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### **S.P.E.E.H. Hidroelectrica S.A. Announces Intention to List on Bucharest Stock Exchange**

6 June 2023. S.P.E.E.H. Hidroelectrica S.A. (“Hidroelectrica” or the “Company”), Romania’s leading electricity producer with a 100% renewable portfolio and one of the largest hydropower companies in Europe, today announces the intention of Fondul Proprietatea S.A. (“Fondul”), an alternative investment fund managed by Franklin Templeton International Services S.À R.L. (“Franklin Templeton”) (the “Selling Shareholder”), to proceed with an initial public offering (the “IPO” or the “Offering”) of the Company’s existing ordinary shares (the “Shares”). The Company plans to apply for admission (the “Admission”) of its Shares to trading on the regulated market of the Bucharest Stock Exchange (the “BSE”). The Offer will take place after the approval of the prospectus (the “Prospectus”) by the Romanian Financial Supervisory Authority (“FSA”).

#### **Offering Highlights:**

- Fondul has received shareholder approval to dispose of its entire holding of up to 19.94% of Hidroelectrica's total issued share capital in the IPO. The number of Shares to be initially offered will be determined at a later date. The Company will not raise new capital in connection with the Offering and will not receive any proceeds.
- The IPO will consist of a public offering to retail and institutional investors in Romania and an offering to eligible international institutional investors.
- The Shares will be offered and traded, following the Admission, in Romanian leu (“RON”).
- The Admission is expected to take place in July 2023. Once admitted to trading, the Company’s shares would be included in the BET index of the BSE immediately following the Admission.
- The Company and Fondul will be subject to a lock-up agreement for a period of 180 days, and the majority shareholder will be subject to a lock-up agreement for a period of 12 months, from the Admission date.
- Detailed information about the Offering will be published following approval of the Prospectus.
- Citigroup Global Markets Europe AG, Erste Group Bank AG, Jefferies GmbH, and Morgan Stanley Europe SE are acting as Joint Global Coordinators in connection with the Offering. Banca Comerciala Romana S.A., Barclays Bank Ireland PLC, BofA Securities Europe SA,

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UBS Europe SE, UniCredit Bank AG and Wood & Company Financial Services, a.s. are acting as Joint Bookrunners. Auerbach Grayson, BRD - Groupe Société Générale, S.S.I.F. BT Capital Partners S.A. and S.S.I.F. Swiss Capital S.A. are acting as Co-Lead Managers.

- Rothschild & Co Equity Market Solutions Limited is acting as Financial Adviser to Fondul Proprietatea, and STJ Advisors is acting as Financial Adviser to the Company in connection with the IPO.

### **Bogdan Badea, Chief Executive Officer of Hidroelectrica, commented:**

*“Hidroelectrica has a strong track record of achieving meaningful growth and delivering shareholder returns, and we are proud to be the leading electricity producer in Romania with a 100% renewable energy portfolio. We are well positioned to continue our growth path, with a clear strategy focused on operational efficiencies, diversification and expansion of our business and delivering shareholder value, all underpinned by a supportive long-term sector and macroeconomic environment.*

*The proposed IPO is an exciting and logical next step in our journey, as the listing of Hidroelectrica's shares on the Bucharest Stock Exchange will help us diversify our shareholder base and raise our international profile.”*

### **Company overview:**

Hidroelectrica is the leading power producer in Romania. It owns and operates 182 hydropower plants, five pumping stations and one wind farm, which are strategically positioned in eight geographical branches across Romania. The total installed capacity of the Company's hydro assets is divided into storage hydropower plants, run-of-river hydropower plants and pumping stations.

Hidroelectrica has a 100% renewable portfolio with an installed hydropower production capacity of approximately 6.3 GW and an installed onshore wind capacity of 108 MW from the Crucea wind farm.

Between 2018 and 2022, the Company had an average market share of approx. 29% in terms of total electricity generated and delivered to the grid (as per the Romanian Energy Regulatory Authority (“ANRE”) annual reports).

Hidroelectrica is one of the largest hydropower producers in Europe, generating 13.6 TWh of electricity from hydro sources in 2022, 16.9 TWh in 2021 and 15 TWh in 2020 (all representing gross production). The 2022 production level reflects less favourable hydrological conditions, due to a severe drought.

In addition to the production of electricity, Hidroelectrica supplies electricity to the Romanian wholesale and retail electricity markets. The Company's market share in electricity supplied to retail customers has grown from 1.3% in 2020 to approximately 8% as at December 2022, according to ANRE. The number of Hidroelectrica's retail customers has increased from 2,465 in 2020 to more than 482,000 in 2022. The Company supplied approximately 3.7 TWh of electricity to final consumers in 2022, according to ANRE.

In the years ended 31 December 2022, 2021 and 2020, the Company generated consolidated revenue of RON 9,452.0 million, RON 6,489.3 million and RON 3,841.4 million, respectively. In the same period, the Company reported profits for the year (after tax) of RON 4,464.0 million, RON 3,116.2 million and RON 1,558.0 million, respectively.

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In the first quarter of 2023, the Company generated consolidated revenues of RON 3,272.1 million, driven by higher total energy sold (4,838 GWh in 1Q23) for both generation and supply segments. This translated into a total Adjusted EBITDA of RON 2,184.2 million and reported profits (after tax) of RON 1,723.4 million for 1Q2023, compared to total Adjusted EBITDA of RON 1,702.7 million and reported profits (after tax) of RON 1,287.9 million for 1Q2022.

Immediately prior to the IPO, the Shares of the Company are owned by the Romanian Ministry of Energy (80.06%) as well as Fondul Proprietatea (19.94%). Fondul Proprietatea has retained a minority shareholding in Hidroelectrica since the fund was established in 2005.

### **Investment highlights:**

#### ***#1 power generation platform in Romania with a 100% green portfolio playing an instrumental role in the National Energy Transition***

- The Company is the leading power generation platform in Romania in terms of the electricity delivered into the network, with approx. 29% average market share between 2018 and 2022.
- The Company's hydropower plants and wind farm, strategically located in eight key geographical branches across Romania, generate 100% green electricity. The portfolio enables the Company to deliver base load energy and cover peaks in demand and to be the main provider of ancillary services for the national electricity system operator.

#### ***Differentiated market position and competitive advantages secured by well-invested asset base***

- The Company's assets account for approximately 95% of the hydropower produced in Romania and are strategically spread across eight branches (including a wind branch), which cover the most advantageous locations in Romania in terms of their underlying hydrological conditions and connections to grid infrastructure.
- The Company has a well-invested portfolio with significant economies of scale coupled with naturally low production costs, after initial capital expenditure outlay.
- Efficient storage water management ensures a predictable and stable renewable energy generation profile.

#### ***Robust financial profile with strong profitability and cash flow generation, supporting the Company's minimum 90% dividend pay-out policy***

- Hidroelectrica has a high-quality asset base underpinned by strong operating performance, which translates into robust cash generation and strong shareholder returns.
- Hidroelectrica targets a minimum 90% dividend pay-out policy whilst balancing the capital needs of the business for future growth and staying within the target leverage. The Company has a strong track record of dividend pay-out, including a historical dividend payout ratio of above 100%, including special dividends.
- For 2022, total dividends are RON 4,349 million, of which RON 3,914 million consists of ordinary dividends (to be paid on 16 June 2023) and RON 435 million of special dividends (to be paid on 29 September 2023). The dividend pay-out ratio is 99%, with the dividend to be paid to the Romanian Ministry of Energy and Fondul.

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### ***Positive long-term market and macroeconomic backdrop, with supportive National Energy and Climate Plan playing to the Company's core strengths***

- The Company operates within a sizeable market estimated at EUR 4.9 billion<sup>1</sup> in 2022, according to Wood Mackenzie, with a supportive long-term macroeconomic backdrop.
- Romania is forecasted to be one of the fastest growing economies in Europe, with GDP CAGR in 2022 – 2026 of 2.4% as compared to 1.5% in the EU, according to Wood Mackenzie.
- Romania has relatively low energy consumption per capita of 3.0 MWh in 2022, according to Wood Mackenzie, suggesting significant catch-up potential of 1.5x and 2.1x compared to Central and Eastern Europe and the EU, respectively.
- Hidroelectrica plays an instrumental role in delivering the national energy transition plan, maintaining the supply of electricity at affordable prices, and maintaining Romania's energy independence.
- The Company may also benefit from different EU policies and programmes, with its long-term strategy to diversify its portfolio in other renewable energy resources.

### ***Responsible operator with ESG being part of the Company's core strategy***

- Hidroelectrica plans to continue expanding its 100% green portfolio, a core company value, by developing approximately 2,000 MW of solar land/floating, approximately 1,000 MW of offshore and onshore wind and more than 300 MW of new hydro projects.
- The Company is committed to limiting environmental impact and ensuring the well-being of its employees, local communities and other stakeholders, with a strong ESG performance being a moral imperative and key driver of long-term business success.
- The Company is committed to ensuring a high level of transparency and responsible management while facilitating sustainable, long-term value creation.

### ***High quality Management Board with successful track record and supportive shareholder base***

- The Management Board is currently composed of five members each with more than 15 years of experience and a track record of delivering strong shareholder returns.
- The Company has a two-tier board structure, consisting of a Supervisory Board and a Management Board.

### **Strategic priorities:**

Hidroelectrica aims to maintain its leadership position as a company with a 100% green energy portfolio in Romania and its strategy is aligned to the EU's target of switching to carbon neutral energy production by 2050.

Hidroelectrica's strategy is based on the following key pillars focused on maintenance of the current asset base, operational efficiency, portfolio expansion and growing its share of the supply market:

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<sup>1</sup> Based on total energy of 53.5 TWh produced in 2022 according to ANRE multiplied by Energy Price of 450 RON/MWh as per latest ordinance

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***Optimising existing hydroelectric assets and executing organic hydroelectric expansion projects***

- The Company's refurbishment and modernisation plan for its existing asset base focuses on asset capacity improvement and refurbishment in order to deliver operational performance, whilst extending the life cycles of its plants and improving the asset capacity.
- Approximately 1.1 GW of the Group's asset capacity is under review for refurbishment or modernisation by 2030 in order to, among other things, maintain the high availability rate of the existing asset base and unlock the potential of the current hydropower plants. On completion of the refurbishment and modernisation programme, the Company expects to unlock approximately 240 MW of capacity and to have extended the lifecycle of hydropower plants within the plan by an average of 20 years (where modernised) and 30 years (where refurbished).

***Pursuing significant portfolio expansion across multiple renewable technologies***

- The Company aims to expand across multiple renewable technologies by finalising ongoing hydropower projects, delivering organic growth through new production capacities from other renewable sources, especially wind and solar, and exploring inorganic growth through mergers and acquisitions.

***Growing share of the Romanian energy supply market***

- The Company aims to further develop its energy selling capabilities by accelerating the development of its supply activities and growing its share of the supply market.

In addition, the Company aims to develop green hydrogen production capacities, as well as purchasing other production capacities from the market which may be either already in operation or at various stages of development.

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**Further Information on the Company**

**Selected Financial Information**

	<b>Year ended 31 December</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>(in million RON)</i>		
<b>Revenue</b>			
<i>Wholesale of electricity</i>	6,960.8	5,629.0	3,269.7
<i>Electricity supplied to final consumers (retail sales)</i>	2,149.0	418.5	222.4
<i>System services</i>	316.5	416.0	336.0
<i>Sales of green certificates</i>	24.6	23.2	-
<i>Maintenance services</i>	1.1	2.6	13.3
<b>Total revenue:</b>	<b>9,452.0</b>	<b>6,489.3</b>	<b>3,841.4</b>
<b>Other income</b>			
<i>Grant income</i>	5.7	5.8	5.5
<i>Gain from bargain acquisition of subsidiaries</i>	-	31.5	26.3
<i>Compensations, fines and penalties from suppliers</i>	26.6	118.8	20.2
<i>Other income</i>	13.9	19.2	16.8
<b>Total other income</b>	<b>46.2</b>	<b>175.3</b>	<b>68.8</b>
Turbinated water	(451.0)	(540.1)	(307.1)
Employee benefits expenses	(630.7)	(589.8)	(490.3)
Transport and distribution of electricity	(498.1)	(110.4)	(72.8)
Electricity purchased	(697.1)	(90.1)	(15.3)
Green certificates expenses	(183.2)	(53.7)	(14.0)
Depreciation and amortization	(772.2)	(760.5)	(720.5)
Impairment loss on property, plant and equipment	(23.9)	(359.3)	(106.0)
Impairment loss on trade receivables	(43.5)	(11.3)	(0.1)
Repair, maintenance, materials and consumables	(82.3)	(70.7)	(104.6)
Tax for electricity producers	(671.7)	(133.4)	-
Other operating expenses	(236.2)	(189.5)	(205.5)
<b>Operating profit</b>	<b>5,208.3</b>	<b>3,755.7</b>	<b>1,874.0</b>
Finance income	247.2	73.2	62.0
Finance costs	(38.1)	(44.1)	(29.4)
<b>Net finance result</b>	<b>209.1</b>	<b>29.1</b>	<b>32.6</b>

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<b>Profit before tax</b>	<b>5,417.4</b>	<b>3,784.8</b>	<b>1,906.6</b>
Income tax expense	(953.4)	(668.6)	(348.6)
<b>Profit for the year</b>	<b>4,464.0</b>	<b>3,116.2</b>	<b>1,558.0</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (RON)	<b>9.95</b>	<b>6.95</b>	<b>3.48</b>
<b>Other comprehensive income</b>			
Revaluation of property, plant and equipment, net of tax	1,777.8	3,856.6	-
Remeasurement of defined benefit liabilities, net of tax	(7.5)	(13.3)	(7.9)
Impairment of property, plant and equipment recognized in revaluation reserve, net of tax	-	-	(24.3)
<b>Other comprehensive income</b>	<b>1,770.3</b>	<b>3,843.3</b>	<b>(32.1)</b>
<b>Total comprehensive income</b>	<b>6,234.3</b>	<b>6,959.5</b>	<b>1,525.8</b>

**Three months period ended 31 March 2023 and 2022**

	<b>Three months period ended</b>	
	<b>31 March</b>	
	<b>2023</b>	<b>2022</b>
	<i>(in million RON)</i>	
<b>Revenue</b>		
<i>Wholesale of electricity</i>	2,047.9	1,929.3
<i>Electricity supplied to final consumers (retail sales)</i>	1,155.0	446.1
<i>System services</i>	69.2	110.3
<i>Sales of green certificates</i>	-	3.7
<i>Maintenance services</i>	0.0	2.2
<b>Total revenue:</b>	<b>3,272.1</b>	<b>2,491.6</b>
Other income	10.4	29.6
Turbinated water	(163.6)	(110.9)
Employee benefits expenses	(157.9)	(130.1)
Transport and distribution of electricity	(250.4)	(74.4)
Electricity purchased	(160.2)	(40.4)
Green certificates expenses	(36.9)	(35.0)
Depreciation and amortization	(198.2)	(191.9)
Reversal of impairment loss on property, plant and equipment	0.1	33.9
Impairment loss on trade receivables	(35.0)	(2.7)
Repair, maintenance, materials and consumables	(18.3)	(15.6)

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Tax for electricity producers	(230.6)	(369.1)
Other operating expenses	(46.8)	(38.5)
<b>Operating profit</b>	<b>1,984.7</b>	<b>1,546.5</b>
Finance income	87.8	28.3
Finance costs	(10.8)	(9.9)
<b>Net finance result</b>	<b>77.0</b>	<b>18.4</b>
<b>Profit before tax</b>	<b>2,061.7</b>	<b>1,564.9</b>
Income tax expense	(338.3)	(277.0)
<b>Profit for the period</b>	<b>1,723.4</b>	<b>1,287.9</b>
<b>Earnings per share</b>		
Basic and diluted earnings per share (RON)	3.84	2.87
<b>Total comprehensive income</b>	<b>1,723.4</b>	<b>1,288.0</b>

**IMPORTANT INFORMATION**

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**The approval visa applied on the Prospectus does not constitute a guarantee or any kind of assessment by the FSA with regard to the opportunity, the advantages or disadvantages, the profit or risks involved in accepting the Offering, object of the approval decision; the approval certifies only the conformity of the Prospectus with the legal requirements and the rules adopted for the application thereof.**