



HIDROELECTRICA

...for a new beginning!

Romanian HydroPower Energy Summit

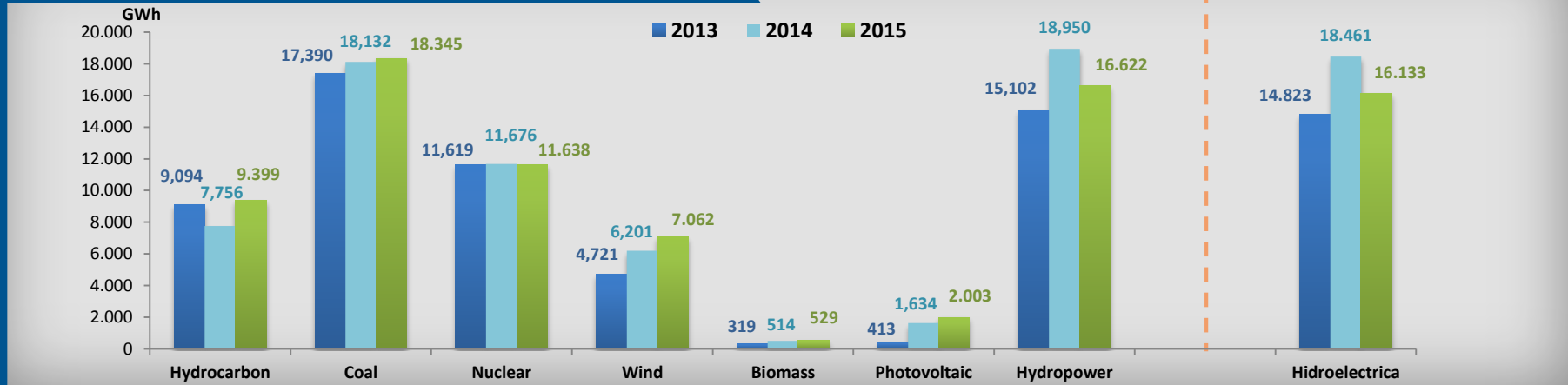
Bucharest

February 25, 2016

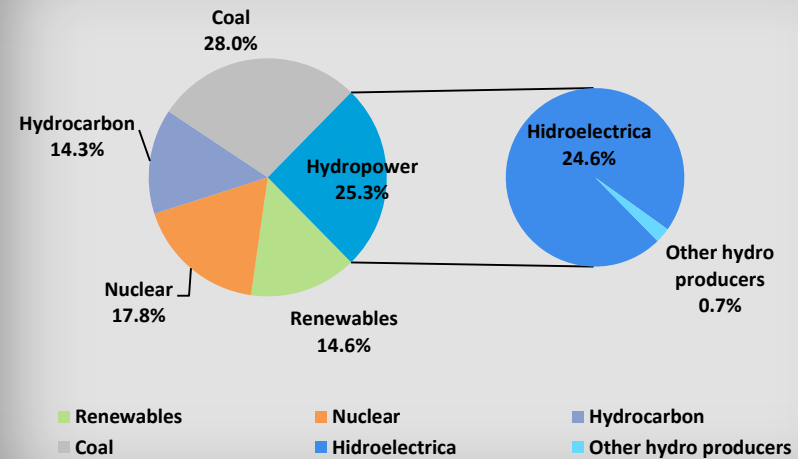
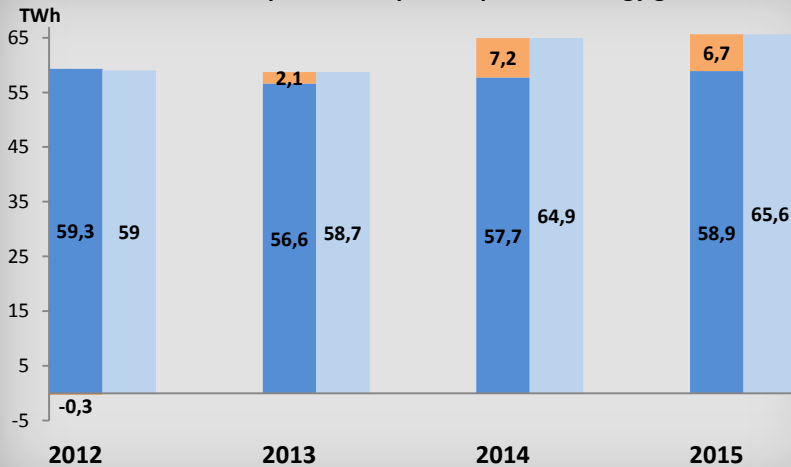
Romanian electricity market (I)



POWER GENERATION BY TYPE (GWh)



Internal consumption, Export-Import, Energy generation

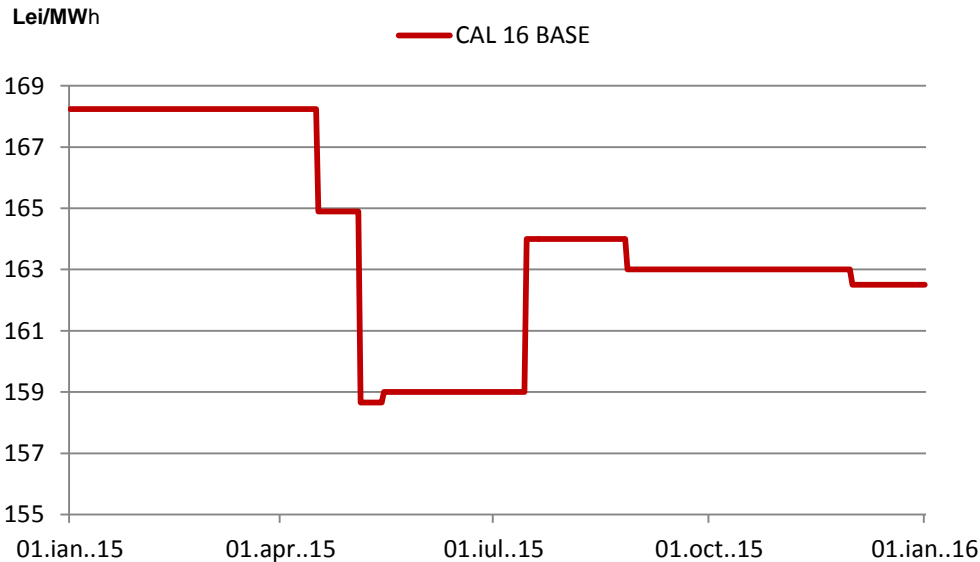


POWER GENERATION BY TYPE - 2015 (%)

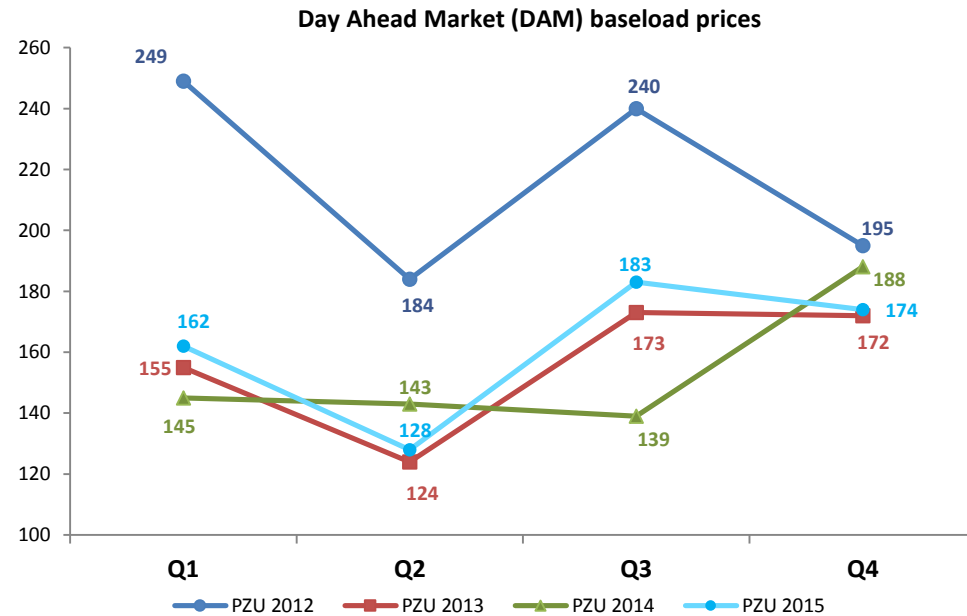
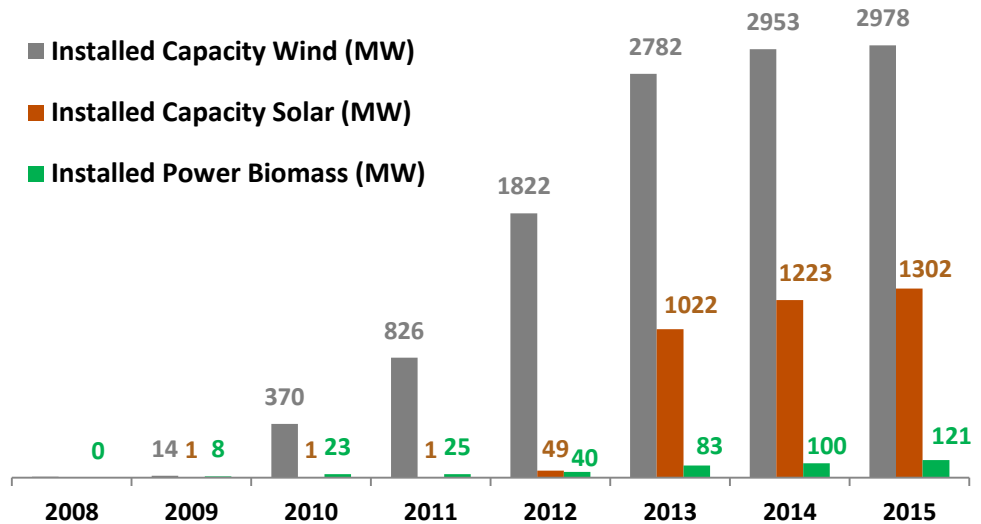
Romanian electricity market (II)



- Strong development of wind and photovoltaic parks;
- Stagnation or even decrease of electricity demand leads to over-capacity;
- Subsidised renewables and cogeneration push inefficient coal and gas power plants out of the merit order and cut the profitability of peak power plants;
- Low electricity wholesale prices do not cover full costs for coal and gas power plants.



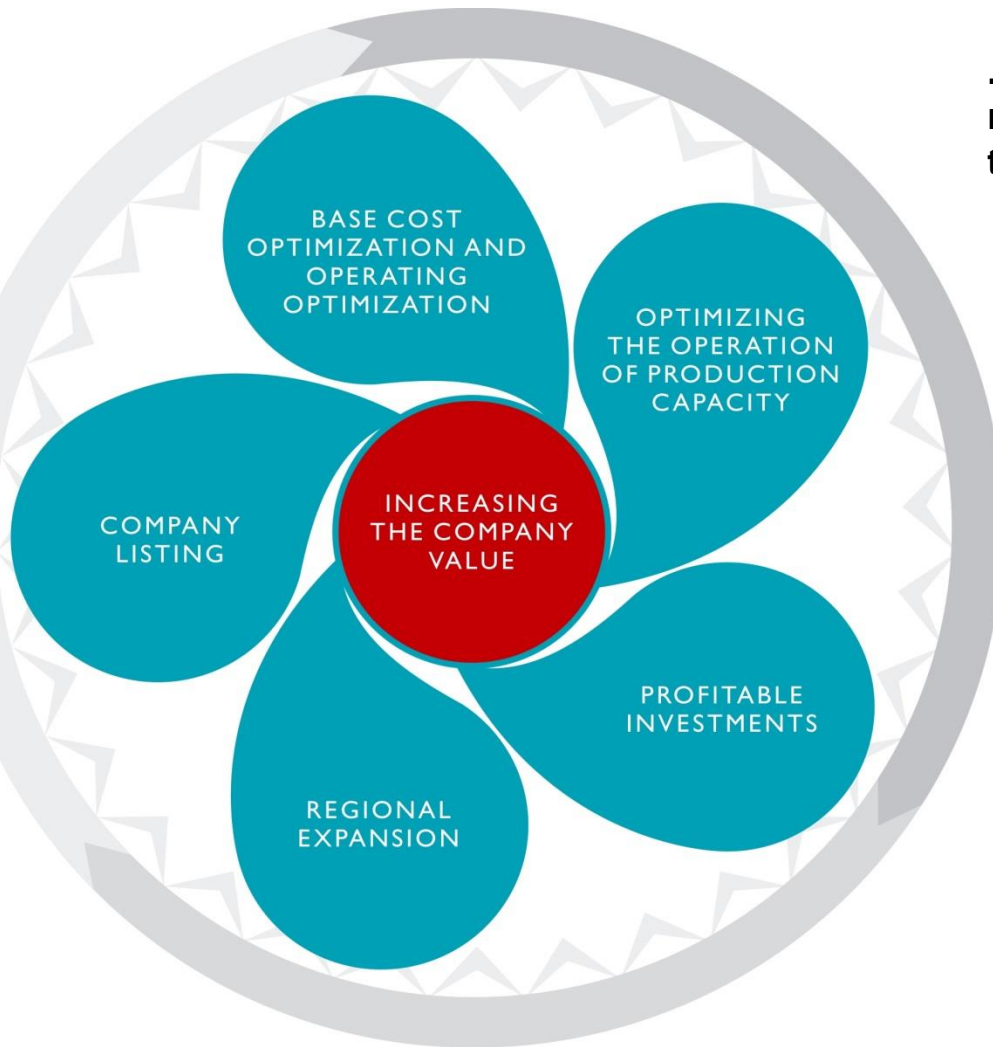
Source: OPCOM PCCB and OTC closing prices for Calendar 16 product



Hidroelectrica's mission – to create value



..by producing and trading energy in a responsible manner towards the community and environment, in terms of quality and performance.

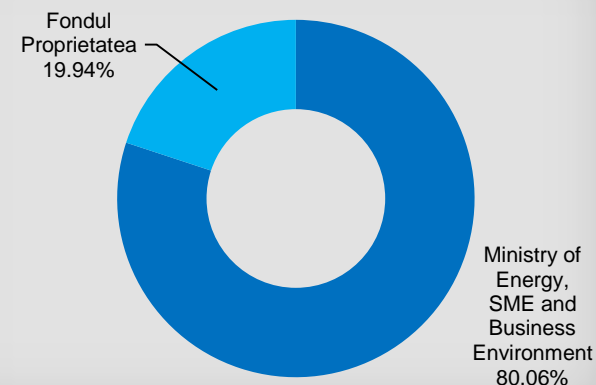


Hidroelectrica – Company Overview (I)

KEY FACTS

	2012	2013	2014	2015*
Installed capacity (MW)	6,470	6,464	6,443	6,435
Turnover (Lei mn)	2,402	3,083	3,406	3,183
EBITDA (Lei mn)	924	1,987	2,172	2,076
EBITDA margin (%)	38	63	63	64
Net profit (Lei mn)	(508)	719	942	906
Net profit margin (%)	-	22	27	28
No. of employees	5,115	4,172	3,711	3,448
Debt / Equity (%)	24	15	7	4

SHAREHOLDER STRUCTURE



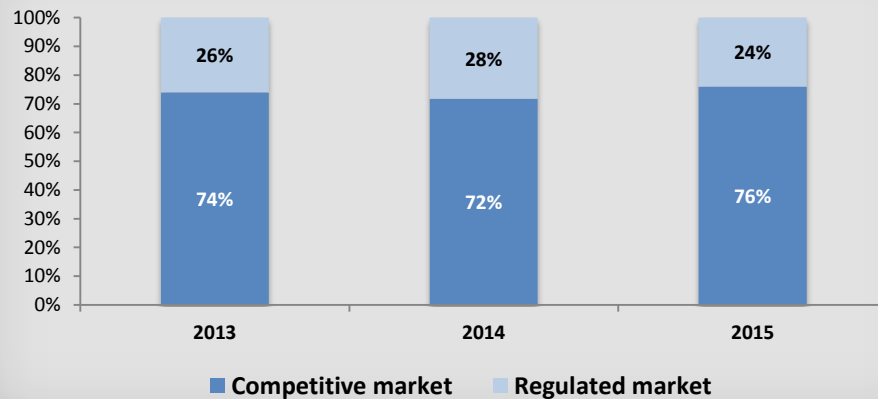
MILESTONES

- 1896** • First hydropower plant - CHE Sadu I
- 1970** • Iron Gates I (1,050 MW)
- 2000** • Hidroelectrica is set up as an independent entity from the former integrated state owned company, Conel
- June 2012** • Reorganization procedure is opened
- June 2013** • Company exits the reorganization procedure
- 07.13/02.14** • Company implements the two tier management structure, appointing the management and supervisory bodies
- Feb 2014** • Reorganization procedure is being re-opened, based on irrevocable decision of the Court of Appeal

Hidroelectrica – Company Overview (II)



HIDROELECTRICA - MARKET BREAKDOWN 2013–2015



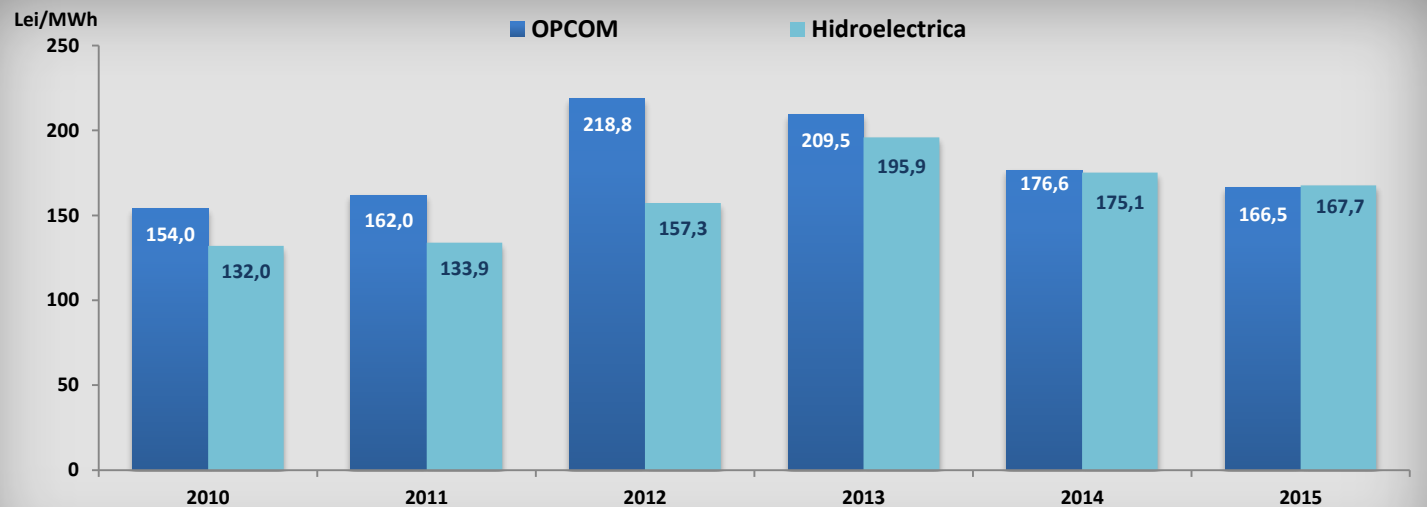
Local regulator ANRE decides the quantity and price at which Hidroelectrica sells energy on the regulated market

- 2013: 3.9TWh @125 Lei/MWh
- 2014: 5.32TWh @119.4 Lei/MWh (average price)
- 2015: 4.15TWh @120.2 Lei/MWh (average price)
- 2016: 2.7 TWh @120.03 Lei/MWh (average price)

Note: special construction tax included starting with 1.07.2014.

Note: the following prices were taken into consideration:

- for OPCOM - PCCB prices contracts with delivery in the current year;
- for Hidroelectrica – PCCB + bilateral contracts, with delivery in the current year

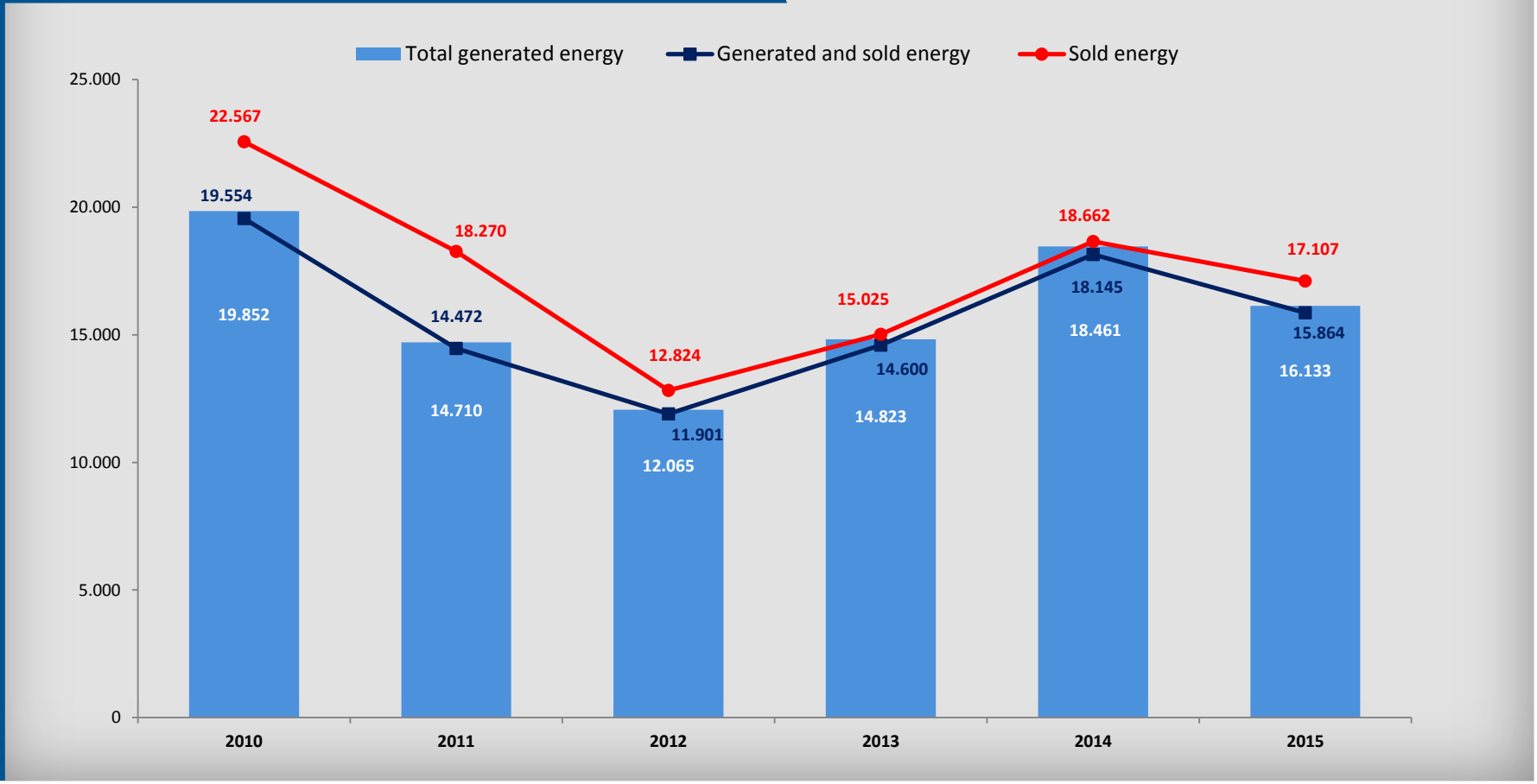


PRICE CHART – CONCURENTIAL MARKET (Lei/MWh)

Hidroelectrica – Power generation (I)



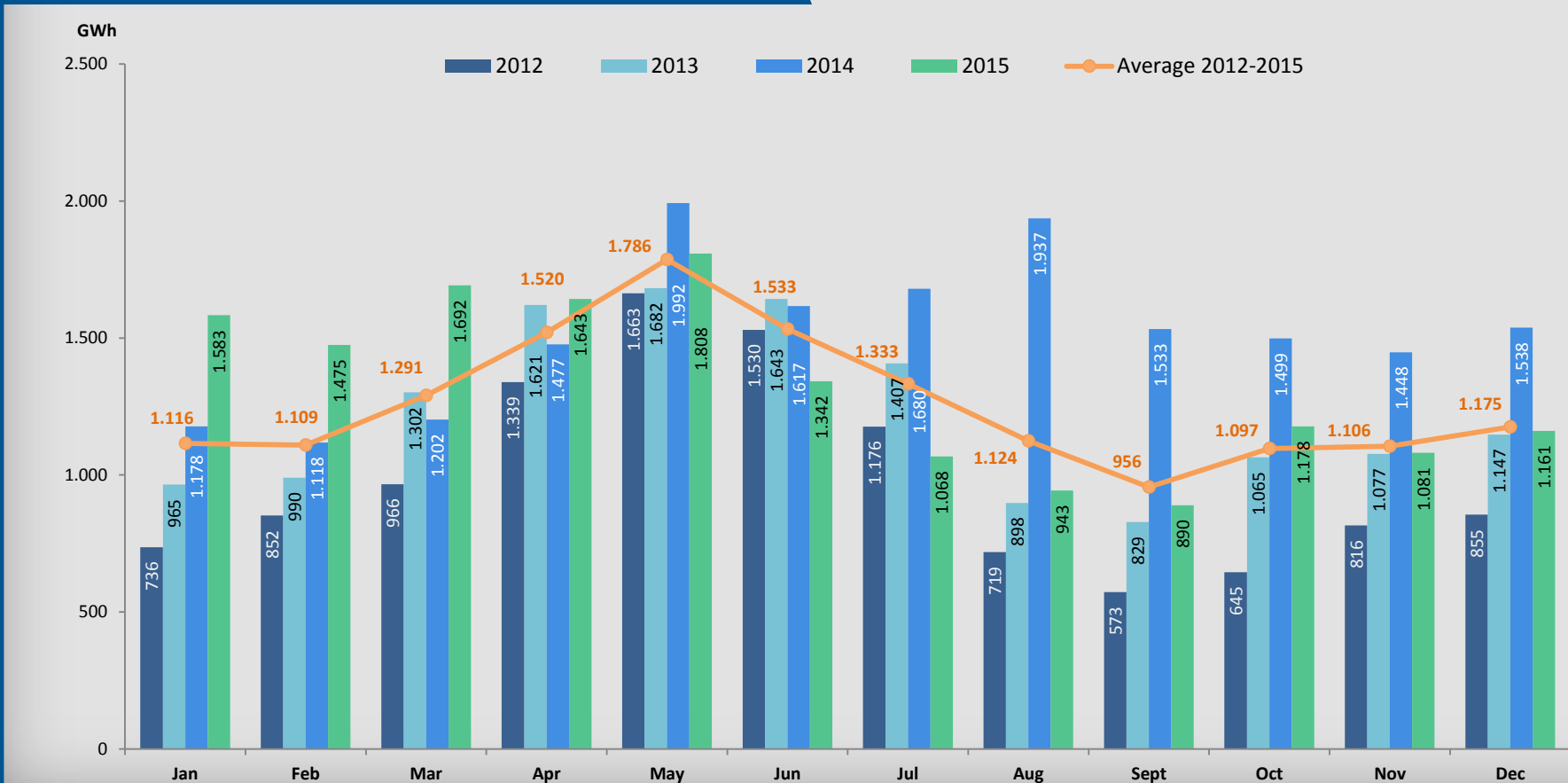
HYDRO GENERATION (GWh)



Hidroelectrica – Power generation (II)



GENERATED POWER - MONTHLY AVERAGE (GWh)



Strategic Directions (I)



MANAGEMENT

Persons who are able to implement the best practices from private companies were appointed in all company's key positions: Assets Development, & Rehabilitation, Project Management, Finance & Accounting, Internal Audit, IT, Legal.

A remuneration package and a job evaluation policy similar to those applied within the private companies will be implemented.



LISTING

The company will be listed after exiting from the reorganization procedure.



ENTRY ON OTHER MARKETS/ ENERGY EXPORT

One option to protect the margins from the decreasing prices on the Romanian market is to enter the neighbouring markets, where there is energy deficit and prices are higher. In this respect, the following actions have been taken:

- trading started on the OPCOM OTC market
- the company was licensed on the Hungarian market, starting with October 2014; first transactions made in December, covering the entire year 2015
- the company shareholders approved on July to open a subsidiary in Republic of Serbia.

The electricity trading license was granted at the end of January, TSO registration in progress.

Strategic Directions (II)



COST OPTIMIZATION & PROFITABILITY INCREASE

The company focuses on optimizing further the cost base.

Initiatives to change the applicable legislation, with impact on the cost base and company's performance:

- tax level on special constructions – reduced from 1.5% to 1% starting with 2015 and canceled starting with 2017;
- tariff level for turbinated water;
- public procurement procedure.



ASSETS UPGRADE

Hidroelectrica will continue to:

- focus on upgrades and rehabilitations of assets with highest IRR and major power plants, such as Stejaru, Vidraru, Raul Mare Retezat and Mariselu;
- implement efficient solutions for dealing with the complex functions projects;
- diagnose its assets portfolio, dispose the small hydropower plants and take all the necessary measures in order to optimize the generation capacities and their availability;
- sell the non core assets and some unfinished investments.



ORGANIZATIONAL STRUCTURE

The company's organizational structure will be further optimized and made more efficient, based on a process approach.



CORPORATE GOVERNANCE

Hidroelectrica will uphold best corporate governance principles among its peers. The first Corporate Governance Code was approved and published.

Strategic Directions – Investment strategy



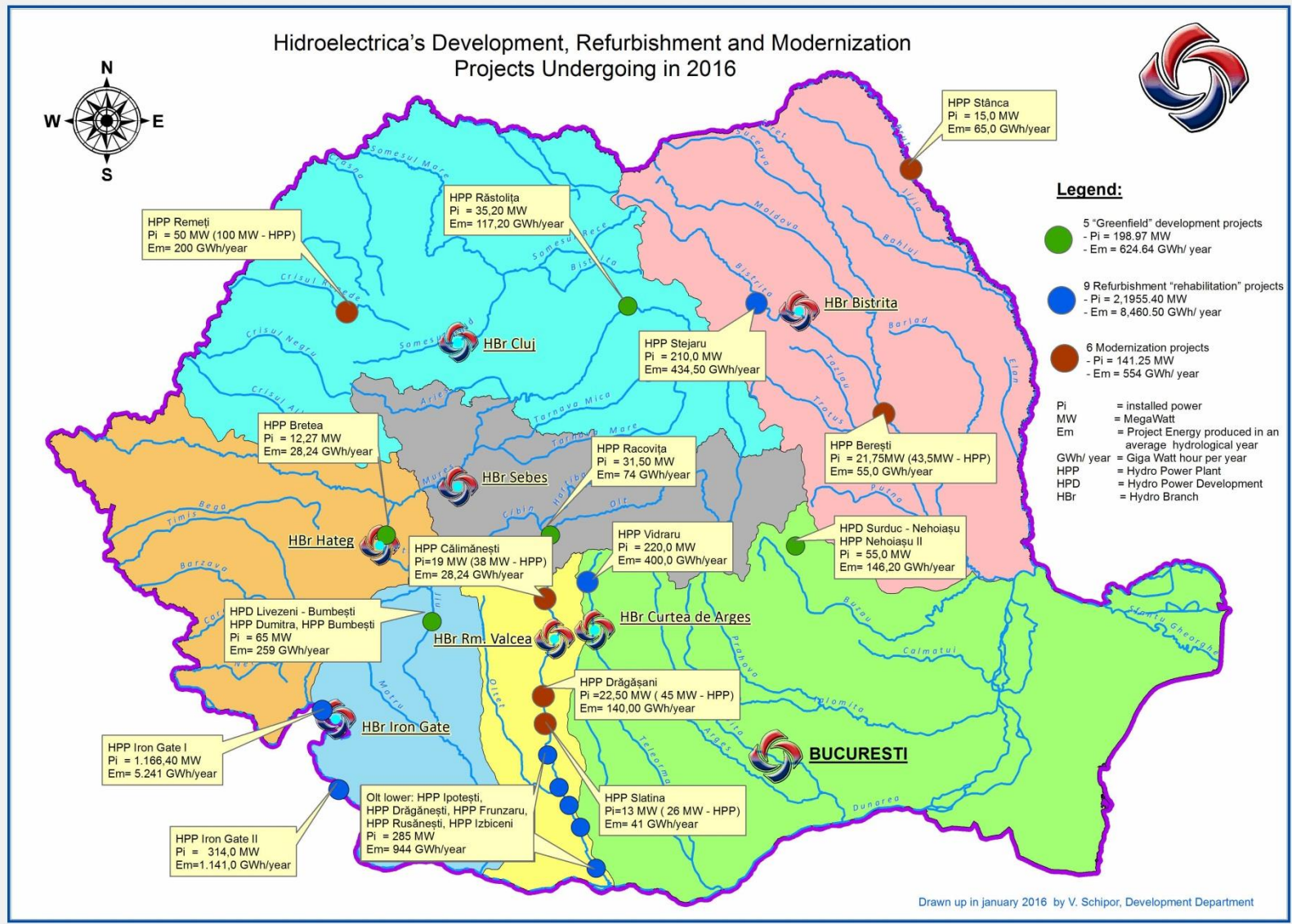
Hidroelectrica allocated a budget for the completion of the development-refurbishment-maintenance works during 2015 - 2020 of over 1.3 billion EUR, distributed as follows:

- **New hydropower developments: 450 million EUR** into the projects under execution, in advanced stages of completion (Racovita – 2015; Bretea – 2015; Rastolita – 2016; Dumitra-Bumbești – 2016-2017; Siriu-Surduc – 2018)
- **The refurbishment of the existent hydropower developments: 305 million EUR** into the refurbishment of four hydropower plants of great capacity:
 - **Stejaru** (installed capacity 210 MW) – the international public auction finalized and rehabilitation contracted concluded
 - **Vidraru** (installed capacity 220 MW) – services contract concluded related to the drawing up of the technical documentation and technical specifications for the refurbishment of the Vidraru HPP's equipment and works
 - **Raul Mare Retezat** (installed capacity 335 MW)
 - **Mariselu** (installed capacity 220 MW) - the technical documentation and technical specifications for the refurbishment of the Mariselu HPP's equipment and works was drafted, to be slightly amended and finally acceptedand into modernization of hydro-aggregates.
- **The maintenance of the existent hydropower developments: 240 million EUR** into the maintenance works with capitalization;
- **The procurement and completion of new generation capacities from other renewable sources (wind, solar, biomass): 300 million EUR** invested into new generation capacities from renewable sources.

Strategic Directions - Major undergoing projects in 2016



- 2016:**
- 5 greenfield projects
 - 9 rehabilitation projects
 - 6 modernization projects



Strategic Directions - Opportunity to invest in generation capacities benefiting of the Small Hydro Support Scheme



Small Hidro Power Plants (SHPPs) are generation capacities from renewable sources up to an installed capacity of 10 MW which benefit from the green certificates (GC) support scheme:

(Act no. 220/2008, amended by the following acts: Gov. Ordinance no. 29/2010, Gov. Emergency Ordinance no. 88/2011, Gov. Emergency Ordinance no. 57/2013, Gov. Emergency Ordinance no. 79/2013, Gov. Decision no. 994/2013, Act no. 23/2014).

Type of RES	Power plant type	GC/MWh	Period (years)
Small hydro	Refurbished	2	10
	Unrefurbished	0	-

SHPPs advantages

- are appropriate for small and decentralized energy requirements;
- flexibility - in particular concerning their ability of adjusting to variable loads according to the affluent flow, making them a privileged component in any integrated power system;
- the short period of construction, materials usage and local people's skills, can have a great impact upon the country life quality;
- can be private owned, co-owned or jointly owned, and require a reduced operation staff in number and without any high skills;
- have a long lifetime; some are centenary and are still under operation;
- investments in small hydropower plants were proved to be certain and viable and can serve consumers for more generations without polluting the air.

Strategic Directions - Opportunity to invest in generation capacities benefiting of the Small Hydro Support Scheme



- **Hidroelectrica's strategic decision is to focus on the production of energy in the large generation capacities, therefore the decision was taken to sell the micro hydro power plants.**
- 87 SHPPs were sold between 2004 and 2008. Starting 2013, the Judicial Administrator decided to relaunch the SHPP sale – as a result, 36 SHPPs were sold between 2013 and 2015.
- **In the forthcoming period, 20 SHPPs grouped in 14 packages of assets are expected to be available for sale, totalling 16.5 MW Installed Capacity and 49.2 GWh Design Energy Output.**
- This will be followed later by other assets – we estimate some additional 30-40 SHPPs totalling approximately 30 MW Installed capacity and 100 MW Design Energy Output.





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