

F 10-page. 1			
BALANCE SHEET on 31.12.2011			
Form 10		-ROL-	
Description	Row No.	Balance on:	
		01.01.2011	31.12.2011
A	B	1	2
A. FIXED ASSETS			
1. INTANGIBLE ASSETS			
1 .Setting up expenditures (acct.201 -2801)	01		
2. Development expenditures (acct.203-2803-2903)	02		
3. Lease, patents, licenses, trademarks, similar assets and rights, and other intangible assets (acct. 205 + 208 - 2805 - 2808 - 2905 - 2908)	03	1,694,302	5,958,115
4. Goodwill (acct.2071-2807-2907)	04		
5. Prepayment and ongoing intangible assets (acct.233+234-2933)	05		
TOTAL (row 01 to 05)	06	1,694,302	5,958,115
II. TANGIBLE ASSETS			
1. Land and constructions (acct. 211 +212-2811 -2812-2911 -2912)	07	12,551,705,662	12,549,989,571
2. Technical equipments and vehicles (acct. 213 + 223 - 2813 - 2913)	08	2,450,500,664	2,877,318,024
3. Other installations, equipments and furniture (acct. 214 + 224 - 2814 - 2914)	09	31,565,585	29,205,231
4. Prepayments and ongoing tangible assets (acct. 231 + 232 - 2931)	10	4,566,377,878	4,816,164,956
TOTAL (row 07 to 10)	11	19,600,149,789	20,272,677,782
III. FINANCIAL ASSETS			
1. Shares in affiliated entities (acct. 261 - 2961)	12	58,039,420	58,039,420
2. Loans to affiliated entities (acct. 2671 + 2672 - 2964)	13		
3. Participating interests (acct. 263 - 2962)	14		
4. Loans granted to entities the company is connected to by virtue of participating interests (acct. 2673 + 2674 - 2965)	15		
5. Investments as fixed assets (acct. 265 - 2963)	16	900	900
6. Other loans (acct. 2675 ¹ + 2676' + 2677 + 2678 ¹ + 2679 - 2966 - 2968)	17	7,310,337	2,404,636
TOTAL (row 12 to 17)	18	65,350,657	60,444,956
FIXED ASSETS - TOTAL (row 06 + 11 + 18)	19	19,667,194,748	20,339,080,853
B. CURRENT ASSETS			
1. INVENTORY			
1. Raw materials and consumables (acct. 301 + 321 + 302 + 322 + 303 + 323 +/-308 + 351 + 358+ 381 + 328 +/- 388 - 391 - 392 - 3951 - 3958 - 398)	20	79,326,250	104,694,692
2. Ongoing production (acct. 331 + 332 + 341 +/- 348 - 393 - 3941 - 3952)	21		
3. Products and goods (acct. 345 + 346 +/- 348" + 354 + 356 + 357 + 361 + 326 +/-368 + 371 +327 +/- 378 - 3945 - 3946 - 3953 - 3954 - 3956 - 3957 - 396 - 397 - 4428)	22	137,280	136,456
4. Prepayment for inventory purchases (acct. 4091)	23	4,588	
TOTAL (row 20 to 23)	24	79,468,118	104,831,148
II. RECEIVABLES (Amounts to be collected after a period longer than one year should be presented separately for each item)			
F 10 -page. 2			
1. Commercial receivables (acct.2675" + 2676 +2678" +2679' -2966" -2968" + 4092 + 411 +413 + 418-491)	25	288,735,930	339,686,121
2. Amounts receivable from affiliated entities (acct. 451 - 495)	26		1,451,706
3. Receivables from entities the company is connected to by virtue of participating interests (acct. 453 - 495)	27		
4. Other receivables (acct. 425 + 4282 + 431" ¹ + 437" ¹ + 4382 + 441" ¹ + 4424 + 4428** + 444"* + 445 + 446" + 447*" + 4482 + 4582 + 461 + 473" - 496 + 5187)	28	8,381,526	76,940,376
5. Subscribed and not paid in share capital (acct. 456 - 495)	29		
TOTAL (row 25 to 29)	30	297,117,456	418,078,203
III. SHORT-TERM INVESTMENTS			
1. Shares in affiliated entities (acct. 501 - 591)	31		
2. Other short term investments (acct. 505 + 506 + 508 - 595 - 596 - 598 + 5113 + 5114)	32		11,795,247
TOTAL (rows 31 +32)	33		11,795,247
IV. CASH AND BANK ACCOUNTS (acct. 5112 + 512 + 531 + 532 + 541 + 542)	34	99,891,960	77,151,977
ACCOUNTS RECEIVABLES - TOTAL (rows 24 + 30 + 33 + 34)	35	476,477,534	611,856,575

C. ADVANCE CONTRIBUTION (acct. 471)	36	790,917	11,385,684
D. DEBTS: AMOUNTS TO BE PAID WITHIN LESS THAN ONE YEAR			
1. debenture loans, separately presenting convertible debenture loans (acct. 161 + 1681 -169)	37		
2. Amounts owed to credit institutions (acct. 1621 +1622 + 1624 + 1625 + 1627 + 1682 + 5191 +5192 + 5198)	38	701,066,031	1,099,015,938
3. Advances received for orders (acct. 419)	39	8,561,069	38,056,837
4. Commercial debts - suppliers (acct. 401 + 404 + 408)	40	888,101,929	1,125,993,522
5. Bills of exchange payable (ct, 403 + 405)	41	25,388	
6. Amounts due to affiliates (acct. 1661 + 1685 + 2691 + 451***)	42		
7. Amounts due to entities the company is connected to by virtue of participating interest (acct. 1663+1686+2692+ 453***)	43		
8. Other debts, including tax liabilities and social security liabilities (acct. 1623 + 1626 + 167 + 1687 + 2693 + 421 + 423 + 424 + 426 + 427 + 4281 + 431 "*" + 437*** + 4381 +441 "'•+4423 +4428'- +444 •" + 446*** + 447"* +4481 +455 + 456*** + 457 + 4581 +462 + 473* + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	44	131,199,394	376,089,987
TOTAL (rows 37 to 44)	45	1,728,953,811	2,639,156,284
E. NET CURRENT ASSETS/ NET CURRENT LIABILITIES (rows 35 + 36 - 45 - 63)	46	-1,251,718,332	-2,015,937,787
F. TOTAL ASSETS MINUS CURRENT LIABILITIES (rows 19 + 46)	47	18,415,476,416	18,323,143,066
G. DEBTS: AMOUNTS TO BE PAID WITHIN MORE THAN ONE YEAR			
1. debenture loans, separately presenting convertible debenture loans (acct. 161 + 1681 -169)	48		
2. Amounts owed to credit institutions (acct. 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 +5192 + 5198)	49	1,200,336,723	1,418,916,806
3. Advances received for orders (acct. 419)	50		
4. Commercial debts - suppliers (acct. 401 + 404 + 408)	51		
5. Bills of exchange payable (acct. 403 + 405)	52		
6. Amounts due to affiliates (acct. 1661 + 1685 + 2691 + 451 "**)	53		
7 Amounts due to entities the company is connected to by virtue of participating interest (acct. 1663 + 1686 + 2692 + 453***)	54		
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8. Other debts, including tax liabilities and social security liabilities (acct. 1623 + 1626 + 167 + 1687 + 2693 + 421 + 423 + 424 + 426 + 427 + 4281 + 431*" + 437***+4381 +441*" +4423+ 4428*" +444*" +446***+ 447"*+ 4481 +455 + 456*- + 4581 +462 + 473*** + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	55	79.682.703	88.678.076
TOTAL (rows 48 to 55)	56	1,280,019,426	1,507,594,882
H. PROVISIONS			
1. Provisions for pensions an similar obligations (acct. 1515)	57	62,290,875	62,290,875
2. Provisions for taxes (acct. 1516)	58		
3. Other provisions (acct. 1511+1512+1513+1514+1518)	59	39,682,954	22,428,096
TOTAL (rows 57 to 59)	60	101,973,829	84,718,971
I. DEFERRED INCOME			
1. Subsidies for investments (acct. 475)	61	211,122,276	201,823,865
2. Deferred income (acct. 472) - total (rows 63 + 64), out of which:	62	32,972	23,762
Amounts resumed for a period less than one year (acct. 472")	63	32,972	23,762
Amounts resumed for a period longer than one year (acct. 472*)	64		
Negative goodwill (acct.2075)	65		
TOTAL (rows 61 + 62 + 65)	66	211,155,248	201,847,627
J. EQUITY AND RESERVES			
I. EQUITY			
1. Subscribed and paid in share capital (acct. 1012)	67	4,440,967,650	4,449,514,450
2. Subscribed and unpaid in share capital (acct. 1011)	68	31,004,422	24,983,220
3. State owned corporations patrimony (acct. 1015)	69		
TOTAL (rows 67 to 69)	70	4,471,972,072	4,474,497,670
II. SHARE PREMIUM ACCOUNT (acct.104)	71		
III. REVALUATION RESERVES (acct. 105)	72	11,175,780,197	10,976,882,712
IV. RESERVES			
1. Legal reserves (acct. 1061)	73	56,968,396	58,616,281
2. Statutory or contractual reserves (acct. 1063)	74		
3. Reserves representing surplus from revaluation reserves (acct. 1065)	75	672,478,161	852,004,521
4. Other reserves (acct. 1068)	76	140,681,755	128,123,867
TOTAL (rows 73 to 76)	77	870,128,312	1,038,744,669
Own shares (acct. 109)	78		

Profit connected to equity instruments (acct. 141)	79		
Loss connected to equity instruments (acct. 149)	80		
V. CARRIED FORWARD PROFIT OR LOSS BALANCE CREDIT (acct. 117)	81		
BALANCE DEBIT (acct.117)	82	41,791,118	5,124,460
VI. PROFIT OR LOSS FOR THE FINANCIAL YEAR BALANCE CREDIT (acct. 121)	83	292,368,000	6,444,266
BALANCE DEBIT (acct. 121)	84		0
Profit distribution (acct. 129)	85	19,458,290	1.647.885
OWN EQUITY - TOTAL (rows 70+71 + 72+ 77 - 78 + 79 - 80+81 -82 + 83-84-85)] 86		16,748,999,173	16,489,796,972
Public patrimony (acct. 1016)	87	73,361,712	39,208,376
EQUITY - TOTAL (rows 86 + 87) (rows 88=47-56-60-61 -64-65)	88	16,822,360,885	16,529,005,348

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*) Accounts assigned to the nature of the respective elements.

**) Debit balances of the account.

***) Credit balances of the account.

Row 25 – Amounts registered were taken from accounts 2675 to 2679 represents receivables related to financial leasing contracts or other similar contracts due within a period less than 12 months.

DIRECTOR,

PREPARED,

Name and surname

Name and surname

ZACHIA-ZLATEA DRAGOS IOSIF GEORGETA

SERETEAN NINA

Company’s seal
Seal of Hidroelectrica SA

As

13 – Other representative according to the law

Registration number

PROFIT AND LOSS ACCOUNT

on 31.12.2011

Form 20

- ROL -

Description	Row No.	Financial year	
		2010	2011
A	B	1	2
1. Net turnover (rows 02+03-04+05+06)	01	3,273,700,089	3,020,591,574
Sold production (acct.701 +702+703+704+705+706+708)	02	3,268,205,779	3,017,497,114
Sales of merchandise (acct. 707)	03	5,494,310	3,094,460
Discounts (acct. 709)	04		
Revenues from interests registered by entities removed from General Register who have on-going leasing contracts (acct.766*)	05		
Operational subsidies corresponding to net turnover (acct.7411)	06		
2. Revenue expenditures of ongoing production (acct.711+712)			
Credit balance	07		
Debit balance	08		
3. Stored production (acct.721+722)	09	157,219	3,520,106
4. Other operating revenues (acct.758+7417+7815)	10	13,216,561	22,937,737
-out of which, negative goodwill	11		
OPERATING REVENUES - TOTAL (rows 01 + 07 - 08 + 09 + 10)	12	3,287,073,869	3,047,049,417
5. a) Raw materials and consumables expenditures (acct.601 +602-7412)	13	24,186,813	19,946,663
Other material expenditures (acct.603+604+606+608)	14	4,173,595	4,616,042
b) Other external expenditures (electricity and water)(acct.605-7413)	15	628,359,028	1,078,573,777
c) Expenditures regarding merchandise (acct.607)	16	2,152,817	2,582,099
Received discounts (ct, 609)	17		
6. Personnel connected expenses (rows 19 +20), out of which:	18	425,401,675	424,335,206
a) Salaries & wages (acct.641+642+643+644-7414)	19	328,419,655	327,009,876
b) Insurance and social security (acct.645-7415)	20	96,982,020	97,325,330
7.a) Value adjustment regarding tangible and intangible assets (rows 22 - 23)	21	874,218,170	733,298,292
a.1) Expenditures (acct.6811+6813)	22	874,542,626	733,575,227
a.2) Revenues (acct.7813)	23	324,456	276,935
b) Adjustment of current assets value (rows 25 - 26)	24	2,338,102	4,594,261
b.1) Expenditures (acct.654+6814)	25	2,907,600	5,275,274
b.2) Revenues (acct.754+7814)	26	569,498	681,013
8. Other operating expenses (rows 28 to 31)	27	757,847,800	635,198,766
8.1. Expenditures related to third party services (acct.611 +612+613+614+621+622+623+624 +625+626+627+628-7416)	28	706,167,552	583,299,175
8.2. Taxes, duties and similar payments (acct.635)	29	5,547,136	8,378,320
8.3. Other expenditures (acct.652+658)	30	46,133,112	43,521,271
Expenditures from interests registered by entities removed from General Register who have ongoing leasing contracts (acct.666*)	31		
Adjustment of provisions (rows 33 - 34)	32	65,605,899	-17,254,858
- Expenditures (acct.6812)	33	70,224,651	975,727
- Revenues (acct.7812)	34	4,618,752	18,230,585
OPERATING EXPENDITURES - TOTAL (rows 13 to 16 -17 +18 + 21 + 24 + 27 + 32)	35	2,784,283,899	2,885,890,248
OPERATING PROFIT OR LOSS:			
- Profit (rows 12-35)	36	502,789,970	161,159,169
- Loss (rows 35-12)	37	0	0
9. Revenues from shareholdings (acct.7611 +7613)	38	1,089,112	6,652,236
- out of which, revenues from affiliated entities	39	1,089,112	6,652,236
10. Revenues from other financial investments and receivables which are part of the fixed assets (acct.763)	40		
- out of which, revenues from affiliated entities	41		
11. Interest revenues (acct.766*)	42	1,632,549	2,253,494
- out of which, revenues from affiliated entities	43		
Other financial revenues (acct.762+764+765+767+768)	44	121,809,697	129,039,533
FINANCIAL REVENUES - TOTAL (rows 38 + 40 + 42 + 44)	45	124,531,358	137,945,263
12. Adjustment of financial fixed assets and financial investment held as current assets (rows 47 - 48)	46		
- Expenditures (acct.686)	47		

- Revenues (acct.786)	48		
13. Interest expenditures (acct.666*-7418)	49	85,420,482	102,926,484
- out of which, expenditures connected to affiliated entities	50		
Other financial expenditures (acct. 663+664+665+667+668)	51	151,645,939	156,568,004
FINANCIAL EXPENDITURES - TOTAL (rows 46 + 49 + 51)	52	237,066,421	259,494,488
FINANCIAL PROFIT OR LOSS			
- Profit (rows 45 - 52)	53	0	0
-Loss (rows 52-45)	54	112,535,063	121,549,225
14. CURRENT PROFIT OR LOSS:			
-Profit (rows 12 + 45-35-52)	55	390,254,907	39,609,944
- Loss (rows 35 + 52 -12 - 45)	56	0	0
15. Extraordinary revenues (acct.771)	57		
16. Extraordinary expenditures (acct.671)	58		
17. PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITY:			
- Profit (rows 57 - 58)	59	0	0
- loss (rows 58 - 57)	60	0	0
TOTAL REVENUES (rows 12 + 45 + 57)	61	3,411,605,227	3,184,994,680
TOTAL EXPENDITURES (rows 35 + 52 + 58)	62	3,021,350,320	3,145,384,736
GROSS PROFIT OR LOSS:			
- Profit (rows 61 -62)	63	390,254,907	39,609,944
-Loss (rows 62-61)	64	0	
18. Income tax (ct.691)	65	97,886,907	33,165,678
19. Other taxes not included in the above elements (acct.698)	66		
20. NET PROFIT OR LOSS OF THE FINANCIAL EXERCISE:			
-Profit (rows 63-64-65-66)	67	292,368,000	6,444,266
- Loss (rows 64 + 65 + 66 - 63)	68	0	

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*) Accounts assigned according to nature of the respective elements.
Row 19 – this raw includes also collaborators’ rights, established according to labor legislation, taken from debtor turnover account 621 “Expenditures with collaborators” analytic “Collaborators natural persons”

DIRECTOR,	PREPARED,
Name and surname	Name and surname
ZACHIA-ZLATEA DRAGOS IOSIF GEORGETA	SERETEAN NINA
Company's seal Hidroelectrica SA	As
	13 – Other representative, according to the law
	Registration number

SC HIDROELECTRICA SA
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)

	2010	2011
Cash flow from operating activity		
Net profit	292,368,000	6,444,266
Adjustments for non-cash items:		
Operating expenses from depreciation	874,265,692	733,575,227
Loss/(Profit) from disposal of fixed assets	5,495,675	(1,282,308)
Increase /(Decrease) provisions for assets’ depreciation	2,183,191	4,317,326
Increase/(Decrease) in provisions for risk, charges and other assimilated items	65,605,899	(17,254,858)
	97,886,907	33,165,678
Expenditures with income tax	85,420,482	102,926,484
Expenditures with interest	(1,632,550)	(2,253,494)
Interest revenues	(7,432,448)	(6,712,814)
Revenues from subsidies		14,908,374
Losses from differences in rate of exchange due to long term loans	29,670,720	
Operating outcome before changes in working capital	1,443,831,568	867,833,881
Changes in net working capital:		
Inventory	(1,400,533)	(305,398)
Accounts receivables	(13,543,043)	(125,573,699)
Accrued expenses	(177,809)	(10,594,767)
Other assets	(4,827,325)	(6,889,545)
Suppliers	(139,865,165)	261,261,425
Advance revenues and other debts	(28,862,469)	44,218,263
Changes in working capital	(188,676,344)	162,116,279
Paid interests	(87,536,073)	(93,520,704)
Income tax	(51,909,875)	(59,565,230)
	(139,445,948)	(153,085,934)
Net cash flow from operating activity	1,115,709,276	876,864,226
Cash flow used for investment		
Acquisition of property	(1,429,546,260)	(1,470,548,779)
Received interest	1,590,253	2,248,945
Revenue from tangible assets	2,476,931	2,579,789
Net cash flow used for investment	(1,425,479,076)	(1,465,720,045)
Cash flow from financing activity		
Drawings from loans	655,907,145	547,725,093
Loan reimbursement	(237,595,827)	(282,727,758)
Dividends	(11,000,000)	(26,100,000)
Net cash flow from financing activity	407,311,318	238,897,335
Net Increase/(Decrease) of cash and equivalent items	97.541.518	(349.958.484)
Cash and equivalent items at beginning of year	(406.862.676)	(309.321.158)
Cash and equivalent items at end of year	(309.321.158)	(659.279.642)

On 31 December 2011 and 2010 cash and other equivalent items are as follows:

	31 December 2010	31 December 2011
Cash and bank accounts	99.891.960	77.151.977
Treasury loans / Credit lines	(409.213.118)	(736.432.619)
Total cash and equivalent items according to cash flow statement	(309.321.158)	(659.279.642)

Attached notes represent integral part of the present cash flow statement.

Dragos Zachia Zlatea
General Manager
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Georgeta Iosif, Economic manager
Illegible signature

Nina Seretean, Chief of Department,
Consolidated Balance Sheet,
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SC HIDROELECTRICA SA
STATEMENT REGARDING EQUITY MODIFICATIONS
FOR FINANCIAL EXERCISE ENDED ON 31 DECEMBER 2011
(all amounts are expressed in RON unless otherwise stated)

STATEMENT OF EQUITY CHANGES ON 31 DECEMBER 2010

Item of equity	Balance on 31 December 2009	Increase		Decrease		Balance on 31 December 2010
		Total, out of which:	By transfer	Total, out of which:	By transfer	
0	1	2	3	4	5	6
Subscribed, paid in share capital acct. 1012	4,438,084,670	2,882,980	2,882,980			4,440,967,650
Subscribed & unpaid share capital acct. 1011	25,906,827	7,980,575	7,979,423	2,882,980	2,882,980	31,004,422
Reserves from revaluation inventories acct. 105	11,281,517,619	24,520		105,761,942	105,761,942	11,175,780,197
Legal reserve acct. 1061	37,510,106	19,458,290	19,458,290			56,968,396
Reserves from revaluation surplus acct. 1065	566,716,219	105,761,942	105,761,942			672,478,161
Other reserves acct. 1068	128,124,616	20,536,562	12,557,139	7,979,423	7,979,423	140,681,755
Retained earnings – uncovered loss acct. 1 171	(10,274,118)	45,157,139	45,157,139	45,157,139	12,557,139	(10,274,118)
Reported result from correction of material errors acct. 1174	(31,517,000)					(31,517,000)
Financial year outcome (profit) acct. 121	48,377,249	292,368,000		48,377,249	48,377,249	292,368,000
Profit allocation acct. 129	(3,220,110)	(19,458,290)	(19,458,290)	(3,220,110)	(3,220,110)	(19,458,290)
Total equity and inventories	16,481,226,078	474,711,718	174,338,623	206,938,623	174,338,623	16,748,999,173
Public patrimony acct. 1016	73,361,712					73,361,712
Total equity, inventories and public patrimony	16,554,587,790	474,711,718	174 338 623	206 938 623	174 338 623	16 822 360 885

Dragos Zachia Zlatea
General Manager
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Seal of Hidoelectrica SA

Georgeta Iosif
Director Economic

Nina Seretean
Chief of Consolidated Balance
Sheet Dept.

SC HIDROELECTRICA SA
STATEMENT REGARDING EQUITY MODIFICATIONS
FOR FINANCIAL EXERCISE ENDED ON 31 DECEMBER 2011
(all amounts are expressed in RON unless otherwise stated)

STATEMENT OF CHANGES OF EQUITY ON 31 DECEMBER 2011

Item of equity	Balance on 31 December 2009	Increase		Decrease		Balance on 31 December 2010
		Total, out of which:	By transfer	Total, out of which:	By transfer	
0	1	2	3	4	0	1
Subscribed, paid in share capital acct. 1012	4,440,967,650	8,546,800	8,546,800			4,449,514,450
Subscribed & unpaid share capital acct. 1011	31,004,422	2,525,598	2,525,618	8,546,800	8,546,800	24,983,220
Reserves from revaluation inventories acct. 105	11,175,780,197	83,595		198,981,080	198,981,080	10,976,882,712
Legal reserve acct. 1061	56,968,396	1,647,885	1,647,885			58,616,281
Reserves from revaluation surplus acct. 1065	672,478,161	198,981,080	198,981,080	19,454,720	19,454,720	852,004,521
Other reserves acct. 1068	140,681,755	2,525,618		15,083,506	15,053,506	128,123,867
Retained earnings – uncovered loss acct. 1171	(10,274,118)	273,405,318	273,405,318	263,131,200		-
Reported result from correction of material errors acct. 1174	(31,517,000)	(5,124,460)		(31,517,000)	(31,517,000)	(5,124,460)
Financial year outcome (profit) acct. 121	292,368,000	6,444,266		292,368,000	292,368,000	6,444,266
Profit allocation acct. 129	(19,458,290)	(1,647,885)	(1,647,885)	(19,458,290)	(19,458,290)	(1,647,885)
Total equity and inventories	16,748,999,173	487,387,815	483,458,816	746,590,016	483,458,816	16,489,796,972
Public patrimony acct. 1016	73,361,712	2,520,006		36,673,342		39,208,376
Total equity, inventories and public patrimony	16,822,360,885	489,907,821	483,458,816	783,263,358	483,458,816	16,529,005,348

Dragos Zachia Zlatea
General Manager

Georgeta Iosif
Director Economic

Seal of Hidoelectrica SA

Nina Seretean
Chief of Consolidated Balance
Sheet Dept.

SC HIDROELECTRICA SA
STATEMENT REGARDING EQUITY MODIFICATIONS
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A. SUBSCRIBED SHARE CAPITAL

Subscribed share capital on 01.01.2011 was in amount of **4,471,972,072** RON, representing:

- Subscribed and paid in share capital : 4,440,967,650 RON
- Unpaid share capital: 31,004,422 RON

On 31.12.2011 subscribed share capital is in amount of **4,474,497,670** RON, representing:

- Subscribed and paid in share capital: 4,449,514,450 RON
- Unpaid share capital: 24,983,220 RON

SC Hidroelectrica SA subscribed share capital in amount of 4,449,514,450 RON, integrally paid, was divided on shareholders, corporate shareholders, as follows:

1 .STATE represented by Ministry of Economy, Commerce and Business Environment, as shareholder, with:

- Capital contribution: 3,562,107,740 RON
- No. of shares: 356,210,774
- Participation quota to profit and loss : 80.0561%

2.SC "FONDUL PROPRIETATEA" SA, as shareholder, with:

- Capital contribution: 887,406,710 RON
- No. of shares: 88,740,671
- Participation quota to profit and loss: 19.9439%

The documents were registered at the Trade Register under Bucharest Court jurisdiction with no. 408156 dated 27.10.2011.

1. Subscribed and paid in share capital in value of **4,449,514,450** RON on 31 December 2011 represents:

3,485,599,880 RON – subscribed and paid in share capital at date of incorporation, pursuant to Government Decision no. 627/2000.

Increase of share capital in value of **967,936,690** RON as follows:

a) 49,080 RON – value increasing the subscribed and paid in share capital according to Resolution no. 131/08.01.2003 of Bucharest Trade Register, regarding the merge with SC Energetica;

b) 462,644,000 RON - value increasing subscribed and paid in share capital according to Register's statement dated 07.01.2004 following the mention no. 246596/22.11.2003 containing also the value of 148,208,230 RON, representing cash received from Special Fund for Development of Energetic System between 1998 - 2000, taking into consideration Romanian Court of Auditors Decision, Department of Subsequent Control no. 189/01.07.2001;

c) 13,435,110 RON – value increasing the share capital pursuant to Additional Act no. 482/11.01.2005, Decision no. 24/01.09.2004 of the Extraordinary Shareholders' Meeting, registered at the Trade Register on 14.01.2005, based on judge's acknowledgement no. 1879/14.01.2005.

The 2004 increase represents

- 9.330 RON, difference between value registered in accounting of the ownership title certificate, series M03 no.6906/2001 and evaluation sent together with the letter signed by the Evaluation commission, according to point 2 of Decision no. .24/A.I/2004 of Romanian Court of Accounts;

- 13.425.780 RON, representing value of the lands with ownership title certificate for the period 01 July 2003 - 31 July 2004;

d) 11.115.190 RON – value increasing the share capital, representing lands' value with ownership title certificate, increase contained in additional act no. 9/17.01.2006, registered at Trade Register on 08.02.2006, based on judge's acknowledgement no 5518/07.02.2006;

e) 442.547.150 RON - value increasing the share capital, representing value of favorable differences from subsequent revaluation pursuant to regulations in force, GD no.403/2000 and GD no. 1553/2003, for the lands the company has obtained ownership certificates. The increase took place pursuant to Law no. 516/2006 regarding amendment of Law no. 302/2005 for update and amendment of Law 31/1990 regarding companies. The increase was approved by General Meeting of Shareholders (GMS) no. 5Bis/2007 registered at the Trade Register on 23.03.2007 based on judge's acknowledgement no. 15039/21.03.2007;

f) 19.718.980 RON – value increasing the share capital according to GMH no. 15/2007, registered at the Trade Register on 24.10.2007, having certificate no. 453632 based on judge's acknowledgement no. 60433/22.10.2007.

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This increase represents:

4.669.711 RON – value of certificate attesting ownership title obtained between 01.09.2005 -30.09.2006;
15.049.269 RON – assessed value according to Lands' Evaluation Report for which SC Hidroelectrica SA has obtained the certificate attesting ownership title between 01.09.2005 - 30.09.2006;

g) 512.890 RON - value increasing the share capital, representing lands' value with ownership certificate title approved with Board of Directors Decision no. 3/2008, registered at Trade Register on 29.05.2008, based on judge's acknowledgement no.42457 dated 29.05.2008;

h) 667.240 RON - value increasing the share capital, representing lands' value having ownership certificate approved with Board of Directors Decision no. 9/2008, registered at Trade Register on 03.11.2008, based on judge's acknowledgement no. 79195/03.11.2008;

i) 1.555.500 RON - value increasing the share capital, representing lands' value having ownership certificate approved in August 2008, by Board of Directors Decision no. 11/2008, registered at Trade Register on 13.01.2009, based on mention no. 11160/13.01.2009;

j) 1.037.240 RON - value increasing the share capital, representing lands' value having ownership certificate approved in December 2008 and March 2009, with Board of Directors Decision no. 2/2009, registered at Trade Register on 04.06.2009, based on mention no. 291236/04.06.2009;

k) 3.224.530 RON value increasing the share capital according to Board of Directors Decision no. 7/2009, registered at Trade Register on 12.10.2009 based on mention no. 487748/12.10.2009.

This increase means:

189.250 RON – value of the lands having obtained the ownership title by court decision (SH Buzău);
3.035.280 RON – value representing certificate attesting ownership right obtained in period 01.06.2009 -31.08.2009;

l) 2.882.980 RON - value increasing the share capital according to Board of Directors Decision no. 14/2009, registered at Trade Register on 23.04.2010, based on mention no. 182301/2104.2010, representing counter value for lands having certificate attesting ownership for period 30.03.2007 - 24.11.2009;

m) 8.546.800 RON - value increasing the share capital according to Board of Directors Decision no. 9/08.09.2011, registered at Trade Register on 27.10.2011, based on mention no. 408156/27.10.2011.

This increase means:

313.969 – value of the lands having obtained the ownership title by court decision (SH Buzău);
8.232.831 - value representing certificate attesting ownership title obtained between 23.02.2010 -07.03.2011.

Decrease of share capital in amount of 4.022,120 RON represents:

a) 2.173.230 RON – value that deducted SC Hidroelectrica SA share capital in 2004 according to Decision of the Extraordinary Meeting of Shareholders no.31/2003 and publication in the Romanian Official Gazette no. 1090/15.04.2004. The decrease took place based on Protocols concluded with SN TRANSELECTRICA SA, SC Electrica SA, and ANRE pursuant to GD no. 627/2000 and transfers free of charge to local public administrations, pursuant to Law no. 137 art.15 paragr.1 and 5;

b) 1.799.810 RON - value that deducted SC Hidroelectrica SA share capital in 2004, according to Decision of the Extraordinary Meeting of Shareholders no 28/22.10.2004, contained in the additional act no. 2/22.02.2005, registered at Trade Register on 23.05.2005 based on judge decision no. 24033/23.05.2005. This deduction represents value of the assets having social character transferred to the Local Commissions, pursuant to Law no.137/2002, with further updates and amendments;

c) 49.080 RON - value that deducted SC Hidroelectrica SA share capital, according to Decision of the Extraordinary Meeting of Shareholders no. 1/24.01.2008, regarding mention no. 84620/28.02.2008 for registration of the updated memorandum, registered at Trade Register on 03.03.2008, based on judge decision no. 16715/03.03.2008. This deduction represents free transfer of Tismana Complex from State ownership to Ministry of Culture and Religious Affairs administration and free use given to Oltenia Metropolitan, pursuant to GD no.1191/2006.

2. Subscribed and unpaid share capital in amount of **24,983,220 RON** is mainly represented by value of lands having certificates attesting ownership title obtained between 01.10.2006 - 31.12.2011 in value of 24,998,892 RON (Annex 1). Documents will be sent to Trade Register in order to increase the subscribed and paid in share capital in compliance with the legislation in force. Also, during 2009, Company has registered in the subscribed and unpaid share capital the value of a land transferred free of charge to Brezoi City hall having a value of (15,672 RON) (SH Rm Vâlcea).

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Increases or deductions of SC Hidroelectrica SA share capital should perform according to provisions of art. 207 – 221 of Law 31/1990 regarding companies, republished, amended and updated as well as according to provisions of art.8 of GD no. 627/31.07.2000 Annex 4.1 – Company Memorandum, amended, completed and updated according to the legal dispositions in force. Special legal dispositions were applied for the increase of the share capital with the in kind contribution representing value of the lands with Certificate attesting ownership due to "specialia generalibus derogant" rule, exempted from Law no. 99/1999, with further amendments and updates, with reference to art. 12 Law no. 137/2002, with further amendments and updates, art. 9¹ of title VII Law no..247/2005, with further amendments and updates.

Failure to increase the share capital with the above mentioned lands, should not take place before end of 2011, pursuant to GD no. 56/2010 SC Hidroelectrica SA has started the process of division and fusion in order to form National Company Hidroenergetica SA and National Company Electrica SA. In this respect, Ministry's of Economy, Commerce and Business Environment Order no. 2033/2011 mentioned: „...any operation regarding changes of company's share capital should not be performed until the fusion process is completed”. Currently, due to revocation of Decision no. 56/2010, the share capital has been increased with the value of these lands.

B. REVALUATION RESERVES

Reserves from revaluation obtained from revaluation of tangible assets were on 01.01.2011 in amount of **11,175,780,197 RON**.

On 31 December 2011, revaluation reserves due to fixed assets were in amount of **10,976,882,712 RON**.

In balance account the value of 198,981,080 RON (Annex 2) represents revaluation reserves due to integrally depreciated assets, discarded, sold, or given away free of charge, being transferred to “ Reserves from revaluation surplus – acct. 1065”.

C. LEGAL RESERVES

Pursuant to order of the Ministry of Public Finances no.128/16.02.2005 and no. 144/15.02.2005, regarding regulations applicable to companies, namely art.4 of GD no. 64/2001 for distribution of profit at state-owned units, with further updates and amendments, legal reserves represent amounts calculated by applying a 5% percentage on the annual accounting profit, before establishing income tax, deducting non-taxable income, others than the ones obtained from cancellation of provisions or expenditures without exemption. To these we add the non-taxable income until the legal reserves will reach one fifths of share capital, subscribed and paid in, pursuant to Law no. 31/1990.

For 2011 financial exercise, legal reserves were determined as follows:

Annual accounting profit	39,609,944
- Non-taxable income	6,652,236
=TOTAL	32,957,708
Legal reserves (5%)	1,647,885

Account balance on 31.12.2011 is in amount of 58,616,281 RON, representing:

- 56,968,396 RON legal reserves established in the previous years;
- 1,647,885 RON legal reserves established from 2011 accounting profit.

D. RESERVES REPRESENTING REVALUATION SURPLUS

Balance at the end of 2011 financial exercise is in amount of **852,004,521 RON** obtained from transferring revaluation surplus realized for fixed assets removed from the records by disposal, yielding and fully depreciated fixed assets. In 2011 transfers in surplus revaluation accounts were in amount of **198,981,080 RON** (Annex 2), as follows:

- For assets disposed of and discarded: 5,799,826 RON;
- For fully depreciated assets: 193,181,254 RON.

E. OTHER RESERVES

Balance of account 1068 „Other reserves" on 31.12.2011 is **128,123,867 RON** and represents the following items:

- 29,584,437 RON, own financial sources consisting of profit distribution from previous years;
- 97,000,000 RON, "Other reserves within the limit of 6% from revenues realized according to GD no.89/2004" registered until 31 December 2005;
- 1,539,430 RON, plus value resulted after land's evaluation established as in kind contribution to Hidroserv companies share capital.

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F. REPORTED RESULT

Account 1174 "Reported result from correction of material errors"

In 2011 the account has registered expenditures due to other previous periods, namely 2007 -2010, in amount of 6,100,548 RON, representing late payment invoiced for refurbishment works in Slatina, Porțile de Fier and Ramnicu Vâlcea subsidiaries. Correction of accounting errors for previous financial periods based on reported result determines correction of fiscal statements regarding profit tax for the years the expenses refer to, resulting amendment on profit tax, in the sense of decreasing with the amount of 976,088 RON, based on reported result.

Thus, on 31.12.2011 final balance of account 1174 " Reported result from correction of material errors " is in amount of **5,124,460 RON**.

G.RESULT OF FINANCIAL EXERCISE

Balance of accounting profit after profit tax on 31 December 2010 in amount of 292,368,000 was assigned to the following destinations:

- Legal reserve (5%) in amount of 19,458,290 RON;
- Cover the accounting loss of 2003 in amount of 9,778,510 RON. Difference of 495,608 RON of the total accounting loss from 2003 was covered from the reserve representing the revaluation surplus;
- Dividends due to shareholders in value of 263,131,200 RON.

Furthermore, the loss in value of 31,517,000 RON representing value for the provision of employee benefits was covered as follows:

- Other reserves, established as own financing resources from distribution of profit for 2009, in amount of 12,557,888 RON;
- Reserve representing surplus realized from revaluation reserves in amount of 18,959112 RON.

2011 Financial exercise ended with a gross profit of 39,609,944 RON, and net profit of 6,444,266 RON. Out of the net accounting profit of 2011 financial exercise was calculated the legal reserve of 5% in amount of 1,647,885 RON. Subsequently the General Meeting of Shareholders will decide the destination of the remaining profit, according to GD no. 64/2001 approved by Law no. 769/2001 with further amendments, Ministry of Public Finances Order no. 128/2005 and no. 144/2005.

H. PUBLIC PATRIMONY

On 31 December 2011, inventory of assets of states public domain is in amount of 3,474,417,706 RON increased vs. 2010 with 36,673,342 **RON** according to Government Decision no. 336/2011, published in the Official Gazette no. 313 dated 06.05.2011 Annex 1 and 2 inventory of assets of public domain, representing investments started in 2006 - 2008.

Inventory values approved for subsidiaries in 2006 - 2008:

SH Hațeg	151,563 RON
SH Caransebeș	8,029,295 RON
SH Bistrița	229,365 RON
SH Buzău	9,097,795 RON
SH Targu Jiu	6,477,019 RON
SH Sibiu	8,524,993 RON
SH Sebeș	4,163,312 RON

Subsidiary	Name	Amount (RON)
SH HAȚEG	Refurbishment works Strei	151,563
SH CARANSEBEȘ	AHE Bistra - Poiana Mărului	8,029,295
SH BISTRIȚA	Pier left shore Vicov	229,365
SH BUZĂU	AHE Cosmesti - Movileni	9,097,795
SH TARGU JIU	Cerna Dam	475,222
	Clocotis Dam - Dam of concrete arch	6,001,797
	TOTAL SH TARGU JIU	6,477,019
SH SIBIU	Dam right bank HPP Cornetu	5,328,121
	Dam left bank HPP Cornetu	3,196,872
	TOTAL SH SIBIU	8,524,993
SH SEBEȘ	Cugir Dam	3,748,935
	Tau Dam	264,308
	Regularization Halda Gilceag	11,377
	Regularization Torent Gilceag	10,673
	Regularization caption downstream Sugag	128,019
	TOTAL SH SEBEȘ	4,163,312
	TOTAL GENERAL	36,673,342

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On 31 December 2011, value of goods of the approved inventory of state public domain is in amount of **3,474,417,706 RON** administrated by SC Hidroelectrica and divided as follows:

- Dams in value of 1,632,657,572 RON;
- Piers in value of 1,585,267,518 RON;
- Canal lock in value of 256,492,616 RON.

Situation of certificates attesting ownership title over the lands obtained
by SC Hidroelectrica SA between 2006 - 2011 increasing subscribed and paid in share capital

No.	Certificate Series/no./date	Description/ Name	Area (sq.m.)	Value Assesor's Report
1	M03 10541/ 14.11.2006	Inlet Gilău- Florești and CHE Florești I	226,498.00	3,218,090
2	M03 10542/ 14.11.2006	CHE Gilău I and related facilities	37,332.00	771,512
3	M03 10684/ 13.02.2007	Headquarter of Electrical Plant Crisuri- Oradea	4,183.00	114,812
4	M03 10849/ 15.11.2007	CHE Leșu	4,155.00	61,702
5	M03 12274/ 20.12.2011	CHEMP Restitution	2,897.47	18,720
6	M03 12272/ 20.12.2011	CHEMP Nimaiesti – main office	1,818.80	142,165
7	M03 12271/ 20.12.2011	CHEMP Nimaiesti -basin comp.Pociovalistea	4,435.76	38,294
8	M03 12334/ 15.12.2011	CHEMP Boga 2 – Intake and basin comp. Valea Rea	882.48	35,330
9	M03 12276/ 20.12.2011	CHEMP Boga 2 - Intake and basin comp.Oscii	2,013.96	91,556
10	M03 12275/ 20.12.2011	CFIEMPCET Dam	4,989.57	327,634
11	M03 12273/ 20.12.2011	Crossing Salhis	979.00	16,530
12	M03 10723/ 30.03.2007	Storage of equipments	13,888.82	358,364
13	M03 10905/ 12.03.2008	M.H.C. Bistra Noua	1,182.00	17,553
14	M03 10685/ 15.02.2007	Limnimeter Bazias	100.36	1,556
15	M03 10571/ 30.11.2006	Access road, central platform and CHE Arcești	9,353.77	157,061
16	M03 10572/ 30.11.2006	Platform right bank downstream CHE Arcești	48,807.11	819,530
17	M03 10574/ 30.11.2006	Access road, central platform and CHE Strejești	4,654.68	78,158
18	M03 10792/ 12.09.2007	Hoteagu Secondary caption	1,422.67	11,950
19	M03 10793/ 12.09.2007	Crossing Hoteagu	1,594.00	13,390
20	M03 10794/ 12.09.2007	Blazu Secondary caption	1,268.18	8,598
21	M03 10795/ 12.09.2007	Dârjala Secondary caption	854.24	5,792
22	M03 10796/ 12.09.2007	Huluzu I Secondary caption	1,881.42	15,804
23	M03 10798/ 12.09.2007	Turcu I Secondary caption	1,884.85	15,833
24	M03 10800/ 12.09.2007	Dobrun II Secondary caption	519.15	4,361
25	M03 10801/ 12.09.2007	Balindru I Secondary caption	2,070.38	17,388

26	M03 10802/ 12.09.2007	Steaja Secondary caption	2,704.62	22,719
27	M03 10803/ 12.09.2007	Goața I Secondary caption	970.36	8,148
28	M03 10804/ 12.09.2007	Haneș III Secondary caption	736.32	6,185
29	M03 10805/ 12.09.2007	Haneș IV Secondary caption	1,063.12	8,930
30	M03 10843/ 15.11.2007	Balindru I Crossing	1,135.11	9,540
31	M03 10844/ 15.11.2007	Steaja Crossing	332.20	2,790
32	M03 10797/ 12.09.2007	Huluzu II Secondary caption	658.31	5,530
33	M03 10845/ 15.11.2007	Cerna Crossing	457.90	3,846
34	M03 10846/ 15.11.2007	Bistricioara Crossing	76.98	721
35	M03 10847/ 15.11.2007	Valea Danului Caption	409.79	3,442
36	M03 10848/ 15.11.2007	MHC Horezu 2 Romani	1,591.23	31,732
37	M03 10686/ 15.02.2007	CHE Strejesti Platform right bank downstream	52,546.55	882,320
38	M03 12203/ 10.10.2011	Furnica Caption	694.10	20,470
39	M03 12204/ 10.10.2011	Goata II Caption	1,307.83	45,349
40	M03 12205/ 10.10.2011	Balindru II Caption	1,483.31	41,700
41	M03 12214/ 12.10.2011	Recea Caption	458.15	14,124
42	M03 12207/ 10.10.2011	Jiet (Hunedoara county) Caption	3,170.25	87,077
43	M03 12208/ 10.10.2011	Groapa Seaca II Caption and Gallery (county Hunedoara)	4,414.23	132,550
44	M03 12326/ 05.12.2011	Secondary caption Capraretu	1,109.05	38,730
45	M03 12327/ 05.12.2011	Secondary caption Țiganul Stâng	2,700.00	122,201
46	M03 12328/ 05.12.2011	Secondary caption Țiganul Drept	3,200.00	144,479
47	M03 12329/ 05.12.2011	Secondary caption Herta	1,099.14	50,783
48	M03 12330/ 05.12.2011	Secondary caption Gaujani	486.81	18,009
49	M03 12331/ 05.12.2011	Secondary caption Garcu I	3,059.94	104,038
50	M03 12332/ 05.12.2011	Secondary caption Garcu II	299.21	11,669
51	M03 12333/ 05.12.2011	Secondary caption Izvorul Floarei	1,074.86	37,591
52	M03 10573/ 30.11.2006	Access road, central platform and CHE Slatina	6,104.88	102,508
53	M03 10576/ 30.11.2006	Platform left bank downstream CHE Ipotești	63,210.50	1,000,154
54	M03 10577/ 30.11.2006	Access road, central platform and CHE Drăgănești	12,951.27	225,833
55	M03 10578/ 30.11.2006	Access road, central platform and CHE	14,406.32	227,945

	08.12.2006	Izbiceni		
56	M03 10579/ 08.12.2006	CHE Rusănești Technical and social group	1,862.39	29,468
57	M03 10580/ 04.12.2006	Access road, central platform and CHE Rusănești	9,067.15	143,466
58	M03 10581/ 04.12.2006	Platform left bank downstream CHE Frunzării	32,019.82	506,637
59	M03 10582/ 04.12.2006	Access road, central platform and CHE Frunzării	11,471.87	181,515
60	M03 10583/ 04.12.2006	Technical and social group CHE Drăgănești	3,854.61	67,213
61	M03 10584/ 08.12.2006	Platform left bank downstream CHE Drăgănești	166,833.48	2,909,092
62	M03 10687/ 15.02.2007	Platform right bank downstream CHE Slatina	25,588.85	429,668
63	M03 10688/ 15.02.2007	Platform right bank downstream CHE Frunzării	202,997.43	3,211,947
64	M03 10689/ 02.03.2007	Platform 1 bank downstream CHE Izbiceni	45,445.14	719,060
65	M03 10690/ 02.03.2007	Platform 2 bank downstream CHE Izbiceni	311,931.52	4,935,568
66	M03 10518/ 27.10.2006	Technical building – Access to Tismana gallery	554.51	9,132
67	M03 10519/ 27.10.2006	Access road and castle balance	8,976.01	147,821
68	M03 10520/ 27.10.2006	Building UCCH Tismana	695.17	11,448
69	M03 10715/ 02.04.2007	Crossing Tismana	1,240.89	20,436
70	M03 10716/ 02.04.2007	Tismana Secondary caption	1,666.04	27,437
71	M03 10717/ 02.04.2007	Cioclovina Secondary caption	3,054.78	50,308
72	M03 10718/ 02.04.2007	CHE Tismana Upstream	4,152.39	75,088
73	M03 10719/ 02.04.2007	Tismana Cassette Channel	33,195.18	600,268
74	M03 10776/ 30.07.2007	Plant Ciocotiș, forced duct, Station 110 Kv, Technical block , Repair workshop	4,207.61	43,465
75	M03 10778/ 30.07.2007	Bistricioara Secondary caption	2,467.26	31,063
76	M03 10515/ 27.10.2006	Pocruia Secondary caption	828.18	13,639
77	M03 10516/ 27.10.2006	Tismana House of Valves	7,037.02	115,889
78	M03 10517/ 27.10.2006	Tismana Balanced Castle	1,514.96	24,949
79	M03 10521/ 27.10.2006	Building P+2 Tismana	1,945.67	32,042
80	M03 10779/ 30.07.2007	Protection area for tracking and safety elements AHE Vâja, Vâja access road and gate chamber	37,727.34	389,723
81	M03 10777/ 30.07.2007	Ciocotiș Balanced Castle	105.05	1,084
82	M03 10780/ 30.07.2007	Protection area and safety Ciocotiș dam, access road and culvert plug	9,109.00	79,430
83	M03 12269/ 05.12.2011	Neagra compensating basin	668.00	5,500
84	M03 12270/ 05.12.2011	Bolovanis compensating basin	1,888.00	15,510

85	M03 12199/ 04.08.2011	MHC Rășinari	1,549.91	40,440
86	M03 12200/ 04.08.2011	MHC Talmaciu	3,746.77	43,470
87	M03 12201/ 04.08.2011	CHE Sadu V – Road access to gate chamber, balance castle, Sadurel pipe	20,101	314,320
TOTAL				24,998,891

Revaluation effect on account 1065 turnover:

No	Name of subsidiary	Value of fixed assets integrally depreciated	Value of fixed assets assigned or discarded	TOTAL subsidiaries
1	SH Portile de Fier	115,639,253		115,639,253
2	SH Hațeg	8,039,433	4,994,641	13,034,074
3	SH Bistrița	11,669,610	111,907	11,781,517
4	SH Curtea de Argeș	4,440,381		4,440,381
5	SH Ramnicu Vâlcea	641,451	484,662	1,126,113
6	SH Cluj	10,326,697	151,180	10,477,877
7	SH Buzău	6,190,836	762	6,191,598
8	SH Caransebeș	6,520,576		6,520,576
9	SH Targu Jiu	2,922,763	56,674	2,979,437
10	SH Sebeș	95,062		95,062
11	SH Slatina	371,283		371,283
12	SH Oradea	19,510,193		19,510,193
13	SH Sibiu	6,813,716		6,813,716
TOTAL		193,181,254	5,799,826	198,981,080

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This value is registered in off balance sheet record, account 8038.01 „Public patrimony assigned assets” pursuant to MFD.94” (MPFD no.3055/2009, art.81 paragr.(2)).

On 31.12.2011 balance of public patrimony account" is in amount of **39.208.376 RON**, representing:

Name of subsidiary	Objective name	Amount (RON)
SH SIBIU	Cornetu Avrig - Dam CHE Robești (from FS)	73,671
	Cornetu Avrig – Pier left bank CHE Robești (from FS 2001 - 2002)	48,831
	Cornetu Avrig - Pier left bank CHE Robești (from FS 2003 - 2004)	205,588
	Cornetu Avrig - Pier right bank CHE Robești (from FS)	2,191,916
	Ongoing assets from public patrimony domain	13,928,089
	TOTAL SH SIBIU	16,448,095
SH BISTRITA	Planning Hidroenergetica Pașcani, taken from Apele Romane (Baragge, pier)	22,760,281
	TOTAL	39,208,376

Investments not functional on 31.12.2011, namely completed investments but not included in assets inventory of public domain, realized from subsidies and special funds.

NOTE NO. 1

FIXED ASSETS

a) Intangible assets

	Development costs	Assignment, patents, license, trademarks and other intangible assets	Ongoing advance and intangible assets	TOTAL
Cost of acquisition				
Balance on 1 January 2011	9,000	21,304,071	-	21,313,071
Increases		5,843,179	14,679	5,857,858
Deductions		827,221	14,679	841,900
Balance on 31 December 2011	9,000	26,320,029	-	26,329,029
Accumulated depreciation				
Balance on 1 January 2011	9,000	19,609,769	-	19,618,769
Depreciation registered throughout exercise		1,579,366		1,579,366
Reductions or resumption		827,221		827,221
Balance on 31 December 2011	9,000	20,361,914	-	20,370,914
Net accounting value on 1 January 2011	-	1,694,302	-	1,694,302
Net accounting value on 31 December 2011	-	5,958,115	-	5,958,115

On 31.12.2011, intangible assets represent **5,958,115 RON**, with a net increase of 4,263,813 RON vs. 2010, mainly determined by software and licenses acquisition.

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Company’s tangible assets consist mainly of plants, energy pumping stations, hydro power plants, dams, piers, locks. Company manages a number of 274 hydro power plants and energy pumping stations, with an installed capacity of 6,443.30 MW.

The main startups in 2011 are the following:

- AHE Bistra Poiana Mărului, Ruieni, Poiana Rusca; caption and CHEMA Râul Alb - 2 hydro aggregate type Francis horizontally;
- Consolidation and development of Curtea de Argeș downstream dam, damaged in 2005 by floods, development of sport grounds affected by floods;
- Increasing awareness of safety in exploitation at Frunzaru caption, and Galbeni caption;
- Closure and consolidation of right pier on km 0 - km 3, works to Galbeni caption;
- CHE Bacău - pitching modernization and hydro isolation of supply channel and loading chamber;
- Modernization works to general installations and own services (HA 2) CHE Zăvideni, automation and monitoring;
- Modernization works to hydro generator no.2 CHE Zăvideni, CHE Ionesti, hydro generator no. 3 CHE Lotru-Ciunget;
- Modernization general services installations and own services (HA 2) CHE Ionesti, automation and monitoring;
- Modernization hydropower no. 1 CHE Vaduri;
- Setting up 5 new groups on Inferior Olt together with the other 10 already completed, thus 15 groups of the 20 proposed for upgrading are functional at the end of 2011;
- Setting in SH Caransebeș of MHC Râul Alb (2x 0.4 MW in 24.06.2011 with an energy of $E_p = 1,5$ GWh/year);
- Restoring in SH Porțile de Fier the HA 2 of CHE Porțile de Fier II after refurbishment works (in 26.05 to the new power of 31,4 MW, while old power was of 27 MW).

Operating tangible assets and advances have registered an increase of 249,787,078 RON to 2010, determined by continuing and starting new significant investments regarding rehabilitation and increase of installed power of some important hydro energetic plants.

- Refurbishment projects in SH Porțile de Fier (PFII and PF I Lock) and SH Slatina;
- Significant investment works regarding refurbishments and increase of installed capacity of some hydro units: CHE Pașcani; AHE Șiret river on Cosmesti – Movileni section, CHE Cosmesti (SH Bistrița); AHI Rastolita; AHE Runcu - Firiza, CHE Firiza I and II (SH Cluj); Fitting of Jiu Bumbesti Livezeni (SH Targu Jiu); AHE Bistr; Piatra Mărului and AHE Cerna Belareca; AHE Bistra, Ruieni, Poiana Rusca, Secondary caption Sebeșul Mare - Ruieni Sebesel - Cuntu section (SH Caransebeș), AHE Siriu Surduc (SH Buzău), AHE of Strei river (SH Hațeg), AHE Olt river sector Cometu - Avrig (SH Sibiu); AHE Olt river on Făgăraș - Hoghiz sector; AHE Jiu river on Valea Sadulu - Vădeni sector.

Initially tangible assets are evaluated at acquisition cost. Part of the tangible assets were revaluated based on some Government Decisions ("GD") 945/1990, 2665/1992, 500/1994 and 983/1999, by indexing the historical cost mentioned in the respective decisions. Increases of tangible assets accounting values resulted from revaluations were registered in revaluation reserves.

On 31 December 2000 tangible assets were revaluated based on GD no. 403/2000. Pursuant to GD no. 403/2000 value resulted from applying previous government’s decisions for revaluation of tangible assets and accumulated depreciation were indexed with cumulative inflation index at the acquisition date or the last revaluation or the date of the balance sheet. Simultaneously, GD no. 403/2000 mentioned the need to adjust the index value by comparison to the value in use and market value. The increase of the accounting value resulted after revaluation was credited to revaluation reserve, and subsequently, the share capital was increased.

On 31 December 2003 lands and tangible assets rated in group 1 – constructions and group 2 – technological equipment were revaluated according to provisions of GD no. 1553/2003.

A technical commission appointed by the company revaluated the tangible assets’ of items contained in group 1 and group 2.

Afterwards, on 31 December 2004, only the lands were revaluated (depreciated tangible assets) only for the ones holding attesting ownership certificate.

The last revaluation was on 31.12.2009 and was focused on the fixed assets of group 1 – Buildings and special constructions and group 2 – Technological equipment (machinery and work equipment). Revaluation was performed by a company hired by auction, according to GD no 34/2004 recognized by ANEVAR, namely ISPH, using indexed updating process, wear and tear depreciation.

In 2011, according to the accounting policy adopted by regulations, depreciation was adjusted to assets that were not functional due to application of force majeure clause, starting with 30 September 2011, because the severe drought conditions the company had faced since April 2011.

The effect over the financial situations was to reduce depreciation costs in amount of 138,772,888 RON, depreciation that will be recovered on the remaining period pursuant to art.110 of MPFD no.3055/2009.

c)Financial assets

	Shares in affiliated entities	Shares in other companies	Fixed receivables	TOTAL
Value				
Balance on 01 January 2011	58,039,420	900	7,310,337	65,350,657
Increase	-	-	46,832	46,832
Deduction	-	-	4,952,533	4,952,533
Balance on 31 December 2011	58,039,420	900	2,404,636	60,444,956
Net accounting value on 1 January 2011	58,039,420	900	7,310,337	65,350,657
Net accounting value on 31 December 2011	58,039,420	900	2,404,636	60,444,956

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Financial assets consist of shares owned by the Company in its subsidiaries.

SC Hidroelectrica SA is made up of 8 Subsidiaries for repair works and services called “Hidroserv” SA, as sole shareholder, pursuant to GD no. 857/2002. The shares in the subsidiaries on 31.12.2011 are in amount of 58,039,420 RON (see Note 11).
 In 2011, Company has registered deductions in receivables assets by reclassification collection of commercial receivables within a term longer than a year on 31 December 2010.

NOTE NO. 2

PROVISIONS FOR RISKS AND COSTS

No.	Provision	Balance on 1 January 2011	Transfers		Balance on 31 December 2011
			In account	Out of account	
1	Provisions for litigations (acct. 1511)	25,019,995	-	3,799,804	21,220,191
2	Provisions for pensions and similar obligations and costs (acct. 1515)	62,290,875	-	-	62,290,875
3	Other provisions for risks and costs (acct. 1518)	14,662,959	975,727	14,430,781	1,207,905
	I. TOTAL provisions for risks and expenses (acct. 151)	101,973,829	975,727	18,230,585	84,718,971
4	Provisions for construction’s depreciation, remaining unredeemed fixed assets value, fixed assets proposed for disposal (acct.2912 + acct.2915 + acct.2916)	276,935	-	276,935	-
5	Provisions for installations and vehicles (acct.2913)	12,655	-	-	12,655
6	Provisions for depreciation of tangible assets (acct.2914 + acct.2917)	13,446	-	-	13,446
7	Provisions for ongoing depreciation of tangible assets (acct.293)	1,322,084	-	-	1,322,084
	II. TOTAL provisions for assets’ depreciation	1,625,120	-	276,935	1,348,185
8	Provisions for consumables (acct.392)	181,499		44,176	137,323
9	Provisions for depreciation of inventory and packaging (acct.395 + acct.398)	1,198	-	-	1,198
	III. TOTAL provisions for inventory depreciation	182,697	-	44,176	138,521
	IV. Provisions for receivables’ depreciation - clients (acct.491 + acct.496)	7,729,414	5,275,274	636,837	12,367,851
	TOTAL PROVISIONS I +II + III + IV	111,511,060	6,251,001	19,188,533	98,573,528

I. **Provisions for risks and costs (acct.151)** in amount of **84,718,971** RON represent value of provisions connected to litigations, pensions and similar obligations, namely provisions for other risks and costs as follows:

Provisions for litigations (acct.1511) in amount of 21,220,191 RON detailed as:

- Provision for litigation with Enel Distribuție Dobrogea regarding penalties for late payments in amount of **1,533,142 RON**;
- Provision for litigations derived from files regarding real estate claims – investment "Hydro energetic refurbishment works of Strei river on sector Subcetate - Simeria" in amount of **19,687,049 RON**.

Provisions for pensions, similar obligations and costs (acct.1515) in amount of 62,290,875 RON.

According to GD no. 1041/2003 and no. 1461/2003, Company supply electricity, as in kind post-retirement benefit. Also, pursuant to the collective labor agreement, at the moment of retirement Company offers cash and other benefits according to the duration of employment.

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Benefits granted to employees according to collective labour agreement are mostly the following:

Jubilee bonus according to duration of employment with Hidroelectrica

Duration of employment	No. of gross salaries
20 years	1
25 years	2
30 years	3
35 years	4
40 years	5
45 years	6

Pension bonus according to duration of employment with Hidroelectrica

Duration of employment	No. of gross salaries
Up to 10 years	3
Between 10 and 25 years	7
More than 25 years	12

Company offers also a benefit of 1.200 kWh free electricity per year to employees retired from company that had fulfilled certain employment conditions.

Other benefits granted by the Company include bereavement for employees and families also for former employees.

Provision from employees' benefits was updated on 31.12.2010. Its variation in 2011 is not significant.

Other provisions for risks and expenses (acct. 1518) in the amount of 1,207,905 RON made up of:

- Provision for lack in inventory UHE PF II in amount of 219,463 RON;
 - Provision for uncollected receivables from SC Almo Construct according to art.22, paragr.c) of the Fiscal Code in amount of 2,708 RON and from SC Pama Commerce SRL, according to art.22, paragr.j) of the Fiscal Code in the amount of 10,007 RON and according to art.22, paragr c) of the Fiscal Code in amount of 94,429 RON (SH Porțile de Fier);
 - Provision in amount of 881,298 RON for contributions due to salary benefits for 2011, which will be paid during 2012.
- II. Provisions for assets' depreciation in value of 1,348,185 RON representing value of provisions settled for assets, out of which:
- Provisions for depreciation of equipments and vehicles (acct.2913) in amount of 12,655 RON;
 - Provisions for depreciation of other tangible assets (acct.2914 + acct.2917) in the amount of 13,446 RON;
 - Provisions for depreciation of in progress tangible assets (acct.293) in the amount of 1,322,084 RON.
- III. Provisions for inventory depreciation (acct.392 + acct.395 + acct.398) in the amount of 138,521 RON represents value of provisions established for depreciation of materials, inventory asset list, and due spare parts for steady stocks and that are no longer necessary.
- IV. Provisions for receivables depreciation - clients (acct.491 + acct.496) in the amount of 12,367,851 RON representing:
1. Provisions for clients depreciation, in the amount of 12,314,031 RON, thus:
- SC SOFERT SA Bacău - industrial water services, company under liquidation process, file no. 1907/2005 for the value of 15,305 RON (SH Bistrița);
 - Provision for SC PERGODUR Piatra Neamț in the amount of 4,543 RON (SH Bistrița);
 - Provision in value of 62,669 RON, constituted for uncollected invoices from MFOREST PRODUCȚIE TRUST SRL Nehoiu – rent and utilities (SH Buzău);
 - Provision in the amount of 4,192,674 RON, constituted for uncollected invoices from Termoficare 2000 Pitesti;
 - Provision in the amount of 8,020,097 RON, constituted for uncollected invoices from CET Brașov and rescheduled for payment;

From the provision of 8,020,097 RON constituted in 2010 - 2011, the amount of:

- 4,812,058 RON was set according to Fiscal Code art.22 paragr 1 letter.c and is tax deductible and the value of
- 3,208,039 RON was set according to Fiscal Code art.21 paragr.4 letter.o and is not deductible.

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This provision was constituted because CET Braşov has been declared insolvent and is under reorganization process. Company has not established a 100% provision because the bankruptcy was not declared according to the provisions of the Fiscal Code art.22 paragr. 1 letter j. The difference up to 100% provision will be establish in the first semester of 2012 for caution related reasons, taking into consideration financial and economic results registered by CET Braşov in the last financial situation (negative results and percentage of assets in receivables are of aprox. 60%) and at Board of Administration request.

- provision in value of 120 RON, set up for uncollected invoices from PrimaTelecom Deva (SH Haţeg);
 - provision in value of 18,623 RON, set up for uncollected invoice SC Pantera Business SRL (SH Curtea de Argeş).
2. provision for receivables’ depreciation – different debtors and a value of 53.820 RON (SH Haţeg).

NOTE NO. 3

DISTRIBUTION OF PROFIT ON 31 DECEMBER 2011

Destination	Amount
Accounting profit after deducting tax of profit on 31 December 2011	6,444,266
<i>Distribution of accounting profit on following destinations :</i>	
Legal reserve (5%)	1,647,885
Retained earnings	4,796,381

Distribution of accounting profit will be according to legislation in force, namely:

- GD no. 64/2001 – regarding profit distribution to national companies, domestic companies, totally or partially state owned companies, and autonomous administrations;
- MPFD no. 128/16.02.2005 – regarding rules applied to economic entities;
- MPFD no. 144/2005 – regarding approval of Specifications for determining amounts making the object of profit distribution pursuant to Government Decision no.6 4/2001 for distribution of profit to national companies, domestic companies and totally or partially state owned companies, and autonomous administrations, approved with amendments by Law no. 769/2001, with further updated and amendments.

From 2011 profit 5% legal reserve deduction was calculated the in the amount of 1.647.885 RON, and subsequently the General meeting of shareholders will decide regarding profit destination not yet distributed, according to the mentioned regulations in force.

NOTE NO. 4

ANALYSIS OF OPERATING RESULT

Company’s operating activity was performed according to GD no.627/2000 and updated licenses from ANRE, no. 932/2010 for supplying electricity, no. 332/2001 for electricity production, no. 333/2001 for providing technological services.

Indicator	Previous result	Current result
1. Net turnover	3,273,700,089	3,020,591,574
2. Cost of sold goods and performed services (3 + 4 + 5)	2,443,642,419	2,596,421,078
3. Expenditures basic activities	2,276,568,200	2,410,066,151
4. Expenditures auxiliary activities	16,819,752	12,759,382
5. Production indirect expenditures	150,254,467	173,595,545
6. Gross result due to net turnover (1-2)	830,057,670	424,170,496
7. Administrative expenditures	340,641,480	285,949,064
8. Other revenues from operation	13,373,780	22,937,737
9. Operation result (6-7 + 8)	502,789,970	161,159,169

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Net turnover in value of **3,020,591,574 RON** represent revenues realized from basic activity, called "Operating revenues", plus other revenues from other activities.

Operating revenues were realized from the production of electricity and providing services for technological system:
 Electric power was scheduled with a quantity of 19.333 thousands MWh to be supplied to:
 - regulated market (Electrica) 4.500 thousands MWh ;
 - balancing market (Transelectrica) 800 thousands MWh ;
 - competitive market (Eligible and licensed suppliers) 12.685 thousands MWh ;
 - other manufacturers 598 thousands MWh ;
 - export 750 thousands MWh .

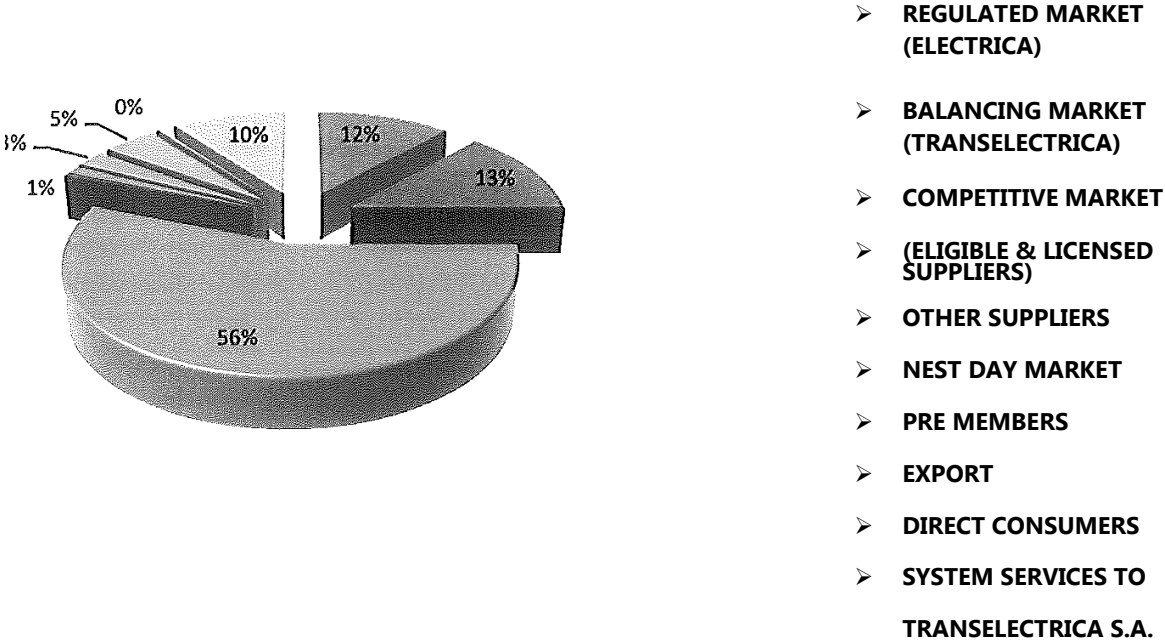
Electric power and services were supplied and invoiced as follows:

- regulated market (Electrica) 3,869 thousands MWh with a value of 334,050,831 RON;
 - balancing market (Transelectrica) 1,141 thousands MWh with a value of 375,460,712 RON;
 - competitive market (eligible consumers and licensed suppliers) 12,075 thousands MWh with a value of 1,580,845,306 RON;
 - Export of 817 thousands MWh with a value of 130,868,506 RON;
 - other manufacturers - 39 thousands MWh with a value of 5,361,420 RON;
 - OPCOM (PZU) - 162 thousands MWh with a value of 33,510,613 RON;
 - members PRE - 145 thousands MWh with a value of 70,999,968 RON;
 - Electric power supplied directly to consumers - 22 thousands MWh with a value of 9,166,925 RON.
- Ancillary services, transport and distribution 469,977,011 RON out of which:
 - CN Transelectrica SA with a value of 286.834.213 RON to ancillary services (secondary control frequency/power, reserved output, providing reactive power and voltage adjustment);
 - Transport services Electrica with a value of 29.435.100 RON;
 - Ancillary services, market administration, distribution, TG and TL to eligible consumers and licensed suppliers in value of 133.957.238 RON.
 - Green certificates in value of 8.687.827 RON;
 - Emission reduction units with a value of 11.062.633 RON.

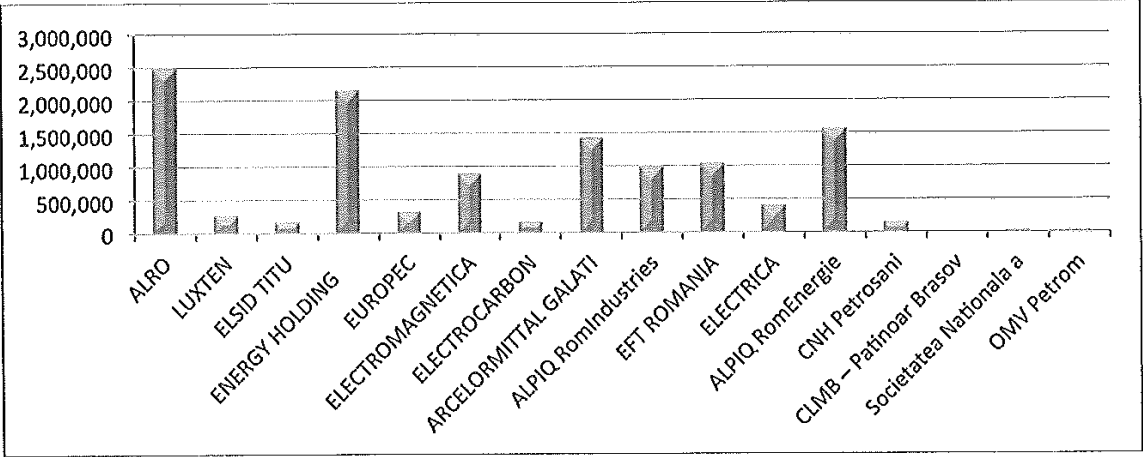
INDICATORS	SCHEDULED	REALIZED
Regulated market (ELECTRICA)	385,500,000	334,050,831
Balancing market (TRANSELECTRICA)	280,000,000	375,460,712
Competitive market (Eligible and suppliers)	1,624,983,000	1,580,845,306
Other manufacturers	89,700,000	5,361,420
OPCOM next day market		33,510,613
PRE members		70,999,968
Export	121,567,000	130,868,506
Direct consumers		9,166,925
Ancillary services to TRANSELECTRICA SA	355,000,000	286,834,213
(secondary control frequency/power, reserved output, providing reactive power and voltage adjustment)		
Reissued transport to ELECTRICA	50,000,000	29,435,100
System services, market administration, distribution, TG and TL to eligible consumers and licensed suppliers		133,957,238
Green certificates		8,687,827
Emission reduction units		11,062,633
Industrial water services		1,062,468
Other services		12,807,920
Other operating revenues	60,000,000	22,937,737
TOTAL OPERATING REVENUES	2,966,750,000	3,047,049,417

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Percentage of the most important clients



Structure of electric power supplied to eligible clients and independent suppliers :



Operating expenses were realized according to level of operating revenues, implementation of maintenance programs, necessary investments and legislation in force.

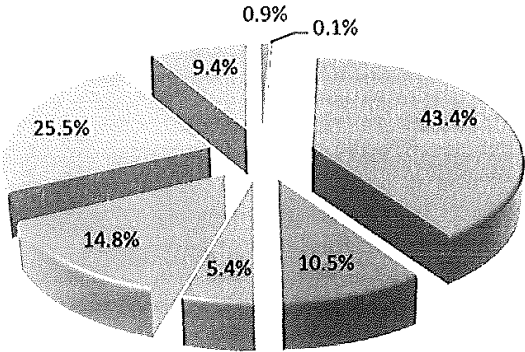
Operating expenditures were structured as follows:

RON INDICATORS	SCHEDULED	REALIZED
1. Total operating expenditures, out of which:	2,881,750,000	2,885,890,248
a. material expenses	22,306,000	24,562,705
b. other external expenses (electricity and water), out of which:	895,282,000	1,250,364,347
• electricity purchased from networks	4,824,000	2,452,558
• raw water	250,000,000	303,036,185
• transport services, system, management TRANSELECTRICA SA	163,458,000	154,076,678
Distribution services ELECTRICA SA	13,000,000	17,713,892

- purchased electric power	464,000,000	770,840,185
- water for own consumption		2,244,849
c. expenditures to merchandise		2,582,099
d. personnel expenses, out of which:	448,509,545	425,612,371
d1. salaries	329,950,000	316,948,058
d2. Expenses with insurance and social security, out of which:	107,588,353	97,813,645
- contribution to social security	80,825,729	77,059,158
- unemployment	4,507,604	2,403,927
- contribution to health insurance fund	21,667,817	17,862,245
- other special funds to salaries (fund for persons with disabilities)	587,202	488,315
d3.other personnel expenses, out of which:	10,971,192	10,850,668
- gift vouchers	877,200	788,850
- meal tickets	10,093,992	10,061,818
e. tangible and intangible assets depreciation	860,000,000	733,575,227
f. repair works	387,000,000	270,529,763
g. other operating costs, out of which:	268,652,455	178,663,736
- other services and costs performed by third parties	130,282,000	66,650,056
- taxes, levies and other expenses	25,121,000	7,897,285
- costs with transport of goods and personnel	35,000,000	33,308,372
- costs with banking service	20,000,000	19,041,978
- other operating expenditures	58,249,455	51,766,045

Starting with 30.09.2011 due to prolonged drought that has as effect the decrease of energy production with 50% during the 4th quarter, the force majeure clause was applied to all sale-purchase agreements. For completing the 2011 financial exercise in terms of profitability were applied certain technical and economic measures in order to reduce expenses to the minimum possible, without damaging production activity and to register within realized revenues.

Percentage of main costs elements for operation:



- material expenditures
- raw water
- other external expenses (water & energy)
- TRANSELECTRICA services
- ELECTRICA services
- Personnel expenses
- Depreciation
- Works

Other external expenses (electrical power and water) in the amount of 1.250.364.347 RON represents:

- acquisition of electrical power energy quantities in of 773.085.034 RON, out of which:
 - > **770.840.185** RON electric energy purchased by bilateral agreements, next day and balancing markets, pursuant to electric energy regulations;
 - > **1.225.587** RON expenses with administrative electric energy;
 - > **332.644** RON expenses with water for own consumption;
 - > **563.696** RON expenses with heating for own consumption;
 - > **122.922** RON expenses with natural gas and water for own consumption.
- electric energy purchased from networks in value of 2.452.558 RON;
- Raw water machined in value of 303.036.185 RON;
- Transport services, system, administration for TRANSELECTRICA SA in value of 154.076.678 RON;
- Distribution services ELECTRICA SA in value of 17.713.892 RON.

161.159.169 RON is the Operating result, whereas 2011 was considered a drought year, when activated the force majeure clause.

NOTE NO. 5

RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2011

RECEIVABLES

RECEIVABLES	Balance on 31.12.2011 (col. 2+3)	Asset's deadline	
		Under 1 year	More than 1 year
0	1	2	3
Net trade receivables	339,686,121	339.686.121	-
Amounts to be charged from affiliated entities (Note 10(b))	1.451.706	1.451.706	-
Other receivables	76.940.376	76.940.376	-
TOTAL RECEIVABLES	418.078.203	418.078.203	-

On 31 December 2011 and 31 December 2010, short term trade receivables are represented by:

A) *Trade receivables*

	31 December 2010	31 December 2011
Trade receivables	296.411.524	352.000.152
Provision from depreciation of trade receivables	(7.675.594)	(12.314.031)
TOTAL Trade receivables	288.735.930	339.686.121

On 31 December 2011 trade receivables in value of 339.686.121 RON are represented by "clients-invoices to be issued" and "clients" belonging to energetic sector, for supplied energy during 2011, out of which we should mention:

	Balance on 31 December 2011
Eligible clients	24.222.700
SC Electrica SA	3.336.379
Transelectrica	279.608
Electrocentrale București	17.836.869
CET Braşov	18.724.742
Export	332.677
Other clients on energy market	1.673.973
TOTAL clients on energy market	66.406.948
Clients-invoices to be issued (energy market)	279.010.082
Suppliers debtors, prepayments	838.314
Clients from other activities *	1.512.385

TOTAL TRADE RECEVABLES **352.000.152**

Uncertain clients	4.232.423
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*Receivables *clients from other activities* include trade receivables from affiliates (Hidroservs), in value of 367,764 RON (Nota 10(b)).

B)Other

	31 December 2010	31 December 2011
VAT to be reimbursed	254.407	69.364.379
Other receivables – different debtors	5.111.176	4.566.540
Other receivables related to state budget	2.913.268	2.875.512
Receivables connected to personnel	114.126	140.847
Provision for receivables depreciation – different debtors	(53.820)	(53.820)
Interests	42.369	46.918
TOTAL	8.381.526	76,940.376

Amount of 4.566.540 RON, representing "Other receivables – different debtors", includes amounts to be received from selling apartments and lands to employees.
 Amount of 2.875.512 RON, representing "Other stare budget receivable", represent the amount of :

- 2,036,795 RON - debt, increases and penalties to tax on profit for non residents according to Minutes of the Ministry of Public Finances no. 10515/12.08.2004 drawn from reimbursement application no. 46235/25.03.2004 and which according to Decision no. 362/12.11.2004 of the Ministry of Public Finances – General Directorate for Resolution of complaints, were not due. The receivable was due to national Agency for Tax Administration.
- 805.091 RON - counterpart fund increases according to GD no. 398/2001, unjustifiably drawn from reimbursement application no. 46235/25.03.2004. In Application no. 43502/13.09.2004 Ministry of Public Finances – General Directorate for Representative Tax Payers, SC Hidroelectrica SA requested reimbursement of this amount. As an answer to its application SC Hidroelectrica SA received letter no. 38635/07.04.2006 being informed that for reimbursement of these increases to refer to Ministry of Public Finances – General Directorate for Agreements, Cooperation and Foreign Settlements. Company has sent to the Directorate letter no. 24552/18.12.2006 and has received no official answer yet.

2. Liabilities

LIABILITIES		Maturities of liabilities			
		Balance on 31 December 2011 (col. 2+ 3+ 4)	Under 1 year	between 1-5 years	More than 5 years
	0	1	2	3	4
1, Long and short term loans:					
1.1 foreign	EUR	403,042,566	76,521,573	261,423,433	65,097,560
	USD	280,940	63,082	217,858	
	CHF	6,515,913	4,343,942	2,171,971	
Total	RON	1,765,110,849	346,194,043	1,137,714,876	281,201,930

out of which:					
- state					
	EUR	55,770,652	5,581,920	22,327,679	27,861,053
	USD	280,940	63,082	217,858	-
	CHF	6,515,913	4,343,942	2,171,971	-
Total	RON	265,000,363	39,756,024	104,892,944	120,351,395
2. Short term loans					
	EUR	27,944,726	27,944,726	-	-
	USD	27,828,201	27,828,201	-	-
Total	RON	736,431,619	736,431,619	-	-
3. Interest and commissions for inactivity					
out of which:					
- foreign					
	EUR	3,785,818	3,785,818	-	-
	USD	5,992	5,992	-	-
	CHF	4,692	4,692	-	-
Total	RON	16,390,276	16,390,276	-	-
out of which:					
- for state guarantee loans					
	EUR	324,585	324,585	-	-
	USD	5,992	5,992	-	-
	CHF	4,692	4,692	-	-
Total	RON	1,438,790	1,438,790	-	-
I. TOTAL AMOUNTS TO CREDIT INSTITUTIONS		2,517,932,744	1,099,015,938	1,137,714,876	281,201,930
Commercial debts		1,125,993,522	1,125,993,522	-	-
Clients - creditors		38,056,837	38,056,837	-	-
Personnel expenses and social security		29,648,649	29,648,649	-	-
Other state related debts and public institutions		36,812,000	36,812,000	-	-
Granted dividends		258,631,200	258,631,200	-	-
Other debts		139,676,214	50,998,138	88,678,076	-
II. TOTAL – OTHER DEBTS		1,628,818,422	1,540,140,346	88,678,076	
TOTAL DEBTS		4,146,751,166	2,639,156,284	1,226,392,952	281,201,930

2.1. Short term debts (debts to be paid less a year) in value of 2.639.156.284 RON representing:

Amounts to credit institutions	1,099,015,938
Commercial debts	1,125,993,522
Prepayments from clients	38,056,837
Granted dividends	258,631,200
Other debts	117,458,787
TOTAL short term debts	2,639,156,284

2.1.1 On 31 December 2011, out of the total amount due to credit institutions, amount to be reimbursed within a year represents:

Loans current amount on long term	346.194.043
Interests due to long term loans	15.028.809
Inactivity commissions	1.361.467
Short term loans	736.431.619

Total amount due to credit institutions **1,099,015,938 RON**

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Short term loans (credit lines) active on 31 December 2011 were:

- ING BANK dated 3 March 2009, for 38 million RON. The facility of the loan was the “overdraft”, to be used until 15 March 2012. Applicable interest rate is of 2,5% p.year. + RONBAS for overdraft. On 31 December 2011 the balance was in the amount of 36,162,022 RON.

Loan was guaranteed with receivables assignment from agreement no. 23093/2007 concluded with EFT România. Also, Company is committed to transfer 20% of monthly revenues through the accounts opened at the bank, throughout the facility duration.

- ALPHA BANK ROMÂNIA dated 3 November 2009, for 80 million RON – maximum amount to be granted throughout duration of facility, for the type of loans agreed by parties: an irrevocable credit line in value of 40 million RON and a revocable credit line in value of 40 million RON, both being revolving type credit lines. Loans can be used until 31 January 2012. The interest rate is set to ROBOR 3 months + 2,5% p.y. On 31 December 2011 the balance was in the amount of 79,976,183 RON.

Company agrees to transfer quarterly through accounts opened at the bank an amount equivalent to the facility (at least 40 million RON for each separate facility). Company guarantees by a pledge over all accounts opened at the bank.

- BRD GSG dated 27 September 2009, for 300 million RON – facility being used as credit line. The agreement was concluded for one year period, to be automatically renewed for equal period of time. Validity is 30 September 2012. Rate of interest is set to ROBOR 1 months + 1,5% p.y. On 31 December 2011 the balance was in the amount of 299,371,849 RON.

Loan was guaranteed by an receivable assignment agreement that Company should recover pursuant to agreements: no. 51HE/2007 concluded with CEZ Vânzare, no. 44HE/2006 concluded with FFEE Electrica Furnizare Transilvania Nord, no. 13HE/2005 concluded with CEZ Vânzare, 14 HE/2005 concluded with CEZ Distribuție, no. 40HE/2006 concluded with CEZ Vânzare, no. 89CE/2008 concluded with EHOL Distribution and no. 33CE/2004 concluded with Energy Holding. Company agrees to replace assigned selling agreements if will expire or will be amended, or cancelled before integral reimbursement, or if receivables resulted from these agreements will not cover at least 125% of the facility. Company guarantees by a pledge on all revenues in BRD accounts, identified in the agreement.

- CITIBANK EUROPE PLC dated 20 April 2010, for 46 millions USD. The facility of the loan is the “overdraft”, to be used before 27 December 2012. Interest rate is set at LIBOR 1 months + 2,5% p.y. On 31 December 2011 balance was in the amount of 27,8 million USD.

Company guarantees by a pledge set on all accounts opened at the bank.

- RBS BANK - dated 23 December 2009, for 32 million EUR. Loan is available for withdrawals in RON and/or EUR. The facility of the loan is the “overdraft”, to be used before 1 August 2012. Interest rate is set at ROBOR 1 month + 2,30% p.y. for RON, and EURIBOR 1 month + 2,30% p.y. for EUR. On 31 December 2011 the balance was in the amount of 27,9 million EUR.

Loan is granted by an assignment agreement the company should receive pursuant to agreement no. 12E.Bis/2003 concluded with Energy Financing Team AG, namely the pledge over current revenues in Company’s account, indicated by the bank.

- LIBRA BANK - dated 30 June 2010, for 13,500,000 RON. Facility of the loan is the “overdraft”, to be used before 30 June 2012. Interest rate was set to ROBOR to 3 months + 1,5 p.y. but not less than 8%. On 31 December 2011 the balance was of 13.188.421 RON.

Facility is granted by the receivables assignment the Company has to receive from third parties and accepted by the bank (resulted from agreements: no. 25HE/2005 concluded with FFEE Electrica Furnizare Transilvania Sud, no. 26HE/2005 concluded with FDEE Electrica Distribuție Transilvania Sud and no. 52HE/2007 with FDFEE Electrica Furnizare Transilvania Sud.) and by pledge over all accounts opened with Libra Bank SA.

- Transilvania Bank - dated 14.10.2011, for 120,000,000 RON. RON is the currency of the loan. Facility of the loan is the “overdraft”, to be used before 13.10.2012. Interest rate was set to ROBOR on 3 month plus 1,40% p.y.

Loan is granted by an assignment agreement the company should receive pursuant to agreement: no. 1 16 CE/29.12.2010 - Arcelor Mittal Galați SA, no. 1 14 CE/26.10.2010 - Compania Națională a Sării. On 31 December 2011 balance was in the amount of 94,056,904 RON.

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2.1.2 On 31 December 2011, commercial debts were in amount of 1.125.993.522 RON as follows:

	Balance on 31 December 2011
Nuclearelectrica SA	34,773,062
SC Termoelectrica SA Bucharest	5,476,719
Apele Romane	209,275,280
SC Transelectrica SA	21,854,587
SC Electrocentrale București	3,831,767
Turcenii Energetic Complex	66,422,447
Craiova Energetic Complex	49,198,395
Enel Distribuție Banat	6,465,725
OMV Petrom	21,157,529
Other suppliers of electric energy	851,039
TOTAL suppliers of electric energy	419,306,550
Providers of fixed assets	519,175,822
Providers – not received invoices	118,750,213
Providers of repair works and services	67,366,998
Other providers	1,393,939

On 31 December 2011 value of 118.750.213 RON, representing “Providers – not received invoices” represents:

- 85,967,635 RON – suppliers of electric energy (Enel Distribuție Banat, Termoelectrica, Transelectrica);
- 21,674,759 RON – suppliers of fixed assets for refurbishment projects in Porțile de Fier and Slatina Power Plants.

2.2 Long term debts (debts to be paid within longer than a year) in value of 1,507,594,882 de RON represents:

	Balace on 31 December
Amounts due to credit institutions	1,418,916,806
Guarantees to economic agreements and other debts	88,678,076
TOTAL long term debts	1,507,594,882

2.2.2 Amounts due to credit institutions for a period longer than a year

On 31 December 2011, amounts due to credit institutions for a period longer than a year are the followings:

Description	31 December 2011
International Bank for Reconstruction and Development ("BIRD") dated 29 August 1995, for 110 million USD, out of which 719,648 USD were transferred to the Company pursuant to the reorganization protocol, as part of total amount used by Conel until reorganization. On 31 May 2002 Company concluded a separate agreement for the loan balance at the execution date in value of 719,648 USD. Rate of interest is equal to loan cost + 0.5% and reimbursement will be in increasingly quarterly installments up to November 2015. Loan is guaranteed by Romanian Government through Ministry of Public Finances.	<u>727,492</u>
UBS AG dated 14 December 2004 for 29,27 million CHF – Loan for Porțile de Fier 1 objective. Interest is equal to LIBOR + 0,5% at deposits in CHF, payable quarterly. Loan’s reimbursement will be in quarterly installments in value of 2,17 million CHF, starting with 17 November 2006 and ending in 17 May 2013. Loan is guaranteed by Romanian Government through Ministry of Public Finances.	<u>7.716.582</u>
International Bank for Reconstruction and Development ("BIRD") dated 13 July 2005, for 66 million EURO – loan contracted for rehabilitation of the hydroelectric power plant on Lotru and for Company’s development. Loan agreement became in force on 25 January 2006, subsequent to ratification of the Romanian Parliament of the agreement signed between BIRD and Romanian State. Loan’s reimbursement will be in quarterly installments starting with 15 March 2010 and ending in 15 September 2021. Loan is guaranteed by Romanian Government through Ministry of Public Finances	<u>216.800.269</u>
Citi International PLC - agent, dated 2 July 2009, for 75 million EURO – unstructured loan investment. Interest rate of 7.25% payable quarterly. Loan’s reimbursement will be in quarterly installments starting 02.07.2011 in 7 approximately equal installments ending on 02.07.2014. Loan is guaranteed by a receivables assignment company has to receive, pursuant to energy supply agreements: 34CE/02.03.2004 Luxten Lighting, 24CE/18.02.2002 - Elsid Titu, 36CE/21.04.2004 - Electromagnetica, 32CE/28.03.2003- Electrocarbon Slatina, 35CE/03.03.2004 - Euro – Pec	<u>184.991.152</u>

ING Bank NV Amsterdam – Bucharest Branch - dated 16 November 2009, for 60 million EURO – loan will be used for financing development of hydroelectric power plants network (new and/or existing). Loan was contracted for a 5 year period, with an interest rate EURIBOR 3 months + 4,5% p.y.

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Loan was taken by ING Bank NV Amsterdam – Dublin Branch on 03 December 2009. Loan's reimbursement will be in 15 equal quarterly installments starting 13.05.2011 up to 14.11.2014.

Guarantees for the loan are: receivables assignment Company has to receive from ALRO Slatina SA (agreement for energy supply 47CE/08.09.2005), E.ON Moldova Furnizare (agreement for energy supply 2HE), SC DFEE Enel Electrica Banat (agreement for energy supply I7HE), SC FDFEE Electrica Muntenia Nord (agreement for energy supply 9HE and 10HE) and pledge over all accounts opened at ING except account used for BIRD agreement in value of 66 million Euro **138.230.400**

Romanian Commercial Bank – Bucharest Branch - dated 09 December 2010, for 50 million EURO – loan will be used to finance investments development of hydroelectric power plants network (new and/or existing). Loan will be reimbursed in 23 equal quarterly installments starting with 09.06.2012. Final date of reimbursement is 08.12.2017. Interest rate is EURIBOR 3 months + 2,74% p.y. Due guarantees for the loan are: Letter of Comfort (no.4103/2010) issued by Ministry of Economy, Commerce, and Business Environment, and the pledge over accounts opened at RCB. **187.813.043**

Unicredit Bank Austria - dated 30 June 2010, for 117,367,788.93 EURO – loan will be used for financing rehabilitation of Inferior Olt. On 03.06.2010 a novation agreement was concluded between Unicredit Bank Austria and Unicredit Tirioc Bank for the amount of 23,473,558 EURO.

The deadline for using the loan is 03 January 2013. On 31 December 2011 after withdrawing an amount in value of 76.330.394 EURO, it will remain to be used in the next period the amount of 41.037.394,93 EURO. Loan will be reimbursed in 14 equal quarterly installments starting with 31 July 2012, and final date for reimbursement is 31 January 2019. Installment rate is EURIBOR 6 months + 2,5% p.y. Loan is guaranteed with Comfort Letter (nr. 1710/2010) issued by Ministry of Economy, Commerce, and Business Environment **306.172.658**

EFG Eurobank Luxembourg - dated 29 March 2010, for 30 million EURO, loan will be used for financing development of hydroelectric power plants network (new and/or existing). Loan will be for a period of five years and interest rate is EURIBOR 3 months + 4,5% p.y. Loan will be reimbursed in 13 equal quarterly installments starting with 29 March 2012, ending 27 March 2015.

Loan is guaranteed with Comfort Letter (no. 4871/2010) issued by Ministry of Economy, Commerce, and Business Environment **89.716.846**

ING Bank NV - Dublin Branch - dated 22 March 2011 for 60 de million EUR – loan contracted to complete investments/rehabilitation works to hydroelectric network. Interest rate is EURIBOR 3 months + 2,74% p.y. Loan will be reimbursed in 17 quarterly installments starting with 7 June 2012 with the last installment to be paid on 7 June 2016.

Loan is guaranteed with receivables assignment agreement: no. 25274/15.12.2010 concluded with EFT România SRL, 2/03.01.2011 concluded with E.ON Moldova Furnizare SA, 5/03.01.2011 concluded with FFEE Electrica Furnizare Muntenia Nord SA, 6/03.01.2011 concluded with FDFEE Electrica Distribuție Muntenia Nord SA, 11/03.01.2011 concluded with FFEE Electrica Furnizare Transilvania Nord, 9/03.01.2011 concluded with Enel Energie Banat SA, 19/03.01.2011 concluded with FFEE Electrica Furnizare Muntenia Nord and the pledge over the accounts opened at the bank.

On 31 December 2011, Company has used 51,9 million EUR from the contracted funds. **184.652.255**

BRD Group Societe Generale - dated 10 June 2011 for 30 de million EUR – loan contracted to finance investment/rehabilitation works of the hydroelectric network. Loan is valid for withdrawals 12 months from execution of the agreement, until 10 June 2012. Interest rate is EURIBOR 3 months + 2,95% p.y. Loan will be reimbursed in 16 quarterly installments starting with 10 September 2012 until 10 June 2016.

Loan is guaranteed with Comfort Letter issued by Ministry of Economy, Commerce, and Business Environment and receivables assignment Company has to receive pursuant to agreements: no. 28/03.01.2011 concluded with FFEE Electrica Furnizare Transilvania Nord, no. 15 and 16/03.01.2011 concluded with CEZ Distribuție, 23 and 30/03.01.2011 concluded with CEZ Vânzare, 89CE/08.04.2008 concluded with Alpiq Romenergie and 33 CE//14.01.2004 concluded with Energy Holding SA.

On 31 December 2011, Company had used 25 million EUR from the contracted funds. **94.493.437**

BERD - dated 12 July 2011 for 110 million EUR as follows: loan A in value of 70 million EUR and loan B in value of 40 million EUR for financing investment/rehabilitation works of 6 units of Stejarii HP. Interest rate is EURIBOR 6 months + 3,6% p.y. for loan A and EURIBOR 6 months + 3,3% p.y. for loan B. Loan will be reimbursed in 21 equal quarterly installments, for loan A and 15 equal quarterly installments, for loan B. Loan is guaranteed by Romanian Government by Ministry of Economy, Commerce, and Business Environment.

On 31 December 2011, Company used 1,76 million EUR from the contracted funds. **7.602.672**

Total net long term loan current installments **1,418,916,806**

Financial indicators mentioned in loan agreements are as follows:

- for the Citibank International PLC loan dated 2 July 2009:

a) [(Long term loan + short term term loan)/EBITDA] < 2,0:1

b) EBITDA/(Costs with interest during current year + current section of long term loans) > 2,0:1;

c) Total amount of deliveries (quantity multiplied by price) performed during current year for the agreements representing pledge that will cover the loan with minimum 120%.

- For the loan concluded with BIRD dated 13 July 2005:

a) Current ratio (current assets/ current liabilities) > 1.2

- For the loan concluded with ING Bank NV Amsterdam – Bucharest Branch - dated 16 November 2009:

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- a) [(long term total liabilities bearing interest + short term total liabilities bearing interest + installments to be paid throughout the year from long term liabilities bearing interest)/EBITDA] < 1.75;
- b) [Total operational cash flows /(short term total liabilities bearing interest + installments to be paid throughout the year bearing interest + Annual expenses with interests)] > 1.2.

- For the loan concluded with EFG Eurobank Luxembourg - dated 29 March 2010:

- a) [(long term total liabilities bearing interest + short term total liabilities bearing interest + installments to be paid throughout the year from Long term liabilities bearing interest)/EBITDA] <= 2.75;
- b) [Total operational cash flows /(short term liabilities bearing interest + installments to be paid throughout the year bearing interest + dividends)] >= 1.2.

- For the loan concluded with Unicredit Bank Austria - dated 30 June 2010:

- a) [(long term Total Liabilities bearing interest + short term Total Liabilities bearing interest + installments to be paid throughout the year from long term Liabilities bearing interest)/EBITDA] <= 2.5;
- b) Current ratio (current assets/ current liabilities) >= 1.0;
- c) EBIT/ Annual expenses with interests >= 1.5 in year 2010 and subsequent >= 2.0;

- For the loan concluded with Romanian Commercial Bank – Bucharest Branch - dated 09 December 2010:

- a) [(Total long term Liabilities bearing interest + short term Total Liabilities bearing interest + installments to be paid throughout the year from long term Liabilities bearing interest)/EBITDA] < 2.0;

- b) EBITDA/(Costs with interest during current year + current section of long term loans) > 2.0;

- For the loan concluded with ING Bank NV Dublin and ING Bank NV Amsterdam – Bucharest Branch - dated 22 March 2011:

- a) [(Total long term Liabilities bearing interest + total short term Liabilities bearing interest + installments to be paid throughout the year from long term Liabilities bearing interest)/EBITDA] < 2.50;
- b) [Total operational Cash flows /(short term Total Liabilities bearing interest + installments to be paid throughout the year from long term Liabilities bearing interest + Annual expenses with interest)] > 1.0.
- c) Total amount of supplies (quantity multiplied by price) performed during current year for the agreements representing pledge that will cover the loan with minimum ratio of 125%.

- For the loan concluded with BRD Groupe Societe Generale - dated 10 June 2011:

- a) long term loans + short term loans + section of long term loans /EBITDA < 3.5.

- For the loan concluded with European Bank for Reconstruction and Development - dated 12.07.2011:

- a) [(Total long term Liabilities bearing interest + total short term Liabilities bearing interest + installments to be paid throughout the year from long term Liabilities bearing interest)/EBITDA] < 2.75;
- b) [Total operational Cash flows /(short term Total Liabilities bearing interest + installments to be paid throughout the year from long term Liabilities bearing interest + Annual expenses with interest)] > 1.3 for period 12.07.2011- 31.12.2014, and > 1.5 for period 01.01.2015-12.07.2024.

According to the provisions of the mentioned loan agreements, if borrower fails to fulfill assumed obligations, Banks should send notification requesting to accelerate the maturity of loans drawn and outstanding, after a period while borrower should rectify the event.

The financial indicators are calculated based on Company's financial situations drawn up in accordance to International Financial Reporting Standards.

NOTE NO. 6

PRINCIPLES, POLICIES AND ACCOUNTING METHODS

In 2011, Company has tailored, according to requests and needs, the "Manual for accounting policies, evaluation bases, procedures and integrated methods for accounting registration" for all branches.

Present accounting rules gather rules for recognition, evaluation and presenting in financial situation the balance sheets elements and profits and loss account, as well as rules for accounting management within the company.

The main principles, policies and accounting methods adopted to prepare financial situations for 2011 are presented in the "Manual" and below:

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A. Rules for preparing financial statements

SC Hidroelectrica SA has prepared the the financial situations of the exercise competed on 31 December 2011 according to Accounting Law no.82/1991 (republished, amended and updated by the GD no.61/2001), MPFD no.3055/2009 (amended and updated) regarding approval of accounting regulations according to European guidelines.

Company has prepared the financial situations of the exercise competed on 31 December 2011 based on data registered in the balance sheet by including data from all 13th balance sheet of the subsidiaries and the executive.

According to provisions of art.4 of MPFD no. 1775/2004, group of companies prepared consolidated financial situations starting with 2006. According to provisions of art.l from Order no.2374/2007 regarding amendment and update of MPFD no.3055/2009, the Management of the Company shall prepare the consolidated financial situations for 2011, pursuant to International Financial Reporting Standards.

B. Presentation method

Annexed financial situations are presented in Romanian currency, RON ("RON" or "LEI"), based on historical cost principle with exceptions hereby presented.

B. Transactions in foreign currency

Transactions in foreign currency are in RON by applying the rate of exchange published on the transaction day. Monetary assets and liabilities are expressed in foreign currency at the end of the year rate of exchange from the respective date. Revenue and losses from difference due to foreign exchange rate realized or provisioned are registered in the profit and loss account of the respective year. The rates of exchange used are the ones valid on 31.12.2011:

		RON rate of exchange
1 Euro	EUR	4.3197
1 USA dollar	USD	3.3393
1 Pound	GBP	5.1545
1 Swiss franc	CHF	3.5528

C. Accounting principles

The items contained in the 2011 financial situations were according to accounting principles stipulated by MPFD no. 3055/2009 with subsequent amendments and updates.

Company will continue to operate normally in the foreseeable future, without being forced to significantly stop or reduce the activity, so we can say that it complies the going on concern assumption.

Company complies the principle of perpetual methods, by registration in the accounting files the patrimonial items and results so as to ensure comparability of accounting information.

Value of elements contained in the financial situations was determined based on principle of prudence, independence, intangibility of financial exercise, non-balance and separate evaluation of assets and liabilities.

Thus, information contained in the financial situations reflects economic reality, and not only their juridical form, based on principle of juridical prevailing over the economic aspect, and items with significant values were distinctly presented, complying the materiality principle.

E. Use of estimates

Financial situations were prepared according to MPFD no. 3055/2009 and adjustments were performed over the statutory accounts in order to obtain information which was not directly available. Estimates are periodically reviewed and if necessary to perform adjustments, they will be registered in the profit and loss account when they became available. Even though the estimates are made by company management based on the best information available in financial situations, the results could be different from the estimates.

F. Comparative situations

Financial situations prepared on 31.12.2011 compare the results contained in the financial situations prepared on 31.12.2010. Whenever necessary, the comparative figures were reclassified to comply the adjustments of the ongoing financial situations.

G. Correction of accounting errors

According to MPFD no. 3055/2009 for adopting accounting regulations to European guidelines, correction of accounting errors due to the previous financial exercises should be performed on the reported result.

Although, insignificant errors of the previous financial exercises can be corrected based on profit and loss account, insignificant errors should be considered the ones that should not influence financial and accounting data. The question if the error is significant or not should be performed in context, discussing the nature or value of the item, individually or cumulated.

Errors of the previous periods represent omissions or misstatements contained in company’s financial situations for one or more previous periods resulted from faults in using or not using credible information which: (a) were available at the moment the financial situations were approved to be issued; (b) should have been reasonably obtained and taken into consideration in drafting and presenting the respective financial situations.

H. Assets

Tangible assets

Company currently holds public domain assets and state owned assets.

Lands should be registered in accounting initially at costs, according to purchasing method, namely acquisition cost or value at the date of acquisition.

Expenses with lands (compensation, fees, site restoration costs, etc.) are registered under rehabilitation and are linearly depreciated over one year period.

Fixed assets are registered at acquisition or production cost. Fixed assets realized after investment are registered at direct costs with acquisition, construction (including technical solutions - models/prototypes and due technical documentation), without capitalization of financial expenses with interest and difference of the rate of exchange due interest connected to loan, and without including rate of exchange differences in the assets accounting value.

Part of the tangible assets was revaluated based of GD no.945/1990, no.2665/1992, no.500/1994, no.983/1998, no.403/2000 and no.1553/2003 by indexing the historical cost with inflation indexes stipulated in the government’s decisions. Tangible assets’ increased accounting values were registered in equity chapter, under revaluation reserves. As mentioned in Note 1, company’s tangible assets, except lands were assessed by an independent assessor on 31 December 2009. Revaluation of fixed assets belonging to group 1 – Building and special constructions and group 2 - Equipments (machinery and work equipment) was performed by a company hired after an auction process, pursuant to GD no.34/2004 recognized by ANEVAR, and ISPH, that used the indices updated process and physical and moral use. For fixed assets belonging to Group 1 – Constructions and Group 2 - Equipments, valued after revaluation were determined taking into consideration provisions of MPFD no. 1752/2005, paragr. 109, letter a).

Further costs (modernization and refurbishment process of tangible assets already registered as assets increases the value only with the initial technical parameters leading to future economic benefits, others than the initially estimated ones. Benefits should be realized directly by increasing the revenues or indirectly by maintenance and functioning cost reduction.

Further costs performed in order to obtain or to maintain the level of future economic benefits, company expects to register based on initial estimated performances, should be evidenced in the profit and loss account when occurring.

Company uses the linear method to register fixed assets depreciation, by registering in the operating costs the depreciation throughout the entire duration of asset, as follows:

<u>Category</u>	<u>Duration</u>
Lands	Not applying
Buildings	30-40
Special equipments	12-20
Machinery and work equipment	12
Measurement and control devices	8
Others	12

Company does not depreciate public and state-owned property and ongoing liabilities.

Depreciation of other expenses which were included in the initial cost is linear, starting next months after improvement works, throughout the remaining duration of the asset, except improvement works designed to extend the duration of use.

For fixed assets that were not used for at least one month (in situations of major repairs in order to maintain safety in operation) and exceptional situations (major hydrological risk due to severe drought and “force majeure” cases), depreciation will be by recalculation of the depreciation rate on the remaining duration, starting next months after operation restoring process, pursuant to MPFD no.3055/2009 art.1 10 and GD no.2139/2004 cap.III paragr.5.

Intangible assets

An intangible asset is recognized only and only if:

- Is recognizable and generates future economic benefits;
- Estimates that future economic benefits of the asset belongs to the company;
- Cost of the asset can be accurately evaluated.

Company considers as intangible assets the concessions, licenses and purchased software.

According to MPFD no.3055/2009, art.81 paragr.(2) „Received concessions can be considered as intangible assets when the concession agreement established a duration and a value for the concession. If the agreement stipulates payment of royalties /rents, and not a depreciation value, the accounting of the entity receiving the concession registers the expense as royalty/rent, without recognizing an intangible asset.”

Due to above mentioned provisions the Company ceased to recognized the concession agreement no. 171/27.12.2004 regarding state-owned public properties, appearing only in 8038.01 account "Assessed assets belonging to public assets pursuant to MFO no.94".

Software are linearly depreciated for duration, namely for a 3 year period.

Financial assets

Financial assets are represented by participation titles in Company's subsidiaries that will be registered in the accounting as follows:

- On the date of settling the subsidiary and establishing the participation titles, based on handover protocols for individual assets elements;
- On the date of increasing the share capital at subsidiary level with the in kind or cash contribution to Company's share capital;
- On the date of reduction of subsidiary share capital by returning to the company a share from contribution.

Furthermore, Company registers as financial asset the receivable assets, with collection within duration longer than 1 year, and long term guarantees/deposits.

I. Public asset list

Government Decision no.365/1998 performs the first inventory of assets belonging to public domain that has to be recorded separately, and GD no.627/13.07.2000 names the immovable assets belonging to state owned domain transferred to SC Hidroelectrica SA, that have to be inventoried and updated whenever necessary by Government Decision.

Law no. 213/1998 establishes the legal regime of public assets, mentioning that the state holds the ownership over the public assets, who can rent or assign public property assets list.

According to provisions of MFD no.555/2003 regarding updating and amending MFD no.618/2002 for approval of Specification for inventory of properties belonging to public assets, ministries, central administration bodies, as well as central public authorities”, with the annual public assets inventory have split the state owned public assets obtained from investments or acquisitions:

- Public funds or donation ,
- Own sources.

In this respect, annual public assets inventory is not updated with properties and due value, resulted from investments from own sources.

Starting 2004 pursuant to Law no.571/2003 regarding Fiscal Code art.24 paragr.3, letter e) "investments from own sources materializing in new properties belonging to public assets, as well as developments and refurbishments of public assets” can be depreciated and recovered in terms of tax by depreciation of deduction, according to the provisions of this article.

Pursuant to Assignment agreement no. 171/27.12.2004, concluded between SC Hidroelectrica SA and Ministry of Economy and Commerce for a 49 years period regarding assignment of properties making the public assets registered in balance on 31.12.2003, based on inventory published in RGD no.2060/2004, in value of 3,385,676,854 RON a removal from balance sheet (account 8031) of the value of the public asset items was registered together with reduction of “Public assets” (account 1016).

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On 31 December 2011 assigned public assets value a public domain is of 3,474,417,706 RON representing:

-barrages 1,632,657,572 RON

-dams 1,585,267,518 RON

-locks 256,492,616 RON

Comparing to 2010, assigned public domain value has increased with 36,673,342 RON based on GD no.336/2011, published in the Official Gazette no.313/06.05.2011 in Annex 1 and 2 of inventory of public domain.

This value is registered only in account 8038.01 " Assigned assets belonging to public assets according to MPFD no.94".

Based on assignment agreement Company should pay for using public assets an 1% annual royalty from revenues realized after production of electric energy and technological ancillary services.

J. Depreciation of assets

Tangible assets and other long term assets, including commercial fund and intangible assets, are revised in order to identify losses from depreciation whenever events or changes indicate that the accounting value cannot be recovered. Loss from depreciation represents the difference between accounting value and maximum between sale price and use price. For calculating this loss, assets are grouped to the lowest level of detail for which independent cash flows can be identified.

K. Inventory

Inventory contains mostly spare parts, consumables and other inventories used to operate hydroelectric power plants and activities of repair and maintenance works. The Company registers inventories at acquisition cost, namely purchasing price, cost of processing and other costs to bring the inventories to the shape and place at reporting date.

Inventories are presented in the financial statements to the minimum between the acquisition cost and net realizable value, respectively reduced acquisition cost by the amount of the depreciation provisions. Inventories are recognized as an expense or capitalized as appropriate, when using applying FIFO method of costing.

L. Clients and assimilated costs

Clients' accounts and assimilated accounts include issued and unpaid invoices until 31.12.2011 for hydro power generation, functional ancillary services, and other services outside the core business, with revenues in less than 12 months. Clients' accounts and assimilated accounts are recorded at nominal value, diminished with estimated realizable value by recording the provision for doubtful clients. Final losses may vary from current estimates; however management believed to have presented the best estimate of losses.

M. Cash and cash equivalent

Cash and cash equivalents include petty cash, bank accounts, and short term bank deposits. Foreign currency accounts are shown in RON at the exchange rates valid at the end of the year. Cash loans (overdraft) are treated as current liabilities.

N. Share capital

Subscribed and paid in share capital was altered in 2011 as shown in Equity Modification Statement. The value of the subscribed and paid in share capital on 31 December 2011 was of 4,449,514,450 RON. According to Law no. 1481/24.11.2005 regarding incorporation of the share capital " Fondul Proprietatea" SA was divided on shareholders, juridical entities, as follows:

- State, represented by Ministry of Economy, Commerce and Business Environment with 80,0561%
- SC "Fondul Proprietatea" SA with 19,9439 %

Company recognizes changes performed to the subscribed and paid in share capital after obtaining approval from General Meeting of Shareholders or the Board of Administration, and after registration at Trade Register.

O. Dividends

Dividends are recognized as a liability when declared and their distribution approved.

P. Loans

Short and long term loans are initially recorded at the amount received, net of transaction costs. In subsequent periods, loans are registered at amortized cost using the effective yield methods, differences between the amounts received (net of transaction costs) and redemption value being registered in the profit and loss account during the loan agreement. Short term portion of long term loans are classified in "Liabilities to be paid within a year" together with accrued interest on balance sheet date in "Amounts owed to credit institutions" within current liabilities.

Q. Commercial debts

Short term commercial debts (maturing in less than 12 months) are registered at nominal value, which approximates fair value of amounts payable for goods or services and are mainly represented by issued invoices for goods and services.

R. Provisions for risks and expenditures

Provisions for risks and expenditures are recognized when the Company has a legal or constructive obligation resulted from past events, when to settle the obligation is required an outflow of resources embodying economic benefits, and when a reliable estimate can be made in terms of value obligations. Provisions are reviewed at each balance sheet date and adjusted to reflect the best management's estimate in this regard.

S. Reserve consisting of revenue from electricity and heating

Starting 1 January 2005 according to Government Emergency Ordinance (GEO) no.89/2004 approved by Law no. 529/2004, development tax as revenue is no longer considered income to the state budget. Company will make reserves in the limits of rate up to 6% of revenues from sale of electricity, within accounting profit, deductible in determining taxable profit. Reserves will be used to finance the modernization and development investments for its energy objectives as intended in GEO no.89/2004. Provisions of GEO no.89/2004 were applied until 31 December 2006, as of this date the Company has ceased calculating the reserve.

T. Subsidies

Investment subsidies recognized by the Company in accordance to the legislation in force, have been shown as advance revenue and registered in profit and loss account, on a systematic basis, for the periods in which the investments are depreciated (subsidies for investment nature of private property) respectively in capital accounts, at commissioning of investment objectives (investment subsidies to the nature of public assets list). In 2011 SC Hidroelectrica SA has not received subsidies for investment.

U. Profit and loss account

Effects of transactions and other events are recognized and registered in accounting when they occur and are presented in the financial statements of periods related to historical cost.

V. Revenue recognition

Revenues' recognition is at historic cost. Effects of transactions and other events are recognized when occurring and are registered in accounting even if documentary proof is produced later (to comply the principle of economy prevailing over juridical) and reported in financial statements of the periods corresponding to the principle of independence of the financial year.

Revenues are recognized when rendering the service and selling goods at prices set by the contract. Amounts received in advance are recognized as revenue in the accounting periods when the services are provided.

W. Operating expenses

Operating costs are registered on expenses in the period when performed, at their historical cost.

X. Expenses with personnel

Short term employees' right, include labor right established by Collective Labor Agreement on subsidiaries and unit and social security contributions, social health insurance and unemployment benefits.

These rights are recognized in expenses and recorded in the profit and loss account in the same period with other salary connected expenses. Both Company and each employee are required by legal regulations in force to contribute to health insurance, pension and unemployment funds.

Y. Employees' benefits

According to GD no. 1041/2003 and no. 1461/2003, Company provides benefits in the nature of free energy to retired employees. Also, the Company provides cash benefits depending of duration of service and retirement for employees and other employee benefits. Company records provisions for employee benefits based on actuarial calculations performed periodically by independent specialists.

Updated provision is recorded in the profit and loss account for the period.

Z. Indebtedness costs

Indebtedness costs include interest and other expenditures incurred by the Company in connection with the loans. SC Hidroelectrica SA record as an expense the Indebtedness costs in the period to which they refer to, according to the principle of accrual accounting.

AA. Income Tax

Current income tax is calculated according to tax regulations in force. Current income tax calculation is based on results reported in the income tax declaration issued on the financial statements, prepared following Romanian standards and adjusted for certain items according to the legislation in force. Current tax is calculated as a percentage of the accounting profit obtained according to Romanian legislation, adjusted for certain positions pursuant to tax legislation (with fiscally deductible and non deductible expenses, and taxable and nontaxable income) at a rate of 16%.

BB. Tax liabilities

Tax liabilities are calculated, recorded, reported and paid in accordance to legislation in force regarding Company's and employees' obligations.

CC. Financial instruments

Financial instruments used by the Company consist of cash, term deposits, receivable and payables. Company has calculated the updated cost of liabilities and receivables, amendment of registered values, recognized as an adjustment to the profit and loss account on 31 December 2011, which has a little impact on financial position. Financial instruments are compensated when the Company has the right to compensate and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

DD. Contingent liabilities

Contingent liabilities represent:

- a possible obligation arising as a result of a past event, before the balance sheet, and whose existence will be conformed only after the occurrence or non-occurrence of one or more uncertain future events that cannot be entirely under the control of the company;
- An obligation arising out of past events, previous the balance sheet, but not recognized because:
 - Not sure that will require outflow to settle the debt
 - Amount of debt cannot be evaluated reliably enough

Company does not recognize contingent liabilities in the balance sheet.

Taxation

The taxation system in Romania is in a phase of steady development and is subject to various interpretations and constant changes that are sometimes retroactive. In some cases, the tax authorities intends to strengthen and harmonize with the European law and may treat different aspects by applying calculation of additional taxes, fees and penalties for late payment (0.1% for each day of delay, starting with 1 January 2006). In Romania, the financial year remains open for inspection for 5 fiscal years. The Company believes that tax liabilities included in these financial statements are appropriate.

According to tax legislation in force, starting 1 May 2009, revaluation reserves of fixed assets, including land, performed after 1 January 2004, which are deductible from the taxable income through depreciation expenses or spending on assigned and/or disposed assets, while applying tax together with tax depreciation, and on time of fall management of these assets, as appropriate.

Revaluation reserves of fixed assets, including lands, performed before 31 December 2003 plus the portion reassessment performed after 1 January 2004 for the period up to 30 April 2009 will be taxed at the time of transfer to reserves representing surplus of reserved revaluation. Reserve deducted until 1 May 2009, described above, is taxed when changing destination, according to previous legislation.

EE. Affiliated parties

Parties are considered related if one party, either through ownership, contractual, or other family relationship is able to control, directly or to significantly influence the other party.

Parties fulfilling conditions stipulated in art.3, Ch. II of Directive VII, integral part of MPFD no.3055/2009, and which were considered affiliated parties to SC Hidroelectrica SA represent its 8 subsidiaries (Hydroservs) (Note 10).

FF. Future events

The accompanying financial statements reflect events after the financial statements that provide information about Company’s position at the date of balance sheet or those that indicate a possible non-fulfillment of the hypothesis regarding continuity of business (events that lead to adjustments).

Subsequent events are not events that might cause adjustments are disclosed in notes, when they are considered significant.

NOTE NO. 7

SHARES AND OBLIGATIONS

a) Shares

According to Law no. 1481/24.11.2005 Romanian State holds 80.0561% of Company's share capital, as major shareholder, represented by Ministry of Economy, Commerce and Business Environment and by SC "Fondul Proprietatea" SA holds 19.9439% .

On 31 December 2011 the share capital was made up of:

1. Subscribed and paid in share capital, out of which:	
- Romanian State represented by Ministry of Economy, Commerce and Business Environment	4,449,514,450
- SC "Fondul Proprietatea" SA	3,562,107,740
	887,406,710
2. Number of shares:	444,951,445
- Romanian State represented by Ministry of Economy, Commerce and Business Environment	356,210,774
- SC "Fondul Proprietatea" SA	88,740,671
3. Nominal value	10 Ron/share

All shares are commune, subscribed and integrally paid on 31 December 2011. All the actions have the same voting right and a par nominal value of 10 Ron/share.

b) Obligations

Company has not issued any share on 31 December 2011.

NOTE NO. 8

INFORMATION REGARDING EMPLOYEES IN 2011

1. INFORMATION REGARDING PERSONNEL

1.1. Evolution of SC Hidroelectrica SA personnel in 2010 and 2011:

	2010	2011
Average personnel, persons	5,227	5,243

1.2. Existing number of persons on 31 December in 2010 and 2011 in SC Hidroelectrica SA:

	31 December 2010	31 December 2011
Average personnel, persons	5,256	5,218

2. INFORMATION REGARDING PERSONNEL’S

2.1. SC Hidroelectrica SA employees’s structure according to activity:

Area of activity	31.12.2010	31.12.2011
Electrical power production in subsidiaries	4,968	4,955
Headquarters	288	263
TOTAL	5,256	5,218

The above table outlines that 94.96% of company’s employees work in subsidiaries:

2.2. SC Hidroelectrica SA employees’ structure on age groups:

Age (years)	31.12.2010	% of total personnel	31.12.2011	% of total personnel
>60	150	2.85	318	6.09
51-60	1,728	32.88	1,870	35.84
41-50	2,103	40.01	2,025	38.81
31-40	930	17.69	742	14.22
18-30	345	6.56	263	5.04
TOTAL	5,256	100	5,218	100

At the end of 2011, 38.81% of Company’s employees were between 41 and 50 years old. Taking into consideration that average of company’s personnel is of 47.68 years old, we can consider an aging process of employees. Thus, an objective of the human resources department is to hire young graduates.

2.3. SC Hidroelectrica SA personnel structure on categories:

Category	31.12.2010	31.12.2011	%
Workers	3,159	3,116	59.72
Technical, economic, scientific ad administrative personnel (medium and superior education)	2,097	2,102	40.28
Management	540	516	24.54 (TESA)
TOTAL	5,256	5,218	

By analysing Company’s personnel on categories on 31.12.2011 results that workers represent 59.72%, followed by TESA personnel (medium and superior education) operational and administrative representing 40.28%. Total management staff represents 24.54%.

2.4. SC Hidroelectrica SA personnel structure related to level of education:

Level of education	31.12.2010	31.12.2011	%
Superior studies	1,688	1,747	33.48
Medium education (High school/vocational school/technical school)	3,561	3,465	66.41
Primary studies	7	6	0.11
TOTAL	5,256	5,218	

Due to its activity SC Hidroelectrica SA has highly qualified labor force, both in subsidiaries and in headquarters. 33.48% of company’s personnel have superior education and the rest of 66.41% have medium level education.

3. INFORMATION REGARDING PERSONNEL CONNECTED EXPENSES

Expenses with personnel in 2011 compared to 2010:

	2010	2011
Total expenses with personnel	425,401,675	424,335,206
Out of which:		
- salaries and benefits	328,419,655	327,009,876
- social security	96,982,020	97,325,330

Company has no obligations regarding pensions to former managers and directors and has not granted any credit to managers and directors during exercise. Expenses connected to managers’ salaries (including subsidiaries) and Company’s directors in 2011 represent 13,137,740 RON.

4. INFORMATION REGARDING PERSONNEL’S’ TRAINING COSTS

Professional development is an important element of SC Hidroelectrica SA human resources strategy for an efficient business and for safe operation of country’s hydropower system. Company’s main strategic goals, on short and medium term, regarding training and staff development are:

- Development of separate programs and professional training for the main category of Company’s employees (workers, higher education staff, managers)
- Continuous training of Hiodroelectrica staff to prevent work accidents and occupational diseases
- Training in the integrated management system

Costs incurred by the company with professional development of staff in 2011 compared to 2010:

Table 1

	2010	2011
Costs incurred by the company with professional staff training (RON)	1,587,759	1,481,033
TOTAL	1,587,759	1,481,033

According to art.190 of Labor Code, Hidroelectrica is obliged to provide professional development for all employees at least every two years, as it has more than 21 employees.

Number of participants in various from of training in 2011 compared to 2010:

Table no.2

Number of participants in various from of training in 2011 compared to 2010

Table no. 2	2010	2011
No. of employees participating in professional development sessions (persons)	1,051	1,005
Average of employees participating in professional development sessions (participants/average)	20%	19%*

**Percentage of employees who have attended professional training session has lowered in 2011 compared to 2010 due to exceptional situation, when due to drought Hidroelectrica has activated the force majeure clause, applying a cost reduction program Thus, main training session scheduled for 2011 were postponed for 2012.*

1. Contract with Gallup continued in the first quarter of 2011 when 100 top managers and potential managers were evaluated in terms of internal customers of the company. It was also assessed the leadership potential of top managers.

Gallup has developed for Hidroelectrica assessment tools that have become company’s property, evaluation being performed by internal trainers, trained by Gallup. This project has become sustainable and is still implemented by Hiroelectrica with own resources. The contract no. 162/10.12.2010 had a value of 428,500 RON.

2. The project “Personnel’s training and development in accordance with company human resources development strategy, based on the principles of continuous improvement strategy for increasing residence of economic environment and changing society” a program financed by state aid scheme for general and specific training “Money for professional training” related to Operational Program for Human Resources Development, priority axes 3 “Increasing adaptability of workers and enterprises” financing agreement POSDRU/77/3.2/A/61491 has started in 2011 and included training valuable steps to employees under contract with the trainer provider IKAR Management Consult. Thus, 180 employees completed training steps in 2011:

- awareness of the 120 employees on the principle of continuous improvement process (December 2010 – January 2011, out of which in 2011 90 employees were trained);
- training of 45 professional, certified by the National Council for Professional Adult Training (February –June 2011);
- training 15 professional managers, certified by the National Council for Professional Adult Training (September – November 2011)

The amount of 377,704 Ron was paid for the training of the 180 employees

NOTE NO. 9

ANALYSIS OD MAIN ECONOMIC AND FINANCIAL INDICATORS

INDICATORS

	Indicator	2010	2011
1.	Synthetic indicators on the balance sheet (RON)		
	a) GROSS PROFIT	390,254,907	39,609,944
	b) EBITDA	1,349,893,559	873,581,226
	c) EBIT	475,675,389	140,282,934
	d) TURNOVER	3,273,700,089	3,020,591,574
	e) OWN EQUITY	16,748,999,173	16,489,796,972
2.	profitability indicators (%)		
	a) EBITDA total sales	41.23%	28.92.%
	b) EBITDA own equity	8.06%	5.30%
	c) EBIT in total sales	14.53%	4.64%
	d) EBIT in own equity	2.84%	0.85%
	e) Gross profit rate	11.92%	1.31%
	f) Return on equity	1.75%	0.04%
3.	Liquidity ratios (%)		
	a) Current ratio	28%	23.18%
	b) Immediate liquidity	23%	19.21%
4	a) indebtedness ratio	0,11	0,15
	b) interest ratio	5,57	1,38
5.	Activity indicators (days)		
	a) debits’ flow- clients	24.7	33
	b) credits’ flow - suppliers	80	110

EBITDA and EBIT indicator values and their share in the total sales express the Company's ability arising from current activity to generate enough cash to cover current needs. Additionally, Company is under a continuous process of attracting external funding sources (long term loans) to cover the needs resulting from investment in public interest objectives.

During 2011 the two indicators (EBITDA and EBIT) faced a significant decrease compared to 2010, due to reduced revenues from the sale of energy and increase energy costs for purchasing the expenditure of water machined from a higher regulated price of 0.26 RON/cubic meter to 1.1 RON/cubic meter of water. Although the Company has recorded significant values in 2010 for these indicators, representing important investment source, Company was able to use only the accounting depreciation of EBITDA, profit, although it was a historical one was assigned 90% to dividends to shareholders (MECBE and Fondul Proprietatea). In these circumstances, Company turned to bank loans for investing in higher proportion.

Liquidity indicators express Company availability to purchase availabilities necessary to ensure payment of current obligations, namely the account payable.

From the analysis of liquidity ratio, results a decrease in 2010 due to current liabilities to suppliers and banks and credit institutions in terms of new loans committed to the shareholders through dividends granted from 2010 profit.

Risk indicators are represented mainly by the degree of indebtedness and reflect the ratio of borrowed capital and equity of the company.

In 2011 the value of this indicator increased compared with 2010, Company maintain its ability to borrow in the near future, indebtedness ration not having a significant risk factor.

Activity indicators provide information on:

- input or output speed of company's cash flow
- ability to control working capital
- rotation of receivables and debts

An analysis of these indicators gives a financial balance of the company, mainly determined by:

-collection of receivables is reduce as the Company benefit of favorable conditions of collecting from competitive market in terms cashing in advance for the energy delivered;

- The payment duration was increased since 2010 due to the use own resources for investment business, financial market conditions - bank (financial crisis), failing investment borrowing in the first months of the year. Starting semester II of 2011, the Company contracted loans for investment in order to comply with suppliers' contract terms, imposing reduced payment period and correlating the contractual terms of payment receipts

NOTE NO. 10

OTHER INFORMATION

a) Information regarding Company's presentation

SC Hidroelectrica SA is a Romanian registered company, functioning as a joint venture company, performing activity according to Romanian legislation.

SC Hidroelectrica SA duration is unlimited, starting with the incorporation at Trade Register. Company is registered under no. J40/7426/2000, with fiscal registration number 13267213.

SC Hidroelectrica SA headquarter is in Romania, Bucharest 3 Constantin Nacu Street, sector 2.

SC Hidroelectrica SA main object of activity is production and supply of electric energy by exploiting the hydrological potential and legislation in force, development of appropriate commercial activities corresponding to the object of activity and the approved memorandum, based on production license no.332/24.07.2001 given by NAER in Decision no.702/24.07.2001, license providing system services no.333/24.07.2001 given by NAER in Decision no.703/24.07.2001 and electric energy supplying license no. 32/27.05.2010 given by NAER no. 1387/27.05.2010. All decision granted by NAER are periodically updated. Currently for production license is valid the Decision no.312/11.02.2010, for license providing ancillary services is valid the Decision 851/08.07.2005 and for electric energy supplying license is valid the Decision no. 1387/27.05.2010.

After analyzing the activity, on April 2, 2012, Moody's credit rating agency decided, to reduce the company's rating from stable Bal to negative Bal for 2011.

Legal environment

National Agency for Energetic Regulation (NAER) establishes the activity in the energetic sector. Agency is an independent public institution according to GD no.29/1998, amended by Law no.99/2000 – and has the following responsibilities:

- application of mandatory national regulatory system for the energy sector in order to ensure efficiency, competition, transparency in this sector, and consumer protection;
- issue or cancellation of operating licenses for existing entities involved in energy sector or those that arise in the future, aiming at creating a competitive environment in the markets for electricity or heat;
- developing the methodology and criteria for calculation of tariffs in the energy sector and framework contracts for sale, purchase and supply of electricity and heat to final consumers.

The electricity market

Until 24 December 2001, in accordance to GD no.982/2000, openness to competition of Romanian market was of 15% of final domestic electricity of 1998. In 23 December 2001 according to GD no. 1272/2001 the openness to competition on electricity market has been increased to 25% of final domestic electricity of 2001. Starting 31 January 2002 according to GD no.48/2002 the opening of electricity market was 33% of domestic final consumption of 2001. Competition represents “eligible consumers” which consume over 20 GWh per year and are entitled by NAER to negotiate directly with electivity suppliers, with access to transmission and/or distributing electricity.

On 18 December 2003, according to no. 1563/2003, competition ration on electricity market was increased to 40% of final domestic consumption of the previous year. Market openness was increased to 55% on 1 November 2004, and then to 83.5% on 1 July 2005. Pursuant to GD. 638/20.06.2007 starting 1 July 2007, the electricity market was theoretically fully open to all consumers but practically this thing has not happened.

Hidroelectrica SA has 13 subsidiaries without juridical personality:

No.	Subsidiary	Place	Address
1	HPP Bistrița	Piatra - Neamț	13 Lt. Draghicescu Street
2	HPP Buzău	Buzău	1 Dorin Pavel Street
3	HPP Curtea de Argeș	Curtea de Argeș	82 - 84 Basarabilor Blvd.
4	HPP Cluj	Cluj - Napoca	1 Taberei Street
5	HPP Hațeg	Hațeg	38 bis Progresului Street
6	HPP Porțile de Fier	Drobeta - Turnu Severin	2 I.C. Bibicescu Street
7	HPP Ramnicu Vâlcea	Ramnicu Vâlcea	11 Decebal Street
8	HPP Sebeș	Sebeș	9 Alunului Street
9	HPP Slatina	Slatina	158 Tudor Vladimirescu Street
10	HPP Targu Jiu	Targu Jiu	1 Vasile Alecsandri Street
11	HPP Oradea	Oradea	34 Ogorului Street
12	HPP Caransebeș	Caransebeș	2A Splai Sebes Street
13	HPP Sibiu	Sibiu	45 Rahova Street

b) Information regarding Company’s relation to subsidiaries

SC Hidroelectrica SA has other 8 subsidiaries, with juridical personality, to which SC Hidroelectrica SA has participated to share capital as sole shareholder, according to GD no. 857/2002. Shares with a value of 17,200,370 RON represent Company’s property.

SC Hidroelectrica SA subsidiaries are:

No.	Subsidiary	Place	Address
1	Hidroserv Bistrița	Piatra - Neamț	13 Lt. Draghicescu Street
2	Hidroserv Cluj	Cluj - Napoca	1 Taberei Street
3	Hidroserv Curtea de Argeș	Curtea de Argeș	1 Barajului Street
4	Hidroserv Hațeg	Hațeg	38 bis Progresului Street
5	Hidroserv Porțile de Fier	Drobeta Turnu Severin	2 Calea Timișoarei,
6	Hidroserv Ramnicu Vâlcea	Ramnicu Vâlcea	269 Calea București
7	Hidroserv Sebeș	Sebeș	9 Alunului Street
8	Hidroserv Slatina	Slatina	158B Tudor Vladimirescu Street

On 01.01.2011 value of the in kind contribution to Hidroserv subsidiaries was the same as on 31.12.2011, in value of 40,839,050 RON.

Hidroserv subsidiaries have achieved full economic and financial indicators program, criteria and performance objectives and the results are presented below:

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(all amounts are expressed in RON unless otherwise stated)

SITUATION OF MAIN ECONOMIC AND FINANCIAL INDICATORS REALIZED BY HIDROSERV SUBSIDIARIES ON 31.12.2011									
- thousands RON -									
COMPANY's INDICATOR	TOTAL SUBSIDI ARIES	SC HIDROSER PORȚILE DE FIER SA	SC HIDROSER BISTRITA SA	SC HIDROSER CLUJ SA	SC HIDROSERV CURTEA DE ARGEȘ SA	SC HIDROSER V HAȚEG SA	SC HIDROSER V RM. VÂLCEA SA	SC HIDROSER V SEBEȘ SA	SC HIDROSE RV SLATINA SA
SHARE CAPITAL	58,094	8,478	4,470	9,125	6,592	6,520	11,178	5,630	6,101
TURNOVER	457,083	95,200	57,866	35,354	68,187	33,930	57,876	31,103	77,567
OPERATING REVENUES									
-estimated	418,893	75,522	52,824	36,337	43,051	34,869	59,210	32,830	84,250
-realized	464,508	95,421	58,013	35,415	71,467	34,155	58,455	33,568	78,014
OPERATING EXPENSES									
-estimated	410,910	74,722	51,297	36,528	41,959	34,218	57,407	31,629	83,150
-realized	457,876	94,299	56,544	35,739	71,047	33,570	56,680	32,505	77,492
OPERATING RESULT									
-estimated	7,785	602	1,527	-191	1,092	651	1,803	1,201	1,100
-realized	6,632	1,122	1,469	-324	420	585	1,775	1,063	522
TOTAL REVENUES									
-estimated	419,549	75,569	52,854	36,684	43,061	34,870	59,276	32,925	84,310
-realized	465,438	95,465	58,101	35,854	71,477	34,167	58,496	33,795	78,083
TOTAL EXPENSES									
- estimated	411,772	74,920	51,353	36,529	41,961	34,234	57,551	31,724	83,500
-realized	458,572	94,495	56,595	35,740	71,047	33,570	56,750	32,561	77,814
GROSS RESULT									
- estimated	7,777	649	1,501	155	1,100	636	1,725	1,201	810
-realized	6,866	970	1,506	115	429	597	1,746	1,234	269
NET PROFIT									
- estimated	6,589	550	1,244	155	933	539	1,463	1,018	687
-realized	4,777	322	1,166	115	191	499	1,385	946	153
PERSONNEL AVERAGE									
- estimated	2,529	575	310	335	280	194	376	214	245
-realized	2,513	582	310	339	278	194	376	190	244
TOTAL LIABILITIES	85,128	12,304	15,221	6,987	14,117	6,213	6,100	6,995	17,191
OVERDUE LIABILITIES									
- estimated	10,311	132	5,368	678	11	563	970	750	1,839
-realized	11,234	204	5,099	671	1,714	552	1,018	437	1,539
TOTAL DEBTS	103,539	20,479	11,015	6,543	19,651	5,468	11,232	6,526	22,625
OVERDUE PAYMENTS									
- estimated	7,113	123	2,728	311	150	572	930	460	1,839
-realized	13,054	100	2,592	299	6,703	563	929	11	1,857

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Transactions and balances with affiliated parties:

During 2011, compared to 2010, Company’s transactions with subsidiaries are:

Descripton	31.12.2010	31.12.2011
Service to subsidiaries	1,138,442	1,278,893
Revenues from shares in subsidiaries	-	6,652,236

For year ending on 31 December 2011, acquisitions from subsidiaries represent:

- 253,522,167 RON – repair works at Hidroserv;
- 145,398,080 RON – inputs in assets from works performed by subsidiaries
- 32,477,648 RON – other services to subsidiaries;
- 6,071,823 RON – acquisition from subsidiaries.

On 31 December 2011, liabilities and debts regarding subsidiaries :

Description	31.12.2010	31.12.2011
Receivables from subsidiaries	211,428	367,764
Dividends from subsidiaries	-	1,451,706
Payables to subsidiaries	69,674,378	98,207,233

On 31 December 2011, payables to subsidiaries represent:

- 78,738,109 RON – current commercial debts;
- 19,469,124 RON - performance bonds.

c) Information regarding tax on profit

Main economic and financial indicators on 31.12.2011 realized by Company:

No.	Description	Value
1	Turnover	3,020,591,574
2	Operating revenues	3,047,049,417
3	Operating expenses	2,885,890,248
4	Operating result (profit) (row.2 -.3)	161,159,169
5	Financial revenues	137,945,263
6	Financial expenses	259,494,488
7	Financial result (loss) (row.5 - row.6)	(121,549,225)
8	Total revenues	3,184,994,680
9	Total expenses	3,145,384,736
10	Gross profit (row.8 - row.9)	39,609,944
11	Legal reserve (5%)	1,647,885
12	Nontaxable Revenues	26,662,650
13	Non deductible expenses	186,961,388
14	Other revenue elements, resulted from destination change of revaluation surplus (acct. 1065) cf.GMS no. 14/2011	19,454,720
15	Taxable profit (row.10 - row.l 1 - row.12 + row.13 + row.14)	217,715,517
16	Fiscal loss to be recovered from previous years	0
17	Taxable profit /Fiscal loss (row. 15 - row.l6)	217,715,517

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Non taxable revenues on 31 December 2011 in the amount of 26,662,650 RON

Revenues from cancelling provisions for which the deduction was not granted following art.20 letter. c ¹) (acct.7812 + ct.7813 + ct.7814 + ct.7815), and revenues from cancellation of deductible expenses (acct.7588.01)	20,010,414
Dividends from juridical entities (Hidroserv subsidiaries) art.20 letter. a) (acct.7611)	6,652,236

Value of 20,010,413 RON, representing revenues from cancelling provisions for which the deduction was not granted consists mainly of:

- Cancellation of provision, in value of 1,697,745 RON, created in 2010 for contributions of employer to benefits account granted to employees in 2010 and paid in 2011;
- Cancellation of provision, in value of 12,285,724 RON, created in 2010 based on Civil Sentence no. 710/2003, representing compensation due to employees and paid in 2011;
- Cancellation of provision, in value of 1,796,286 RON, created in 2010 for litigation with SC Termoelectrica SA regarding penalties on late payment, litigation won by SC Termoelectrica SA;
- Cancellation of provision, in value of 948,530 RON, created in 2010 for litigations with CEN Rovinari regarding penalties on late payment, litigation won by CEN Rovinari;
- Cancellation of provision, in value of 1,019,948 RON, created in 2010 for litigations with FDEE Electrica Distribuție Transilvania Sud Mureș regarding penalties on late payment, litigation won by SC Hidroelectrica SA,
- Cancellation of expenses registered connected to investment project CHEAP Tarnita Lapustesti for which the deduction was not applied in 2010, in value of 821,881 RON.

Fiscally non deductible expenses on 31 December 2011 are in value of 186,961,388 RON, out of which the main non deductible expenses are:

Excess depreciation expenditures resulting from evaluations of 2006 and 2009, according to GD no. 34/2009 art. 22 paragr. 5 ¹ - acct. 6811.03	163,489,200
Expenditure on sponsorships and/or patronage and scholarship - art.21(4) letter.p - acct.6582	1,668,805
Expenditure on fuel for vehicles under 3.500 kg, according to art.21 paragr.4) letter.(t) acct. 6022.09	3,754,136
Travel allowance expenses paid for travel in Romania, beyond 2.5 times the legal level established for public institutions - art.21 paragr.(3) letter. b) - acct.625.01.1.02 + acct. 625.01.01.04	4,913,711
Cultural and social expenses over the level of 2% applied on the realized salary fund -art. 21 paragr (3) letter.c) - FASC – acct. 6588.3	4,777,445
Operating expenses on deductible provision created for CET Braşov SA	3,208,039

Similar elements to revenues, in the amount of 19,454,720 RON registered on profits tax for 2011, represent revaluation surplus reserve used pursuant to GMS Decision no. 14/2011 approving the financial statements of 2010, to cover the 2003 remaining uncovered accounting loss and accounting for employee benefits costs estimated to be granted in future, according to GD no. 1041/2003 and no. 1461/2003 respectively the collective labor agreement (first anniversary, awards granted on retirement date)

d) Information regarding audit

The 2011 financial statements were audited by KPMG, according to contract registered under SC Hidroelectrica SA no. 43/30.03.2012

We should mention that object of the contract represents provision of audit services in accordance to applicable standards for financial statements, prepared pursuant to MFPD no.3055/2009 and International Financial Reporting Standards for the financial year ending December 31, 2011 and limited review of Company’s consolidated financial situations on June 30, 2012 prepared in accordance with the International Financial Reporting Standards

NOTE NO. 11

PARTICIPATING TITLES

SC Hidroelectrica SA Participating titles in Company’s subsidiaries:

SC HIDROELECTRICA SA holds on 31 December 2011, as sole shareholder, participating titles in HIDROSERV subsidiaries, of a total amount of 58,039,420 RON, out of which:

1. 17,200,370 RON represent participating titles held by SC HIDROELECTRICA SA as shareholder in share capital of companies according to GD no.857/2002, art.I;
2. 40,839,050 RON represent Company’s in kind contribution in HIDROSERV’s share capital:

No.	Company	Type of share capital	No of shares	Nominal value (RON)	Share capital according to GD no.857/2002	Fixed assets in kind contribution
1	SC Hidroserv Bistrița	State owned	446,967	4,469,670	877,660	3,592,010
2	SC Hidroserv Cluj	State owned	912,525	9,125,250	2,450,850	6,674,400
3	SC Hidroserv Curtea de Argeș	State owned	659,176	6,591,760	599,240	5,992,520
4	SC Hidroserv Hațeg	State owned	652,000	6,520,000	586,870	5,933,130
5	SC Hidroserv Porțile de Fier	State owned	842,291	8,422,910	3,874,670	4,548,240
6	SC Hidroserv Ramnicu - Vâlcea	State owned	1,117,841	11,178,410	5,663,530	5,514,880
7	SC Hidroserv Sebeș	State owned	562,995	5,629,950	1,178,120	4,451,830
8	SC Hidroserv Slatina	State owned	610,147	6,101,470	1,969,430	4,132,040
9	TOTAL		5,803,942	58,039,420	17,200,370	40,839,050

Participation titles in other companies

No.	Company	Type of share capital	No. of shares	Nominal value (RON)
1	Romanian Stock Exchange	Mixt	90	900

NOTE NO.12

SUBSIDIES

In 2011 SC Hidroelectrica SA has not received from the state budget any subsidy, namely budgetary loans pursuant to State Budget Law.

1. Balance of account 4751 "State subsidies for investments" at the end of 2011 is in the the amount of 167,168,725 RON, representing:
 - 81,105,718 RON, the ongoing value of assets and/or to be depreciated at the end of 2011, from the development fund received from Ministry of Industry between 2001 - 2002;
 - 86,063,007 RON, the ongoing value of assets and/or to be depreciated at the end of 2011, from the development fund received between 2001 - 2002 2003 - 2004.

In balance of account 4751 were registered both subsidies for public assets nature investment and subsidies for private property investments.

2. Balance of account 4753 „Donation of tangible assets - SH Slatina" in the the amount of 822,774 RON and represent value of assets (residential) received free of change from Hidroconstructia.
3. Balance of account 4754 "Constant assets plus products inventory” in the the amount of 430, 648 RON.
4. Balance of account 4758 "Other amounts received as investment subsidies" has a value of 33,401,718 RON and represent:

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- 3,170 RON, donations from state budget;
- 163,461 RON, assets received free of charge;
- 119,463 RON, subsidies connections;
- 33,115,624 RON, subsidies for protocol expenses in 2002.

NOTE NO. 13

FISCAL RESULT

SC Hidroelectrica SA is a stat owned company applying MPFD no.3055/2009 regarding on harmonization of accounting regulation with EU directives. SC Hidroelectrica SA complied the legal frame for taxation, paying tax according to LAW no.571/2003 regarding Fiscal Code GD no.44/2004, and Methodological Norms of implementing Law no.571/2003, with further amendments and updates.

Company 2011 ended financial exercise with a gross result in value of 39,609,944 RON and taxable profit of 217,715,517 RON.

Indicators, according to Declaration regarding income tax	Amount
+ Operating revenues	3,047,049,417
- Operating expenses	2,885,890,248
= Operating result profit/(loss)	161,159,169
+ Financial revenues	137,945,263
- Financial expenses	259,494,488
= Financial result /(loss)	(121,549,225)
Gross result	39,609,944
- Non taxable revenues	26,662,650
+ Fiscally non deductible expenses	186,961,388
- Legal reserves 5%	1,647,885
+ Other revenue elements, resulted from destination change of revaluation surplus (ct.1065) cf. AGA no. 14/2011	19,454,720
=Taxable Profit	217,715,517
- Fiscal loss to be recovered from previous years	0
= Taxabile profit / (fiscal loss)	217,715,517

In 2011, Company exported electric energy ans obtaining revenues in amount of 130,868,506 RON.

In 2011 SC Hidroelectrica SA indebtedness is less than 3 and due to this interest expenses and costs related to difference in foreign exchange rate on loans are fully deductible for taxation purposes.

During 2011 Hidroelectrica SA registered deductible expenses in value of 186,961,388 RON. During 2011 there were non taxable revenues amounting 26,662,650 RON and took a tax deduction worth 1,647,885 RON, representing legal reserve, established on 31.12.2011.

Income tax on 31.12.2011 after applying all tax regulations is in value of 217,715,517 RON with a calculated tax in the amount of 34,834,483 RON. Company has a deduction for income tax in value of 1,668,805 RON representing sponsorship, private scholarship, within the limit of the law, art.21, parag.4, letter.p, of Fiscal Code, resulting a revenue tax of an amount of 33,165,678 RON for 2011.

At the end of 2011, Company registers liabilities to state budget in value of 3.622.686 RON, representing current income tax.

NOTE NO. 14

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Risk due to economic environment

The adjustment values in risk-held international financial markets in recent years has affected their performance, including financial and banking markets in Romania, leading to an uncertain increase regarding the future economic development.

Company’s partners may be affected by the crises liquidity which could affect their ability to reimburse the outstanding loans. Also, deterioration in operating costs may affect creditors and management of cash flow provisions and assessment of the depreciation of financial assets and non financial assets. The extent that information is available, management has reflected revised estimated of future cash flows in its depreciation policy.

Company's management cannot predict events that could have an effect on the banking sector in Romania and the subsequent effect would have on prosperity of the population / economic agents for consumption.

b. Price risk

Although according to GD no.638/20.06.2007, starting 1 July 2007 electricity market should have been fully opened to everyone, but practically this has not occurred. In this context, the Company has to ensure clauses to increase rate for electricity supply contracts for contracts previously concluded on the competitive market level and manage the production cost / price of energy supply and obtaining profit.

At present, market price of electricity supplied on the regulated market by supplying subsidiaries and electricity distribution services provided by the Company is not based on demand / supply ratio, but is regularly reviewed by NAER.

c. Interest Rate Risk

Company's operating cash flows are affected by changes of interest rate, mainly due to foreign currency loans contracted with internal and external financing banks.

Company may be affected by the changes that occur in exchange rates and interest level rates. Currency risk determined by interest rate risk should fluctuate over time. Company has significant long-term loans with variable interest rate, which may expose the Company to both price risk and cash risk.

At the time of these financial statements, Company has not entered into transactions and has not acquired financial instruments to cover this risk.

d. Risk of personnel and payroll system.

Currently the average age of the company staff is high. In the future Company may to deal with staff shortages due to reduction of staff by natural causes. One of the objectives of human resources activity is to recruit particularly among young graduates. The migration of skilled employees to private companies that provide salary and compensation packages above the ones offered by the current state of the Company are considered another risk to company staff.

e. Foreign currency risk

Romanian currency is used on the internal market and long term foreign and domestic loans financing costs are denominated in various foreign currencies. Also, the Company has significant balances denominated in foreign currencies with the leading providers of refurbishment. As a result, debts denominated in foreign currency are then expressed in RON. Differences arising are included in the income statement and do not influence cash flow until debt liquidation.

At the time of these financial statements, Company has entered into transactions and has acquired financial instruments to hedge currency.

f. Legislative risks

Fiscal verifications are common in Romania, consisting of the detailed examination of accounting records of taxpayers. Such checks are carried out sometimes after months or even years to determine their payment obligations. Penalties regime has a positive character. In consequence, according to the results of these verifications, companies may be due to additional taxes and fines. In addition, tax legislation is subject to frequent changes, and authorities often show inconsistency in interpretation of legislation. However, managers of the company believe that adequate reserves have been established for all significant tax liabilities.

g. Hydrological risk

The production level is limited due to both installed capacity and the prevailing hydrological situation. Dry weather affects the ability to produce and fulfill contractual obligations, while wet weather gives the opportunity to increase the maximum income with additional production. If Hidroelectrica hydrological situation can change it can reduce risks by:

- monitor conditions and trends, in order to get the best data to be used in forecasts and estimates;
- a cautious approach to contractual obligations;
- monitoring markets for maximum revenue from sales outside the contract, if a surplus;
- consideration of diversification strategies through alternative production sources, including unconventional sources

In late September, Hidroelectrica SA served the force majeure clause for the contracts in progress, such to reduce its energy supplies proportional to reduced production caused by severe drought in recent months. Thus, the Company has delivered all its own production, proportional to all contracts, while force majeure clause is applied to all electricity sales contracts starting in September.

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In late March 2012, the Company extended the force majeure situation, due to hydrological deficit recorded in the first two months of the year, on the lower Danube and the rivers hydrological furnished.

This situation created caused a medium reduction of 50% of electricity production in this period to the average of annual production value.

h. The real value of financial instruments

Financial instruments held to maturity are included in the balance sheet at cost of purchase or redemption, as applicable. The real value is the value of the financial instrument that can change common transactions other than those caused by the liquidation or forced sale. Real values are obtained from quoted market prices or cash flow models, as the case may be.

On 31 December 2011 cash and other current accounts, receivables and payables and receivables and other current liabilities (including amounts owed to credit institutions), are close to the real value due to their short maturity

NOTA NO. 15

FORCE MAJEURE CLAUSES IN SALE – PURCHASE ELECTRICITY CONTRACTS

Contract year 2011 was characterized by low hydraulicity, below the average annual number which led to significantly reducing possibilities of producing electricity from hydro power plants, especially in the second semester. After a first quarter characterized as good from hydrological terms, in the next three quarters hydraulicity decreased severely, leading to company’s decision to activate the force majeure clause applied to all sale contracts of electricity in progress.

From May 2011 hydraulicity issued reduced and the functioning of National Energetic System in the whole session was periodically analyzed by MECBE, under the direct supervision of the Secretary of State responsible for energy sector.

In parallel, the National Inspectorate for Emergency Situations and Emergency Situations Committee established by the Ministry of Environment and Forests, have regularly reviewed all the issues in all sectors affected by the extreme dry period.

As Hidroelectrica SA has not been able to produce qualities to cover only a small percentage of contractual obligations, and as weather forecasts issued 4th quarter is still unfavorable, during the months of September, was drafted documentation for issuing Permits ascertaining the vent of force majeure from the Chamber of Commerce and Industry of Romania.

In accordance with contractual provisions and documents filed after issuing the 41 required certificates, based on Board’s Decision, management contracts have been notified that as of 30.09.2011 the force majeure clause is activated, and delivers will be transparent and without discrimination to all contracts in progress, by applying a unique mathematical formula, calculated between the total contractual obligations and potential of maximum production of hourly contract.

Quantity supplied in 4th quarter of 2011 (as in table) suffered a sharp decline, Company’s current cash revenue were reduced accordingly, and the company was force to take all possible measures to reduce costs, to comply the R&E Budget.

		MWh		
		October	November	December
Regulated market	contracted	303,473	343,668	404,662
	realized	149,300	144,578	132,666
Eligible + suppliers + export	contracted	1,140,269	1,128,211	1,131,846
	realized	562,424	500,553	384,820
Total	contracted	1,443,742	1,471,879	1,536,508
	realized	711,724	645,131	517,486

NOTE NO. 16

BUSINESS ACTIVITY

From 1 July 2005 electricity market was opened to competition in the percentage of 83.5%. Although according to GD no.638/20.06.2007, starting 1 July 2007 the electricity market should have been fully opened to everyone, but practically this fact has not occurred. Competitive market prices are adjusted periodically, generally following an upward trend, according to the company’s cost, investment program and overall evolution of market prices.

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As shown in Note 17, substantial investments are needed for restructuring activities of the Company and to comply with environmental standards.

Selling price of electricity supplied to regulated market is not determined solely by the Company but is regularly reviewed by NAER.

Financial statements do not contain adjustments on the recoverability and classification of assets or net accounting value for the amount and classification of obligations that may rise in the event that the Company will not be able to continue its activity.

Company believes that application of the going concern assumption in preparing the financial statements is justified, given the strategic importance of the Company in the national energy system.

Company's financial position depends on future policies applied by Romanian Government.

NOTE NO. 17

COMMITMENTS AND CONDITIONALITY

1) Contracts for rehabilitation and modernization of hydro power plants

During 2001 the Company signed a contract with Va Tech Hydro Ltd in value of 122 million EUR for rehabilitation and modernization of Portile de Fier HPP (10 groups). Deadline for completion is 2014. Contracting price has successively increased due to additional requirements for work commitments, currently amounting 293.40 million EUR. On 31 December 2011, the balance to be executed according to progress of work contracted is 55 million EUR for Portile de Fier 2.

In 2004 the Company signed a contract with Voith Siemens Hydro Power Generation GmbH. & Co. KG and VA Tech Escher Wyss GmbH. in value of 356.7 million EUR for rehabilitation and modernization of hydropower on Lower Olt (Ipotesti, Draganesti, Frunzării, Rusanesti, Izbiceni - 20 groups), the contractual completion term is 2012. The total value of the work was later amended. On 31 December 2011, the balance amount according to progress of the contracted work is of 36.93 million EUR.

In June 2006, the Company signed a contract with SA Romenergo for rehabilitation and modernization works at the Romanian lock Portile de Fier 1, the deadline for completion of works is estimated for 2013. The initial contract value was in value of 166.85 million RON, later modified value to the amount of 187.58 million RON. On 31 December 2011, the balance amount to be executed according to progress of the work contracted is of 38.16 million RON.

In 2011 the Company completed a financing contract in value of 110 million EUR for rehabilitation of Steharii HPP with the European Bank for Reconstruction and Development. The main works should be performed between 2012-2019 and mainly aims to rehabilitation and modernization of electro and hydro mechanic equipments.

Until 31.12.2011 consultancy contract in value of about 3 million Euro was concluded with Sweco. In the same period tendering for awarding the refurbishment commenced, followed by a selection of contractors to take place in autumn 2012

2) Environmental conditionality

During 2011, the Company continued its program of monitoring and reducing pollution levels in all facilities, the total costs amounting approximately 55.4 million RON. Mainly, expenditures were made for works to prevent water pollution, land protection, removal and prevention of floods effects and rendering works in natural flow of land temporarily occupied.

According to long-term strategy Hidroelectrica estimates that between 2011 - 2015 the value of investing in environmental protection will be about 25.76 million Euro.

In terms of compliance with legal requirements we mention that at the end of 2011 out of 231 hydropower objectives that require permits, 218 objectives have valid environmental permits and 13 objectives are under renewal procedure. Limits of validity being between 2012 to 2021.

3) Penalties from suppliers' liabilities

Company register penalties for late payment to suppliers of energy and providers of fixed assets.

Significant balances of debt were recorded on 31 December 2011 with the following suppliers of energy:

Supplier	Balance on 31 December 2011 (RON)
Apele Romane	209,275,280
Turceni Complexul	66,422,447
Craiova Complexul	49,198,395
Nuclearelectrica SA	34,773,062
Transelectrica SA	21,854,587

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The main suppliers are State owned, being also the main shareholder. Company has presented this issue to MECBE and partners involved, considering unlikely to receive any payments in connection with it. No provision has been registered in the financial statements for this purpose.

During 2011 suppliers the Company had concluded rehabilitation contracts and have issued invoices penalties for late payment of internal invoices, accrued until the beginning of the second semester of 2011. Company has recorded these invoices during the year due to reported result. Company's management believes the calculation impact on 31 December 2011 to be insignificant.

Estimated penalties on 31 December 2011 for rehabilitation foreign invoices:

<u>Project</u>	<u>Estimated penalties on 31 December 2011 foreign bills</u>
Olt	12,829,588
Lotru	567,143

Payment of such penalties may be offset by the penalty requested by the Company to late delivery of services providers; in consequence no provision has been recorded in the financial statements for this purpose.

Penalties related to dividends

Company records delay in paying dividends, mainly for dividends of 2010.

Estimated penalties on 31 December 2011 to shareholders:

<u>Shareholder</u>	<u>Estimated penalties on 31 December 2011</u>
MECBE	3,7370,17
Fondul Proprietatea	456,852

Company has discussed with MECBE and Fondul Proprietatea requiring rescheduling for 2012 of the amount considered for dividends due to 2010 financial exercise, taking into consideration Company's situation and the force majeure clause. (see Note 15).

Payment of such penalties to shareholders is unlikely, given that common goal is to find solutions for the Company to continue work in good conditions, in consequence no remaining provision was recorded in financial statements for this purpose.

Management made the best estimate of losses; however the final penalties may vary from current estimates.

4) Other conditionality

Litigation with Unifers and Hidrosind Hidroelectrica Trade Union Federations

Company was involved in a litigation with Hidrosind Hidroelectrica Trade Union Federation, with file no.38042/3/2007, to be judged by Bucharest Court - Section VIII-a Labor Conflicts and Social security

In 2008, the Company completed with Hidroelectrica Trade Union Federation - Hidrosind a transaction covering subject matter of litigation. By this transaction Hidroelectrica SA is obliged to pay to all employees the difference between the actual salaries paid and salaries due as a result of the indices hierarchy of pay scale in force on 01.10.2005, for the period 01.01.2006 - 31.12.2007 regardless of union membership, staggered between 2008 - 2010, depending on the Company's economic - financial results.

Last payments on this issue were made during 2009 and recorded as an expense in the period when granted.

Subsequently, employees represented by the Unifers Trade Union Federation and Hidroelectrica Hidrosind Branch have requested the competent territorial and material courts to update with the inflation rate differences in paid salary, and ordered the company to pay statutory interest for late payment. At this point, for most employees represented by the Universe Trade Union Federation were paid such compensation, the result becomes final judgments of courts. In terms of employees represented by Hidroelectrica Hidrosind Branch, disputes are ongoing. The Company could not reliably estimate the value of future payments.

Litigations concerning properties taken for public use

Company is involved in a number of legal disputes on buildings (mainly land) used in current activity. In terms of buildings covered by Law no. 10/2001 (abusively taken between March 6, 1945 – December 22, 1989) the entity obliged to grant remedies in equivalent is not the Company but SC Fondul "Proprietatea" SA, which was settled for

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providing resources for compensation to persons abusively expropriated, following submission by the Company to National Authority for Property Restitution of persons that meet legal requirements in this respect.

For Disputes regarding property not covered by Law no. 10/2001, management periodically reviews the current litigations situations and in consultation with its legal representatives, decides the need for clear provisions for the amounts involved or their presentation in financial statements.

Other litigations

Company is and could become part of legal disputes and at other public institutions or other actions before various courts from conducting its normal business and various issues involving contract and on value added tax, income tax and other conditionality. These processes and actions could have a significant impact on the Company's financial position or the results of its operations

Employees' benefits

Short term employees' rights include salaries and social security contributions and other benefits (bonus, electricity, etc) Short term employees' rights are recognized as expenditures along with their services.

Currently, Company pays to the Romanian state the social security benefits for its employees. All employees of the Company are included in the Romanian State pension plan.

According to GD 1041/2003 and no. 1461/2003, Company provides benefits of the nature of free energy to employees who have retired from the electricity sector. Also, in accordance with collective labor contract, Company provides cash benefits depending on length of service, employees' retirement and other benefits.

Balance for provision constituted for employees benefit on 31 December 2011 was in the amount of 62,290,875 RON.

The Company periodically reviews the value of this provision based on actuarial calculations of independent actuarial experts.

NOTE NO. 18

BALANCE SHEET SUBSEQUENT EVENTS

1. On 17.02.2012, was signed Addendum No.4 to short-term credit facility, in value of 80 million RON, concluded with Alpha Bank extending the validity of the credit line until 31.01.2013.

2. On 01.03.2012, ING Bank and Hidroelectrica signed Addendum No.10, to short-term credit facility no.09063/03.03.2009; supplementing Hidroelectrica available funds to the amount of 66,000,000 RON. If additional funds are used, the value of 66,000,000 RON and any debt associated are due on 31.08.2012. Initial amount of 38 million RON (including interest), granted to Hidroelectrica based on the initial overdraft agreement, signed in 2009, becomes due on 15.03.2013

3. Pursuant to GD no.38/2012 regarding approval of Hidroelectrica privatization of SA, Company has initiated steps for listing a set of newly issued shares, the value of 10% of existing capital share, on the Bucharest Stock Exchange . Under the guidance of expert representatives from the Ministry of Economy, Trade and Business Environment and OPSPI, the company chose, after a public selection procedure, the consortium of financial intermediaries that will provide support throughout the preparation procedure for stock listing. After the signing of the Letter of Commitment winning consortium consists of: BRD Societe Generale, Citigroup Global Markets Limited and Intercapital, which will start the due diligence process, due diligence financial and legal, aimed at collecting accurate and comprehensive information about the company in the preparation of the Prospectus issue and offering potential investors a detailed company profile. Estimated date for listing shares on BSE Hidroelectrica SA in October 2012.

The financial situations contained in pages 1-68 have been approved by the Company on May 25, 2012 and signed on its behalf by:

Dragos Zachia - Zlatea
Director General

Georgeta Iosif
Economic Manager

Nina Seretean
Chief of Consolidated Balance
Sheet Dpt.