Out of a planned RON 524m budget (excluding capitalised works and acquisitions), only RON 388m was executed, resulting in a 26% shortfall. The gap was concentrated in development projects and equipment acquisitions, where execution reached just 56% and 25% of budget, respectively. Refurbishment spending excluding capitalised works performed significantly better, with execution at 97% of target. Notably, major refurbishment projects such as Stejaru and Vidraru accounted for RON 204m out of RON 210m allocated, reflecting steady execution on a limited initial scope of strategic asset renewal.

2025–2027 investment programme, net of capitalised works, amounts to RON 7.1b. While funding remains primarily reliant on depreciation — expected to exceed RON 900m annually — the company foresees a marked shift towards loan financing starting in 2025. New borrowings are budgeted at RON

Ambitious RON 8.02b investment plan for 2025–2027 led by refurbishments and hydro development. Hidroelectrica plans to deploy over RON 8b capital expenditure between 2025 and 2027. The programme is balanced between refurbishment works, which absorb RON 3.17b, development investments, set at RON 2.8b and business diversification with RON 1.98b allocated for acquisitions.

Refurbishment dominates the medium-term plan, with cumulative spending projected at RON 3.17b — 40% of the total — of which RON 2.25b represents works

890m in 2025, followed by RON 2.2b in 2026 and RON 2.6b in 2027. This marks a shift in capital structure philosophy, as Hidroelectrica targets to leverage its low-debt balance sheet to accelerate asset renewal without compromising its dividend policy.

excluding capitalisation, while the remaining RON 0.98b is reflected as capitalised investment activity.

Within this, major refurbishment projects alone account for RON 1.17b over the 2025-2027 period, including extensive works at Vidraru (RON 565m), Stejaru (RON 183m), Mariselu (RON 126m), Raul Mare Retezat (RON 151m) and Bradisor (RON 149m). The plan also includes the refurbishment of high-power pumping stations at Petrimanu, Lotru Aval, and Jidoaia (RON 180m), a technically necessary upgrade to preserve long-term operability. Additional works span a broad portfolio — from Remeti, Arcesti, Dobresti–Scropoasa to Gogosu and SCADA DHE Olt — supporting life extension and operational reliability of company's hydroelectric infrastructure.

Hidroelectrica: Major refurbishment projects

| | Stejaru plant Bistrita branch | Bradisor plant Ramnicu Valcea branch | Vidraru plant Curtea de Arges branch | Raul Mare Retezat plant Hateg branch | Mariselu plant Cluj branch |
|------------------------------------|--|--|--|---|---|
| Current operating capacity (MW) | 198 | 115 | 210 | 335 | 221 |
| Additional capacity potential (MW) | 12 | | 15 | | 4.5 |
| Capacity unlocking potential (MW) | | | | 125 | |
| Key upgrades | Improve operational efficiency and lower maintenance CAPEX | Upgrade hydro-aggregates and auxiliary installations | Improve operational efficiency and lower maintenance CAPEX | Improve output deficiencies and natural wear and tear | Improve output deficiencies and natural wear and tear |
| Operating cycle extension | 30-40 years | 30-40 years | 30-40 years | 30-40 years | 30-40 years |
| Status | Preparing the tender procedure for remaining works | Ongoing update of the feasibility study | Tender procedure for "turn key" project to be started | Ongoing procedure for re-approving the investment objective | Ongoing update of the feasibility study |
| CAPEX* (RONm) | 717 | 660 | 1,215 | 1,257 | 1,042 |
| Expected completion | 2030 | 2029 | 2031 | 2031 | 2034 |

Source: Hidroelectrica; * Total CAPEX (Committed+Approved + Planned)

Source: Hidroelectrica; * Total CAPEX (Committed, Approved and Planned). Approved and committed CAPEX includes projects for which all necessary approvals / permits have been received, contractors identified and secured, and financing (applicable extent) secured. Planned CAPEX includes identified projects subject to some criteria still being met (e.g., approvals, environmental permits, feasibility studies, procurement strategy, finalisation of litigation procedures, etc.)

On the development side, cumulative spending is projected at RON 2.8b – 35% of total. Ongoing hydro developments receive RON 1.74b, primarily for the Jiu River–Livezeni–Bumbesti segment (RON 400m), Surduc–Siriu (RON 394m), and the Olt–Cornetu–Racovita corridor (RON 281m). New initiatives are also scaling up, with over RON 1b budgeted for projects including energy storage at Portile de Fier II (RON 341m) and Crucea Nord Wind Park (RON 110m), a security system (RON 221m), and floating solar pilot facilities such as Nufarul (RON 69m).

In addition, RON 1.98b – 25% of total - are earmarked for business development, targeting the acquisition of stakes in project companies developing photovoltaic generation assets. Over the 2025–2027 period, the company plans to **secure participations in photovoltaic capacities totalling 550 MW.**

All in all, the 2025–2027 investment programme, net of capitalised works, amounts to RON 7.1b. While funding remains primarily reliant on depreciation — expected to exceed RON 900m annually — the company foresees a marked shift towards loan financing starting in 2025. New borrowings are projected at RON 890m in 2025, followed by RON 2.2b in 2026 and RON 2.6b in 2027. This marks a shift in capital structure philosophy, as Hidroelectrica targets to leverage its low-debt balance sheet to accelerate asset renewal without compromising its dividend policy.

Breakdown of investment activity: Realised & Planned

| (RONm) | Completion date | 2024 | | 2025 | 2026 | 2027 | 2025-2027 |
|---|-----------------|------------|------------|--------------|--------------|--------------|--------------|
| | | Budget | Realised | Budget | Budget | Budget | Budget |
| Development | | 183 | 102 | 307 | 1,189 | 1,299 | 2,795 |
| Ongoing investments | | 150 | 95 | 172 | 678 | 891 | 1,741 |
| AHE Pascani | 2028 | 50 | 39 | 58 | 115 | 85 | 258 |
| AHE Rastolita Phase I | 2026 | 25 | 25 | 18 | 40 | 20 | 78 |
| AHE Surduc-Siriu | 2028 | 44 | 4 | 72 | 115 | 207 | 394 |
| AHE Cerna - Belareca | 2030 | 1 | 1 | 1 | 38 | 90 | 129 |
| AHE Jiu River/ Livezeni - Bumbesti section | 2027 | 18 | 16 | 3 | 172 | 226 | 400 |
| AHE Olt River Cornetu-Avrig. Lotrioara, Caineni, Racovita section | 2028-2029 | 1 | 1 | 1 | 80 | 200 | 281 |
| Other | | 11 | 9 | 19 | 118 | 64 | 200 |
| New investments | | 33 | 7 | 135 | 511 | 407 | 1,054 |
| CEF Tudor Vladimirescu | 2027 | 7 | 0 | 35 | 145 | 67 | 247 |
| Floating photovoltaic panel system – Nufarul Project | 2027 | 0 | 0 | 10 | 59 | 0 | 69 |
| Li-ion storage technology - Crucea Nord Wind Park | 2027 | 0 | 0 | 25 | 80 | 5 | 110 |
| Tara Hategului-Hunedoara county photovoltaic park | 2026 | 0 | 0 | 5 | 25 | 0 | 30 |
| Electronic security system for Hidroelectrica's units network | 2027 | 10 | 0 | 39 | 85 | 98 | 221 |
| Battery energy storage system at the Iron Gates II (CHE Porțile de Fier II) | 2027 | 0 | 0 | 14 | 95 | 231 | 341 |
| Other | | 15 | 7 | 7 | 22 | 6 | 35 |
| Refurbishment o/w | | 408 | 353 | 659 | 1,195 | 1,317 | 3,172 |
| <i>Refurbishment with capitalisation</i> | | <i>129</i> | <i>83</i> | <i>233</i> | <i>410</i> | <i>276</i> | <i>918</i> |
| <i>Refurbishment without capitalisation</i> | | <i>279</i> | <i>270</i> | <i>426</i> | <i>786</i> | <i>1,042</i> | <i>2,254</i> |
| CHE Stejaru | 2030 | 20 | 15 | 39 | 58 | 86 | 183 |
| AHE Vidraru | 2031 | 189 | 187 | 75 | 200 | 290 | 565 |
| CHE Mariselu | 2034 | 1 | 1 | 0 | 30 | 96 | 126 |
| CHE Raul Mare Retezat | 2031 | 0 | 0 | 23 | 63 | 65 | 151 |
| CHE Bradisor | 2029 | 0 | 0 | 67 | 36 | 46 | 149 |
| High-capacity pumping station Petrimanu, Lotru Aval, Jidoaia | 2031 | 0 | 0 | 80 | 50 | 50 | 180 |
| Hydro unit no. 1 and its auxiliary systems at the Iron Gates II | 2027 | 0 | 0 | 10 | 95 | 13 | 118 |
| CHE Vaduri | 2027 | 9 | 9 | 23 | 43 | 5 | 70 |
| CHE Remeti | 2027 | 12 | 11 | 28 | 68 | 48 | 144 |
| CHE Arcesti | 2026 | 6 | 6 | 42 | 39 | 0 | 81 |
| CHE Moroieni, Dobresti, Scropoasa | 2027 | 0 | 0 | 1 | 21 | 24 | 46 |
| SCADA DHE Olt | 2027 | 0 | 0 | 0 | 30 | 35 | 65 |
| CHE Gogosu | 2031 | 0 | 0 | 0 | 0 | 205 | 205 |
| Other refurbishment without capitalisation | | 42 | 41 | 38 | 53 | 79 | 171 |
| Other investment projects (equipment acquisitions) | | 62 | 16 | 70 | 0 | 0 | 70 |
| Acquisitions | | 315 | 120 | 660 | 660 | 660 | 1,980 |
| Acquisition of UCMR assets | 2024 | 68 | 68 | 0 | 0 | 0 | 0 |
| Equity participation in affiliated company (UCMH) | 2024 | 52 | 52 | 0 | 0 | 0 | 0 |
| Acquisition of stakes in photovoltaic capacities | 2027 | 115 | 0 | 660 | 660 | 660 | 1,980 |
| Acquisition of stakes in wind capacities | 2026 | 80 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | | 968 | 591 | 1,696 | 3,045 | 3,276 | 8,018 |
| TOTAL excluding capitalisation | | 839 | 508 | 1,463 | 2,635 | 3,000 | 7,099 |
| <i>Degree of achievement</i> | | | 61% | | | | |
| TOTAL excluding capitalisation and acquisitions o/w | | 524 | 388 | 803 | 1,975 | 2,340 | 5,119 |
| <i>Degree of achievement</i> | | | 74% | | | | |
| Major refurbishment projects | | 210 | 204 | 203 | 387 | 583 | 1,173 |
| CHE Stejaru | 2030 | 20 | 15 | 39 | 58 | 86 | 183 |
| AHE Vidraru | 2031 | 189 | 187 | 75 | 200 | 290 | 565 |
| CHE Mariselu | 2034 | 1 | 1 | 0 | 30 | 96 | 126 |
| CHE Raul Mare Retezat | 2031 | 0 | 0 | 23 | 63 | 65 | 151 |
| CHE Bradisor | 2029 | 0 | 0 | 67 | 36 | 46 | 149 |
| Other | | 314 | 185 | 600 | 1,588 | 1,758 | 3,946 |

Source: Hidroelectrica, 2025 Budget

2025E-2030E CAPEX

Over 2025–2030, we estimate capital expenditure (excluding capitalised works and acquisitions) at RON 6.90b. Our CAPEX estimates are anchored in large-scale refurbishment projects (RON 2.96b) and other development initiatives (RON 3.94b), with execution assumptions grounded in the recent trends.

Business development-related outlays have been excluded due to the absence of financial visibility, which precludes the inclusion of any associated EBITDA contribution in our estimates.

In estimating 2025–2030 capital expenditure, we incorporated the planned pacing of major refurbishment and development projects, the company's investment pipeline, and a realistic execution profile. Specifically, we modelled the major refurbishments programme as scheduled over 2025–2027 and extended the remaining budgeted amounts evenly across 2028–2030, based on project completion timelines plus a 2Y delay.

For other development initiatives, we applied an execution rate of approximately 59% for 2025–2027, consistent with 2024 performance, and assumed 80% of the resulting shortfall would be recouped in 2028, with the remaining 20% in 2029 — thereby converging to a normalised CAPEX of RON 595m in 2030.

Thus, across the explicit forecast horizon, total CAPEX excluding capitalised works and acquisitions is estimated at RON 6.90b, of which RON 3.94b relates to major refurbishment and RON 2.96b to other development projects.

Business development-related outlays have been excluded due to the absence of financial visibility, which precludes the inclusion of any associated EBITDA contribution in our estimates.

As such and based on the current forecasted cash flows for the explicit period, we believe that the estimated CAPEX envelope can be covered from internal funding sources.

Hidroelectrica: 2025E-2030E CAPEX

| (RONm) | 2024 | | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | TOTAL |
|--|------------|------------|------------|--------------|--------------|--------------|------------|------------|--------------|
| | Budget | Realised | | | | | | | |
| Major refurbishment projects | 210 | 204 | 203 | 387 | 583 | 595 | 595 | 595 | 2,958 |
| Degree of achievement | | 97% | 100% | 100% | 100% | | | | |
| CHE Stejaru | 20 | 15 | 39 | 58 | 86 | | | | |
| AHE Vidraru | 189 | 187 | 75 | 200 | 290 | | | | |
| CHE Mariselu | 1 | 1 | 0 | 30 | 96 | | | | |
| CHE Raul Mare Retezat | 0 | 0 | 23 | 63 | 65 | | | | |
| CHE Bradisor | 0 | 0 | 67 | 36 | 46 | | | | |
| Other | 314 | 185 | 353 | 933 | 1,033 | 1,301 | 325 | | 3,946 |
| Degree of achievement | | 59% | 59% | 59% | 59% | | | | |
| TOTAL excluding capitalisation and acquisitions | 388 | 388 | 556 | 1,321 | 1,616 | 1,896 | 920 | 595 | 6,903 |

Source: Hidroelectrica, Swiss Capital estimates

2025E-2030E Net electricity production

Net hydroelectric output in H1 2025 fell 27% Y/Y due to persistent drought, putting full-year targets at risk. Despite higher reservoir levels and potential additional volumes from partial emptying Vidraru for refurbishment, we estimate 2025 net hydro output at 11.5 TWh, 1.54 TWh below budget. Including wind, total net output is forecast at 11.8 TWh vs. the 13.3 TWh

Persistent drought may disrupt medium and long-term production assumptions. For 2025, Hidroelectrica budgeted a net hydro output of 13.0 TWh, implying a 4% decline versus 2024. However, operational data for H1 2025 indicate that net hydro output fell by 27% Y/Y, reflecting the persistence of drought conditions — now extending into a second consecutive year, with signs of further deterioration compared to 2024. The company is running below its budgeted production levels at mid-year, although some recovery may be expected in H2. Reservoir levels currently stand above those recorded at the same point in 2024, partly due to increased reliance on wind and solar generation in covering electricity demand. Moreover, the upcoming refurbishment of the Vidraru plant — under a signed contract worth EUR 188m — will require partial reservoir emptying, potentially releasing additional volumes into the system.

target. Rather than assuming a swift return to normal hydrology, we model 2026 as a transitional year, with a gradual recovery to the 10Y average of 15.7 TWh by 2027. Additional hydro production is included from 2030 following the planned completion of the refurbishment works at and Stejaru plant.

Still, the scale of this offset remains uncertain. In line with the revised company's guidance, we estimate the net hydro output at 11.5 TWh for 2025, around 1.5 TWh below budget. Including wind generation, total net output is forecast at 11.8 TWh, compared with the 13.3 TWh target.

In our previous reports on Hidroelectrica, we typically assumed a reversion to average hydrological conditions following a drought year. However, 2025 is shaping up to challenge this assumption, with H1 data suggesting that hydrological conditions may in fact deteriorate further after an already dry 2024. While it remains too early to conclude whether such patterns represent a structural shift, we have refrained from immediately reverting to a 10-year average in 2026. Instead, we have cautiously modelled 2026 as a transitional year, assuming gross hydro output of 13.8 TWh — the midpoint between our 2025 estimate of 11.9 TWh and the updated 10-year average of 15.7 TWh. From 2027 onward, we return to this 10-year average, which now reflects the weak 2024 performance and thus stands slightly lower at 15.7 TWh, compared with 15.9 TWh in our previous report assumptions.

In 2030, we included incremental hydro production following the planned completion of the refurbishment works at Stejaru plant.

Hidroelectrica: Electricity production (2025E-2030E)

| (TWh) | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Hydro production | 17.8 | 13.9 | 11.9 | 13.8 | 15.7 | 15.7 | 15.7 | 15.7 |
| Y/Y | | -22% | -15% | 16% | 14% | 0% | 0% | 0% |
| Hydrological risk | | | | (0.7) | (0.8) | (0.8) | (0.8) | (0.8) |
| Hydrological risk % | | | | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Refurbishment impact | (0.5) | (0.4) | (0.4) | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) |
| New hydro capacity production | | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.03 |
| Wind production | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Net electricity production | 17.6 | 13.9 | 11.8 | 13.1 | 14.9 | 14.9 | 14.9 | 14.9 |
| Y/Y | | -21% | -15% | 11% | 14% | 0% | 0% | 0% |

Source: Hidroelectrica; Swiss Capital estimates

2025E-2030E Electricity sales and acquisition volumes

Electricity supply segment is expected to exceed targets in 2025, driven by a 31% Y/Y increase in H1 volumes. Full-year supply is estimated at 6.52 TWh vs the 6.0 TWh target, with volumes seen reaching 8 TWh by 2027 and rising 2% annually thereafter.

Wholesale market volumes are forecast to decline in 2025 amid lower output, before gradually returning to 7.8–8.0 TWh/year.

Supply volumes. Hidroelectrica's supplied volumes rose 31% Y/Y to 3.26 TWh in H1 2025, setting the stage for an estimated full-year total of 6.52 TWh — above the company's 6.0 TWh target. This strong growth likely reflects the initial impact of electricity market liberalisation starting 1 July 2025, which has attracted additional customers, given Hidroelectrica's position as the lowest-priced supplier on the market. Looking ahead, we expect supplied volumes to reach 8 TWh by 2027, in line with company's strategy, with subsequent growth of 2% annually.

Wholesale volumes. On the wholesale market, we expect volumes to decline in 2025, reflecting the drop in net hydro output. Thereafter, we see a gradual recovery toward 7.8–8.0 TWh annually, contingent on future supply dynamics, internal output, and the Group's ability to complement its needs through energy acquisitions. In 2025, we expect Hidroelectrica to sell approximately 94% of its OPCOM volumes on the bilateral contracts market (BCM), with the remaining share directed toward the day-ahead (DAM) and intraday (IDM) markets. From 2027 onward, the allocation to the

Hidroelectrica Update

September 3, 2025

SWISS CAPITAL

We estimate balancing market volumes at 0.3–0.4 TWh over the forecast period, while annual third-party acquisitions are seen at 1.5–1.7 TWh, depending on internal output and retail demand.

forward market is expected to normalise toward the historical average of around 80%, as hydro output gradually stabilises around its 10Y average level.

Balancing market volumes. We estimate balancing market volumes at 0.3–0.4 TWh over the forecast period, broadly in line with the 2025 estimate of 0.3 TWh, which incorporates H1 2025 outcome.

Electricity volumes acquisition. Hidroelectrica intends to source between 1.0 and 1.7 TWh of electricity annually from third parties. For 2025, we estimate third-party acquisitions at 1.5 TWh, consistent with company's guidance. Over the rest of the forecast horizon, we assume acquisitions will adjust in line with available hydro output and the evolution of supplied volumes, maintaining flexibility to support retail delivery obligations.

Hidroelectrica: Electricity sales and acquisitions volumes (2025E-2030E)

| (TWh) | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Wholesale o/w | 13.3 | 8.7 | 6.6 | 7.1 | 8.4 | 8.4 | 8.3 | 8.2 |
| Y/Y | | -35% | -24% | 8% | 18% | 0% | -1% | -1% |
| OPCOM | 12.9 | 8.2 | 6.3 | 6.7 | 8.0 | 8.0 | 7.9 | 7.8 |
| Y/Y | | -36% | -23% | 7% | 19% | 0% | -1% | -1% |
| Forward market (BCM) | 3.8 | 2.8 | 5.9 | 6.0 | 6.4 | 6.4 | 6.3 | 6.2 |
| OPCOM % | 29% | 34% | 94% | 89% | 80% | 80% | 80% | 80% |
| Spot market (DAM & IDM) | 3.4 | 2.3 | 0.4 | 0.7 | 1.6 | 1.6 | 1.6 | 1.6 |
| OPCOM % | 27% | 28% | 6% | 11% | 20% | 20% | 20% | 20% |
| Centralised Electricity Purchase Mechanism (MACEE) | 5.7 | 3.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Balancing market | 0.43 | 0.51 | 0.29 | 0.32 | 0.37 | 0.37 | 0.37 | 0.37 |
| Y/Y | | 18% | -44% | 11% | 15% | 0% | 0% | 0% |
| Supply o/w | 6.0 | 5.6 | 6.5 | 7.5 | 8.0 | 8.2 | 8.3 | 8.5 |
| Y/Y | | -8% | 17% | 15% | 7% | 2% | 2% | 2% |
| HH | 1.5 | 2.1 | 2.1 | 2.4 | 2.6 | 2.6 | 2.7 | 2.7 |
| Supply % | 25% | 37% | 32% | 32% | 32% | 32% | 32% | 32% |
| Non-HH | 4.5 | 3.5 | 4.4 | 5.1 | 5.4 | 5.5 | 5.7 | 5.8 |
| Supply % | 75% | 63% | 68% | 68% | 68% | 68% | 68% | 68% |
| Total electricity sales | 19.3 | 14.3 | 13.1 | 14.6 | 16.4 | 16.5 | 16.6 | 16.7 |
| Y/Y | | -26% | -8% | 11% | 12% | 1% | 0% | 0% |
| Net electricity production | 17.6 | 13.9 | 11.8 | 13.1 | 14.9 | 14.9 | 14.9 | 14.9 |
| Electricity acquisition | 1.7 | 0.4 | 1.3 | 1.5 | 1.5 | 1.6 | 1.7 | 1.7 |

Source: Hidroelectrica; Swiss Capital estimates

2025E-2030E Electricity prices

Romanian forward electricity prices for 2025 stand at EUR 105.4/MWh, trading EUR 16.8/MWh above the German benchmark of EUR 88.6/MWh. This structural premium reflects Romania's weaker market coupling and different power mix. While German prices are expected to fall to EUR 70/MWh by 2030, Romanian bilateral contracts prices are likely to ease more gradually,

Forward market price (BCM). According to OPCOM data, the weighted average price for forward contracts with 2025 delivery currently stands at RON 524.86 /MWh (+5% Y/Y), equivalent to EUR 105.43/MWh. Romanian forward contracts trade at a premium of EUR 16.8/MWh to the German benchmark of EUR 88.6/MWh, reflecting Romania's limited market integration with Western European hubs and its different generation mix. We expect a premium to persist throughout the explicitly forecasted period, particularly as one of Romania's nuclear units enters refurbishment between 2027 and 2029, tightening domestic baseload supply. Over time, as regional integration improves and wind & photovoltaic capacities ramp up, the differential may narrow, but we still assume a structural spread of around EUR 5/MWh by 2030.

That said, the German benchmark curve points to a decline toward EUR 70/MWh by

stabilising at around EUR 75/MWh. The spread is expected to persist, particularly during the 2027–2029 nuclear refurbishment window, before narrowing to a structural EUR 5/MWh by decade-end.

In the context of full electricity market liberalisation starting July 2025, Hidroelectrica's household tariffs rose from RON 280/MWh in Q1 to RON 450/MWh from Q2, while small non-household clients were charged RON 590/MWh from March. For 2025, we estimate the average realised price at RON 350/MWh for households (+25% Y/Y) and RON 513/MWh for non-households (2% below BCM to reflect H1 2025 performance). Going forward, non-household prices are seen aligning with BCM levels, while household prices are expected to catch up by 2027 and surpass them by 10% from 2028 onward.

Hidroelectrica continues to secure electricity acquisitions at favourable prices by combining contracts with Nuclearelectrica and purchases from prosumers. In H1 2025, the company acquired 0.67 TWh at RON 335/MWh — 35% below the BCM average — while in 2024, its average acquisition cost was just RON 260/MWh, or 48% under BCM. Over the forecast period, we assume a 35% discount to BCM for the average electricity purchase price, consistent with H1 2025 discount and past procurement trends.

2030. For the bilateral contract market in Romania, we estimate a more moderate easing, with prices settling around EUR 75/MWh by the end of the decade.

Spot market price. According to OPCOM, the weighted average price on the Day-Ahead Market (DAM) for H1 2025 reached RON 576.77/MWh, marking a 44% Y/Y increase largely driven by price spikes in January and February. Over the six-month period, DAM prices averaged 12% above the forward market level. However, this premium gradually reversed, with spot prices trading below the bilateral contract market from April onward, reaching a 9% discount by June 2025 as winter heating demand receded and abundant wind & PV sourced supply settled in. Still, in July the DAM discount to BCM decreased to 2%. Over the explicitly forecasted horizon, we expect spot electricity prices (DAM & IDM) to trade at an average premium of approximately 10% relative to the forward market.

Hidroelectrica – OPCOM realised prices. Given the company's high share of contracted volumes on the bilateral market and limited exposure to short-term volatility, realised prices are likely to remain closely aligned with broader market benchmarks over the forecast horizon. That said, we estimate a modest annual premium of around 2% for realised prices on the forward market. For 2025 we assumed a discount of 2% to reflect H1 2025 results.

Hidroelectrica – BM realised price. On the balancing market, we expect Hidroelectrica to realise RON 1,509/MWh in 2025, assuming H2 prices remain flat versus Q2 2025. This corresponds to a level approximately 2.6x higher than the estimated average spot market price. Over 2026–2030, we assume this multiple will remain broadly stable.

Hidroelectrica – Supply realised price (pass-through costs excl). Romania's electricity market is fully liberalised starting July 2025. According to information published on Hidroelectrica's website, the company's household supply active energy offer for 2025 (excluding the grid injection tariff - TG tariff) stood at RON 280/MWh in Q1 2025, rising to RON 450/MWh from Q2 onwards. For small non-household customers with annual consumption below 100 MWh and a maximum of 10 metering points, the price was set at RON 590/MWh, effective from March 2025.

In H1 2025, Hidroelectrica realised a supply price (ex pass-through) of RON 431/MWh. For 2025, we estimate a realised household price of RON 350/MWh, representing a 25% Y/Y increase, and a non-household price of RON 513/MWh, 2% below the BCM average to reflect H1 2025 performance. Looking ahead, we assume non-household supply prices will track BCM market levels. For the household segment, we model a gradual convergence with non-household realised prices by 2027, followed by a 10% premium from 2028 onwards, reflecting the normalisation of market conditions. By keeping the HH / non-HH supply volume split flat at the 2025 estimated 62% / 38% for the explicit forecast horizon, we estimate Hidroelectrica's realised supply price (ex pass-through) at RON 461/MWh in 2025 (+10% Y/Y), rising 12% Y/Y to RON 517/MWh in 2026 before easing to RON 401/MWh by 2030 in line with expected market price trends.

Hidroelectrica – Purchased electricity price. In H1 2025, the company acquired 0.67 TWh at RON 335/MWh, representing a 35% discount to the BCM average. The

Hidroelectrica Update

September 3, 2025

SWISS CAPITAL

company typically contracts part of its supply needs from Nuclearelectrica at prices broadly aligned with BCM levels, while also sourcing from prosumers and capitalising on favourable market opportunities to reduce the weighted average acquisition cost. In 2024, the average purchase price stood at just RON 260/MWh — 48% below the BCM benchmark. Over the forecast period, we assume a 35% discount to BCM for the average electricity purchase price, consistent with H1 2025 discount and past procurement trends.

Hidroelectrica: Electricity prices (2025E-2030E)

| (RON/MWh) | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Hidroelectrica - Average price (pass-through costs incl) | 599 | 600 | 652 | 698 | 656 | 629 | 600 | 575 |
| Y/Y | | 0% | 9% | 7% | -6% | -4% | -5% | -4% |
| Hidroelectrica - Average price (pass - through costs excl) | 521 | 498 | 521 | 554 | 515 | 483 | 448 | 417 |
| Y/Y | | -4% | 5% | 6% | -7% | -6% | -7% | -7% |
| <i>EEX - Germany baseload forward (EUR/MWh)</i> | <i>201</i> | <i>137</i> | <i>89</i> | <i>87</i> | <i>80</i> | <i>72</i> | <i>71</i> | <i>70</i> |
| Y/Y | -54% | -32% | -35% | -2% | -8% | -10% | -2% | -1% |
| Wholesale price | 500 | 547 | 580 | 593 | 544 | 501 | 466 | 434 |
| Y/Y | | 9% | 6% | 2% | -8% | -8% | -7% | -7% |
| Hidroelectrica - OPCOM | 473 | 476 | 538 | 549 | 505 | 466 | 432 | 403 |
| Y/Y | | 1% | 13% | 2% | -8% | -8% | -7% | -7% |
| Hidroelectrica - Forward market (BCM) | 484 | 516 | 512 | 543 | 495 | 457 | 424 | 395 |
| Y/Y | | 7% | -1% | 6% | -9% | -8% | -7% | -7% |
| <i>Mark -up to forward market</i> | <i>8%</i> | <i>3%</i> | <i>-2%</i> | <i>2%</i> | <i>2%</i> | <i>2%</i> | <i>2%</i> | <i>2%</i> |
| <i>Market - Forward (BCM)</i> | <i>450</i> | <i>499</i> | <i>525</i> | <i>533</i> | <i>486</i> | <i>448</i> | <i>415</i> | <i>387</i> |
| Y/Y | | 11% | 5% | 1% | -9% | -8% | -7% | -7% |
| <i>Market - Forward (BCM) - EUR/MWh</i> | <i>180</i> | <i>101</i> | <i>105</i> | <i>105</i> | <i>95</i> | <i>87</i> | <i>81</i> | <i>75</i> |
| Y/Y | | -44% | 5% | 0% | -9% | -8% | -8% | -7% |
| Hidroelectrica - Spot market (DAM & IDM) | 468 | 455 | 905 | 597 | 545 | 502 | 466 | 434 |
| Y/Y | | -3% | 99% | -34% | -9% | -8% | -7% | -7% |
| <i>Market - Spot (DAM & IDM)</i> | <i>529</i> | <i>561</i> | <i>580</i> | <i>586</i> | <i>534</i> | <i>493</i> | <i>457</i> | <i>426</i> |
| Y/Y | | 6% | 3% | 1% | -9% | -8% | -7% | -7% |
| Hidroelectrica - Balancing market | 1,310 | 1,689 | 1,509 | 1,525 | 1,390 | 1,282 | 1,189 | 1,108 |
| Y/Y | | 29% | -11% | 1% | -9% | -8% | -7% | -7% |
| <i>x Spot price</i> | <i>2.5x</i> | <i>3.0x</i> | <i>2.6x</i> | <i>2.6x</i> | <i>2.6x</i> | <i>2.6x</i> | <i>2.6x</i> | <i>2.6x</i> |
| Hidroelectrica - Supply (pass-through costs incl) | 816 | 647 | 722 | 797 | 773 | 759 | 733 | 710 |
| Y/Y | | -21% | 12% | 10% | -3% | -2% | -3% | -3% |
| Hidroelectrica - Supply (pass-through costs excl) | 568 | 418 | 461 | 517 | 486 | 464 | 430 | 401 |
| Y/Y | | -26% | 10% | 12% | -6% | -5% | -7% | -7% |
| <i>Mark -up to Forward market (BCM)</i> | <i>26%</i> | <i>-16%</i> | <i>-12%</i> | <i>-3%</i> | <i>0%</i> | <i>4%</i> | <i>4%</i> | <i>4%</i> |
| Hidroelectrica - Purchased electricity price | 268 | 260 | 342 | 346 | 316 | 291 | 270 | 252 |
| <i>Premium/(Discount) to BCM</i> | <i>-40%</i> | <i>-48%</i> | <i>-35%</i> | <i>-35%</i> | <i>-35%</i> | <i>-35%</i> | <i>-35%</i> | <i>-35%</i> |
| <i>Premium/(Discount) to DAM</i> | <i>-49%</i> | <i>-54%</i> | <i>-41%</i> | <i>-41%</i> | <i>-41%</i> | <i>-41%</i> | <i>-41%</i> | <i>-41%</i> |

Source: Hidroelectrica; Swiss Capital estimates; OPCOM; EEX

Financial summary

Hidroelectrica: P&L (IFRS consolidated)

| (RONm) | 2020A | 2021A | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenues | 3,841 | 6,489 | 9,452 | 12,160 | 9,123 | 8,809 | 10,366 | 10,938 | 10,593 | 10,161 | 9,803 |
| Wholesale of electricity | 3,270 | 5,629 | 6,961 | 6,890 | 5,217 | 3,913 | 4,189 | 4,549 | 4,195 | 3,848 | 3,546 |
| Electricity supplied to final consumers | 222 | 419 | 2,149 | 4,936 | 3,602 | 4,711 | 5,981 | 6,188 | 6,192 | 6,099 | 6,037 |
| System services | 336 | 416 | 317 | 334 | 303 | 185 | 194 | 200 | 206 | 212 | 219 |
| Sales of green certificates | 0 | 23 | 25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Maintenance services | 13 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Other operating income | 69 | 175 | 67 | 35 | 224 | 95 | 99 | 104 | 109 | 114 | 119 |
| Total operating revenues | 3,910 | 6,665 | 9,519 | 12,195 | 9,347 | 8,904 | 10,465 | 11,041 | 10,702 | 10,275 | 9,922 |
| Turbinated water | (307) | (540) | (451) | (639) | (518) | (442) | (512) | (584) | (584) | (584) | (585) |
| Employee benefit expenses | (490) | (590) | (626) | (728) | (866) | (1,048) | (1,160) | (1,218) | (1,271) | (1,317) | (1,363) |
| Electricity purchased | (15) | (90) | (697) | (456) | (209) | (513) | (519) | (463) | (473) | (456) | (434) |
| Supply pass-through costs | (87) | (164) | (681) | (1,504) | (1,502) | (1,734) | (2,103) | (2,303) | (2,408) | (2,519) | (2,636) |
| D&A&Impairments | (826) | (1,120) | (918) | (1,036) | (944) | (932) | (959) | (967) | (986) | (997) | (1,005) |
| D&A | (721) | (761) | (772) | (799) | (905) | (932) | (959) | (967) | (986) | (997) | (1,005) |
| PP&E impairment loss | (106) | (359) | (146) | (237) | (39) | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment loss on trade receivables | (0) | (11) | (43) | (80) | (66) | (62) | (78) | (82) | (79) | (76) | (73) |
| Repair, maintenance, and consumables | (105) | (71) | (82) | (85) | (92) | (111) | (116) | (120) | (123) | (127) | (120) |
| Windfall tax | 0 | (133) | (672) | (225) | (235) | (120) | 0 | 0 | 0 | 0 | 0 |
| Other o/w | (206) | (189) | (338) | (240) | (326) | (401) | (414) | (357) | (365) | (374) | (382) |
| Speciat constructions tax | 0 | 0 | 0 | 0 | 0 | (67) | (66) | 0 | 0 | 0 | 0 |
| Total operating expenses | (2,036) | (2,909) | (4,508) | (4,995) | (4,759) | (5,363) | (5,860) | (6,093) | (6,290) | (6,450) | (6,598) |
| EBITDA | 2,595 | 4,516 | 5,783 | 8,000 | 5,493 | 4,473 | 5,563 | 5,916 | 5,399 | 4,822 | 4,330 |
| Adjusted EBITDA* | 2,674 | 4,844 | 5,929 | 8,253 | 5,517 | 4,473 | 5,563 | 5,916 | 5,399 | 4,822 | 4,330 |
| EBIT | 1,874 | 3,756 | 5,011 | 7,200 | 4,588 | 3,541 | 4,604 | 4,949 | 4,412 | 3,825 | 3,324 |
| Net financial result | 33 | 29 | 209 | 259 | 257 | 235 | 214 | 219 | 192 | 133 | 105 |
| EBT | 1,907 | 3,785 | 5,220 | 7,459 | 4,845 | 3,776 | 4,818 | 5,168 | 4,605 | 3,958 | 3,429 |
| Net profit | 1,558 | 3,116 | 4,461 | 6,365 | 4,128 | 3,172 | 4,095 | 4,393 | 3,914 | 3,364 | 2,915 |

Source: Hidroelectrica, Swiss Capital estimates; *Adjusted for PP&E impairments and gains from bargain purchase of subsidiaries

Hidroelectrica: Balance Sheet (IFRS consolidated)

| (RONm) | 2020A | 2021A | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Long term assets | 14,066 | 18,243 | 20,198 | 21,069 | 19,938 | 19,563 | 19,924 | 20,573 | 21,483 | 21,405 | 20,995 |
| Inventory | 68 | 65 | 72 | 71 | 94 | 108 | 120 | 125 | 129 | 133 | 136 |
| Trade receivables | 338 | 664 | 1,351 | 3,048 | 1,634 | 1,428 | 1,680 | 1,587 | 1,177 | 1,129 | 1,089 |
| Other receivables | 37 | 113 | 115 | 63 | 232 | 224 | 264 | 279 | 270 | 259 | 250 |
| Cash&equivalents | 2,085 | 3,677 | 3,695 | 4,858 | 5,079 | 4,827 | 5,114 | 4,925 | 4,076 | 3,778 | 3,900 |
| Current assets | 2,528 | 4,519 | 5,234 | 8,040 | 7,039 | 6,587 | 7,178 | 6,916 | 5,652 | 5,299 | 5,376 |
| Total assets | 16,594 | 22,762 | 25,432 | 29,109 | 26,977 | 26,150 | 27,102 | 27,489 | 27,135 | 26,704 | 26,371 |
| Short term debt & Lease liabilities | 35 | 97 | 102 | 98 | 102 | 102 | 32 | 9 | 9 | 9 | 9 |
| Trade Payables | 173 | 171 | 283 | 408 | 430 | 494 | 547 | 571 | 591 | 608 | 624 |
| Other | 503 | 739 | 620 | 566 | 520 | 593 | 647 | 672 | 693 | 710 | 726 |
| Current liabilities | 711 | 1,008 | 1,005 | 1,072 | 1,052 | 1,188 | 1,225 | 1,253 | 1,293 | 1,327 | 1,359 |
| Long term debt & Lease liabilities | 18 | 493 | 398 | 362 | 278 | 186 | 93 | 70 | 70 | 70 | 70 |
| Deferred tax liabilities | 350 | 1,017 | 1,316 | 1,504 | 1,460 | 1,460 | 1,460 | 1,460 | 1,460 | 1,460 | 1,460 |
| Provisions | 661 | 729 | 817 | 837 | 944 | 944 | 944 | 944 | 944 | 944 | 944 |
| Other | 344 | 332 | 310 | 314 | 392 | 392 | 392 | 392 | 392 | 392 | 392 |
| Long term liabilities | 1,373 | 2,570 | 2,841 | 3,016 | 3,074 | 2,981 | 2,889 | 2,866 | 2,866 | 2,866 | 2,866 |
| Shareholders' equity | 14,510 | 19,184 | 21,587 | 25,021 | 22,851 | 21,980 | 22,988 | 23,370 | 22,976 | 22,511 | 22,146 |
| Equity & liabilities | 16,594 | 22,762 | 25,432 | 29,109 | 26,977 | 26,150 | 27,102 | 27,489 | 27,135 | 26,704 | 26,371 |

Source: Hidroelectrica, Swiss Capital estimates

Hidroelectrica: Cash Flow (IFRS consolidated)

| (RONm) | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Profit before taxes | 3,776 | 4,818 | 5,168 | 4,605 | 3,958 | 3,429 |
| (-) Income tax | (604) | (723) | (775) | (691) | (594) | (514) |
| (+) Depreciation | 932 | 959 | 967 | 986 | 997 | 1,005 |
| (-) (Increase) / Decrease in working capital | 336 | (197) | 124 | 455 | 89 | 77 |
| Cash flow from operations | 4,440 | 4,857 | 5,484 | 5,355 | 4,451 | 3,997 |
| Capital expenditures/long term investments | (556) | (1,321) | (1,616) | (1,896) | (920) | (595) |
| Cash flow from investing | (556) | (1,321) | (1,616) | (1,896) | (920) | (595) |
| Cash surplus (deficit) generated before financing | 3,884 | 3,536 | 3,868 | 3,459 | 3,531 | 3,402 |
| Increase (decrease) in debt | (93) | (162) | (46) | 0 | 0 | 0 |
| Dividends paid | (4,043) | (3,087) | (4,011) | (4,308) | (3,829) | (3,279) |
| Cash flow from financing | (4,136) | (3,249) | (4,057) | (4,308) | (3,829) | (3,279) |
| Total change in cash | (252) | 287 | (189) | (849) | (299) | 123 |
| Cash Balance - Beginning of Period | 5,079 | 4,827 | 5,114 | 4,925 | 4,076 | 3,778 |
| Cash Balance - End of Period | 4,827 | 5,114 | 4,925 | 4,076 | 3,778 | 3,900 |

Source: Hidroelectrica, Swiss Capital estimates

Hidroelectrica: Key Ratios (IFRS consolidated)

| | 2020A | 2021A | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Profitability | | | | | | | | | | | |
| Adjusted EBITDA margin | 69.6% | 74.6% | 62.7% | 67.9% | 60.5% | 50.8% | 53.7% | 54.1% | 51.0% | 47.5% | 44.2% |
| Net profit margin | 40.6% | 48.0% | 47.2% | 52.3% | 45.2% | 36.0% | 39.5% | 40.2% | 36.9% | 33.1% | 29.7% |
| Asset management | | | | | | | | | | | |
| Inventory turnover (Days) | 19 | 11 | 7 | 6 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Days sales outstanding | 32 | 37 | 51 | 90 | 64 | 58 | 58 | 52 | 40 | 40 | 40 |
| Payables days | 47 | 29 | 27 | 35 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Leverage and liquidity | | | | | | | | | | | |
| Leverage (total liab/equity) | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Gearing (Net debt/equity) | -0.1 | -0.2 | -0.1 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 |
| Net debt/EBITDA | -0.8 | -0.7 | -0.6 | -0.5 | -0.9 | -1.0 | -0.9 | -0.8 | -0.7 | -0.8 | -0.9 |
| Debt/Equity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current ratio | 3.6 | 4.5 | 5.2 | 7.5 | 6.7 | 5.5 | 5.9 | 5.5 | 4.4 | 4.0 | 4.0 |
| Quick ratio | 3.5 | 4.4 | 5.1 | 7.4 | 6.6 | 5.5 | 5.8 | 5.4 | 4.3 | 3.9 | 3.9 |
| Payout ratio (regular+special DPS)* | 147% | 123% | 97% | 99% | 98% | 97% | 98% | 98% | 98% | 97% | 97% |

Source: Hidroelectrica, Swiss Capital estimates; * Based on IFRS consolidated result

Hidroelectrica: Valuation Multiples (IFRS consolidated)

| | 2020A | 2021A | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| EPS | 3.5 | 6.9 | 9.9 | 14.2 | 9.2 | 7.1 | 9.1 | 9.8 | 8.7 | 7.5 | 6.5 |
| BVPS | 32.3 | 42.6 | 48.0 | 55.6 | 50.8 | 48.9 | 51.1 | 52.0 | 51.1 | 50.0 | 49.2 |
| DPS o/w | 5.1 | 8.5 | 9.7 | 14.0 | 9.0 | 6.9 | 8.9 | 9.6 | 8.5 | 7.3 | 6.3 |
| DPS regular | 2.9 | 6.3 | 8.7 | 14.0 | 9.0 | 6.9 | 8.9 | 9.6 | 8.5 | 7.3 | 6.3 |
| DPS special | 2.2 | 2.2 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Valuation multiples @ Market price | | | | | | | | | | | |
| EV/EBITDA | 19.7 | 11.3 | 8.8 | 6.4 | 9.3 | 11.4 | 9.2 | 8.6 | 9.5 | 10.6 | 11.8 |
| P/E | 35.1 | 17.6 | 12.3 | 8.6 | 13.3 | 17.3 | 13.4 | 12.5 | 14.0 | 16.3 | 18.8 |
| Dividend yield | 4.2% | 7.0% | 7.9% | 11.5% | 7.4% | 5.6% | 7.3% | 7.9% | 7.0% | 6.0% | 5.2% |
| Valuation multiples @ Target price | | | | | | | | | | | |
| EV/EBITDA | 18.5 | 10.6 | 8.3 | 6.0 | 8.7 | 10.7 | 8.6 | 8.1 | 8.9 | 10.0 | 11.1 |
| P/E | 33.2 | 16.6 | 11.6 | 8.1 | 12.5 | 16.3 | 12.6 | 11.8 | 13.2 | 15.4 | 17.7 |
| Dividend yield | 4.4% | 7.4% | 8.4% | 12.2% | 7.8% | 6.0% | 7.8% | 8.3% | 7.4% | 6.3% | 5.5% |

Source: Hidroelectrica, Swiss Capital estimates

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Mentioned companies

| Company | BSE | Rating | Price | Price date | Disclosure |
|----------------|-----|---------|-------|------------|------------|
| Hidroelectrica | H2O | NEUTRAL | 121.7 | 2/09/2025 | NONE |

Rating history for Hidroelectrica

| Date | Rating | Share Price (RON) | Target Price (RON) |
|------------|------------------------------|-------------------|--------------------|
| 24/08/2023 | Initiation of coverage - BUY | 111.5 | 138.6 |

| | | | |
|-----------|------------------------------------|-------|-------|
| 6/06/2024 | Reinitiation of coverage - NEUTRAL | 137.0 | 120.9 |
| 3/09/2025 | Update - NEUTRAL | 121.7 | 115.0 |

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