



**Hidroelectrica S.A.**

Societate în reorganizare judiciară,  
in judicial reorganisation, en redressement  
J40/7426/2000  
RO 13267213  
Capital social: 4.480.657.070 lei  
Certificat ISO 9001/14001/OHSAS 18001  
SRAC Nr. 325/4; 95/3; 250/2 - 2012

**ANNUAL REPORT**

**OF DIRECTORS**

**2013**

**S.P.E.E.H. HIDROELECTRICA S.A.**

## 1. IDENTIFICATION DATA

Annual Report according to O.M.F.P. no.3055 / 2009, as amended and supplemented;

For the financial year ended: December 31, 2013;

Date of report: 30.05.2014;

Name of company: S.P.E.E.H. HIDROELECTRICA S.A.;

Registered office: Bucharest, 15-17 Ion Mihalache Blvd., floor 11-14, sector 1, cod 011171;

Telephone / fax: 0213032500; 0213032582;

Registered at Trade Registry under Sole Registration Number: 13267213;

Fiscal Registration Code: RO13267213

Registered at Trade Registry under no: J40/7426/2000;

Subscribed and paid in share capital: RON 4,475,643,070.

## 2. GENERAL DATA

Company for Electricity Generation in Hydropower "Hidroelectrica" - S.A. was established according to GD no. 627/13 July 2000 and has seven branches under management at the end of 2013, operating unincorporated, dispersed throughout the country, as follows:

1. SH Bistrița - 13 Locotenent Drăghiescu Street, Piatra Neamț;
2. SH Cluj - 1 Taberei Street, Cluj Napoca;
3. SH Curtea de Argeș - 82-Basarabilor, Curtea de Argeș;
4. SH Hațeg - 23 Nicolae Titulescu Blvd., Hațeg;
5. SH Porțile de Fier - 2 I.C. Bibicescu Street, Drobeta Turnu Severin;
6. SH Râmnicu Vâlcea - 11 Decebal Street, Râmnicu Vâlcea;
7. SH Sebeș - 9 Alunului Street, Sebeș.

Also, as of 05.08.2013, Hidroelectrica has become sole shareholder in Hidroelectrica-SERV SA, registered at Trade Register under no. J40/ 9762/ 05.08.2013, the company was formed by the merger of the eight former Hidroserv subsidiaries for repair and services (established by Government Decision no. 857/2002) which operates a legal entity.

Hidroelectrica-Serv S.A.'s main aim of activity represent providing repair and other services by conducting production and trading activities or services corresponding to the object of activity approved by the Constitutive Act, the main activity representing: **"Repair of metal manufactured products, repair of machinery and equipment "- CAEN code 331**, main object of activity **"Repair of machinery "- CAEN code 3312** and **secondary object according to CAEN coding-Rev. 2**, consists of a number of services related to activities in several areas, to support the core business.

### Hidroelectrica's S.A. object of activity

Hidroelectrica S.A. is the leading producer of electricity among generating companies on market energy (in 2013 approx. 25.3% of total production in the system) and the leading manufacturer / ancillary service provider (in 2013 provided approx. 53.4% of secondary control service at NES level, about 81.3% of fast tertiary reserve service, 100% of insurance service for debited or absorbed from secondary voltage network of power control).

On 31.12.2013, Hidroelectrica S. A. had under management 261 hydroelectric plants and pumping stations with a total installed capacity of 6464 MW and a total of 4,172 employees.

The main activities of the company consist of:

- power generation in hydroelectric plants and sale of electricity;
- ancillary services for the National Energy System;
- development of water management services in accumulation by providing raw water, regularization of flows, flood protection, insurance and other shared services for water flow management;
- providing navigation on the Danube by sluicing;
- in hydroelectric developments on the interior rivers under the administration of the company, Hidroelectrica performs control and ensure mitigation of the flood waves against catastrophic flows.

If the increased flows endanger goods and lives, with the help of the National Committee for Emergency Situations, the company contributes in a very important manner to limit and eliminate these situations.

### **3. THE COMPANY'S DIRECTORS**

In 2013, there were two distinct phases in managing Hidroelectrica, namely:

#### **1. The period during which Hidroelectrica continued to be under judicial reorganization (January-June 2013)**

In this stage, the company's management was provided by:

- judiciary administrator – Euro Insol SPRL, by coordinating practitioner Ph. Dr. Attorney at Law Mr. Remus Adrian Borza and
- special administrator – Mr. Dumitru-Remus Vulpescu (until 29.05.2013) and Mr. Ioan Mihailă (29.05.13 – 26.06.13).

Following a request made by Hidroelectrica, Bucharest Court Civil Section VII, by Civil Sentence no. 7222 / 2012 issued in file no. 22456 /3/2012 on 20.06.2012, decided to open the general procedure of insolvency pursuant to Law No. 85/2006, with subsequent amendments and appointed Euro Insol SPRL as judiciary administrator, by the practitioner coordinator Ph. Dr. Attorney at Law Remus Adrian Borza.

On 18.06.2013, the Creditors' General Assembly approved the Reorganization plan drawn by the judiciary administrator, a plan which was later confirmed by the bankruptcy judge.

#### **2. The period during which Hidroelectrica was administered as dual system (27.06.2013 – 25.02.2014)**

On June 26, 2013, Civil sentence no. 6482 pronounced by the Bucharest Court, Civil Section VII for the file no. 22456/3/2012, approved the final report prepared by EURO Insol SPRL, the Judiciary Administrator and under Article 132, para. (1) of Law No. 85/2006, ordered the closure of the judicial reorganization for Hidroelectrica S.A. According to EGM Resolution No. 44/ 06.18.2013, at the termination of insolvency entered into force Constitutive Act amended according to Ordinance No. 109/2011 on public enterprises corporate governance, the company has passed to a dual system of administration - by the Board, under the supervision of the Supervisory Board.

Pursuant to subsequent decisions adopted by the General Assembly of Shareholders, the Supervisory Board has undergone some changes in the reference period, such as:

- The first members of the Supervisory Board were appointed by Resolutions no. 38 / 29.05.2013, i.e. Mr. Stefan Doru Bucataru, Mr. Remus Dumitru Vulpescu, Mr. Florin Marin, Mr. Ioan Mihăilă, Mr. Mihai Adrian Grosan, Mr. Remus Adrian Borza (Supervisory Board's Chairman), Ms. Oana Valentina Truță. Their mandate began at the termination of the insolvency procedure and its duration was up to the implementation of Ordinance No. 109/2011 stipulations on public enterprises corporate governance, but not more than 2 years after the date when the company exists insolvency procedures;
- By the Resolution No. 50 / 08/14/2013 Mr. Remus Dumitru Vulpescu, Mr. Ion Mihăilă, Mr. Mihai Adrian Grosan, Mr. Remus Adrian Borza (Supervisory Board's Chairman) and Ms. Oana Valentina Truță were reappointed as members of the Supervisory Board and 2 new members were appointed - Mrs. Elena Popescu, Mrs. Gabriela Sandu, within the same term, previously established;

- By the Resolution No. 59 / 31.10.2013, Mr. Ioan Mihăilă was revoked, the position remaining vacant;
- By the Resolution No. 63 / 11.29.2013, were elected members of the Supervisory Board under the provisions of Ordinance No. 109/2011 namely Mr. Mihai Adrian Grosan, Mrs. Oana Valentina Truță, Mr. Gheorghe Stirbu, Mrs. Mihaela Preda, Mr. Victor Cionga, Mr. George Cristodorescu (Chairman of Supervisory Board), Mr. Adrian Constantin Rusu. The term of mandate was set for four years.

As of February 25, 2014, Hidroelectrica rejoined the judicial reorganization procedure, due to civil Decision no. 456/25.02.2014 issued in file no. 22456/3/2012 / a1 of the Court of Appeal, which quashed civil judgment no. 6482 / 26.06.2013 issued by the Bucharest Court, Civil Section VII ordering the closure of the judicial reorganization of Hidroelectrica S.A.

Euro Insol SPRL resumed its mandate as company's administrator in the insolvency by coordinator Ph.Dr. Attorney at law Remus Adrian BORZA, under Acknowledgement dated 20.06.2012, issued by the Bucharest Court - Civil Division VII, file no. 22456 / 3/2012, irrevocable by decision no. 1774 /18/10/2012 pronounced by the Court of Appeal, Civil Department.

#### 4. LEGISLATIONS, REGULATIONS

During 2013, the company's financial and economic activity was conducted by both primary enforcement legislation related to trade companies and secondary legislation specific to the energy sector.

##### - primary legislation

- Accounting Law 82/1991, republished, with subsequent amendments;
- Orders of the Minister of Finance on the application of the Accounting Law:
  - OMPF no. 3055 / 2009 for the approval of accounting regulations compliant with European Directives, as amended and supplemented;
  - OMPF 1826/2003 for the approval of the Specifications on measures related to management and accounting organization management;
  - OMPF no. 2861/2009 approving the Norms regarding organizing and conducting inventory of assets, liabilities and equity, updated;
  - OMEF no. 3512 / 2008 on financial and accounting documents, updated;
  - OMFP No. 52/2012 on the main aspects of preparation and submission of annual financial statements and annual reports to the territorial units of the Ministry of Public Finance;
  - OMFP no. 2869/2010 amending and supplementing certain accounting regulations;
  - OMFP No. 1121 / 04.07.2006 on the application of International Financial Reporting Standards;
- Fiscal Code - Law 571/2003 as amended and supplemented;
- GD No. 44 / 22.01.2004 approving the Methodological Norms for applying Law 571/2003 regarding the Fiscal Code as amended and supplemented;
- Company Law No. 31/1990, republished, with subsequent amendments;
- Law no. 160 / 2012 approving Government Emergency Ordinance No. 33/2007 regarding the amendment of the Electricity Law No. 13/2007;
- Law on Electricity and Gas No. 123 dated July 16, 2012.

##### - secondary legislation

- ✓ **The main laws that underpin the conduct of business are:**
- Commercial Code of the wholesale electricity approved by Regulatory Authority for Energy's (RAE) Order no. 25/2004;
  - Regulation of the supply of electricity to consumers, approved by Government Decision no. 1007/2004;
  - The performance standard for electricity generation service approved by RAE Order No. 1/2010;
  - Full opening of the electricity market GD no. 638 / 2007;

- The procedure for changing electricity supplier approved by RAE Order No. 88/2009 and completed by RAE Order No. 14/2011;
- Law No. 220 of 27.10.2008 on the system for promoting energy generation from renewable energy sources, with subsequent amendments;
- Order no. 57/2013 - Regulation of organization and functioning of the market for green certificates.

✓ **Other specific regulations providing activities, among which are the following:**

- RAE Order No. 119/2013 approving the contribution of high-efficiency cogeneration and some provisions for billing;
- RAE Order No. 116/2013 approving the Regulation on determining how to collect contributions for high-efficiency cogeneration and bonus payments for electricity generation in high efficiency cogeneration;
- RAE Order No. 96/2013 - approving the average tariff for transmission service, fee for ancillary system, regional tariffs for the transport service and reactive electricity tariffs, charged by operators in the electricity sector;
- RAE Order No. 89/2013 on the approval of the Framework Agreement for the service of electricity transmission and ancillary services between the National Transport Company "Transelectrica SA and beneficiary;
- RAE Order No. 73/2013 - regarding the Regulation for organizing and functioning of the intra-day market electricity;
- RAE Order No. 60/2013 approving the establishment of the balancing market rules, as amended by RAE Order No. 112/2013;
- RAE Order 58/2013 – amending RAE Order No. 52/2012 approving the average tariff for transmission service, fee for ancillary system, the fee charged by the electricity market operator and regional tariffs for transport charged by operators in the electricity sector;
- RAE Order No. 49/2013 - approval of the Regulation on the organized trading market with centralized negotiation of bilateral contracts for electricity;
- RAE Order No. 48/2013 - Regulation regarding licensing and permits in the electricity sector;
- RAE Order No. 7/2011 - approving the rules for the settlement of preliminary Market Balancing and balancing responsible parties;
- RAE Order No. 6/2011 - Regulation relating to the organized trading of bilateral contracts for electricity and Framework Contract for the sale of electricity on the centralized market of bilateral contracts as amended (RAE Order No. 31/2006);
- RAE Order no 35/2006 - Methodology for monitoring wholesale electricity market to assess the level of competition in the market and preventing the abuse of dominant position, as amended by RAE Order No. 21 / July 15, 2010;
- RAE Order No. 61/2005 - regarding the operation of the wholesale electricity market;

**Licenses:**

- License no. 932 / 27.05.2010 for the supply of electricity;
- License no. 332 / 24.07.2001 for electricity, updated by RAE Decision no. 1655 / 04.07.2012.

## **5. FUNCTIONING PARTICULARITIES IN OPERATING HYDRO ENERGETIC DEVELOPMENTS IN 2013**

In 2013, HIDROELECTRICA S. A. produced in own facilities **14,823 GWh amount of electricity, with 2.8 TWh more than in 2012.**

The total amount of energy sold from own production and purchases from third parties was of 15,025 GWh.

As a result of hydrological conditions recorded (109.7% hydrology of the Danube and 82% overall hydrology sections in arranged inland), contractual volume and energy market conditions, the energy produced at the terminal was about **15.4% under a medium average of a hydrological year** which is about 17,501 GWh.

In 2013 power generation in hydroelectric plants was 100% achieved due to natural affluence, registering additional storage of about 599 GWh in reserve of major facilities (power reserve of major reservoirs increased from 1,767.53 GWh to 2,366.53 GWh in 31.12.2013).

**We mention that the legislation on the new support scheme for producers from renewable source (green market certificates) (Law No. 220/2008) has in 2013 the second year of full implementation.**

In 2013, at Hidroelectrica level were registered a total of 59 dispatchable operational units, on which structure were developed operating daily programs.

Hidroelectrica continued the **improvement** of the software application that enables company's production offers on centralized markets.

**Hydrological situation has favorably** developed compared to hydropower production (compared to previous year 2012), the situation applies to the period from January to April and from June to November.

**Water supply from large facilities registered during the year was used to cover all the water needs of the downstream facilities, the volume of ancillary services required to safely operate the national system and stock needed for passing winter periods of 2013 (January-March) and (October-December).**

## **6. PARTICIPATION OF HYDROELECTRIC POWER STATIONS IN ENERGY BALANCE AND NATIONAL POWER SYSTEM IN 2013**

### **Development of consumption and production of electricity in 2013.**

According to information provided by the National Dispatch Center, the total installed capacity in NES in 2013 was **23,703 MW**, of which **6,615 MW** in coal power plants, **5,464 MW** in the oil plants, **6,648 MW** in hydro power plants, **1,413 MW** nuclear power plant, **2,605 MW** of wind plants, **96 MW** of biomass power plants, **862 MW** in photovoltaic power plants and 0.05 MW in geothermal plants.

Romania's **Domestic electricity consumption** in 2013 was **56,465 GWh**, with **5.19% lower** than the value recorded in 2012 (**59,561 GWh**).

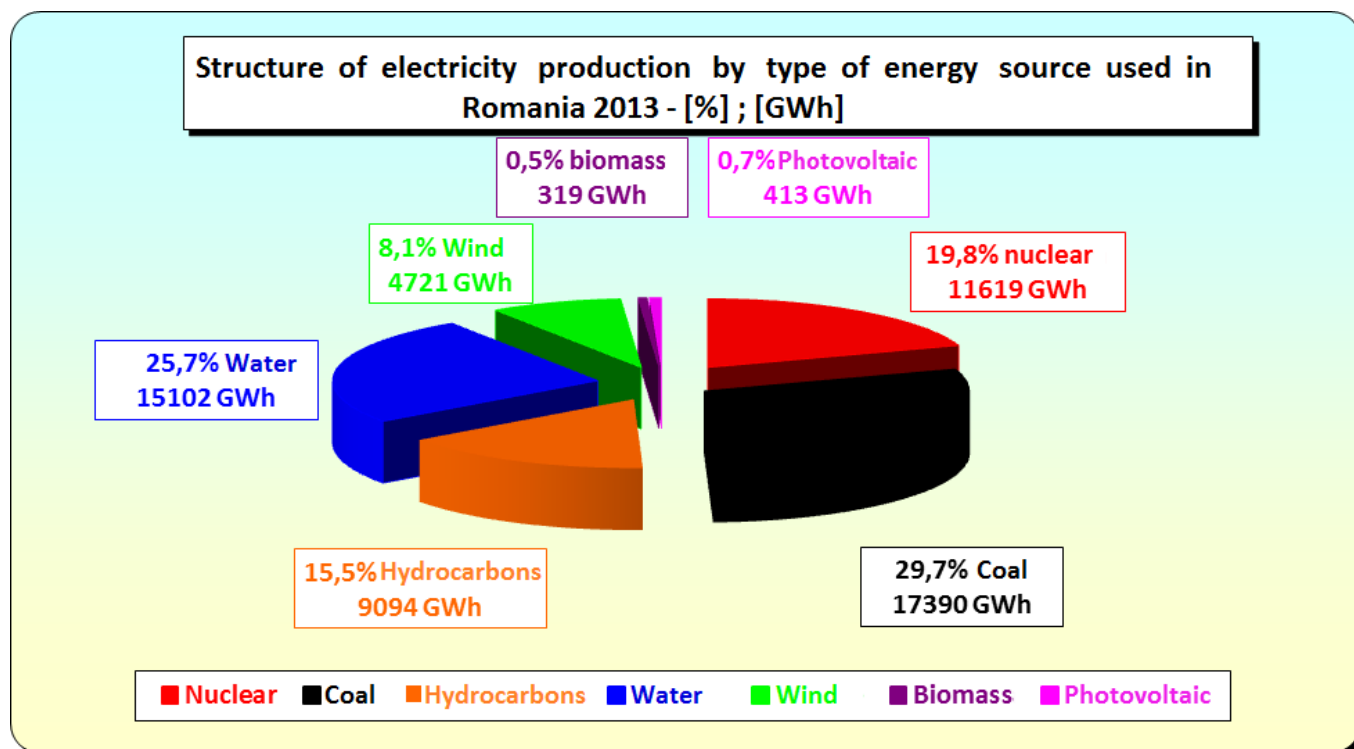
**Electricity production** in 2013 was **58,658 GWh**, of which 17,390 GWh produced in coal plants, 9,094 GWh in hydrocarbon plants, 11,619 GWh in nuclear plants, 15,102 GWh in hydroelectric plants (of which 14,823 GWh of hydroelectric power under Hidroelectrica administration Table I.2.1 below), 4,721 GWh in wind plants, 319 GWh in central biomass plants, 413 GWh in photovoltaic power plants. Structure of electricity by type of source energy used is shown in Figure I.1.1.

Electricity produce in Hidroelectrica's installations represented **25.3%** of total production of the country. Hidroelectrica's production towards the total NPS ranged from **41.1%** (in **May**) and **18.1%** (**January**) - fig I.1.1a.

Production realized in 2013 by hydropower plants under administration was **22.9%** (2,758 GWh) **superior** to that achieved in the previous reporting year, 2012. Table I.1.1 presents monthly coverage of NPS load chart of producers in Romania (depending on fuel type).

Figures I.1.1 and I.1.1.b presents graphically participation in load chart coverage of NES (with and without consideration of export duties).

Figure I.1. 1



Tabelul I.1.1 [GWh]

Month	Total consumption	Nuclear production	Coal production	Hydrocarbon production	Hydro production	Wind production	Biomass production	Photo-voltaic production	Total. production	Exp (-)	Imp (+)
Jan	5,443	1,043	1,793	1,156	988	453	17	2,4	5,452	(9)	
Feb	4,834	953	1,554	919	1,016	429	27	3,6	4,902	(68)	
Mar	5,091	1,022	1,530	760	1,351	478	28	8,3	5,177	(86)	
Apr	4,559	1,025	931	432	1,700	471	27	19,8	4,606	(47)	
May	4,267	692	922	483	1,742	345	22	33	4,239	-	28
Jun	4,277	930	1,097	325	1,669	250	23	41	4,335	(58)	
Jul	4,482	996	1,265	556	1,453	262	25	63	4,620	(138)	
Aug	4,454	1,024	1,534	687	924	231	38	64	4,502	(48)	
Sep	4,221	1,009	1,503	636	862	359	23	58	4,450	(229)	
oct	4,822	906	1,786	893	1,109	430	29	54	5,207	(385)	
Nov	4,879	1,014	1,721	938	1,114	515	30	34	5,366	(487)	
Dec	5,136	1,005	1,754	1,309	1,174	498	30	32	5,802	(666)	
<b>Total 2013</b>	<b>56,465</b>	<b>11,619</b>	<b>17,390</b>	<b>9,094</b>	<b>15,102</b>	<b>4,721</b>	<b>319</b>	<b>413</b>	<b>58,658</b>	<b>(2,221)</b>	<b>28</b>

Presented graphically in Figure I.1.1, the share of total monthly energy production quantities obtained according to the nature of the fuel. It may be noted, towards 2012, the increase of share of wind power and appearance in balanced with a significant amount of energy from biomass and photovoltaic power.



Fig I.1.1a

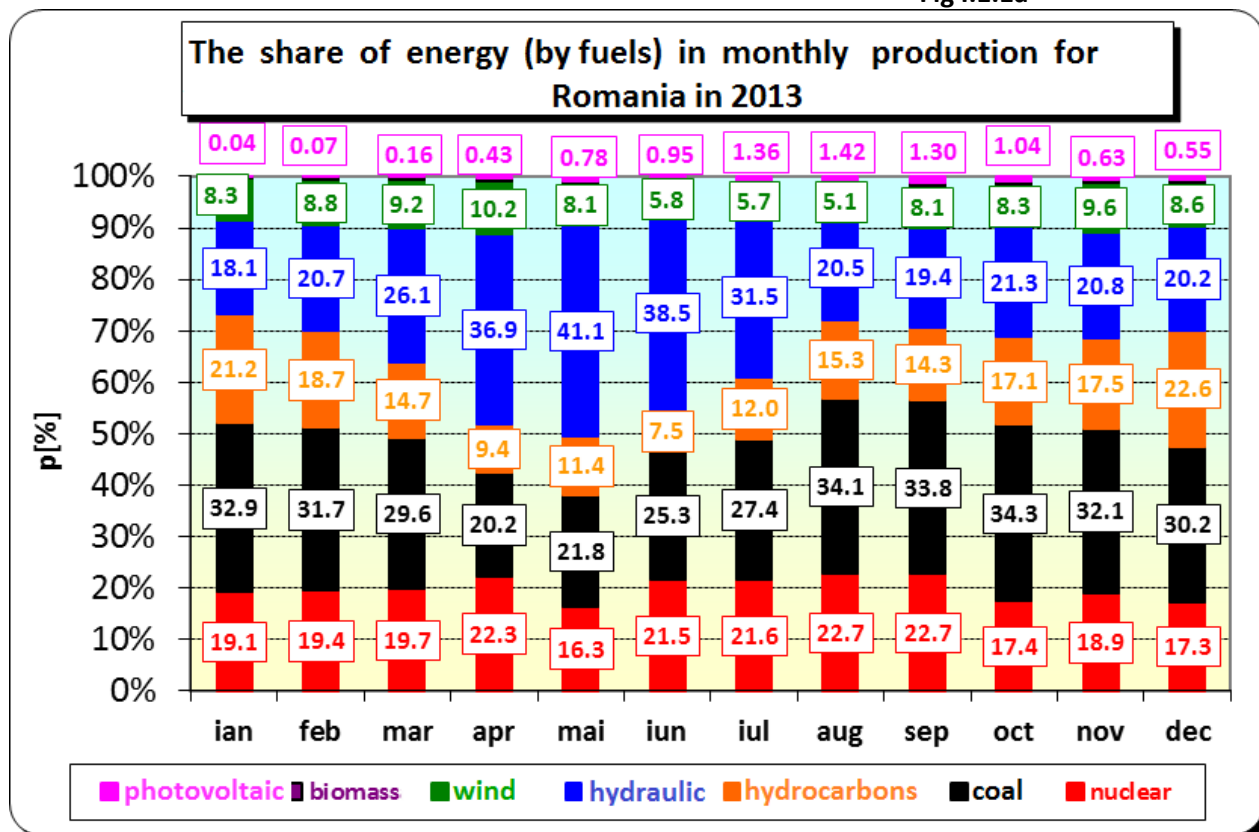
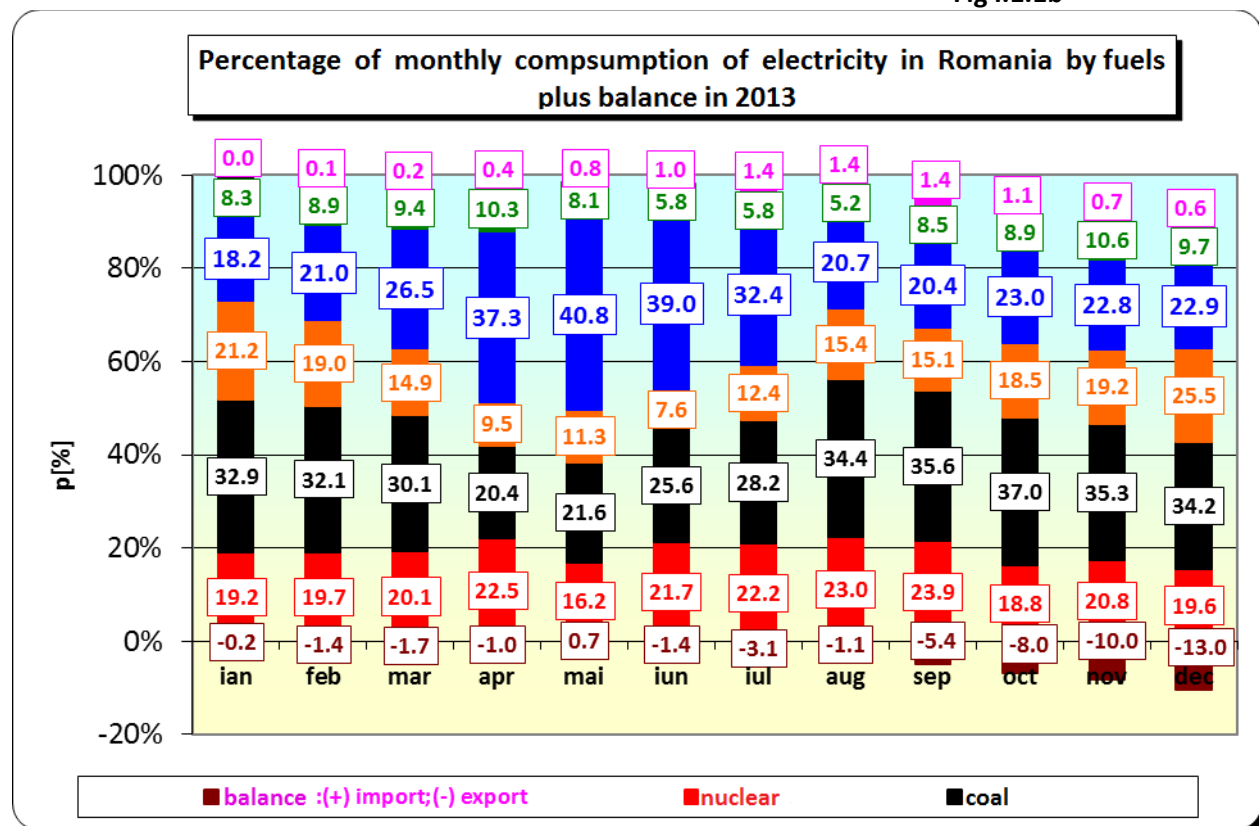


Fig I.1.1b





### Providing Ancillary Services

Hidroelectrica, by the volume and quality of the system provided, it is one of the main factors that contributes to ensuring the stable operation of the NES.

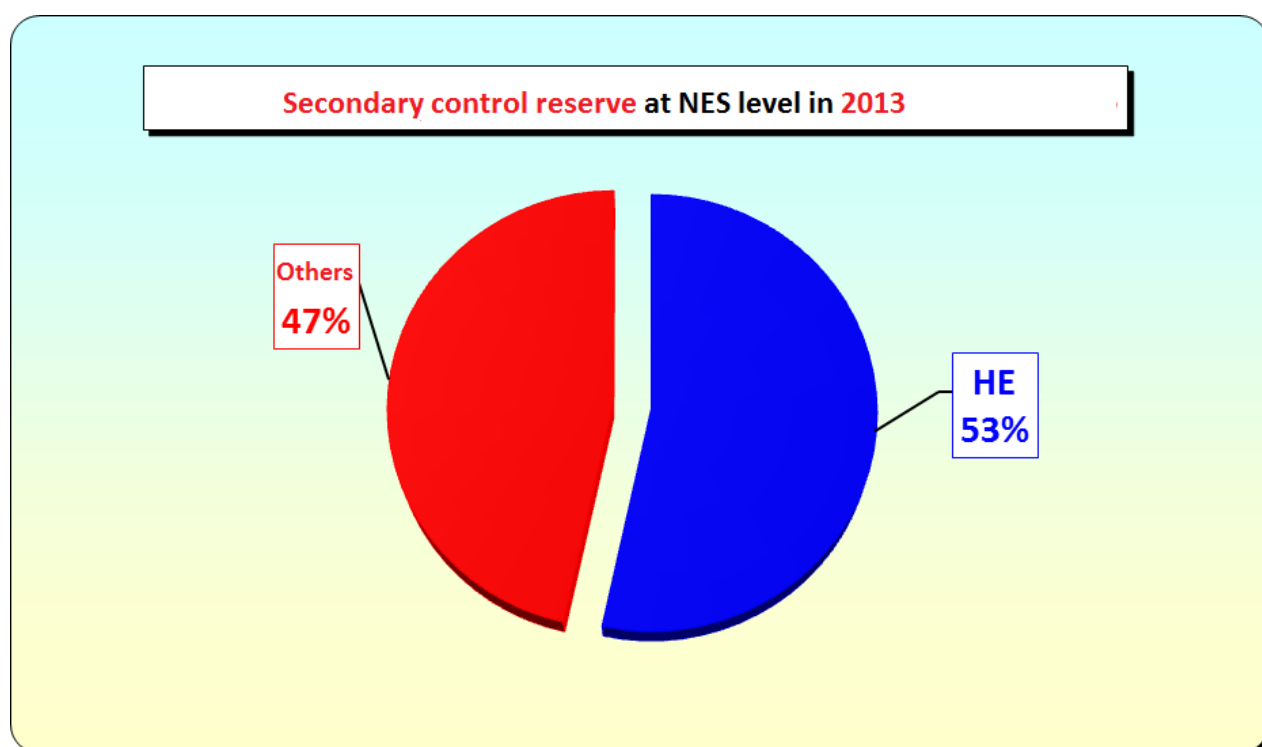
Volume of ancillary services provided by Hidroelectrica to the national power system is presented in the following table:

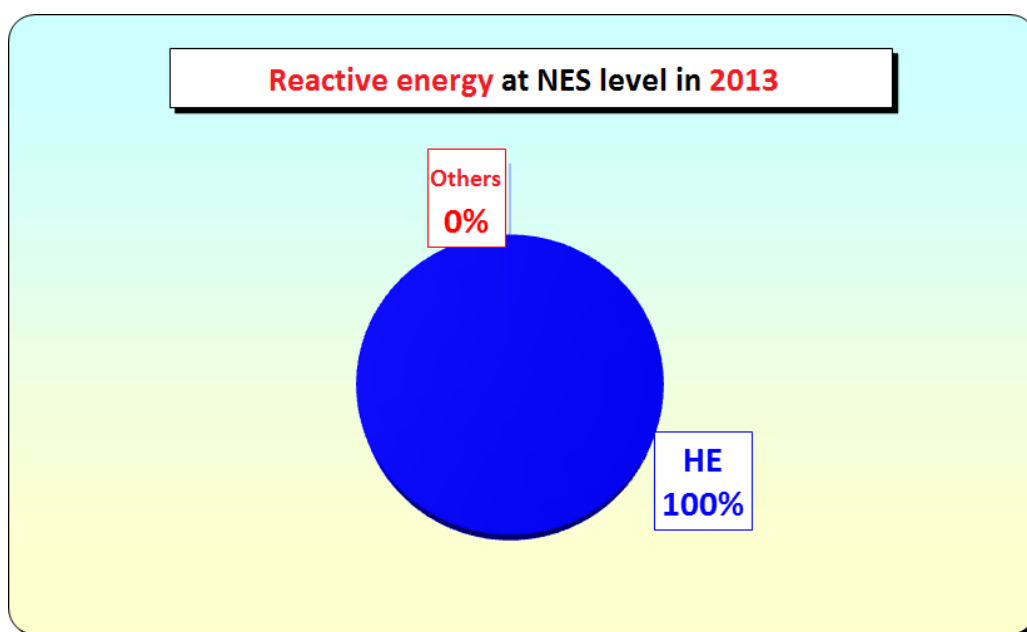
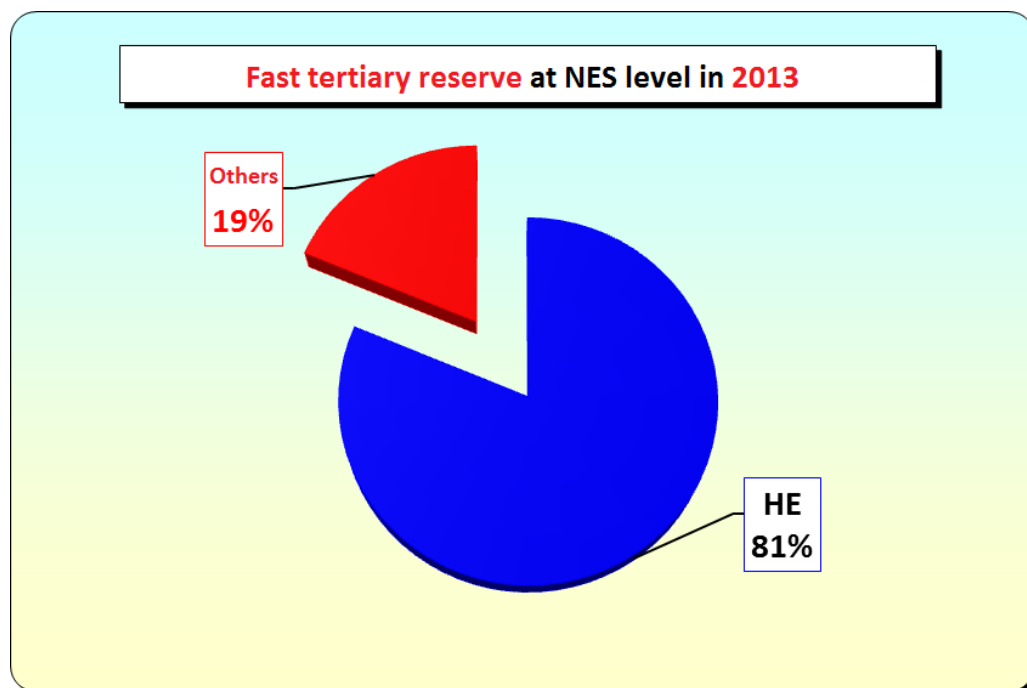
Name of service	U.M.	Contracted (Regulated)	Realized	Realized / Contracted (%)
Secondary control reserve	hMW	1,355,760	1,669,000	123.10
Fast tertiary reserve	hMW	5,101,757	5,111,789	100.19
Charged or reactive energy absorbed in the secondary network voltage control	MVArh	15,920	15,920	100.00

The following table presents the amount of ancillary services conducted in 2013 on NES.

Name of service	U.M.	Regulated by NES	Realized by NES	Realized by Hidroelectrica	* Realized HE (%)
Secondary control reserve	hMW	3.499.000	3.124.232	1.669.000	53,42
Fast tertiary reserve	hMW	7.884.000	6.290.048	5.111.789	81,27
Charged or reactive energy absorbed in the secondary network voltage control	MWArh	15.920	15.920	15.920	100

\*(%) of values realized by NEN





In achieving ancillary services is mentioned the special contribution of developments Iron Gates I - Danube and Ciunget - Lotru. The table below shows the main input power adjustable secondary control service achieved in 2013.

HE Production in 2013 →	14.823 GWh		
Plant (development) ↓	BRS <sub>max</sub> qualified (MW)	SR performed	
		(hMW)	(%)
Stejaru (Izvorul Muntelui)	26	87	0.00
Marișelu (Fântânele)	30	1,538	0.07
Corbeni (Vidraru)	80	4,912	0.21
Ciunget ( Vidra)	474	801,894	34.26

Gâlceag ( Oaşa)	44	22	0.00
Şugag ( Tău)	24	3,186	0.14
Râul Mare (Gura Apelor)	16	0	0.00
Porţi de Fier I (Porţi de Fier)	780	1,528,873	63.52
Total without PdF	694	811,639	35.00
Total with PdF	1,474	2,340,512	100.00

Note: Regulations state that should be paid only bandwidth limited by contract (DEN may request additional bandwidth that is not invoiced).

Due to regulations on domestic producers that qualify as providers of ancillary services (Transelectrica procedure PO TEL-07 V OS-DN / 154/2001), Hidroelectrica continued in 2013 the qualification program of its units.

Compared to the previous reporting year, situation is unchanged, Hidroelectrica has obtained qualification for the following ancillary services:

1. **Second frequency adjustment - power** → 26 hydropower units;
2. **Fast tertiary reserve** → 95 hydropower units;
3. **Reactive power control in the secondary voltage control** → 28 hydropower units;
4. **Restoring NES** → 5 hydropower units;

Note that the qualification process is a permanent, each qualified unit providing ancillary services must be periodically reconfirmed by evidence, capability for ancillary services for which it was originally described. The large number of hydropower units in the portfolio makes it impossible to simultaneously qualify all sample groups. Yearly, a program is designed to confirm or reconfirm test groups for different ancillary services.

**Hidroelectrica installed power dynamics 2013. HPP participation balance of power.** On 31.12.2013, in Hidroelectrica installations were operating a total of **557** hydropower units with a capacity of **6464 MW** (Table I.4.1). Compared to 2012, Hidroelectrica's installed operating power in hydroelectric units **has decreased due to the sale of 14 SHPP with a total installed capacity of 9,408MW.**

The **6464** MW in operation within Hidroelectrica were installed in 261 power plants and pumping stations (of which SHEPP and MHPP ≤ 4 MW powers were 126, HPP > 4 MW but 10 MW were ≤23 MW, HPP >10 were 107). Number of groups in operation is of 557 (of which 251 in plants with installed power ≤4 MW, 46 MW plants > 4 but ≤10 MW, 249 MW HPP >10), and 11 are pumping groups (Table I. 4.1).

**Table I.4.1**  
**Cumulative situation of hydropower objectives under Hidroelectrica S.A. patrimony on 31.12.2013**

Table I.4.1.																				
No.	SUBSIDIARY	SHPP (MHPP)				HPP				HPP				PUMPING STATIONS			TOTAL			
		Pi <= 4MW				4 MW< Pi < =10 MW				Pi > 10 MW										
		Pi	Ep	No.	No.	Pi	Ep	No.	No.	Pi	Ep	No.	No.	Pi	No.	No.	Pi	Ep	No.	No.
		[MW]	[GWh/year]	plants	groups	[MW]	[GWh/ year]	plants	groups	[MW]	[GWh/ year]	plants	groups	[MW]	stations	groups	[MW]	[GWh/ year]	plants	groups
0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16	17	18	19
1	BISTRIȚA	23,762	75,47	30	56	4,100	14,00	1	2	671,900	1759,75	20	49	0,000	0	0	699,762	1849,22	51	107
3	CLUJ	14,936	44,47	15	42	40,440	77,10	5	13	492,500	927,40	8	15	10,000	1	2	557,876	1048,97	29	72
4	CURTEA DE ARGEȘ	16,298	59,72	23	50	99,890	289,25	14	25	628,450	1240,15	24	51	0,000	0	0	744,638	1589,12	61	126
5	HATEG	12,971	42,68	23	40	7,000	25,00	1	2	688,515	1213,12	15	31	0,000	0	0	708,486	1280,80	39	73
7	POȚILE DE FIER	3,366	8,10	3	5	10,000	20,00	1	1	1646,800	7003,60	7	26	0,000	0	0	1660,166	7031,70	11	32
8	RÂMNICU VÂLCEA	3,830	11,89	4	7	0,000	0,00	0	0	1522,100	3689,10	23	57	61,500	3	7	1587,430	3700,99	30	71
9	SEBEȘ	27,287	88,72	28	51	4,250	6,00	1	3	454,200	905,93	10	20	20,000	1	2	505,737	1000,65	40	76
	TOTAL	102,450	331,05	126	251	165,680	431,35	23	46	6104,465	16739,05	107	249	91,500	5	11	6464,095	17501,45	261	557

Out of **6339.38 MW** average installed power in 2013 (plants over 4 MW – most under Hidroelectrica’s patrimony before July 1, 2002 and who applied for PO-HE-DE-06 procedure), recorded a permanent average of power of **267,38 MW**, resulting from non-completion of the investments, construction deficiencies of turbine or generator, operating restrictions of reservoirs, loss in adduction greater than the project etc, which made the available power in HPP over **4 MW** to be of **6072.00 MW**.

**Temporary decreases** of average available power were in 2013 of **814.81 MW**, having as causes the following:

- Technical causes **61,59 MW**;
- Hydrological causes **111,03 MW**;
- Planned repair works **470,14 MW**;
- Incidental repair works **141,19 MW**;
- Other causes **30,86 MW**;

The average of **secured power** in 2013 was **5257.19 MW** (about **739 MW higher** than the previous year, 2012).

Summary of installed power available and secured for more than 4 MW plants is shown in Table I.4.2.

**AVAILABLE AND PROVIDED POWERS IN 2013 ( plants with installed power >4 MW )**

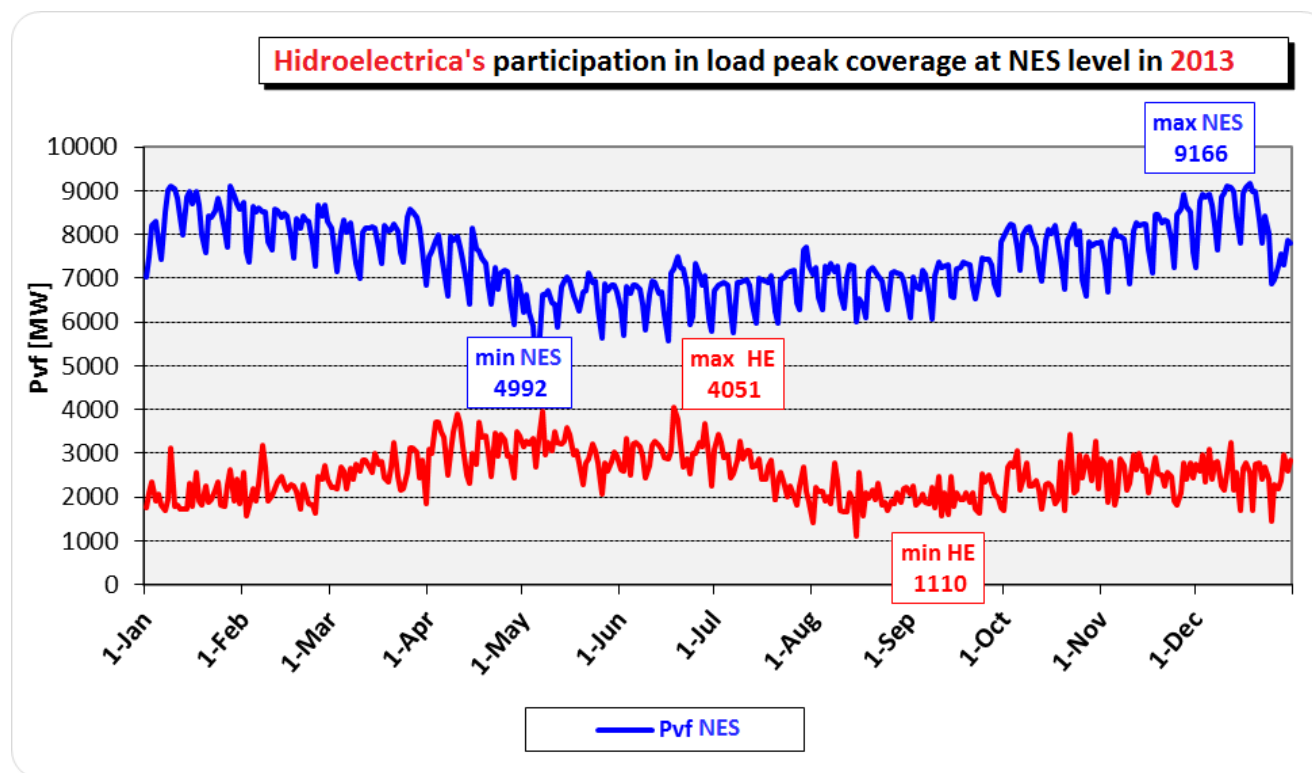
Table I.4.2.

No.	Subsidiary	P <sub>i</sub>	Permanent reductions P <sub>red. perm.</sub>				P <sub>d</sub>	Total	Temporary reductions P <sub>red.temp.</sub>			Rep. pl. P <sub>rep. Pl.</sub>	Rep. P <sub>rep. Acc.</sub>	Pasig.
			Total	Failure of equipments	Unfinished works	Other causes			Technical causes	Hydrological causes	Other causes			
		[MW]												
0	1	2	4+5+6=3	4	5	6	2-3=7	9+...13=8	9	10	11	12	13	7-8=14
1	BISTRIȚA	668.30	29.80	0.00	0.00	29.80	638.50	66.49	0.00	21.48	9.27	28.23	7.51	572.01
2.1.	CLUJ	318.94	15.78	3.50	12.28	0.00	303.16	77.84	61.22	0.00	1.75	11.07	3.80	225.32
2.2.	ORADEA	214.00	22.00	14.00	8.00	0.00	192.00	59.35	0.00	0.00	0.00	57.87	1.48	132.65
2	Total S.H.Cluj	532.94	37.78	17.50	20.28	0.00	495.16	137.19	61.22	0.00	1.75	68.94	5.28	357.97
3.1.	CURTEA DE ARGEȘ	591.84	5.78	0.00	0.00	5.78	586.06	30.66	0.00	0.00	6.27	17.50	6.88	555.40
3.2.	BUZĂU	210.40	0.25	0.00	0.00	0.25	210.15	8.73	0.00	0.14	0.47	6.40	1.72	201.42
3	Total S.H.Curtea de Argeș	802.24	6.03	0.00	0.00	6.03	796.21	39.39	0.00	0.14	6.74	23.90	8.60	756.82
4.1.	HAȚEG	507.30	147.80	135.00	0.00	12.80	359.50	83.81	0.00	0.00	0.00	74.10	9.71	275.69
4.2.	CARANSEBEȘ	188.00	5.50	0.00	0.00	5.50	182.50	13.90	0.00	1.25	0.00	12.32	0.33	168.60
4	Total S.H.Hățeg	695.30	153.30	135.00	0.00	18.30	542.00	97.71	0.00	1.25	0.00	86.42	10.04	444.29
5.1.	PORȚILE DE FIER	1,467.20	0.00	0.00	0.00	0.00	1,467.20	290.87	0.00	87.78	0.00	119.56	83.53	1,176.33
5.2.	TÂRGU JIU	192.60	6.30	0.00	5.50	0.80	186.30	21.20	0.00	0.05	11.37	7.39	2.39	165.11
5	Total S.H. Porțile de Fier	1,659.80	6.30	0.00	5.50	0.80	1,653.50	312.07	0.00	87.83	11.37	126.95	85.92	1,341.44
6	Total S.H. Râmnicu Vâlcea	1,488.90	34.01	34.01	0.00	0.00	1,454.89	108.38	0.37	0.33	0.42	86.53	20.73	1,346.51
7.1.	SEBEȘ	346.50	0.16	0.07	0.00	0.09	346.34	46.26	0.00	0.00	0.00	44.11	2.15	300.08
7.2.	SIBIU	145.40	0.00	0.00	0.00	0.00	145.40	7.33	0.00	0.00	1.31	5.06	0.96	138.07
7	Total S.H. Sebeș	491.90	0.16	0.07	0.00	0.09	491.74	53.59	0.00	0.00	1.31	49.17	3.11	438.15
8	TOTAL	6,339.38	267.38	186.58	25.78	55.02	6,072.00	814.81	61.59	111.03	30.86	470.14	141.19	5,257.19

The participation of hydroelectric power plants in load peak coverage is presented in Tables I.4.4, I.4.5 and Picture I.4.4.

**Table I.4.4.**

Maximum peak power produced by HE:	Date: <b>18.06.2013</b>	Consumption peak: <b>7215 MW</b>
<b>4051 MW</b>		Percentage hydro: <b>56,2 %</b>
The maximum weight of HE participation at peak load:	Date: <b>07.05.2013</b>	Consumption peak: <b>6620 MW</b>
<b>59,9%</b>		Total hydro: <b>3967 MW</b>





**Fig I.4.4**

Domestic consumption for generation and transformation in Hidroelectrica was of **160,209** MWh representing 1.08% of gross production.

On branches, domestic consumption for power's generation and conversion is shown in Table **I.2.2**.

**Maximum** value (percentage of output at terminal) of domestic consumption for generation and transformation was registered in **Sebes** subsidiary (without Sibiu plant) (**2.38%**) and the minimum value was recorded at **Iron Gates** subsidiary (without facilities of Targu Jiu plant) (**0.55%**). Overall, the percentage referred to domestic consumption for generation and transformation was **lower** than the value in 2012 (**1.30%**).

#### **Accredited units for obtaining green certificates**

In **2013**, the list of units approved to receive green certificates support scheme has a total of 124 central plants under Hidroelectrica administration (based on RAE Order No. 42/2011 and Law no. 220/2008 with additions and subsequent changes).

In the reporting year **2013**, Hidroelectrica received a total of **293,920** green certificates corresponding to energy of 406,715.587 MWh. A number of green certificates (**14,033**) were deferred in accordance with Order No. 56/2013.

**Gross energy values produced by SH in 2013**

Table I.2.1 (MWh)

No.	Month → Subsidiary ↓	January	February	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Total year 2013	Average (%)
1	Bistrita	63968	54820	72041	139075	67033	145712	193510	130001	91495	69782	106377	139739	1273553	8.6
2	*Curtea de Arges	31786	29322	39803	68862	87845	118975	116934	88854	73319	104531	62854	88359	911444	6,1
	UHE Buzau	14399	19392	51565	78110	29577	45135	40791	20806	10329	18179	8530	6043	342856	2,3
3	*Cluj	17841	12449	19137	77469	59030	59621	58121	32832	26606	26854	31759	39847	461566	3,1
	UHE Oradea	14773	10655	24581	54171	25210	32346	40263	18023	9040	9528	20770	23570	282930	1,9
4	*Hateg	2973	3358	8662	25097	97521	49072	37823	19418	21344	39733	32661	15449	353111	2,4
	UHE Caransebes	5412	6810	21137	42059	34292	10904	16457	6450	16095	32440	10583	11442	214081	1,4
5	*Iron Gates	701146	708860	763699	634846	784443	777294	540340	316110	390474	440847	518532	513032	7089623	47,8
	UHE Targu Jiu	13075	15263	27142	72976	56119	34897	23520	16591	17017	24585	23841	28706	353732	2,4
6	*Râmnicu Valcea	57103	74688	165994	276209	300282	236987	199839	156486	117000	168217	166199	168010	2087014	14,1
	UHE Slatina	36878	46497	97620	136433	96646	82561	67079	28674	38843	87629	59329	45384	823573	5,6
7	*Sebes	11520	7647	8195	11204	27516	32005	61859	61092	11463	28632	28002	64930	354065	2,4
	UHE Sibiu	11980	14848	21067	38147	32262	34601	26116	15263	16181	29751	20001	14931	275148	1,9
	Total →	982854	1004609	1320643	1654658	1697776	1660110	1422652	910600	839206	1080708	1089438	1159442	14822696	100

Obs : \* Values of energy produced by subsidiary without the ones related to next line subsidiary.

Table I.2.2

**Consumption for the generation, processing, directing, pumping registered in Hidroelectrica subsidiaries- 2013**

No.	Unit↓	Electricity at terminal (MWh)	Total consumption (MWh)	Consumption produced & transported (MWh)	Consumption directing (MWh)	Consumption mers. in CS (MWh)	Consumption pumping (MWh)	Supplied energy (issued) (MWh)	Consumption produced & transported (%)
1	SH Bistrița	1273553	20563	17704	2859	-	-	1259978	1,39
2	SH Cluj	461566	8296	7999	297	-	-	456772	1,73
	UHE Oradea	282930	29483	7696	355	-	21432	278103	2,72
3	HS Curtea de Argeș	911444	18920	16208	2712	30084	-	901772	1,78
	UHE Buzău	342856	9381	6839	2542	-	-	335537	1,99
4	SH Hațeg	353111	7126	6875	251	-	-	350138	1,95
	UHE Caransebeș	214081	4686	3254	1432	-	-	211456	1,52
5	SH Iron Gates	7089623	44372	39263	13758	-	-	7048803	0,55
	UHE Târgu Jiu	353732	5175	3850	1325	-	-	351383	1,09
6	SH Râmnicu Vâlcea	2087014	131853	22131	11643	21013	121299	1973955	1,06
	UHE Slatina	823573	15429	12479	721	-	2229	813614	1,52
7	SH Sebeș	354065	31843	8417	508	-	22918	347757	2,38
	UHE Sibiu	275148	8035	7494	541	-	-	270578	2,72
	Total →	14822696	335162	160209	38944	51097	167878	14599846	1,08

**The participation of hydroelectric power units to cover peak of NES in 2013**

Table I.4.5.

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Monthly average of Pvf												
Peach average NES (MW)	8415	8235	7927	7259	6489	6632	6809	6884	7026	7758	7981	8315
Peach average HE (MW)	2038	2203	2595	3166	3047	3025	2598	1969	2027	2439	2477	2513
Percentage HE (%)	24,2	26,7	32,7	43,6	47,0	45,6	38,2	28,6	28,9	31,4	31,0	30,2
The maximum values of the peak power HE												
Date	09	07	21	10	07	18	02	08	24	22	13	12
Peak NES (MW)	9094	8532	8240	7965	6620	7215	6835	7145	7453	8005	8221	9066
Maximum peak HE (MW)	3137	3197	3259	3886	3967	4051	3433	2769	2519	3441	2987	3233
Percentage HE (%)	34,5	37,5	39,6	48,8	59,9	56,2	50,3	38,8	33,8	43,0	36,3	35,7
The maximum values of the peak power HE												
Date	07	02	31	14	26	30	20	15	11	20	05	25
Peak NES (MW)	8515	7627	6847	6397	5632	5777	6264	6021	7237	6762	8115	6862
Minim peak HE (MW)	1688	1560	1841	2310	2076	2261	1936	1110	1571	1686	1804	1454
Percentage HE (%)	19,8	20,5	26,9	36,1	36,9	39,1	30,9	18,4	21,7	24,9	22,2	21,2

Observation: 1. For monthly average peak power (the first third of the table) :

Maximum values in year
Minimum values in year

2. To the maximum / minimum each month of peak power (the last two thirds of the table:

Maximum values in respective month
Minimum values in respective month

## 7. MAINTENANCE ACTIVITIES

Maintenance activities within Hidroelectrica represent the main support for the operation of hydropower objectives safety operating. The importance of this activity lies in the following characteristics:

- Maintain hydropower plants to operating safely;
- Resume the damaged or malfunctioning installation;
- Increase the technical performance of the equipment;
- Ensure the health and safety conditions of labor for operating personnel;
- Eliminate hazards for the environment and civil society;
- Ensure compliance with legal requirements.

### 1) Achieving physical maintenance program

In 2013 were scheduled maintenance works on energy hydro units for **526 MW** annual average power, effectively realizing an average power of **667 MW**, of which 120 MW corrective maintenance. From the physical point of view, in hydropower units were scheduled 124 maintenance works, of which one BFC (before the flood control), **29 LN1, 71 LN2, 13 LN3, 8 LN4, 2 Rth**, completing 82 maintenance works in 12 months, of which **20 LN1, 48 LN2, 8 LN3, 6 LN4**. A number of 12 works ( 2 LN2, 2 LN3, 5 MC și 3 LN4) are in progress, with completion in 2014. There were also made a number of 163 shutdowns, totaling annual average power of 179 MW set of hydro operations for execution construction works on equipment and functionally linked thereto.

Over **2013** works were completed at 4 hydro units:

- HA3- CHE Bacău
- HA1 Răcăciuni
- HA1 Remeți
- HA2 Raureni
- HA1 Vistea
- HA2 Strejești

At a total of 20 hydropower units, duration of maintenance works exceeded the planned duration of the maintenance program. Exceeding duration of maintenance works was due to the fact that after removal of some parts of hydro units and finding defects was necessary the total removal and transportation of equipment to the vendor (UCM Resita) for remediation.

Hydro constructions represent an important category of assets whose functionality is a safe operating condition for hydropower objectives. In 2013 were performed maintenance and interventions worth RON **12,802,052** (approx. **12.78%** of the total), of which we may mention the following major interventions:

#### **S.H. Iron Gates**

- |   |             |
|---|-------------|
| - pumping station for water infiltration Ostrovul Corbului  | RON 874,138 |
| - bridge over Iron Gates 1 lock                             | RON 239,854 |
| - bridge downstream lock head Romanian side of Iron Gates 2 | RON 672,675 |

#### **S.H. Hațeg**

- |                                     |               |
|-------------------------------------|---------------|
| - main feed pipe repair HEP Retezat | RON 2,158,320 |
|-------------------------------------|---------------|

#### **S.H. Curtea de Argeș**

- |                                |             |
|--------------------------------|-------------|
| - tailrace canal repair Bascov | RON 567,888 |
| - clogging capture Baci        | RON 896,457 |

#### **S.H. Râmnicu Vâlcea**

- |  |             |
|--|-------------|
| - clogging counter grooves DMS Râureni | RON 254,216 |
| - clogging counter grooves DMS Ionești | RON 250,795 |
| - repairs to building CHE Ciunget      | RON 563,139 |

**S.H. Bistrița**

- HPP interior works Vidraru

RON 274,121

- restoration works fields Gârleni dam

RON 467,159

- channel clogging Fulgeris

RON 205,995

**S.H. Slatina**

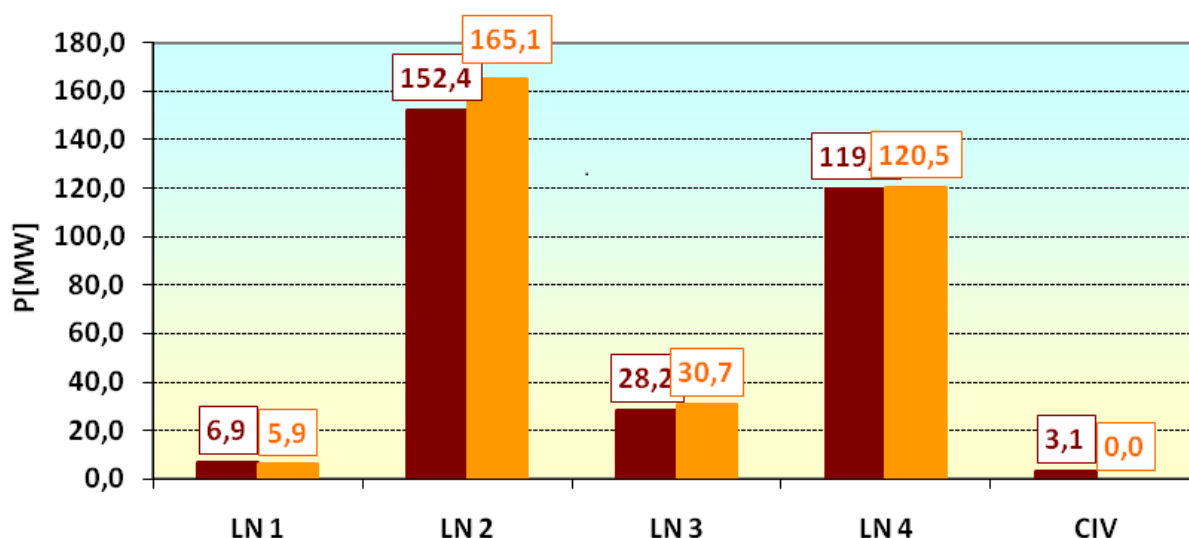
- HA1 and HA2 eliminate infiltration in HPP Frunzaru

RON 246,572

The table and figure below illustrates:

**Summary of physical achievement in hydropower units maintenance program in 2013**

	Scheduled 2013						Realized 2013						
	LN1	LN2	LN3	LN4	CIV	Total	LN1	LN2	LN3	LN4	CIV	Total	%
<b>Average power in maintenance (MW)</b>	6,9	152,4	28,2	119,9	3,1	<b>310,6</b>	5,9	165,1	30,7	120,5	0	<b>322,3</b>	<b>103</b>
<b>No maintenance works</b>	29	71	13	8	1	<b>122</b>	20	48	8	6	0	<b>82</b>	<b>67</b>

**Summary of achievement of maintenance program related to type of works in 2013****1) Achieving value maintenance program.**

In accordance with the 'Standard Maintenance Activity Programming - EHN-01-2005" was drawn the maintenance program for 2013 at a value of RON 150,597,269, detailed maintenance budget structure by types of services / works as follows:

No.	Subsidiary	Value (RON)			
		TOTAL of which:	LN1, LN2, CIV	MC	LN3, LN4, LC
1	S.H. Iron Gates	18,170,000	5,810,148	2,321,666	10,038,186
2	S.H Iron Gates - Uzina Târgu Jiu	5,950,000	3,895,374	453,015	1,601,612
3	S.H. Hațeg	17,600,000	1,678,308	1,528,868	14,392,824
4	S.H. Hațeg – Uzina Caransebeș	4,505,319	2,460,460	300,000	1,744,859
5	S.H. Bistrița	17,699,890	5,696,604	797,900	11,205,386
6	S.H. Curtea de Argeș	18,900,000	6,155,214	4,987,196	7,757,590
7	S.H Curtea de Argeș – Uzina Buzău	2,550,109	979,489	262,934	1,307,686
8	S.H. Râmnicu Vâlcea	18,542,650	5,659,983	708,000	12,174,667
9	S.H. Râmnicu Vâlcea – Uzina Slatina	9,980,000	2,401,500	610,000	6,968,500
10	S.H. Cluj	9,700,000	4,211,800	900,000	4,588,200
11	S.H. Cluj - Uzina Oradea	10,499,300	2,199,970	448,729	7,850,601
12	S.H. Sebeș	9,220,000	1,395,443	300,000	7,524,557
13	S.H. Sebeș – Uzina Sibiu	7,020,000	2,620,000	640,000	3,760,000
14	Executiv	260,000		260,000	
	<b>TOTAL</b>	<b>150,597,268</b>	<b>45,164,293</b>	<b>14,518,308</b>	<b>90,914,668</b>

From the total of RON **150,597,268** scheduled for 2013, was achieved a value of RON **123,095,573** of which the maintenance work for 4 level in amount of RON **27,926,855**. The value of construction works performed was in amount of RON **12,802,051**, representing **12.78%** of the aggregate amount of maintenance work.

Summary of achievement values on Subsidiary / Plants is shown in the following table and figure:

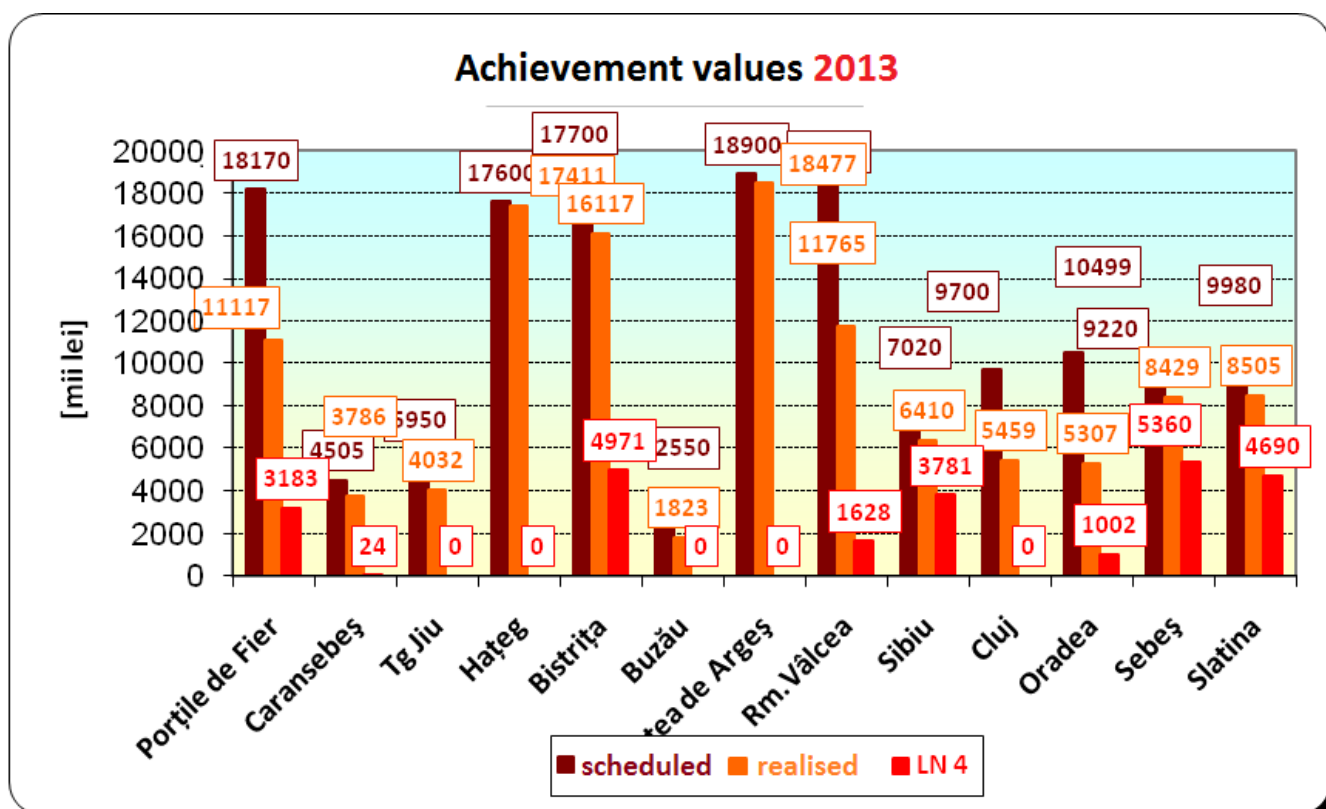
**Synthesis of valuable maintenance funds towards approved budget**

(RON)

No.	Subsidiary	Scheduled 2013	Realized 2013		
			Total of which:	LN 4	LN1, LN2, LN3, MC, LC
1	S.H. Porțile de Fier	18,170,000	11,116,888	3,182,771	7,934,117
2	S.H Porțile de Fier –Tg-Jiu Plant	5,950,000	4,031,965	-	4,031,965
3	S.H. Hațeg	17,600,000	17,411,367	-	17,411,367
4	S.H. Hațeg –Caransebeș Plant	4,505,319	3,785,996	23,689	3,762,307
5	S.H. Bistrița	17,699,890	16,401,069	4,970,979	11,430,090
6	S.H. Curtea de Argeș	18,900,000	18,476,627	-	18,476,627
7	S.H Curtea de Argeș –Buzău Plant	2,550,109	1,822,511	-	1,822,511



8	S.H. Râmnicu Vâlcea	18,542,650	11,765,292	1,628,384	10,136,908
9	S.H. Râmnicu Vâlcea – Slatina Plant	9,980,000	8,505,212	4,690,077	3,815,135
10	S.H. Cluj	9,700,000	5,458,586	-	5,458,586
11	S.H. Cluj –Oradea Plant	10,499,300	9,481,234	4,289,835	5,191,399
12	S.H. Sebeş	9,220,000	8,429,249	5,359,799	3,069,450
13	S.H. Sebeş –Sibiu Plant	7,020,000	6,409,578	3,781,321	2,628,257
14	Executive	260,000	-	-	-
	<b>Total</b>	<b>150,597,268</b>	<b>123,095,573</b>	<b>27,926,855</b>	<b>95,168,718</b>



The data analysis presented the percentage for Hidroelectrica achieving a value of 82% from total amount scheduled for the 2013. Of the total achievements, a percentage of 91% was achieved with Hidroelectrica-Serv (RON 113,181,204). Failures of the maintenance program for 2013 were primarily due to the following causes:

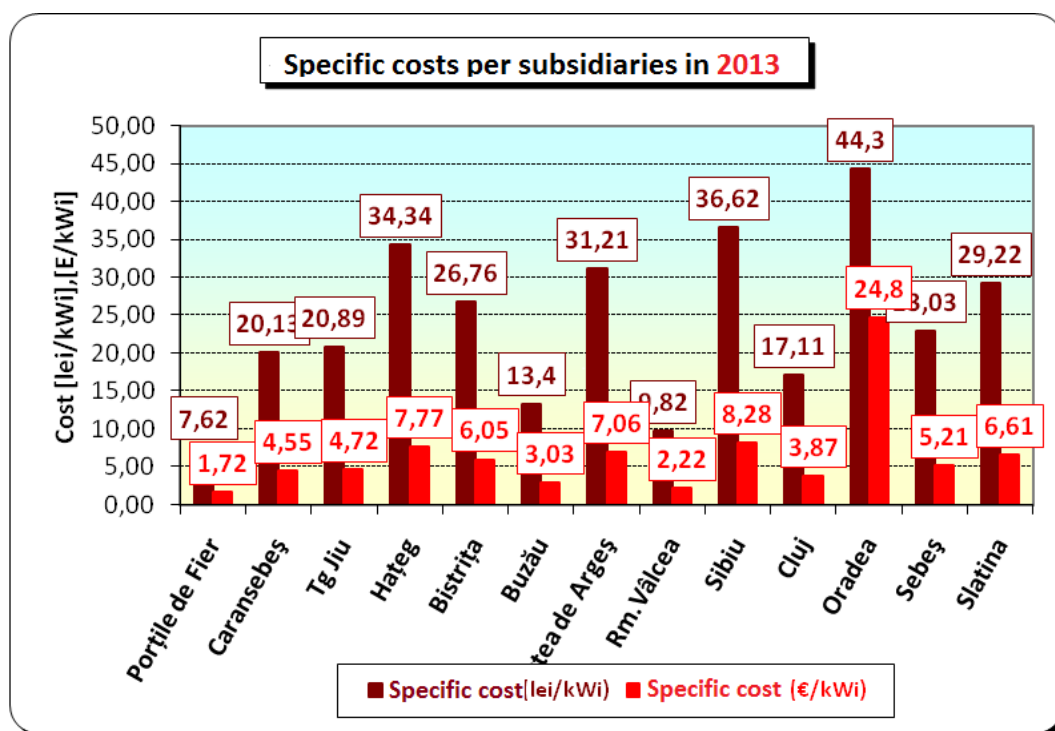
- The impossibility of completion of works under the proposed initial and continuing their graphics in 2014;
- Reducing maintenance costs in relation to Hidroserv subsidiaries by standardizing and reducing the amount of indirect expense rate;
- Reorganization experienced by Hidroserv subsidiaries, namely the establishment on 08.05.2013 of the Company Hidroelectrica-Serv, as merger of eight Hidroserv Branches serving Hidroelectrica Branches;
- Delays in promoting maintenance works by Subsidiaries Hidroelectrica;
- Delays in approving the acquisition of certain services / works.

The specific costs for maintenance activities at branches are presented in the following table and chart:

**Specific costs for the maintenance and construction equipment made in 2013**

Average rate € 2013 → 4,419 Ron/ 1€

No.	Subsidiary/Plant	Total costs (RON)	Specific cost (RON/kW <sub>i</sub> )	Specific cost (€/kW <sub>i</sub> )
1	Iron Gates	11,116,889	7,57	1,71
2	Caransebeș	3,785,997	21,80	4,93
3	Târgu Jiu	4,031,965	20,89	4,72
4	Hațeg	17,411,367	32,55	7,36
5	Bistrița	16,401,069	23,43	5,30
6	Buzău	1,822,511	12,65	2,86
7	Curtea de Argeș	18,476,625	30,76	6,96
8	Râmnicu Vâlcea	11,765,292	9,07	2,05
9	Sibiu	6,409,576	60,83	13,79
10	Cluj	5,458,587	16,50	3,73
11	Oradea	9,481,234	41,73	9,44
12	Sebeș	8,429,251	21,04	4,76
13	Slatina	8,505,210	29,22	6,61
	<b>Total</b>	<b>123,095,573</b>	<b>19,04</b>	<b>4,30</b>



## 8. DEVELOPMENT ACTIVITIES AND REFURBISHMENT

Hidroelectrica, amid unfavorable evolution of the energy market and reducing financial possibilities due to the insolvency, has continued efforts to maintain and strengthen its position as the main producer of electricity and ancillary services in a responsible manner to environment and civil society, in terms of efficiency and profitability.

In order to achieve the targeted objectives, with the motivation of results over time, year by year, development work within the company aims to ensure sustainable growth through optimal strategic guidance and responsible decisions regarding projects promoted.

The targets set for 2013, follow the guidelines specified in the HIDROELECTRICA Reorganization Plan, confirmed by the bankruptcy judge in the civil sentence no. 6251 /, pronounced in public session on 20.06.2013.

#### Sources of funding for 2013

Hidroelectrica Development and Refurbishment Program for 2013, was prepared by replacing the existing portfolio and prioritize hydropower projects, coupled with company's real financial possibilities, substantially reduced compared to previous years because of the force majeure caused by drought in 2011 and 2012 and Hidroelectrica S.A. insolvency.

Achievements of 2013 on funding sources for the development and refurbishment work in the Revenue and expenditure of Hidroelectrica SA, approved by Government Decision no. 826/2013, are:

Funding	Value	Results	Achieving %	Causes of failure
<b>Own sources</b>	297,900	248,883	84%	Commercial aspects of contracting, adding or upgrading work on some objectives; Technical issues related to the exploitation of existing assets; Failure issues on rhythm allocation of funding sources.
<b>Credits</b>	127,974	11,582	9%	Not using loans for upgrading HPP Stejaru and HPP Lower Olt
<b>TOTAL</b>	<b>425,874</b>	<b>260,465</b>	<b>61 %</b>	

The substantiation and allotment of amounts for Refurbishment Development Program was based on the following main areas:

- Completion of the minimum energy investment objectives in progress with majority component, in advanced physical stages and commissioning time expected to be completed between 2014-2016. This category includes the following:
  - a. **HPP Racovița** (Pi=31,5 MW, Em=74 GWh/year);
  - b. **HPP Bretea** (Pi=12,3 MW; Em=28,2 GWh/ year);
  - c. **HPP Rastolița** (Pi=35,2 MW;Em=45 GWh/ year).
  - d. **HPP Dumitra** (Pi=24,5 MW; Em=92 GWh/ year)
- Ensuring a minimum cost for the investments that are in progress, with low energy component (taxes, permits and licenses, connection charges, expenses related to temporary interruption of the investment objectives, rents and returns in the agricultural / forestry usage for related land temporarily occupied and definitive investment objectives);
- Completing a partial rehabilitation of the construction and equipment modernization for the existing energy targets, initiated in previous years in order to resume operation at the optimal parameters;
- Running refurbishment contracts;
- Studies, documentation and projects necessary for approval and start new projects;
- Independent equipment and facilities (mining, IT, occupational safety and health, administrative, etc);

In order to achieve the objectives set, with the motivation of results over time, year by year company's investment activities, aims to ensure sustainable growth through optimal strategic guidance and responsible decisions regarding projects promoted which includes:

1. Development activity;
2. Refurbishing activity.

### 8.1. DEVELOPMENT ACTIVITY

All activities carried out on the starting line and ongoing investment in order to ensure an optimal management of the portfolio, investment funds is allocated annually by the HE Revenue and Expenditure Budget and Development Program.

- Planning and coordinating development of Hidroelectrica, correlated with strategic development programs approved at the level of company and national;
- Developing, funding, approval of the annual HE Development Plan, on branches, breakdown values, investment objectives, performers, quarters and funding;
- Develop pre-investment studies lists and those for independent facilities and technological equipment for each hydropower branch, without exceeding the budget allocated to the Hidroelectrica Development Program;
- Promoting, approval, contracting, monitoring, treatment of discontinuities occurring and receiving investment objectives included in the company's strategic programs and targets imposed by the company's development strategy, ensuring sustainable development premises;
- Obtaining the necessary land for the construction and operation of HE assets, providing real estate advertising, primarily aimed at minimizing the amount of land temporarily occupied during the execution of Hidroelectrica S.A. hydropower portfolio;
- Providing technical support in activities related to assets included in the small hydro power portfolio of Hidroelectrica S.A.;
- Increase capacity for power generation, safety in operation and energy efficiency, while complying the principles of sustainable development and technical efficiency - economic;

As part of developing projects, following types are managed:

- new electricity production facilities;
- modernization of hydropower equipment to ensure a new life cycle in terms of reliability and operational safety;
- rehabilitation and securing the construction of hydropower developments under company's patrimony;
- other projects funded by investment company (IT, administrative, etc.)

**Major projects completed and put into operation in 2013 are:**

Investment put into operation in 2013	Value of investment
<b>HPP Izbiceni</b> Rehabilitation of equipment and facilities (Hydro units No. 3 and 4, command panel, etc.) related to plant	90,063,822
<b>Iron Gates II (Ostrovul Mare)</b> Modernization 110/20/6 kV	20,767,384
<b>HPP Rusănești</b> Rehabilitation of equipment and facilities (Hydro unit No. 4) related to plant	20,085,110

<b>HPP Retezat. AHE Raul Mare Retezat</b> Securing the main adduction Retezat. Stage I: The section Jurii and Castel.	10,349,446
<b>HPP Răcăciuni</b> Modernization HG 1	9,447,389
<b>HPP Raureni</b> Modernization HG 2	5,306,856
The integral transformation in <b>Racova</b>	5,205,408
<b>HPP Nehoiașu</b> Modernisation 110 kV	4,063,141
<b>HPP Ionești</b> Modernization HA 2	3,039,748
Clogging Valsan accumulation in terms of protecting the area Romanichtys Valsanicola	2,074,539
<b>HPP Săsciori</b> Modernization 20 kV	1,970,685
<b>HPP Șugag</b> Modernization 20 kV	1,868,307
<b>HPP Raureni</b> Upgrading their services HA 2, automation and monitoring	1,227,349
<b>Gogoșu</b> Modernization downstream hydrometric point	1,227,061
Works and strengthen the embankment on the left bank of the Teleajen river between HPP Vălenii de Munte and Văleni	1,115,614
<b>HPP Gogoșu</b> Modernization intervention block	1,087,895
Alarm warning system in case of accidents at dams SH Bistrita Piatra Neamt – Braila County	8,959,424
<b>HPP Raureni</b> Modernization HA 2	10,159,857
<b>Baraj Cerna.</b> Power supply - Modernization 20/0,4 kV	757,585
<b>HPP IG II</b> RK to modernize command and control room	674,475

Also during 2013, was performed the inauguration of HPP Racovița, part of hydropower development scheme on the river Olt in Cornetu Avrig segment, investment objective approved by Decree no. 24/1989. Finally, the plant will have a total installed capacity of 31.5 MW and projected power of 74 GWh / year.

Another achievement was the commissioning of a new secondary adduction section for HPP Ruieni. We are talking about Marga Bucova section of the secondary adduction Bistra - Poiana Mărului lake, which supplement the energy produced by 3.83 GWh / year.

Regarding the strategic hydroelectric projects of national interest:

- PSHPP Tarnița Lăpușești
  - HEA of the Danube River in the site Turnu Măgurele Nikopole,
- resources have been allocated for updating pre investment documentation and was provided participation in meetings organized within these projects.

## AWARD OF THE LAND OWNERSHIP

Land's management necessary for hydropower developments was held on the following directions:

- The work for obtaining necessary land development, modernization and operation of hydropower objectives and cadastre works (identification, purchase, tabulation and rental land from third parties);
- Provide data to promote projects of normative acts related to obtaining land for investment in accordance with the legal provisions;
- Collection and management of information, on technical and legal issues regarding land belonging to Hidroelectrica SA and its subsidiaries;
- Obtaining certificates for land under Hidroelectrica ownership and SHPP sites taken over by GD no. 554 / 2002 and GD no. 1016 / 2002. In 2013, following the performed activity, were obtained 3 certificates of land ownership.

Situation of certificates for ownership of land acquired between 2001 ÷ 2013 is shown in the following table:

No.	Subsidiary/Plant	Issued certificates		Area (ha)	
		2001- 2013	din care 2013	2001-2013	Of which 2013
1	Bistrița	41	-	881,14	-
2	Buzău	43	-	315,02	-
3	Caransebeș	21	-	52,24	-
4	Cluj	48	-	86,45	-
5	Curtea de Argeș	105	-	346,97	-
6	Hațeg	37	-	68,17	-
7	Oradea	42	-	254,79	-
8	Porțile de Fier	27	3	20,77	0,80
9	Râmnicu Vâlcea	115	-	49,67	-
10	Sibiu	36	-	26,65	-
11	Sebeș	33	-	24,30	-
12	Slatina	23	-	114,40	-
13	Târgu Jiu	41	-	180,76	-
	<b>TOTAL</b>	<b>612</b>	<b>3</b>	<b>2.421,35</b>	<b>0,80</b>

Also, during 2013 was submitted to the Ministry of Economy the necessary documentation for the Government to issue the Decision on approving the initiation of expropriation proceedings for private buildings constituting expropriation corridor of public utility work, "Pașcani Hydropower Development" according to Law No. 255/2010.

## 8.2. REFURBISHING ACTIVITY

### *Achieving refurbishment program in 2013*

Completion of refurbishment and commissioning of the:

- HA4 HPP Izbiceni, UHE Slatina;
- Equipment related to HPP Rusănești, UHE Slatina;
- Equipment related to HPP Izbiceni, UHE Slatina;
- Slatina Dispatcher Centre, HPP Slatina;
- Completion of works in HA1 HPP Remeți, UHE Oradea;
- Commissioning Control Chamber HPP Iron Gates II;

Making final reception at the refurbished hydro units expiring warranty:

- HA2 HPP Frunzaru, HA1 HPP Frunzaru, HA1 HPP Rusănești and HA 2 HPP Rusănești, UHE Slatina;
- HA 2 HPP Iron Gates II;
- Control and Comand Chamber HPP Iron Gates I.

## Iron Gates II

Under this agreement was provided refurbishment of eight hydro bulb of HPP Porțile de Fier II and two of HPP Gogoșu and auxiliaries of power installations.

Contract for Rehabilitation of HPP Gogoșu was denounced by the Judiciary Administrator on 31.01.2013, and the work will be promoted by public auction for international participation.

The most important growth parameters obtained after refurbishing techniques are:

Parameter	Before refurbishing	After refurbishing
Installed power in the 8 hydro units	216 MW	251.2 MW
Installed power unit	27 MW	31,4 MW
Project energy	1.045,6 GWh/an	1.152,8 GWh/an
Machining capacity per group	425 m <sup>3</sup> /s	475 m <sup>3</sup> /s
Increasing the efficiency of the turbine		+2,2%

Until 31.12.2013 refurbishment works were completed in seven groups with increase installed power plant with 7 x 4,4MW = 30.8 MW and refurbishment works began on the 8th group.

The current situation of HPP hydro Iron Gates II is the following:

No.	HA	Date of withdrawn from service	Date of commissioning	Date of the final reception
1	HA4	22.03.2004	21.12.2005	14.03.2008
2	HA3	09.01.2006	12.01.2007	26.02.2009
3	HA5	15.01.2007	24.01.2008	03.02.2010
4	HA7	28.01.2008	06.03.2009	24.03.2011
5	HA8	10.03.2009	19.05.2010	-
6	HA2	19.04.2010	26.05.2011	31.05.2013
7	HA6	30.05.2011	03.07.2012	-
8	HA1	06.07.2012	-	-

**On 06.06.2013**, the Judicial Administrator decided refurbishment termination HPP Iron Gates II 2/50765 / 21.12.2001 The works remaining execute the responsibility of the Hidroelectrica S.A.

Hidroelectrica is concerned with taking all necessary measures to complete the work in HPP Iron Gates II – HA1.

### Inferior OLT: HPP Ipotești; HPP Drăgănești; HPP Rusănești; HPP Frunzaru; HPP Izbiceni.

The contract for rehabilitation of **five hydropower plants** with a total of 20 hydro units bulb reversible (turbine-pump) on the Lower Olt (HPP Ipotești, HPP Drăgănești, HPP Frunzaru, HPP Rusanesti and HPP Izbiceni) was signed in 2004, refurbishment works effectively commencing in 2006 and will be completed in 2014.

The refurbishment of the 20 hydro units divided in four on each of the five plants: HPP Ipotești, HPP Drăgănești, HPP Frunzaru, HPP Rusanesti and HPP Izbiceni aims for layoff and increase the installed power, achievement of pump system, increasing efficiency and preparing equipment for new life cycle. Refurbished hydro units can operate in pumping mode, helping to flatten the load curve of NES.



Technical parameters	Before refurbishment	After refurbishment
Available power turbine	185 MW	285 MW
Available power pump	0 MW	200 MW
Energy for project	512 GWh/year	944 GWh/year
Turbine efficiency		+2.2%

The contract situation is as follows:

- Have been completed and put into service all 20 hydro units refurbished by the end of 2013;
- Receptions were completed on completion of works and commissioning for power plant equipment and related facilities to HPP Rusanesti and HPP Izbiceni;
- Were completed the final receptions of block 1HPP Frunzaru, block 1 of Rusanesti HPP and plant related equipment for HPP Frunzaru;
- Commissions for final receptions of hydro units were delayed due to corrosion phenomena occurred on steel turbine components and extended warranties for all hydro units;
- Continued discussions with the Contractor (correspondence, testing, implementation of cathodic protection system, meetings at top management) to identify and implement the necessary solutions to eliminate the corrosion phenomenon;
- Are ongoing works on DHA Slatina.

Plant	Group no.	Date of withdrawn from service	Date of commissioning	Postponing the final reception date
IPOSEȘTI	HA1	23.10.2006	10.09.2008	16.12.2011
	HA2	23.04.2008	19.11.2008	16.12.2011
	HA3	24.11.2008	06.11.2009	16.12.2011
	HA4	13.10.2008	08.09.2009	16.12.2011
DRĂGĂNEȘTI	HA1	24.08.2007	11.12.2008	20.01.2012
	HA2	09.03.2007	19.09.2008	20.01.2012
	HA3	20.10.2008	14.10.2009	20.01.2012
	HA4	02.12.2008	16.12.2009	20.01.2012
FRUNZARU	HA3	13.01.2008	27.04.2009	27.01.2012
	HA4	28.02.2008	19.06.2009	27.01.2012
	HA1	20.09.2010	04.08.2011	01.11.2013
	HA2	09.08.2010	04.10.2011	01.11.2013
RUSĂNEȘTI	HA1	27.09.2010	30.08.2011	01.11.2013
	HA2	23.11.2010	25.10.2011	13.12.2013
	HA3	07.09.2011	14.08.2012	Under warranty
	HA4	07.11.2011	09.10.2012	Under warranty
IZBICENI	HA1	03.01.2011	30.11.2011	03. 2014
	HA2	14.02.2011	26.01.2012	03.2014
	HA3	05.12.2011	27.11.2012	Under warranty
	HA4	15.02.2012	17.04.2013	Under warranty

Funding is from its own resources and bank loans.

## Lock Iron Gates I

Iron Gates I Hydropower and Navigation System was approved by HCM no. 815 / 1964 for use Danube hydropower potential on the arranged sector, ensuring smooth international navigation on the river cataracts and reduce transport costs.

To ensure ship movements, were realized two identical locks (one on each side) whose relevant dimensions fully meet the recommendations of the Danube Commission on navigation gauges on the objectives of the Lower Danube namely: sas useful length 310 m; useful width 34 m; thresholds minimum depth 4.5 m; overall minimum air 10 m.

In order to bring back lock's operating parameters and values initially set to avoid undesirable events, the rehabilitation of the Romanian lock HNS Iron Gates I was absolutely necessary.

The work was awarded through open tendering to SC Romenergo SA (which is associated with Energomontaj and Hidroconstrucția and sub-contractor DSD-Germany), concluding the contract no. 035 / 06.06.2006.

The contract provided that the work should be executed in three stages of stopping the navigation, and works were properly grouped on three "Objective". Periods for stopping navigation were agreed with Serbian partner in order to ensure navigation on the Danube through the lock on the Serbian side in these periods.

During 04.06.2007 - 15.09.2008 were performed works due to "Objective 1" - Intermediate Unit

During 01.05.2009 - 01.05.2010 were performed works due to "Objective 2" - Upstream Cap

During 20.06.2011 - 08.08.2012 were performed works due to "Objective 3" - Downstream Cap

Technical parameters	Before refurbishing	After refurbishing
Fluvial traffic	12.8 million tones / year	35 million tones / year
Availability lock	232 days / year	320 days / year
Lockage time	145 minutes / sluicing	75 minutes / sluicing

Following the conclusion of Addendum No. 5 to the contract, the contract deadline was shifted from 31.05.2013 to 31.07.2013. By 31.07.2013, were completed strictly necessary works for safe operation of the lock. The remaining works which were not executed by the Contractor have been removed from the contract and will be executed by Beneficiary under independent contracts to be concluded with third-party contractors.

Reception on termination and commissioning of the object No.3 will be performed after the implementation of technical solutions for necklace Gate Service.

## Modernization HA1 HPP Remeți

Since the commissioning of HPP Remeți has been found that both the hydro units in HPP Remeți reached the designed parameters  $P=50\text{MW}$ ,  $U_n=10,5\text{kV}$ ,  $\cos \phi=0,9$ , while the stator winding temperature has exceeded the maximum allowable temperature of  $120^\circ\text{C}$ , reaching about  $150^\circ\text{C}$ . Under these conditions, over the years, to achieve design parameters have been sought solutions for eliminating deficiencies and, when revisions and maintenance work were performed, intervened on the generator cooling system for improvement.

Interventions results were not as expected; the contribution of power obtained was insignificant. In this regard, loading active power to HPP Remeți groups is limited to:  $P = 40\text{MW}$  for HA1 and  $P = 42\text{MW}$  for HA2. Under these conditions the two groups in HPP Remeți operate at low yields with hydraulic energy losses, hence economic losses.

In 2011 was completed the tender documentation and signed contract for rehabilitation with Hidroserv Cluj with upgrades to the HA 1 HPP Remeți, including control panels, protection, measuring and automation related.

In 2012-2013 were carried out modernization of hydro units within the budget.

The works were completed on 14.11.2013 and commissioning of hydro unit was done on 13.02.2014, the hydro unit being handed over for operating.

By upgrading HA1 HPP Remeți were improved the following parameters:

- Power unit increased from 40 MW to 54.4 MW;
- Increased reliability and operational safety;
- Hydro unit yield increased by 0.6%;
- Average annual energy production of the plant will increase from 94 GWh / year to 101.6 GWh / year.

Funding was made from own sources.

### **Refurbishment of HPP Stejaru**

HPP Stejaru is the first large power plant built in Romania, being located on the middle of the Bistrita River, main tributary of the Siret River.

With an annual production of 435 GWh, HPP Stejaru has over 50 years of operation and is designed to produce electricity at peak load chart of the National Power System for the east area of the country. It was put into operation in the years 1960-1961 and is equipped with six vertical Francis turbines with a total installed power of 210 MW.

Major refurbishment works to be carried out during the contract consisting of:

- Equipping preservation retrofitting plant with six groups, maintaining maximum flow turbine now ( $Q=188 \text{ m}^3/\text{s}$ ,  $P_{\text{inst}} = 210 \text{ MW}$ ,  $E_p = 444,5 \text{ GWh/year}$ ) by:
- Replacement of turbines and generators;
- Replacement of equipment in the stations of 10.5 kV, 110 kV, 220 kV and transformers;
- Replacement of hydro units automation;
- Replacement of plant's general services;
- Rehabilitation of pressure regulators;

And will provide:

- ✓ increase performance and return on investment over the initial level;
- ✓ maximize coefficient of service availability for equipment and facilities;
- ✓ decrease maintenance costs and reduce own technological consumption;
- ✓ preparing equipment and facilities for a new cycle of operation (minimum 30 years);
- ✓ providing the technical level of equipment and facilities to meet the requirements of reliability, quality and reliability, as required by law.

Following the cancellation of the first tender process, **in January 2013** has been launched a new process, being sent an invitation to participate in pre-qualification to 300 companies worldwide and embassies in Romania.

For this stage have received 17 applications for pre-qualification, their evaluation was completed in June 2013 when it was drafted the Assessment Report and sent to EBRD.

Refurbishment Project HPP Stejaru will be continued in accordance with the decisions of the management.

### **Refurbishment HPP Mărișelu**

HPP Mărișelu is part of the arrangement Someșul Cald River, serving to produce energy at peak load schedule for the National Energy System in the North-west and center of the country.

Commissioned in 1977, HPP Mărișelu is equipped with three Francis turbines, has an installed capacity of 220.5 MW and contributes to frequency-power setting of the National Power System and ancillary services.

Major refurbishment works to be carried out during the contract consisting of:

- upgrading equipment and replacing 90 MVA transformers with new transformers;
- redesign and replacement of turbine rotors;
- redesign and replacement of generators;
- replacement of equipment components directory;
- replacement of the valve actuator ball;
- replacement of 220 kV equipment;
- rehabilitation of spiral rooms.

And will provide:

- ✓ increasing efficiency;
- ✓ increase electricity production and the volume of ancillary services that can be provided by plant;
- ✓ creation of a remote control system for plant installation in and outside the plant;
- ✓ preparing equipment and facilities for a new cycle of operation (minimum 30 years);
- ✓ providing the technical level of equipment and facilities to meet the requirements of reliability, quality and reliability, as required by law.

In February 2013 a delegation of representatives of Hidroelectrica and World Bank conducted a fact-finding mission on the details of this project.

In 2014 will be conducted the bid for assigning services for the Feasibility Study project "Refurbishment of HPP Mărișelu".

#### **Refurbishment of HPP Vidraru**

In the thesis on feasibility study for the "Rehabilitation Vidraru hydropower" was proposed as solution: refurbishing/upgrading arrangement to increase group power from 55 MW to 58.8 MW and maintaining the current power plant of 220MW.

The main objectives are:

- Electrical equipment - generators, transformers, primary switchgear, secondary switchgear, **replacing** high voltage cables;
- Mechanical equipment - hydraulic turbine installation including related facilities, including ball valve, installation related facilities, electric crane, strollers, grills, GUP, the air compressed system, bypass and drain, vent installation, lifting, cofferdam vacuum, auxiliary mechanical systems to be **replaced / rehabilitated**;
- Dam - construction, architecture, installation, pump station floating lifts to be **replaced / rehabilitated**;
- Clear Bottom No. 1 and 2 - manual stroller, runway, installation of flat valves, bypass facility and discharge the vent grill and embedded components, shielding upstream and downstream, dewatering plant, Jonson type valve installation to be **rehabilitated**;
- Derivation under pressure - outlet boiler pressure, node house outlet valves to be **replaced / rehabilitated**;
- Construction - plant infrastructure, drainage, 10,5kV, Puțul Cetățuia shaft to be **replaced / rehabilitated**;
- Gallery - injection cement suspensions for **rehabilitation**;
- Storage of waste and recyclable materials - **building**.

In 2014, the investment objective "Refurbishment of HPP Vidraru" will be endorsed by Hidroelectrica feasibility study, for approval of investment and economic indicators, and start to purchase specifications and technical project.

## Refurbishment HA2, HPP Drăgășani

Hydro unit No.2 of HPP Drăgășani was commissioned in 1981, has been working for 32 years, having until 20.05.2013 a total of 125,637 hours since commissioning (annual average about 4000 hours / year) and electricity production of 2093.833 GWh.

The main equipment of hydro unit No.2 and its own services analyzed in the feasibility study endorsed by Hidroelectrica SA, subject to modernization works are:

- Own generator installation, to be **redesigned, replaced / rehabilitated**;
- VIR Installations, the valve itself, hydraulics, and power plant automation, to be **rehabilitated**;
- Turbines and their installation: GUP, RAV, cooling and lubrication plumbing installations in the turbine (shaft seal, water outlet cap turbine signaling breaking bolts, lock AD) - **replacement and rehabilitation works**;
- Own services hydro unit 0.4 kV - **replacement and rehabilitation works**;
- Installation of monitoring grills and flow blockage turbine - **replacement works**;
- Installation of automation, protection and monitoring hydro units - **replacement works**.

They have the following objectives:

- ✓ Obtain availability factor at least equal to that calculated for similar equipment made after 2000, respectively  $\geq 96,5\%$ ;
- ✓ Decreased maintenance works costs;
- ✓ Efficient exploitation HPP Drăgășani HA2 preparation for integration into future monitoring and management of DHA Râmnicu Vâlcea;
- ✓ Eliminating identified deficiencies;
- ✓ Increased performance and return on investment over the initial level;
- ✓ Increased safety in plant operation and quality assurance requirements under the legislation in force.

In 2014, the investment objective "Modernization HA No. 2 of HPP Drăgășani" will be followed by approval of investment and economic indicators, prepare specifications, contract award and start works.

## Modernization HU from HPP Stâncă and HU2 in HPP Berești

HPP Berești was put into operation in 1986 and is equipped with two hydro units (2 x 21.75 MW) vertical Kaplan hydraulic turbines.

HPP Stanca (the Romanian part) was put into operation in 1978 and is equipped with one hydro unit (1 x 15 MW) vertical Kaplan hydraulic turbine.

The works contained in the two modernization projects targets to:

- ✓ obtaining availability coefficient similar to that calculated for the equipment upgraded after 2000, respectively  $\geq 96,5\%$ ;
- ✓ increase performance and return on investment over the initial level;
- ✓ eliminating identified deficiencies;
- ✓ decrease expenses with maintenance works;
- ✓ increase safety in the operation of power and quality assurance requirements as required by law;
- ✓ efficient operation of the two hydropower plants for targeted integration in a future monitoring and management of DHA Piatra Neamț;
- ✓ extend the life of the targeted two hydro plants with at least 20 years of operation.

In 2014, follows approval of such investment and related economic indicators. It will also be prepared the specifications for HU HPP Stanca and after awarding of the contract the upgrading works will start.

## 9. PROCUREMENT ACTIVITY

Procurement activity resulted both in awarding program related investments and the acquisitions for the purposes of production and maintenance work.

The activity was performed in accordance with the valid law on public procurement, with other laws and with the principles underlying the award of the public contract.

For the procurements was considered Hidroelectrica Revenue and Expenditure Budget for 2013 both for subsidiaries and the headquarters, approved Annual public procurement program, Investment program for 2013 Maintenance program for 2013 and periodic reassessment of the situation according to procurement opportunity and techno - economic situation during 2013 (Appendix).

Procurement structure allocated in 2013 is as follows:

	INVESTMENTS	PRODUCTION	TOTAL
Products	314,545	11,442,558	11,757,103
Services	2,184,183	27,556,739	29,740,922
Works	19,946	185,633	205,579
<b>TOTAL</b>	<b>2,518,674</b>	<b>39,184,930</b>	<b>41,703,604</b>

	Value of contracts		Used Procedure									
			Open or restricted procedure		Request for Quotation		Negotiation without notice		Negotiation with notice		Direct purchase contracts exempted from the Ordinance no.34	
	No. Procedure	Value (RON)	No. Procedure	Value (RON))	No. Procedure	Value (RON)	No. Procedure	Value (RON)	No. Procedure	Value (RON)	No. Procedure	Value (RON)
	(1+3+5+7+9)	(2+4+6+8+10)	1	2	3	4	5	6	7	8	9	10
EXECUTIVE	93	17,791,664	28	12,804,830	4	574,357	15	3,582,278	1	217,000	45	613,199
SH BISTRIȚA	273	6,403,627	9	379,547	3	53,393	9	495,100	1	369,570	251	5,106,016
SH CLUJ	314	1,595,660	7	636,965	1	12,500	3	105,500	0	0	303	840,696
SH CURTEA DE ARGEȘ	454	4,796,458	3	87,424	246	1,123,722	11	625,483	0	0	194	2,959,829
SH HAȚEG	68	780,287	0	0	0	0	0	0	0	0	68	780,287
SH PORȚILE DE FIER	158	5,290,137	4	3,543,790	2	38,030	8	529,549	102	780,147	42	398,621
SH RÂMNICU VÂLCEA	281	4,878,461	1	1,198,019	3	158,042	5	424,327	0	0	272	3,098,073
SH SEBEȘ	101	167,310	0	0	0	0	0	0	0	0	101	167,310
<b>TOTAL</b>	<b>1,742</b>	<b>41,703,604</b>	<b>52</b>	<b>18,650,575</b>	<b>259</b>	<b>1,960,044</b>	<b>51</b>	<b>5,762,237</b>	<b>104</b>	<b>1,366,717</b>	<b>1,276</b>	<b>13,964,031</b>



## 10. OPERATING ACTIVITIES

Operations of the company were conducted under the provisions of GD 627/2000, NARE licenses no. 932 / 2010 for the supply of electricity, no. 332/2001 for the production of electricity, no. 333/2001 for the provision of technological ancillary services, the Energy Law No. 13/2007, the orders and decisions of NARE and the Revenue and Expenses Budget approved by Government Decision no. 826 / 2013.

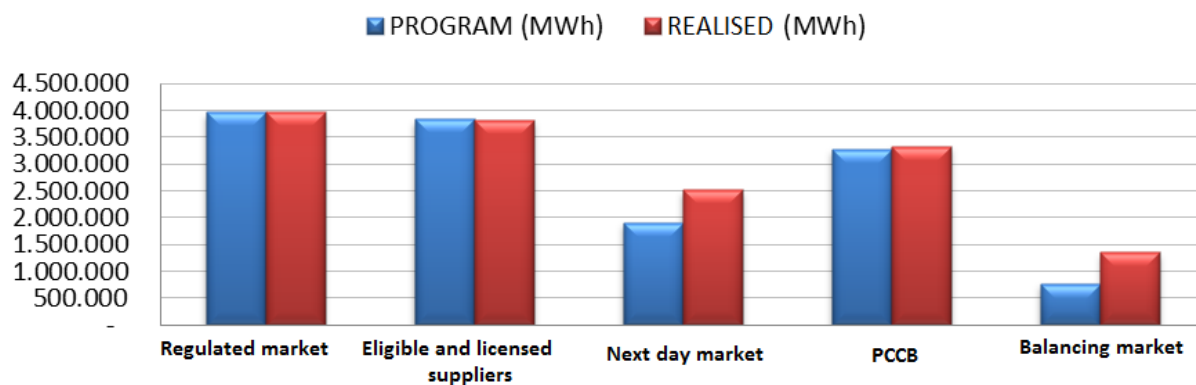
### Operating revenues

The operating revenues were realized as follows:

INDICATORS	U.M.	PROGRAMMED	REALIZED	DIFFERENCE
	0	1	2	3 (2-1)
1. Total electricity delivered (A+B+C) of which :	MWh RON	13,789,246 2,347,160,720	15,025,168 2,667,160,200	1,235,922 319,999,480
A. Electricity delivered to the Regulated market, including:	MWh RON	3,973,971 496,850,298	3,974,814 496,850,298	843 -
Provision for captive and Distribution operators (Electrica)	MWh RON	3,973,971 496,850,298	3,974,814 496,850,298	843 -
B. Electricity supplied to the Competitive market including:	MWh RON	3,838,083 666,054,940	3,823,225 674,286,892	(14,858) 8,231,952
Eligible and licensed suppliers	MWh RON	3,838,083 666,054,940	3,823,225 674,286,892	(14,858) 8,231,952
C. Electricity delivered to other markets including:	MWh RON	5,977,192 1,184,255,482	7,227,129 1,496,023,009	1,249,937 311,767,527
Next Day Market	MWh RON	1,914,147 295,887,969	2,525,234 434,672,902	611,087 138,784,933
Centralized Market for Bilateral Contracts	MWh RON	3,279,247 672,245,635	3,331,567 698,363,021	52,320 26,117,386
Transelectrica (Balanced Market)	MWh RON	772,654 210,328,014	1,359,945 357,510,513	587,291 147,182,499
PRE Members	MWh RON	- -	(41) 47,428	(41) 47,428
Direct consumers	MWh RON	11,144 5,793,864	10,360 5,420,737	(784) (373,127)
MHC buyers	MWh RON	- -	64 8,409	64 8,409
2. Ancillary services, transport, market management, including :	RON	362,754,535	340,778,863	(21,975,671)
Delivered to Transelectrica SA (secondary control frequency / power reserve power, providing reactive power and voltage control)	RON	261,640,941	269,025,905	7,384,964
Transport services re-invoiced for electricity sold on the regulated market	RON	101,113,594	40,717,366	(60,396,228)
Ancillary services, transport and marketing management in the competitive market	RON	-	31,035,592	31,035,592
3. Green certificates	RON	36,000,000	57,679,064	20,867,464
4. Emission reduction units	RON	7,608,016	7,608,016	-
5. Industrial Water Services	RON	533,968	1,063,337	529,369

6. Other services	RON	5,338,143	8,952,355	4,425,811
7. Other operating revenues	RON	22,276,379	66,407,258	44,130,879
<b>TOTAL OPERATING REVENUE (1+2+3+4+5+6+7)</b>	<b>RON</b>	<b>2,781,671,761</b>	<b>3,149,649,093</b>	<b>367,977,332</b>

Quantitatively, energy power generation is as follows:



Structure of quantities and revenue from supplied electricity:

#### A) REGULATED MARKET

CLIENT	ELECTRICITY		TRANSPORT REINVOICED
	QUANTITY (MWh)	VALUE (RON)	VALUE (RON)
CEZ VÂNZARE	520,094	64,961,431	5,362,130
ELECTRICA FURNIZARE	1,002,390	125,118,080	10,279,992
ENEL ENERGIE	734,805	93,446,401	7,472,370
ENEL ENERGIE MUNTENIA	145,592	18,662,591	1,454,297
E.ON ENERGIE ROMÂNIA	1,571,933	194,661,796	16,148,577
<b>TOTAL</b>	<b>3,974,814</b>	<b>496,850,298</b>	<b>40,717,366</b>

#### B) COMPETITION MARKET

**Eligible customers and independent suppliers:** Structure of quantities and revenue from supplied electricity to eligible customers and independent suppliers is as follows:

CLIENT	QUANTITY (MWh)	VALUE (RON)	TG (RON)
ALRO SLATINA	3,000,002	515,940,371	30,618,543
ELSID TITU	21,792	3,922,524	237,777
ELECTROMAGNETICA	785,140	151,491,635	-
ELECTROCARBON	16,291	2,932,362	177,577
<b>TOTAL</b>	<b>3,823,225</b>	<b>674,286,892</b>	<b>31,033,896</b>

### C) ELECTRICITY SUPPLIED TO OTHER MARKETS

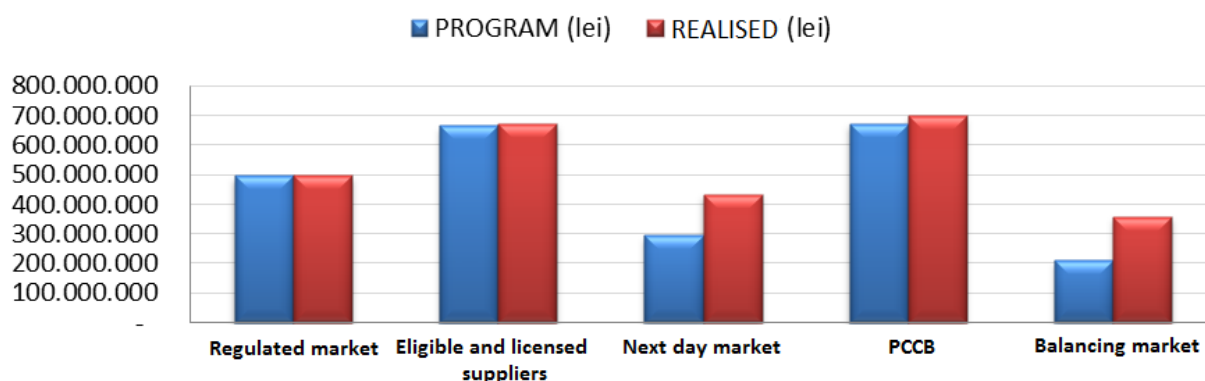
**NEXT DAY MARKET (NDM)** - Hidroelectrica SA sold Next Day Market an amount of **2,525,234 MWh** worth **RON 434,672,902**. Spot transactions were made on the platform managed by CNTranselectrica - OPCOM SA, with counterpart on OPCOM SA.

OPCOM SA acts both as a buyer and seller for all transactions on the Next day market.

**CENTRALIZED MARKET FOR BILATERAL CONTRACTS** - Centralized Market for Bilateral Contracts sold a quantity of **3,331,567 MWh**, amounting to **RON 698,363,021**.

**BALANCING MARKET** – on Balancing Market (Transelectrica) has delivered a quantity of **1,359,945 MWh** worth **RON 357,510,513**.

Valuable, energy situation and service delivery system is as follows:



In 2013, the average delivery price for electricity was RON 177.5 / MWh, of which on regulated market RON 125 / MWh.

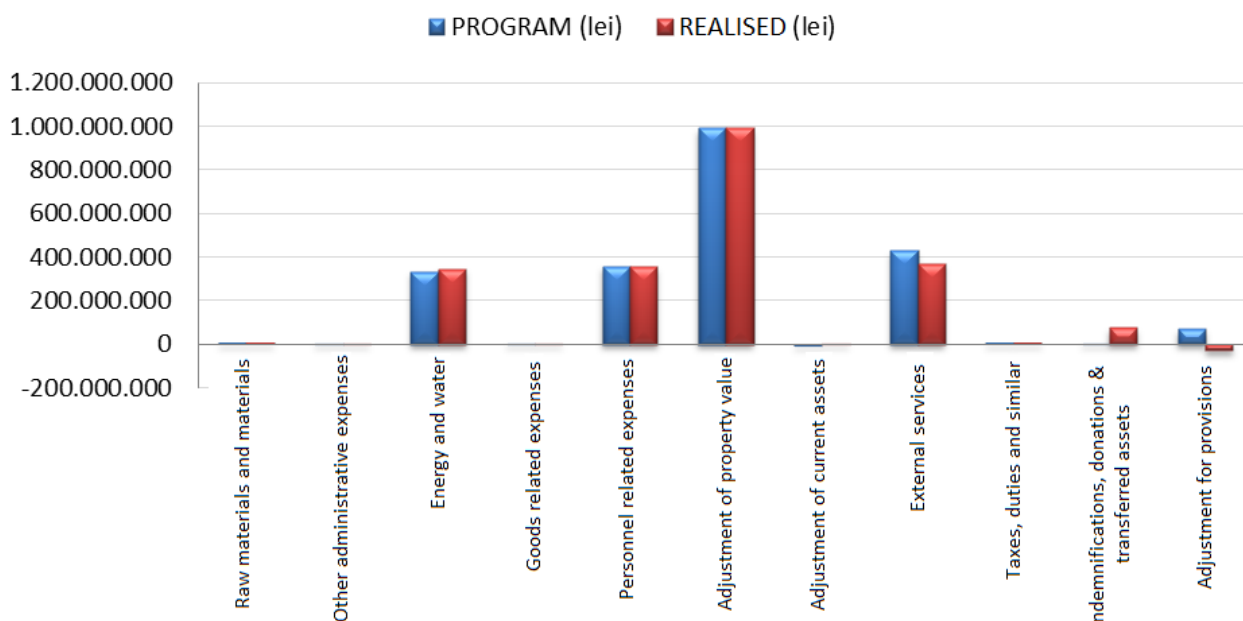
#### Operating expenses

Operating expenses in the amount of **RON 2,133,576,843** have the following structure:

-Ron-

INDICATORS	REALIZED 2012	SCHEDULED 2013	REALIZED 2013	DIFFERENCE 2013-2012	DIFFERENCE to scheduled 2013
0	1	2	3	4 (3-1)	5 (3-2)
Expenditure on raw materials and supplies, including:	14,487,432	9,139,052	9,329,281	(5,158,151)	190,229
Expenditure related to hydraulic oils	2,886,638	1,471,182	1,687,693	(1,198,945)	216,511
Deductible fuel expenses	5,535,475	3,875,000	4,100,810	(1,434,665)	225,810
Expenditure on packaging materials	2,435	1,169	711	(1,724)	(458)
Parts maintenance expenses	3,441,521	1,896,701	2,142,323	(1,299,198)	245,622
Expenditure on maintenance	2,621,362	1,895,000	1,397,744	(1,223,618)	(497,256)
Other administrative expenses, of which:	2,387,854	1,529,722	802,226	(1,585,628)	(727,496)
Expenditure on materials inventory objects	2,346,071	1,500,000	774,683	(1,571,387)	(725,317)
Expenditure related to gas	32,880	27,854	21,320	(11,560)	(6,534)
Expenditure on packaging materials	8,903	1,868	6,223	(2,681)	4,355

Other expenses (energy and water)	350,085,867	333,846,160	345,835,831	(4,250,036)	11,989,671
Expenditure on goods	1,561,810	981,358	588,857	(972,953)	(392,501)
Trade discounts received	(1,544)	0	0	1,544	0
Personnel expenses	418,863,325	357,840,527	354,704,802	(64,158,523)	(3,135,725)
Adjustment of tangible and intangible assets	1,227,207,693	994,288,852	992,189,248	(235,018,446)	(2,099,605)
Adjustment of current assets	15,321,838	(179,681)	4,201,017	(11,120,821)	4,380,698
Expenditure on external services, including:	527,860,224	430,629,389	370,814,384	(157,045,840)	(59,815,005)
Maintenance and repairs expenses	284,390,919	150,000,000	110,606,449	(173,784,469)	(39,393,551)
Expenditure related to fees, remote management and rentals	7,323,564	6,808,781	6,080,629	(1,242,934)	(728,152)
Expenditure related to insurance premiums	1,162,237	543,116	467,655	(694,582)	(75,461)
Expenditure related to studies and research	3,847,798	1,200,000	1,882,570	(1,965,228)	682,570
Commissions and fees expenses	3,444,015	20,925,861	15,764,794	12,320,778	(5,161,067)
Entertaining, advertising and publicity expenses	1,284,557	883,608	331,951	(952,606)	(551,657)
Expenses related to transport of goods and personnel	20,677,772	12,546,000	12,146,027	(8,531,745)	(399,973)
Travel and transfers expenses	6,587,019	2,500,000	2,120,851	(4,466,168)	(379,149)
Postage and telecommunications expenses	5,734,920	5,365,976	4,496,857	(1,238,064)	(869,119)
Expenditure related to banking and similar	16,674,118	13,115,960	12,370,071	(4,304,047)	(745,889)
Other third party services expenses	176,733,305	216,740,087	204,546,531	27,813,225	(12,193,556)
Other taxes, duties and similar	9,240,121	9,267,647	8,862,907	(377,214)	(404,740)
Compensation expenses, donations and assets sold, of which:	106,403,039	3,250,579	75,997,608	(30,405,431)	72,747,029
Expenditure related to environmental protection	40,482	40,000	225,684	185,202	185,684
Damages, fines and penalties	67,064,853	1,462,800	50,446,630	(16,618,223)	48,983,830
Donations	322,246	200,000	226,067	(96,179)	26,067
Expenditure on assets sold and other capital operations	21,332,731	153,381	18,031,667	(3,301,063)	17,878,286
Other operating expenses	17,642,727	1,394,398	7,067,559	(10,575,167)	5,673,161
Adjustments for provisions	66,547,577	71,376,670	(29,749,318)	(96,296,896)	(101,125,988)
<b>Operating expenses - Total</b>	<b>2,739,965,237</b>	<b>2,211,970,275</b>	<b>2,133,576,843</b>	<b>(606,388,394)</b>	<b>(78,393,432)</b>



Purchased energy expenses in the amount of RON 22,306,973 were made under the rules of the next day market, and energy balancing market taken from MHPP sold.

#### Purchased energy

Name of supplier	Next Day Market		Balancing Market		Electricity taken from MHPP sold	
	QUANTITY (MWh)	VALUE (RON)	QUANTITY (MWh)	VALUE (RON)	QUANTITY (MWh)	VALUE (RON)
OPCOM	44,789	4,852,734				
Transelectrica			558,139	16,946,387		
PRE Members			604	23,994		
Electricity taken from MHPP sold					3,762	483,857
<b>Total</b>	<b>44,789</b>	<b>4,852,734</b>	<b>558,743</b>	<b>16,970,381</b>	<b>3,762</b>	<b>483,857</b>

## 11. FINANCIAL ACTIVITY

Financial activity recorded a loss in amount of RON 114,488,015 thus:

(RON)

	2012	2013	± Differences
Total financial revenues	143,590,426	109,970,782	(33,619,644)
Value adjustments on financial assets and financial investments held as current assets	-	36,796,469	36,796,469
Interest expenses on loans	115,815,603	63,171,812	(52,643,791)
Other financial expenses (unrealized exchange rate)	193,846,375	124,490,516	(69,355,859)
Total financial expenses	309,661,978	224,458,797	(85,203,181)
<b>Financial result (loss)</b>	<b>(166,071,552)</b>	<b>(114,488,015)</b>	<b>51,583,537</b>

Company's financial expenses in 2013 decreased compared to 2012, being favorably influenced by repayments of principal made on account of short and long term contracts.

In order to mitigate the currency risk, the company financial policy aims to better link the report of receipts and payments in foreign currency using specific banking instruments (hedging).

The interest expense represents interest due and / or paid both for short-term loans, as well as medium and long term loans.

## 12. PATRIMONIAL ACTIVITY

Patrimonial activity reflects the interdependence of economic and financial results, represented as total assets and the total debt of the company.

### Elements of balance sheet

For the period 2012 - 2013, balance sheet items are as follows:

-RON-

Name of indicator	31.12.2012	31.12.2013	%
			2013/2012
Intangible assets	4,304,496	1,641,780	38.14
Tangible assets	19,848,034,516	19,036,405,149	95.91
Financial assets	61,357,460	27,167,333	44.28
Fixed assets - Total	19,913,696,472	19,065,214,262	95.74
Inventories	106,825,948	108,466,668	101.54
Receivables	246,371,500	270,031,846	109.60
Short-term financial investments	1,629,315	11,865,800	728.27
Cash and bank accounts	55,370,268	74,520,658	134.59
Current Assets - Total	410,197,031	464,884,972	113.33
Advance expenses	2,149,717	2,225,283	103.52
Debts to be paid within a period of one year	2,601,082,005	1,382,787,079	53.16
Debts to be paid longer than a period of one year	1,288,313,012	1,051,727,474	81.64
Provisions	161,462,868	169,583,750	105.03
Revenue in advance	195,893,017	191,408,795	97.71
Capital and reserves			
Capital subscribed and paid	4,475,643,070	4,475,643,070	100.00
Subscribed capital and unpaid	3,763,100	4,426,630	117.63
Revaluation reserves	11,131,250,166	11,029,208,060	99.08
Reserves	1,116,797,719	1,263,848,430	113.17
Retained earnings	(179,497,856)	(749,473,946)	417.54
Financial year result	(508,010,530)	718,827,131	341.50
Distribution of profit	-	45,008,605	-
Equity	16,039,945,669	16,697,470,770	104.10
Public patrimony	39,346,649	39,346,649	100.00
<b>Total equity</b>	<b>16,079,292,318</b>	<b>16,736,817,419</b>	<b>104.09</b>

Company's **Tangible assets** consist mainly of special construction, plants, energy pumping stations, small hydro plants, locks and hydropower units, equipment and facilities. The company operates a total of 261 hydropower plants and pumping stations, with an installed capacity of 6464MW.

**Financial assets** comprise mainly equity securities amounting RON 58,039,410 owned by the Company in subsidiary Hidroelectrica - SERV SA as sole shareholder, according to GD 857/2002, company formed by the merger of the eight former subsidiaries for repair and service Hidroserv S.A.

On 31.12.2013 took place an adjustment for impairment of shares in Hidroelectrica SERV amounting RON 36,796,469.

**Receivables** registered an increase on 31.12.2013 compared to 31.12.2012 of RON 23,660,346 due to increased turnover from the sale of electricity.

**Accounts Payable** - Accounts Payable decreased on 31.12.2013 compared to 31.12.2012, mostly due to the decrease of general commercial contracts value after the opening of insolvency proceedings. The Judiciary Administrator has negotiated and obtained significant trade discounts for ongoing contracts for maintenance, refurbishment and investment activities.

**Long-term liabilities** - a decrease in 2013 compared to 2012 due to the repayment of contracted loans non-contracting of others.

#### **Reported result**

During 2013, after analysis of investments in progress, errors were found on the capitalization of amounts thus:

- the pre-feasibility and feasibility studies carried out before approving any investment objective;
- expenditure incurred to obtain land ownership certificates, notary fees, land registry fees and charges, assessments, tabulation fees;
- expenses representing security services, lighting, ventilation, dewatering performed for maintenance of paused investment objectives.

These expenses do not qualify for registration as an investment in progress, provided the OMPF no. 3055 / 2009, as amended and supplemented, at the time they were made, so that there were considered retained earnings in 2013.

Also, subsequent to filing the financial statements on 31.12.2012 respectively on 30.10.2013, was drafted and delivered the report on the evaluation of employee's benefits granted under the collective labor agreement based on actuarial calculation for the financial year ended 31 December 2012, resulting in a present value of these benefits in amount of RON 100,145,503, so that in 2013 was recorded in retained earnings provision for employee future benefits in value of RON 37,854,628.

On 31.12.2013, the resulting loss from the correction of above accounting errors, in amount of RON 243,111,300, loss to be covered from the profit, before any distribution of profit.

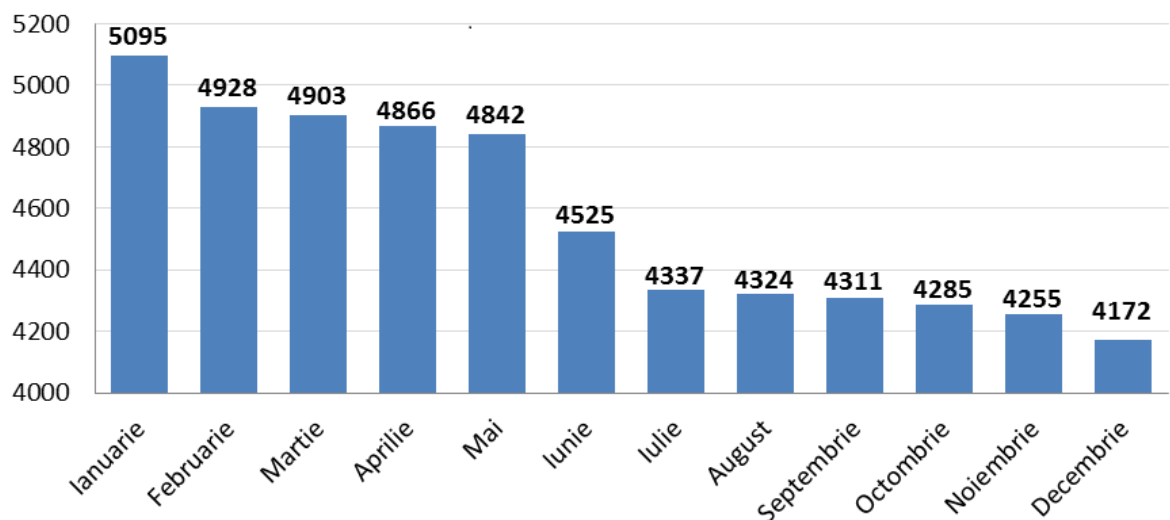
### **13. ACTIVITY OF HUMAN RESOURCES**

Hidroelectrica SA operates potential hydropower with operational staff organized in continuous shifts. In addition to this category of personnel, the company has hired technical, economic and administrative (TESA) and foremen personnel.

In 2013, the company's staff has resulted in a sharp decline, as shown in the chart below.

The number of employees decreased from 5,115 existing employees to 4,172 employees 31.12.2012 on 31.12.2013.

## Evolution of existing personnel in 2013



The reduction of staff in 2013 was done in the first half by dismissing a total of 608 employees, in three stages and personnel retirement.

According to the Reorganization Plan, reduction of staff continued after 26.06.2013, the date of expiry of insolvency, in a natural way, and also by transfer of staff employees serving assets from privatized energy units.

### 1. Dismissals during insolvency period were done in three phases, thus:

**1<sup>st</sup> phase:** 16 January 2013, 150 employees fired;

**2<sup>nd</sup> phase:** 20 May 2013, 292 employees fired;

**3<sup>rd</sup> phase:** 25 June 2013, 166 employees fired

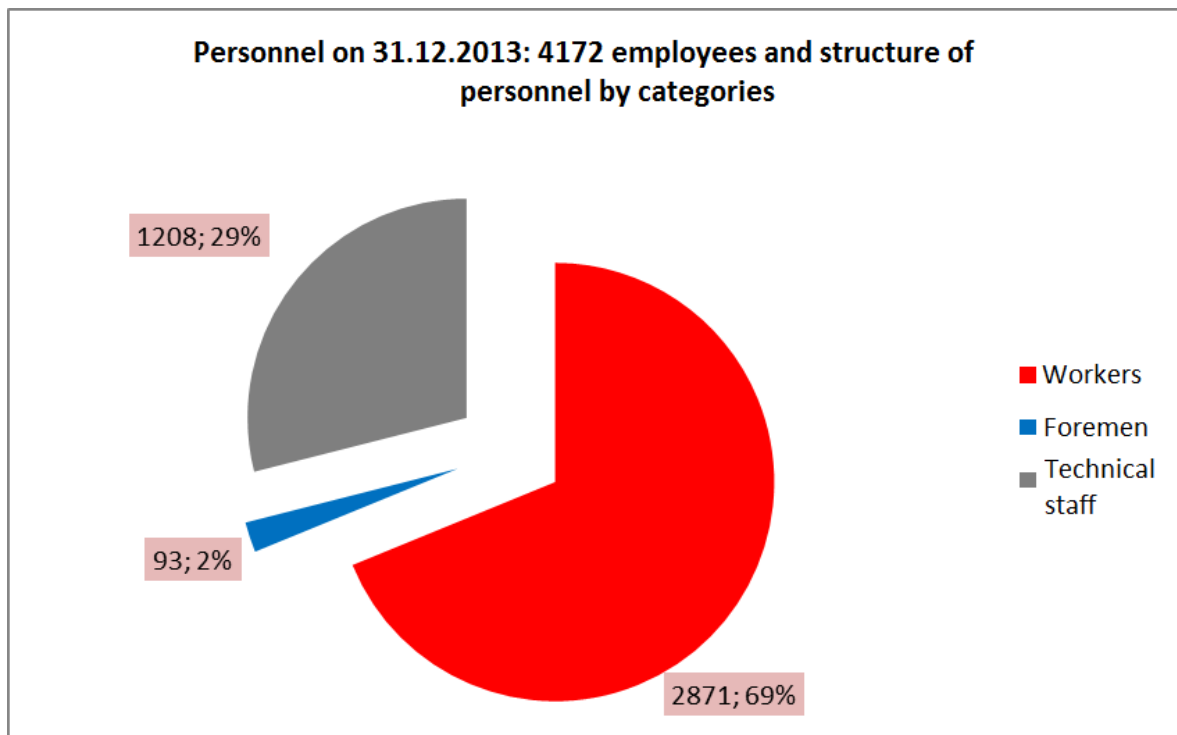
*Dismissals were based on Law No. 85/2006 on insolvency proceedings, Art. 86 para. 6, based on art. 65 para. 1 of the Labor Code and occurred mainly among Technical personnel, considered oversized.*

**2. Departures by natural way:** 335 employees (old-age pensioners, anticipated and partial anticipated, disability retirements, departures by consent, resignation, death, etc).

**Thus, since commencing of insolvency, the percentage of the total Technical staff decreased from 39% to 29% on December 31, 2013.**

**On 31.12.2013, the number of employees was 4,172, personnel structure is shown in the following chart.**





The downward trend of the subsidiaries staff during 2013 is presented in the following tables:

*Period 31.12.2012– 30.06.2013*

NO	Subsidiary	Existing staff on 31.12.2012	Existing staff on 31.01.2013	Existing staff on 28.02.2013	Existing staff on 31.03.2013	Existing staff on 30.04.2013	Existing staff on 31.05.2013	Existing staff on 30.06.2013
1	BISTRIȚA	583	562	561	557	554	528	567
2	BUZĂU	338	327	327	326	323	305	257
3	CARANSEBEȘ	192	190	188	187	185	164	157
4	CLUJ	298	290	290	290	289	269	274
5	CURTEA DE ARGEȘ	657	642	638	635	633	600	599
6	HAȚEG	347	342	341	340	336	323	330
7	ORADEA	286	284	282	282	282	271	263
8	IRON GATES	474	461	461	459	452	417	425
9	RÂMNICU VÂLCEA	547	531	529	528	528	504	522
10	SEBEȘ	238	237	234	229	228	218	225
11	SIBIU	307	301	301	301	302	286	266
12	SLATINA	324	315	314	313	308	271	263
13	TÂRGU JIU	279	261	255	251	249	213	205
14	EXECUTIVE	245	211	207	205	197	170	172
	<b>TOTAL</b>	<b>5115</b>	<b>4954</b>	<b>4928</b>	<b>4903</b>	<b>4866</b>	<b>4539</b>	<b>4525</b>

Period 31.07.2013 – 31.12.2013

NO	Subsidiary	Existing staff on 31.07.2013	Existing staff on 31.08.2013	Existing staff on 30.09.2013	Existing staff on 31.10.2013	Existing staff on 30.11.2013	Existing staff on 31.12.2013
1	SH BISTRIȚA	565	564	564	563	559	552
2	SH CLUJ	519	515	513	512	508	486
	Cluj	271	268	267	266	265	247
	Oradea	248	247	246	246	243	239
3	SH CURTEA DE ARGEȘ	815	814	809	804	800	798
	Curtea de Argeș	586	586	583	579	576	575
	Buzău	229	228	226	225	224	223
4	SH HAȚEG	474	472	472	469	465	458
	Hațeg	324	324	324	322	319	314
	Caransebeș	150	148	148	147	146	144
5	SH IRON GATES	588	586	585	582	577	568
	Iron Gates	398	397	397	394	389	382
	Târgu Jiu	190	189	188	188	188	186
6	SH RÂMNICU VÂLCEA	749	744	742	729	721	698
	Râmnicu Vâlcea	507	505	503	492	485	468
	Slatina	242	239	239	237	236	230
7	SH SEBEȘ	459	456	454	452	452	442
	Sebeș	220	220	218	218	218	212
	Sibiu	239	236	236	234	234	230
8	EXECUTIVE	168	173	172	174	173	170
	<b>TOTAL</b>	<b>4337</b>	<b>4324</b>	<b>4311</b>	<b>4285</b>	<b>4255</b>	<b>4172</b>

The dismissal of a large number of employees, led to the opening of a large number of labor disputes files in courts, both in terms of challenging the dismissal decisions and regarding severance pay wages in accordance with the Collective Labor Agreement.

Currently, there are a total of **126 cases representing 572 employees**, of which:

- 13 cases with **pending litigation for compensation**;
- 113 cases of litigation **pending annulment decision of dismissal** for employees laid off in 2013.

Based on Protocol no. 80218 / 09.07.2013 signed by the Management and Hidrosind, installments were paid as compensation for employees laid off in 2013 and signed a number of 164 agreements.

In 2013, 102 employees have received in court severance to pay salaries and the company has paid amounts for aid dismissal under civil judgments no. 5555 / 05.06.2013 and no. 5993 / 06.12.2013 (86 employees laid off + 16 dismissed employees).

Amounts paid in installments for the 162 employees who signed the monthly installment convention for 102 former employees who have received full payment due to dismissal, as decided by the court was in amount of RON 10,591,402.

Under the reorganization plan, in 2013 the Department of Human Resources has cooperated with Consulteam Romania (Mercer) in a project on Advisory Services Human Resources management to create and implement a payroll system to retain and motivate employees. Project conducted analysis, evaluation and job grading, achieving wage scales, support internal communication and salaries.

A payroll system was designed to motivate employees and encourage performance, to attract the best candidates from the labor market and to retain valuable employees in the organization.

The process involved discussions including with management, the union representative at company level and specialists in human resources and technical developments within Hidroelectrica.

Payroll system was introduced and distributed to the Hidroelectrica Hidrosind Union during the negotiation of CLA 2014 as part of the CLA 2014 (Chapter No. 4 - Remuneration). The parties have agreed the negotiation of the new payroll system to run in parallel with the old system of payroll for 6 months (January-June 2014) to produce any improvements, if necessary.

During November-December 2013, were held negotiation for company's CLA. The chairperson of the negotiating commission was Mr. Remus Borza.

In the negotiations remained a number of rights and facilities at the limit negotiated with the Judiciary Administrator even since 2013, continuing the policy of reducing costs with the labor.

For 2014 was negotiated base salary indexation with 2,5%.

#### 14. ACTIVITY RELATED TO QUALITY, ENVIRONMENT, SECURITY AND HEALTH

Hidroelectrica management, business oriented for development in terms of profitability, constantly seeks a balance between quality of products and services provided the environment protection, personnel's safety and health.

In fulfilling its mission, is based on an Integrated Management System Quality, Environment, Safety and Health at Work and holds nationally recognized certificates issued by SRAC (ISO 9001 no. 325/4, ISO 14001 no. No. 95/3 and OHSAS 18001 no. 250/2) and internationally recognized certificates issued by IQNet.



Hidroelectrica management's policy, available on the company website and intranet, for consultation of all stakeholders, internal and external, represents management's commitment to shareholders, employees, customers, community and other stakeholders. It sets general objectives in the technical and economical domain, with the principles of sustainable development and general objectives in quality management, environmental protection, safety and health:

- Preventing pollution and reducing environmental impact;

- Prevention and protection against injuries and occupational diseases of employees;
- Meeting the customer's requirements and other stakeholders;
- Compliance with legal requirements and other requirements of company;
- Continuous improvement of the efficiency of the integrated management.

In 2013, Hidroelectrica redesigned the integrated management system in accordance with the requirements of reference standards: ISO 9001 for quality management, ISO 14001 for environmental management, OHSAS 18001 for occupational health and safety management, ISO 31000 for risk management and Code for management internal control approved by OMPF no.946 / 2005 on internal control management.

In June 2013, SRAC certification authority carried external audit oversight no.1 for integrated management system in order to assess compliance with reference standards and the effectiveness of management. External audit team conclusion was that the integrated management system works effectively under referential requirements, legal requirements and other activities, and no non-compliance was identified. They recommended six areas to be improved, and the findings were focused on the existence of good correlations between policy, programs and targets. Strengths were highlighted: increasing the effectiveness of system redesign, Map processes and associated documents, experience of staff, lack of environmental events. It was considered the manner and implementation degree of recommendations, proposed at recertification audit in 2012.

At the end of 2013, state environmental permits were as follows: out of the total of 244 hydropower objectives that require authorization, 202 had valid environmental authorization, which represent approx. 83% of the total. For the remaining, approximately 17% documentation was submitted to renew environmental permits.

The most important categories of environmental works made in 2013 were:

- Corrective works on removing the effects of floods on SH Cluj;
- Preventive flood work protection in SH Bistrita, UHE Oradea, UHE Slatina and UHE Târgu Jiu;
- Works to improve the landscape in SH Râmnicu Vâlcea;
- Work for cleaning the water surface at SH Bistrița, UHE Caransebeș, SH Cluj, SH Curtea de Argeș, UHE Oradea and SH Sebeș;
- Works to protect land against erosion from UHE Oradea;
- Control measures and analyzes at the SH Hațeg, SH Porțile de Fier, SH Râmnicu Vâlcea, SH Sebeș and UHE Slatina.

Costs incurred in 2013 for work with environmental character amounted to RON 4,427,771 (approx. € 1 million), decreasing from the previous years.

In 2013 there was no accidental water pollution with oil products from Hidroelectrica installations.

To ensure the workers' safety and health in every aspect related to work, Hidroelectrica plants are organized and function according to the requirements of the law, on prevention and protection services to both the executive and the branches. Workers responsible for the prevention and protection fulfill the required skills according to the Law no.319 / 2006 on safety and health at work and Norms for the application of this law.

To ensure information, consultation and participation of workers and / or their representatives on the development and implementation decisions related to security and health, are organized and function the Safety and Health at Work Committees, according to legal requirements.

Prevention plans, protection programs and expenditures for prevention and protection plans are developed. In 2013, expenditure program at Hidroelctrica level was 7.4% conducted and physical 40.5% of the planned value of RON 7,443,988.

The overall level of risk of injury and occupational disease in Hidroelectrica was reduced compared to 2012, from 2.99 to 2.94 after the 2013 revaluation, following the implementation of prevention and protection measures plans. They were reassessed 121 jobs. The overall level of risk at both consolidated Hidroelectrica level and in each of the executive subsidiaries, which falls within acceptable risk level of 3.5.

In 2013 there were two accidents at work.

Situation of statistical indicators on occupational accidents in 2013:

- Indicator of frequency = IF = 0,43, the frequency of injury (no. of injuries in 1,000 workers);
- Indicator of severity = IS = 1,14, indicates the magnitude of accidents taking into account the total number of days lost and the type of accident;
- Indicator of average length = IAL = 10, expresses the average number of days of temporary disability of the injured who resumed work.

Control the health of employees in the company is done by specialized external occupational health services, according to legal provisions. In 2013 there were no new cases of occupational disease.

An important factor in maintaining the safety of workers in performing activities is to ensure optimal resources for implementation and monitoring prevention and protection plans measures, risk assessments resulting from injury and occupational disease. In conclusion, the allocation of time and resources, health and safety at work represent to Hidroelectrica **an investment, not an expense** and wellbeing in the workplace leads to a high level of safety and health at work, what is in the benefit of Hidroelectrica.

## 15. COOPERATION ACTIVITY AND INTERNATIONAL RELATIONS

### I. Recovery by sale - the public outcry auctions, for small hydropower plants (SHPP) in Hidroelectrica patrimony

Considering the Romanian Energy Strategy for the period 2007 - 2020, approved by Government Decision 1069/2007, the Judiciary Administrator has decided to continue the program for the sale of small hydroelectric power plants through public auction. Thus, The Hidroelectrica General Meeting of Shareholders approved by Decision No. 34 / 13.03.2013 "Strategy for small hydropower plants in Hidroelectrica S.A patrimony".

The sale of small hydroelectric power plants creates premises to obtain additional revenue estimated as result of previous rounds of auctions to Euro 50-55 million.

Also, urgent need for payment of debts in the areas of investment and refurbishment in progress, which can provide additional income to company from selling both energy and ancillary services provided in the national energy system and the fact that the company has no financing requirements to support the above areas, is an absolute prerequisite for the sale of small hydroelectric power plants.

In line with Judiciary Administrator policy, keeping in Hidroelectrica patrimony SHPP whose refurbishment cannot be completed by 31 December 2016 is a fact that will not increase company's profit and successful implementation of a plan of reorganization, as insolvency requires, because the commercial exploitation of SHP completed / refurbished after that date has no advantage on capitalization of green certificates.

GEMS Resolution no. 42/11.06.2013 approved the sale of 5 packages of SHPP, as follows:

- 1) The assets group – SHPP on Crișul Repede, Oradea County: MHC Baraj CET, MHC CET Restituire, MHC Aștileu 1 and MHC Aștileu 2 (Pi = 4,69 MW, Em = 25,42GWh, starting price = RON 21,364,000);
- 2) The assets group – SHPP on rivers Bistrița and Budac, Bistrița-Năsăud County: MHC Bistrița, MHC Bolovani and MHC Budac 1 (Pi = 3,07 MW, Em = 7,16 GWh, strating price = RON 15,854,500);
- 3) The assets group – SHPP on rivers Valea Cracului, Muncel, Valea de Pești and Buta, Hunedoara County: MHC Valea Cracului 1, MHC Valea Cracului 2, MHC Valea Cracului 3, MHC Zeicani, MHC Baru Mare, MHC Valea de Pești and MHC Buta (Pi = 3,00 MW, Em = 7,50 GWh, starting price = RON

14.744.400);

4) The assets group - SHPP on rivers Huza, Someșul Mic and Sălașele, Cluj County: MHC Huza 1, MHC Huza 2, MHC Someșul Rece, MHC Mănăstirea Dej 1, MHC Mănăstirea Dej 2, MHC Sălașele 1 și MHC Sălașele 2 (Pi = 1,64 MW, Em = 5,46 GWh, starting price = RON 6,121,600);

5) The assets group - SHPP on rivers Chiuzbaia, Runcu and Vișeu, Maramureș County: MHC Chiuzbaia, MHC Izvoare, MHC Borșa Vișeuț and MHC Borșa Complex (Pi = 3,22 MW, Em = 8,12 GWh, starting price = RON 15,593,000).

In this stage were sold 14 SHPP (i.e. packages 1, 2 and 4), with an installed capacity of 9.40 MW, energy project at a price 38.05 GWh and total RON 46,850,780, tenderers are following legal persons:

- 1) BASIKDUE SpA (Italia) – Package no.1 (starting price = RON 21,364,000, awarding price = RON 24,568,600)
- 2) SC MINERAL OIL SRL (România, Brașov) - Package no. 2 (starting price = awarding price = RON 15,854,500)
- 3) SC THREE PHARM SRL (România, Târgu Mureș) - Package no.4 (starting price = RON 6,121,600 awarding price = RON 6,427,680)

## **I. Cooperation and International Relations**

Hidroelectrica has as main objective the development of a sustainable energy system, and active and sustained international cooperation represent the two main ways to achieve this goal.

In 2013, Cooperation activity and International Relations was held in the following coordinates:

- Promote business with foreign partners including companies in PR of China;
- Enhance cooperation in the course of which the most important is the Romanian-Serbian partnership for the management, operation and maintenance of the National Hydropower and Navigation Systems Iron Gates I and II;
- Identifying and developing collaborative projects with organizations and international financial institutions to obtain assistance and international funding;
- Ensuring sustainable cooperation at the intergovernmental level by promoting bilateral economic cooperation (active involvement in intergovernmental committees on energy issues, and strengthen cooperation with specialized departments within the ministry);
- Company management's representation in national and international associations in the field which it is affiliated and increase their participation in directly initiatives on the energy sector;
- Ensuring the conditions for participation in the company's internal and external events;
- Organizing / co-organizing national events and / or international topics of interest;
- Developing presentation materials for the company at various events;
- Providing further support for internal customers regarding translations of documents and company's documentation;
- Providing further support for travelling abroad for company staff.
- Dissemination of best practices in hydropower domain.

## **II. Public relations and communication**

Public relations and communication activities in 2013 Hidroelectrica were manifested through the following activities:

- Organizing events in branches, participation in conferences, seminars energy; Two major events organized by Hidroelectrica 2013 are: HPP Racovița opening in December 2013 and the organization of "Energeticianului Trophy 2013" in July of the same year;

- Communicating with external audience and media by replies to their requests, and by submitting press releases to improve the company's image and promote transparency in the Hidroelectrica actions;
- Press conferences with the participation of members of the executive management of Hidroelectrica;
- Realizing a campaign to promote the sale of small hydro power plants - in June and November 2013 ads that appeared both in national, local, and online, including on Hidroelectrica site;
- Publication of the notice of selection for listing on a stock exchange, in national and international press;
- Promote Hidroelectrica managers' online recruitment;
- Promoting invitation for prequalification regarding rehabilitation of HPP Stejaru by publishing the notice in national newspapers;
- In order to improve external communication, Hidroelectrica has acted both in the media by monitoring information on the company and actively, by achieving a total of 3654 appearances in the media (print, audio, online) ;
- Optimizing internal and external media communication, digital or intranet and website of the company by updating them;
- Promoting the company's image in various specialized energy publications by preparing Hidroelectrica presentation materials, press releases or advertorials;
- Centralizing information from Hidroelectrica functional and design departments and drafting Annual activity report;
- Assistance for graphic design and selection, to purchase communication and promotional materials - Roll-up, banners, folders, diaries, calendars, pens, notepads, trophies, plaques, etc. to promote the company's external environment;
- Action plan proposals, communication materials / image and measures to improve internal and external communication.

## **16. INTERNAL CONTROL ACTIVITY**

Internal control activity was conducted in accordance with Order No. 439 / 11.03.2010, Rules of Organization and Operation of Hidroelectrica and specific operational procedures.

According to this procedure, control activities are:

- a) Control activities planned under the annual control program approved by the General Manager;
- b) Control activities in the Hidroelectrica branch and subsidiary based on Judiciary Administrator, the General Manager or the appropriate Executive or Council Decision of survey for:
  - Checks ordered following complaints, petitions, complaints received for settlement from Judiciary Administrator, CEO or Executive;
  - Immediate inspections arranged by the Judiciary Administrator, CEO or Executive.

Control activities are conducted under quality assurance. In this respect was prepared the operational procedure called "CONTROL AND VERIFICATION ACTIVITIES WITHIN SC HIDROELECTRICA S. A. "P0-HE-DCI-01, Issue 1, Revision 0.

For controlled fields, in order to have a uniform control in all branches and in Hidroelectrica subsidiaries were developed the following issues of control:

- Thematic analysis and control of activities and facilities owned by hydroelectric subsidiaries;
- Topic for maintenance activity;
- Topic for HR activity;
- Topic for investment activity;
- Topic on the main objectives of financial control management and key legislative regulations;

- Topic on the purchase of raw materials and spare parts, existing stocks of consumer, compliance with the rules;
- Control on security and health.

Control activity was extended to other areas depending on the needs arising during inspections.

Every Hydropower branch has a department called "Financial Control Management", which employs one or more employees (auditors).

At the controls was checked the structure the and how employees (accountants auditors in Hydroelectric Branches and Hidroelectrica-Serv Subsidiary) functions.

Verifications made on the basis of monitoring program established in each branch, a program that includes checking: cashier offices, warehouses, shops, and to a lesser extent the assignment of public procurement contracts, etc.

During control, all activities were discussed with controlled employees, the activities, motivations actions and decisions taken to resolve technical issues and organizational problems.

To review laws and government decisions and other acts using specialized internet sites.

In the period 01.01.2013 - 31.12.2013, there were five control missions planned and five control missions arranged by decisions issued by the Judiciary Administrator or Board, as follows:

#### **1. Planned controls**

- 1.1. UHE Buzău, during 01.04.2013 – 19.04.2013;
- 1.2. UHE Caransebeș, during 25.06.2013 – 12.07.2013;
- 1.3. SH Iron Gates, during 17.06.2013 – 05.07. 2013;
- 1.4. UHE Oradea, during 25.09.2013 – 11.10.2013;
- 1.5. SH Cluj, during 02.12.2013 – 20.12.2013

#### **2. Checks carried out as ordered by the Judiciary Administrator, General Manager or Executive of SPEEH Hidroelectrica SA:**

- 2.1. SH Curtea de Argeș, during 16.01.2013 - 25.01.2013, according to Decision no. 67/16.01.2013;
- 2.2. SC Hidroserv Cluj, during 21.01.2013 – 25.01.2013, according to Decision no. 496/21.01.2013;
- 2.3. SH Slatina and SC Hidroserv Slatina, during 13.02.2013 - 01.03.2013, according to Decision no. 963 and 964/12.02.2013;
- 2.4. UHE Slatina, during 23.04.2013 – 17.05.2013, according to Decision no. 1215/23.04.2013;
- 2.5. Hidroelectrica SA – Executive, during 27.09.2013 - 15.10.2013, according to Decision no. 3495/27.09.2013

Following control performed by employees of the Internal Control Department and approved by the Judiciary Administrator, General Manager and directors were ordered the following remedies:

- Termination or amendment of a number of contracts;
- Disciplinary research, even sanction if necessary, recovery of amounts subject to employees' material liability;
- Notification of the criminal investigation organisms;
- Changing protection schemes and hydro automation to increase operational safety;
- Develop operational procedures to uniformly regulate the conduct of procedures for the award of public procurement contracts and making direct purchases in all SPEEH Hidroelectrica SA entities.

The internal control activities carried out in 2013, has achieved its objectives and the recommendations made and measures taken following controls helped to streamline activities, for optimization acquisition costs of goods, services and works, and to increase operational safety the hydro.



## 17. INTERNAL AUDIT ACTIVITY

Internal audit activity in 2013 was made under the Internal Audit Program, approved by the Hidroelectrica Board according to legal regulations.

Internal audit program included six audits, all being performed.

The 6 internal audits conducted are:

- a) 2 internal audits on insurance: The theme - "Financial Management", held in SH Sibiu and the second: The cost of electricity produced in SH Curtea de Arges;
  - b) 2 internal audit counseling on "Implementation and development of internal control / management" held at SH Cluj and Oradea SH;
  - c) two internal audits counseling on "Implementation and development of risk management" held at the SH Iron Gates and SH Râmnicu Vâlcea;
- 
- a) In the internal audit mission on financial management were pursued the following subjects:
    - Organization of financial activities;
    - Coordination of financial activities;
    - Financial liability of subsidiary;
    - Treasury Management;
    - Control of financial activity;
    - Archiving of resulted documents.

Regarding the first mission of the SH Sibiu, internal audit team appreciated as functional most goals audited and two other objectives: coordination of financial and control financial activities were appreciated as "to be improved".

During the internal audit on the Price of produced electricity was pursued the following issues:

- Organization of financial accounting and cost analysis on the calculation of electricity;
- Dynamics and structure of total cost hydroelectric plants and subsidiary;
- The components of costs, methods of calculation, content and flow of documents used;
- Control of financial and accounting activities relating to the calculation and cost analysis;
- Archiving of resulted documents.

In the internal audit mission from SH Curtea de Arges, the internal audit team pointed out two objectives: the dynamics and structure hydro costs and total branch cost, elements, methods of calculation; content and flow of documents used were appreciated as "functional" and the other three objectives namely: organization of financial accounting and analysis on electricity costs, financial and accounting control activities regarding the calculation and cost analysis and archiving results were appreciated as "to be improved".

- b) in counseling missions were analyzed and counseled SH Cluj and SH Oradea, on the following issues:
  - Organization of the implementation and development of internal control / management;
  - Implementation status for development program of internal control / management;
  - Status of implementation of standards for internal / managerial control;
  - Risk management within the entity;
  - Prepare information and reporting on the implementation and development of internal control / management;
  - The efficiency resulting from the implementation and development of internal control / management.
- c) SH Iron Gates and SH Râmnicu Vâlcea were counseled on the following issues:
  - Organization of the implementation and development of risk management;

- Implementation status for development program of internal control / management with specific mentions on risk management;
- Implementation status of standards for internal / managerial control;
- Risk management within the entity;
- Prepare information and reporting on the implementation and development of risk management;
- The efficiency resulting from the implementation and development of risk management.

After analyzing the objectives, the internal audit activity organized seminars on general requirements for the implementation of 25 internal control standards / managerial and debates and concrete case studies relating to Standard 07 - Objectives and Standard 11 - risk management in all four missions deployed.

In conclusion, the internal audit work carried out in 2013, covered the whole problem in a fast pace, making the necessary recommendations to the identified problems, which have led and will continue to result in improving Hidroelectrica SA activities for achieving goals.

## **18. RISK MANAGEMENT**

Legislative and regulatory changes have determined the company to address risk management in a proactive manner that continues to be developed.

In accordance with the Ministry of Finance Order no. 946 / 2005 for the approval of the Internal Control Code including management standards / internal control to public entities and to develop management control system, complete and updated, both in the executive branches and in Hidroelectrica executive offices, were issued decisions appointing committees for monitoring, coordination and for methodological guidance to the implementation of management standards / internal control process.

Both branches as well as Hidroelectrica executive have developed programs of measures for the development of internal control / management.

Strategic risks of major importance and manner of management and mitigation were identified, as follows:

### **Economic environment risk**

The adjustment of risk-based values held on international financial markets in recent years has affected their performance, including financial - banking market in Romania, leading to a growing uncertainty about future economic developments.

Company's trading partners could be affected by the liquidity crisis and might affect the ability to meet its current liabilities. Deterioration of operating conditions may affect creditors and cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that the information is available, management has revised estimates of expected future cash flows in its impairment.

Identification and assessment of investments influenced by credit market less liquid, credit analysis of compliance with contracts and other contractual obligations in turn raises other challenges.

The management cannot predict events that could have an effect on the banking sector in Romania and the effect that might have on the propensity of economic agents to use.

### **Price risk**

Currently the price of electricity supplied to the regulated market is not determined solely by the Company's decisions, but is agreed and reviewed periodically by the National Regulatory Authority for Energy.

The current legislative framework enables producers to sell electricity to eligible customers on free market, by

concluding bilateral agreements. The risk of potential price movements is not covered by derivatives.

### **Liquidity risk**

Liquidity risk (also called funding risk) represents the risk that an entity might encounter in procuring the necessary funds to meet commitments related to financial instruments. Liquidity risk may result from an inability to quickly sell a financial asset at an amount close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash and available credit lines by continuously monitoring cash flow and correlation of estimated and actual maturities of assets and liabilities. On 31 December 2013 and 31 December 2012, Company recorded net current liabilities which indicate increased liquidity risk.

On December 31, 2013, the Company had availability in current accounts and cash in amount of RON 74 million, increased by 34% compared to the end of 2012 and the amounts used from credit lines decreased from RON 668 million on 31.12.2012 to RON 200 million at the end of 2013, i.e. 234%. Therefore, the company's liquidity has improved visibly in 2013 which entails significant decrease in liquidity risk.

### **Hydrological risk**

Hydrological situation - production level is limited both by installed capacity and by the prevailing hydrological situation. Unfavorable weather conditions in terms of low rainfall affect the ability to produce and fulfill contractual obligations, while wet weather provides an opportunity to try a maximum increase in revenue from additional production. If Hidroelectrica can change the hydrological situation, it can mitigate risks by:

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

### **Interest rate risk**

Company's operating cash flows are affected by changes in interest rates, primarily due to foreign currency loans contracted with foreign financing banks.

Changes that may occur in exchange rates and interest rate levels and the purposes of their growth can affect the company.

Currency risk is determined by the interest rate risk of interest and therefore the expense will fluctuate over time. The Company has significant long-term loans with variable interest rates, which may expose the Company to both price risk and cash.

At the date of unconsolidated financial statements, the Company has not entered into derivative instruments on financial markets and has not acquired financial instruments covering such risks.

### **Foreign exchange risk**

Currency used for internal market is the Romanian leu, and for foreign loans financing costs are denominated in various foreign currencies. As a result, loans are subsequently expressed in domestic currency. The resulting difference is included in profit or loss and does not affect cash flow until the debt liquidation.

At the time these unconsolidated financial statements the Company has not entered into transactions and has not acquired hedging financial instruments.

### **Legislative risks**

Fiscal controls are common in Romania, consisting of thorough checks of accounting records of the taxpayer. Such checks occur sometimes after months or even years after establishing payment obligations. Consequently,

depending on the results of these checks, companies may owe additional taxes and fines. In addition, tax legislation is subject to frequent changes, and authorities often manifest inconsistency in the interpretation of legislation. However, the Company's directors believe that adequate reserves have been established for all significant tax liabilities.

In accordance with the provisions issued by the Ministry of Finance, which regulates the taxation of equity items that were not subject to income tax calculation at the time of registration in accounting, due to their nature, if the Company will change in the future destination of revaluation reserves (for coverage of loss or distribution to shareholders), it will lead to additional tax liabilities.

#### **The real value of financial instruments**

Financial instruments held to maturity are included in the balance sheet at cost of acquisition or redemption, as applicable. The real value is the amount at which the financial instrument may change normal transactions other than those arising from the liquidation or forced sale. The actual values are obtained from quoted market prices or discounted cash flow models as appropriate.

On 31 December 2013, cash and other available funds, receivables and trade payables and other current liabilities (including amounts owed to credit institutions) approaches their real value due to their short maturity.

## **19. LITIGATIONS**

On 31.12.2013 the Company is involved in various pending litigations as:

- Disputes arising from "Preliminary Table of Receivables ";
- Disputes arising from the settlement of notifications received by the company on Law No. 10/2001;
- Labor disputes which have as object:
  - Updating the inflation index and the statutory rate of emoluments for the period 2006-2007, paid by the company in 2008-2009;
  - Issuance of certificates for ongoing work activity in group I or II.

Based on the opinion of Company's lawyers, director and the Company's management believes that the resolution of disputes mentioned above, for which reserves have been established on December 31, 2013, will be favorable to the Company and will not have a negative impact on the consolidated financial statements for the financial year ended.

#### **Litigation with Trade Union Federation Unvers and Hidroelectrica Hidrosind Branch**

The company was involved in a labor dispute with Hidroelectrica Hidrosind Trade Union Federation; the file is registered under no. 38042 / 3/2007, before the Court of Bucharest - Section VIII Labor disputes and Social security.

During 2008, the Company completed with Hidroelectrica - Hidrosind Trade Union Federation a transaction to settle the dispute which is the subject of this case. Through this transaction, Hidroelectrica SA undertakes to pay all employees of the Company, regardless of union membership, staggered between 2008 – 2010, depending on the Company's financial economic results difference between actual paid wages and due wages as a consequence of hierarchy indices from the pay scale in force on 01.10.2005, for the period 01.01.2006 - 31.12.2007.

The last payments on this issue were made in 2009 and recognized as an expense in the period in which were granted.

Thereafter, the employees represented by the Universe Trade Union Federation and Hidroelectrica Hidrosind Branch have submitted applications to the territorial and material courts for updating the index inflation of paid wage differentials, and ordered the company to pay statutory interest for late payment. At this point, for most employees represented by Universe Trade Union Federation such compensations were paid, following

irrevocable court judgments. In terms of employees represented by Hidroelectrica Hidrosind Branch disputes are ongoing. The management could not reliably estimate the future value of these payments. However, based on the lawyers' opinions, director and management of the Company believe that they will not have a significant negative impact on the unconsolidated financial statements on 31.12.2013.

#### **Litigation on buildings taken over for public cause utility**

The company is involved in a number of legal disputes concerning real estate properties (mainly land) used in the current work.

For disputes not covered by Law No. 10/2001, the Company's management periodically review proceedings of pending case, and after consultation with its legal representatives decide the need for clear provisions for the amounts involved or the presentation of the unconsolidated financial statements. Based on the information available to the Company, management estimates that these disputes have a negative impact on the unconsolidated financial statements on 31.12.2013.

#### **Other litigations**

The company is and could become part and other legal disputes before various courts, resulting in its normal course of business and involves various contractual issues on the value added tax, income tax and other compliance. These processes and actions could have a significant negative impact on the Company's financial position or the results of its work, but which cannot be evaluated by management in unconsolidated balance sheet.

#### **Onerous contracts**

An onerous contract is a contract in which the cost of meeting contractual obligations exceed the economic benefits to be gained from it. These costs reflect the net cost mandatory for the exit from the contract, which is less than the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfill it. The Company's management is not aware of the existence of onerous contracts in the balance sheet and had no provision that might have effect in the unconsolidated financial statements.

#### **Insolvency**

Following Hidroelectrica's request, Bucharest Court Civil Section VII, by Civil nr.7222 / 2012 issued in case no. 22456/3/2012 on 20.06.2012, decided to open the general procedure of insolvency provided by Law no. 85/2006, with subsequent amendments and appointed Euro Insol S.P.R.L as judiciary administrator.

After drafting and presentation of the preliminary table of claims, on 10.09.2012 at graft court and published in the Insolvency Bulletin no. 12666 / 17.09.2012, judiciary administrator drafted the final table of claims against the debtor's property which was displayed at graft court on 07.06.2013 and published in Insolvency Bulletin no. 10226 / 06.10.2013.

In the final table of the claims were accepted and included claims placed under suspensive condition, totaling an amount of RON 4,394,000, as follows:

- Receivables held by secured creditors in the amount of 1,725,000 RON;
- Salary claims in the amount of RON 11 million;
- Budgetary claims in the amount of RON 538 million;
- Claims held by unsecured creditors in the amount of 2,120 million.

On 18.06.2013, the General Assembly of Creditors approved the Reorganization plan drawn by the judiciary administrator, a plan which was later confirmed by the bankruptcy judge.

During the procedure, pending the Reorganization plan, payments were made primarily by withdrawals from the investment loan contracted from Unicredit Bank Austria, in the amount of RON 70 million.

Claims of creditors included in Payments' program, integral part of the Reorganization Plan, were in value of RON 1,217,000 thus:

- Claims in the amount of **RON 274 million**, with settlement between 21.06.2013 - 26.06.2013 until termination of insolvency proceedings. Settle the obligation was performed by actual payments worth RON 213 million and a compensation amounting to RON 61 million;
- Receivables in the amount of **RON 829 million**, payable in installments between July 2013 - June 2015, according to the agreements concluded with lenders;
- Claims under suspensive condition in the amount of **RON 114 million** to be issued on the precedent conditions under the resulting acts.

The difference of RON 3.107 million up to the amount of 4.394 million registered in the final table consists of:

- Claims in the amount of **RON 2,532,000** held by banks, receivables not yet due on the closing date of insolvency proceedings that is to be paid at maturity, according to documents;
- Claims in the amount of **RON 575 million**, payment of which is subject to settlement by final judgment of cases pending before courts in different stages.

## 20. BUSINESS CONTINUITY

On June 26, 2013, the sentence no. 6482 handed down by the Court of Civil Bucharest, Civil Section VII in file no. 22456/3/2012, approved the Final report prepared by the Judiciary Administrator Euro Insol, and based on Article 132, para. (1) of Law No. 85/2006, ordered the closure of open judicial reorganization procedure against Hidroelectrica S.A.

The Company's management believes that the Company will continue to operate in the foreseeable future and, accordingly, considers appropriate to use the going concern basis for the preparation of unconsolidated financial statements for the year ended December 31, 2013.

## 21. POST BALANCE SHEET EVENTS

### Share capital

On 28.02.2014, EGM Resolution No.7, approved Hidroelectrica's share capital increase with the value of **RON 5,014,000**, the new capital was recorded at the National Trade Register Office with Certificate of registration of mentions no. 97865 dated 18.3.2014 on amendments to the memorandum of association of Hidroelectrica SA.

### Sale of assets

The GMS Resolution no. 61 / 11.22.2013 approved the sale of seven MHPP packages.

In this stage were sold in January 2014 2 active packages with a total of 3 MHPP, with an installed capacity of 2.08 MW, project energy of 7.61 GWh and a total price of **RON 11,236,500**, excluding VAT. Tenderers are the following legal persons:

- Three Pharm S.R.L. - MHPP group of Capra River Basin Neamt County (Pi=1,60 MW), at the price of RON 7,295,000;
- HIDROENERGIA S.R.L.(Italy) – Small Hydropower Plant in Barnar River Basin Suceava County (Pi = 0.48 MW) at the price of RON 3,941,500.

## **General tax audit**

During 09.08.2012- 12.05.2013 HIDROELECTRICA was under general tax audit process, the period under review ranging between 01.01.2006 and 30.06.2012. On 23.01.2014, the National Agency for Fiscal Administration announced tax audit report and the decision to impose additional tax payment obligations amounting RON 232,519,889.

As the company believes that the decision for tax is unfair, on 19.2.2014 filed at the General Directorate for Solving Complaints within NAFA, an appeal against the imposing decision no. F-MC 851 / 21.01.2014.

Tax Procedure Code, the Articles No. 205<sup>1</sup> and no. 207<sup>2</sup>, gives the possibility of suspending the enforcement of the imposing decision to the value of the disputed amount, provided that the taxpayer had submitted to the tax authorities a letter of guarantee for the disputed tax liabilities.

In this respect, was contracted from BRD Groupe Societe Generale a Bank's Letter Guarantee, worth RON 232.52 million, which was issued in favor of NAFA. Bank's Guarantee Letter No. 14229 is valid six months, expiring on 18.08.2014.

Given that the decision refers to amounts prior to the opening proceedings, Company's attorneys view on that this case the provisions of Law No. 85/2006 on insolvency, should apply, providing that the owner of claims which were not raised previous to the opening procedure term is deprived of any right with respect to the claims.

### **Registration of the collateral available in 2014 for BRD Groupe Societe Generale**

On 10.03.2014 were concluded:

- Addendum no. 5 to Receivables' assignment agreement as guarantee no. G131/29.09.2009;
- Addendum no. 2 to Debt assignment agreement as guarantee no. G74/10.06.2011

Hidroelectrica has given guarantees to ensure financial obligations existing on 31.12.2013, under investment agreements signed for the loan granted in 2011 and the credit line granted in 2009.

On 31.12.2013 existing financial obligations to BRD Groupe Societe Generale were guaranteed according to coverage as stipulated in the credit investment agreement.

## **Insolvency**

On delivery of judgment of Civil sentence no. 6482 dated 06.26.2013 by the Bucharest Tribunal, Civil Section VII in case no. 22456/3/2012, which approved the Final report prepared by the Judiciary Administrator EURO Insol SPRL and under Article 132, para. (1) of Law No. 85/2006 was ordered the closure of judicial reorganization procedure by confirming Reorganization plan prepared by official judiciary administrator, were not irrevocable solved by the following types of disputes and appeals:

- Appeals against measures of termination of bilateral contracts;
- Appeals against sentence closure of insolvency proceedings;
- Appeal against the preliminary table;
- Shares in mutual compensation formulated both by Hidroelectrica against energy traders and by them against Hidroelectrica.

At the hearing dated 25.02.2014, the Court of Appeal responsible with the appeals of some of creditors against the sentence no. 6482 / 06.26.2013 on terminating the proceeding, ordered in a first phase the joint of two appeals against the preliminary table, to file on insolvency proceedings (22456/3/2012), namely the appeal filed by Elsid Titu against the table and appeal filed by Termoelectrica, both in appeal.

Joint cases were settled by the court in the insolvency file and influenced to a large extent the outcome of the appeal of the closing procedure, in the sense that court reviewed the appeals considered the grounds of appeal that, finding their reasons, they admitted and ordered sending appeals to the court of first instance for retrial.

Given that the legislation does not allow the settlement of appeals in insolvency proceedings outside the procedure, obviously, appeals can be remanded in the context of re-opening of the insolvency procedure, especially considering the fact that the solution can significantly influence the future conduct of the insolvency procedure, in the sense that the admission of new claims by any admission of appeals will entail the need for appropriate modification of the Reorganization Plan.

In this context, the court of appeal quashed the proceedings as a natural consequence of the fact that prior has ordered judgments on appeals to the table and sent the cases back for retrail.

Therefore, the sentence of clearly quashing the proceedings did neither had as a legal basis the substantive irregularities regarding the implementation and development of reorganization plan nor any alleged irregularities in the debtor's activity, cassation being purely on procedural grounds, cassation in itself is determined by previous solutions to dispose previous appeals on the table.

Please note that the on the date of appeal against the sentence regarding the closing procedure of the Court of Appeals, the same panel of judges had solved other appeals in insolvency proceedings, outside the joined appeals involving the sentence passed in appeal against the preliminary table, measures for termination of contracts and the measure for applying a force majeure clause in bilateral agreements during 2012. All these appeals were allowed, no exceptions on procedural grounds, namely wrong registration by the court of the appeals' inadmissibility objection, all these cases were referred back to first instance for retrail.

**The main impact of these disputes was the re-opening of insolvency proceedings on 25.02.2014, Euro Insol is still Judiciary Administrator.**

In the opinion of Company's lawyers with reference to the solutions given on appeal, taking into consideration the fact that the decision of the court of appeal has been written and therefore motivation accessible, they cannot be considered to have a significant impact on Hidroelectrica, as the Court of Appeal has neither denied any judiciary administrator's measure nor found that traders would be entitled to be registered in the table, cassation intervening only for formal procedural reasons. The lawyers believe that the Reorganization plan voted in June 2013 is valid and in force and produce all effects on the measures proposed and voted by creditors.

The Reorganization plan may be amended only as provided by Law no. 85/2006, respectively with the same formalities required for adopting, but so far do not consider that there are grounds for the amendment of the Plan.

The timeframe in which Hidroelectrica is in insolvency proceedings depends essentially on the time required to solve all disputes referred back to the Court of Appeal for retrail.

**Judiciary Administrator**

**EURO Insol SPRL**

**By Coordinating Practitioner**

**Ph. Dr. Attorney at law Remus Adrian BORZA**

**Special Administrator**

**Gabriel DUMITRAȘCU**