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Professional Reorganizations and Liquidation
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HIDROELECTRICA



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

March 2013

Legal Administrator
EURO INSOL SPRL
By coordinating practitioner
Attorney at law Dr. Remus Adrian Borza

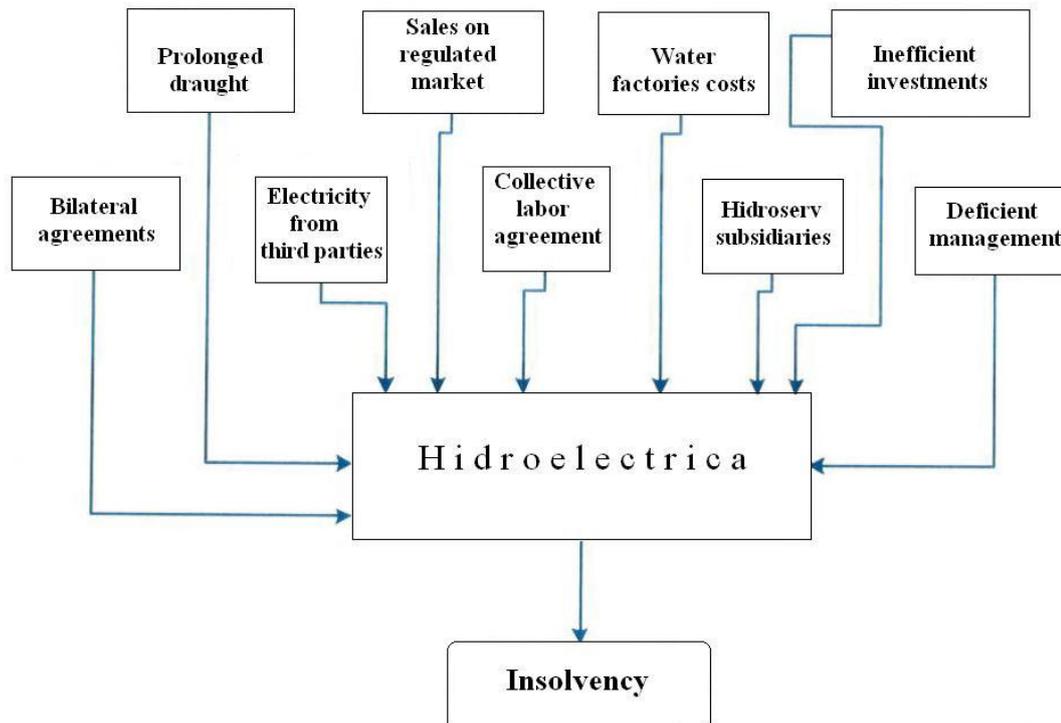
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I. Brief history

Following a request made by Company for Generation of Electricity 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 of session delivered on 20.06.2012 in file no. 22456/3/2012, ordered the opening of insolvency proceedings under the Law no. 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, December 2012 and January 2013 and February 2013 and 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

- Manage contracts of the study plan,
 - ✓ endorsement in Hidroelectrica Phase 1 "Development of document regarding discussion on the review of PE 112/93" to contract no. 107/2012 - PE 112/1993 - **Standard for the design of DC power plants and power stations** – prepared by ISPE Bucharest. Paper under discussion.
 - ✓ Tracking progress of Contract no. 48/2013 - **Dielectric measurements expertise of electric generator in HG 3 Mărișelu** – prepared by SC Filiala Icemenerg SA,
 - ✓ Ongoing Contract no. 106/2012 - Study on joint sealing solutions in hydropower construction - prepared by SC ISPH SA,
 - ✓ Ongoing Contract no. 2/2013 - **Standard for the execution and control of concrete in hydraulic structures**. Revised 713-90 and Republican legislative investigation for approval - prepared by SC ISPH SA.
- Evaluation of third-party applications to achieve goals that could have influence on the objectives (existing or project phase) belonging to:
 - Shelly Water Energy – SHP Tălmăciu downstream HPP Racovița
 - Repower Vânzări – SHP Movileni
 - Energyweland –Feneș-Armeniș sector

- Coordinating establishing rules for advising technical part of the tender documentation of maintenance, the technical conditions of eligibility of tenderers and of specific commercial terms that have been submitted to Subsidiaries on 25.03.2013.
- Participation in the reception protocol on completion of the refurbishment of the HPU group 4 (commercial IZB4) of block 2 and LEA 2110 kV in HPP Izbiceni.
- Participation and obtaining the certificate of the Energy Manager for Hidroelectrica after examination organized by ANRE and designated officer.
- Coordination of subsidiaries of the hydropower plants on the relationship with mining companies holding mineral aggregates (opinions, background notes, service agreements, etc.).
- The proceedings of maintaining in force patent no. B 118 768 entitled "Automatic Drive Hydraulics butterfly valves" for the 13th year of protection.
- Coordinating the TEP-HIDROELECTRICA activity: analysis of technical documentation, approvals, etc.
- Posting on Hidroelectrica portal - Technical Group news connected to hydropower domain in order to inform the specific branches.
- Organization in collaboration with the technical Museum and IRE - Romanian National Institute for Development of Studies and Use of Energy Sources and participate in roundtable entitled ***Dimitrie Leonida - first Romanian engineer energetican.***

Technical support for other departments

- Support in managing the contractual regulation of premature corrosion problem in some parts of the group retooled Lower Olt.
- Support the management of the remaining activities executed due to refurbishment contract from Portile de Fier I.
- Collaboration in the preparation of documentation for the privatization of SHP.
- Support for centralizing the completion of Maintenance works nomenclatures type for hydro units Kaplan, Francis and Pelton bulb in operation, on which maintenance work will be performed at level 2, 3 and 4. Transmission of the Subsidiaries for comments and suggestions for improvement to be transformed into Internal Technical Standards.

2. Energetic management activity

March 2013 was characterized by a sufficient reserve in both energy supply and the availability of power to the contractual obligations related to the Danube flood flows of over 10,000 c.m/s, which decreased with a corresponding decrease available in Portile de Fier power aggregates and inland flood spurt during March 12 to 16.

Contracted ancillary services were conducted at 100%, i.e. 153.220 hMW secondary control band, 428.596 hMW fast tertiary reserve, reserve adjustment MVARh 1.330 U / Q.

On NDM, Hidroelectrica sold a quantity of 172 645 MWh (representing 14.1% of the market) at an average price of 164 RON/ MWh, representing a value of 28,380,844 RON and bought 56 MWh at a price of 21 RON / MWh. The weighted average price for the entire NDM market was 139.2 RON / MWh.

All production offers were made to balance the contractual obligations.

3. *Exploitation activity and UCCH*

Hydrological features:

As a spring month with normal and over hydraulicity **in almost all hydro energetic sections** so:→ **Someșul (164%), Drăganul (164%), Jiul (127%), Cerna-Valea lui Iovan (121%), Bistra Mărului (121%), Argeșul (117%), Dâmbovița (116%), Râul Alb (116%), Râul Târgului (113%), Lotrul (106%), Râul Mare (102%), Prutul (101%), Buzăul (101%), Bistrița (93%).**

Exception with poor hydraulicity made Olt (53%) and Sebes (50%).

In terms of hydrology for inland facilities March 2013 presented a **recovery trend, closer to hydrology monthly normal, after a long series of deficient months.**

The Danube registered hydraulicity of 134%, and can be characterized as surplus (inflow recorded 9117 m³ / s, compared to 6800 cubic meters /s for a normal month). Hydrological forecasts prepared by INHGA early this month exceeded in most sections extreme limits of achieving, forecast being 64.8% (Olt - Ramnicul Valcea section) and 306% (Dragan - Dragan section dam). For the Danube, the forecast on 28.02.2013 (7300 cubic meters / s flow forecast) was also exceeded, achieving a rate of 125%. In the second decade of (12.03.2013) INHGA updated the forecast for the Danube river from above the value of 7300 m³ / s to the value of 8300 m³ / s, and on 19.03.2013 the estimated became 9000 cubic meters/s, and which finally was very close to the value actually recorded.

Hydrological conditions combined with classification of hydro units on balancing market have led to important storage volumes in cascade arrangements capita (total stored volume for March was about 186 million cubic meters). Compared to ANAR, established target volumes in major developments under Hidroelectrica administration have occurred without exception in accumulations. On 31.03.2013 the volume of filling large facilities reached the value of 63.51%, about 21% above the average at the end of March recorded in the last 17 years (42.3%) and about 32% higher than mentioned in GD no. 941/2012 (program for passing over the winter period - 31.6% on 28.02.2013). Energy production in own plants in March was of 1302 GWh, about 110 GWh below average production during the month of March in the last 17 years (1412GWh). Note the absolute record of amount in the last 17 years of filling on 31.03.2013, situation generated on one hand by monthly overrunning

forecasts and by the lack of capability of these contracts during the last three months of 2013.

Given the forecast on 29.03.2013 for the next 3 months, should require a more intense action in all energy markets not to achieve discharges.

Situation head cascade arrangements:

Date	Degree of filling the useful volume (%)	Useful volume Total	Energetic reserve (GWh)
		(mil cub.m)	
2012-31 Dec	58,32	1437,93	1766,90
31 Jan	56,86	1402,02	1738,84
28 Feb	55,97	1380,00	1723,91
31 March	63,51	1566,02	1934,67

Coverage of contractual obligations:

											(MWh)
Contractual obligations							Total	Purchase			Total
Month	Export	Eligible Contracts	Electrica Contracts	Bilateral Contracts	Cons	Sale NDM	Total Contractual	offer	NDM	Bilateral contract	Supplied from own production
Jan	0	330114	378046	53320	10277	141652	917641	917630	2	0	965115
Feb	0	309255	379281	101760	10840	162449	967888	967866	10	0	990086
March	0	316503	441006	272325	13697	172646	1221740	1222954	56	0	1302485
TOTAL	0	955872	1198333	427405	34814	476747	3107269	2108450	68	0	3257686

Ancillary services were 100% realized (153,220 hMW contracted amount of secondary control, 428 596 hMW regulated amount tertiary reserve, 1320 MVarh corresponding amount in the secondary voltage control).

Month	Average price purchase NDM (RON/MWh)	Sale average price NDM (RON/MWh)	Average price NDM (RON/MWh)
Jan	21,00	224.60	190.54
Feb	10,01	170,06	159,83
Mar	21,25	164,39	139,19

Structure for production of electricity:

Arrangement	Dispatch able units	Non-dispatch able units
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	MWh	MW		MWh	MW	%
Danube	760 003,00	1021,51	59,24			
Arrangements with accumulations	229 932,43	309,05	17,92	14 404,91	19,36	73,73
Facilities along the water	293 005,00	393,82	22,84	5 139,90	6,91	26,30

Total - *March* **1 302 485,24** **1 750,65**

Total **year** (up today) **3 257 686,38** **1 508,19**

Specific consumption for production and transformation:

Month	C _{pr} (MWh)	C _{pr} (%)
Jan	10277	1,05
Feb	10840	1,08
Mar	13697	1,04

In March the **own consumption recorded for the production was of 13,697GWh.**

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

Month	Installed power	Permanent discounts	Provided power	(MW)
				Degree of fulfillment P _d / 4500 ×100 (%)
Jan	6271,45	276,38	4987,07	133,22
Feb	6271,45	193,22	5368,14	133,44
March	6271,45	262,43	5199,84	133,51

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	16601	0	0	6635	0	23236
Feb	14983	2	0	6248	15	21248
Mar	9669	106101	30	26163	1140	14310 3
Total up today	41253	106103	30	39046	1155	187587

For the **month of April 2013** it is estimated to realize energy production in own plants, prepared based on the latest forecasts inflow of refurbished sections, the situation of feeling the arrangements and proposals water flow made by ANAR of about 1800 GWh.

Incident analysis activity

In March 2013 was analyzed the situation of incidents reported, in 2012 in accordance with NTE 004/05/00.

To generalize the experience of exploitation and to prevent similar incidents, Report on analysis of the incidents registered in 2012 was sent for processing to all operations personnel in all Hidroelectrica branches, as part of in the training program - Chapter Exercises crash. The report was submitted to Asset Management, Maintenance and Refurbishment Departments.

In March 2013 has been made so far to update the information flow on the line of incidents between Hidroelectrica Hydropower and Executive Branches.

For the safe operation of plant and equipment in all HPP and power stations, as of 01.04.2013, have been designed and approved the NOS (normal operating schemes) valid for the summer. We have already received some of NOS approved by Dispatch with decision-making authority for the summer 2013.

The information flow of March 2013 indicated that the main incidents were in:

HS Buzău

- **05.03.2013 18.00 hrs HPP Nehoiașu – HA1** - Turbine sealing system water losses, wear rings graphite sealing system related;

HS Cluj

- **19.03.2013 00.00 hrs HPP Mărișelu – HA2** – turbine shaft sealing water leaks;
- **26.03.2013 08.00 hrs HPP Tarnița – HA1** – turbine bearing oil leaks;

HS Curtea de Argeş

- **13.03.2013 06.00 hrs HPP Moroieni – HA2** – detaching a stiffening textolit electrical connection between two poles of the rotor, during hydro power starting;
- **26.03.2013 HPP Piteşti – HA1** – Terminal pearling generator breaker contacts during maneuvers to return to NOS, as a result of the maintenance works at the terminal switches and measuring cells for HA1 and HA2;

HS Oradea

- **11.03.2013 19¹⁵ hrs HPP Lugaşu – HA2** – GUP tank oil level drop, oil loss plan and warhead separation between turbine rotor hub breakage caused by two consecutive stud fastening warheads and displacement (≈ 5 cm) seal;

SH Haţeg

- **05.03.2013 HPP Subcetate – HA1** – breaking column head distribution;

SH Porţile de Fier

- **25.03.2013 12⁰⁶ hrs HPP Porţile de Fier 1 – HA1** - Low pressure cooling water sealing, sealing hoses clogging favored by high river water turbidity (growth level suspension) during the flood. HA1- limiting due to the emergency, and the dam spillway was opened additional spilling the equivalent of Epdev = 190 MWh;

HS Râmnicu Vâlcea

- **25.03.2013 06²³ hrs HA2 HPP Zăvideni** – loss of oil level generator-flanged spigot (from injection pipe sleeve pipe flow and bathroom spigot) crack on flow injection system of generator spigot because of fixing solution flow and return pipes on the support bearing (solution pipe fitting and return of the high pressure injection system inappropriate);

SH Sibiu

- **19.03.2013 06⁰⁹ hrs HPP Bran II – HA2** – abnormal noises after a grounding faults on RED 20 kV, followed by a successful RAR 20 kV (external electrical surges on LEA 20 kV), flame the winding HG2, omitting current maximum protection for triggering OROMAX 1600 A (magnifying action time, material qualities loss at triggers). Since winding HG2 has traces of damage, was replaced by HG1, HG2 (HA1 being unavailable to damage the turbine shaft and bearings since its takeover from HS Curtea de Argeş);

SH Târgu Jiu

- **18.03.2013 HPP Motru – HA2** – turbine bearing seal water loss.

Incidents reported during the month of March 2013 revealed no weak points in installations. Following completion in 2012 of analysis regarding situation of incidents, Hidroelectrica Branches have began to send updated lists regarding weak points in facilities.

Analysis of comprehensive situation of incidents in March 2013 will be reported by Hidroelectrica Branches until April 20, 2013 according to NTE/004/05/00 and PO-HE-DE-02 amended in effect.

4. Supplying activity

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

In March 2013 Hidroelectrica participated in the PCCB OPCOM with 44 package offers in the auction sessions on 04 - 08.03.2013, 11.03.2013, respectively 21.03.2013.

The result of auctions represent successfully sale of 10 offer packages, totaling an amount of 307 965 MWh, of a total value of 55,733,253.80 RON.

Also this month, were offered 200 standard contracts on PCCB NC, auction taking place on 19.03.2013, the result of transactions completed without any effect.

5. Maintenance Activity

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

- *daily and weekly analysis of maintenance work* taking place in Branches, for compliance and value physical maintenance program approved for first quarter 2013 operating program of hydro withdrawals of dispatch able units approved by the Hidroelectrica Board and DEN;

- *Closing of February 2013 financial statements;*

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

Branch	Approved value February 2013	Realized value February 2013
Bistrița	1,766,000	1,294,584
Buzău	109,812	28,930
Caransebeș	156,900	153,913
Cluj	468,400	281,620
Curtea de Argeș	1,106,935	1,076,339
Hațeg	2,425,365	2,425,291
Oradea	1,236,149	858,093
Porțile de Fier	547,583	547,573

Rm. Vâlcea	1,415,100	1,007,166
Sebes	79,065	37,818
Sibiu	825,000	808,076
Slatina	1,209,000	932,561
Tg. Jiu	236,674	228,175
TOTAL	11,581,983	9,680,139

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

-RON-

Branch	Budget value maintenance 2013	Approved value for 1st quarter	Total estimated to be realized in the 1st quarter	<i>Program value for April</i>	Total estimated to be realized in the first 4 moths
Bistrița	15,900,000	4,465,970	4,465,970	1,860,400	6,326,370
Buzău	3,850,000	313,443	302,050	191,261	493,311
Caransebeș	4,505,319	409,300	394,455	183,000	577,455
Cluj	11,200,000	1,328,850	1,142,070	448,031	1,590,101
Curtea de Argeș	18,900,000	4,050,000	4,019,404	2,000,000	6,019,404
Hațeg	16,400,000	8,662,930	8,661,959	1,900,000	10,561,959
Oradea	10,499,300	3,249,550	2,682,195	1,874,610	4,556,805
Porțile de Fier	18,170,000	2,519,249	2,519,419	1,663,800	4,183,219
Rm. Vâlcea	18,542,650	3,572,836	3,164,602	1,699,000	4,863,602
Sebeș	8,680,000	225,000	143,015	42,519	185,534
Sibiu	7,020,000	2,635,000	2,617,928	720,265	3,338,193
Slatina	9,980,000	3,138,000	2,861,561	1,045,300	3,906,861
Tg. Jiu	5,950,000	736,000	727,351	527,124	1,254,475
TOTAL	149,597,269	35,306,128	33,701,979	14,155,310	47,857,289

- Continued monitoring *the schedule for the remaining works and maintenance services in 2013 maintenance program* to be awarded by other forms of acquisition under GO 34/2006 (open tender bidding). Meet the deadline for the preparation of tender documentation on 15.03.2013. The estimated value of works / services to be purchased through the above methods is the following:

No	Branch	Value of works that will be auctioned in the maintenance program 2013 (RON)
1	S.H. Porțile de Fier	2,790,500
2	S.H. Hațeg	3,000,000
3	S.H. Caransebeș	1,702,900
4	S.H. Bistrița	5,337,000
5	S.H. Curtea de Argeș	790,525
6	S.H. Rm Vâlcea	7,210,114
7	S.H. Cluj	5,887,500
8	S.H. Oradea	2,068,400
9	S.H Buzău	6,000,000
10	S.H Tg-Jiu	1,700,000
11	S.H. Sebeș	2,539,000
12	S.H. Sibiu	0
13	S.H. Slatina	445,000
	TOTAL	39,470,939

- Was prepared the Program for operating withdrawals for the month of April 2013, which was approved by the NED and Hidroelectrica management. Monthly average power value of maintenance for hydro dispatchable units is 665 MW.

Development and revamping

A. DEVELOPMENT

A.1. DEVELOPMENT PROGRAM 2013

The GMS Resolution no. 33/2013 dated 20.02.2013, approved the Hidroelectrica draft budget of income and expenditure for 2013, a project that provides for investment the activities in amount of 377.974 million RON, consisting own resources in value of 250 million RON and the loans.

Based on this budget, was built and submitted to the Special Administrator, the Hidroelectrica Development Program for 2013, program that includes the following main categories of expenditure:

- Expenditure for the works to be performed in 2013 at the investment objectives, mainly based on ME credit, Hidroelectrica, ongoing;
- Expenditure incurred by the interruption of the investment objectives;
- Value fees, permits and authorizations required to be paid in 2013 for the investments in construction, according to legal obligations;
- Value of rents and return to agricultural/forestry circuit and for investment objectives to be paid in 2013;
- Value necessary for completion in 2013 of modernization of equipment, construction or rehabilitation of the party for the investments of works started in 2012;
- Value of contracts required by refurbishment of power capacities in progress;
- Value for pre-investment studies and projects;
- Value for registration of land for investment objectives.

Also have been prepared and approved program tabs for each branch and extracts the main contractors work within the investment objectives.

In March were, each HS approved annual lists of studies for future investment objectives within the budget approved by the Development Program HE 2013 – Cap IV.

The documents contained in this list were selected after consideration by the Department based on requests submitted by HS regarding the need for preparation of technical documentation - to promote new economic investment objectives, covering development of new capabilities for producing electricity revamping of hydropower plants, hydropower units and modernization of hydropower equipment, preservation of the building etc.

Also, in the budget allocated by HE Development Programme 2013 - Chapter 3 were approved various facilities and equipment lists for each HS, independent lists containing measuring and control devices, tools and equipment for repair, computer, HSW facilities, PSI.

A.2. ONGOING INVESTMENT OBJECTIVES

A.2.1. Expenses during the temporary interruption of business

Prolonged droughts and company insolvency since June 2012 has led to a significant reduction of Development Program in 2013, and accordingly ordered a temporary interruption for 3/12 months of work on ongoing investment.

Hydropower subsidiaries, in locations related investment objectives sites were held negotiating sessions and analysis of the following types of expenses, arising from the emergence of the period of interruption:

- a. Monthly expenses for lighting, security, equipments, ventilation etc. The principles on which this analyzes and negotiations were negotiated at Hidroelectrica level with representatives of the main performers of works (Hidroconstrucția, Energomontaj, Constructii Hidrotehnice Iasi). Financial statements prepared following these negotiations were subject to approval by the Legal Administrator in March, in a Substantiation Notes that established maximum value and duration of application in 2013;
- b. Implementing safe work required to be performed during the temporary interruption of work on some fronts / sections / items started and not completed, that if not executed may cause damage to the works, generating additional costs.
- c. Works to protect third parties fronts and floods in accordance with the technical and legal requirements

The cost of the points a and b, for much of the ongoing investment was not budgeted in the investment and will be presented to the GMS, in order to analyze situations and seeking dispute highlighting the positive rectification investment budget for 2013. Negotiating sessions and analysis above, which were attended by representatives of HE Bucharest, you Subsidiaries, workers, and engine designers have been completed by the end of this Minute.

A.2.2. Execution of Addendums for 2013

As a result of lower investment funds allocated by Revenue and Expense Budget 2013 addendums, required for contracts with contractors for concluded investment objectives. These additional instruments are designed to define new physical graphics and value for the remaining works on 01.01.2013, in prices on 31.12.2010, taking into account the following elements:

- rest to be executed on 01.01.2012 from previous addendum;
- results between 01.01.2012 – 31.12.2012;
- the work done and settled for lack of HE Development Program allocations staggering amount for the year 2012 -2013;
- the difference resulting from the discount of freezing work situations settled in the first half of 2012;
- the expenses for the period of interruption of investment objectives.

For this action, a template Addendum with all annexes has been drawn, defining the new time schedule for the remaining works, document discussed and agreed with the contract partners and submitted for application to Subsidiaries.

A.2.3. Additional works appeared during the works subject of investment objectives

For the next 3 Investment objectives were analyzed by the Directorate for Development Revamping / Development Services, the economic and technical documentation prepared by the designer for planning additional work in order to present to Hidroelectrica for endorsement, approval and submission procedure the existing contracts according to the internal Hidroelectrica methodology.:

- HEA Surduc Siriu - Regulatory documents of the type of rock excavated on the main feed pipe Surduc Nehoiașu;
- HEA on the Olt river on Avrig Cornetu sector. HPP Racovița - redrawing works and adaptations run channel dam left bank field;
- HEA Cerna Belareca right side stabilizer in the high waters of the dam arrester Cornereva, in progress;

A.2.4. HEA on Jiu River -Bumbești Livezeni Sector. Problems in the execution of contract 21DI/2004

- a. HS Targu Jiu convened a meeting on finding and analyzing the flood on the Jiu river on 15.03.2013 at objects in the investment objective, "HEA of the river Jiu Livezeni -Bumbești sector" under execution. The meeting was attended by representatives of the Employer (Hidroelectrica headquarters, HS Targu Jiu), the Contractor (Romelectro, Hidroconstrucția and ISPH) and those of the Consultant (ISCE). On 19.03.2013 representatives went on site, at all sites affected by high flood took place and found damage caused. The meeting was concluded by signing a Minute which established steps and mode of action for faults found.

B. Analysis in the Development Direction grounding additional work arising under the Contract 21 January 2008 ÷ DI/2004 in December 2012 in order to undergo the initiation of HE approval for acquisition.

A.2.5. Command on the site HPP Racovița on 08.03.2013

On 08.03.2013 the Command meeting was held on the site of HPP Racovița investment objective of the HEA on the Olt River, Cornetu Avrig sector, and everyone involved in the execution, attended the meeting: HE management, Mr. Remus Borza lawyer representative of the Legal Administrator, General Manager Mr. Mihai Stanculescu, steering generating electricity department, Mr. Dragos Zachia.

Intermediate deadlines were established for all stages, with condition of commissioning activities in the third quarter of 2013: were analyzed the state of the works, problems on the construction line, equipment supply and installation, producing drain energy, obtaining land and establishing measures and solutions to ensure the deadline for commissioning of the capacity by the end of 2013.

Important steps were made in unlocking CFR Certificate for commissioning Racovița plant, due to current thawed of the Olt river on approx. 2 km upstream and downstream of the railway bridges, in the sense of making an inspection of foundation for the two bridges by AFER and a reconsideration of piping calculations so as putting into operation proposed should be realized.

A.3. VISITS TO SUBSIDIARIES

During the month of March 2013, the Legal Administrator together with the General Manager and Manager of Power Generation went to HS Cluj, Oradea, Caransebeș, Sibiu, Curtea de Arges, visits in which among others have analyzed the stage of ongoing investment objectives managed by this subsidiary.

A.4. NEW INVESTMENT OBJECTIVES

With Hidroelectrica's Legal Administrator decision No. 70/2013 was approved the investment objective on "Planning for the building of office premises for Hidroelectrica headquarters" in order to promote Hidroelectrica image and values and to provide a optimal climate for personnel.

B. REVAMPING ACTIVITY

B.1. REVAMPING PROJECT HPP STEJARU

A total of 103 worldwide companies have shown interest in the project with an estimated value of 110 million to upgrade the first hydroelectric power built in Romania, HPP Stejaru and asked for prequalification documentation to be available in the open public tender process with international participation, organized according to the rules and policies of the financing bank, the European Bank for Reconstruction and Development (EBRD).

On March 15, 2013, at the opening session for applications for prequalification were presented 25 companies from around the world, grouped in 17 consortia. Auction organized by Hidroelectrica thus acquires a global dimension including multiple companies from China, Germany, Austria, Spain, France, Russia, Israel, Finland, Norway, Croatia and Slovenia, a single Romanian component being part of a consortium.

The large number of companies interested in the project due to decisional transparency promoted by Euro INSOL, the Legal Administrator, and a very good marketing of Hidroelectrica project prequalification stage, which was launched on 25.01.2013. Thus, besides publishing the prequalification invitation on Hidroelectrica web site, EBRD website in the European Union journal, in newspapers Bursa and Ziarul Financiar, and sent directly to over 300 companies worldwide active in hydropower field, and all embassies in Romania.

In December 2012, the the Legal Administrator and Hidroelectrica Special Administrator together with EBRD representatives agreed in London to resume the auction for Revamping Project of HPP Stejaru after it was suspended in July 2012, due to the effects of the company's insolvency.

By registering applications for prequalification, site visits were made by companies that have requested and responses were sent to all requests for clarifications received from potential bidders, according to EBRD procedures.

Tender documents were approved by the Technical and economic departments in Hidroelectrica. In the next period, the tender documentation will be subject to approval by Legal Administrator and the technical and economic EBRD Board and will be available in late April 2013 for companies that meet the qualification criteria, in order to submit technical and commercial bids binding.

Revamping Project for Funding Stejaru HPP contracted in July 2011 is provided through a syndicated loan by the European Bank for Reconstruction and Development (70 million), Erstebank and CaixaBank (20 million each).

HPP Stejaru, with an annual production of 435,000 MWh, has over 50 years of operating in the national energy system had been put into operation between 1960 to 1961 and is equipped with six vertical Francis turbines, with a total installed power of 210 MW (4x27.5MW + 2x50MW). Revamping will enable safe operation and maximum efficiency of HPP Stejaru for at least 30 years.

B.2. REVAMPING PROJECT FOR ROMANIAN LOCK PORTILE DE FIER I

In March 2013, the refurbishment works at Lock Romanian Portile de Fier I, continued the rhythm of the execution schedule.

Scenarios were developed to reduce the rate of refurbishment works considering the small budget allocated to this objective. These scenarios were discussed with both the general contractor and its subcontractors and taken into account for the year 2013 should require minimum execution to ensure navigation on the Danube, in maximum safety conditions.

Revamping Project of the Romanian shield PdF I appeared necessary, as a result of outdated and obsolete equipment, seriously affected due to functional characteristics. GD 956/2004 approved technical and economic indicators of the investment objective "Rehabilitation works of the Roman shield Hydropower and Navigation System Portile de Fier I";

Thus, in June 2006, Hidroelectrica concluded the revamping contract, after an open public tender with the winning company - Romenergo S.A.

GD 956/2004 has provided that work will be funded from own Hidroelectrica sources and amounts of loans received from the state budget. The amount provided from the state budget, 88 million in 2004 prices, representing 43% of the estimated value of the works.

However, until now, the financing of works was carried out exclusively from Hidroelectrica own sources and contracted loans. So far, Hidroelectrica has financed this project with 50 million euro. In September 2012, then in November 2012 and December 2012, Hidroelectrica requested the Ministry of Economy to update amounts as in GD 956/2004 and for updated estimate. Until now it was not received a favorable response from the Ministry.

After upgrading equipment related to sluice in PDF I Lock 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 88 days / year (for 232 days / year 320 days / year) the average time for efficiency sluicing of about 50% (from 145 minutes to 75 minutes).

B.3. REVAMPING PROJECT LOWER OLT

In March 2013, the refurbishment work continued on schedule execution.

It was finished assembling device and rotation lock for rotating parts of the machine and tests were performed for commissioning. This system will facilitate and enable the execution of complex maintenance services throughout the lifespan of the investment in safer conditions.

It has continued work on the SCADA system and remote control at Slatina Dispatch Center system that allows remote monitoring and control of all 20 modernized hydropower units.

The contract was awarded in 2004 to the consortium led by Voith Hydro, pursuant to GD. 1599/2003 - which provided direct awarding of works to this consortium. The contract value reached 430 million Euro.

Refurbishment project is 95% completed, up to this point being commissioned 19 of the 20 modernized hydropower units.

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

B.4. REVAMPING PROJECT HPP LOTRU-CIUNGET

In March 2013 continued operation and monitoring behavior of modernized groups under warranty period.

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

Currently modernized equipment from Ciunget Lotru is in contractual warranty period.

On 22.02.2013, Hidroelectrica and World Bank representatives held a fact-finding mission of the current situation after completion of the revamping works. In the mission were visited Vidraru dam, Lotru Ciunget plant and related equipment and facilities. World Bank representatives had very positively appreciated the conduct of revamping works to this objective.

By the refurbishment works were obtained increase turbine efficiency by more than 1% and increase energy project with 200 GWh / year (from 900 GWh / year to 1,100 GWh / year).

B.5. REVAMPING PROJECT HPP PORTILE DE FIER II

In January 2013, the Legal Administrator - Euro INSOL had denounced the Phase III of Contract (Amendments 4 and 6) which involved revamping HP Gogosu, the refurbishment works have continued to the last group in the PdF II plant.

In order to reduce costs of the project, the Legal Administrator decided that additional work required to complete and commissioning of hydropower unit in PdF II to be incurred by the beneficiary, through the procedures provided by the Romanian legislation in the domain for public procurement.

This decision was conveyed to the contractor who was asked to deliver all components on which further work is needed.

Also, Euro INSOL will consider compensation of remaining works to be executed with the advance of 13.6 million Euro paid for HPP Gogosu refurbishment (contract terminated in January 2013 for which the contractor challenged in court the termination decision).

Also, in March 2013 contractor received the rotor assembly which is expected to be delivered in early April 2013.

Revamping Project HPP Portile de Fier II was contracted in 2001 by direct assignment to Andritz Hydro, according to Government Decision 848/2001. The contract provided revamping of eight hydropower units of HPP PdF II, the 2

hydropower units of HPP Gogosu and related ancillary facilities in Portile de Fier II and Gogosu.

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

By upgrading PdF II HPP were obtained: increasing the installed power plant with over 35 mW (from 216MW to 251.2MW), increased energy project about 134GWh/an (from 1307-1441 GWh / year), increased machining capacity to 400c.m/s per plant (from 3400 mc. / s to 3800 c.m/s) and increasing the turbine efficiency by about 2%.

B.6. PROMOTING NEW REVAMPING PROJECTS

In the context of production clean energy from renewable sources and reducing production costs, on 07.02.2013, the Legal Administrator and World Bank launched an invitation for analyzing the opportunity to invest in 3 new projects for upgrading the 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 on the details of the three major projects, namely: Revamping HPP Vidraru (HS Curtea de Arges), upgrade HPP Retezat (HS Hateg) and Revamping HPP Mariselu (HS Cluj).

HE representatives and those of the World Bank visited the works related to dams and the three hydroelectric plants were inspected and guests were informed about the current state of equipment related to plant and dams.

A series of technical necessary data were collected in order to issue a first technical analysis of the need and opportunity of investments in complete refurbishment of the 3 major hydroelectric plants.

In March 2013, Hidroelectrica sent to the World Bank a first estimate of the three projects. Meanwhile, the Legal Administrator discussed with the Ministry of Finance to include these projects in the coverage of World Bank loans.

The World Bank has reiterated its interest in financing the three projects and has proposed in April to organize a meeting on this issue with government and Hidroelectrica representatives.

The three projects analyzed by the World Bank, together with refurbishment project Stejaru HPP funded by EBRD, shall obtain an installed capacity of approximately 1,000 MW and the total amount allocated for the refurbishment works is of approximately 400 million Euro.

So far Hidroelectrica has revamped about 2,300MW, representing 35% of the installed power of the company, modernized hydro units generating approximately 60% of annual energy production of the company.

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

6. ***Integrated Management System Activity***

The date of 01.03.2013 represents a milestone in the development of the Hidroelectrica Integrated Management System by the decisions adopted by management. The analysis was based on Hidroelectrica Management Representative Report (no. 27065 / 01.03.2013) and version 11 of Map processes and focused on understanding internal context in which Hidroelectrica develops activities, and determine critical factors and trends impacting on the company's objectives.

Reorganization and redefining processes and the adoption of company's organization procedural processes and activities grouped by homogeneity and complementarily criteria, resulted in Hidroelectrica Process mapping (version 11) which has the advantage that supports the overall goals, allowing efficient use of resources, effective implementation of internal documents and a clear definition of responsibilities. Documents related to the processes have been improved both in terms of shape as well as from the point of view of easy use and speed due to the introduction of the logical flow charts and responsibility matrix. However, considering the adaptability, flexibility and response of personnel and the risks of a rapid implementation of change with consequences on the quality and effectiveness of implementing documents, it was decided as a precautionary measure, a pilot phase in which logical flow charts and responsibilities matrices are optional. This step will facilitate the uptake of innovations made in documenting and assessing capabilities that will ensure staff understands of these new elements.

Policy of quality, environment, safety and health was replaced by Policy statement of the General Manager, adapted to company's purpose and providing a framework for setting and reviewing the benchmarks. The statement contains the general objectives of the company, encompassing the standards implemented: quality, environment, safety and health, risk management and internal control management.

At the current stage of IMS development, and in the context of the internal control system management, reflected and documented in the Integrated Management System and using existing reports and documents submitted to the Ministry of

Economy and self-assessment tools similar, it was decided to integrate these management systems which until now operate in parallel, generating red tape, inefficiency, responsibilities and thus dissipated. Responsibilities for maintaining effective operation, development and coordination of Internal Control System Managerial were allocated to IMS functional departments.

Legis application was offering access to legislation in force, being a necessary and useful tool to establish lists of legal requirements, for all fields. As it has not been updated since July 2012, it was discussed and analyzed the possibility to provide legislative support, without which compliance with legal requirements and updating prerequisite lists, reference standards, is impossible. To mitigate the significant risks associated with this problem, decided to urgently purchase a computer application to facilitate access to legislation.

To maintain certification, taking into account the balance between the urgency of ensuring the implementation of existing measures and resources for implementation, was developed and approved an action program for the period 1.03 - 30.06.2013, which was followed while planning the activities necessary for the IMS operation. In addition, it has developed a program / updating documents IMS in April-May 2013, which are responsible for developing and updating procedures representative for IMS and to update records in the pilot phase of the process are process owners.

On 15.03.2013, Hidroelectrica organizational structure has changed and this favored improving processes by Map basic development process "purchase, sale and supply of electricity". To ensure the hierarchies in succession processes absolutely necessary element in addressing proceedings were recorded both processes and their associated documents. Version 12 of the paper processes developed in 05.03.2013 was sent asking faithfully analysis, reflecting the activities throughout the company and validation by process owners. The great interest shown by staff in branches, resulted in the transmission of highly relevant proposals that has led to clear improvements, among which the most important was the introduction of the Level 2 process in the production process "Providing navigation in the Romanian sector of the Danube usinh locks PF I and PF II ", a process that takes place only in the HS Portile de Fier.

A. Quality Management

Focused on the implementation of decisions management review of 01.03.2013, the work in the IMS was particularly reorganization of Hidroelectrica Management System, namely:

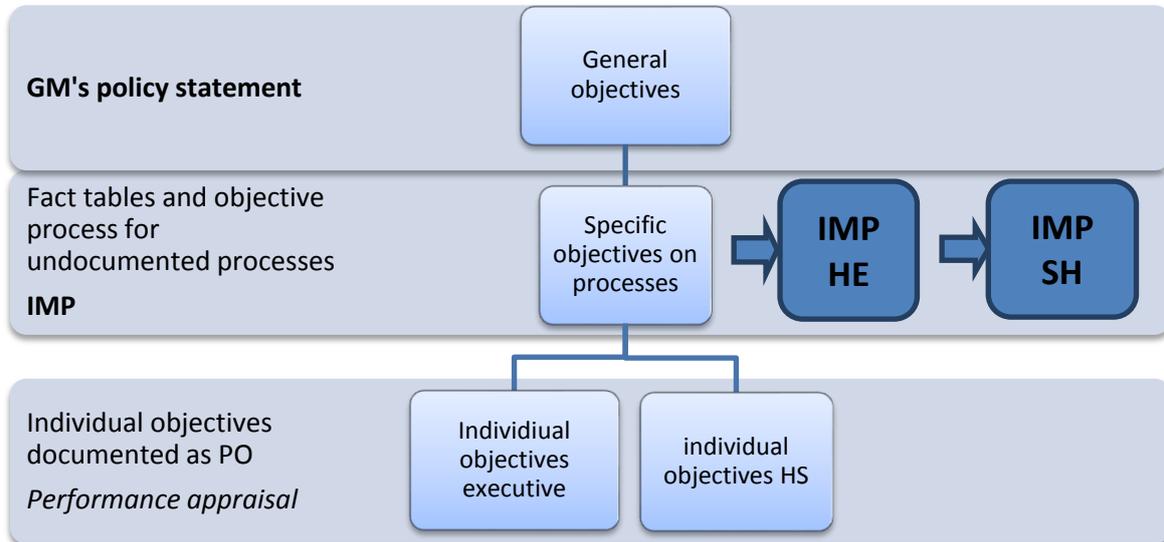
- identifying the objectives and structure of the Integrated Management Program;
- finalizing the structure of IMS documents, content and hierarchy.

A1. The objectives and structure of the Integrated Management Program

Considering the general objectives set out in the General Manager's policy statement on 28.02.2013 broadcasted all over Hidroelectrica, settled specific objectives with the owners

of processes, were outlined process sheets and outline a program of Integrated Management Hidroelectrica for 2013.

The new organization of Integrity Management System is a new concept for establishing and defining the objectives, the concept that the future will lead to increased efficiency of business documentation and monitoring them. The new targets will be subject to the procedure date "Integrated Management Program" and is shown schematically below.



Integrated Management Program (IMP) includes all Hidroelectrica processes, allowing the definition of individual targets for activities undertaken in order to achieve specific objectives. Based on Hidroelectrica IMP, each branch will develop or update their own IMP, taking already established benchmarks and indicators.

A2. The structure and hierarchy of documents IMS

System and operational procedures developed in accordance with the requirements of reference standards shall govern processes or activities for the whole company to be applicable in both activities and the executive subsidiary. The provisions of these documents will be linked to a team of IMS and obey the following hierarchy:



A3. Management review

The action of collecting data and information required for annual review of the effectiveness of IMS was concluded in the branches. Reporting was done after the new organizational structure and has analyzed all relevant activities. IMS CF personnel to provide advice and assistance in carrying out and documenting analysis by functional compartments. Reports and programs of measures results were approved and sent to the executive branch for centralization and integration analysis report overall effectiveness of IMS in 2012.

In the executive level, the management review is conducted in a later stage, after centralizing data and analyzes information from the executive branch and functional compartments. Analysis at the company is scheduled in the second decade of April. It has begun centralizing data on the progress of the objectives and process performance. To prevent risk factors taken into account in the analysis of inputs such as omission of inputs, it was recommended reporting framework of the existing procedure and offered advice and support for personnel involved in preparing reports.

Following the dissemination of documents regarding the analysis on 01.03.2013, in the branches were informed all employees. Relevant comments and proposals submitted from all branches have favored the development of a version of the paper process with high applicability across the company, which will be subject to approval of process owners and the Hidroelectrica General Manager.

A4. Specific objectives and Integrated Management Program

Setting specific objectives for 2013 was made by Hidroelectrica executive level, being centralized by all functional departments. A team of three employees of the IMS Service helped managers of functional departments to complete the form proposed for integrated management program with specific objectives, performance indicators, benchmarks, how often are analyzed and monitored the progress of the objectives thereof. The classification of each specific objective pursued traceability overall objectives. A number of 88 specific objectives have been established and were integrated into the draft for Integrated management Program available. In April, IMP for 2013 will be finalized, approved and sent to both the executive branch and CF. CF from Hidroelectrica branches, under the direction of department SMI will update specific objectives ensuring traceability with Hidroelectrica Integrated management program.

A5. IMS Documents

Accomplishing the Program for development / update IMS documents during April-May 2013 was started, updating in March several procedures.

Operational Procedure "Development IMS documents" contains fundamental rules and detailed specifications for the development and codification of IMS documents approved and disseminated on 18.03.2013. In determining the date of entry into force, it was intended to provide the time necessary to study the document to which it applies to all staff in this regard it has been fixed for 25.03.2013. The procedure was incorporated as appendices containing instruction encoding examples for easy understanding and instruction to develop logical flow charts and responsibilities matrix.

Operational Procedure "Process Management" contains explicit requirements for establishing the process and the operation of the essential management principles and existing continuous improvement culture society: known as the Deming Cycle PDCA (Plan-Do-Check-Act) or EPCA (Execute Plan Check Act). Processes are coordinated by the executive and objectives for IMP processes and will be available in both the executive and the branches.

Based on the updated operational procedure "Develop documents IMS", both in the executive and branch, the process of updating existing documents and to develop new documents have begun. According to the schedule, along with the IMS departments in branches were developed drafts for system procedures and operational procedures. The documents were sent for survey to the entire company, for comments and suggestions and improvements issued were analyzed and some of them were applied to the documents.

A6. Other activities specific to quality management

Throughout March, both in the executive and branches has properly managed IMS Intranet space allocated for the purposes of updating with new documents and archiving those withdrawn from use. Documents, forms and records editable in force are available to all staff.

Template documents have been created to facilitate the work of developers of documents that can be downloaded and completed.

List of valid documents and list of existing forms have been updated and were created links (hyperlinks) for direct quick access.

A draft of ChekList was prepared to check IMS documents for approval, so as to eliminate the risk of non-compliance with the established procedure and the documentary frame.

B. Environment protection

B1. Compliance with legal requests

GEO No. 195/2005 on environmental protection in conjunction with GD 577/2002 on approving the Methodological Norms for the application of GEO no. 88/1997 regarding the privatization of companies, with subsequent amendments and Law no. 137/2002 regarding some measures to accelerate privatization:

Following the letter no. 37921/27.03.201 initiated by the Department for Strategy and International Cooperation, on the preparation of materials for privatization of low power plants (SPHPP) exchanged correspondence with local EPA to obtain the necessary environmental permits for privatization of SPHPP sites. Thus, each regional Environmental Protection Agency (EPA) should:

- Confirm the validity of the environmental approvals for privatization obtained during 2004 - 2005 by SH Cluj and SH Bistrita;
- Have obtained information and documentation which were prepared to obtain the necessary environmental permits for privatization of the Buzău, Caransebeș, Curtea de Argeș, Hațeg, Rm. Vâlcea, Oradea, Sibiu and Tg. Jiu branches.

MESD Order no. 1798/2007 on the procedure for issuing the environmental permit:

In order for reauthorization, branches have prepared and submitted the following documents for hydropower objectives: SHP Hemeiusi, SHP Capra 2, SHP Capra 3 belonging to SH Bistrita and Malaia and SH Rm.Valcea.

There have been submitted additions to the documents to EPA for the procedure to issue the environmental permit for: Amenajarea Galbeni in HS Bistrița, 15 HPP of Amenajarea Oiești–Golești in HS Curtea de Argeș, HPPSP Baraj CET in HS Oradea, HPP Sadu 5 and HPP Robești in HS Sibiu.

Because documentation should be filled with the opinion of the custodian for the protected area "Frumoasa", necessary for obtaining environmental permits in objectives HEA Lotru Ciunget, SPE Jidoaia and SPE Balindru of the SH Rm.Valcea, on 11.03.2013 was issued the decision on the authorization of environmental objectives set.

EPA representatives have visited the sites Galbeni and Hemeiuș from HS Bistrita for reauthorization.

In HS Oradea were cancelled environmental permits issued by APM Bihor for SPHPP Aștileu 1, SPHPP Aștileu 2 and HPP Tileag.

HS Rm.Valcea and HS Sibiu drafted Requisition for approval of fees for issuing environmental permits; papers were submitted to Hidroelectrica executive for approval.

GD 445/2009 on the assessment of certain public and private projects on the environment: on submission by HS Buzau environmental documentation for issuance as a result of consultations held meeting EPA Vrancea CAT project, Siret River hydropower development downstream Movileni HPP, Movileni SHP - phase feasibility study "Galati EPA issued Decision no. 197/26.03.2013 for the screening stage, feasibility stage located in the village of Garoafa in Vrancea County.

Government Decision no. 1076/2004 on establishing the procedure for environmental assessment plans and programs to ensure information requirements and public participation in the environmental assessment procedure on the draft HPP Tarnița Lapustesti, HS Cluj published an ad in the newspaper for classifying the procedure for obtaining the environmental permit for the Urban Plan Tarnița Lăpuștești HPP and obtained approval for posting announcements and documentation on site. Also discussed the development with APM Cluj the next steps in the environmental assessment process.

GD 235/2007 on the management of waste oils: HS Portile de Fier updated technology and record oil waste, oil waste existing plants and locks in HS Portile de Fier (Porțile de Fier I, Porțile de Fier II and Gogoșu), with the legal provisions of GD no. 856/2002 and compiled and submitted to EPA for 2012 territorial reporting on waste oils.

Law on Air quality no. 104/2011 and Order no. 3299/2012 regarding the methodology for reporting emission of inventories of pollutants in the atmosphere: in the context of compulsory registration of Hidroelectrica premises for reporting air emissions inventory were exchanged e-mails and had telephone discussions with NEPA representatives and decided assimilation of branches, and the Hidroelectrica headquarters as working points. These were recorded on-line in the national database. HS Bistrita uploaded data on pollutants emissions for thermal power plants with installed capacity below 50 MWh.

Law no. 211/2011 on waste and GD 856/2002 on waste management facilities: due to changes in the branches' organizational structures were updated the appointment of persons responsible for waste management in Buzau, Caransebes, Portile de Fier and Slatina branches. HS Caransebeș prepared and submitted to EPA records on territorial reporting of waste. All branches have filled out forms on waste, and HS Sibiu prepared and submitted to EPA Broșov waste management situation in February 2013, the explicit requirement of environmental permits.

Law no. 132/2010 on the separate collection of waste in public institutions: HS Slatina conducted and submitted to NEPA reporting on quantities of selectively collected waste. HS Portile de Fier signed a contract with an authorized economic operator for collection, transportation and disposal of waste at the site and in March 2013 were collected 10 kg of plastic waste and 50 kg paper and cardboard waste.

Government Decision 1061/2008 on the transport of dangerous and non- dangerous waste: As requested by EPA, have been prepared and submitted the forms for shipping and transport of oils for 2012 by HS Bistrita and HS Caransebeş. HS Portile de Fier received from I.S.U. Mehedinti approval for transport of dangerous waste from the branch and were handed over to SC New Company Recycling SRL a quantity of 2,033 tons of lead batteries, registered as dangerous waste code 16 06 01 *, for which the necessary forms were completed and approved the transport documents from the moment of collecting until deliver in safety conditions. Also, were given away non-dangerous waste, for which were drafted forms needed for transport to SC Brantner Servicii Ecologice SA. HS Tg Jiu prepared forms for loading and unloading of floating waste driven by high flood on Jiu river, in order to eliminate it, by local sanitation company and forms for loading and unloading of ferrous waste for recovery by auction.

ME Order no. 175/2005 on the procedure for reporting data on environmental protection activities by companies with industrial activity: IMS compartments of branch internal controls conducted under approved programs:

- SH Caransebeş in SPHPP Zerveşti, Station 110 kV and HPP Ruieni, deposits and Utilities Management Service;
- SH Oradea in HPP Săcădat and HPP Remeţi;
- SH Porţile de Fier in HPP Porţile de Fier I, chemical laboratory in plant and HPP Gogoşu;
- SH Rm. Vâlcea in HPP Rm. Vâlcea, HPP Râureni, HPP Govora, SHP Horezu 2, SPHPP Bistriţa Prislop;
- SH Sebeş in Barajul Obrejii de Căpâlna and HPP Petreşti
- SH Tg. Jiu in HPP Clocotiş, Baraj Clocotiş, Baraj Vâja and Depozit Preajba.

Order <LLNK No. 231 51> MWEP no. 278/1997 on preventing and combating activities of accidental water pollution: it started the update action plans for prevention and control of accidental pollution of water with oil products due to changes in organizational structure branches Arges, Slatina and Tg. Jiu, and HS Caransebeş performed centralization intervention stocks of materials from the premises and the warehouse.

Water Law 107/1996, as amended:

In order to complete the regulatory procedure / treatment plant authorization from HPP Somesul CAId, IMS department staff accompanied by NARW ABAS SGA representative visited the Cluj site. No problems were reported, it was drawn up the minutes for the site visit and decided to issue regulatory act.

Authorization from the water management point of view of Dimitrie Leonida- Stejaru plant belonging to HS Bistrita, in accordance with the law and recorded in the minutes signed by ABA Siret's visit, requires the regulation of water use and treatment administration existing in site. This report was prepared for the purpose of realization of physic-chemical and microbiological water supply network, sewage and wastewater discharge station Stejaru platform.

MEWA Order no. 662/2006 on the procedure and issuing permits and licenses for water management: HS Portile de Fier obtained authorization no. 32/2013 on water supply and wastewater disposal in HPP Portile de Fier I and water management permit no. 33/2013 on water supply and wastewater discharge at Portile de Fier II UHE - Colonie final.

Order no. 45/12.01.2013 on approval of the Advisory Board of Directors of the Portile de Fier Natural Park and the approval of the organization and its operation: As HS Portile de Fier is part of the Management Advisory Board of the Portile de Fier Natural Park, branch representatives attended the regular meeting of the Consultative Council on 21 March 2013. According to the agenda were discussed and debated: Report of APNPF at the end of 2012, the project implementation stage POS "RNP Romsilva - Portile de Fier Natural Park Administration RA, guaranteeing an adequate management of biodiversity" work program the APNPF for 2013 and other statutory organizational problems.

B2. Inspections from authorities

The HS Curtea de Arges, Prahova County Commissioner of the National Environmental Guard conducted an inspection at SPHPP Sinaia 0 following the complaint concerning improper waste management stationed in grids dam. There were no fined applied but were ordered the following measures: retention of grate for waste recovery and preparation instructions on cleaning grills and expands the dam's maintenance staff job descriptions. Measures will be carried out in the operating lalomita section.

In HS Buzau, Commissioner General of the National Environment Guard conducted an inspection of the dam and lake HPP Călimănești in Vrancea County is located in the protected area „Lunca Siretului Inferior” ROSPA 0071 and ROSCI 0162, terminals CSA Si 123 and CSA Si 124. No sanctions were applied, but the followings were recorded:

- The existence of a sorting station belonging to SC Total Antreprise SRL, whose quarry is at the end of the left bank of the dam and the transport of aggregates is done with heavy machinery passing through the dam. Measure: will take measures to limit the heavy traffic on the dam.
- The existence of waste impoundment in the Pufesti Lake. HS Buzau conducted a inspection in the area of downstream Siret, due to site chief complaint, before control environmental Guard which was completed by a referral to the Village Hall in Pufesti, HS Vrancea, about cleaning the areas under the administration of the commune.

Also, in the HS Buzau area, Water Basin Administration Constanta Dobrogea Litoral conducted an inspection at HPP Agigea in Constanta county. No sanctions were applied; Measure ready to announce operative ABADL regarding any input, output or

operation of GD 1-2 Connection of HPP Agigea and any accidental pollution and fish mortality in the area, if necessary.

At the HS Portile de Fier took place two inspection conducted by SGA Mehedinti, which were focused on checking objectives and the observance of the legislation on environmental protection and management. Objectives checked were HPP Portile de Fier I and UHE Portile de Fier II. No sanctions were applied.

The HS Tg-Jiu Commissioner held on 15.03.2013 control of the National Environmental Guard, carried out following the notification of the existence of waste involved floating the river Jiu (after high flood on 14 and 15.03.2013) the accumulation Vădeni and Tg.Jiu. Two measures were ordered:

- Collection and disposal of waste existing in the two reservoirs;
- Weekly notification to NEG Gorj on how to address the measure of collection and disposal of waste, including waste collected and delivered to the warehouse.

In order to comply with the measures, were developed and passed to ENG Gorj weekly briefings regarding applied measures. On this occasion, it was specified that Hidroelectrica is not generating such waste and is acting at all times with hydro-mechanical equipment supplied, involving significant human and material resources for the collection of such waste floating. To control the situation, HE prepared an internal program of measures, with responsibilities and deadlines, and a floating waste monitoring record at all accumulations belonging to HS Tg-Jiu and performs ongoing monitoring. Currently it is monitored Livezeni-Vădeni sector, lakes Vădeni and Tg-Jiu by photo monitoring and tracking the completion register by the responsible persons in each shift.

B3. Joint Implementation Projects

Joint Implementation project completed under art. 6 of the Kyoto Protocol, whose implementation was completed at the end of 2012, in March to pursue payment invoice verification report issued by KPMG related to monitoring project "Hidroelectrica hydropower development portfolio. Model I "and introduced payment for invoices issued by TUV SUD for verification of services for projecting monitoring reports of the Portile de Fier for the period 1 January 2012 - 29 November 2012.

It was sent correspondence to the Dutch partner to speed payment of invoices issued in January totaling an amount of 1,736,435 Euro.

B4. Other activities specific to environmental protection

In HS Bistrita took place the final acceptance of works of water supply network and sewage from Stejaru and Stejaru pavilion, attended by environmental specialists in the IMS department.

The public debate on Environment Report for Urban Plan for Construction of "Frasin-Pângărați HPP" held at Biczaz and the Special Committee constituted for the project meeting held at the APM Neamt called environmental specialist participation from HS Bistrita.

The relationship with stakeholders in their various requests was good and has effective communication. The HS Bistrita response to SGA Neamt on proper maintenance of minor riverbed downstream of the accumulation of Tasca and HS Rm.Valcea responded to Valcea Prefecture possible effects by logging actions on the left side of Mălaia Accumulation, accelerating the accumulation of clogging. Also, the changes proposed by the Romanian Ornithological Society as Conservation Manager, has been analyzed in the "Site Management Plan Natura 2000 ROSPA0106 Lower Olt Valley" and experts from SH Rm. Vâlcea and SH Slatina formulated an opinion.

Updated the Forum database located on the IMS Intranet with 5 new environmental permits SH Oradea: HPP Tileagd, HPP Lugașu, HPP Sacadat, HPPMP Astileu I and HPPSP Astileu II.

C. Security and Health at Work

C1. Specific activities of safety and health at work

To satisfy legal requirements relating to the organization of health and safety at work, in conjunction with changes in the organizational structure of the company, has been developed programs for the nomination of designated workers, Decision to the Law 319/2006, at the Hidroelectrica executive level. Similar decisions were issued in Bistrita, Oradea and Sebes branches in March.

Together with the participation of SHW specialists from branches an analysis confirming the existence of certificates evidencing the authorization of working points in Hidroelectrica according to Law 359/2004 was performed. After centralizing the data it was developed and approved by the Hidroelectrica management the Note no. 37582/26.03.2013. Based on this note, the Legal Department will initiate necessary steps for compliance with applicable statutory provisions as whole, applied at all points of the company. Please note that according to art. 39, para. (2) and art. 41 of Law 319/2006 on safety and health at work, on observing the legal provisions relating to authorization in terms of health and safety at work, a fine of 5,000 to 10,000 RON shall be applied to the employer.

SHW specialists from Hidroelectrica executive and branches participated in updating IMS documentation, suitable to organizational structure changes. Hidroelectrica processes, developed in March were submitted to the investigation, the procedures specific to safety and health at work: "SHW risk assessment" and "Investigating the labor system".

Regarding the discussion with ANRE on authorization regarding Regulation of Hidroelectrica electricians, seeing and appreciating its contents as abusive, with a financial impact of about 2,750,000 RON minimum expenses, submitted comments (partially taken in the final document) as analyzing the document text, it is not clear that the authorization procedure is not applicable to Hidroelectrica electricians, and decided to initiate a discussion with General Manager Mrs. Maria Manecuta, of the ANRE, to clarify the situation. Following this discussion, requested to ANRE by letter no. 14506/22.03.2013 on confirmation of maintaining current system of authorization and periodic training of electricians in the Hidroelectrica. ANRE answer no. 39787/01.04.2013 states that Hidroelectrica can meet the electrical operating through its own structures, but staff used for coordination / supervision of these activities should be licensed by ANRE, with appropriate authorization for maximum voltage level for production capacity. Following this answer, we consequently propose, attacking the document issued by ANRE according to administrative procedures applicable by legislation because this document does not meet the requirements of operational safety of electrical installations within Hidroelectrica, unnecessarily increasing company's costs.

To comply with legislation on maternity protection at work, given the information submitted according to the law by an employee in the Hidroelectrica executive was drafted and sent to stakeholders the legal documentation required in this case.

It was completed the evaluation of compliance with legal requirements and other requirements of SHW in HS Portile de Fier, the degree of compliance resulting being of 96%. In some branches the analysis is in progress and will be completed in the future.

It was also performed the process of consulting employees on health and safety at work on HS Sibiu and Hidroelectrica executive.

C2. The organization and operation of SHWC (Safe and Healthly at Work Committee)

The minute of SHWC-Hidroelectrica no. 31835/12.03.2013 of the meeting held on 11.03.2013 was approved and communicated to all staff "Report on the safety and health conducted within Hidroelectrica in 2012", Program and control in safety and health domain for 2013 and Awareness program themes for workers in 2013. Also at the SHWC meetings were established members of occupational doctors' staff, concluding a contract with Hidroelectrica to ensure compliance with Law 319/2006 on safety and health and employee representatives which will be part of the committee for analysis of personal protective equipment, to be purchased through a framework agreement for a period of four years. Documents and records results were communicated to stakeholders within the legal term.

Considering the legal provisions on health and safety at work - Hidroelectrica held a meeting in March 2013 updating SHWC decisions for appointing members of

Hidroelectrica executive and Caransebeș, Cluj, Sebes, Portile de Fier, Oradea, Rm Valcea, Sibiu and Tg. Jiu subsidiaries and revised content of the organization and functioning of SHWC in HS Caransebeș, HS Cluj, HS Rm Valcea and HS Targu Jiu.

The SHWC meetings in the branches, in March 2013 discussed and approved the following:

- Activity report for 2012 in HS Bistrița, HS Cluj, HS Porțile de Fier, HS Sibiu and HS Tg Jiu;
- Protection and prevention plan and expenditures program for 2013 in HS Bistrița, HS Cluj, HS Porțile de Fier, HS Sibiu and HS Tg Jiu branches;
- The results of workers on safety and health at work in HS Bistrița;
- Information on the revaluation of the security risks and occupational health in HS Bistrița, HS Cluj and HS Sibiu;
- Information on the periodic medical examination in HS Sibiu and HS Tg. Jiu;
- Information on program awareness themes for 2013 in HS Sibiu and HS Portile de Fier;
- Information on the program and control SHW for Hidroelectrica executive and instruction on provisions regarding ATV use on HS Targu Jiu;
- Water supply to HPP Vânători in SH Bistrița.

C3. The Stage of Prevention and Protection Plan

In order to control measures set out in the Prevention and protection plan and to adopt effective measures in time, in each branch and centralized at company's level, the physical progress and achievements and value of comparative analysis with the measures planned is monthly monitored. According to data submitted by branches was calculated the situation progress of prevention and protection plan set for 2013. Of the total of 7,450,447 RON was realized at the end of February, the amount of 64.342 RON and physical progress of implementation is about 9.2% over the planned measures in 2013. The analysis reports that the implementation of the measures stipulated in the prevention and protection plan, consideration was given to the legal provisions on safety and health of employees, during the first quarter of 2013, and there were no cases of imminent danger for the safety of workers.

At the request of the Department of Procurement and Logistics, proposals were made for the appointment of specialists in the company for the tender evaluation committee for centralized procurement and a note has been prepared to substantiate the technical criteria of selecting varieties for the personal protective equipment that will be procured by public tender. It was analyzed and observations were made on the documentation submitted to the ANRMAP for acceptance of procurement procedure.

Centralized procurement documentation for sanitary hygienic materials, approved by Hidroelectrica management, was sent to Procurement and Logistics Department to start legal proceedings for purchase. In this regard were analyzed documents produced by the Department of Procurement and Logistics, and tendering procedures

will be organized and carried out by the HS Portile de Fier according to the applicable legislation.

In compliance with the provisions of GD no.493/2006 regarding the obligation to wear earplugs to achieving or exceeding the upper exposure value (85 dBA) and to avoid registration of occupational diseases by exposure to noise, was developed a centralized procurement documentation for electronic earplugs to equip workers, a device for personnel on one shift, that it will be handed over from one shift to another. Although the measure is included in the prevention and protection plan and centralized purchasing program at Hidroelectrica, it will be reviewed in order to optimize expenditures having a high degree of urgency for achieving.

HSW inspectors from branches checked and analyzed if employees are equipped with personal protective equipment.

In the branch offices, HSW inspectors conducted 31 scheduled HSW controls action after which, where the case has been, initiated corrective and preventive actions.

At Procurement and Logistics' Department request has been developed by IMS service personnel a security framework convention on health services centralized pest control within Hidroelectrica.

C4. Health surveillance of workers

In March 2013, health inspections conducted a number of 900 health control on employees in Caransebeş, Cluj, Curtea de Arges, Targu Jiu, Portile de Fier branches and on 2 persons from SH Rm Valcea. In total, since the beginning of 2013, the periodic medical examination was conducted on a number of 1,850 people, representing approximately 37% of Hidroelectrica employees, the value of medical services billed at the end of March 2013 being in value of 78,184 RON, and the amount of 39.443 RON was paid until now.

For occupational health services offered by the provider in March 2013 statements submitted by the provider have been verified by officials following HS contract, in order to be perform and Hidroelectrica executive to accept payment of the invoiced amount.

Given the large number of employees in HS Portile de Fier with periodic medical examination with results "apt conditioning" (179 persons, approximately 39% of the employees of the branch) they were sent to doctors for further investigation and specialized treatment. Three persons with temporarily incapacitated results presented sick leave certificates, following investigations and specialized medical treatment provided by the family doctor to regain fitness, based on recommendations of the health physician and care providers.

Guidance and clarification requested under optimal conditions necessary for the development of health care workers and health surveillance to continuously communicate with the provider were secured from the branch representative .

In HS Bistrita and HS Rm. Valcea were updated 13 respectively 2 sheets for identifying occupational risk factors (as described in the GD 355/2007) due to changes in the organizational structure of the branch.

Taking into consideration the theme of the symposium organized on 14.03.2013 by ANIMA in partnership with the Public Health Department and the Bucharest Labor Inspectorate; occupational health services Hidroelectrica representative claimed cutting bureaucratic procedures and identifying economic relief schemes which provide business performance in health and safety at work.

The case of multiple records on confirmation of the periodic medical examination, according to legal formalities, was analyzed together with the labor inspector from the Labor Inspectorate in order to find solutions to make it more efficient, especially when using outsourced services and documents such as individual instruction in safety and health cannot be taken out from the unit in order to be signed by the occupational physician, as imposed by GD no.355/2007, containing the same information on the periodic medical examination and also a copy of this form must be attached to individual sheet for training in health and safety at work, according to GD 1425/2006 with subsequent amendments.

C5. Awareness of staff regarding SHW

Given the themes of awareness program in Hidroelectrica 2013, posted on the Hidroelectrica portal:

- Moving picture realized by HS Curtea de Arges about exchanging shift;
- PowerPoint presentation on the effects and consequences of alcohol, conducted under the Hidroelectrica Integrated Service Management System.

Under this program, in March was held and the first awareness campaign from 2013, the materials being processed in Hidroelectrica branches by cutting production display or presentation in regular training. Intensifying efforts of people involved in this campaign will have the effect of increasing the level of employee involvement in instinctive recognition of the specific risks and preventive measures that should be taken.

At the end of March 2013 the Work Inspectorate and Bihor Labour Inspectorate started information, awareness, monitoring and control of the legal provisions relating to health and safety legislation at the workplace. HS Oradea was invited to participate in this program through, pilot projects on improving employees' safety at work in small and medium enterprises", the results of the project will be promoted as best practice examples for improving security at work for small and medium enterprises in

Bihor county and will be disseminated within Hidroelectrica executive level and branches.

C6. Specific training for safety and health actions

In March 2013, the branches had monitored progress of regular trainings and were planned and carried out actions authorizing the electricians in HS Cluj, HS Portile de Fier, HS Sebes, HS Bistrita HS Rm Valcea and HS Slatina. Updated decision for authorizing the establishment of the committee, following the authorization of electricians will occur in the future. HSW specialists in Caransebeş and Tg Jiu branches conducted specific training in health and safety at work.

C7. Risk evaluation of HSW

11 risk re-valuations were conducted in some branches such as Buzau, Cluj, Sibiu, Bistrita Slatina. They were focused on accurate prevention measures and protection for all levels of risk partially determined. Risk level is determined within the acceptable risk level value of 3.5, determined according to the method used and the system procedure "HSW risk assessment" of Hidroelectrica.

C8. Authorities' inspections

In HS Buzau labor inspectors from Buzau Labor Inspectorate conducted an inspection, with the theme: "Verification of compliance with the provisions of Law 319/2006, GD no. 1425/2006 and GD no. 355/2007". Following control action, the company management was warned about the need for a full set of measures for 2013 through the Plan for the prevention and protection in HS Buzau by providing the necessary funding.

C9. Events in the the working system

In March 2013 two events occurred within Hidroelectrica system which is described below:

At HS Bistrita - HPP Bereşti an event took place on 08.03.2013 (out of work, according to the analysis performed on site) consisting of notification of the fact that a worker was killed on Bereşti HPP dam. From the first medical research carried out on-site SMURD workers stated that victim's death could be due to a heart attack. The event is investigated according to the legal provisions by Bacau Labor Inspectorate, HSW Inspector from HS Bistrita providing support needed to complete this analysis.

At HS Buzau - CFEE Siriu a work event took place on 05.03.2013 consisting of an injury on an electrician who performed remedial work to damaged console post 242 for LEA 20 kV Barrage 1. Following the failure of platforms operated by a telescopic arm (actuator rod telescoping cylinder doubted), the worker felt and suffered an injury on his right leg that required 10 days of sick leave. Investigation is conducted according to the law by a commission appointed from the HS Buzau. Given the apparent failure due to technical platform, ISCIR is expertising the machine. After

ISCIR expertise will be completed, the investigation file will be recorded according to appropriate legal provisions.

D. IMS Intern Audit

D1. IMS Intern auditors

Based on the results of the annual evaluation of internal auditors, held in February, lists were compiled for auditors for executive and branches and IMS internal auditors list at Hidroelectrica level. These include qualifications of each auditor, expertise, number and date of certificate obtained by internal auditor and name of the trainer.

IMS internal auditors' lists were approved, and electronically disseminated. Scanned lists are posted on the company's intranet. The IMS body of Hidroelectrica internal auditors comprises 16 audit team leaders, 23 internal auditors and 5 auditors in training.

In order to update operational procedure "Evaluation of IMS internal auditors" were analyzed and summarized results of IMS benchmark tests for internal auditors on their opinion on the criteria and methods of assessment.

D2. Internal audit programs

In accordance with the requirements of the "Internal Audit" system procedure and the requirements of SR EN ISO 19011:2011 "Guidelines for auditing management systems" for preparing internal audit programs for 2013, were reviewed organizational charts for all organizational entities (Executive branches), Hidroelectrica map processes approved on 28.02.2013, IMS lists with internal auditors and audit reports drawn up in 2012. In March were prepared, approved and disseminated the following:

- Hidroelectrica Internal audit program of HS;
- The internal audit program for executive;
- Internal audit programs for Bistrița, Rm. Vâlcea and Sibiu branches.

Audit program's objectives were established, consistent with company policy and objectives of the implemented management system. There were also settled areas and audit criteria. Audit programs were developed to include all functional executive branch departments and relevant functions.

In developing the audit program of Hidroelectrica in 2013 and the establishment of its scale analysis were taken into account the results of previous audit programs, the size of each branch, travel and accommodation costs and the availability of auditors and auditors with appropriate jurisdiction to achieve the objectives of the program. Selection of audit team members was done according to the audit objectives and the complexity of each audit so that the audit team has all the necessary knowledge and abilities. Also, for each scheduled audit was taken into account the independence of auditors for auditing.

The HSW inspector SH Bistrita was included as technical expert in audit teams conducting internal audits.

Audit programs under survey were sent to all stakeholders and based on the comments received were completed. These were reviewed, endorsed and approved, and have been sent to auditees and auditors.

In HS Curtea de Arges, in March, internal audits were conducted in the two branch factories, UHE Vidraru and UHE Câmpulung, and in the following functional departments: Utilities Management, UCCH Service, Chemical Service and Technical Department. The audits were conducted in accordance with the internal audit program approved at the branch level. They audit reports that were signed by the directors of the plant or by the HS director.

D3. Preparing internal audits documents

The 'Internal Audit SMI ' was prepared according to new requirements for drafting IMS, following IMS Program deadline for updating documents no. 27061/01.03.2013. Draft of proceedings was sent for approval to all stakeholders.

D4. The contract for external audit

In March was initiated and is under negotiation process the second contract subsequent to the framework agreement concluded in 2012 with SC SCRAC CERT SRL, concerning "Integrated Quality Management System Re-certification - Environment - Health occupational Safety and "supervisory Audit I and annual fee - year II. Pre-negotiation stages were:

- Address to be issued by the Department of Procurement and Logistics, on the launch of the subsequent contract negotiations, to which were attached the following documents: schedule for conducting contracts on phases (Annex to the Framework Agreement entered service in 2012) and address issued by SRAC CERT SRL, confirmed by Hidroelectrica management, stating the deadline for conducting surveillance audit I.
- Collaboration with Service Contracts on the members of the negotiation commission, the contents of the draft of the contract and supply the address for service request.

Subsequent contract negotiation took place on 22.03.2013, at Hidroelectrica premises, after receiving the offer from the service provider. We have negotiated the following: contract price, schedule of ongoing surveillance audit phase in 2013, duration, locations to be audited and the members of the audit team.

After negotiations was obtained a reduction of 15.61% from the contract price compared to the originally price estimated in service framework agreement concluded

in 2012. It was decided that the entities audited in 2013 should be Hidroelectrica executive, HS Bistrita and HS Slatina.

E. Risk Management

E1. Specific documents

Draft of Risk Management procedure developed based on the requirements of ISO 31000 "Risk management. Principles and guidelines" and ISO 31010 "Risk Management Assessment Techniques " and IMS collective experience, that was given to be analyzed by IMS Services and will be broadcasted throughout Hidroelectrica for approval, followed by experience, especially at branch level, to complete a procedure applicable to the whole company.

E2. Planning, monitoring and reporting

In March, following the decision taken by the management on 01.03.2013, and as preparation for the reporting required by the Ministry of Economy has issued Decision no. 1117/21.03.2013, IMS service in Hidroelectrica SA and in each branch was appointed to carry out activities to maintain the functioning of the Internal Control Managerial System.

In the IMS service, has developed programs of action relating to the functioning of the integrated management system, including the operation of the internal control system and its management for 2013 and submitted requested reports to the Ministry of Economy - Public Policy Unit. In order to implement the decision issued and the Program these documents were sent both to branches and departments with the executive function.

Based on the Program of Action for IMS effective operation, including the operation of the internal control system for management in Hidroelectrica due to 2013, specific programs have been developed for branches Portile de Fier and Ramnicu Valcea adapted to the responsibilities.

HS Bistrita has reviewed the progress of the measures included in the program of measures for the development of internal management control in 2012, and the progress of the implementation of measures in the standard program no. 11 on risk management, both of which are presented in the review.

In HS Oradea the Risk Management Committee met in a meeting to analyze activities of the Committee in 2012. There have been proposals to update the forms of alert to risk and risk registers. Also, considered the need to implement an integrated approach to the definition and goal setting standards approved by MPF Order no. 946 and reference standards of quality management, environment, safety and health.

For compliance with standard 11 "Risk Management" of the Code of internal control within in HS Ramnicu Valcea and HS Tg. Jiu, was planned to review and update risk register Risk Level I and II.

E3. Organization

In HS Cluj, discussions were held with the HS Director and Human Resources and Communication Departments in Hidroelectrica's new approach, IMS obligations in the implementation and development of requirements MPFO no 946/2005 and settled for the application of Art.7 of Decision no. 1117/21.03.2013, Rules of organization and functioning (ROF) and updating job descriptions of staff in CF IMS.

In HS Portile de Fier, based on the art. 6 of Decision no. 1117/21.03.2013, for carrying out the provisions has cancelled the decision to appoint a commission to coordinate the implementation of MFP Order no. 946/2005 and risk management in HS Portile de Fier, duties being taken over by the designated persons.

In HS Slatina duties were taken to maintain the operation of the internal control management by entering into a verbal handover process between the Secretary of the Commission of MFP Order no. 946/2005 and the IMS department coordinator.

F. Common IMS activities

F1. Internal training

On 27, 28 and 29 March 2013, in full compliance with the operational procedure "Internal Training", eight internal training sessions were held in Hidroelectrica with presentations and case studies so that workers should get the necessary information to implementing changes of the integrated management system documentation and refreshing information on the requirements of health and safety at work. Training was done with the whole staff of the Hidroelectrica executive and was supported by the IMS specialist, with the theme:

- Documentation of IMS and IMS news on procedures and process sheets;
- Corrective and preventive actions initiated and documented in the CF, such as external audit conducted in 2013;
- Process management in Hidroelectrica;
- Regular training and presentation materials, awareness of health and safety at work.

Internal training support was created according to the procedures. Verification tests took place and were prepared questionnaires assessing knowledge and satisfaction about work safety and health at work.

For each day of training effectiveness ratios were developed to obtain feedback and assess the potential for improving this activity. Presented topics were very well received by employees and sparked the participants' interest; training become interactive and was focused on the new concepts introduced in IMS.

The presentations were posted on the company intranet to provide training support in the future for Hidroelectrica branches.

Internal training sessions were conducted in the Porțile de Fier, Caransebeș, Tg. Jiu and Slatina branches.

Also, all IMS personnel conducted a self evaluation on "Aspects of procedural approach", with the ongoing support ISO Guide on the concept of the process approach for management systems (ISO 9000 Introduction and Support Package: Guidance on the Concept and Use of the Process Approach for management systems) and Procedural structure - processes 0,1 and 2 identified in Hidroelectrica.

F2. Requested reports

Financial audit asked for IMS reports on activities undertaken in 2012, and therefore all branches and Hidroelectrica executive provided data and information to support the audit of financial statements. Chapters on work safety and health, environment and quality management were developed. The financial auditors have requested meetings and data, and additional documents and information.

Similar chapters were prepared for Hidroelectrica report to ANRE, as well as the Technical Report and the Annual Report.

F3. Other activities

During the month of March 2013 in Hidroelectrica executive and in branches, IMS specialists analyzed the application of various functional departments, specifications, studies, contracts to clarify issues relating to compliance with legal requirements, avoid or reduce the risk of injury or / and disease. The documents were reviewed and issued viewpoints which were discussed and argued at CTE meetings.

HSW and PM Specialists from subsidiaries concluded conventions with third party companies participating in the reception of their work, for compliance with legal requirements and other requirements for environmental protection and health and safety.

7. Acquisition activity

A. Impairment of contracts in progress at this time

Values of commercial contracts in progress within Hidroelectrica were reduced after negotiations, preparing in this regard related addenda. Value of reductions resulting from addendums approved by the Hidroelectrica executive from entering insolvency until now, divided on branches is of 240,401,350 RON (431 addendum) out of which:

- Investment funds : 118.382.202 RON
- Maintenance funds: 107.283.783 RON

- Other funds: 14.735.365 RON

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	25	314,868,194	257,025,503	24,535,348	290,332,846
HS Cluj	29	536,829,757	456,004,172	25,109,989	509,504,339
HS Curtea de Arges	66	98,397,224	28,246,080	9,081,625	89,315,599
HS Hateg	46	291,841,919	212,177,911	17,115,559	274,726,361
HS Oradea	24	101,113,755	87,035,928	28,590,744	72,523,011
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	431	3,214,097,572	2,333,614,265	240,401,350	2,971,476,308

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	17,376,707	4,489,423	44,721,168
HS Hateg	13	237,607,741	184,701,629	10,066,499	227,541,242
HS Oradea	9	40,049,616	38,250,083	2,470,143	37,579,473
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	167	2,653,957,924	2,029,153,110	118,382,202	2,533,360,294

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	6	26,103,380	21,417,933	12,688,416	13,414,964
HS Cluj	1	20,179,600	9,115,491	2,608,729	17,570,871
HS Curtea de Arges	6	37,318,989	7,730,593	3,090,371	34,228,618
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	42	456,164,175	240,738,891	107,283,783	348,880,389

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	48	11,867,643	3,138,779	1,501,831	10,365,812
HS Hateg	31	2,407,546	1,297,082	191,337	2,216,209
HS Oradea	11	25,649,129	21,463,928	5,522,026	20,127,102
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	222	103,975,473	63,722,264	14,735,365	89,235,624

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 hydropower plants subsidiaries.

Additionally, in this application was 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 409.854.451 RON.

Other reductions:

Subsidiary	Initial value	Final value	Value of Reduction
Executive	610.258.184	200.956.748	409.301.436
HS Bistrita	659.065	519.955	139.110
HS Buzau	855.936	754.432	101.504
HS Curtea de Arges	85.000	67.500	17.500
HS Hateg	45.687	17.243	28.443
HS Oradea	66.600	50.400	16.200
HS Portile de Fier	94.485	78.393	16.092
HS Ramnicu Valcea	2.017.061	1.852.957	164.104
HS Sebes	69.794	55.337	14.457
HS Sibiu	92.697	80.976	11.721
HS Slatina	7.888	7.628	260
HS Targu-Jiu	251.090	207.466	43.624
Total	614.503.487	204.649.036	409.854.451

The total value of reductions from additional acts reduction, plus the value resulting from "other reductions" is in value of 650.255.801 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.

d) 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 Stage I (one group of 55 MW). Equipment's 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 of a contract notice for the contract concluded with SC ICMENERG SA "Dielectric Measurements - HG 3 Mariselu" Contract no. 48/07.03.2013 SC ICMENERG SA signed and submitted to the beneficiary (estimated value: RON 10,000 – negotiated value RON 9,800);
 - c) Procedure exempted from GEO no. 34/2006 provisions "Professional training management with emphasis on evaluation and selection of management staff for the company including project management, design and documentation process of recruitment, assessment and selection", procedure completed, contract no. 41/26.02.2013 signed with SC Pedersen & Partners and submitted to the beneficiary. (Estimated value EUR 65,000 - negotiated value EUR 60,000)
 - d) Direct purchase of the "Legislative program INDACO" procedure completed, contract no. 46/06.03.2013 signed with SC INDACO SYSTEMS SRL and submitted to the department's ongoing customer.
 - e) 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 completed by Contract no. 51/18.03.2013, signed and submitted to the beneficiary (estimated value 14.878 euro - negotiated value 11.548 euro)
 - f) 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" . Procedure completed by Contract no. 50/13.03.2013 concluded with SC OMIFA SRL and sent to the beneficiary (estimated value 15.000 euro - negotiated value 14.108 euro)
 - g) Negotiation without a prior call for participation concluded with SC Media Invest Communication for the acquisition of "Advertising services for recruitment through national media print" "Services for personnel recruitment advertising through online media print ". Procedure completed by contract no. 53/20.03.2013 concluded with SC Media Invest Communication SRL, submitted to the beneficiary.

- h) Negotiated without prior call with SC Violet Communications SRL for the acquisition of "Services for personal insurance recruitment advertising through local press and TV." Procedure completed, contract no. 54/20.03.2013 SC concluded with Violet Communication SRL, submitted to the beneficiary department.
 - i) Negotiations in order to conclude a subsequent contract with SC Orange Romania SA for "Mobile services and related services" for a period of four months needed to complete before open tender procedure published in SEAP. Negotiations will take place on 10.04.2013
 - j) Conclusion of a subsequent contract with SC Romtelecom SA for "Fixed telephony services and Internet back-up" for a period of four months needed to complete before open tender procedure published in SEAP. Contract pending Hidroelectrica's approval.
 - k) Negotiation of subsequent contract with SC SRAC CERT SRL for "Recertification Services for Integrated Quality Management System - Environment, Occupational Safety." Contract pending Hidroelectrica executive approval.
 - l) Open Auction for "Telephony services, mobile telephony, internet, transport voice / data communications and maintenance of equipment and videoconference" documentation submitted for approval by ANRMAP on 13.03.2013, dismissed with ANRMAP comments on 25.03.2013, under restoration in accordance with the ANRMAP observations.
- 2) Documentation and approval for award by drawing the common notes and decisions on starting the branch acquisition procedures in their annual programs under the procedures, decisions and internal rules available at this time.
 - 3) Making centrally purchases of goods and services that meet the needs of all branches as follows:
 - Open auction for "Casco and RCA insurances for cars necessary to be renewed in 2013" - Procedure completed, report for proceedings pending Hidroelectrica executive's approval.
 - Direct purchase "pest control services" - Procedure completed, ongoing conclusion of contract by Hidroelectrica.
 - Open Auction "Verify User technical investigation / examination of technical installations operating in ISCIR regulated areas under Hidroelectrica SA management for the period 2013-2014" ESPP documentation submitted for approval by ANRMAP dated 20.03.2013, rejected comments by ANRMAP on 27.03.2013, under restoration in accordance with the ANRMAP observations.
 - Open Auction "Cleaning services" tender documentation pending Hidroelectrica approval.
 - Subsequent Contract Negotiation Framework Agreement for the supply of mineral oils with SC Mol Romania Petroleum Products Ltd, negotiating Negotiation Note approved, contract to be signed by Mol Romania representatives.

- 4) Under the process of centralization and preparation of documents in order to achieve centralized procurement:
 - Cleaning Services
 - Paintwork
 - Lighting
 - 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, subsidiaries that have the largest share of acquisitions and subsidiaries that have specially trained staff in order to draw up specifications. The evaluation committees will be present together with representatives of HE executive.
 - Acquisition of "Sanitary and hygiene materials" delegated to be conducted by SH Portile de Fier - Tender documentation introduced in SEAP dated 27.03.2012, pending ANRMAP validation.
 - Acquisition of Varnish and Painting products and will be delegated to SH Curtea de Arges.
- 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 for the next month.
- 7) Receive from all HS "Annual Procurement Program 2013" reviewed in accordance with the changes of funds and organizational changes within Hidroelectrica. The programs are pending approval of Hidroelectrica executive.
- 8) The additional 'annual procurement program for 2013 "for executive Hidroelectrica under purchase requisitions approved by Hidroelectrica executive for purchases that could not be foreseen at the end of the initial PAAP.

8. *Company personnel and organizational restructuring*

On **31.03.2013** it was registered a total of **4903 employees** compared to 4928 employees that were registered on 28.02.2013.

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

Downward trend of the subsidiary staff is presented below:

SUBSIDIARY	Employees on 21.06.2012	Employees on 31.07.2012	Employees on 31.08.2012	Employees on 30.09.2012	Employees on 31.10.2012	Employees on 30.11.2012	Employees on 31.12.2012	Employees on 31.01.2013	Employees on 28.02.2013	Employees on 31.03.2013
BISTRITA	595	593	593	590	590	586	583	562	561	557
BUZAU	344	344	344	343	338	338	338	327	327	326
CARANSEBES	195	196	196	196	195	193	192	190	188	187
CLUJ	317	314	311	310	309	308	298	290	290	290
CURTEA DE ARGES	666	663	661	660	661	659	657	642	638	635
HATEG	357	354	354	352	353	350	347	342	341	340
ORADEA	290	289	288	288	287	287	286	284	282	282
PORTI DE FIER	487	485	484	485	477	474	474	461	461	459
RM VALCEA	552	554	553	552	551	548	547	531	529	528
SEBES	241	240	240	241	240	240	238	237	234	229
SIBIU	316	314	314	313	312	309	307	301	301	301
SLATINA	328	328	326	325	324	324	324	315	314	313
TG JIU	285	285	285	285	284	284	279	261	255	251
EXECUTIV	260	259	257	258	253	251	245	211	207	205
TOTAL	5233	5218	5206	5198	5174	5151	5115	4954	4928	4903

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

During the month of March 2013 was recorded a total of 25 employees who left the organization. The situation in subsidiary is as follows:

No	SUBSIDIARY	Employees on 21.06.2012	Employees on 28.02.2013	Employees on 31.03.2013	Out March 2013	In March 2013
1	BISTRITA	595	561	557	4	0
2	BUZAU	344	327	326	1	0
3	CARANSEBES	195	188	187	1	0
4	CLUJ	317	290	290	0	0
5	CURTEA DE ARGES	666	638	635	3	0
6	HATEG	357	341	340	1	0
7	ORADEA	290	282	282	0	0
8	PORTILE DE FIER	487	461	459	2	0
9	RM. VALCEA	552	529	528	1	0
10	SEBES	241	234	229	5	0
11	SIBIU	316	301	301	0	0
12	SLATINA	328	314	313	1	0
13	TG. JIU	285	255	251	4	0

No	SUBSIDIARY	Employees on 21.06.2012	Employees on 28.02.2013	Employees on 31.03.2013	Out March 2013	In March 2013
14	EXECUTIVE	260	207	205	2	0
	TOTAL	5233, (5239 /3 positions with two employees)	4928	4903	25	0

The following table highlighted reasons for leaving the organization, structured on causes. Most departures are due to retirement (19 cases).

No	Reasons for leaving the organization in March 2013	Disposals
1	Retirement age limit	8
2	Medical retirement	1
3	Partial early retirement	2
4	Anticipated retirement	8
5	Termination of ILC by mutual agreement	3
6	Employee's decease	2
7	Dismissal	1
	TOTAL	25

II. Schedule of activities:

A. Reorganization:

Between 11.02.2013 - 4.03.2013 Bucharest Labor Inspectorate held an inspection aiming the observance of labor legislation in terms of dismissal arising from the reorganization of the company, and company insolvency.

In the inspection report concluded on 04.03.2012 recommendations were made regarding compliance with labor legislation, including the release of all legal documents to lay off employees. The company has fully fulfilled this legal obligation. No sanctions were ordered.

B. Selection of managers in Hidroelectrica

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

The total number of vacancies in the project is of 67 and 28 positions are considered critical positions: Executive Managers (4), Branch Managers (13) department

managers in the Hidroelectrica executive (11), Deputy Managers for Branches will also be selected, plant managers and plant engineers chiefs.

The project was launched on March 20, 2013, on which occasion press conference was organized at the company's headquarters, attended by the Legal Administrator and Pedersen & Partners representatives.

A press release given at one day after opening the recruitment campaign had announced a record number of applications: 472. The recruitment campaign has sparked interest in the press and media due to originality and size, the first of this kind of campaign launched by a public company in Romania. Articles about Hidroelectrica recruitment campaign for managers were posted in Business Magazine, Ziarul Financiar, Capital and online media.

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

Thus, on 21.03.2013 The Legal Administrator sent a message to all company's employees urging them to join the contest, assuring them that will ensure transparency and honesty is the selection process, based on professional competence, integrity and honesty, a process supported by reputable international company, Pedersen & Partners.

Steps of selection process are:

20 March - 10 April receiving resumes

27 March - 20 April selecting resumes

20 April - 25 May interviews and references check

31 May announcing the results.

C. Visit of the Legal Administrator in the 13 subsidiaries:

During March the Legal Administrator visited 6 of the 13 branches, included in the spring tournament

Calendar of March visits:

-9-10 March 2013 Valcea and Arges Subsidiaries

-16-17 March 2013 Portile de Fier and Caransebes Subsidiaries

-30-31 March 2013 Oradea and Cluj Subsidiaries

Legal Administrator thus **met with over 1,500 employees of companies.**

At the meetings with employees, Legal Administrator presented company's economic situation, the steps taken to redress the situation since insolvency and projects that are in progress. **The latest projects presented in detail during visits to branches**

are connected to reorganizing the 8 Hidroserv branches and selecting managers based on competition.

EURO INSOL, Hidroelectrica's Legal Administrator has implemented the necessary measures for registration at the Trade Register of a single legal entity, resulted from the merger of eight branches, so that to save most of the jobs in Hidroserv sites, on the verge of default, because of due and unpaid debts worth over 122 million RON, accrued to third parties.

Approval of organizational chart on 16.01.2013 coincided with the appointment by delegation of 67 managers for a period of 90 days, to fill vacant positions. Future management will be recruited from within and outside the company. The Legal Administrator has urged all employees of the company who have proven time loyalty to the company, competence and managerial capability to apply for the 67 management positions, guaranteeing them a transparent and objective procedure.

Employees asked questions to the Legal Administrator on: security of their jobs in both in Hidroelectrica and Hidroserv branches, reorganization of Hidroelectrica Branches, denunciation of contracts with smart guys, burdensome contracts with Hidroserv affiliates and 100 subcontractors in the branches, development projects and future business strategy, social protection of employees and the remuneration to the employees, mentioned in the Collective Labor Agreement in a critical period for the company.

The tour continues in April when it will be visited the other 7 Hidroelectrica branches.

9. Specific economic and financial activities.

Net turnover realised until 28.02.2013 was in value of 396 million RON, approx. 91 million Euro.

On 28.02.2013, the main positions that define financial position are :

	Million RON			Million RON	
ASSETS	28.02.2013	%	LIABILITY	28.02.2013	%
Intangible assets	4	0,02%	Share capital	4.480	22,10%
Tangible assets	19.739	97,38%	Revaluation reserves	11.133	54,92%
Financial assets	61	0,30%	Reserves	1.119	5,52%
FIXED ASSETS	19.804	97,70%	Reported result	(657)	-3,24%
Stocks	107	0,53%	Current result	99	0,49%
Receivables	250	1,23%	Distribution of profit	0	
Short term investment	2	0,01%	EQUITY	16.174	79,79%
Cash	106	0,52%	Patrimony	39	0,19%
CURRENT ASSETS	464	2,29%	Short term debts	2.355	11,62%
Expenses recorded in advance	2	0,01%	Long term debts	1.290	6,36%
ASSETS TOTAL	20.270	100,00%	TOTAL DEBTS	3.645	17,98%
			Other liabilities	412	2,03%
			LIABILITY TOTAL	20.270	100,00%

Operating income realized in March was in value of 246.8 million RON, with the following structure:

- a) Total electricity delivered 1,224,513 MWh in value of 218.4 million RON, of which:
 - On Regulated Market - 441.006 MWh in value of 55,2 mil. RON;
 - To Eligible licensees and PCCB 581.388 MWh in value of 113,5 mil. RON;
 - On Next Day Market - 172.645 MWh in value of 28,4 mil. RON;
 - On Balance Market in value of 21,3 mil. RON;
- b) Ancillary services to Transelectrica (secondary control frequency / power reserve power, reactive power and voltage control assurance) in value of 23,8 mil. RON;
- c) Transport services for regulated market 1 mil. RON;
- d) Green Certificates in value of 0,7 mil. RON;
- e) Other operating incomes 2,9 mil. RON.

Net turnover realized in March was in value of 265 million RON and total for the first quarter was 661 million RON .

Preliminary profit for March is in value of 44 million RON and cumulative for first quarter is 143 million RON, approx. 33 million euro, with the following structure:

- million RON

Indicators	Total for 2 months	March	Total 1st quarter
Revenues from operation	400	267	667
Operational expenses	316	198	514
Result from operation	84	69	153
Finanacial revenues	28	1	30
Financial expenses	14	26	39
Financial result	15	-25	-10
Total revenues	428	268	697
Total expenses	329	224	553
Gross result	99	44	143

Cash flow and net treasury

In March 2013, the company received income from operations and the financial activity totaling 268 million RON, as follows:

Specification	Amount (million RON)
Electricity	268,1
Interests	0,1
Investment credit lines	
Total	268,2

Payments in March are in value of 285.2 RON million as follows:

- million RON -

Details	Value
Net salaries	15,23
ILC rights	0,44
Fiscal obligations	48,28

Investment and production Suppliers	121,84
Delegations, household expenditure	0,05
Bank commissions	0,02
Interests and commissions for credit lines	2,42
Interests and commissions for investment credits	1,50
Refunds in credit lines	15,41
Refunds capital investment loans	80,01
TOTAL Payments	285,20

In January-March 2013 was paid to the state budget an amount in value of 173.46 million RON, of which VAT in value of 131.27 million RON.

On 31.03.2013, Hidroelectrica held in banks accounts own funds in value of 90 million RON and the amounts of the credit lines used were in value of 450 million RON.

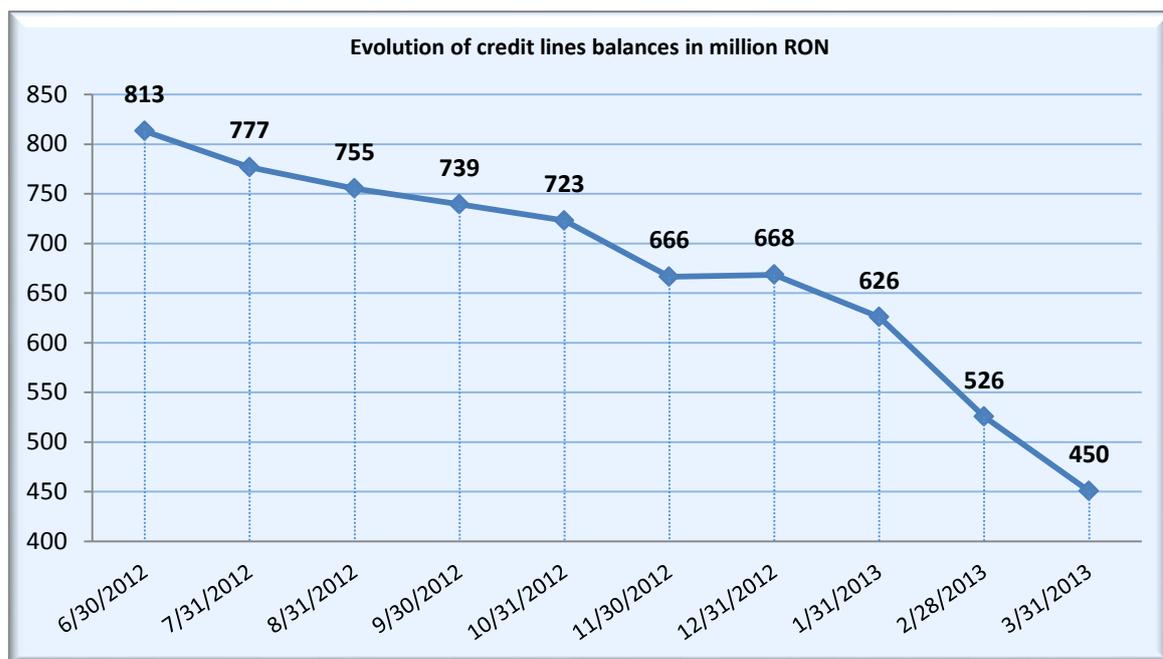
Net treasury has improved every month, so at the end of March 2013, **the cash deficit was in value of 360 million RON towards 780 million RON, value recorded on 20.06.2012, the date of opening insolvency procedure, the increase being in value of 420 million RON.**

Net flow evolution:

Specification	Million RON					
	Jan 2012	May 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013
Cash and bank accounts	77	71	57	133	112	90
Short term credit lines	-736	-851	-669	-626	-526	-450
Net cash flow	-659	-780	-612	-493	-414	-360

In March, the credit lines from RBS were reduced from 1 million Euro and in Citibank with \$ 2 million.

The evolution of balances of lines of credit in the period 30.06.2012 and 31.03.2013 are as follows:



Credit lines turnovers and costs in the period January-March 2013 are as follows:

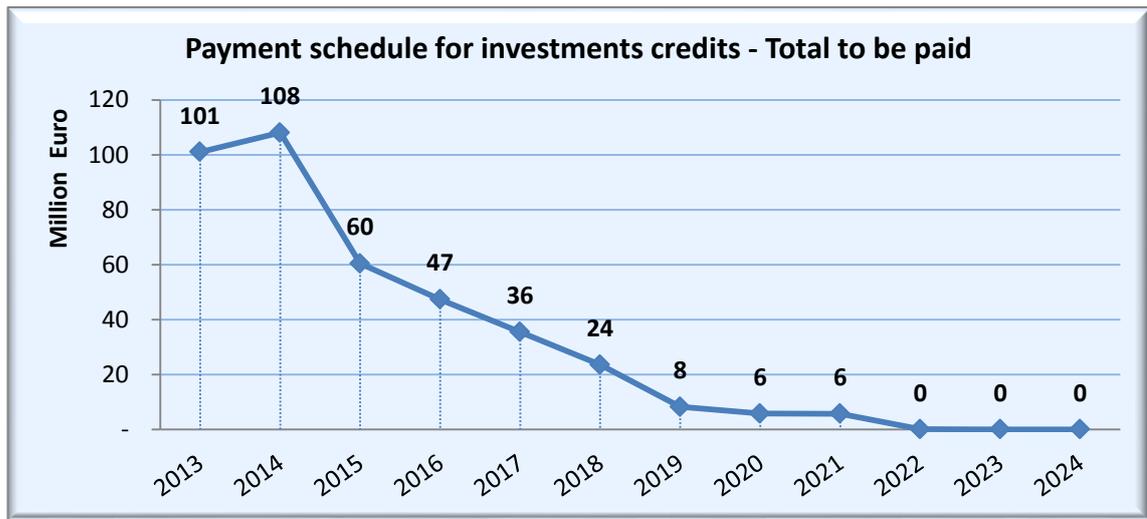
Bank	Month	RON draws	Reimbursements Capital RON	Total Costs RON	Total payments RON
Alpha Bank	1	0	0	679,331	679,331
	2	0	0	580,731	580,731
	3	0	0	550,836	550,836
Alpha Bank Total		0	0	1,810,898	1,810,898
Banca Transilvania	1	0	0	727,849	727,849
	2	0	0	677,746	677,746
	3	0	0	744,579	744,579
Banca Transilvania Total		0	0	2,150,174	2,150,174
BRD	1	214,142	24,632,646	1,655,968	26,288,614
	2	1	95,782,271	1,129,606	96,911,877
	3	5,173,198	73,781,404	643,665	74,425,068
BRD Total		5,387,340	194,196,320	3,429,239	197,625,559
Citibank	1	273,687	3,511,907	273,687	3,785,594
	2	246,679	3,580,018	246,679	3,826,698
	3	273,397	7,240,480	273,397	7,513,877
Citibank Total		793,763	14,332,405	793,763	15,126,169
ING Bank	1	170,535	4,967,979	53,769	5,021,748
	2	0	0	13,151	13,151
ING Bank Total		170,535	4,967,979	66,920	5,034,899
RBS	1	224,121	4,615,860	224,121	4,839,982

Bank	Month	RON draws	Reimbursements Capital RON	Total Costs RON	Total payments RON
	2	193,610	4,626,175	193,610	4,819,784
	3	207,362	4,622,833	207,365	4,830,197
RBS Total		625,093	13,864,868	625,096	14,489,964
Total		6,976,731	227,361,573	8,876,089	236,237,662

On 31.03.2013, contracted credit lines available in RON were in value of 247,385,244 RON, as follows:

Bank	Limit credit line	Balance available credit line
Alpha Bank	80,000,000	23,817
BRD	300,000,000	235,301,910
Banca Transilvania	120,000,000	12,059,516
Total	500,000,000	247,385,244

Schedule of payments under investment loans is as follows:



Of all payment obligations towards financial creditors, amounting to 101 million euro, representing due installments, interest and other associated costs for 2013, in January-March were paid amounts in value of 28 million euro, so that the remaining amount to be paid for the period April-December 2013 is in value of 73 million euro.

11. Strategy, business development and communication

In March 2013, the Department of Strategy and International Cooperation carried the following activities:

1. Strategy and business development

- *Cooperation and international relations*

In March 2013, the international relations and cooperation activities were 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 relationships in hydropower domain in Romania: Embassy of Italy, Franco Tosi Meccanica, JSC Technopromexport, Fortum Power & Heat (by Zazi Business), Aldesa Energias Renovables;
- correspondence with the Ministry of Economy in preparation for a summit with high level representatives of Hungary (information on cooperation with the Hungarian company MVM Zrt.) Develop and submit proposals for cooperation opportunities in hydropower domain in Romania;
- management of hydropower participation events (IRE - Roundtable Dimitrie Leonida - first Romanian energetician engineer, Verbund - wind power park Casimcea etc.);
- collect data from involved departments and issuing the Report of the special administrator, after signing and posting of special administrator's report on company website, submit the report in English to Franklin Templeton Investment Management;
- perform translations for required documentation: report of the special administrator, materials for Hidroelectrica website, ATEL Convention, the World Bank letter, Andritz letter, email European Business Awards and selecting information to be presented in the newsletter;
- Initiate collaboration with national and international authorities to which Hidroelectrica is affiliated - taking information provided by associations and disseminate them through the monthly newsletter, preparing documentation to attend the General Meeting of the Association for Energy; nominated Hidroelectrica representative for the CNR-CME Board of Directors; appointing a media responsible in Hidroelectrica, considered CNR-CME representative, to cover of scientific events and exhibitions organized by the association, and in particular FOREN 2014; collaboration with IRE for organizing Dimitrie Leonida roundtable;
- Prepare and approve the necessary documentation necessary for hydropower representatives to travel to Budapest, Hungary (with the official delegation of the Minister for Energy) in Ravensburg, Germany and, respectively Laufenburg and Rheinfelden, Germany - report, decision, writ, estimated note of advance, purchase tickets and other travel documents, calculating entitlements during travel abroad, records and documents relating to actions going abroad, etc;
- Drafting reports for approval of payment for travel tickets for Hidroelectrica management meetings with employees in branches;
- Expense tracking approval of the list of Hidroelectrica staff traveling abroad for 2012 – at Financial department since January 2013;
- Collect information and develop a briefing on the activities of the Central Europe Energy Partners (CEEP) organization;

- Prepare presentation materials of the company (project presentation HPP Tarnița-Lăpuștești, in Romanian);
- Synthesis of cooperative activity and international relations in 2012, sent to Finance Division financial statements for the year 2012;
- Completing the self-assessment questionnaire for implementation of standards for internal / managerial control for 2012, according to Annex. 4.1 of Order no. 1423/2012;
- Preparing IMS documents (sheet process, input data management analysis, the state of development of indicators and benchmarks, etc);
- Update website materials related to department activities;
- Electronic archiving of documents: in March continued to scan the documentation related to the work of service.

2. Relation with shareholders and public relations

Communication with shareholders and the public through the media was particularly sustained in March 2013, following the initiation of the "Phoenix" project, recruiting the 67 Hidroelectrica managers and start "Hidroelectrica Tournament - for a new beginning ... "scheduled to run from March to April 2013.

Monitoring company's media coverage in print and online, Legal Administrator's statements and answers to journalists were identified in 441 titles in the online environment, which means that they were covered also online publications for general Evenimentul Zilei, Adevarul, Romania Libera, and the economic ones, Ziarul financiar, Bursa, Wall-street etc.

Press releases were sent (also to creditor banks in the event that the materials contained financial information) regarding " Hidroelectrica Tournament - a new beginning ..." scheduled to run from March to April 2013 (11 March), convened Command on Olt River, chaired by lawyer Remus BORZA, on the site of the future hydropower plant Racovița (11 March), preliminary gross profit for February 2013- 47.9 million RON, 11 million euro (14 March), the large number of companies interested in revamping HPP Stejaru - 103 (15 March), the launch of the Phoenix Project, the most comprehensive and radical selection process for the management of a company in the history of modern Romania (March 20), record in registration of resumes on the first day after launching Phoenix project (22 March), the details on the article "Hidroelectrica sells cheaper energy" published on Hotnews.ro website on March 26, 2013 (27 March).

EURO INSOL Representative, the Legal Administrator of Hidroelectrica, Attorney at law Dr. Remus Borza has organized two press conferences and was a constant presence in the media, participating in debates and issues directly to the economic field, with statements and interviews on the following topics:

- measures taken to improve Hidroelectrica main economic-financial indicators;

- press conference on 07.03.2013, in which the Hidroelectrica's Legal Administrator, Mr. Remus Borza presented the situation of Hidroserv subsidiaries and the need for merger;
- press conference on 03.20.2013 for launching Phoenix project, which aims to recruit 67 top managers and middle management - promoting this project materialized through TV spots, ads print and online;
- Tournament "Hidroelectrica ... for a new beginning, " where Hidroelectrica Legal Administrator met with employees in 13 branches. Newest projects presented during visits to branches are: reorganization of the 8 Hidroserv branches and selection of company managers on a competitive basis. Meetings were held in March, at: Râmnicu Vâlcea, Curtea de Argeș, Porțile de Fier, Caransebeș, Cluj și Oradea branches.

Hidroelectrica Press Office responded to the requests for information sent by the Capital and Focus Energy magazines.

Other measures of Shareholders Relations and Public Relations referred to: update Hidroelectrica website - company interface with the external environment, internal communication, internal public information on launching the Phoenix Project and invitation to participate in the selection, the magazine internal "New energy" Visual Identity Manual analysis of the company to update its documentation, achieve annual report 2012, organizing and participation of Hidroelectrica in the Roundtable Dimitrie Leonida on 03.28.2013.

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, Reuters,
- **Written and on-line:** Ziarul Financiar, Capital, România Liberă, Evenimentul Zilei, Bursa, Adevărul, Jurnalul Național, Business Magazin, Focus Energetic, Puterea, Libertatea, 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;
- Promoting recruiting campaign for Hidroelectrica management;
- 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

General Meeting of Shareholders convened for March 13, 2013

The General Meeting of Shareholders Hidroelectrica, legal and statutory convened, on 13.03.2013, at the company's headquarter, with a turnout representing 100% of the share capital:

1. STATE represented by MINISTRY OF ECONOMY, shareholder with 80,05699911% of the share capital;
2. S.C. FONDUL PROPRIETATEA S.A., shareholder with 19,943900089% of the share capital;

Under the provisions of art. 111 of the 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, decided the following:

Art. 1 Approves the Strategy in Small power hydroelectric plants (SPHPP) owned by SC "Hidroelectrica", drawn up by the executive and approved by the Legal Administrator and the special administrator, subject to compliance with the provisions of the Energy Strategy of Romania for 2007-2020, approved by Government No. 1069/2007 and ensure the stability and security of the national energy system.

Responsibility for the grouping of SPHPP on the principle of flow and / or area, or to prepare and offer for sale their progress through transparent and competitive methods, in compliance with Law no. 137/2002 regarding some measures to accelerate privatization, with subsequent amendments and regulations for the application of Government Emergency Ordinance no. 88/1997 regarding the privatization of companies, as amended and supplemented, and Law no. 137/2002 regarding some measures to accelerate privatization, approved by Government No. 577/2002, as amended and supplemented, belongs to the executive management of the company and the insolvency administrator.

In determining the offer price for an individual asset will perform an evaluation report by authorized operations, in compliance with relevant standards.

For setting items offered for sale, each case will be considered individual, including all obligations, liabilities and environmental costs associated with the asset / SPHPP group established by the competent environmental authority and carried out by buyer investment environment and those for the completion and commissioning of investments.

The Legal Administrator will ensure sufficient publicity, repeatedly, offer to sell, so that it can reach all potential investors. Each selling offer in part will be approved in the general meeting of shareholders, under a special mandate issued in this regard.

Art. 2 It empowers dl. Mihai Obacescu to sign in the name and on behalf of the shareholders GMS decisions dated 13.03.2013.

It empowers the General Manager of SC PEEH Hidroelectrica to meet all and any of the steps required for registration and to ensure the enforceability of decisions made by third parties adopted by the GMS. Authorized person may delegate to others the mandate on the above formalities.

Report on litigations in March 2013

The Legal Administrator represented HIDROELECTRICA SA in the following litigations:

1. File no. 8231/2/2012- Bucharest Court of Appeal

PARTIES : Fondul Proprietatea - Plaintiff
AUTORITATEA NATIONALA DE REGLEMENTARE IN
DOMENIUL ENERGIEI ELECTRICE - Defendant
SC HIDROELECTRICA SA- Defendant

OBJECT: Change ANRE decision and issue a decision for compensation
At the hearing dated 07.03.2013 the court conveyed and request input in the Hidroelectrica SA cause, next hearing term established on 03.04.2013.

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

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

OBJECT: Opposition to the opening of insolvency proceedings
At the hearing dated 20.03.2013 due to lack of procedure with Alpiq AG, the court granted term for the Plaintiff to be cited. Next hearing date on 15.05.2013.

3. File no. 31849/3/2012- Bucharest Law Court

PARTIES : Electrocarbon - Objector
HIDROELECTRICA SA - Respondent

OBJECT: Opposition to the measure of applying the force majeure clause
At the hearing dated 20.03.2013 the court retained because the pronouncement was postponed for 10.04.2013.

4. File no. 29088/3/2012- Bucharest Law Court

PARTIES : EFT AG: Objector
EFT Romania SRL : Objector
HIDROELECTRICA SA - Respondent

OBJECT: Appeal as cancellation and suspension performance measurement

At the hearing dated 20.03.2013 the court retained because the pronouncement was postponed for 10.04.2013.

5. File no. 34739/3/2012- Bucharest Law Court

PARTIES : Electrocentrale Deva: Objector
HIDROELECTRICA SA - Respondent

OBJECT: Appeal against termination measure

At the hearing dated 20.03.2013 the court retained because the pronouncement was postponed for 10.04.2013.

6. File no. 629/301/2013- Judecatoria Sector 3 Bucuresti

PARTIES : HIDROELECTRICA SA- Plaintiff
Camera de Comert si Industrie - Defendant

OBJECT: Cancelling resolution 5/2011

At the hearing dated 22.03.2013 the court noted that Hidroelectrica has fulfilled all request put into consideration by the court and granted hearing on 17.05.2013.

7. File no. 15749/3/2012- Bucharest Law Court

PARTIES : Filiala Hidrosind – Plaintiff
HIDROELECTRICA SA- Defendant
Fondul Proprietatea- Intervener

OBJECT: action for annulment of the GMS decision

At the hearing dated 04.03.2013 the court granted the plaintiff to take time to read the contestation. Next hearing on 01.04.2013.

8. File no. 4697/3/2013- Bucharest Law Court

PARTIES : ANDRITZ HYDRO GMBH RAVENSBURG with chosen domicile -
Objector
ANDRITZ HYDRO GMBH VIENA PRIN ANDRITZ HYDRO GMBH
VIENA - SUC.PORTILE DE FIER II with chosen domicile - Objector
HIDROELECTRICA SA- Respondent

OBJECT: Appeal - against Legal Administrator's measure of termination of some amendments of the refurbishment contract for Portile de Fier II.

At the hearing dated 20.03.2013 the court granted hearing for the committee of creditors to be summoned. Next hearing on 17.04.2013.

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

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

OBJECT: objection to the preliminary table

At the hearing dated 20.03.2013 Plaintiff asked for challenging the bankruptcy judge. On 27.03.2013 the next panel immediately rejected the objection filed by the Plaintiff. No hearing has been set up to the date of this report.

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 20.03.2013 the court retained because of the pronouncement has been postponed for 10.04.2013.

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 20.03.2013 the court retained because of the pronouncement has been postponed for 10.04.2013.

12. 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 20.03.2013 the court retained because of the pronouncement has been postponed for 10.04.2013.

13. File no. 36861/3/2012- Bucharest Law Court

PARTIES : SC ELSID SA TITU PRIN SCA STOICA & ASOCIATII : Objector
HIDROELECTRICA SA- Respondent

OBJECT: objection to the preliminary table

At the hearing dated 20.03.2013 the court retained because of the pronouncement has been postponed for 10.04.2013.

14. File no. 36857/3/2012 - Bucharest Law Court

PARTIES : SC ELECTROCARBON SA by SCA STOICA & ASOCIATII : Objector
HIDROELECTRICA SA- Respondent

OBJECT: objection to the preliminary table

At the hearing dated 20.03.2013 the court retained because of the pronouncement has been postponed for 10.04.2013

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

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

OBJECT: objection to the preliminary table

At the hearing, court on dated 06.03.2013 decided: "decides to register the debt in value of 1.156,662,51 RON in the final table of the debtor's claims of Hidroelectrica as budgetary claims according to art. 123 section 4 of Law 85/2006. Dismissed the complaint regarding the sum of 3,817,830.08 RON".

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

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

OBJECT: objection to the preliminary table

At the hearing dated 20.03.2013 the court retained because of the pronouncement has been postponed for 10.04.2013.

17. 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 hearing on 06.03.2013 the court decided to postpone the hearing for 20.03.2013 so as the respondent to become aware of the documents submitted by contester. At the hearing dated 20.03.2013 the court retained the pronouncement that was postponed for 10.04.2013.

Legal Administrator

EURO INSOL SPRL

By coordinator practitioner

Attorney at law Ph. Remus Adrian Borza