

EURO Insol

Professional Reorganizations and Liquidation
Company

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HIDROELECTRICA



ACTIVITY REPORT **File no. 22456/3/2012**

February 2013

Legal Administrator

EURO INSOL SPRL

By coordinating practitioner

Attorney at law Dr. Remus Adrian Borza

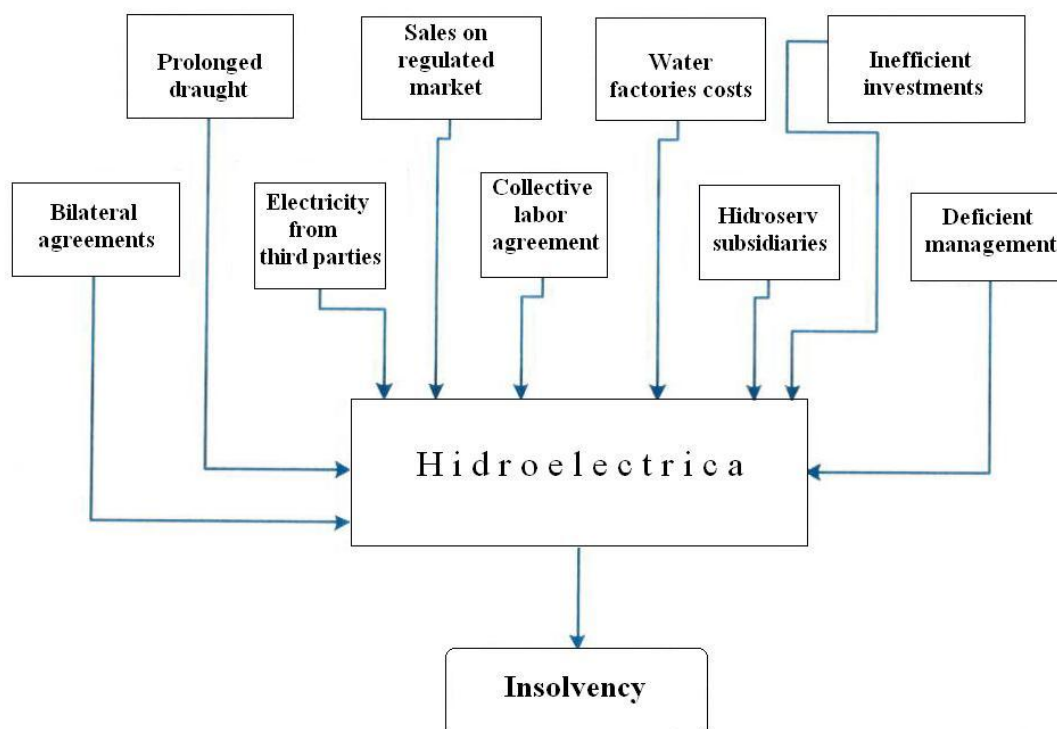
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I. Brief history

Following a request made by Company for Electricity Generation in Hydropower Units "Hidroelectrica" SA, with headquarters in Bucharest, sector 2, 3 Constantin Nacu Street, Fiscal Identification Number 13267213, registered at the Trade Register under number J40/7426/2000, the Bucharest Court, Civil Section VII, by concluding session delivered on 20.06.2012 in file no. 22456/3/2012, ordered the opening of insolvency proceedings under the Law 85/2006, with subsequent amendments and appointed Euro Insol SPRL as Legal Administrator.

After preparing the Report regarding causes and circumstances that led to the emergence of company's insolvency, a complex and multidisciplinary report was completed and submitted to the cause file on 10 august 2012, and the Legal Administrator's conclusions revealed nine causes that have led to Company's insolvency:



Until the date of the present Report, the Legal Administrator has adopted a series of measures leading to performance of the following purposes:

- **Minimizing company's loss.** Legal administrator has considered some line of actions materialized mainly through: identifying the sources of losses and stopping them and renegotiation of contracts concluded with all partners - customers, suppliers of products and services, establishing clear policies for acquisitions (electricity, products, and services).
- **Maximizing company's revenues.** Legal administrator has analyzed selling prices for electricity in bilateral contracts in relation to prices obtainable on OPCOM platform and intervened with the necessary corrections by renegotiating/termination of supply contracts, and sale of redundant energy on Competitive market.
- **Ensuring continuity in the functioning of the company,** without affecting production processes. The Legal administrator has reorganized company's activities designed to increase the operational and commercial efficiency of the debtor. Also, Legal administrator has set new circuits for approving documents so that the steps required (for necessary papers, procurement procedures, orders, and contracts) should be made within a reasonable time, eliminating excessive bureaucracy. To ensuring proper control of financial and economic activity of the debtor, Legal administrator has decided to assign right for bank signature to only one person - the Legal administrator - and established ban on company accounts and operations of its subsidiaries without approval.
- **Legal action for insolvency proceedings,** consisting in preparing and presenting the preliminary table with claims, organizing the first meeting of creditors, preparing reporting activity under Law no. 85/2006, ensuring representation of the debtor in the Table preliminary objections to claims made in actions brought by Hidrosind, oppositions, appeals and all appeals and requests made by energy traders in the case of insolvency and beyond.

Each of the measures and actions taken, up to the date of the present Report are described in detail in the Activity Report of the Legal administrator for September, October, November and December 2012 and January 2013 published in the Bulletin for Proceedings of Insolvency or on www.euroinsol.eu site.

II. SUMMARY OF CURRENT ACTIVITIES

For the period covered by this report, Euro Insol SPRL activity has continued with actions that have commenced in the previous months, with the main goal of reducing losses, organizing and streamlining internal processes and procedures to ensure a better operational and commercial functioning in order to create the premises for debtor's economic recovery.

A. Operational measures:

- Establish clear sale policies on the Competitive market and establish the principles for tendering and contracting electricity for 2013.
- Continuing economic and financial recovery measures, mainly by identifying the sources that generate losses and stopping them, renegotiating contracts with all partners, clients and suppliers of products and services in order to reduce pressure on operating expenses and therefore reducing payment flows, while the debtor returns have significantly fallen due to lowering production amid severe drought;
- Managing financial resources of the debtor without affecting production processes.
- Company's organizational restructuring.

B. Procedural actions due to insolvency.

- Prepare to defend Hidroelectrica in a number of 74 complaints brought by creditors against the Preliminary table.
- Disputes settled during the activity report.

III. DESCRIPTION OF ACTIVITIES**A. Operational measures applied by the Legal Administrator****1. *Management of assets*****Specific activities of the Department**

- Centralization of curriculum for the year 2013 - Preparing documentation to review and approval by the TEP Hidroelectrica of the Research and Innovation 2013 Study Plan for Executive level and Subsidiaries.
- Manage contracts of the Study plan - Fast Phase 1 "Prepare discussion paper on the review of PE 112/93" to Contract No. 107/2012 - PE 112/1993 - Standard for the design of DC power and power stations - developed ISPE Bucharest. Discussion of the document.
- Participation in the Reception Protocol and commissioning of 67 MVA transformer up to 110/6,3 kV at HPP Porțile de Fier II functional in block 2.
- Coordinating the hydropower branches on the relationship with mining companies holding mineral aggregates sites. In order to issue the necessary arrangements for operation was developed (and subsequently approved by the Legal Administrator and Special Administrator) the *Explanatory memorandum* on payment due to exploitation of mineral aggregates and update operational framework Convention.
- The proceedings of maintaining in force Patent no. 118768 B called "Distribution head centering hydraulic turbines" for the 14 year of protection.



- Coordinating the TEP Hidroelectrica: analysis of technical documentation, approvals, etc..
- Develop request to ANAR amending Water management license no. 214/26.09.2012 and no. 215/26.09.2012 for The Hydropower and Navigation System (SHEN) of Portile de Fier I and The Hydropower and Navigation System (SHEN) of Portile de Fier II, permits to which objectionable provisions have been introduced.

Technical support for departments

- Complete centralizing the "Nomenclatures maintenance type works" for hydro units Kaplan, Francis, bulb and Pelton in operation within the company on which maintenance works will be performed Level 2, 3 and 4.
- Participation in the project team to restore / analytical specifications for procurement documentation of the project "Rehabilitation of HPP Stejaru".
- Negotiating subsequent contract no. 2 to the Framework Agreement no. 36/06.03.2012 "Post-warranty technical support services for hydropower plants and small hydropower equipment under HIDROELECTRICA SA management", contract negotiated on an equal or better terms than the previous one (in 2012).
- Support in tackling premature corrosion of stainless steel components retrofitted turbines on Lower Olt.

2. *Energy management activities*

February 2013 was characterized by both a sufficient reserve power reserve, and the availability of power for contractual obligations.

Contracted ancillary services were conducted at 100%, i.e 108,880 hMW secondary band control, 384,384 hMW fast tertiary reserve, 1320 MVARh control reserve U/Q.

On February 25, Hidroelectrica took part in the Ancillary Services - Secondary control reserve bid, held by Transelectrica for March 2013, auction in which Hidroelectrica sold a quantity of 29,590 hMW SB tape at the price of 78 RON / MWh, representing a value of RON 2,308,200.

NDM has sold a quantity of 162,449 MWh (representing 15.9% of the market) at an average price of 170 RON / MWh, representing a value of RON 27,626,166 and purchase 10 MW at a price of 10 RON / MWh. Average market price on the entire NDM was of 159.8 RON / MWh.

Month	Purchase Average price NDM (RON/MWh)	Sell Average price NDM (RON/MWh)	Average price NDM (RON/MWh)
Jan	21.00	224.60	190.54
Feb	10.01	170.06	159.83

All production offers were made to balance contractual obligations.

2. *Operating activities*

Hydrological characterization:

February 2013, month of winter, has been deficient from hydraulicity point of view:→ Râul Mare (88%), Dâmbovița (74%), Drăganul (73%), Jiul (70%), Someșul (65%), Bistra Mărului (60%), Cerna-Valea lui Iovan (57%), Râul Târgului (55%), Argeșul (55%), Lotrul (55%), Prutul (54%), Oltul (53%), Buzăul (51%), Sebeșul (37%), Bistrița (32%), Râul Alb (27%).

In terms of hydrology for inland waterway facilities, February 2013 continued the deficient period of the previous months.

Danube registered hydraulicity in value of 144%, that can be characterized as surplus (inflow recorded 7145 m / s towards 4960 m / s normal month).

Hydrological forecast prepared by INHGA early this month, was realized 67% (Sebeșul –Oașa section) and 153% (Jiul –Vădeni section). Danube, forecast on 31.01.2013 (6500 m / s predicted flow) was achieved at a rate of 110%. In the second decade, INHGA updated forecast for the Danube from previous mentioned value of 6500 m / s to the value of 7200 m / s, a value which ultimately is very close to the actual value recorded.

As in January, hydrological conditions combined with registration of the hydro units in the Balancing market, led to reduced volumes in head cascade arrangements (total volume to be stored for February of about 22 million cubic meters). Compared to target volumes at large furnishings established by ANAR under Hidroelectrica administration, were registered accumulations, without exception. The degree of filling of large spatial volume has reached the value of 55.97% on 28.02.2013, about 13% over the average of the end of February in the last 17 years (43.0%) and about 19% above the expected value forecasted in the GD 941/2012 (program for smoothly shift over the winter period - 36.7% at 28.02.2013). In January, energy production from own plants was in value of 990 GWh, with about 200 GWh below average production in February of the last 17 years (1191 GWh).

Situation head cascade arrangements

Date	Degree of filling the useful volume (%)	Useful volume total (mil mc)	Energetic reserve (GWh)
2012 -31 Dec	58,32	1437,93	1766,90
2013-31 Jan	56,86	1402,02	1738,84
2013-28 Feb	55,97	1380,00	1723,91

Coverage of contractual obligations:

Month	Contractual obligations							Total offer	Purchase		Total Export
	Export	Eligible Contracts	Electrica Contracts	Bilateral Contracts	Cons	Sale NDM	Total Contractual		NDM	Month	
						Total	Purchase		Total		
Jan	0	330114	378046	53320	10277	141652	917641	917630	2	0	965115
Feb	0	309255	379281	101760	10840	162449	967888	967866	10	0	990086
TOTAL	0	639369	757327	155080	21117	304101	1885529	1885496	12	0	1955201

Structure of electricity production:

Arrangement	Dispatch able units			Non-dispatch able units		
	MWh	MW	%	MWh	MW	%
<u>Danube arrangement</u>	705 098,00	1049,25	71,98			
Arrangements with accumulations	138 824,44	206,58	14,17	7 231,48	10,76	69,18
Facilities along the water	135 710,45	201,95	13,85	3 221,82	4,79	30,82

Total - February **990 086,19** **1 473,34**
 Total per year (up to date) **1 955 201,14** **1 380,79**

Specific consumption for production and transformation:

Month	C _{pr} (MWh)	C _{pr} (%)
Jan	10277	1,05
Feb	10840	1,08

In February the own consumption recorded for the production was of 10,840 GWh.

Available and provided power (For reporting month PO–HE-DE-06)

(MW)

Month	Installed power	Permanent discounts	Provided power	Degree of fulfillment $P_d / 4500 \times 100$ (%)
Jan	6271,45	276,38	4987,07	133,22
Feb	6271,45	193,22	5368,14	133,44

Outfall situations (For reporting month PO –HE-DE-07)

Discharged power (MWh)

Cause → Month ↓	Servitude Utilities	Flow over installed one	Permanent discounts	Maintenance works	Other causes	Total
Jan	10446	0	0	6515	0	16961
Feb	8999	2	0	6029	15	15045
Total up to date	25600	2	0	12664	15	38281

Note. (*)The data are estimates according to daily records of application called "Energy Management".

For the month of March 2012, estimate of energy production achieved in own facilities, prepared on the latest forecasts inflow of sections, the degree of filling of arrangements and proposed made by NAER for water flow is about 1300 GWh.

Incident analysis activity

In February 2013 were analyzed the situation of incidents reported in fourth quarter 2012 in accordance with the NTE 004/05/00 provisions.

To generalize the experience of exploitation and to prevent similar incidents, The Report regarding analysis of incidents in the fourth quarter of 2012, was sent for processing to all operational personnel from all Hidroelectrica subsidiaries included in the training program - chapter Emergency exercises. The report was accompanied by a program of corrective and preventive measures. Also report was submitted to Asset Management, Maintenance and Refurbishment departments.

In February 2013 the information flow indicated that the main incidents in February 2013 were:

- 01.02.2013, 0800 hrs HEP Ostrovul Mic – HA2 – drop of oil level in GUP reservoir, damage seals spindles No.5 and 6 rotor turbine blades, cracks in rotor blade No.4;
- 07.02.2013, 0700 hrs HEP Mărișelu – HA1 – increase in oil level (1cm) angular camp when stationary hydro, crack pipes in 3 related cooling water coolers of angular bearing, decreasing insulation resistance in the primary

circuit, enclosed bar area between the stator phase HG1 and exhaust Transformer S, cracking an insulating support;

- 27.02.2013, 1945 hrs HEP Ruieni – HA2 – stop the discharge, turbine cover drive failure protection level, breaking spout of a cooler and vent valve, water drain pit and splash generator, fault level sensor at water protection cover turbine, water spray generator cover plates, bars star generator, increase level of turbine bearing oil;
- 28.02.2013, 2050 hrs HEP Gîlceag – HA2 – differential protection tripping block and rotor earth fault protection during loading group at 70 MW, after a probation for putting into service, following the withdrawal of the stop bar of 220 kV of Gîlceag 220 kV. 220 kV bar was withdrawn as a replacement on execution of works DC panels in HPP Gîlceag and separation loops in hydro panels, the implementation of corrective maintenance and signaling operation panel Gîlceag butterfly valves. Causes and effects of the incident were: current gear failure in Block 220 kV TH2 cell, detach the rotor support bracket connecting bar of a pole excitation wires coming down through the rotor shaft, from rotating exciter output diodes, pinching the bar and cable insulation from exciters.

3. *Supplying activity*

Competition Market

In February 2013, continued the sale of the amount of electricity available on the Centralized Market for Bilateral Contracts – PCCB and OCCB NC.

In February 2013, Hidroelectrica participated on PCCB OPCOM with 40 offer packages in the auction sessions on 01-04.02.2013, 12.02.2013 and respectively 21.02.2013.

Auction outcome resulted in the successful sale of 23 bid packages, totaling an amount of 865.200 MWh.

Earlier this month, were offered 30 standard PCCB NC contracts, 10 in second quarter, third quarter and fourth quarter, being traded 20 contracts totaling an amount of 44.170 MWh.

4. *Maintenance activity*

In February 2013 maintenance work had as main component the following activities:

- Analysis of daily and weekly maintenance works taking place in Subsidiaries, in compliance with value and physical maintenance program, approved for the first quarter of 2013 and the program of withdrawal from operations of the hydropower units from dispatchable hydropower units as approved by Hidroelectrica management and DEN;

- Closing of January 2013 financial statements;
 - collecting, analyzing and validating data from Subsidiaries with tracking framing construction works approved and framing in maintenance budgets, approved for the month of January 2013;
 - preparation of the synthesis report on implementation of the value of maintenance costs, with following values:

Subsidiary	Approved value January 2013	Realized Value January 2013
Bistrița	1,693,420	1,441,432
Buzău	134,584	28,120
Caransebeș	145,500	86,842
Cluj	638,850	428,057
Curtea de Argeș	2,040,000	1,699,511
Hațeg	3,125,365	3,124,468
Oradea	1,204,155	102,361
Porțile de Fier	606,583	184,427
Rm. Vâlcea	876,936	693,460
Sebeș	62,400	21,662
Sibiu	840,000	839,852
Slatina	821,000	772,215
Tg. Jiu	254,989	254,839
TOTAL	12,443,782	9,677,246

- Preparing maintenance program for March 2013;
 - Collecting, analyzing and validating proposed maintenance program for March 2013 received from subsidiaries; verify framing in the approved maintenance budget for the first quarter of 2013;
 - Approval and submission for approval of the maintenance program for March 2013, with the following estimated values:

Subsidiary	Approved value First quarter	Results January	Estimate February	Value March	Total estimated to be realized in the 1 quarter
Bistrița	4,465,970	1,441,432	1,766,000	1,258,118	4,465,550

Buzău	313,443	28,120	109,812	245,000	382,932
Caransebeș	409,300	86,842	156,900	153,700	397,442
Cluj	1,328,850	428,057	468,400	432,393	1,328,850
Curtea de Argeș	4,050,000	1,699,511	1,106,935	1,243,554	4,050,000
Hațeg	8,662,930	3,124,468	2,425,365	3,112,200	8,662,033
Oradea	3,249,550	102,361	1,236,149	1,721,741	3,060,251
Porțile de Fier	2,519,249	184,427	547,583	1,787,419	2,519,429
Rm. Vâlcea	3,572,836	693,460	1,415,100	1,463,976	3,572,536
Sebeș	225,000	21,662	79,065	83,535	184,262
Sibiu	2,635,000	839,852	825,000	970,000	2,634,852
Slatina	3,138,000	772,215	1,209,000	1,156,785	3,138,000
Tg. Jiu	736,000	254,839	236,674	244,337	735,850
TOTAL	35,306,128	9,677,246	11,581,983	13,872,758	35,131,987

- Centralization, verifying and submitting for approval and approval of additional acts to the framework contract with Hidroserv subsidiaries for 2013, for service and maintenance works on the program for 2013, namely: LN1, LN2, and corrective maintenance works, LN3, LN4, LC works that have started in 2012. Values contained in addenda subject to endorsement and approval are given in the following table:

	Subsidiary	Amount approved in the Maintenance budget 2013 (RON)	Value of addenda 1 with Hidroserv Subsidiaries in 2013 (RON)		
			Total	Of which: LN3, LN4, LC	Value remaining works
1	HS Porțile de Fier	11,056,000	11,056,000	6,007,500	5,048,500
2	HS Hațeg	10,533,426	10,533,426	9,230,000	1,303,426
3	HS Caransebeș	2,802,419	2,802,419	15,000	2,787,419
4	HS Bistrița	11,855,500	11,855,500	5,992,000	5,863,500
5	HS. Curtea de Argeș	18,041,000	17,250,475	7,311,996	9,938,461
6	HS Rm Vâlcea	10,148,136	9,902,936	4,245,000	5,657,936
7	HS Cluj	4,679,000	4,679,000	733,000	3,946,000
8	HS Oradea	8,171,900	8,171,900	4,882,600	3,289,300
9	HS Buzău	1,630,000	1,630,000	100,000	1,530,000

10	HS Tg-Jiu	4,250,000	4,250,000	355,800	3,894,200
11	HS Sebeș	975,000	975,000	20,557	954,443
12	HS Sibiu	5,940,000	5,940,000	2,760,000	3,180,000
13	HS Slatina	8,597,000	8,597,000	5,790,000	2,807,000
	TOTAL	98,679,381	97,643,656	47,443,453	50,200,185

- Establish a schedule for preparation of tender documentation for the rest of the works and maintenance services included in the program for the year 2013, to be awarded by other forms of acquisition under Ordinance 34/2006 (open tender bidding). The deadline for preparation of tender documentation is 15.03.2013. Estimated value of works / services to be procured through the above methods is the following:

No.	Subsidiary	Value LN3, LN4, LC that will be auctioned in the 2013 maintenance program (RON)
1	HS Porțile de Fier	2,790,500
2	HS Hațeg	0
3	HS Caransebeș	1,702,900
4	HS Bistrița	5,337,000
5	HS. Curtea de Argeș	790,525
6	HS Rm Vâlcea	7,210,114
7	HS Cluj	5,887,500
8	HS Oradea	2,068,400
9	HS Buzău	5,750,000
10	HS Tg-Jiu	1,700,000
11	HS Sebeș	2,539,000
12	HS Sibiu	0
13	HS Slatina	495,000
	TOTAL	36,270,939

- It was prepared the Operating withdrawals program for March 2013, which was approved by DEN and Hidroelectrica management.

6. *Development and refurbishment projects*

Refurbishment project for HPP Stejaru

First, we should mention that on 25.01.2013, the prequalification stage of the award procedure provided for Refurbishment Project of HPP Stejaru was launched and prequalification invitation was published on the Hidroelectrica website, EBRD website, in the journal of the European Union, in Bursa magazine and Ziarul Financiar, also being sent to approximately 300 worldwide companies operating in the field of hydropower domain and Embassies in Romania.

In February 2013, requests were received for submission of pre-qualification documents for the proposed HPP Stejaru Refurbishment Project from approximately 100 companies worldwide. Documentation was sent, free of charge, in electronic format to all these interested companies.

Also in February 2013, companies could choose to visit HPP Stejaru and request details on technical and procedural clarifications. Thus, during 11-22.02.2013 interested companies conducted several site visits and between 01-28.02.2013 answered to a number of requests for clarifications on the prequalification documents.

The deadline for submitting prequalification applications remained the same, 15 March 2013, and in the next period should perform an assessment, prepare reports to EBRD and obtain the necessary approvals from the Legal Administrator, Hidroelectrica and EBRD, regarding the course and results of prequalification process.

Also during the month of February 2013 was completed the tender documentation consisting of specifications, contract and offer that will be purchased by companies that will prequalify. Documentation is to be submitted for approval to the Hidroelectrica technical and economic Council, Legal administrator and EBRD technical-economic board.

The financing of Refurbishment Project for HPP Stejaru, contracted in July 2011, is provided through a syndicated loan provided by the European Bank for Reconstruction and Development (70 million), ErsteBank and Caixa Bank (20 million each).

HPP Stejaru, with an annual production of 435,000 MWh, has over 50 years of operating in the National Energy System, being put into operation between 1960 to 1961 and is equipped with 6 vertical Francis turbines with a total installed power of 210 MW (4x27.5MW + 2x50MW). Refurbishment works will enable safe operation and maximum efficiency of HPP Stejaru for at least another 30 years.



Refurbishment Project for Romanian Lock of Portile de Fier I

In February 2013, revamping of the Romanian Lock, Portile de Fier I continued according to the execution schedule.

Scenarios were analyzed in order to slowdown revamping, considering the small budget allocated to this objective. These scenarios were discussed with both the general contractor and subcontractors and took into account, for the year 2013, minimum execution necessary to ensure navigation on the Danube in conditions of maximum security.

Refurbishment Project of Romanian Lock PDF I appeared necessary because of the physical and moral wear and equipment seriously affected due to functional characteristics. By GD 956/2004 were approved technical and economic indicators of the investment objective "Rehabilitation works of the Romanian Locks contained in the Hydro energetic Navigation System Portile de Fier I" ;

Thus, in June 2006, Hidroelectrica concluded, after open public auction, the refurbishment contract with the winner - Romenergo S.A.

GD 956/2004 has stipulated that the works will be financed from own Hidroelectrica sources, loans raised and money from the state budget. Amount expected to be provided from the state budget, 88 million RON in 2004 prices, represent 43% of the general estimate of the work.

However, to date, funding was made exclusively from Hidroelectrica own sources and contracted loans. In September 2012, and then in November 2012 and December 2012, Hidroelectrica requested the Ministry of Economy to allot the updated amounts specified in GD 956/2004 and last updated general estimate. Until now there is no favorable response from the Ministry.

After upgrading equipment related to Romanian Lock in PDF I was achieved: increase traffic capacity by 22.2 million tons / year (from 12.8 million tons / year to 35 million tons / year), increasing the availability of lock with 88 days / year (from 232 days / year 320 days / year), and efficiency average length of sluicing by about 50% (from 145 minutes to 75 minutes).

Refurbishment Project for Lower Olt

In February 2013, refurbishment works continued according to the execution schedule.

It was completed installation of rotation and locking device of rotating parts of the machine and tests were performed for commissioning. This system will facilitate and allow execution of complex maintenance services throughout the life of the investment in safe conditions.



Works were continued on SCADA and Remote Control Dispatch Center at Slatina, a system that allows remote monitoring and control of all 20 refurbished hydro.

The project of rehabilitation of 20 hectares on the Lower Olt, the largest project of this kind belonging to Hidroelectrica appeared necessary due to serious technical problems and high maintenance costs.

The contract was awarded in 2004, to the consortium led by Voith Hydro, following GD. 1599/2003 - which provided direct custody of the works to this consortium.

Refurbishment project is 95% completed, so far were commissioned 19 of the 20 refurbished hydro.

By upgrading were obtained: increasing available power regime 100MW turbine (from 185MW to 285MW), increasing available power 200MW pump regime (from 0.0 MW to 200MW) and increased average energy production with 432GWh / year (from 512 GWh / year to 944 GWh / year).

Refurbishment Project for HPP Lotru-Ciunget

In February 2013, refurbishment works and operation continued according to the execution schedule.

Refurbishment works at HPP Lotru-Ciunget largest hydropower plant on the inland rivers of Romania, with an installed capacity of 510 MW, have started in 2007 and were completed in early 2011 and is 80% funded by World Bank, through a loan of 66 million Euros.

Currently refurbished equipment of HPP Lotru-Ciunget is under warranty period contract.

On 22.02.2013, Hidroelectrica and World Bank representatives held a fact-finding mission of the current situation after completion of refurbishment works. During the mission were visited Vidra Dam, HPP Lotru -Ciunget and related equipment and facilities. World Bank representatives have positively appreciated the conduct of revamping of this objective.

Increase in turbine efficiency was obtained after the refurbishment works by over 1% and increase energy project with 200 GWh / year (from 900 GWh / year to 1,100 GWh / year).

Refurbishment Project for HPP Portile de Fier II

After the Legal Administrator – Euro Insol has denounced in January 2013, Phase III of the contract (Amendments 4 and 6) which involved upgrading Gogosu plant, the revamping continued to the last group of base plant PdF II.

Legal Administrator has submitted to Contractor the request for compensation of advance paid for the refurbishment of HPP Gogosu (contract terminated) with the remaining works to be executed in the last group of HPP PDF II. Contractor refused such action and more importantly challenged in court termination of the contract for the refurbishment of HPP Gogosu.

In the next period Hidroelectrica and Legal Administrator shall undertake to apply all necessary measures to organize auction for refurbishment works at HPP Gogosu and for protecting Hidroelectrica's interests in the context of the appeal submitted by the Contractor regarding termination.

Refurbishment Project HPP Portile de Fier II was given in 2001 directly to Andritz Hydro, according to GD 848/2001. The contract provided the rehabilitation of 8 hydro-aggregates in HPP PDF II, the 2 of HPP Gogosu and related ancillary facilities and plants Portile de Fier II and Gogosu.

Up to this point have been modernized 7 of the 8 HA in HPP PDF II, the eighth group being in the process of upgrading. Refurbishment of HPP Gogosu will run under contract to be concluded after an international public bidding process.

With the refurbishment of HPP PDF II was obtained power increase with over 35MW installed power (from 216MW to 251.2MW), increased energy project by about 134 GWh/year (from 1307 to 1441 GWh / year), increased machining capacity water at 400 m³ / s per system (from 3400 m³ / s to 3800 m³ / s) and increase turbine efficiency by about 2%.

Promoting new refurbishment projects

In the context of efficiency for offshore renewable clean energy and reduce production costs on 07.02.2013 the Legal Administrator and Hidroelectrica launched an invitation to World Bank to analyze the opportunity of investing in the 3 new projects for upgrading 3 major hydropower plants, of particular importance for Hidroelectrica and National Power System.

Thus, during 18-22.02.2013, Hidroelectrica and the World Bank organized a fact-finding mission regarding details of the three major projects, namely: Refurbishment of HPP Vidraru (HS Arges), Refurbishment HPP Retezat (HS Hateg) and Refurbishment HPP Mariselu (HS Cluj).

Representatives of Hidroelectrica and those of the World Bank visited the three dams and hydroelectric works, were informed about the current status of equipment for plant and dams.

A series of technical data necessary to issue a first technical analysis of the needs and opportunity of investments to complete refurbishment of the 3 major hydroelectric units were collected.

On 25.02.2013 Legal Administrator and Hidroelectrica management met with representatives of the World Bank to analyze the first results of the mission and established the steps in obtaining a possible funding.

The three projects analyzed by the World Bank, together with Refurbishment project of HPP Stejaru, funded by the EBRD, have a total installed capacity of about 1000MW and the total amount allocated for the revamping is approximately 400 million Euro.

So far Hidroelectrica has refurbished approximately 2,445 MW, representing 40% of company installed power, modernized hydropower units generating approximately 60% of annual energy production of the company.

By completing new projects mentioned above, Hidroelectrica will have over 50% of production capacity fully modernized, will produce about 70% of the company's energy and most system services delivered, ensuring not only efficiency but also reducing production costs, realizing the attributes necessary for the stable and safe operation of the entire National Energy System.

5. Integrated Management System Activity

In February, IMS activity continued the actions initiated in January and focused on organizing and planning activity due to company restructuring which had a strong impact on IMS by outsourcing medical services, consolidation and merger activities of quality management inspector positions and environment protection.

The main targets represented operational continuity and organization structure based on IMS procedural approach, targeting the effective functioning of society. Together with the executive management worked to the reorganization processes in order to be consistent with the organizational structure approved in 16.01.2013. Given the quality management principles on transparency and participation of all staff, essential principles, in effective implementation processes regarding the applicability processes throughout *Hidroelectrica's Process Map* was revised and sent for validation to process owners and IMS professionals of HE.

The appointment of a new CEO has led to the need for a new IMS policy. Policy was clearly improved and tailored to become a reference in setting specific



objectives and control processes. General Manager Policy Statement, although introduces additional changes and workload was well received in company.

Description of activities under IMS is based on the legal requirements or regulations in full compliance with reference standards in the areas of IMS. The aim in this approach, demonstrate compliance with legal requirements and other requirements, but also knows that IMS staff interfaces with all functional departments in HE, and the involvement of all staff helps in company's effective operation.

A. Quality Management

Activities performed in compliance with ***PO-HE-02_ Analysis performed by the management***

Executive and subsidiaries has commenced the collection of data and information required for annual review of the IMS effectiveness. Due to organizational changes, we have to face different ways, whichever is feasible after the new organizational structure and cooperation of functional departments in order for substantiating should be analyzed, so that all activities in 2012 were or were not carried within existing departments at this time. Due to risk factors in data analysis, such as the omission of inputs, HS Tg. Jiu has developed a reporting template that was passed to all departments for completion. All branches were provided advice and assistance in the analyses of approx. 50% of functional departments both volunteer and on request. Data and information necessary for analysis performed in each branch were 90% collected and can be processed for preparing the Report and programming hearing analysis.

Indicators for degree of achievement, were calculated in order to prepare management analyzes, established for specific objectives for 2012 IMS functional departments. Reports collected from subsidiaries showed that they met the targets set for 2012.

The executive, due to existing organizational context and new procedural approaches, have introduced major changes in 2012, has analyzed internal context and means to determine the impact on the operation and the maintenance of IMS certification. The results of this analysis were registered in the HE Representative Management Report that will be presented to the management for reviewing, in the meeting scheduled on 01.03.2013. Planning steps forward in restructuring IMS and documentation to develop a proposal for program activities aimed at development actions required during 01.03.2013 – 30.06.2013, so HE to face evaluation of external audit in June and maintain its ISO 9001, ISO 14001 and OHSAS 18001 Certification. At that meeting will be submitted for approval the Processes Paper version 11.

Specific targets for 2013, as required **by ISO 9001, ISO 14001, OHSAS 18001, ISO 31000, Standard 7 of Order no. 946/2005 and OP HRD-HE-HE 04_Evaluation employee performance** was already realized by Tg. Jiu, Rm Valcea, Bistrita, Buzau, Cluj, Portile de Fier and has started in other subsidiaries. This action included: subsidiaries' objectives, targets for departments, targets for functional departments and individual performance objectives for all employees. Although last year were organized training activities on defining SMART objectives and general objectives of HE traceability, directors and heads of departments requested assistance from IMS specialists regarding SMART verification and traceability features. Objectives were listed as templates, prepared by the Chairs of the implementation commissions pursuant to Order no. 946/2005 and in some branches the form is to be integrated in the management program. This duplicate that creates inefficiency and red tape will be removed in March, with the elimination of duplication between the two activities, and introducing of the unique coordination of the IMS.

IMP preparation for 2013 pursuant to **PO-HE-04_ Integrated Management Program** was done in Rm. Valcea and Tg. Jiu. In HE, the program and its approval shall be in accordance with the new policy statement of the General Manager starting 28.02.2013, by setting specific targets of processes. Subsequently, all subsidiaries will review the program in order to achieving subsidiaries' goals related to general General Manager Policy statement and leading to their achievement.

Self evaluation of operation IMS in 2012 as **FP-M-1_IMS Management and Methodology for self evaluation of IMS operation** was performed in Cluj, Targu Jiu and Rm. Valcea and process performance was analyzed based on the performance of the IMS index which is an element of input for management analysis.

In accordance with **PS-HE-01_ Documents control and P0-HE-01_ Issuing and coding procedures**, was started to update existing procedures and to develop new documents that are in line with the new organizational structure, the roles and responsibilities of Rules of organization and functioning (ROF) and job descriptions applicable from 16.01.2013. HE executive performed the following:

- Based on HE Process Mapping was established the list of documents related to processes level 0, 1 and 2 and documents that have no applicability and that should be withdrawn from use;
- Prepared draft for the internal procedures to develop procedures and other IMS documents, introducing new elements as matrix of responsibilities, logical flow charts and a chapter regarding environmental protection on health and safety requirements;
- Prepared draft for the internal procedures governing the description of processes at 0 and 1 levels and the management of PEVA according to methodology process, introducing new matching elements of the general objectives, specific

objectives process, performance indicators, analysis stage and performance process and process of logical flow charts;

- Elaborate encoding instruction containing examples for easy understanding;
- Prepare statement for making logical flow charts and responsibilities matrix.

Documents are to be analyzed by to the whole company.

Subsidiaries have analyzed existing documents for determining the ones that are not applicable and that should be withdrawn from use, and have started the process of planning and updating the IMS documents.

Both the executive and the Subsidiaries have properly managed the spaces allocated on the Intranet, so that existing documents and records should be available to all staff.

B. Environmental Protection

B1. Compliance with environmental legal requirements

GD 235/2007 on the management of waste oils: report was prepared for 2012 on waste oil management situation by Bistrita, Buzau, Cluj, Oradea and Rm. Valcea. This report was submitted to local environmental protection agencies (EPA) on time. Records were updated with available data existing in subsidiaries.

Law no. 104/2011 regarding air quality and OMMP no. 3299/2012 on the methodology for reporting emissions inventories pollutants: Given the novelty introduced by legislation, all branches together with environmental inspector have examined the legal and executive documents published on the NEPA website for identifying obligations of each branch and HE executive for establishing the best arrangements. Some local EPA held working sessions on electronic recording mode in the integrated environment and how to complete the questionnaire on emissions of pollutants into the atmosphere, and the meeting was attended by environmental inspectors or quality inspectors of the subsidiaries.

To clarify the registration of working points, at HE unitary level, environmental inspector wrote to NEPA, and the result was that the best solution for HE is to register each executive subsidiary and HE executive as working points.

All subsidiaries have conducted emission inventory for thermal power plants with installed capacity below 50 MWh.

Law no. 49/2011 for approving Government Emergency Ordinance no. 57/2007 on the regime of protected natural habitats, flora and fauna.

In order to continue obtaining the necessary authorization procedure collaborated with curators of hydropower objectives for protected areas and opinions were obtained from:

- HS Rm. Vâlcea, for HEA Lotru – Ciunget, SPE Jidoaia and SPE Balindru;

- HS Oradea, for HPP Fughiu.

In order to issue the environmental permit for "Site Management Plan Natura 2000 ROSPA0106 Lower Olt Valley" documentation was analyzed in order to draft viewpoints for hydro power stations Râureni, Govora, Băbeni, Ionești, Zavideni, Drăgășani included in the Natura 2000 ROSPA0106 Lower Olt Valley. Environmental protection inspectors, HS Rm Valcea and HS Slatina attended the meeting on 14.02.2013 at Special Committee constituted at the NEPA, held under Government Decision no. 1076/2004 on the establishment procedure for environmental assessment for plans and programs. The meeting sustained HE views based on the observations and suggestions previously send about amendment of Management Plan.

GEO no. 196/2005 for Environment Fund: HS Slatina prepared and submitted to HE the information needed to calculate the payment of environment fund.

Law no. 132/2010 on selective waste collection in public institutions: HS Slatina prepared and submitted to NEPA the quantities of waste selectively collected and to fill out Register to monitor the performance of the contract no. 649/01.07.2010 signed with SC Salubris SA for collection, transportation and disposal of waste.

GD 856/2002 on waste management forms were completed on track waste for all existing waste and a report was prepared for the year 2012 within Buzau, Rm. Valcea and Slatina. The report was sent to the local EPA.

Government Decision 1061/2008 regarding transport of dangerous and non-dangerous waste products in Romania: HS Caransebes prepared and submitted at request EPA, a report regarding transport of dangerous waste products for 2012 and HS Porțile de Fier drafted the necessary documents for approval of transport of dangerous waste products from the subsidiary.

MESD Order no. 1798/2007 on the procedure for issuing the environmental permit: Were developed amendments to documents filed with the local EPA:

- SH Bistrița, for HPP Galbeni, Lac de acumulare Tașca and secondary caption Izvorul Muntelui, HPP Vânători, HEA Poiana Teiului, HEA Piatra Neamț, Dam and Lake Izvorul Muntelui;
- HS Buzău, for HPP Călimănești;
- HS Curtea de Argeș, for 15 HPP on Amenajarea Oiești – Golești.

HS Tg. Jiu prepared documentation for reauthorization Planning Motru - Tismana - Bistrita for Motru Dam, HEPP and Dam Upstream Tismana and Clocotiș dam and submitted the application to EPA Gorj, in order to obtain the environmental permit.

Attended the Technical Advisory Commission meetings held in the local APM for supporting documentation for approval of issue environmental permits:

- HS Buzău, for HPP Călimănești;
- HS Tg. Jiu, for Amenajarea hidroenergetică Motru-Tismana-Bistrița.

EPA local representatives have visited sites for renewing licenses to HS Sibiu for HPP Robești, Tg. Jiu and Motru - Tismana-Bistrița hydro power unit.

After supporting documentation and field visits to local environmental agency, representatives' conclusion was favorable and environmental permits will be issued.

Reports were prepared by Hidroelectrica executive necessary for the approval of the payment rates for issuing the environmental permit for HS Bistrița, HS Buzău and HS Tg Jiu.

MAPM Order no. 1182/2002 for approving the Methodology for managing and providing information on the environment: HS Slatina prepared and submitted to EPA Olt the report for January, according to Annex B to Order.

ME Order no. 175/2005 on the procedure for reporting data on environmental protection activities by companies with industrial activity: all subsidiaries prepared thematic planning and internal control environment protection in 2013. Controls were performed:

- HS Caransebeș: Baraj Poiana Ruscă, Cuntu –*unplanned control*;
- HS Oradea: HPP Munteni, HPP Lesu, CHEMP Baraj CET;
- HS Sebeș: HPP Gâlceag and HPP Săsciori;
- HS Tg. Jiu: HPP Tismana Amonte, HPP Tismana Aval.

MAPPM Order no. 278/1997 on preventing and combating activities of accidental water pollution:

Updated program was developed for plans to prevent and control accidental water pollution with oil products in HS Arges and were updated plans in HS Hațeg.

Simulations were carried out for plans to prevent and combat accidental pollution schedule prepared at HS Oradea - HPP Munteni and the HS Arges planned simulations making plans for prevention and control of accidental pollution.

B2. Inspections of the authorities

In HS Cluj were registered 2 inspections of the National Environmental Guard of the General Commissariate Bucharest that aimed at verifying the compliance with environmental legislation, particularly compliance with conditions in environmental permits and water management. Objectives checked were HPPEP Borsa Complex and SPHPP Viseu. There were no fines applied. Permanent monitoring measures were applied for conditions of environmental authorizations and permits for the water to hydropower objectives inspected.



In SH Caransebes were organised 2 inspections of Caras-Severin County Commissioner of the National Environmental Guard. Control objectives were Cuntu capture and Baile Herculane. Inspection in Cuntu capture was carried out following a complaint against the failure flow servitude to fish scale to ensure fish migration upstream. Measures provide ongoing monitoring of issues that can affect the functioning of capture and provide water flow for fish ladder. There were no fines applied. In this respect were initiated the following: Operations Department was informed regarding measures established by representatives of Guard environment, performed an inspection in Cuntu making unscheduled capture pictures that were sent to NEG-CC-CS and were posted on intranet informing the Director.

At the fall Herculane took place a scheduled inspection that targeted verification of compliance with environmental legislation and established as a permanent observance of the provisions of the regulatory acts.

B3. Projects JI

Joint Implementation projects carried out under Art. 6 of the Kyoto Protocol, whose progress was completed in late 2012, in February aimed to collect from the Dutch partner the value of invoices issued in December 2012 and January 2013. Hidroelectrica has received the amount of **1,410,915 Euro** representing the bill for December 2012. Still have correspondence with NL Agency to expedite payment of invoices issued in January 2013 totaling **1,736,435 Euro**.

We sought payment of invoices issued to TUV SUD verification services for JI monitoring reports from Porțile de Fier.

Further telephone discussions were held with the Ministry of Environment of the European Commission Decision on art. 11b of Directive 2003/87/EC as amended by Directive 2004/101/EC, which establishes a system of emissions trading in greenhouse gas emissions within the Community, the official communication of the possibility of trading ERU for the month of December 2012.

C. Security and Health at Work

There were centralized and analyzed data from monthly reports specific branches' activity of safety and health relating to: state conduct prevention and protection plan, risk assessment, corrective action / preventive field and indicators on workers' health. For 2012 the degree of achievement of program expenses value of prevention and protection plan is 33% for physical progress of implementation of prevention and 57% for protection plan.

To control the measures set out in Hidroelectrica prevention and protection plan, efficiency measures are adopted, in each subsidiary and centralized at company level, to monitor monthly progress achievements, and analyze physical and value terms compared with the planned measures. All HE subsidiaries were analyzed and reports were submitted to the executive. According to the data collected in



Hidroelectrica, from prevention and protection plan set for 2013, totaling RON 7,450,447 was realized an amount in value of 11,800 RON at the end of January 2013 and the physical progress of implementation is about 6.3 % of planned measures

The Report activity on health and safety at work in Hidroelectrica for 2012. It will be presented for endorsement and approval for CSSM first meeting which be held on 11.03.2013 and will be communicated to LTI - Bucharest according to the law. For endorsement and approval in the meeting of CSSM, HE were developed the following documents: program and control topic OSH for 2013, raising themes schedule employees for 2013.

To minimize costs, analyses were performed on procurement documentation, and have started the changes that lead to savings. In this regard, was reviewed with Manager of Administration of Utilities Department, the procurement documentation for sanitary hygienic materials submitted for approval by the Department of Procurement and Logistics. Changes were proposed for the model contract to increase the economy and reduce inventory acquisition, also being reconsidered product assortment and quantities purchased. The total value of centralized procurement was reduced to the level of 2013 to 67,931 RON, representing 15% of the originally estimated.

OSH inspectors in subsidiaries performed an analysis of contracts in progress at branches, to supply bottled mineral water / for drinking. Data were tabulated and sent to Procurement and Logistics Department to prepare actions for centralized purchasing for all Hidroelectrica subsidiaries.

According to GD 355/2007, given the contract for the provision for Hidroelectrica employees medical examination, including subsidiaries components, according to GD 355/2007, in HS Buzau was analyzed the possibility to terminate the contract No 15/2012 for medical services concluded with SC CM Asclepion Piatra Neamt and was prepared notification and sent to the service provider; in this regard, the contract will be terminated and medical examination of workers should be carried out under the contract concluded at HE level. HS Oradea terminated the contract concluded by the branch, which was valid until 04.05.2013, thereby reducing costs with 4,495 RON associated with personnel performing periodic medical examination.

Following outsourcing medical services, HS Sibiu requested amendment of contract no. 689-10.06/24.04.2012 "sanitary waste incineration services to the medical center of HS Sibiu" so that collecting medical waste should be done only when necessary, thus the work becomes more efficient and register savings.

As a result of ANRE project on licensing electricians due to Regulation for certification of electricians and the consequences of this draft law for the work in



Hidroelectrica and analyzing its abusive content, including also the financial impact estimated at a minimal cost about 2,750,000 RON for authorization of Hidroelectrica electricians - were required specialists points of view and departments involved in the executive and subsidiary of Hidroelectrica. Subsidiary specialists were mobilized in a very short time, and concrete and relevant proposals were issued.

These proposals and comments were analyzed, and integrated into a centralized document that was submitted to ANRE in due time for debate.

Tender documentation for centralized purchase of PPE was analyzed and sent to Procurement and Logistics Department, comments and suggestions were made that have been sent to persons in charge for carrying out procurement procedures of the Department of Procurement and Logistics.

Carefully monitored both in the executive and subsidiaries, medical services contract, at the end of February, is as follows: completed regular medical check in HS Hațeg and HS Portile de Fier and in HS Bistrita should be investigated 13 more workers who were resettled, following the reorganization in May, and in HS Cluj only 3 more workers who were on sick leave. Medical services investigations are ongoing in HS Caransebes and HS Curtea de Arges, planned to be completed in early March 2013. At HS Targu Jiu should be investigated seven workers as a result of relocation and to obtain the right to drive cars. At HS Rm. Valcea achievement chart was prepared for periodic medical examination for all workers within the branch since March. Overall, in February 2013 the medical examination was conducted on a total of 864 persons, out of which 63 persons by own forces in HS Sibiu. Occupational health services completed in February 2013 were audited by contract responsibility statements sent by the provider, upon which are billed and will be check by Hidroelectrica executive in order to accept payment.

Situations of payments sent by the service provider regarding payment to the provider of occupational health services conducted in January 2013 and bill accepted by Hidroelectrica executive for payment for services on 147 people are in value of 2,666 RON.

Officers were provided under contract with HS guidance and clarification needed to run under optimum conditions health care for workers, health surveillance and constant communication with the provider.

Convention SSM-AM for service contract occupational medicine was developed and communicated to interested parties.

According to GD 355/2007, in the Hidroelectrica subsidiaries have been updated 321 records to identify occupational risk factors.

Following the requests of physician, who were Hidroelectrica employees, to take over the medical office in some subsidiary, the IMS service has issued a notice suggesting concluding commodatum agreement with each applicant physician. Note was approved by the General Manager and Hidroelectrica Legal Administrator and based on it, the legal department developed a model commodatum agreement. The document was reviewed by Manager of Utilities Management Department, was supplemented with certain requirements and conveyed to subsidiary to be put into application. CSSM first meeting which is scheduled in March, will make a presentation of the contents of this commodatum agreement and will determine the distribution of the physicians to be appointed as members of CSSM, in compliance with legal requirements. Framework commodatum agreement contains obligations for physicians that will administer medical offices in order to provide minimum free services and for Hidroelectrica executive and subsidiaries.

After two requests for TB epidemiological investigation, received from TB Outpatient Dispensary sector 2 and TB sector 3 Dispensary were conducted with the support and collaboration of occupational health service provider, CM Romar, TB epidemiological investigation activities for Hidroelectrica executive staff. The action was completed within the required time.

At General manager's request, an analysis was made on a petition submitted by Mrs. Vaduva Constanta, employee of HS Portile de Fier that have pointed out some security issues and health related to her poor health status. A Note to the analysis of the facts presented by the petitioner, completed by the Service Integrated Management System was submitted to the General Manager, specifying proposals of measures for check similar situations throughout the company.

HS Portile de Fier issued a response to the report by providing technical expertise working group drawn to a case before the court upon notification of Mr. Gheralia Marin.

For compliance with legal requirements OSH Hidroelectrica new organizational structure has been developed for the nomination decision for designated workers and domestic service for prevention and protection.

Updated the decision on the composition of CSSM - HE according to changes in the organizational structure of Hidroelectrica Executive.

Consultation with employees on OSH activity was carried out in HS Bistrita, HS Oradea and HS Buzau, resulting in a positive feedback, that a significant number of workers are satisfied with the arrangement of the workplace, work spaces and PPE endowment.

Planning the internal control in health and safety at work has been performed in the branch by developing control charts for the year 2013. A total of 16 control

measures of plants were conducted in February. If case, preventive actions have been initiated.

Revaluations of risk in some jobs were performed: 3 in HS Buzau and 9 in HS Slatina. They were focused on accurate measures of prevention and protection for all partial determined risk levels.

Regarding coordination of services for temporary or mobile construction sites according to HG 300/2006, in HS Hateg plans were developed for general safety and health coordination activities to conduct safe kind of construction works, which are ongoing within the branch points.

Control of labor inspectors from the LTI - Olt held in HS Slatina, focused on legal provisions on safety and health at work. Objectives have been checked at HPP Strejesti and HPP Arcești. Following verification, recommendations were made on signaling plant extinguishers and periodic review of how to complete the review sheets for authorization of electricians.

D. Intern Audit on IMS Activity

D1. Monitoring intern audit process from 2012

After monitoring the internal audit activity performed at the executive level Hidroelectrica has developed the IMS monitoring report on internal audit process conducted in 2012 in the company executive who was endorsed by HE. Upon receipt and verification of monitoring reports prepared and submitted by all branches were centralized data and information on non-compliance, preventive actions, corrective actions, improvements, performance auditors and a monitoring report was prepared by the internal audit conducted in the society. The monitoring report includes data and information resulting from the calculation of performance indicators and represents the process of entry into management analysis. After analyzing the performance of internal audit process conducted in the Hidroelectrica were found specific objective to increase efficiency of the IMS internal audits and certain progress over the previous year audits on actions implemented.

D2. IMS evaluation of internal auditors as OP-HE-09 Evaluation of internal auditors

Both the executive and subsidiaries completed auditor's files with the necessary documents and update the electronic database. The criteria for the competence of internal auditor performed a comparative analysis in order to establish the conditions for maintaining skills and promote a higher degree of skill. Correspondence and notes were prepared for analysis of non-compliance promotion.

All auditors who stood for retention and / or promotion went through a cycle of training, according to the topics set out to improve knowledge and to be applied in future internal audit work.

Evaluation was performed on on-line test basis, differentiated by degree of competence established in the IMS functional departments. Tests were sent by e-mail, completed and forwarded back within one hour.

Correct answers and the results were communicated in the same day.

For all auditors evaluated at the executive level, evaluation tests contained a component awareness and feedback that will be used to update the assessment procedure and establish a more efficient method. For audit team leaders (CEA) in HE body of auditors was decided to supplement the test by solving a problem of current activity, which was necessary to analyze the internal context of the decisions taken by the management on the structure of procedural and documentation processes. Problem solving aimed at both assessing and receiving additional information from the executive subsidiary and on staff capability to adapt and assimilate rapid changing. The resulting feedback was extremely important for management representative and led to the final proposal to change the structure and IMS document that was integrated in the Analysis report for management.

Completing the assessment in all branches and executive, allowed drafting auditors list for 2013, which was submitted to the Executive. HS Curtea de Arges and HS Sebes developed and distributed the internal audit program for the year 2013.

E. Risk Management

Based on the requirements of **ISO 31000_ Risk Management. Principles and guidelines** and **ISO 31010_ Risk Management. Assessment techniques** and collective experience of CF personnel, IMS completed draft of Risk Management procedure. This procedure aims to describe the way in which the risk management process is perceived in HE and includes identification, evaluation, analysis and control. Also established a form to be used for Risk register, so that registration should be done consistently throughout company. During the next period, Service draft will be reviewed within IMS and will be broadcasted across HE to be analyzed, following the experience, particularly in the branches, to complete an applicable procedure.

Drafts were prepared during the month of February and there is a proposal for risk control action plan. Also it was initiated a list of risks that may be helpful in the identification stage of functional departments and risk description.

In accordance with the provisions of OMPF 1423/2012 amending OMPF 946/2005, IMS staff in HS Bistrita, HS Buzau, HS Cluj, HS Caransebes, HS Portile de Fier, HS Rm. Valcea, HS Slatina, HS Tg. Jiu subsidiaries were involved in the



implementation of internal managerial control standards analyzed, reported and assessed their own standards implementation stage, during 19-21.02.2012.

Implementation of Risk Management standard 11 contained in OMPF 946/2005 was properly realized in all branches and functional compartments is demonstrated by documents contained in the Report on the state of implementation of internal control standards management for 2012, drawn up by each branch and sent to the President of Commission for implementation of OMPF 946/2005 within Hidroelectrica.

In HS Bistrita and HS Rm.Valcea were updated decisions on risk management committees and implementation of OMPF 946/2005 available according to the organizational structure in place.

Additional training took place on managerial internal control standards approved by OMPF 946/2005 from HS Bistrita.

Assist HE team in audit mission under OMPF 946/2005 and were prepared documents required to HS Cluj.

F. IMS Common Actions

To control the outsourced processes both within the Hidroelectrica executive and subsidiary at the request of functional departments were analyzed specifications, studies, agreements to clarify issues relating to compliance with legal requirements and other requirements to avoid or reduce the risk of injury and / or occupational diseases and significant environmental aspects. Conventions were drawn OSH requirements and PM that were attached to the purchase documentation. IMS specialists in subsidiary also attended receptions works: HPP Racova, HPP Pereu, HPP Boiculești, HPP Mihăilești.

Were developed and have been passed IMS chapters' related areas for exploitation in the Technical Report and Annual Report subsidiaries operating within the executive.

Documentations were analyzed (feasibility studies, specifications), and developed points of views for attending meetings and for CTE approval and support.

In the respect of unitary approach to job descriptions within the company, the **PO_HE_DRU-06_ Prepare job descriptions** within the IMS executive departments and HS were prepared:

- framework job descriptions for IMS professionals in Hidroelectrica: quality management, environmental protection, safety and health, risk management, IMS internal audit, so as to ensure compliance with legal requirements and training in these areas;



- tasks and responsibilities in the areas of IMS, the executive and management functions, relating to each employee in their job descriptions to introduce appropriate laws and provisions applicable standards.

Job descriptions were drafted for all IMS functional compartments and ROF chapter for IMS, based on these documents.

It was analyzed the proposed acquisition program for the year 2013 with the estimates for 2012, and were highlighted savings and monitored implementation of the procurement program for IMS service in February. Completed the purchase subscriptions to professional publications in the field of IMS and have started discussions with the Department of Procurement and Logistics for compiling the acquisition of subsequent contract, covering external audit oversight to maintain Hidroelectrica certification.

In accordance with **PS-HE-08_ Compliance assessment** evaluation procedure was completed the compliance with legal requirements and other requirements to OSH in HS Sebeș, HS Cluj, HS Bistrita, HS Sibiu, HS Oradea, HS Slatina and HS Targu Jiu, degree of OSH compliance result is similar to the previous year, ranging from 96% to 98%. The other subsidiaries have ongoing action planned to be completed in the future. Annual reports were prepared on assessment of compliance.

Actions for internal training in the areas of IMS, as **PO-HE-08 Internal Training:**

- There have been additional training on IMS policy, valid from 16.01.2013;
- Were prepared topics, handouts and tests for training in the workplace, including employees who changed jobs after the reorganization and training were made to change jobs;
- Conducted training programs in IMS for 2013;
- HS Bistrita conducted additional training to mitigate resistance to change on the redesign of IMS. Trends were presented and there was a survey on the perception of managers and internal auditors functional departments related to map processes, reorganization of IMS, including new codification of documents and logical flow charts;
- HS Targu Jiu developed materials to perform a further OSH training, aimed at training staff to operate the facilities under waters. Training will be in March with employees department / service workshops as part of implementation program of measures to prepare the planning operation under high water (flood).

The following simulation exercises were organized and conducted:

- At HS Oradea was organized a simulation exercise of a failure in the operating section Munteni that included aspects of staff training for the right way of action in terms of safety of health and first aid in such situations.
- Within the HS Sebes and HPP Șugag was simulated a fire at oil reservoir and in HPP Săsciori fire at transformer station.

Under these applications staff responsiveness was assessed as adequate.

Participation in drafting the merger of Hidroserv subsidiaries and setting Hidroelectrica - Serv SA, from 11.02 - 22.02.2013, at request of Hidroelectrica management:

- specialized assistance to the health and safety at work by specialist participation in the LCC negotiation, clarifying several issues that were discussed;
- inspector of quality management offered special assistance by participating in developing the following documents at SH Curtea de Arges: map processes, organizational structure, IMS Manual, ROF system and procedures.

A specialist in the IMS service attended the Technical Committee Meeting TC 56 ASRO "Quality Management".

8. *Procurement activities*

A. Impairment of contracts in progress at this time:

After negotiations, were reduced residual values of commercial contracts in progress within Hidroelectrica, and were drafted additional acts thereto. Value of reductions resulting from additional acts approved by Hidroelectrica executive from entering into insolvency until now, spread over subsidiary is in amount of **226,232,860 RON** (424 additional acts) of which:

- From investing funds : 115,024,632 **RON**
- Maintenance funds: 96.826.864 **RON**
- Other funds: 14.381.364 **RON**

Accordin got the tables in the annex.

Total reductions:

Subsidiary	No of contracts	Initial value	Value of balance to be executed	Value of reduction	Final value
Executive	20	28,020,226	7,256,154	984,285	27,035,940
HS Bistrita	54	663,766,662	607,833,615	62,909,120	600,857,543
HS Buzau	20	317,678,034	280,198,653	18,540,275	299,137,759
HS Caransebes	24	300,454,127	242,611,436	14,082,700	286,371,427
HS Cluj	29	536,829,757	456,004,172	25,109,989	509,504,339
HS Curtea de Arges	63	98,327,321	28,270,677	5,727,085	92,600,236
HS Hateg	46	291,841,919	212,177,911	17,115,559	274,726,361
HS Oradea	21	92,318,141	78,621,320	28,229,442	64,088,699
HS Portile de Fier	21	104,321,152	40,711,402	19,185,875	85,135,275
HS Ramnicu Valcea	20	73,388,380	38,949,406	6,961,537	66,426,843
HS Sebes	21	126,444,464	77,485,692	7,478,472	118,961,510
HS Sibiu	49	306,910,980	175,278,740	9,846,500	297,064,480
HS Slatina	18	68,113,742	21,016,045	7,225,167	60,888,575
HS Targu-Jiu	18	182,403,083	44,394,966	2,836,855	179,566,228

Total	424	3,190,817,988	2,310,810,187	226,232,860	2,962,365,214
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a) Contracts from Investment Funds:

Subsidiary	No of contracts	Initial value	Value of balance to be executed	Value of reduction	Final value
Executive	7	14,103,201	3,138,360	460,737	13,642,464
HS Bistrita	26	586,992,623	548,147,172	38,210,380	548,782,243
HS Buzau	10	289,243,940	270,043,811	13,596,260	275,647,680
HS Caransebes	14	288,568,842	235,441,893	11,832,276	276,736,566
HS Cluj	18	514,920,382	446,474,756	22,475,732	490,229,223
HS Curtea de Arges	12	49,210,592	17,471,207	1,141,873	48,068,718
HS Hateg	13	237,607,741	184,701,629	10,066,499	227,541,242
HS Oradea	8	39,715,616	37,916,083	2,460,123	37,255,493
HS Portile de Fier	8	21,531,405	3,271,168	309,793	21,221,612
HS Ramnicu Valcea	3	20,042,453	3,958,076	197,903	19,844,550
HS Sebes	10	104,242,393	64,881,956	3,919,846	100,322,547
HS Sibiu	19	295,752,959	170,927,313	8,649,700	287,103,259
HS Slatina	8	27,292,352	6,251,718	354,106	26,938,246
HS Targu-Jiu	10	164,399,426	36,288,467	1,349,403	163,050,022
Total	166	2,653,623,924	2,028,913,610	115,024,632	2,536,383,864

b) Contracts from Maintenance Funds:

Subsidiary	No of contracts	Initial value	Value of balance to be executed	Value of reduction	Final value
Executive	1	414,413	414,413	41,441	372,972
HS Bistrita	6	64,802,147	47,906,187	21,403,324	43,398,824
HS Buzau	2	21,324,000	7,201,070	4,237,741	17,086,259
HS Caransebes	5	11,689,313	7,003,866	2,235,768	9,453,545
HS Cluj	1	20,179,600	9,115,491	2,608,729	17,570,871
HS Curtea de Arges	5	37,276,274	7,687,878	3,086,099	34,190,175
HS Hateg	2	51,826,632	26,179,200	6,857,723	44,968,910
HS Oradea	4	35,415,011	27,321,917	20,598,575	14,816,436
HS Portile de Fier	5	76,146,821	34,307,889	18,593,101	57,553,717
HS Ramnicu Valcea	1	43,187,987	25,940,637	5,109,551	38,078,436
HS Sebes	2	14,227,364	9,175,921	3,077,067	11,150,297
HS Sibiu	3	9,667,830	3,277,807	1,059,750	8,608,080
HS Slatina	2	38,750,000	13,438,720	6,516,000	32,234,000
HS Targu-Jiu	1	16,800,000	7,311,113	1,401,994	15,398,006

Total	40	441,707,393	226,282,109	96,826,864	344,880,527
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c) Other Funds:

Subsidiary	No of contracts	Initial value	Value of balance to be executed	Value of reduction	Final value
Executive	12	13,502,612	3,703,381	482,107	13,020,504
HS Bistrita	22	11,971,892	11,780,256	3,295,416	8,676,476
HS Buzau	8	7,110,094	2,953,771	706,274	6,403,820
HS Caransebes	5	195,972	165,677	14,656	181,316
HS Cluj	10	1,729,774	413,925	25,528	1,704,246
HS Curtea de Arges	46	11,840,455	3,111,591	1,499,112	10,341,343
HS Hateg	31	2,407,546	1,297,082	191,337	2,216,209
HS Oradea	9	17,187,515	13,383,320	5,170,744	12,016,770
HS Portile de Fier	8	6,642,926	3,132,344	282,980	6,359,946
HS Ramnicu Valcea	16	10,157,940	9,050,693	1,654,083	8,503,857
HS Sebes	9	7,974,707	3,427,815	481,559	7,488,666
HS Sibiu	27	1,490,191	1,073,620	137,050	1,353,141
HS Slatina	8	2,071,390	1,325,607	355,061	1,716,329
HS Targu-Jiu	7	1,203,658	795,385	85,458	1,118,200
Total	218	95,486,671	55,614,468	14,381,364	81,100,823

These statements were obtained with centralized computer application “Reduction of additional acts “available on the Hidroelectrica intranet. In this application were completed dates of additional acts on the reduction of contracts by all subsidiaries of hydropower plants.

In this application was additionally introduced a section dedicated to other types of reducing costs, which come from reducing the value of commercial contracts, for example, approved report of need to a value lower than required, reducing rents for various facilities, negotiating new contracts, waiver of claims from the amount of statement of affairs, etc....

The total value of the savings up to date is in value of 409,643,351 RON.

Other reductions:

Subsidiary	Initial value	Final value	Reduction value
Executive	610,126,721	200,843,862	409,282,859
HS Bistrita	651,898	513,946	137,953

HS Buzau	838,521	737,901	100,620
HS Curtea de Arges	15,000	7,500	7,500
HS Hateg	45,687	17,243	28,443
HS Oradea	66,600	50,400	16,200
HS Portile de Fier	84,985	70,732	14,253
HS Ramnicu Valcea	97,348	87,614	9,734
HS Sebes	69,794	55,337	14,457
HS Sibiu	74,887	66,324	8,563
HS Slatina	7,888	7,628	260
HS Targu-Jiu	146,090	123,581	22,509
Total	612,225,418	202,582,068	409,643,351

The total value of reductions from additional acts reduction, plus the value resulting from "other reductions" is in value of 635,876,211 RON.

These data are obtained using computer application "reduction from additional acts" and is ongoing at this time. It was completed the technical application that centralizes income from other activities (rents, concessions, etc ...) and now there are introduced data regarding these contracts.

Current actions undertaken by the Commercial Directorate:

- 1) Making public procurement procedures in the annual program of the Hidroelectrica Executive.
 - a) Open Auction "HEA Siriu-Surduc. Surduc -Nehoiasu step. Stage I (one group of 55 MW). Equipment procurement and technical assistance for installation, commissioning and acceptance "- Address to ANRMAP to clarify the situation regarding restitution of participation guarantee - no response has been received from the ANRMAP yet;
 - b) Negotiation without prior publication notice of a contract with SC CS ROMANIA SA for the contract for services, technical support, maintenance and functional extensions for application with modules: Technical Management, Energy Supply and Eligible Consumers "- Contract signed and submitted to customer department. (Value of reduction towards the estimated value: RON 237,892, - 35%);
 - c) Negotiation without prior publication of a contract notice for the contract with SC ISPE SA "Dielectric Measurements - HG 3 Mariselu" Contract to be signed by Hidroelectrica management (estimated value: RON 10,000 – negotiated value RON 9,800);
 - d) Negotiation without prior publication of a contract notice for the contract with SC ISPH SA "Study on value of revamping the HPP Gogosu in prices on 31.12.2012" procedure completed. Contract with SC ISPH SA is submitted

- to the beneficiary. (Estimated value: RON 95,000- negotiated value: 90,000 RON – discount 5%);
- e) Negotiation without publication of a contract notice to SC Deloitte Audit SRL for contract "Auditing financial situations on 31.12.2012" procedure terminated and contract signed by representatives of Deloitte and to be signed by Hidroelectrica representatives (estimated 100,000 Euros , negotiated value 99,850 Euros);
 - f) Procedure exempted from provisions of GEO no. 34/2006 "Professional management training with emphasis on evaluation and selection of management of the company including project management, design and documentation process of recruitment, assessment and selection" procedure completed, the contract being signed by Hidroelectrica representatives. (Estimated value 60,000 EURO) -negotiated value 65,000 EURO)
 - g) Direct Purchase "INDACO legal program" procedure is completed, the contract being signed by Hidroelectrica representatives.
 - h) Direct Acquisition "RCA insurance policy" for cars whose policies expire before the completion of Open tender procedure. Procedure completed and documents were submitted to the Administrative department to prepare the insurance policies.
 - i) Direct acquisition "Feasibility study on headquarters office building for SC Hidroelectrica SA ", procedure completed. Contract signed with SC ADCA Design Group Ltd and sent to beneficiary department. (Estimated value 31,800 RON, contracted value 22,202 RON.)
 - j) Direct purchase "Services of illuminated signs + logo 2 pieces (dimensions: 5000x3612 mm and 9000x6500 mm) for Hidroelectrica headquarters in 15-17 Ion Mihalache Blvd., sector 1, Bucharest - Technical project, construction permit, transport, assembly " procedure in progress. Note on the proceedings pending outcome of the Hidroelectrica management.
 - k) Direct purchase "Measurement of network communication parameters of the new HE headquarters" procedure completed. Order signed and sent to SC INTERACT Ltd to start work and to the IT Department.
 - l) Direct purchase, "Deliver illuminated signs + logo 2 pieces (dimensions: 5000x3612 mm and 9000x6500 mm) for Hidroelectrica headquarters in 15-17 Ion Mihalache Blvd., sector 1, Bucharest "ongoing procedure. Note on the proceedings pending the outcome of the Hidroelectrica management.
- 2) Approval and award documentation for drawing Common Notes and Decisions on the acquisition procedures made in the subsidiaries, in their annual programs, under the procedures, decisions and internal rules available at this time.
 - 3) Making centrally acquisitions of goods and services that meet the needs of all subsidiaries as follows:
 - Open tender for the contract "RCA and CASCO insurance policies for cars required to be renewed in 2013 " - ongoing procedure, Notice no. 142134/22.02.2013, opening bids on 14.03.2013.

- Direct purchase "Pest control services" - ongoing procedure, Note on the proceedings pending the outcome from the Hidroelectrica management.
- 4) Under the process of centralization and preparation of documents in order to achieve centralized procurement:
- Cleaning Services
 - Paintwork
 - Lighting
 - Vehicle Maintenance and Repair Services
 - Stationary items
 - Tires
 - Personal protective equipment
 - Fire extinguishers
 - Computer technology
 - Medicines and medical supplies
 - Water
- 5) The delegation of competence for organizing and carrying out the procedures performed centrally for all subsidiaries needs, to subsidiaries that have the largest share of acquisitions and subsidiaries that have staff specially trained in order to draw up specifications. The evaluation committees will be present together with representatives of HE executive.
- Acquisition of "Sanitary hygienic materials" delegated to be conducted by HS Portile de Fire - recovery competent waiver decision in accordance with the new structure and the new funds approved.
 - Acquisition of Varnish and Paint will be delegated to HS Curtea de Arges.
 - Negotiation subsequent contract for services "mobile" with SC Vodafone Romania SA, procedure is completed, the contract being signed by Hidroelectrica representatives (negotiated discount 10% compared to previous year prices)
 - Subsequent Contract Negotiation for supply framework agreement for Mineral Oil with SC MOL Romania Petroleum Products Ltd, ongoing procedure.
- 6) Centralized Scheduling deliveries to HE executive-level, contracts undertaken by subsidiary regarding:
- Bulk diesel for heating and generating sets
 - Fuel - vouchers
 - Mineral oils
 - Meal tickets

For diesel was placed a new order for February at central level. We should mention in this connection that all subsidiaries have to send to the HE

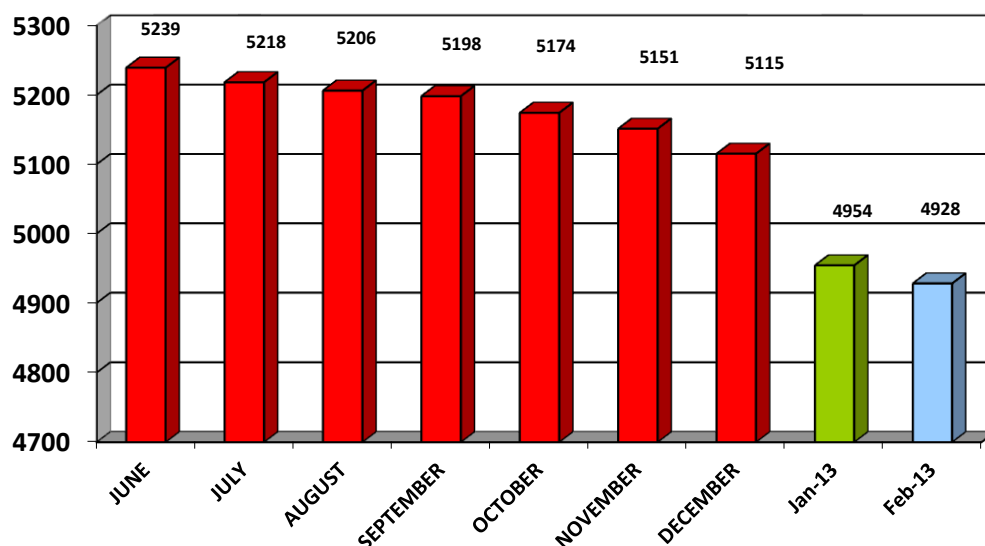
executive, before the 15th of current month, the quantities of this kind of products necessary or the next month.

- 7) Receive from 7 HS the "Annual public procurement program for 2013" restored in accordance with changes in funding and organizational changes within Hidroelectrica.
- 8) Restore changes requested the "Annual public procurement program for 2013" for Hidroelectrica executive.

9. Restructuring Company personnel and organizational chart

On **28.02.2013** was registered a total of **4,928 employees** compared to 4,954 employees that were registered on 31.01.2013.

Throughout the period June 2012 - January 2013 it was observed a downward trend in the number of Hidroelectrica personnel:



Downward trend of the subsidiary staff is presented below:

SUBSIDIARY	STAFF ON 21.06.2012	STAFF ON 31.07.2012	STAFF ON 31.08.2012	STAFF ON 30.09.2012	STAFF ON 31.10.2012	STAFF ON 30.11.2012	STAFF ON 31.12.2012	STAFF ON 31.01.2013	STAFF ON 28.02.2013
BISTRITA	595	593	593	590	590	586	583	562	561
BUZAU	344	344	344	343	338	338	338	327	327
CARANSEBES	195	196	196	196	195	193	192	190	188
CLUJ	317	314	311	310	309	308	298	290	290
CURTEA DE ARGES	666	663	661	660	661	659	657	642	638
HATEG	357	354	354	352	353	350	347	342	341
ORADEA	290	289	288	288	287	287	286	284	282
PORTILE DE FIER	487	485	484	485	477	474	474	461	461
RM VALCEA	552	554	553	552	551	548	547	531	529
SEBES	241	240	240	241	240	240	238	237	234
SIBIU	316	314	314	313	312	309	307	301	301
SLATINA	328	328	326	325	324	324	324	315	314
TG JIU	285	285.00	285	285	284	284	279	261	255
EXECUTIV	260	259	257.00	258	253	251	245	211	207
TOTAL	5233	5218	5206	5198	5174	5151	5115	4954	4928

The main causes of decline in February 2013 are due to natural reasons (old age pensioners, partial early retirement).

During the month of February 2013 was recorded a total of 26 employees who left the organization. The situation in subsidiary is as follows:

No.	SUBSIDIARY	EXISTING PERSONNEL ON 21.06.2012	EXISTING PERSONNEL ON 31.01.2012	EXISTING PERSONNEL ON 28.02.2013	Diposals February 2013	Entries February 2013
1	BISTRITA	595	562	561	1	0
2	BUZAU	344	327	327	0	0
3	CARANSEBES	195	190	188	2	0
4	CLUJ	317	290	290	0	0
5	CURTEA DE ARGES	666	642	638	4	0
6	HATEG	357	342	341	1	0
7	ORADEA	290	284	282	2	0
8	PORTILE DE FIER	487	461	461	0	0
9	RM. VALCEA	552	531	529	2	0
10	SEBES	241	237	234	3	0
11	SIBIU	316	301	301	0	0
12	SLATINA	328	315	314	1	0
13	TG. JIU	285	261	255	6	0
14	EXECUTIV	260	211	207	4	0
	TOTAL	5233, (5239 /3 positions with two employees)	4954	4928	26	0

The following table highlighted reasons for leaving the organization, structured on causes. Most departures are due to retirement (21 cases).

No.	Reasons for leaving the organization in February 2013	Disposals
1	Retirement age limit	18
2	Medical retirement	2
2	Partial early retirement	1
3	Termination of ILC by mutual agreement	4
4	Employee's decease	1
	TOTAL	26

II. Schedule of activities:

A. Implementation reorganization :

- Starting 05.02.2013 Employment Agencies were informed on dismissal of company employees following the reorganization beginning on 16.01.2013.

- Starting 06.02.2013 issue of dismissal decisions for the 150 employees of the company at the end of the 15 days notice period. Decisions were conveyed to employees within legal term, either directly or by judicial executor, as the case may be.
- Issue necessary documents for dismissal of employees in order to prepare unemployment files at the moment of dismissal.
- Negotiations with Hidroelectrica Hidrosind Union to grant pecuniary compensations for the persons leaving the organization.
It was established a model framework convention for dismissed employees to monthly benefit, depending on seniority in of Hidroelectrica of 5 to 12 gross salaries. Although the company is insolvent, the Legal Administrator agreed to respect employees' contribution based on seniority in the company. By the end of February, a total of 30 employees have signed this Convention and will receive monetary compensation starting March 2013.
- Reorganization assumed that within 20 working days to prepare additional acts to all employees who have had a change in individual labor contract. Documents were issued and signed by the Legal Administrator and by company employees a total of 1,340 additional acts to individual employment contracts (for headquarters and the 13 Hidroelectrica branches). From the 587 reorganization decisions prepared, 67 were appointments by delegation of the management of the company (managers) over a period of 90 days until the competitions for jobs.

There were also issued 116 decisions for appointment by delegation of middle management functions in the company, for a period of 90 days until competitions for jobs take place.

- Between 11.02.2013 - 4.03.2013 Bucharest Territorial Labor Inspectorate held a Control which aimed to the observance of labor legislation in terms of dismissal, arising from the reorganization of the company, company being in insolvency procedure.

Throughout the month of February 2013, labor inspectors have asked the Human Resources Department for reorganization documents: Decisions approving the organizational structures, criteria for reorganization and redundancy of staff dismissal decisions, communication with CAE software, issue the certificates required for employees leaving the organization in order to draw unemployment records. There were verified, by survey, also personal files of branches and from the headquarters company.

B. Selection for Hidroelectrica managers

According to the Report on the causes and circumstances that led to the declaration of Hidroelectrica's insolvency, one of the reasons identified was the poor management of the company.

Analyzing Hidroelectrica situation, the Legal administrator said on numerous occasions addressing the media, social dialogue partners or directly to employees that some elements of the organizational culture of the company has to be changed.

Before insolvency, Hidroelectrica was a company coveted by many for ensuring job security.

In the future, Hidroelectrica will ensure job security only for those competent, concerned, and able to add value to the company on daily basis.

Company's Legal Administrator presented to the Creditors Committee Meeting on 13.02.2013 explanatory memorandum on signing a service contract with a company specialized in training management for Hidroelectrica team in order to evaluate and select the company's managers.

Service contract for training management was concluded on 26.02.2013 with Pederson & Partners.

Hidroelectrica Legal Administrator intends to provide competent personnel both within the organization and external potential candidates, from state and private environment, the opportunity to apply for management positions within the company, following the rigorously organized selection and carried out so as to select relevant candidates.

To ensure transparency, neutrality and not least the professionalism shown in major projects undertaken, Hidroelectrica requested Pedersen & Partners service **for training management**, a company internationally recognized with relevant experience in Romania in recruitment and selection personnel for management positions.

Pedersen & Partners is an international executive search company, with offices in 48 countries in Europe, Middle East, Africa, Asia, Latin America, Canada, with an impressive database.

It is the company with the widest geographical coverage in Central and Eastern Europe, active in Romania for 10 years as a market leader.

Pedersen & Partners mission in Hidroelectrica project - entitled "**Phoenix**" - is not easy at all: they have to give a new spirit, passion and confidence in the success of this Hidroelectrica project that consists in managers' recruitment, selection and evaluation.

The total number of vacancies in the project is 67, and the number of positions considered critical is 28: CEO (4), Subsidiary Managers (13), department managers within the Hidroelectrica Executive (11). Subsidiary deputy managers, chief executives and engineer for factory plant will be also selected.

1. The project is structured in two phases:
 1. Training supported by Pedersen & Partners for Hidroelectrica team on design and documentation recruitment, selection and assessment of personnel management;
 2. Implementation - Evaluation and selection of managers.

Project duration is 4 months and potential candidates can apply directly on the Hidroelectrica website. The project will enjoy central and local press advertising as well as within the company.

C. Legal Administrator visits in the 13 subsidiaries of the company

At the end of February Legal Administrator planned visits in all Hidroelectrica subsidiaries. Visits are a way of communicating directly with company employees, after the reorganization process.

Legal Administrator has continued this series of visits started in autumn 2012 to all subsidiaries of the company.

Legal administrator scheduled visits beginning March 9 and ending after April 20, 2013.

D. Relationship with Hidroelectrica Hidroserv Subsidiaries

During the month of February 2013 several rounds of meetings were held between the Legal Administrator and the Unions in Hidroelectrica Hidroserv subsidiaries and their leaders, meetings related to completing the merger of the 8 subsidiaries. Timing of these meetings is presented below:

	Action/ activity	Date
1.	<p>Actions related to merger plan</p> <p>Meeting with the management of Hidroserv subsidiaries and administration unions in Hidroserv subsidiaries to realize merger plan.</p> <p>The meeting took place in Sebes and has resulted in a minute that the parties have agreed on a single salary grid in all Hidroserv subsidiaries and negotiate a single CLC for all subsidiaries that will be transferred to the new company, formed by merging the 8</p>	13.02.2013

	Action/ activity	Date
	subsidiaries, Company for Repairs and Services Hidroelectrica- Serv S.A.	
2	Legal Administrator meeting with the leaders of Hidroserv subsidiaries and Hidroserv representative unions to realize the plan of merger. The meeting took place at the company's headquarters. Legal Administrator presented to the participants Hidroelectrica economic situation and especially for Hidroserv subsidiaries. Administration presented the draft of Collective Labor Contract that will be applied to all Hidroserv subsidiaries. The parties agreed in the minutes concluded on this occasion to meet again on the 26.02.2013.	21.02.2013
3.	Continued discussions on unique CLC for all Hidroserv subsidiaries by going through CLC presented draft, chapters and annexes to the draft of CLC.	26.02.2013- 28.02.2013

10. Specific economic and financial activities.

Net turnover achieved in January 2013 was in value of **190.1 million RON**, approx. 43 million Euro.

Operating income on 31.01.2013 was in value of 191.2 million RON, with following structure:

1. Total electricity delivered 907,753 MWh in value of 151.3 million RON, of which on:
 - Regulated Market 378,046 MWh in value of 48 million RON;
 - 330,114 MWh to Eligible licensees in value of 58.8 million RON;
 - Next Day Market 141,652 MWh in value of 31.8 million RON;
 - Regulated Market for Bilateral Contracts totaling 57,040 MWh in value of 12.3 million RON;
 - PRE Members in value of 0.02 million RON;
 - Direct consumption 902 MWh in value of 0.4 million RON;
2. Ancillary services, transportation, managing market value of 29.2 million, of which:
 - Delivered to Transelectrica (secondary control frequency / power reserve power, reactive power and voltage control assurance) in value of 22.3 million RON;
 - Ancillary services, transport and market management on Competitive market in value of 2.9 million RON;
 - Transport invoiced for electricity sold on the Regulated market in value of 4 million;
3. Green certificates in value of 0,6 million RON;
4. Emission reduction units in amount of 7.6 million RON;
5. Industrial water services in amount of 0.1 million RON;
6. Other services in amount of 1.4 million RON;

7. Other operating income in amount of 1 million RON.

Total revenues until 31.01.2013 were in amount of 214.5 million RON (about 49 million) and total expenditure was 162.9 million RON (about 37 million), resulting in a gross profit of 51.6 million RON.

On 31.01.2013, the main positions that define financial position are as follows:

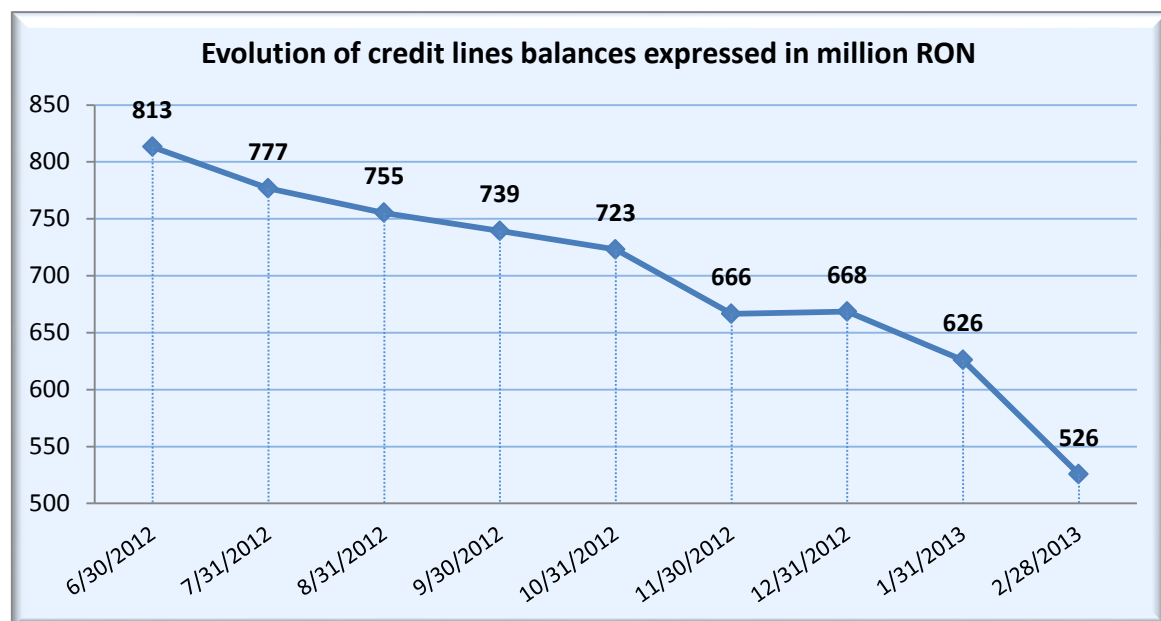
	Million RON			Million RON	
ASSETS	31.01.2013	%	LIABILITY	31.01.2013	%
Intangible assets	4	0,02%	Share capital	4.480	21,89%
Tangible assets	19.900	97,23%	Revaluation reserves	10.891	53,21%
Financial assets	61	0,30%	Reserves	1.125	5,50%
FIXED ASSETS	19.965	97,55%	Reported result	(306)	-1,50%
Stocks	107	0,52%	Current result	52	0,25%
Receivables	257	1,26%	Distribution of profit	0	
Short term investment	0	0,00%	EQUITY	16.240	79,35%
Cash	134	0,66%	Patrimony	39	0,19%
CURRENT ASSETS	498	2,43%	Short term debts	2.554	12,48%
Expenses recorded in advance	2	0,01%	Long term debts	1.290	6,30%
ASSETS TOTAL	20.466	100,00%	TOTAL DEBTS	3.844	18,78%
			Other liabilities	342	1,67%
			LIABILITY TOTAL	20.466	100,00%

Liabilities

Total liabilities of the Company on 31.01.2013 are in amount of **3.844 million RON**, of which:

- Short-term liabilities amounting to 2.554 million RON, structured as:
 - Amounts owed to credit institutions in value of **963 million RON** of which short-term bank loans in the amount of 626 million RON used to finance working capital and are due in a period less than 1 year;
 - Advances received under orders in amount of **113 million RON**;
 - Trade payables - suppliers and cash equivalents amounting to **1.012 million RON**;
 - Liabilities to shareholders, Ministry of Economy through OPSPI and Fondul Proprietatea S.A. in amount of 300 million RON, representing dividend and penalties for failure to pay;
 - Debts to the state budget amounted to **146 million RON**;
 - Liabilities to unit staff in amount of **20 million RON**;
- Long-term debt amounting to 1.290 million RON representing mainly investment loans.

Evolution of credit lines in the period between 30.06.2012 and 28.02.2013 are as follows:



Cash flow

On 31.01.2013, the Company held cash in bank accounts, totaling 133 million RON and also used the amounts of the credit lines in value of 626 million RON so as net treasury was negative amounting (493) million RON.

In February 2013, the company received income from operations and the financial business in amount of 226 million RON, as follows:

Specification	Amount (million RON)
Electricity	225,9
Interests	0,1
Investment credit lines	
Total	226

Total payments made in February 2013 are in amount of RON 247.1 million, structured as follows:

Specification	Amount (million RON)
Salaries and rights CLA	10,8
Investment and production suppliers	61,6
Fees to the state budget	48,8
Interests and commissions for credit lines	2,9
Interests and commissions for investment credits	1,7
Refunds in credit lines	103,6
Refunds capital investment loans	17,7
Total	247,1

On 28.02.2013, Hidroelectrica held in accounts with the bank's own funds in amount of 111.6 million RON and the amounts of the credit lines used were worth 525.6 million RON, consequent resulting a negative net treasury totaling (414) million RON.

Net cash register significant appreciation from a deficit of 780 million RON on 31.05.2012 and on 28.02.2013 deficit fell to 414 million RON, representing an increase of 366 million RON.

Net flow evolution:

Specification	Million RON				
	01.01.2012	31.05.2012	31.12.2012	31.01.2013	28.02.2013
Cash and bank accounts	77	71	57	133	112
Short term credit lines	-736	-851	-669	-626	-526
Net cash flow	-659	-780	-612	-493	-414

Operating income in February was 201 million RON, having the following structure:

- a) Total electricity delivered 1,025,960 MWh in amount of 178.1 million RON, of which:
 - Regulated Market 379.281 MWh in amount of 48,3 mil. RON;
 - Eligible licensees and PCCB 415.457 MWh in amount of 80,1 mil. RON;
 - Next Day Market 162.449 MWh in amount of 27,6 mil. RON;
 - Balance market in amount of 22,1 mil. RON;
- b) Ancillary services to Transelectrica (secondary control frequency / power reserve power, reactive power and voltage control assurance) in amount of 19,1 mil. RON;
- c) Transport services for regulated market: 0,8 mil. RON;
- d) Green certificates worth 0,7 mil. RON;
- e) Other operating incomes: 2,3 mil. lei.

Total revenues in February were in amount of 206.1 million RON and total expenses were in amount of 158.2 million RON, resulting in a gross profit level of 47.9 million RON.

Since the beginning of 2013 the company recorded total revenues of 420.6 million RON with a profit of 99.5 million RON, **resulting in a return of 23.66%.**

11. Business development and communication strategy

In February 2013, the Department of Strategy and International Cooperation organized the following activities:

1. Service Strategy and Business Development

- the privatization of micro hydro power plants

Following the notes on "Strategy in Small hydroelectric power plants" to resume the privatization of SHP, prepared according to the decision of Legal Administrator, were sent to Hidroelectrica branches addresses requesting a series of technical data and economic aspects regarding SPHPP.

Following these addresses has the process of centralizing data submitted by branches in order to obtain a techno-economic database for all existing SPHPP sites.

According to the schedule of activities, it has continued in February the ongoing work post-privatization process for MHC sites sold by outcry auction, held in 2004-2008, by checking the contractual terms of the buyers of these small hydro power plants.

- Project CHEAP Tarnița-Lăpușești

In February 2013, representatives of the Directorate synthesized, prepared and submitted to the Ministry of Economy requested materials regarding project status of CHEAP Tarnița-Lapustesti to inform the Minister Constantin Nita.

- Cooperation and international relations

In February 2013, cooperating and International Relations activity was focused on the following coordinates:

- identify opportunities for cooperation in hydropower domain, prepare and conduct business correspondence with companies / organizations to identify potential foreign partners to develop collaborative relationships in hydropower domain in Romania: correlation with World Bank involvement in implementing this institution new refurbishment projects of HE, WB organization representatives to visit HE project sites, move towards bank feasibility studies for the projects concerned;
- correspondence with the Ministry of Economy to prepare meetings with France experts, preparation and submission of proposals for cooperation in hydropower opportunities in Romania;
- Hidroelectrica's management participation at different events (Romanian Energy Forum, Seminar "The Romanian economy in the European context", etc.);



- analysis and opinion on confidentiality agreement proposed by AT Kearney Management Consulting to initiate collaboration for a benchmarking study with other energy companies, for mastering best practices and company competitiveness;
- collect data from the departments involved and the report of the special administrator, follow the signing and posting of special administrator's report on the company's website, sending the report in English to Franklin Templeton Investment Management;
- perform translations for documentation required: report of the special administrator, Hidroelectrica website materials, World Bank letter, letter to Abeinsa Business Development, letter to BRD, Technical study on experience monitoring online via VPN, Technical study on quality monitoring pressure, Technical study on current practice, future challenges, monitoring quality; letter to Repower and selection of the information to be presented in the newsletter;
- development of collaboration with national and international profile bodies at which Hidroelectrica is affiliated - taking information provided by associations to disseminate them through monthly newsletter, preparing Notice approving payment of professional association membership fee "Romanian Center Energy " related to first semester 2013 and related bill payment;
- as a representative member of the International Hydropower Association "IHA" (the main international organization that promotes hydro energy), involved in initiative to achieve a global database of existing and planned hydropower plants, will have a direct contribution to fulfill association's mission. In this regard, the following actions were carried out: translation and dissemination of information and IHA collection guide submitted to complete the required data from data collection departments, achieving a uniform structure information, received and prepare submission (forwarding address under approval by the parties);
- submission of Report of the Joint Commission Session 86 Portile de Fier conducted during 25-29.11.2012 in Belgrade, to all members of the Commission and other involved parties;
- Prepare and approval necessary travel documentation for Hidroelectrica representatives participating in Brussels, Belgium at Eurelectric Conference (report, decision, warrant, note estimated advance, procurement of transport documents and other travel documents, calculating entitlements while traveling abroad, fee to attend the conference, record and share related documents for traveling abroad, etc.);
- Centralize travel expenses approved for the Hidroelectrica personnel travelling abroad in 2012;
- Collecting information and drafting a briefing on the Danube project - Alert system in case of earthquakes for the Romania - Bulgaria border region, funded by Cross Border Cooperation Program Romania - Bulgaria 2007-2013;
- Development and submission of clarifications requested by Fondul Proprietatea on the relevant substantiation notes of SPHPP strategy;
- Preparing the Regulation of organization and functioning;
- Preparing job descriptions for staff in service;

- Self-assessment questionnaire for implementation of internal control standards / management for 2012, according to Annex. 4.1 of Order no. 1423/2012;

- **electronic archiving of documents:** in February has continued the process of scanning the documentation for work performed for being electronically archived.

2. Relation with shareholders and public relations

- Relation with shareholders

Following the requests of Fondul Proprietatea, were collected and conveyed information about a series of contracts for the electricity sale, including decisions of the Board of Directors of SC Hidroelectrica S.A.

Also, information was made available to the Ministry of Economy about projects that Hidroelectrica intends to implement, in order to develop and strengthen Hidroelectrica name on sustainable energy market.

- Public relations

Communication with shareholders and the public, through the media, was very active in February 2013, due to the Hidroelectrica presence with energy offers on CMBC administered by OPCOM and participation of the Legal Administrator to the main public events connected to production and marketing of energy.

For this purpose Hidroelectrica attended the following events: ZF Power Summit 2013 (27-28 February), Romanian Energy Forum (27-28 February 2013), Conference organized by Finanțe & Afaceri magazine „Romanian economy in the European context "(26 February).

By monitoring media coverage in print and online of Legal Administrator's statements and answering journalists' questions were identified 226 titles in the online environment, which means that they covered general and online publications, EVZ, Adevarul, Romania Libera, etc.. and economic magazines, Ziarul Financiar, Bursa, Wall Street etc.

Press releases were sent (also to creditor banks in some cases) regarding energy sales on OPCOM (1 February, 21 February) termination by, Hidroelectrica Legal Administrator EURO INSOL, of refurbishment contract addendum in Porțile de Fier II, hydroelectric works at Gogosu, on the Danube (5 February), loss of procedures against opening Hidroelectrica insolvency by energy traders Alpiq Romindustries and Alpiq Romenergie (14 February), appointing Mr. Stefan Gheorghe as General Manager of Transelectrica (February 18), obtaining a profit of Hidroelectrica: 52 million RON in January 2013 (February 19).

EURO INSOL representative, Hidroelectrica Legal Administrator, Attorney Ph. Dr. Remus Borza was constantly present in the media and participated directly in economic broadcasts, with statements, interviews and details on:

- Measures adopted to improve Hidroelectrica key financial indicators;
 - Progress of negotiations with Hidroelectrica unions;
 - The status of main Hidroelectrica investment projects;
 - The stage of solving complaints contained in Hidroelectrica claims
- preliminary table drawn up by Euro Insol, Hidroelectrica Legal Administrator.

Hidroelectrica press office responded to requests for information submitted by Mr. Hudrea Gheorghe, Academic Society of Romania (February 6), the Ministry of Economy for an interview of Minister Constantin Nita for Antena 1 (February 18), Curierul National (18 February).

Other PR activities and communication related to: update Hidroelectrica website – company's interface with the external environment, internal communication activities related to moving into new Hidroelectrica premises (producing and installing new illuminated signs at the headquarters, scanning documents for being archived), preparing internal magazine "News in energy domain", updating internal and external communication materials and establishing a methodology in this area.

Among the most influential and relevant media organizations that included information from this news feeds were events, print and online editions, programs, newsletters include:

- **Press agencies:** Agerpres, Mediafax, Hotnews, Newsin, Associated press, Reuters, Amos news, Bloomberg.

- **Written and on-line:** Ziarul Financiar, Capital, România Liberă, Evenimentul Zilei, Bursa, AdevăruL, Jurnalul Național, Business Magazin, Focus Energetic, Puterea, Libertatea, Trimpublishings, The Diplomat Bucharest, Wall Street, Capital, Income Magazine, Economica.net, Daily Business, Curierul Național, Gândul.

- **Radio and TV:** Pro TV, The Money Channel, TVR 1, Prima TV, Realitatea TV, România TV, Antena 3, B1 TV, Digi 24, Radio România, Național TV, Prima TV.

Constant presence of the Legal Administrator, the special administrator and Hidroelectrica General Manager in the media through statements, interviews, participation in radio and TV broadcasts, lectures on energy, having as main objectives:

- Description and reasoning of decisions taken in the insolvency process management;
- Explanation of Hidroelectrica specific situation, following a historic low energy production in 2012, of only 11.8 TWh due to severe drought, occurred both on the Danube and the main interior rivers;



- Fighting pessimistic / critical scenarios presented in the media, having as support the highly special insolvency procedure associated to Hidroelectrica, the largest energy producer in Romania;
- Enhance Hidroelectrica image as the largest energy producer in Romania and the main service provider for safe operation of the National Power System.

B. Procedural measures

Creditors Committee Meeting dated February 18, 2013

On 18.02.2013 the Legal Administrator convened creditors' committee meeting with the following agenda:

1. Approval of contract for legal assistance between Hidroelectrica and attorney in law Ilie Perca on assisting members of the Board of Directors and directors of the company at the Directorate for Investigating Organized Crime and Terrorism - Prosecutor General's Office involving the criminal complaint filed by the Hidrosind union of undermining the national economy related to the opening of insolvency procedure. The contract value is 10,000 RON + VAT. Essay on the necessity of contracting legal services in criminal law is presented in the Annex I to this convener;
2. Approval of the legal advice contract concluded between Hidroelectrica and Magda Volonciu & Associates SCA, involving the preparation, drafting and decision notice of dismissal for staff within the company as a result of insolvency procedure and organizational resizing, for representation in court disputes with the Hidrosind union and Territorial Labor Office. The contract value is 100 euro+ VAT / hour. Essay on the necessity of contracting legal services in employment law is presented in the Annex I to this convener;
3. Approval of decreasing by 25% price for cars on sale. Of the 56 cars that the Creditors Committee approved to be sold in auctions, so far only 7 cars were sold during the three auctions that were held. Price starting in the 3 auctions was established according to the evaluation report. Report on the procedure for the sale of the 56 cars and the minutes of the award are presented in Annex II to this convener.
4. Approval of consultancy contract concluded between Hidroelectrica and Pedersen & Partners, having as object the recruitment of the 67 executive directors for the Company and the subsidiaries. The contract value is 61,500 EUR + VAT. Essay on the need for specialized contracting services to ensure a professional and neutral framework to encourage competition and attract the most talented candidates for top management positions within the company is presented in the Annex III to this convener.

5. Appointing external financial auditors to audit Hidroelectrica financial statements prepared for financial year 2012 and setting its fees with consideration to:
 - a. Hidroelectrica is obliged to audit annual financial statements prepared in accordance with Order no. 3055/2009 for approving the Accounting Regulations in accordance with European Directives;
 - b. In 2012, financial audit services were performed by KPMG Audit SRL, based on Framework Agreement no. 30 dated 08.03.2010 and subsequent contract 3 for services no. 43/30.03.2012;
 - c. On 31.01.2013, by signing the addendum no. 1/2013, the Framework Agreement no. 30/08.03.2010 was terminated by parties agreement.
 - d. Short term until completion of compulsory audit report and the deadline for submission financial statements provided by MFP Order no. 40/2013, published in Official Gazette no. 44 of 21.01.2013 respectively 150 days from the completion of the financial exercise.

Based on the Report on purchase needed services for audit the financial statements ended on 31.12.2012, inquiries were sent to three companies: Deloitte SRL, Ernst & Young and PricewaterhouseCoopers SRL. Note of necessity and offers received are presented in Appendix IV to this convener.

The Creditors Committee meeting dated 18.02.2013 was attended by all committee members and Mr. Remus Vulpescu as special administrator of Hidroelectrica.

After discussion, the following decisions were adopted:

Creditors Committee ratified judicial assistance agreement signed between Hidroelectrica and attorney at law Ilie Perca, on assisting all members of the Board of Directors, managers and all employees of the company at the Directorate for Combating Organized Crime and Terrorism - Prosecutor General's Office involving the criminal complaint filed by the Hidrosind union on undermining the national economy due to the opening of insolvency procedure, subject file no. 187/P/2012, the contract value is 10,000 RON+ VAT. Updated contract will be communicated to the Creditors Committee.

Creditors Committee ratified legal advice contract concluded between Hidroelectrica and Magda Volonciu & Associates SCA, involving the preparation, drafting and advance notice of dismissal for staff decisions within the company as a result of insolvency procedure and organizational resizing, representation in court, in disputes with Hidrosind union and LTO. Approved fee is 100 Euro + VAT / hour but less than 30,000 Euro plus VAT, which can be further assessed by the Creditors Committee in the basis of the information presented by the Legal Administrator, or special administrator.

Creditors Committee approved decrease by 25% of value price of the 49 cars to be sold, and at the next meeting of the Creditors Committee to present to the Legal Administrator the situation on total expenditure of the 56 car.

Creditors Committee ratified consultancy contract concluded between Hidroelectrica and Pedersen & Partners, involving the recruitment of the 67 executive directors for the Company and subsidiaries, the contract value is of 61,500 euro + VAT.

Creditors Committee appoints Deloitte Audit SRL to audit Hidroelectrica financial statements prepared for the year 2012 with a fee of 99,850 Euros + VAT (audit's team travel expenses, travel and subsistence, if any are limited to a maximum of 20% of the contract value).

General Meeting of Shareholders held on February 20, 2013

Hidroelectrica Ordinary General Meeting of Shareholders, legal and statutory meeting, at the second meeting, met at company's headquarters on 20.02.2013, with a turnout representing 100% of the share capital

1. STATE represented by the MINISTRY OF ECONOMY, holding 80.05699911% of the share capital;
2. S.C. FONDUL PROPRIETATEA S.A., holding 19,943900089% of the share capital;

under the provisions of art. 111 of Law no. 31/1990, republished, with subsequent amendments, with reference to Article 20, paragraph 1, letter g) of the Act no. 85/2006 on insolvency proceedings, decided:

Art. 1 Approves General Estimate for the investment objective "Refurbishment and modernization in HPP Portile de Fier II on 31.01.2013 in amount of 1.076.434.273,02 RON, equivalent of 268,187,512.27 EURO by applying the contractual provisions and reducing Phase III - Gogosu.

Art. 2 Approves documentation for land used by the company to obtain title deeds on such:

No	Name	Area - sq.m -	Value - Ron -
1	Access road and upstream platform Plant PF 1, Drobeta Turnu Severin, Gura Văii, Mehedinți County	5,765,00	479,475
2	Gate 1 Upstream, Drobeta Turnu Severin, Gura Văii, Mehedinți County	1,175.00	97,725
3	Networks 1, Drobeta Turnu Severin, Gura Văii, Mehedinți County	1,038.00	86,330
Total:		7,978.00	663,530



Land in total area of 7978.00 square meters is for the 3 objectives of the Portile de Fier Hydropower Branch.

Value of land will be calculated in accordance with Government Decision no. 834/1991 regarding the establishment and evaluation of land owned by state-owned companies, as amended by Government Decision no. 107/2008 amending art. 6 of GD no. 834/1991 regarding the establishment and evaluation of land owned by state-owned companies, and repeal of regulations, with respect to Art. 215 of Law no. 31/1990 on trading companies, republished, with subsequent amendments.

Administrative leadership shall organize and monitor the entire process of obtaining ownership title. Evaluator and executive management of the company are responsible for the accuracy and legality of information contained in the documentation, valuation of land and evaluation of land owned by SC PEEH Hidroelectrica -S.A..

After obtaining certificates for ownership of land, the provisions of art. Article 12 and 13, paragr. 51 of Law no. 137/2002 regarding some measures to accelerate privatization, as amended and supplemented by art. 143 of the Methodological Norms approved by GD. no. 577/2002, as amended and supplemented, should be observed.

Art. 3 Approves the initiation by the company under art. 155 of Law no. 31/1990 on trading companies, republished, with subsequent amendments, an action for damages against former directors and company executives for damages caused by breach of duty to the company, subject to the establishment of damages to the company, resulted from the conclusion of contracts for electricity supply whose value will be determined by analysis / audit / surveys / inspection reports, etc.. prepared by company specialized departments or by experts and / or institutions.

Reviews / audits / surveys / inspection reports, etc.. prepared by specialized departments of the company or by experts and / or institutions authorized amount will highlight the damage caused to the company:

- 1) breaches of the law, Articles of Association or of decisions of the GMS or Board;
- 2) fault of former managers directly related to the contract of mandate or other legal applicable provisions.

Art. 4 Postpone discussion of item 4 of the agenda until the next meeting of the Ordinary General Meeting of Shareholders

Art. 5 Approves the draft budget of income and expenditure in 2013 to be submitted for approval under Art. 15 of GEO. no. 37/2008 on the regulation of

financial measures in the Budget, approved by Law no. 215/2009, as amended and supplemented.

Art. 6 Rejects the principle of tariff approval for use as a reservoir accumulation Izvorul Muntelui for CHEAP Frasin-Pangarati. Executive management is required to enter into negotiations in order to obtain a share of annual profits of the company which will operate the tank bottom accumulation Izvorul Muntelui for CHEAP Frasin -Pangarati without additional investment contribution of SC PEEH "Hidroelectrica" SA

Art. 7 Appoints the Special Administrator and General Manager of SC PEEH Hidroelectrica S.A. to pursue legal action against former directors and company executives for damages caused by the violation of their duties, the conditions specified in Article 3 of this Decision. Authorized persons can delegate to others their mandate on the above formalities.

Art. 8 Empowers Mr. Gheorghe Gabriel Gheorghe to sign in the name and on behalf of shareholders OGMS decisions dated 20.02.2013. It empowers the General Manager of SC PEEH Hidroelectrica to meet any and all of the formalities required for registration and for ensuring enforceability of decisions taken by OGMS. Authorized person may delegate the mandate to others on the above formalities.

Report regarding litigations in February 2013

The Legal Administrator has represented SC HIDROELECTRICA SA in the following litigations:

1. File no. 22456/3/2012- Bucharest Court of Appeal

PARTIES: ALPIQ ROMINDUSTRIES- Recurrent
ALPIQ ROMENERGIE- Recurrent
SC HIDROELECTRICA SA- Defendant

OBJECT: Appeal to insolvency procedure

At the hearing dated 14.02.2013 the court decided to complete rejection in terms of costs and expenses.

2. File no. 26502/3/2012- Bucharest Law Court

PARTIES: Petrom Energie Union - Plaintiff
Hidrosind Union – Plaintiff
Alpiq Romindustries - Plaintiff
Alpiq RomEnergie – Plaintiff
Alpiq AG - Plaintiff
HIDROELECTRICA SA - Respondent



OBJECT: Opposition to the opening of insolvency

At the hearing dated 06.02.2013 the court granted time to be introduced as plaintiff, the expropriated individuals, whose opposition remained in the substantive file. At the hearing dated 20.02.2013, Alpiq Romindustries and Alpiq Romenergie formulated request for exception. Recusal request was rejected by the Panel of judges no. 8 and was given term on 20.03.2013.

3. File no. 46447/3/2012- Bucharest Law Court

PARTIES: HIDROELECTRICA HIDROSIND SUBSIDIARY - Plaintiff
HIDROELECTRICA HIDROSIND UNION - Plaintiff
HIDROELECTRICA SA - Respondent

OBJECT: Cancel of Hidroelectrica Board of Directors' decisions 17 and 18

At the hearing dated 22.02.2013 the court retained the cause in pronouncing and postponed it for 08.03.2013. To the present case the court decided as follows: "Dismisses the proof of lack of representative capacity. Waived inadmissibility. Reject the application for a declaration of invalidity decisions no. 17/06 June 2012 and no. 18/15.06.2012 of the Board of Directors of the respondent company as inadmissible. Next hearing is scheduled within 15 days from communication".

4. File no. 8222/2/2012- Bucharest Court of Appeal

PARTIES: SC ALPIQ ROMENERGIE SRL : Objector
SC ALPIQ ROMINDUSTRIES SRL : Objector
HIDROELECTRICA HIDROSIND Subsidiary - Respondent
HIDROELECTRICA SA - Respondent

OBJECT: appeal for annulment

At the hearing dated 13.02.2013 the court ruled in rejecting the appeal for annulment as unfounded.

5. File no. 37358/3/2012- Bucharest Law Court

PARTIES: ANDRITZ HYDRO GMBH RAVENSBURG: Objector
HIDROELECTRICA SA - Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court retained the cause in pronouncement. After postponing judgment for 13.02.2013 the court decided to dismiss the appeal as unfounded.

6. File no. 36549/3/2012- Bucharest Law Court

PARTIES: SC ALPIQ ROMINDUSTRIES SRL by SCHOENHERR SI
ASOCIATII: Objector
HIDROELECTRICA SA - Respondent

OBJECT: Objection to the preliminary table



At the hearing dated 20.02.2013 the applicant filed a request for court recusal. Following the rejection of the request for exception hearings were scheduled on 20.03.2013.

7. File no. 37952/3/2012- Bucharest Law Court

PARTIES: HIDROCONSTRUCTIA SA by POPOVICI NITU &
ASOCIATII – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court rejected the appeal as OBJECTLESS.

8. File no. 37483/3/2012- Bucharest Law Court

PARTIES: EVIVA HIDRO & MARTIFER SGPS SA – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court retained the cause in pronunciation. Pronunciation was postponed on 27.02.2013 and then on 06.03.2013, when the court ruled as follows: "Admit creditors' complaints. Enrollment of claims in the final table of the claims, condition Hidroelectrica to solve D. 73469/3/2011 before the Bucharest Court Section VI. With appeal".

9. File no. 36781/3/2012- Bucharest Law Court

PARTIES: ALRO SA – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the applicant requested time to take notice of pleadings. Next term of judgment is scheduled on 20.03.2013

10. File no. 36546/3/2012- Bucharest Law Court

PARTIES: ALPIQ ROMENERGIE SRL by SCHOENHERR SI ASOCIATII
– Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 objector's request for recusal was rejected by the next Panel of judges. Next term of judgment is scheduled on 20.03.2013

11. File no. 36545/3/2012- Bucharest Law Court

PARTIES: ENERGY HOLDING by TUCA ZBARCEA & ASOCIATII –
Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table



At the hearing dated 20.02.2013 the applicant requested time to take notice of pleadings. Next term of judgment is scheduled on 20.03.2013.

12. File no. 37176/3/2012- Bucharest Law Court

PARTIES: ELECTRO ALFA INTERNATIONAL SRL by CAB AV.
RALUCA CONSTANTINESCU – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court rejected the appeal as OBJECTLESS.

13. File no. 37393/3/2012- Bucharest Law Court

PARTIES: ING BANK by TUCA ZBARCEA SI ASOCIATII – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court rejected the appeal as OBJECTLESS.

14. File no. 36482/3/2012- Bucharest Law Court

PARTIES: SC ELECTROECHIPAMENT INDUSTRIAL SRL – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court rejected the appeal as OBJECTLESS.

15. File no. 36535/3/2012 - Bucharest Law Court

PARTIES: SC CONSTRUCTII HIDROTEHNICE SA IASI : - Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court rejected the appeal as OBJECTLESS.

16. File no. 36609/3/2012- Bucharest Law Court

PARTIES: ROMANIAN NATIONAL WATERS - DIR. APELOR JIU
CRAIOVA – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the time of trial court dated 06.02.2013 dismissed the appeal as unfounded.

17. File no. 36711/3/2012 - Bucharest Law Court

PARTIES: ROMTELECOM SA – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table



At the time of trial dated 06.02.2013 the court allowed the appeal in part for the inclusion in the table of claims the amount of 245,551.9 ROL and rejected as unfounded the amount of 4049.03 RON.

18. File no. 36780/3/2012 - Bucharest Law Court

PARTIES: SC ELECTROMONTAJ SA – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court rejected the appeal as OBJECTLESS.

19. File no. 36891/3/2012- Bucharest Law Court

PARTIES: JIAN AUGUSTIN, JIAN VOICHITA with chosen domicile at Attorney
DUMITRESC TRAIAN – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

20. File no. 36898/3/2012 - Bucharest Law Court

PARTIES: BUNEA TRAIAN, BUNEA ALIN DOINEL, BUNEA DORU IULIAN –
Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

21. File no. 36899/3/2012- Bucharest Law Court

PARTIES: PETER ERMINA with chosen domicile at Attorney DUMITRESCU
TRAIAN – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

22. File no. 36901/3/2012- Bucharest Law Court

PARTIES: OPREA VASILE with chosen domicile at Attorney
DUMITRESCU TRAIAN – Respondent
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.



23. File no. 36903/3/2012 - Bucharest Law Court

PARTIES: CIORA VIORICA, CIORA ONISIM with chosen domicile at Attorney
DUMITRESCU TRAIAN – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

24. File no. 36913/3/2012- Bucharest Law Court

PARTIES: DĂNUT IOAN, DĂNUT ROZASINA with chosen domicile at Attorney
DUMITRESCU TRAIAN – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

25. File no. 36916/3/2012 - Bucharest Law Court

PARTIES: CIORA DAN with chosen domicile at Attorney DUMITRESCU TRAIAN
– Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

26. File no. 36919/3/2012- Bucharest Law Court

PARTIES: FLORESCU RADU, FLORESCU TIBERIU with chosen domicile
at Attorney DUMITRESCU TRAIAN – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

27. File no. 36923/3/2012- Bucharest Law Court

PARTIES: BĂLOI ELENA, NEACȘU CARMEN with chosen domicile at
Attorney DUMITRESCU TRAIAN – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.



28. File no. 36924/3/2012- Bucharest Law Court

PARTIES: BARBU VETURIA, TEICH ANTONIETA with chosen domicile
at Attorney DUMITRESC TRAIAN – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

29. File no. 36989/3/2012 - Bucharest Law Court

PARTIES: INSPECTORATUL DE STAT IN CONSTRUCTII - Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearings on 06.02.2013 the court granted time for parties to file documents.
The next hearings are scheduled on 06.03.2013.

30. File no. 37078/3/2012- Bucharest Law Court

PARTIES: SC ROMENERGO SA by SCA STANESCU, MILOS, DUMITRU
SI ASOCIATII – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At hearings dated 06.02.2013 court faded dispute between the parties as a waiver
acknowledging the complainant.

31. File no. 37197/3/2012 - Bucharest Law Court

PARTIES: SC SIM IMPEX SRL – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court rejected the appeal as OBJECTLESS.

32. File no. 37364/3/2012- Bucharest Law Court

PARTIES: SC INTERACTIVE TECHNICAL SERVICES SA by CIA
GHERASIM STEFAN HARALAMBIE – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court rejected the appeal as OBJECTLESS.



33. File no. 37366/3/2012- Bucharest Law Court

PARTIES: SC DANUBE SALVAGE AND TOWAGE SRL – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

34. File no. 37368/3/2012- Bucharest Law Court

PARTIES: SC NEI GUARD SRL – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court rejected the appeal as OBJECTLESS.

35. File no. 37378/3/2012- Bucharest Law Court

PARTIES: SINDICATUL NATIONAL PETROM ENERGIE – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearings on 06.02.2013 the court decided to reject lack of representative exception and application of exception inadmissibility put forward by the Legal Administrator and next hearings are scheduled on 20.03.2013.

36. File no. 37386/3/2012- Bucharest Law Court

PARTIES: ADMINISTRATIA NATIONALA APELE ROMANE
ADMINISTRATIA BAZINALA DE APA DOBROGEA LITORAL –
Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

37. File no. 37485/3/2012- Bucharest Law Court

PARTIES: SC NAKITA PROD COMIMPEX SRL – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At time of trial dated 06.02.2013 court cancelled the appeal as unpaid.

38. File no. 37609/3/2012- Bucharest Law Court

PARTIES: SC GDF SUEZ ENERGY ROMÂNIA SA by representative
COFACE ROMÂNIA CREDIT MANAGEMENT SERVICES SRL –
Objector
HIDROELECTRICA SA- Respondent



OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

39. File no. 37611/3/2012- Bucharest Law Court

PARTIES: SCA CÂMPEANU ȘI ASOCIAȚII – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At time of trial dated 06.02.2013 court decided another hearing to take place on 20.02.2013 in order to give time to the parties to submit documents. At the hearing on 20.02.2013 court withhold delivery. Pronunciation was postponed on 06.03.2013 and then on 27.02.2013 when the court ruled: "Admit creditor's appeal. Decide enrollment of claims in the HIDROELECTRICA SA final table of claims under condition until the publication of the Government Decision approving the initiation of expropriation proceedings of the buildings included in the HEA PAȘCANI expropriation corridor. With appeal".

40. File no. 37616/3/2012- Bucharest Law Court

PARTIES: SC LUXTEN LIGHTING COMPANY SA – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearings on 06.02.2013 the court granted time for parties to file documents. The next hearings are scheduled on 06.03.2013.

41. File no. 37778/3/2012- Bucharest Law Court

PARTIES: AUTORITATEA NAȚIONALĂ PENTRU ADMINISTRARE ȘI
REGLEMENTARE ÎN COMUNICAȚII (ANCOM) – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 06.02.2013 the court rejected the appeal as OBJECTLESS.

42. File no. 37779/3/2012- Bucharest Law Court

PARTIES: SC FORMENERG SA – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court rejected the appeal as OBJECTLESS.



43. File no. 37954/3/2012- Bucharest Law Court

PARTIES: SC MARCOM RMC "94 SRL – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearings on 20.02.2013 court decided the followings: „Accepts the apples. Decided to register the debt in quantum of 46,984.02 RON in the final table of claims of SC HIDROELECTRICA SA”.

44. File no. 38164/3/2012- Bucharest Law Court

PARTIES: SC OPTIMEDIA SRL – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At the hearing dated 20.02.2013 the court rejected the appeal as OBJECTLESS.

45. File no. 38896/3/2012 - Bucharest Law Court

PARTIES: SC ENEL DISTRIBUTIE DOBROGEA SA – Objector
HIDROELECTRICA SA- Respondent

OBJECT: Objection to the preliminary table

At time hearing dated 06.02.2013 court upheld the objection of the Legal Administrator EURO INSOL SPRL and dismissed the complaint as late filed.

Legal Administrator

EURO INSOL SPRL

By coordinator practitioner

Attorney at law. Dr. Remus Adrian Borza