



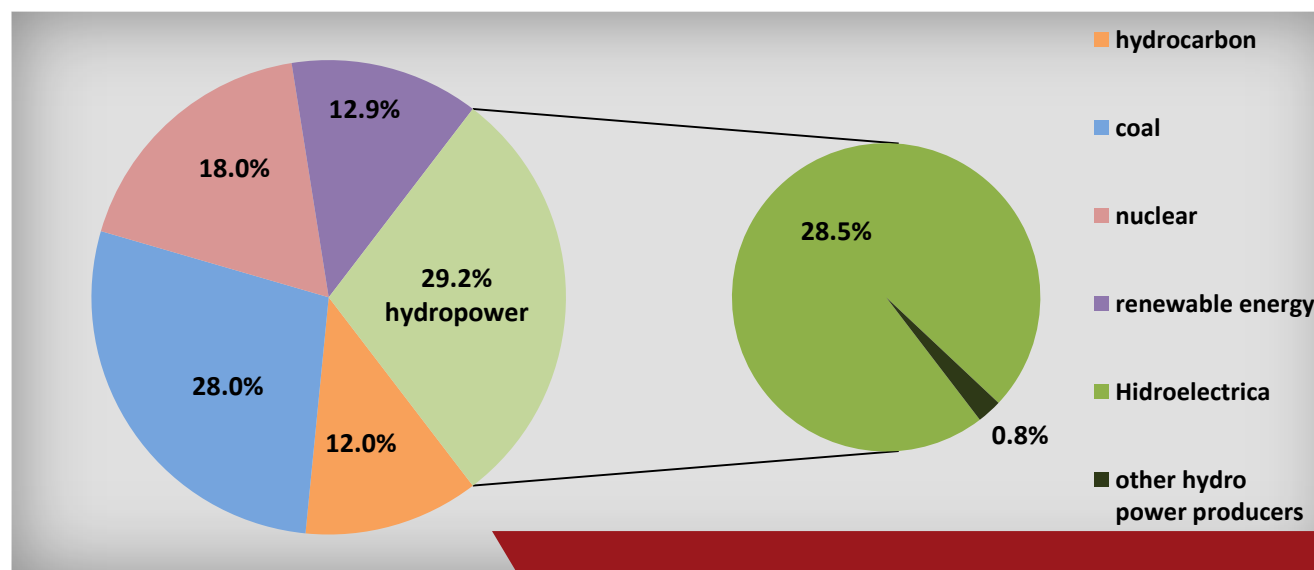
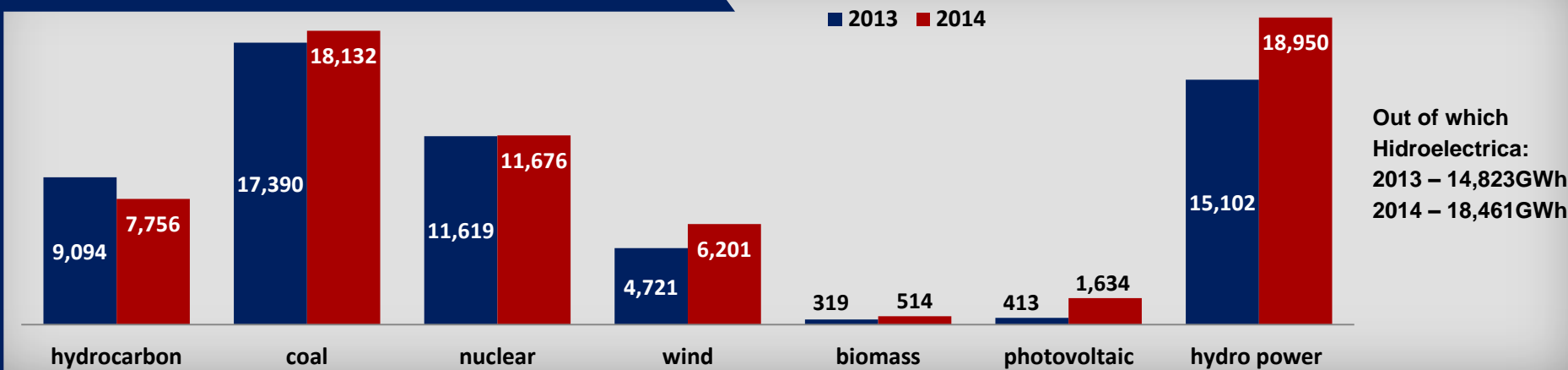
HIDROELECTRICA

...for a new beginning!

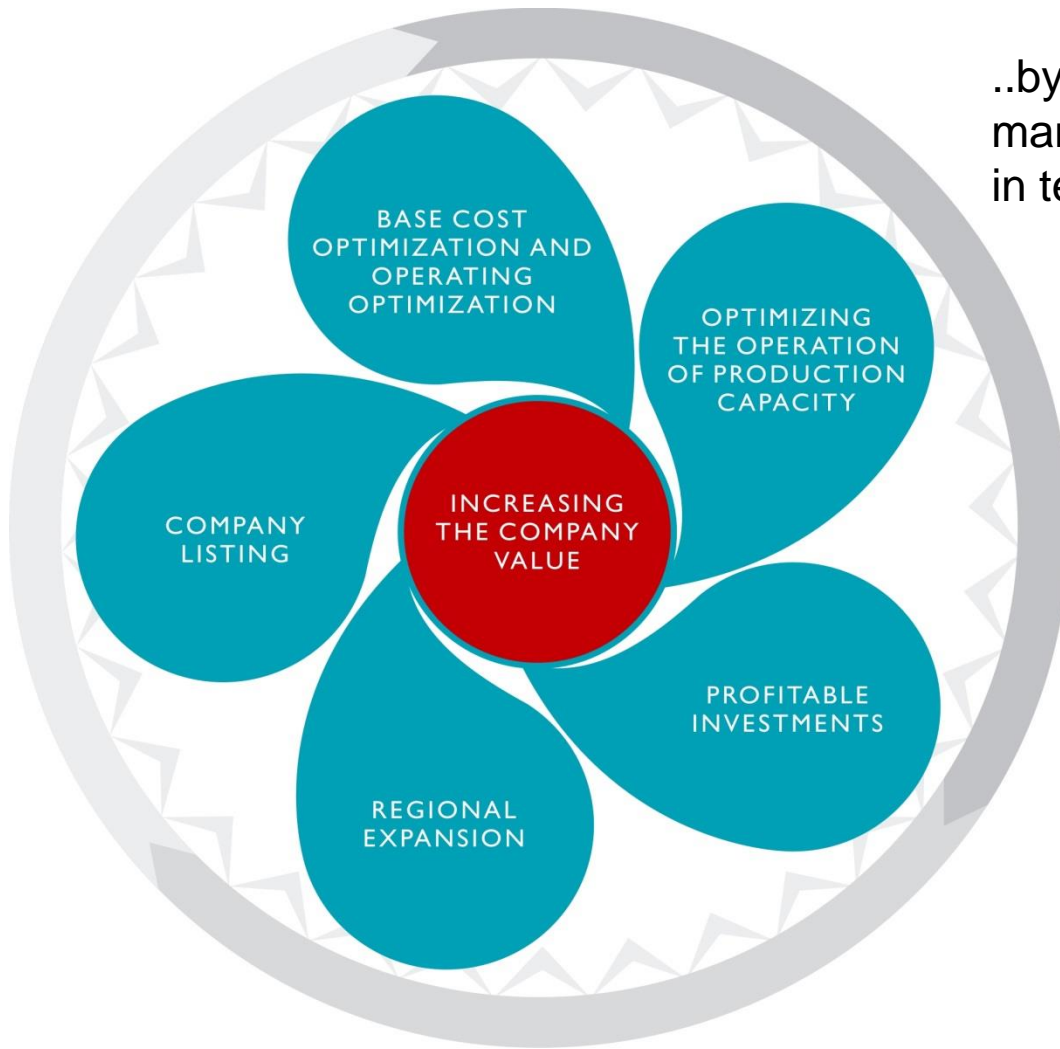
**RETAIL INVESTORS DAY,
16 September 2015**

Romanian electricity market (I)

POWER GENERATION BY TYPE (GWh)



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.

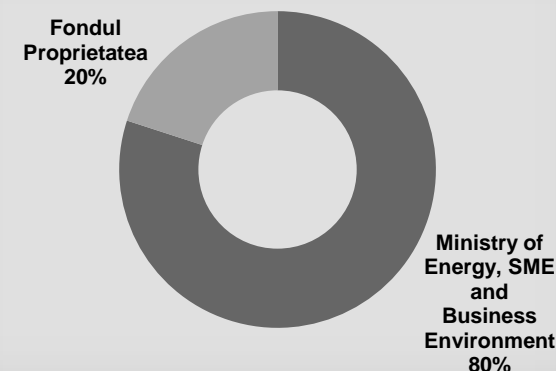


Hidroelectrica – Company Overview (I)

KEY FACTS

	2010	2011	2012	2013	2014	June 2015
Installed capacity (MW)	6,438	6,443	6,470	6,464	6,443	6,441
Operating revenues (Lei mn)	3,411	3,184	2,562	3,260	3,451	1,863
EBITDA (Lei mn)	1,378	893	924	1,987	2,171	1,213
EBITDA margin (%)	40	28	36	61	63	65
Net profit	292	6	(508)	719	942	597
Net profit margin (%)	9	0.2	-	22	27	32
No. of employees	5,256	5,218	5,115	4,172	3,711	3,501
Debt / Equity (%)	18	25	24	15	7	9

SHAREHOLDER STRUCTURE



MILESTONES

- 1896** • First hydropowerplant - 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 has 7 branches, entities without legal personality: **Bistrița, Curtea de Argeș, Cluj, Hațeg, Porțile de Fier, Râmnicu Vâlcea, Sebeș.**

Object of activity

Power generation in hydropower plants and power sale

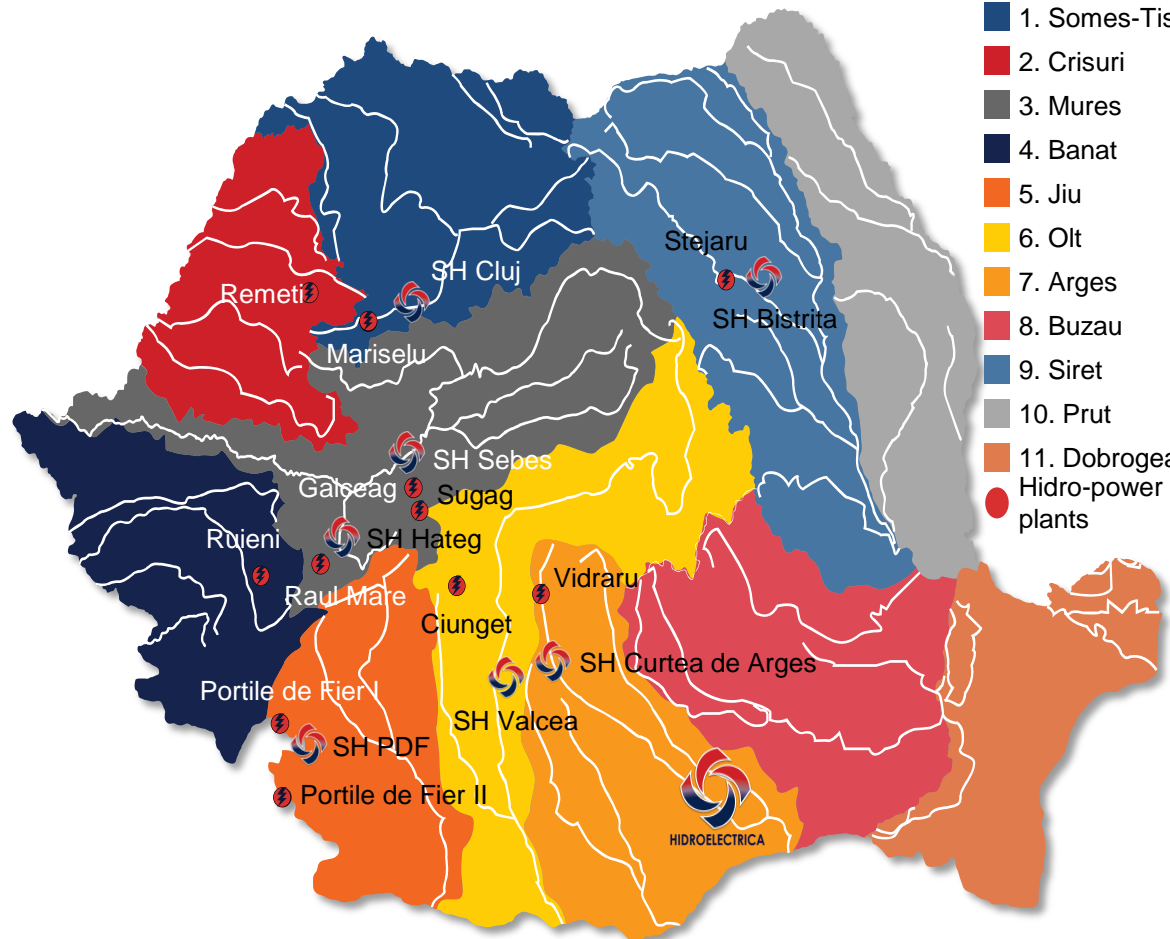
Ancillary services for the National Energy System

Water management within its own reservoirs

Insuring the navigation on the Danube through a lock

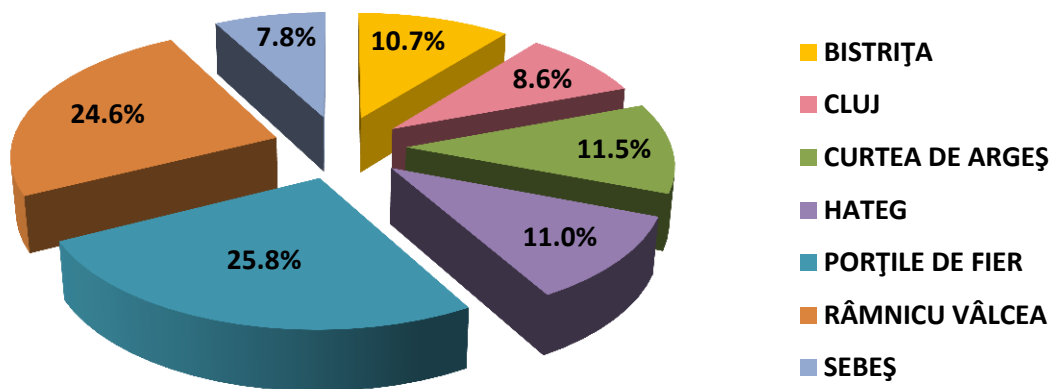
Legend

- 1. Somes-Tisa
- 2. Crisuri
- 3. Mures
- 4. Banat
- 5. Jiu
- 6. Olt
- 7. Arges
- 8. Buzau
- 9. Siret
- 10. Prut
- 11. Dobrogea-Litoral
- Hidro-power plants

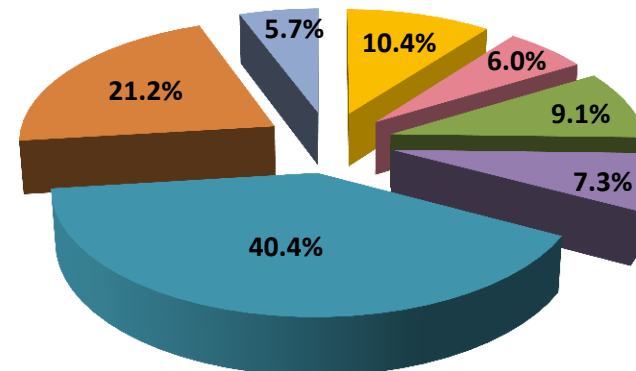


Hidroelectrica – Company Overview (III)

Installed capacity by branch (30.06.2015)



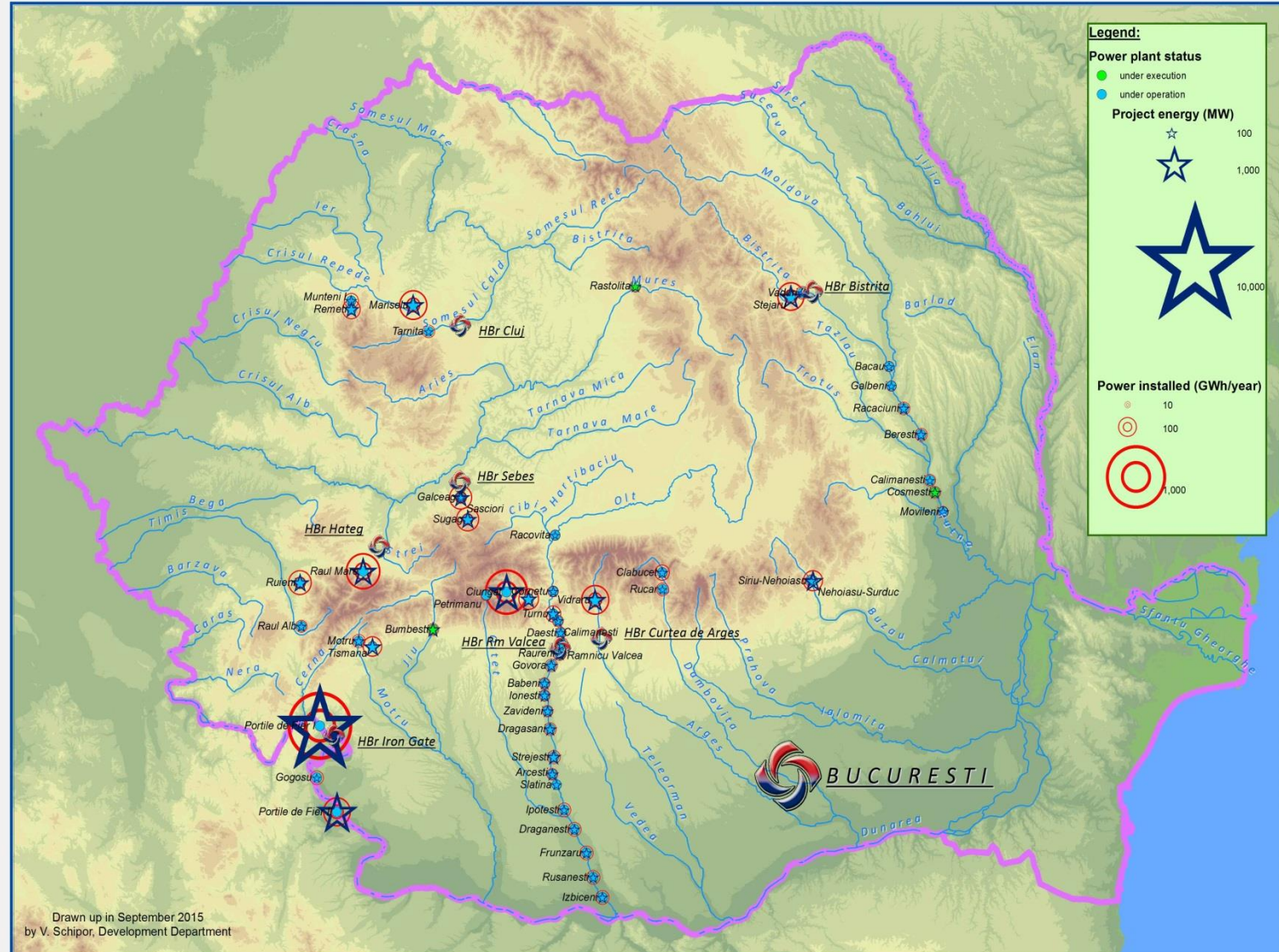
Generated energy by branch (30.06.2015)



No.	Branch	Installed capacity (MW)		Generated energy (GWh/year)	
		31.12.2014	30.06.2015	31.12.2014	30.06.2015
1	Bistrița	689.0	687.1	1,809.5	1,805.0
2	Curtea de Argeș	556.9	556.9	1,044.1	1,044.1
3	Cluj	741.3	741.3	1,578.6	1,578.6
4	Hățeg	706.5	706.5	1,273.4	1,273.4
5	Porțile de Fier	1,660.2	1,660.2	7,031.7	7,031.7
6	Râmnicu Vâlcea	1,587.4	1,587.4	3,700.7	3,700.7
7	Sebeș	501.8	501.8	986.7	986.7
	Total	6,443.1	6,441.3	17,424.8	17,420.3

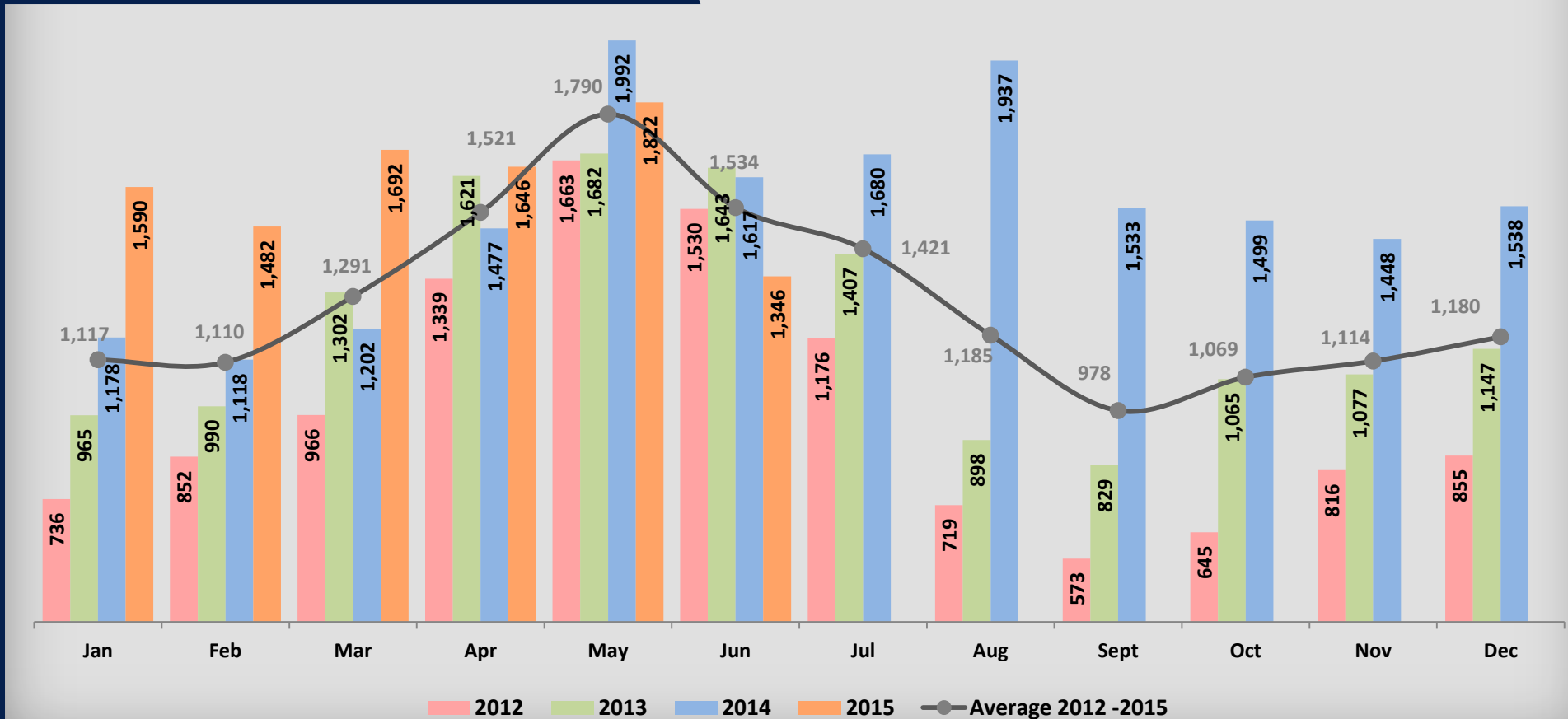
Hidroelectrica - Hydropower Plants with installed capacity higher than 25 MW

More than 85% of the generated energy in 2014 was produced in plants having the installed capacity higher than 25 MW.



Hidroelectrica – Power generation

Generated power - monthly average (GWh)



Hidroelectrica – Financials

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REVENUES

LEI mn.	2012	2013	2014	June 2014	June 2015
Operating Revenues	2,418	3,150	3,450	1,583	1,863
Turnover	2,402	3,083	3,406	1,554	1,851
Other revenues	15	67	45	29	12
OPEX	2,740	2,134	2,243	1,088	1,129
Operating result	(322)	1,016	1,208	495	734
Financial result	(166)	(114)	(30)	14	(8)
Pre tax profit	(488)	902	1,173	510	726
Income tax expense	20	183	231	100	129
Net profit	(508)	719	942	410	597
EBITDA	924	1,987	2,172	1,001	1,213
EBIT	(322)	1,016	1,208	521	734
No. of employees	5,115	4,172	3,711	4,024	3,501
Production costs (lei/MWh)	171.2	128.3	108.7	n.a.	n.a.

Source: Hidroelectrica Financial statements; June 2015*: interim data, unaudited

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

The 3 years business plan (2015-2017) will focus on upgrades and rehabilitations of assets with highest IRR and major power plants, such as Stejaru, Vidraru, Raul Mare Retezat and Mariselu.

Hidroelectrica will continue to:

- 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.



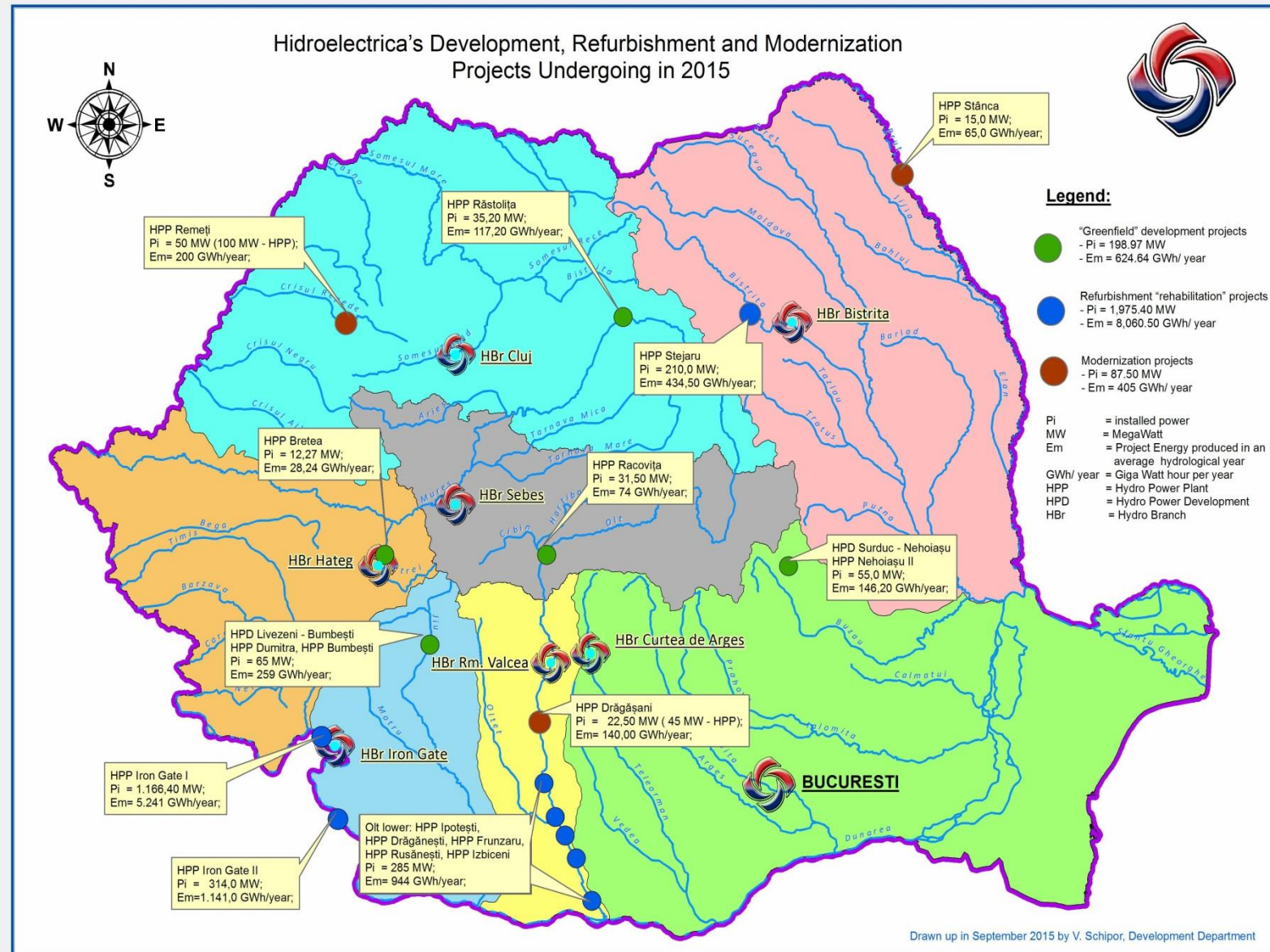
CORPORATE GOVERNANCE

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

Strategic Directions - Major undergoing projects in 2015

2015:

- 5 greenfield projects
- 8 rehabilitation projects
- 2 modernization projects



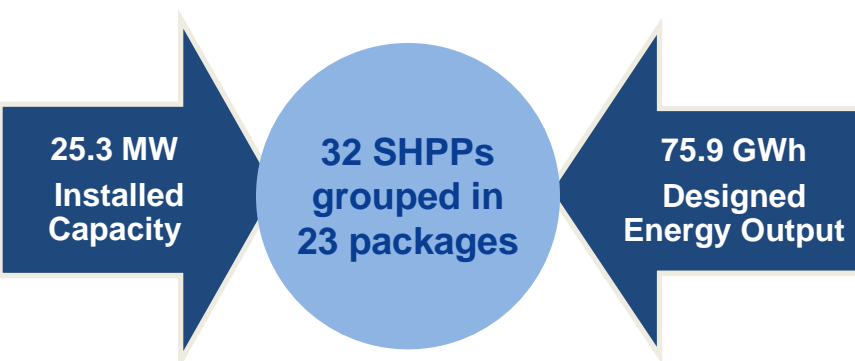
Strategic Directions - Opportunity to invest in generation capacities benefiting of the Small Hydro Support Scheme

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	0.5	3

- **Hidroelectrica's strategic decision is to focus on the production of energy in the large generation capacities, hence the divestment of 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, 28 SHPPs were sold between 2013 and 2015.
- Currently 32 SHPPs grouped in 23 packages of assets are available for sale, totalling 25.3 MW Installed Capacity and 75.9 GWh Design Energy Output.
- This will be followed later by other assets – we estimate some additional 50 SHPPs grouped in approximately 30 packages totalling approximately 35 MW Installed capacity and 120 MW Design Energy Output.



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.

ANNEXES

Hidroelectrica – Assets structure

	Installed Capacity (MW)			Delivered Energy (GWh)			Average Age		
	2013	2014	June 2015	2013	2014	June 2015	<20 years	20 – 50 years	> 50 years
Run of river	3,031.2	3,010.2	3008.4	10,103	11,453	6312			
Storage	3,341.4	3,341.4	3,341.4	4,719	6,766	3140	19.2%	74.0%	6.8%
Pumped storage*	91.5	91.5	91.5	-	-	-			

* Note: excluding 200 MW installed in reversible units

	No. of plants			No. of groups			Installed capacity (MW)		
	2013	2014	June 2015	2013	2014	June 2015	2013	2014	June 2015
Production capacity, out of which:									
CHE+CHEMP (Pi<=10MW)	261	219	217	557	483	479	6464.1	6443.1	6441.3
CHE (Pi>10MW)	149	107	105	297	223	219	268.1	247.1	245.3
	107	107	107	249	249	249	6104.5	6104.5	6104.5
Pumping stations	5	5	5	11	11	11	91.5	91.5	91.5

Strategic Directions - Assets upgrade

- **Rehabilitation & modernization, out of which:**
 - **Rehabilitation of 4 major hydro power plants in the next 5-7 years** – to be performed based on international public auctions:
 - **Stejaru** (installed capacity 210 MW, project budget EUR 78 mn) – the international public auction finalized and rehabilitation contracted concluded;
 - **Vidraru** (installed capacity 220 MW, project budget EUR 78 mn) – 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, project budget EUR 90 mn);
 - **Mariselu** (installed capacity 220 MW, project budget EUR 80 mn) - 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 accepted.
- **Finalizing the construction of certain hydropower plants and dams in advanced stages of completion, out of which: Bretea - 2015, Dumitra-Bumbesti - 2016-2017, Rastolita - 2016, Siriu - 2018, Racovita - 2015.**
- **Maintenance budget – EUR 18 mn/year.**



HIDROELECTRICA
...for a new beginning!

HIDROELECTRICA S.A.

15 – 17 Ion Mihalache Blvd,

Bucuresti RO-011171 , 1st District, ROMANIA

Telephone: +4 021 303.25.00

Fax: +4 021 303.25.64

E-mail: secretariat.general@hidroelectrica.ro.

Birou.presa@hidroelectrica.ro