

S.P.E.E.H. HIDROELECTRICA S.A. under judiciary reorganization



**UNCONSOLIDATED FINANCIAL SITUATION
FOR THE FINANCIAL EXERCISE ENDED ON
31 DECEMBER 2013**

**PREPARED ACCORDING TO THE
MINISTER'S OF PUBLIC FINANCES ORDER NO. 3055/2009
AND FURTHER AMENDMENTS**

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HIDROELECTRICA SA under judiciary reorganization
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL EXERCISE ENDED ON 31 DECEMBER 2013
(All amounts are in RON unless otherwise mentioned)

	31 December 2013	31 December 2012
Cash flows from operating activities		
Net Profit / (Loss)	718,827,131	(508,010,530)
Adjustments for non-cash items:		
Operating expenses on depreciation of assets	992,189,248	1,227,207,693
Loss / (Profit) on disposal of fixed assets	(21,199,444)	18,713,308
Increase / (Decrease) in provisions for uncertain debts	4,201,017	15,321,838
Increase / (Decrease) in provisions for investments in affiliated entities	36,796,469	-
Increase / (Decrease) in provisions for risks, charges and other similar items	(29,749,318)	66,547,577
Income tax expenses	182,757,104	20,389,175
Interest connected expenses	63,171,811	115,815,603
Interest connected income	(1,492,742)	(1,454,840)
Incomes from subventions	(7,142,461)	(7,219,664)
Losses from foreign exchange differences on long term loans	14,357,022	64,148,613
Operating result before changes in working capital	1,952,715,837	1,011,458,773
Changes in net working capital:		
(Increase) / decrease in inventories	(1,896,729)	(1,994,800)
(Increase) / decrease in receivables	(26,308,549)	93,430,459
(Increase) / decrease in prepaid expenses	(75,567)	2,318,517
(Increase) / decrease in other assets	(11,685,103)	72,207,834
Increase / (decrease) of suppliers	(309,096,859)	(104,010,311)
Increase / (decrease) in deferred income and other liabilities	(158,161,288)	92,386,690
Circulating capital changes	(507,224,094)	154,338,389
Paid interest	(61,344,226)	(109,585,904)
Paid Income tax	(147,914,647)	(13,361,348)
Net cash flow from operating activities	1,236,232,870	1,042,849,910
Cash flow used in investing activities		
Purchase of property	(278,274,054)	(752,039,119)
Received interest	1,492,742	1,454,840
Collections from sale of property and equipment	39,231,112	2,583,373
Net cash flow used in investing activities	(237,550,200)	(748,000,906)
Cash flow from financing activities		
Drawdown of loans	-	-
Repayments of loans	(414,175,628)	(242,358,986)
Paid dividends	(97,747,796)	(6,268,972)
Net cash flow from financing activities	(511,923,424)	(248,627,958)
Increase / (Decrease) in net liquidities and similar items	486,759,247	46,221,046
Cash and cash equivalents at beginning of year	(613,058,596)	(659,279,642)
Cash and cash equivalents at end of year	(126,299,349)	(613,058,596)

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On December 31, 2012 and 2013 available funds and similar items are as follows:

	31 December 2013	31 December 2012
Cash and bank accounts	74,520,658	55,370,268
Cash Loans / Lines of Credit	(200,820,008)	(668,428,864)
Total cash and equivalent elements according to cash flow statements	(126,299,350)	(613,058,596)

These unconsolidated financial statements were signed by the Company's management on April 23, 2014.

Mihail Viorelian Stanculescu
General Manager

Gabriela Mihailescu
Financial Manager

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UNCONSOLIDATED STATEMENT OF CHANGES IN OWN EQUITY
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Shareholders' equity	Balance on 31 December 2011	Increase		Decrease		Balance on 31 December 2012
		Total, of which:	By transfer	Total, of which:	By transfer	
0	1	2	3	4	5	6
Paid Share Capital, paid as to acct.1012	4,449,514,450	26,128,620	26,128,620	-	-	4,475,643,070
Paid Share Capital, unpaid as to acct.1012	24,983,220	4,908,500	-	26,128,620	26,128,620	3,763,100
Revaluation reserves acct.105	10,976,882,712	1,247,639,941	66,691,509	1,093,272,486	138,300,877	11,131,250,167
Legal reserve acct.1061	58,616,281	(1,647,885)	(1,647,885)	-	-	56,968,396
Revaluation surplus reserve acct.1065	852,004,521	79,700,934	79,700,934	-	-	931,705,455
Other reserves acct.1068	128,123,867	5,212,986	-	5,212,986	-	128,123,867
Retained earnings	-	6,444,266	6,444,266	-	-	6,444,266
Retained earnings from the correction of fundamental errors acct.1174	(5,124,460)	(260,541,759)	(66,691,509)	(79,724,096)	(58,599,944)	(185,942,123)
Financial year result (profit) acct.121	6,444,266	-	-	514,454,796	6,444,266	(508,010,530)
Distribution of profit acct.129	(1,647,885)	-	-	(1,647,885)	(1,647,885)	-
Total capital and reserves	16,489,796,972	1,107,845,603	110,625,935	1,557,696,907	110,625,935	16,039,945,668
Public patrimony acct.1016	39,208,376	138,273	-	-	-	39,346,649
Total capital, reserves and public patrimony	16,529,005,348	1,107,983,876	110,625,935	1,557,696,907	110,625,935	16,079,292,317

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HIDROELECTRICA SA under judiciary reorganization
UNCONSOLIDATED STATEMENT OF CHANGES IN OWN EQUITY
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(All amounts are in RON unless otherwise mentioned)

Item of own equity	Balance on 31 December 2012	Increase	Decrease	Increase	Decrease	Balance on 31 December 2013
		Total, of which:	By transfer	Total, of which:	By transfer	
	1	2	3	4	5	6
Paid Share Capital, paid as to acct.1012	4,475,643,070	0	0	0	0	4,475,643,070
Paid Share Capital, unpaid as to acct.1012	3,763,100	663,530				4,426,630
Revaluation reserves acct.105	11,131,250,167			102,042,106	102,042,106	11,029,208,061
Legal reserve acct.1061	56,968,396	45,008,605	45,008,605			101,977,001
Revaluation surplus reserve acct.1065	931,705,455	102,042,106	102,042,106			1,033,747,561
Other reserves acct.1068	128,123,867					128,123,867
Retained earnings	6,444,266	(508,010,530)	(508,010,530)	6,444,266	6,444,266	(508,010,530)
Retained earnings from the correction of fundamental errors acct.1174	(185,942,123)	15,203,834	6,444,266	70,725,127		(241,463,416)
Financial year result (profit) acct.121	(508,010,530)	718,827,131		(508,010,530)	(508,010,530)	718,827,131
Distribution of profit acct.129	0	45,008,605	45,008,605			45,008,605
Total capital and reserves	16,039,945,668	328,726,071	(399,524,158)	(328,799,031)	(399,524,158)	16,697,470,770
Public patrimony acct.1016	39,346,649	-	-	-	-	39,346,649
Total capital, reserves and public patrimony	16,079,292,317	328,726,071	(399,524,158)	(328,799,031)	(399,524,158)	16,736,817,419

These unconsolidated financial statements were signed by the Company's management on April 23, 2014:

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PAID SHARE CAPITAL

On 31.12.2012 the subscribed share capital in value of RON 4,479,406,170, consists of:

- subscribed and paid in share capital: RON 4,475,643,070
- subscribed and unpaid share capital: RON 3,763,100

On 31.12.2013 the subscribed capital in value of RON 4,480,069,700, consists of:

- subscribed and paid in share capital: RON 4,475,643,070,
- subscribed and unpaid share capital: RON 4.426.630 lei

SPEEH Hidroelectrica SA under judiciary reorganization subscribed share capital amounting to RON 4,475,643,070, fully paid, was divided between corporate shareholders as follows:

1. State represented by the Ministry of Economy, Trade and Business Environment as shareholder, with:

- Share Capital: RON 3,583,025,290
- No. of shares: 358,302,529
- Participation quota to profit and losses: 80.0561%

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

- Share Capital: 892,617,780 RON
- No. of shares: 89,261,778
- Participation quota to profit and losses: 19.9439%

These written records were made at the Trade Register to the Bucharest Court under no. 527932, dated 10.04.2012.

1. Subscribed share capital paid in the amount of **RON 4,475,643,070** on 31 December 2013 consists of:

RON 3,485,599,880 – **subscribed share capital paid in at the date of settlement** pursuant to GD no. 627/2000.

Share capital increase in the amount of RON 994,065,310 is as follows:

a) RON 49,080 - the share capital was **increased** with this value according to Resolution 131 / 08.01.2003 of Bucharest Trade Registry Office, with regard to merger with SC Energetica;

b) RON 462,644,000 - the share capital was **increased** with this value according to the statement dated 07.01.2004 after the mention no. 246596 / 22.11.2003 which includes the value of RON 148,208,230, representing cash and cash equivalents received from Special Fund for the Development of Energy System in 1998 - 2000, given the decision of the Court of Accounts, Department of Subsequently Control no.189 / 01.07.2001;

c) RON 13,435,110 - the share capital was increased with this value pursuant to Addendum 482 / 11.01.2005, Decision No. 24 / 01.09.2004 of the Extraordinary General Meeting, registered in the Trade Register on 14.01.2005, based on judge's acknowledgement no.1879 / 14.01.2005.

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The increase in 2004 includes:

- RON 9,330 the difference between the accounting registration of the certificate of ownership, MO3 series no. 6906 / 2001 and assessment sent together with the signed letter to the evaluation committee, in accordance with section 2 of Decision No. 24 / AI / 2004 of the Romanian Court of Accounts;
- RON 13,425,780 representing value of the land for which were received certificates of ownership for the period 01 July 2003 - 31 July 2004;

d) RON 11,115,190 - value which **increased** the share capital, representing value of the lands for which were received certificates of ownership, increase contained in Addendum No. 9 / 17.01.2006, registered in the Trade Register on 08.02.2006, under delegated judge acknowledgment no.5518 / 07.02.2006;

e) RON 442,547,150 - value which **increased** the share capital, representing the retained earnings of successive revaluations according to the regulations in force at that moment, GD no.403 / 2000 and GD no.1553 / 2003, for the lands on which the company has obtained ownership certificates. The increase was made in accordance with the Law no.516 / 2006 amending Law 302/2005 and supplementing Law No. 31/1990 on Trading companies. The increase was approved by GMS no.5Bis / 2007 and registered with the Trade Register on 23.03.2007 under delegated judge's acknowledgment no.15039 / 21.03.2007;

f) RON 19,718,980 - share capital was **increased** with this value according to GMS No. 15/2007, registered at the Trade Register on 24.10.2007 with no.453632, under delegated judge acknowledgment no. 60433 / 22.10.2007.

This increase includes:

- RON 4,669,711 - value representing ownership certificates obtained during 01.09.2005 - 30.09.2006;
- RON 15,049,269 - amount assessed under the Assessment Report for the land on which SPEEH Hidroelectrica has obtained certificates of ownership between 01.09.2005 - 30.09.2006;

g) RON 512,890 - value which **increased** share capital, representing value of land for which were obtained certificates of ownership, approved by the Board of Directors Note 3/2008, registered at the Trade Register on 29.05. 2008 under the delegated judge acknowledgment no.42457 of 29.05.2008;

h) RON 667,240 - value which **increased** share capital, representing the value of land for which were obtained certificates of ownership, approved by the Board of Directors Note No. 9/2008, registered at the Trade Register on 03.11. 2008 under the delegated judge acknowledgment no.79195 / 03.11.2008;

i) RON 1,555,500 - value which **increased** the share capital, representing the value of land for which were received certificates of ownership in August 2008, approved by the Board of Directors Note No. 11/2008, registered at the Register Trade date 13.01.2009, based on the mention no.11160 / 13.01.2009;

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j) RON 1,037,240 - value which **increased** the share capital, representing the value of land for which were received certificates of ownership in December 2008 and March 2009, approved by the Board of Directors Note No. 2/2009, registered with the Trade Register on 04.06.2009, based on the mention no.291236 / 04.06.2009;

k) RON 3,224,530 - value which **increased** the share capital under the Board of Directors Note No. 7/2009, registered at the Trade Register on 12.10.2009, based on the mention no.487748 / 12.10.2009.

This increase includes:

- RON 189,250 – value of land for which ownership was obtained through court rulings (HS Buzau);
- RON 3,035,280 - value of certificates on ownership obtained during 01.06.2009 - 31.08.2009;

l) RON 2,882,980 - value which **increased** the share capital under the Board of Directors Note No.14 / 2009, registered at the Trade Register on 23.04.2010, based on the mention no.182301 / 2104.2010, representing consideration for land on which were obtained certificates of ownership between 30.03.2007 - 24.11.2009;

m) RON 8,546,800 - value which **increased** the share capital under the Board of Directors Note No. 9 / 08.09.2011, registered with the Trade Register on 27.10.2011, based on the registration certificate mentions no. 408156 / 27.10.2011.

This increase includes:

- RON 313,969 - value of land for which ownership was obtained through court rulings (HS Buzau);
- RO 8,232,831 - value of certificates on ownership obtained during 23.02.2010 - 07.03.2011.

n) RON 24,998,890 - value which **increased** the share capital under the Board of Directors Note No. 1 / 23.01.2012, registered with the Trade Register on 26.01.2012, under mention no.25935 / 24.01.2012, representing consideration for land on which were obtained certificates of ownership in 2006, 2007 and 2011;

o) RON 1,129,730 - value which **increased** the share capital under the Board of Directors Note No. 8 / 23.03.2012, registered at the Trade Register on 10.04.2012, under mention no.580628 / 06.04.2012, representing consideration for land on which were obtained certificates of ownership in March 2012 for HS Ramnicu Valcea.

Share capital reductions totaling RON 4,022,120 were as follows:

a) RON 2,173,230 - the value that **reduced** the share capital of SPEEH Hidroelectrica SA in 2004 according to Decision No. 31/2003 of the Extraordinary General Meeting of Shareholders and the publication in the Official Gazette no.1090 / 15.04.2004. This reduction was made in the protocols signed with SN Transelectrica SA, SC Electrica SA, and NARE according to GD 627/2000 and free transfers to local government authorities under Law 137 Article 15, paragraph 1 and 5;

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b) RON 1,799,810 - the value that **reduced** the share capital of SPEEH Hidroelectrica in 2004, as decided by the Extraordinary General Meeting No. 28 / 22.10.2004, contained in Addendum 2 / 22.02.2005, registered with the Trade Register on 23.05.2005 under delegated judge's acknowledgement no.24033 / 23.05.2005. This reduction is equivalent to social assets submitted by the County Councils under Law 137/2002, with subsequent amendments;

c) RON 49,080 - the value that **reduced** the share capital of SPEEH Hidroelectrica under Decision 1 / 24.01.2008 of the Extraordinary General Meeting, with the mention no.84620 / 28.02.2008 the on Memorandum amendment, registered with the Trade Register on 03.03.2008, under delegated judge's acknowledgement no.16715 / 03.03.2008. This reduction refers to the free of charge transmission, by GD no.1191 / 2006 to Tismana Motel Complex, in the public domain, in the administration of the Ministry of Culture and Religious Affairs and free usage of Oltenia Metropolitan Church.

2. **Subscribed and unpaid share capital** on 31.12.2013 is in amount of RON 4,426,630 representing the value of 14 land for which titles of ownership were obtained in December 2012 and April 2013. On 28.02.2013 the Shareholders Extraordinary General Assembly approved Resolution No.7, on capital increase with the updated value of these lands in accordance with Article I, paragraph 3 of the GD no.107 / 2008, which amends Article 6 of GD 834/1991, with consumer price indices communicated by the National Statistics Institute (INS) presented in the appendix, for the period between the valuation date and 31.12.2013, resulting in a present value of RON 5,014,000 (according to Annex 1), to submit the following documentation to the Trade Register in order to increase the subscribed share capital paid in, according to the legislation in force.

During 2013 the Executive and Supervisory Board endorsed the background note on reducing the share capital value with RON 8,187,620, to correct the value of the share capital, thus:

- RON 15,670 representing the value of land from HEA Gura Lotrului, working point, contained in the share capital, transferred free of charge in 2009, to the Brezoi City Hall. Following this transfer the share capital has been reduced accordingly.
- RON 108,740, representing revaluation reserve resulting from the revaluation of land that did not exist at that time in company's patrimony and which, in 2007, increased its share capital;
- RON 8,063,223, representing revaluation reserves of fixed assets transferred at the time of their sale, in the surplus from revaluation reserve and which was later used erroneously for capital increase.

Until 31.12.2013, the General Meeting of Shareholders has approved the share capital reduction.

Increases or decreases of the share capital of SPEEH Hidroelectrica SA, under judiciary reorganization, must be carried out pursuant to Art. 207-221 of Law No. 31/1990 on trading companies, republished, amended, and in compliance with Article 8 of the GD 627 / 31.07.2000 Annex 4.1 - Company Memorandum, amended and updated according to the legal dispositions in force.

Regarding the share capital increase with in kind contributions representing the land for which were obtained certificates of ownership, on principle of law "specialia generalibus derogant", is achieved by applying special legislative provisions, derogated from Law no.99 / 1999, with subsequent amendments, with reference to Article 12 of Law 137/2002, with subsequent amendments, art. 9 ^1 of Title VII of the Law no.247 / 2005, with subsequent amendments.

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B. RESERVES REEVALUATION

On 01.01.2013 reserves arising from the revaluation of tangible assets were in amount of RON 11,131,250,167.

During 2013, the surplus made from the revaluation reserve, corresponding to financial assets fully depreciated, written off, sold and given away were in amount of RON 102,042,106, being transferred to "revaluation surplus reserve - acct.1065 " thus reducing the revaluation reserve with that amount.

On 31 December 2013, revaluation reserves are in amount of RON 11,029,208,060, thus distributed:

- Related to fixed assets in amount of RON 10,764,839,242
- Related to land in amount of RON 264,368,818

Outstanding revaluation reserve amount as at 31.12.2013 is wrongly diminished with the amount of RON 8,063,223, representing revaluation reserves of transferred fixed assets at the time of their sale, to the surplus from revaluation reserve which was subsequently used erroneously, for the capital increase.

C. LEGAL

- For fiscal year 2013, the company established, by allocating from the net accounting profit, legal reserve amounting to RON 45,008,605, the balance of the legal reserve being **RON 101,977,001 on 31.12.2013.**

D. RESERVES REPRESENTING SURPLUS FROM REVALUATION RESERVES

Balance account at the end of fiscal year 2013 is RON 1,033,747,562 from revaluation surplus arising from transfer made for fixed assets written off by cassation and disposal of fully amortized fixed assets.

In 2013 transfers were made in revaluation surplus accounts amounting to RON 102,042,106 made for fixed assets transferred, disposed or sold and fully amortized fixed assets.

E. OTHER RESERVES

1068 Account Balance "Other reserves" on 31.12.2013 is RON 128,123,867 and consists of the following elements:

- RON 29,584,437, representing own sources of funding consisting of profit from previous years;
- RON 97,000,000, representing "Other reserves within the quota of 6% of income per GO No. 89/2004" recorded up to December 31, 2005;
- RON 1,539,430, representing added value resulting from the revaluation of land provided as in-kind contribution to the Hidroserv share capital.

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F. RETAINED EARNINGS

Account 1174 "Retained earnings from the correction of fundamental errors "

On 01.01.2013 the debit balance of retained earnings, representing loss carried forward was in amount of RON 185,942,123, resulting from the expenditures and revenues of the previous financial period, mainly to correct the financial result of 2011, representing:

Explanations	Unfavorable results of correction of accounting errors related to previous financial years	Favorable result from the correction of accounting errors related to previous financial years
Penalties for late payment of invoices issued to EC TURCENI accepted in the statement of affairs	9,336,733	-
Penalties for late payment of invoices issued to FORMENERG accepted in the statement of affairs	218,559	-
Interest for late payment invoiced by ENEL DISTRIBUTIE BANAT and accepted in the statement of affairs	193,567	-
Interest for late payment invoiced by ADM. NATIONALA APELE ROMANE and accepted in the statement of affairs	2,828,732	-
Interest for late payment invoiced by ENEL DISTRIBUTIE DOBROGEA, and accepted in the statement of affairs	778,002	-
Registration of late payment calculated for 2011, for 2010 dividends due to OPSPI and accepted in the statement of affairs	3,737,017	-
Registration of legal interest calculated for the period November to December 2011, due to late payment of 2010 dividends payable by Fondul Proprietatea	445,709	-
Correction income tax for 2011, after recording the 2012 fundamental errors in acct. 1174	-	20,518,264
Register EBRD loan's balance management fee paid in 2011 and originally recorded in acct.471	6,917,449	
Establishment of late fees after unpaid dividends in previous years within the legal term of Hidroserv	-	92,945
Update provision for disputes concerning expropriation of land for hydropower arrangements on Strei river in Subcetate Simeria sector, established in 2010	10,298,380	-
Depreciation expenses for 2011, not registered in 2011, invoking malfunction during force majeure	132,057,662	-
Revenues from grants recorded as amortization of fixed assets acquired from investment subsidies received in 2003-2005, corresponding to unregistered depreciation charge	-	364,332
Correcting the balance debt to Hidroserv, for the previous years due to the detection of error by the tax inspection, ongoing in HS Valcea	-79,654	-
Unfavorable outcome resulting from the depreciation of tangible assets, following the decrease in the value of assets revalued on 31.12.2006	66,691,509	-

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Explanations	Unfavorable results of correction of accounting errors related to previous financial years	Favorable result from the correction of accounting errors related to previous financial years
Favorable outcome resulting from the depreciation of tangible assets for 2009, following increase of revaluated tangible assets on 31.12.2009	-	58,748,555
Recognizing the expense of prior years recorded in net value account of land improvements, amounts actually representing expenses incurred to obtain land ownership certificates, such as notary fees, land registry fees and charges, valuation fees, tabulation, etc.	4,686,027	-
Establishment depreciation adjustment for 2011 for assets that are not functional since registration in patrimony, unfulfilling the technical parameters of operation	22,352,413	-
TOTAL	260,541,759	79,724,096
Reported Loss on 01.01.2013	185,942,122	

During 2013, after investment account analysis were found errors on costs recorded in this account, registered as:

- the pre-feasibility and feasibility studies carried out before approving any investment objective;
- expenditures incurred to obtain land ownership certificates, like notary fees, land registry fees and charges, assessments, tabulation fees;
- accounting expenses due to guarding, lighting, ventilation, dewatering made for maintenance investment objectives temporary paused.

These expenses do not qualify for registration as in progress investment, provided the MPFO no.3055 / 2009, with subsequent amendments, since recorded in retained earnings during 2013.

Also, subsequent to the financial statements prepared as of 31.12.2012, namely the date of October 30, 2013, was executed and delivered the report on assessment of the employees benefits granted under the collective labor agreement, based on actuarial calculation for the year ended 31 December 2012, resulting in a present value of benefits of RON 100,145,503, thus in 2013 was recorded in retained earnings a provision for employee future benefits in amount of RON 37,854,628.

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Detailed records made during 2013 for retained earnings are as follows:

Explanations	Unfavorable results of correction of accounting errors related to previous financial years	Favorable result from the correction of accounting errors related to previous financial years
partial coverage of accounting loss recorded on 31.12.2012 in 2011 profits, approved by GMS Resolution No. 35 dated 29.05.2013	-	6,444,266
design service invoices and contractual penalties issued in 2011 and 2012 and recorded in 2013 on retained earnings account	793,536	-
contractual penalties for delay calculated for 2009-2012, included in the final table of receivables in 2012, but invoiced and registered for in June 2013	1,412,683	-
capitalization of investment expenses in 2012 that were recorded in account repair costs, related to rehabilitation of HPP REMETI Oradea	-	6,306,849
capitalization of investment expenses that were recorded in 2012 on account of repair expenses, as determined by the technical committee of the UH Sibiu as upgrading works	-	258,404
recognition of expense related to prior years, amounts actually representing expenses incurred to obtain land ownership certificates, such as notary fees, land registry fees and charges, valuation fees, tabulation, etc.	2,263,338	-
recognition of expense related to prior years amounts representing pre-feasibility and feasibility studies which have not been used before 31.12.2013, were not approved as investment objectives and should have been registered in the exercise when performed, in order to satisfy the conditions of registration of tangible value, provided the MPFO no.3055 / 2009	25,296,441	-
expenditure relating to 2012, representing guarding, lighting, ventilation, dewatering made for maintaining investment objectives temporarily paused, to be recognized on the outcome of the exercise when conducted, to satisfy the conditions of registration tangible value stipulated by Order no .3055 / 2009	2,721,970	-
investment works executed at HA2 Strejesti-Slatina in 2012 and erroneously recorded in the year in which the expenses were made, but resulted in the replacement of old equipment with some improved technical parameters or adding additional plants thus requiring capitalization value of HA 2.	-	2,149,164

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Explanations	Unfavorable results of correction of accounting errors related to previous financial years	Favorable result from the correction of accounting errors related to previous financial years
Updating the value of provision on the future benefits of employees stipulated by the collective labor agreement, established based on actuarial calculation for the year ended December 31, 2012	37,854,628	-
cadastral documentation, expense provision of plans, maps, approval of expired connection, analyzes and studies performed before approving the investment objective	337,381	-
Total	70,679,977	15,158,684
Loss carried forward recorded in 2013	57,169,178	

On 31.12.2013 the loss carried forward resulting in correction of accounting errors above, is worth RON 241,463,416, loss to be covered from the profit of the financial year, prior to making any distributions of profits.

G. THE FINANCIAL YEAR RESULTS

At the end of 2013 financial year, the Company recorded a net profit in amount of RON 718,827,131.

H. PUBLIC PATRIMONY

On **31.12.2013** balance of "public patrimony" account is worth **RON 39,346,649** without registering movements during 2013 and is structured as follows:

Subsidiary's name	Name of objective	Value (RON)
HS SIBIU	Cornetu Avrig - HPP Robesti Dam (of FS)	73,671
	Cornetu Avrig - Pier left bank HPP Robesti (of FS 2001 - 2002)	48,831
	Cornetu Avrig - Pier left bank HPP Robesti (of FS 2003 - 2004)	205,588
	Cornetu Avrig - Pier left bank HPP Robesti (of FS)	2,191,916
	Assets being in the public domain	13,928,089
	TOTAL HS SIBIU	16,448,095
HS BISTRITA	Pascani Hydropower development, take over from Romanian Waters (dam, pier)	22,760,281
HS HATEG	obstacle segment 10X10.5 of HPP Subcetate	138,273
	GENERAL TOTAL	39,346,649

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Public property balance represent investments not placed in operation on 31.12.2013 or completed investments that have not yet been included in the inventory of the state public domain made of grants and special funds.

The company has concession assets from the public domain in the amount of **RON 3,474,417,706** recorded in non-accounts records structured as follows:

- dams in amount of RON 1,632,657,572;
- piers in amount of RON 1,585,267,518;
- locks in amount of RON 256,492,616.

These unconsolidated financial statements were signed by the Company's management on April 23, 2014:

Mihail Viorelian Stanculescu
General Manager

Gabriela Mihailescu
Financial Manager

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NOTE NO. 1 CURRENT ASSETS

Company's tangible assets comprise mainly special constructions or plants, pumping energy stations, small hydro power plants, locks, and hydro units, equipment and facilities. The Company operates a total of 261 hydropower plants and pumping stations with an installed capacity of 6,464.095 MW.

Company's current assets on 31.12.2013 are as follows:

a) INTANGIBLE ASSETS

COST	Balance on 01.01.2013	Increase	Decrease	Balance on 31.12.2013
Development expenses	9,000	-	-	9,000
Patents, licenses and acquisitions from own resources	18,728	-	-	18,728
Other intangible assets (soft)	26,335,033	71,716	80,321	26,326,428
	26,362,761	71,716	80,321	26,354,156
AMORTIZATION	Balance on 01.01.2013	Amortization during financial exercise	Decrease	Balance on 31.12.2013
Development expenses	9,000	-	-	9,000
Patents, licenses and acquisitions from own resources	-	-	-	-
Other intangible assets (soft)	22,049,265	2,734,431	80,321	24,703,375
	22,058,265	2,734,431	80,321	24,712,375
NET ACCOUNTING VALUE	4,304,496			1,641,781

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NOTE NO. 1 CURRENT ASSETS (continued)

b) TANGIBLE ASSETS (continued)

COST / REEVALUATED	Balance on 31.12.2012	Increase	Of which Transfers	Reductions	Of which Transfers	Balance on 31.12.2013
Lands and arrangements	697,169,166	729,024	65,494	10,583,100	-	687,315,090
Constructions	11,347,283,343	24,076,484	23,900,630	7,337,927	-	11,364,021,900
Plant and machinery	3,047,822,841	154,436,769	153,546,035	967,914	-	3,201,291,696
Other installations, equipment and furniture	22,301,218	4,417,280	4,390,521	2,257	-	26,716,241
Pending assets	4,638,380,730	294,495,637	18,776,240	206,449,384	181,902,680	4,726,426,983
Advances for intangible assets	115,072,484	3,072,372	-	78,972,095	18,776,240	39,172,761
Total	19,868,029,782	481,227,568	200,678,920	304,312,677	200,678,920	20,044,944,671

Accumulated depreciation	Balance on 31.12.2012	Amortization Registered during exercise	Reductions	31.12.2013
Lands and arrangements	-	32,237	-	32,237
Constructions	-	629,885,829	566,171	629,319,658
Plant and machinery	-	348,729,482	299,157	348,430,325
Other installations, equipment and furniture	-	4,716,012	81	4,715,931
Total	-	983,363,560	865,409	982,498,151

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NOTE NO. 1 CURRENT ASSETS (continued)

b) TANGIBLE ASSETS (continued)

VALUE ADJUSTMENTS	Balance on 31.12.2012	Increase	Decrease	Balance on 31.12.2013
Lands and arrangements	-	-	-	-
Constructions	16,862,501	1,219,656	-	18,082,157
Plant and machinery	1,797,246	275,057	12,656	2,059,647
Other equipment and furniture	13,436	-	-	13,436
Advances and pending assets	1,322,083	4,737,513	173,465	5,886,131
Total	19,995,266	6,232,226	186,121	26,041,371
NET ACCOUNTING VALUE	19,848,034,516			19,036,405,149

The EGM Decision no. 42 / 06.11.2013, approved the sale of five active packs, representing MHPP's equipment, systems and related fields. On 07.15.2013 was held an open outcry auctions for three packages of assets with a total of 14 MHPP, such:

- Group of MHPP on Budac and Bistrita river basin, Bistrita-Năsăud County (Pi = 3.07 MW), which was awarded to Mineral Oil Ltd., at the price of RON 15,854,500;
- Group of MHPP on Huza, Somesul Mic and Salasele river basin, Cluj County (Pi = 1.64 MW), which was awarded to Three Pharm Ltd., at the price of RON 6,427,680;
- Group of MHPP on Crisul Repede River Basin, Bihor County (Pi = 4.69 MW), which was awarded to BASIKDUE SpA Italy, at the price of RON 24,568,600.

Until 31.12.2013, were delivered nine MHPP with all related assets, from the 14 sold, with the remaining value of the buildings, facilities, equipment worth RON 7,761,903 and land worth RON 10,583,100. The other five MHPP awarded or to be delivered to the buyer in the 2014 are as follows:

- MHPP Somesul Rece - was concluded contract of sale and transfer of assets during the month of January 2014,
- SHPP Budac, Salasele 1, Manastirea Dej1 and Manastirea Dej 2 - have signed pre-contracts of sale in November 2013, and because until 31.12.2013 have not been obtained documents to prove the ownership right, and registration in the Land Book by the end of 2014, to obtain these documents and to conclude contracts of sale and transfer of assets.

Impairment of fixed assets in the balance on 31.12.2013, amounting to RON 26,041,371, representing mainly the fair value of construction and technological equipment were taken from the Electra and IRE Deva in 2002 according to the GD no.554 / 2002, with improper technical condition for functioning, in advanced state of decay and obsolescence, not included in the maintenance program or investment program for future periods.

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NOTE NO. 1 CURRENT ASSETS (continued)

In 2013 was recorded the amount of RON 6,232,226 representing adjustments of depreciation for fixed assets proposed for disposal and some investments in progress completed until 31.12.2013, which are degraded or destroyed and were not allocated funds in future development programs.

The main investment objectives put into operation in the year 2013 are:

Investments put into operation in 2013 are	Investment's value
Refurbishment of equipment and facilities (Hydro units No. 3 and 4, control block etc.) related to the HPP Izbiceni - Giuvarasti, Olt County.	90,063,822
Refurbishment of station 110/20/6 kV Portile de Fier II (Ostrovul Mare)	20,767,384
Refurbishment of the equipment and installations, Hydro No.4, related to HPS Rusanesti - Rusanesti town, Olt County.	20,085,110
Retezat HPP. AHE Raul Mare Retezat. To secure the main adduction. Retezat. Stage I: Jurii and Castel Section.	10,349,446
Refurbishment HU 1 HPP Racaciuni.	9,447,389
Refurbishment HU 2 HPP Raureni	5,306,856
Full conversion of Racova	5,205,408
Refurbishment of station 110 kV HPP Nehoiasu	4,063,141
Refurbishment HU 2 HPP Ionesti	3,039,748
Valsan clogging buildup in protecting Romanichtys Valsanicola habitat conditions	2,074,539
Refurbishment of station 20 kV from HPP Sasciori	1,970,685

The balance of investments in progress and advances to tangible assets as of 31.12.2013, amounting to RON 4,765,599,745 is distributed mainly on the following investment objectives:

Description of investment and investment objective	The investment accumulated to 31.12.2013
HEA on Olt river canyon on the Cornetu – Avrig sector - hydropower development of Olt river in 5 HPP	682,009,676
HEA Surduc- Siriu - hydropower development with 2 accumulations and 3 plants	612,121,199
HEA Rastolita - hydropower development with 1 accumulation and 1 plant	590,157,085
HEA of Jiu river on Livezeni Bumbesti sector - hydropower development with 1 accumulation and 2 plants	535,999,111
HEA Pascani on Siret river - hydropower development with 1 accumulation and 1 plant	352,423,430
AHE Cerna Belareca - hydropower development with 1 accumulation and 1 plant	318,307,405
HEA of Olt river on Fagaras - Hoghiz sector - hydropower development with 1 accumulation and 1 plant	174,339,264
HEA of Siret river, on Cosmesti-Movileni sector - hydropower development with 2 accumulations and 1 plant	168,479,525

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NOTE NO. 1 CURRENT ASSETS (continued)

Description of investment and investment objective	The investment accumulated to 31.12.2013
HEA of Jiu river on Valea-Sadului Vadeni sector - hydropower development with 2 accumulations and 3 plants	164,919,635
HEA Bistra Poiana Marului Ruieni Poiana Rusca - hydropower development with 3 accumulations and 2 plants	167,386,202
UHE Raul Mare – Retezat - hydropower development with 1 accumulation and 1 plant	142,110,493
HEA of Strei river, on Subcetate – Simeria sector - hydropower development with 7 plants	128,874,877
HEA Cerna Motru Tismana stage II - hydropower development with 3 accumulations and 3 plants	86,224,030
HEA Runcu - Firiza - hydropower development with 2 plants	83,526,103

c) FINANCIAL ASSETS

Item	Value of inventory			Final balance
	Initial balance	Increase	Decrease	
Equity held in affiliates	58,039,420	-	-	58,039,420
Shares held in other companies	900	-	-	900
Green certificates delayed	-	2,606,355	-	2,606,355
Receivables	3,317,140	-	13	3,317,127
Financial assets	61,357,460	2,606,355	13	63,963,802
VALUE ADJUSTMENTS	Balance on 31.12.2012	Increase	Decrease	Balance on 31.12.2013
Adjustments for impairment of shares in affiliates	-	36,796,469	-	36,796,469
Total	-	36,796,469	-	36,796,469
NET ACCOUNTING VALUE	61,357,460			27,167,333

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

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

- Provision for dispute with Termoelectrica – in amount of RON 9,336,478;
- Provision for dispute with Apele Romane – in amount of RON 3,312.319;
- Provision for dispute with Petrom – in amount of RON 4,414;
- Provision for dispute with Enel Distributie Banat – in amount of RON 3,464;
- Provision for dispute with Enel Distributie Dobrogea – in amount of RON 407,087;

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NOTE NO. 2 PROVISIONS (continued)

- provision for pending case regarding the salary claims of employees of Sebes Branch, in amount of **RON 1,605,042**, admitted in the preliminary table of receivables under condition;
- restructuring provision totaling **RON 46,878,000** - representing gross compensation salaries and company's contributions due under the collective labor agreement, to dismissed employees in January-February 2013;
- provision for employees' future benefits payable in accordance with the collective labor agreement, based on actuarial calculation (acct.1515) in amount of **RON 78,882,142** updated on 31.12.2013.

NOTE NO. 3 PROFIT DISTRIBUTION ON 31 DECEMBER 2013

At the financial year ended 2013, the Company recorded a net profit of **RON 718,827,131** (on 31.12.2012 Company recorded current loss of **RON 508,010,530**). From accounting profit of 2013 was calculated the legal reserve amounting to RON 45,008,605, and for the remaining profit in amount of RON 673,818,526 will determine the distribution, by decision of the General Meeting of Shareholders, in accordance with regulations of GO No. 64/2001, as amended and supplemented, the allocation of profits to national companies, national companies and companies owned by or having state majority, and the RAs.

NOTE NO. 4 ANALYSIS OF OPERATING

Company's Operations were held under the provisions of GD no. 627/2000 and updated NARE licenses, no. 932/2010 for the supply of electricity, no. 332/2001 for the production of electricity, no. 333/2001 for the provision of ancillary services.

- RON -

Indicator	Previous exercise	Current exercise
1. Net turnover	2,402,785,281	3,083,233,611
2. Cost of sold goods and services rendered (3 + 4 + 5)	2,065,786,869	1,864,495,821
3. Basic business expenditures	1,806,795,735	1,707,856,216
4. Expenditures related to auxiliary operations	22,956,058	3,605,708
5. Indirect production costs	236,035,076	153,033,897
6. Gross turnover for the net activities (1 - 2)	336,998,412	1,218,737,790
7. General administration expenses	674,178,369	269,081,022
8. Other revenues from operation	15,630,153	66,415,482
9. Result of operation (6 - 7 + 8)	(321,549,804)	1,016,072,250

Net turnover in amount of **RON 3,083,233,611** represents income from core business (sold production), plus proceeds from the sale of goods.

Operating income represents net turnover, plus other operating income.

Operating income was achieved mainly by power generation and provision of ancillary services.

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013

1. RECEIVABLES

RECEIVABLES	Balance on 31.12.2012	Balance on 31.12.2013	Liquidity term for the asset	
			Under 1 year	More than 1 year
		(col. 2 + 3)	2	3
Net trade receivables	226,429,910	258,505,924	258,505,924	-
Receivable from affiliates	5,955,620	308,630	308,630	-
Other receivables	13,861,560	11,092,882	11,092,882	-
Capital subscribed and unpaid	124,410	124,410	124,410	-
TOTAL RECEIVABLES	246,371,500	270,031,846	270,031,846	-

On December 31, 2013 and December 31, 2012, trade receivables are represented by:

1.1. Trade receivables

	31 December 2012	31 December 2013
Short-term trade receivables	254,191,206	284,887,573
Impairment of trade receivables	(27,761,296)	(26,381,649)
TOTAL Short-term trade receivables	226,429,910	258,505,924

On December 31, 2013 Short-term trade receivables in amount of RON 258,505,924 are represented mainly by:

- **Clients** in amount of RON 65,937,720 for electricity delivered in 2013, of which we mention:

	Balance on 31 December 2013
Clients	
Transelectrica	54,088,930
Europec	3,053,201
E-On Energie Romania	1,019,896
OET Obedineni Energiini Targovtsi	3,122,304
Other clients on energy market	1,640,975
- Clients- to be billed (energy market)	192,320,399
- Suppliers borrowers advances	248,003
- Doubtful receivables	26,381,451
- Impairment of trade receivables	(26,381,649)
TOTAL Short-term trade receivables	258,505,924

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

1.1. Trade receivables (continued)

The balance of uncertain clients amounting RON 26,381,451 is as follows:

- CET Brasov, with the amount of RON **18,724,742**,
- S.C Termoficare 2000 Pitesti, with the amount of RON **4,192,674**,
- Compania Nationala a Huilei, with the amount of RON **2,992,033**,
- Other clients, with the amount of RON **472.002** lei

For these receivables were set adjustments for depreciation in the amount RON of 26,381,649.

1.2 Amounts receivable from affiliates

On 31.12.2013 unpaid dividends from Hidroelectrica-Serv SA subsidiary, company settled on 05.08.2012 by the merger of eight Hidroserv repairs subsidiaries are in amount of RON 308,630 corresponding to 2011-2012.

1.3. Other receivables

	31 December 2012	31 December 2013
VAT to be refunded	-	7,058,840
Other receivables - various debtors	3,123,213	7,436,361
Other receivables with the state budget	10,697,015	810,292
Receivables related to personnel	66,865	14,058
Provision for doubtful debts - various debtors	(69,570)	(4,269,570)
Interest receivable	44,037	42,902
TOTAL	13,861,560	11,092,883

Value of **RON 7,463,361**, representing "Other receivables - various debtors" mainly includes receivable from:

- rates associated with apartments and land sold in installments to employees, the amount of **RON 1,996,694**;
- penalties for late payment of unpaid dividends within due time from the Subsidiary, amounting to **RON 322,031**;
- and penalties for late payment for invoices billed and unpaid from SMR Bals, in amount of RON 4.2 million, for which the Company had adjusted depreciation on the full unpaid balance;

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

2. LIABILITIES

	Balance on 31.12.2012	Balance on 31.12.2013
Amounts due to credit institutions	2,271,719,619	1,404,292,155
Trade liabilities	1,022,085,271	654,090,592
Creditors' clients	26,434,214	8,219,476
Personnel and social security liabilities	36,314,900	21,028,943
Other liabilities to the state and public institutions	81,197,513	43,380,630
Due dividends	252,362,228	154,614,433
Other liabilities	199,281,275	148,888,324
TOTAL	3,889,395,020	2,434,514,551

LIABILITIES

		Due date of liability			
		Balance on 31 December 2013 (col. 2 + 3 + 4)	Under 1 year	Between 1-5 years	Over 5 years
		1	2	3	4
1. Bank loans on medium and long-term:					
1.1 foreign	EUR	266,687,149	88,638,815	155,033,020	23,015,314
	USD	150,214	72,512	77,702	-
Total	RON	1,196,500,817	397,754,527	695,529,509	103,216,780
Of which:					
- state guarantee	EUR	44,606,813	5,581,920	22,327,679	16,697,215
	USD	150,214	72,512	77,702	-
Total	RON	200,537,135	25,269,269	100,385,867	74,881,999
2. Short-term bank loans:					
	EUR	12,705,924	12.705.924	-	-
	USD	27,984,486	27.984.486	-	-
	RON	52,745,450	52.745.450	-	-
Total	RON	200.820.007	200,820,007	-	-

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

LIABILITIES		Due date of liability			
		Balance on 31 December 2013 (col. 2 + 3 + 4)	Under 1 year	Between 1-5 years	Over 5 years
3. Interest and idle fees					
of which:					
- foreign	EUR	1,552,879	1,552,879	-	-
	USD	2,192	2,192	-	-
Total	RON	6,971,330	6.971.330	-	-
Of which:					
- For loans with state guarantee	EUR	102,088	102.088	-	-
	USD	2,192	2,192	-	-
Total	Lei	464,986	464,968	-	-
I. Total amounts owed to credit institutions					
		1,404,292,153	605,545,864	695,529,509	103,216,780
Trade payables		654,090,592	540,308,794	113,781,798	-
Advance payments from clients		8,219,476	8,219,476	-	-
Personnel and social security liabilities		21,028,943	21,028,943	-	-
Other liabilities to the state and public institutions		43,380,630	43,380,630	-	-
Dividends		154,614,433	103,076,288	51,538,145	-
Other liabilities		148,888,324	61,227,082	87,661,242	-
II. TOTAL – OTHER LIABILITIES					
		1,030,222,398	777,241,213	252,981,185	-
TOTAL LIABILITIES					
		2,434,514,551	1,382,787,077	948,510,694	103,216,780

LIABILITIES		Due date of liability			
		Balance on 31 December 2013 (col. 2 + 3 + 4)	Under 1 year	Between 1-5 year	Over 5 year
		1	2	3	4
1. Bank loans on long and medium term:					
1.1 foreign	EUR	359,870,835	88,617,815	231,856,088	39,396,932
	USD	217,858	67,644	150,214	-
Total	RON	1,594,491,424	392,688,832	1,027,325,399	174,477,193
Of which:					
With state guarantee	EUR	50,188,733	5,581,920	22,327,679	22,279,134
	USD	217,858	67,644	150,214	-
Total	RON	223,002,298	24,947,763	99,386,933	98,667,603

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

LIABILITIES		Due date of liability			
		Balance on	Under 1 year	Between	Over 5 year
		31 December 2013 (col. 2 + 3 + 4)		1-5 years	
		1	2	3	4
2. Short-term bank loans:					
EUR		24,733,601	24,733,601	-	-
USD		36,361,649	36,361,649	-	-
RON		436,806,929	436,806,929	-	-
Total	RON	668,428,864	668,428,864	-	-
3. Interest and idle fees of which:					
foreign	EUR	1,992,615	1,992,612		
	USD	3,471	3,471	-	-
Total	RON	8,799,331	8,799,328	-	-
Of which:					
For loans	EUR	135,747	135,747	-	-
With state guarantee	USD	3,471	3,471	-	-
Total	RON	612,835	612,835	-	-
I. TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS					
		2,271,719,619	1,069,917,024	1,027,325,399	174,477,193
Trade liabilities		1,022,085,271	1,022,085,271	-	-
Advance payments from clients		26,434,214	26,434,214	-	-
Personnel and social security liabilities		36,315,147	36,315,147	-	-
Other liabilities to the state and public institutions		81,197,267	81,197,267	-	-
Dividends		252,362,228	252,362,228	-	-
Other liabilities		199,281,274	112,770,854	86,510,420	-
II. TOTAL – OTHER LIABILITIES		1,617,675,401	1,531,164,981	86,510,420	-
TOTAL LIABILITIES		3,889,395,020	2,601,082,005	1,113,835,819	174,477,193

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

2.1. On 31.12.2013 short-term liabilities (debts to be paid within a year) amounting to **RON 1,382,787,077** consist of:

	Balance on 31.12.2012	Balance on 31.12.2013
Amounts due to credit institutions	1,069,917,024	605,545,864
Trade liabilities	1,022,085,271	540,308,794
Advances from clients	26,434,214	8,219,476
Dividends	252,362,228	103,076,288
Other liabilities	230,283,268	125,636,655
TOTAL short-term liabilities	2,601,082,005	1,382,787,077

2.1.1 On 31 December 2013, the total amounts due to credit institutions, current portion to be repaid over a period of 1 year is made up of:

	Balance on 31.12.2012	Balance on 31.12.2013
Current portion of long term loans	346,194,043	397,754,527
Accrued interest on long term loans	15,028,809	6,971,330
Short-term bank loans (credit lines)	736,431,619	200,820,007
Commissions for inactivity	1,361,467	0
Total Current portion of amounts due to credit institutions	1,099,015,938	605,545,864

Short-term bank loans (credit lines) active on 31 December 2013 were:

- ALPHA BANK ROMANIA dated November 3, 2009, for RON 80 million - the maximum amount that may be paid during the facility, for the types of credit agreed by the parties: irrevocable credit line in value of RON 40 million and revocable credit line in value of RON 40 million, both revolving credit facilities. Facility may be used until March 31, 2014.

On December 31, 2013 facilities' balance was equal to 0 RON. During 2013 was refunded the entire credit balance existing on 01.01.2013: RON 79,976,183.

- BRD GSG dated September 29, 2009, for RON 300 million - the facility is used as a credit line. The agreement was concluded for a period of one year, renewable on 12 months maturity term. The validity established at this moment is September 30th, 2014.

On December 31, 2013 balance facility was in the amount of RON 52,745,450. During 2013 were made capital repayments in the amount of RON 191,347,368.

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

The loan is secured by an assignment agreement of receivables that the Company has to recover based on contract: no. 3 / 03.01.2011 with Enel Energie, no. 7 / 03.01.2011 with Enel Furnizare Muntenia, Contract no. 15 / 03.01.2011 with CEZ Vanzare, Contract no. 140 / 10.15.2013 with Electrica Furnizare, Contract no. 145 / 10.16.2013 with Electrica Furnizare, Contract no. 148 / 10.16.2013 with Electrica Furnizare, Contract no. 154 / 10.16.2013 with Electrica Furnizare, Contract no. 155 / 10.16.2013 with Electrica Furnizare, Contract no. 175 / 30.10.2013 by Enel Eerie, Contract no. 176 / 30.10.2013 with Enel Energie Muntenia, Contract no. 182 / 30.10.2013 with Electrica Furnizare, Contract no. 183 / 30.10.2013 with Electrica Furnizare, Contract no. 196 / 11.28.2013 with Electrica Furnizare, Contract no. 197 / 11.28.2013 with Electrica Furnizare, Contract no. 199 / 04.12.2013 with CEZ Distribution, Contract no. 231 / 12.20.2013 by Enel Energie, Contract no. 232 / 12.20.2013 with Enel Energie Muntenia, Contract no. 237 / 12.23.2013 with Enel Energie Muntenia, Contract no. 238 / 12.23.2013 by Enel Energie, Contract no. 240 / 12.23.2013 by Enel Energie, Contract no. 241 / 12.23.2013 with Enel Energie Muntenia, Contract no. 242 / 12.23.2013 by Enel Energie, Contract no. 243 / 12.23.2013 with Enel Energie Muntenia, Contract no. 244 / 12.23.2013 by Enel Energie, Contract no. 245 / 12.23.2013 by Enel Energie and Contract no. 246 / 12.23.2013 with Enel Energie. Company agrees to replace assigned sale contracts if they will expire or shall be modified, suspended or canceled before full repayment of this facility or if revenues from these contracts will cover at least 125% of the facility. The company also guarantees with a pledge on current accounts opened at BRD.

- CITIBANK EUROPE PLC dated 20 April 2010, for USD 30 million. Facility granted by providing overdraft that can be used until 20 April 2014. At maturity, the facility is automatically extended by 12 months if the bank does not send prior written notice to the Borrower regarding the revocation of facility.

On December 31, 2013 balance facility was in the amount of USD 27,984,486. During 2013 were made capital repayments in the amount of USD 8,377,163.

The loan is secured by assignment as way of guarantee claims arising under the contract no. C333 / 23.12.2009, signed with CN Transelectrica SA, for the provision of ancillary services, and the security interest on current accounts opened with the Bank.

- RBS BANK - dated 23 December 2009 to EUR 18.74 million. The loan is available for drawdown in RON and / or EUR. Facility granted by providing credit product as overdraft ("overdraft") and can be used until 31 July 2014. On 30.07.2013 Addendum no. 6 on Short-term credit line, the credit line limit was set at EUR 18,740,000. Borrower committing to start on 31.08.2013 to make monthly repayments of EUR 1 million from principal, so the line to be permanently reduce by EUR 1 million per month.

On December 31, 2013 balance facility was in the amount of EUR 12,705,924. During 2013 were made capital repayments amounting to EUR 12,027,677. The loan is secured by a pledge on current accounts of the Borrower, residing at RBS Bank Romania.

- Banca Transilvania - dated 14.10.2011, for RON 120 million. The loan is available to be use in RON. Facility is granted as overdraft. Addendum no. 4 / 04.11.2013, extended the validity of credit line until 11.04.2014.

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

The company guarantees the fulfillment of financial obligations under short-term derivative contract concluded with Banca Transilvania, through a pledge on current accounts opened with the Bank. On December 31, 2013 facility balance was equal to RON 0. During 2013 were made capital repayments amounting to RON 107,940,484.

2.1.2 Short-term trade payables amounting to RON 540,308,794, on 31 December 2013, are divided into:

- **Payables of current activity on the short term, amounting to RON 327,316,723**, of which the main suppliers in the balance at 31.12.2013 are:
 - Apele Romane with amount of RON 201,989,098,
 - C.E Oltenia with the amount of RON 24,875,031,
 - S.N Nuclearelectrica with amount of RON 35,046,775,
 - Transelectrica SA with amount of RON 14,542,777,
 - Hidroelectrica-SERV S.A with amount of RON 35,917,385.
- **Debts with suppliers from short term investing activities**, amounting to RON 147,668,701 of which the main suppliers in the balance on 31.12.2013 are:
 - Hidroconstructia S.A. with amount of RON 110.344.747,
 - Energomontaj S.A. with amount of RON 22.252.588,
 - Romelectro with amount of RON 6.502.992 ,
 - Andritz Hydro GmbH Ravensburg with amount of RON 4,963,542
 - UCM Resita with amount of RON 3.236.769 ,
 - ISPH Project Development with amount of RON 2,892,320
 - Hidroelectrica-SERV SA with amount of RON 2,518,905.
- **Suppliers - invoices not received** in balance on 31 December 2013 with value of RON 65,323,372 are:
 - Administratia Nationala Apele Romane with amount of RON 25,086,704
 - S.C Transelectrica S.A with amount of RON 17,660,017;

2.1.3 Advance payments from customers

On 31.12.2013 the Company has received advances totaling 8,219,476, representing mainly amounts collected for part of MHPP awarded in the auction organized by SPEEH Hidroelectrica SA under judiciary reorganization on 15.07.2013 for the sale of 3 assets packages, representing 14 MHPP with equipment, systems and related land and for which until 31.12.2013 were not concluded contracts of sale as follows:

- amount of RON 3,606,612 collected from Three Pharm for MHPP-related:
 - Somesul Rece for which was concluded sale - purchase contract and delivery of assets protocol during January 2014,
 - Salasele 1, Manastirea 1 and Manastirea 2 for which will conclude contracts of sale during 2014
- amount of RON 4,200,000 received from Mineral OIL related to MHPP Budac,
- amount of RON 411,990 advance received from E-on Energie Romania for the delivery of electricity.

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

2.1.4 Dividends payable

The company owes to the shareholder Ministry of Economy through OPSPI dividends for 2010 totaling RON 154,614,533, which were rescheduled in the pay program, up to 30.06.2015, part of the Company's reorganization plan confirmed by the bankruptcy judge on date 26.06.2013. Total amount of dividends to be paid during 2014 is RON 103,076,288.

2.1.5 Other liabilities in the balance on 31.12.2013 amounting to **125,636,655 RON** are:

- VAT non-payable in the amount of RON 17,601,235,
- Income tax in the amount of RON 24,974,706
- Performance guarantees for repairs and other services contracts amounting to RON 28,023,423, to be paid within less than 1 year,
- Delay penalties and interest due to failure to pay dividends for 2010 to the Ministry of Economy through OPSPI in the amount of RON 24,380,370, that were to be paid over a period of less than one year, which is part of Company's plan of reorganization confirmed on 30.06.2013,
- Liabilities to employees and related social security contributions amounted to RON 21,029,189.

2.2 Long-term liabilities (debts to be paid over a period longer than one year) in amount of RON 1,051,727,474 consisting of:

	Balance on 31 Dec. 2012	Balance on 31 Dec. 2013
Amounts owed to credit institutions	1,201,802,592	798,746,290
Guarantees to economic contracts and other liabilities	86,510,420	75,471,057
Trade liabilities	-	113,781,798
Payable dividends	-	51,538,145
Other liabilities	-	12,190,184
TOTAL Long-term liabilities	1,288,313,012	1,051,727,474

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

2.2.1 Amounts owed to credit institutions in a period longer than one year

On 31 December 2013, the amount of RON 798,746,290 due to credit institutions for a period longer than one year is:

Description	31 December 2012	31 December 2013
International Bank for Reconstruction and Development ("IBRD") dated August 29, 1995, for USD 110 million, of which USD 719,648 has been assigned by the Company based on the reorganization protocol, as part of the total amount used by Conel until reorganization. On 31 May 2002, the Company entered into a separate agreement for the loan balance on the contract in the amount of USD 719.648. Reimbursement shall be made in equal increasing installments until November 2015. Loan is guaranteed by the Romanian Government through the Ministry of Public Finance.	504,342	252,927
International Bank for Reconstruction and Development ("IBRD") dated July 13, 2005, for EURO 66 million - loan taken for the rehabilitation of hydropower plant on Lotru and Company's institutional development. Loan agreement entered into force on 25 January 2006, after ratification by the Romanian Parliament of the guarantee agreement signed between IBRD and the Romanian State. Reimbursement shall be made quarterly starting March 15, 2010 and ending with the last installment in September 15 2021. Loan is guaranteed by the Romanian Government through the Ministry of Public Finance.	197,550,193	175,014,939
Citibank International PLC - Agent, dated July 2, 2009, for EURO 75 million - unstructured investment loan. Reimbursement shall be made quarterly starting on 02.07.2011 in 7 approximately equal installments until 02.07.2014.		
The loan is secured by an assignment agreement of claims that the company has to recover for energy supply contracts: 34CE/02.03.2004 Luxten Lighting, 24CE/18.02.2002 - Elsid Titu, 36CE/21.04.2004 - Electromagnetica, 32CE/28.03.2003- Electrocarbon Slatina, 35CE/03.03.2004 - Euro – Pec.	94,663,463	-

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

Description	31 December 2012	31 December 2013
ING Bank NV Amsterdam - dated November 16, 2009, for EURO 60 million - the facility will be used to finance investments in developing hydro network (new and / or existing). The loan was contracted for a period of five years.		
Credit facility was taken over by ING Bank NV Dublin on 3 December 2009. Loan is repayable in 15 equal quarterly installments, starting on 13.05.2011 until 14.11.2014.		
Guarantees related to this loan are: assignment agreement that the Company has received from Alro Slatina SA (contract for power generation 47CE / 08.09.2005), Electrica Furnizare (contract for power generation no. 5 / 03.01.2011) and Enel Energie (contract for power generation no. 9 / 03.01.2011) and pledge established on all accounts opened at ING, except account which runs BIRD contract in amount of 66 million Euro.	70,859,200	-
Romanian Commercial Bank - Bucharest Branch - dated December 9, 2010, for EURO 50 million - the facility will be used to finance investments in developing hydro network (new and / or existing). The loan will be repaid in 23 equal quarterly installments starting on 09.07.2012, repayment deadline is 08.12.2017.		
Guarantees related to this loan are: Letter of Comfort (no. 4103/2010) issued by the Ministry of Economy, Trade and Business Environment and security interest on all accounts opened at RCB.	163,669,349	126,741,524

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Description	31 December 2012	31 December 2013
Unicredit Bank Austria - dated June 30, 2010, for EURO 117,367,788.93 - the facility will be used to finance the refurbishment contract of HPP Lower Olt.		
On 03.06.2010 a novation agreement was concluded between UniCredit Bank Austria and UniCredit Tiriace Bank for an amount of EURO 23,473,558.		
The maximum use of the facility is May 31, 2013.		
On December 31, 2012 were made withdrawals totaling EURO 108,247,346 remaining available for the following period the amount of EURO 9,120,443. The loan began to be repaid on 31.07.2012, when the first capital installment was paid. Loan repayment takes place between 31.07.2012-31.01.2019 by paying equal quarterly installments in the amount of EURO 8,383,413.50.		
Facility is guaranteed by Letter of Comfort (no. 1710/2010) issued by the Ministry of Economy, Trade and Business Environment.	368,012,152	325,093,246
EFG Eurobank Luxembourg - dated March 29, 2010, for EURO 30 million, the facility was used to finance investments in developing hydro network (new and / or existing). The loan was contracted for a period of five years.		
The loan is repayable in 13 equal quarterly installments starting on March 29, 2012, the repayment deadline being March 29, 2015.	51,100,385	10,349,308
Facility is guaranteed by Letter of Comfort (no. 4871/2010) issued by the Ministry of Economy, Trade and Business Environment.		
ING Bank NV Dublin - dated March 22, 2011 for 60 million EURO - loan taken to finance the investment / rehabilitation of hydroelectric network. Reimbursement has started on 07.06.2012, the principal is amortized in 17 equal quarterly installments during the period 07.06.2012-07.06.2016.		
The agreement is secured by assignment agreement related to contracts for the supply of electricity: no. 47CE / Alro Slatina SA 08.09.2005 with no. 5 / 03.01.2011 with Electrica and no. 9 / 03.01.2011 signed with Enel Energie and the pledge on bank accounts opened at the bank.	156,307,059	94,970,118

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

Description	31 December 2012	31 December 2013
BRD Groupe Societe Generale - dated June 10, 2011 for 30 million EURO - loan taken to finance the investment / rehabilitation of hydroelectric network. Reimbursement shall be made in 16 equal quarterly installments during 05.10.2012-10.06.2016.		
<p>The loan is guaranteed by the Letter of Comfort issued by MECMA and assignment agreement that the Company has received under contracts for the supply of electricity: no. 3/03.01.2011 cu Enel Energie, no. 7/03.01.2011 with Enel Furnizare Muntenia, Contract no. 15/03.01.2011 with CEZ Vanzare, Contract no. 140/15.10.2013 with Electrica Furnizare, Contract no. 145/16.10.2013 with Electrica Furnizare, Contract no. 148/16.10.2013 with Electrica Furnizare, Contract no. 154/16.10.2013 with Electrica Furnizare, Contract no. 155/16.10.2013 with Electrica Furnizare, Contract no. 175/30.10.2013 with Enel Energie, Contract no. 176/30.10.2013 with Enel Energie Muntenia, Contract no. 182/30.10.2013 with Electrica Furnizare, Contract no. 183/30.10.2013 with Electrica Furnizare, Contract no. 196/28.11.2013 with Electrica Furnizare, Contract no. 197/28.11.2013 with Electrica Furnizare, Contract no. 199/04.12.2013 with CEZ Distributie, Contract no. 231/20.12.2013 with Enel Energie, Contract no. 232/20.12.2013 with Enel Energie Muntenia, Contract no. 237/23.12.2013 with Enel Energie Muntenia, Contract no. 238/23.12.2013 with Enel Energie, Contract no. 240/23.12.2013 with Enel Energie, Contract no. 241/23.12.2013 with Enel Energie Muntenia, Contract no. 242/23.12.2013 with Enel Energie, Contract no. 243/23.12.2013 with Enel Energie Muntenia, Contract no. 244/23.12.2013 with Enel Energie, Contract no. 245/23.12.2013 with Enel Energie si Contract no. 246/23.12.2013 with Enel Energie. Also to guarantee the financial obligations arising under this contract long-term financing, the company has approved a pledge of accounts domiciled in BRD, established in favor of the Bank.</p>	91,341,938	58,561,688
EBRD - dated July 12, 2011 for EURO 110 million as follows: loan A in amount of EURO 70 million and loan B in amount of EURO 40 million to finance the investment / rehabilitation of six units of Stejarul Bicz hydrowater plant. Reimbursement will be made in 21 equal quarterly installments for the loan A and in 15 equal semi-annual installments for loan B. The loan is guaranteed by the Romanian Government through the Ministry of Economy, Trade and Business Environment.		
On 31 December 2013, the Company used from the funds contracted the amount of 1.76 million EUR.	7,794,512	7,462,541
Total net long-term loan of current rates	1,201,802,592	798,746,290

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

Financial indicators stipulated in the loan agreements are as follows:

- *The loan concluded with Citibank International PLC dated July 2, 2009:*

a) $[(\text{Long term loans} + \text{short term loans}) / \text{EBITDA}] < 2,0:1$

b) $\text{EBITDA} / (\text{Interest expense in the current year} + \text{Current portion of long term loans}) > 2,0:1;$

c) The total amount of deliveries (quantity multiplied by price) to be made in the current year under contracts representing pledge will cover the balance of the facility at a rate of at least 120%.

- *The loan concluded with IBRD dated July 13, 2005:*

a) Current liquidity (Current assets / Current liabilities) $> 1,2$

- *The loan concluded with ING Bank NV Amsterdam - Bucharest Branch - dated November 16, 2009:*

a) $[(\text{Total long-term liabilities bearing interest} + \text{Total short term liabilities bearing interest} + \text{rates paid during the year from long term liabilities bearing interest}) / \text{EBITDA}] < 1,75;$

b) $[\text{Total cash flows from operating} / (\text{Short-term liabilities bearing interest} + \text{rates paid during current year from long-term liabilities bearing interest} + \text{Interest Charge for the year})] > 1,2.$

c) The total amount of deliveries (quantity multiplied by price) to be made in the current year under contracts representing pledge will cover the balance of the facility at a rate of at least 125%.

- *The loan concluded with EFG Eurobank Luxembourg - dated March 29, 2010:*

a) $[(\text{Total long-term liabilities bearing interest} + \text{Total short term liabilities bearing interest} + \text{rates paid during the year from long term liabilities bearing interest}) / \text{EBITDA}] \leq 2,75;$

b) $[\text{Total cash flows from operating} / (\text{Short-term debt bearing interest} + \text{rate rates paid during the year from long term liabilities bearing interest} + \text{dividends payable} + \text{Interest Charge for the year})] \geq 1,2.$

- *The loan concluded with Unicredit Bank Austria - dated June 30, 2010:*

a) $[(\text{Total long-term liabilities bearing interest} + \text{Total short term liabilities bearing interest} + \text{rates paid during the year from long term liabilities bearing interest}) / \text{EBITDA}] \leq 2,5;$

b) b) Current liquidity (Current assets / Current liabilities) $> = 1,0;$

c) $\text{EBIT} / \text{Interest Charge for the year} \geq 1,5$ during 2010 and subsequent $> = 2,0;$

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

- *The loan concluded with Romanian Commercial Bank - Bucharest Branch - dated December 9, 2010:*

a) $[(\text{Total long-term liabilities bearing interest} + \text{Total short term liabilities bearing interest} + \text{rates paid during the year from long term liabilities bearing interest}) / \text{EBITDA}] < 2,0;$

b) $\text{EBITDA} / (\text{Interest expense in the current year} + \text{Current portion of long term loans}) > 2,0;$

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

a) $[(\text{Total long-term liabilities bearing interest} + \text{Total short term liabilities bearing interest} + \text{rates paid during the year from long term liabilities bearing interest}) / \text{EBITDA}] < 2,50;$

b) $[\text{Total cash flows from operating} / (\text{Short-term debt bearing interest} + \text{rate rates paid during the year from long term liabilities bearing interest} + \text{Interest Charge for the year})] > 1,0.$

c) The total amount of deliveries (quantity multiplied by price) to be made in the current year under contracts representing pledge will cover the balance of the facility at a rate of at least 125%.

- *for loan concluded with BRD Groupe Societe Generale - dated June 10, 2011:*

a) $\text{Long-term loans} + \text{short-term loans} + \text{current portion of long term loans} / \text{EBITDA} < 3,5.$

- *The loan signed with European Bank for Reconstruction and Development - dated 12.07.2011:*

a) $[(\text{Total long-term liabilities bearing interest} + \text{Total short term liabilities bearing interest} + \text{rates paid during the year from long term liabilities bearing interest}) / \text{EBITDA}] < 2,75;$

b) $[\text{Total cash flows from operating} / (\text{Short-term debt bearing interest} + \text{rate rates paid during the year from long term liabilities bearing interest} + \text{Interest Charge for the year})] > 1,3$ during 12.07.2011-31.12.2014, namely $> 1,5$ during 01.01.2015-12.07.2024.

Under the terms of the loan agreements mentioned, in case of failing assumed obligations, banks may, following written notice, request acceleration of maturity for withdrawn and outstanding loans after a period of time when borrower has the opportunity to remedy the occurred event.

These financial indicators are calculated based on the Company's financial statements prepared in accordance with International Financial Reporting Standards.

The cost of short-term financial debt or financial debt on medium and long term of the company is indexed to market interest rates, while also reflecting the company's credit rating.

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NOTE NO. 5 RECEIVABLES AND LIABILITIES SITUATION ON 31 DECEMBER 2013 (continued)

2.2.2 Performance bond payable over a period longer than 1 year is on December 31, 2013 in the amount of RON 75,471,057, representing mainly:

- Guarantees for the investments - RON 73,913,356;
- Guarantees for repair contracts - RON 1,407,585.

2.2.3. Long-term commercial liabilities are debts to suppliers and current investment that have been rescheduled until 30.06.2015, in the payments program confirmed on 30.06.2013 as part of the reorganization plan of the Company, as follows:

- Administratia Nationala Apele Romane (National Administration "Romanian Waters") with the value of RON 77,378,378, representing the portion that will be paid in equal monthly installments of RON 12,896,396 up to 30.06.2015;
- Nuclearelectrica SA with the value of RON 17,523,387, representing the portion that will be paid in equal monthly installments of RON 2,920,564 in 2015 up to 30.06.2015;
- Hidroconstructia S.A. with the value of RON 18,880,031, representing the portion that will be paid in equal monthly installments of RON 3,146,672 in 2015 up to 30.06.2015.

2.2.4 Dividends payable with payment terms exceeding one year, amounting to **RON 51,538,145** represent the portion of dividends distributed from the profits of 2010 for MEC and will be paid monthly during 2015 before 30.06.2015, in accordance with the schedule of payments under the confirmed plan of reorganization.

2.2.5 Other long-term liabilities in the amount of 12,190,185 RON represent the portion of penalties and interest calculated for late payment of dividends payable to Ministry of Economy and Trade, distributed from 2010 profits, which will be paid in monthly installments until 30.06.2015.

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NOTE NO. 6 PRINCIPLES, POLICIES AND ACCOUNTING METHODS

A. Basis of preparation of financial statements

SPEEH Hidroelectrica SA, under judiciary reorganization, drafted the unconsolidated financial statements of the year ended 31 December 2013 in accordance with the Accounting Law 82/1991 with subsequent amendments, MPFO no.3055 / 2009 on the approval of accounting regulations with European Directives amended and supplemented.

The Company has prepared unconsolidated financial statements for the year ended 31 December 2013 based on data recorded in the trial balance achieved by centralizing the trial balances of the Company's executive branches.

According to the MPFO no.3055 / 2009, Article 11, Company's management will prepare the 2013 consolidated financial statements, pursuant to the European Directive VII, prepared in accordance with International Financial Reporting Standards adopted by the European Union.

B. The presentation currency

Accompanying unconsolidated financial statements are presented in Romanian Lei, based on the principle of historical cost except as listed below.

C. Transactions in foreign currencies

Transactions in foreign currencies are expressed in RON by applying the exchange rate from the transaction date. Monetary assets and liabilities denominated in foreign currencies at year end are expressed in RON at the exchange rate of that date. Gains and losses on foreign exchange made or projected are recorded in the profit and loss account of that year.

Exchange rates used on 31.12.2013 are:

		<u>Exchange rate in RON</u>
1 Euro	EUR	4.4847
1 American dollar	USD	3.2551
1 British Pound	GBP	5.3812
1 Swiss Franc	CHF	3.6546

D. Accounting Principles

The items included in the unconsolidated financial statements of the financial year 2013 have been produced in accordance with the accounting principles established by MPFO no.3055 / 2009 with subsequent amendments.

The company will continue to operate normally in the foreseeable future without entering the impossibility of continuing or significant reduction of activity, so we can say that the going concern assumption is respected.

Company complies with consistency principle through registration in accounting of property items and the results so as to ensure comparability of the financial information.

HIDROELECTRICA SA under judiciary reorganization
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NOTE NO. 6 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

The value of the items included in the financial statements has been determined on the basis of prudence, independence of exercise, the exercise intangibility, Non-balancing and separate valuation of assets and liabilities.

Also information from the unconsolidated financial statements reflect economic reality, not just their legal form based on the principle of substance over form, and the elements with significant values were presented separately, respecting the principle of materiality.

E. Use of estimates

For preparing these unconsolidated financial statements in accordance with MFPO no.3055 / 2009 were also necessary adjustments to the statutory accounts and obtaining information that may be available directly from company's accounts. These estimates are periodically reviewed and, as adjustments become necessary, they are recorded in the income statement in the period when they become known. Although these estimates are made by company's management based on the best information available on unconsolidated financial statements, actual results may differ from these estimates.

F. Comparative statements

Unconsolidated financial statements prepared on 31.12.2013 show the comparability with the unconsolidated financial statements prepared on 31.12.2012. Also, where necessary, comparative figures have been reclassified to conform changes of unconsolidated financial statements of the current year.

G. Correction of accounting errors

According to the MPFO no.3055 / 2009 for accounting regulations compliant with European directives, correction of errors is done for the year on account of previous earnings.

However, significant errors related to previous financial years can be corrected on account of profit and loss. Significant errors are not likely to influence the financial and accounting information. Analyzing whether an error is significant or not is made according to context, considering the nature and value of individual or aggregate elements.

Prior period errors are omissions and misstatements in the financial statements of the entity for one or more prior periods arising from mistake to use or not to use.

Credible information which: (a) was available when the financial statements for those periods were authorized for issue; (b) could reasonably be obtained and taken into account in the preparation and presentation of those financial statements.

In 2013, there were corrections during the year of concluded financial exercises, corrections error amounting to RON 57,169,178. Considering the provisions of MFO 3055/2009, significant correction error was done for the year on account of previous earnings, errors presented in the statement of changes in equity.

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NOTE NO. 6 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

H. Assets

Tangible assets

The company has currently fixed assets both of the public domain nature and the private domain of the State.

Land registration in accounting is initially at cost, depending on the method of acquisition or cost of acquisition or fair value at the acquisition date.

When register fixed assets this is done at acquisition cost or production cost. Fixed assets for investment are recorded as direct costs attributable to the acquisition, construction (including technical solutions - models / prototypes and technical documentation) without capitalizing financial expenses interest and foreign exchange differences related to interest on loans, and without including exchange rate differences in the carrying amount of assets.

Subsequent expenditure (renovations, refurbishments) related to tangible assets already recognized as assets, increase the value only if increasing initial technical parameters and leading to future economic benefits in addition to those originally estimated. Benefits can be achieved either directly by increasing income or indirectly by reducing operation and maintenance costs.

Subsequent expenditure incurred in order to obtain or maintain the future economic benefits that the company expects to base on results initially estimates are recognized in profit or loss when performing.

The company uses the straight-line method to register the depreciation of fixed assets by depreciation on operating costs over the useful life of the asset.

The Company does not depreciate fixed assets of state's public domain nature and fixed assets in progress.

Subsequent depreciation expenses which were included in the initial cost of the assets must be carried out linearly, beginning subsequent month of reception of improvement works, on the remaining useful life of respective intangible asset, except for works of improvement designed to extend the useful life.

Intangible assets

An intangible asset is recognized if, and only if:

- is identifiable and generate future economic benefits;
- is estimated that company will obtain the future economic benefits that are attributable to the asset;
- cost of the asset can be estimated accurately.

Company shows as intangible assets the acquired software licenses.

Computer software is depreciated over the useful life or over a period of three years.

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NOTE NO. 6 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

H. Assets (continued)

Financial Assets

Financial assets are represented mainly by units in subsidiaries that are registered in the books, as follows:

- Founded on the setting up branches and units, based on handover protocols of individual assets;
- On capital increase at subsidiaries with in kind or cash contribution to the Company's share capital;
- On reduction of share capital of the subsidiary by returning a quota of contributions to the company.

The company also recorded as financial assets and receivables assets, long-term guarantees established for a term exceeding one year.

I. Public patrimony

GD no. 365 / 1998 presents the first inventory of goods belonging to the public domain to be registered separately and in GD no. 627 / 13.07.2000 are nominated the real estate forming Hidroelectrica's public domain, that has to be inventoried and updated whenever necessary by Government Decision.

The Law no. 213/1998 regulates the legal status of public property, mentioning the fact that ownership of public property belongs to the state, and you can rent or lease the goods that belong to public property.

According to the provisions of MFO No.555 / 2003 amending and supplementing MFO no. 1718 / 2011 for the approval of "Notes on the inventory of goods belonging to the public domain", the annual inventory of public property were separated from state's public goods acquired through investments or purchase:

- Public funds or donations,
- Own sources.

In this regard, the annual inventory of assets in the public domain does not update to the related goods resulting from investments, made from own sources of funding.

Since 2004 according to Law 571/2003 on the Tax Code, art.24, point e) "investments made from own resources embodied in new goods of the nature of public domain, and in the development and modernization of public property assets" are amortized and will be recovered from a tax perspective by deducting depreciation according to this article.

The value of the public domain under the lease concession No.171 / 27.12.2004, signed by Hidroelectrica with MEC for a period of 49 years regarding lease assets that make up the existing public domain on 31.12.2013 is RON 3,474,417,706 consisting of:

- dams RON 1,632,657,572
- piers RON 1,585,267,518
- locks RON 256,492,616

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NOTE NO. 6 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

I. Public patrimony (continued)

This value is to be recorded only in extra-record in account 8038.01 "Assets leased to the public patrimony pursuant the Order no. 94".

Under the assignment agreement, the Company is obligated to pay for the use of goods belonging to public domain an annual fee of 1 ‰ (one per thousand) of annual income from the production of electricity and ancillary services.

J. Impairment of Assets

Tangible assets and other long-term assets, including goodwill and intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recovered. The impairment loss is the difference between the carrying amount and the maximum between the selling price and value in use. In calculating this impairment, assets are grouped at the lowest levels for which there are independent cash flows.

Unconsolidated financial position and Company's unconsolidated operating results are partly dependent on the decisions of the National Energy Regulatory charges on electricity delivered by the regulated market supply and distribution companies (see Note 13), the changes in tariffs and / or decisions of the Romanian state, not being influenced exclusively by the Company's management decisions, these issues diminishing influence on the Company's consolidated operating results, and the recoverability of the net accounting value of tangible assets used in the power generation. Also, the energy sector suffers permanent restructuring, which could have a significant impact on the Company, its future activity, and the predictability of future revenues of the Company. Therefore, although on 31 December 2013 there are indications of impairment of tangible assets, the Company has not conducted an analysis to date depreciation of tangible assets. These financial statements do not include adjustments that might result from the outcome of these uncertainties. Our opinion does not express reservations about this aspect.

K. Inventories

Inventories consist primarily of spare parts, consumables, auxiliary materials and other inventory used in hydropower operation as well as maintenance and repair work. Company records inventories at cost or purchase price tax, transport when applicable, received discounts, cost of processing and other costs incurred in bringing the inventories in shape and location at the reporting date. Accounting inventory and value are kept by using intermittent inventory.

Inventories are presented in unconsolidated financial statements at the lowest acquisition cost and net realizable value or the acquisition cost reduced by the amount of provisions for impairment. Inventories are recognized as an expense when using, applying FIFO costing method.

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NOTE NO. 6 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

L. Clients and related account

Client accounts and similar accounts include issued and unpaid invoices up to 31.12.2013 for the generation of electricity, ancillary services and other services besides functional activity, with collection in less than 12 months. Client accounts and similar accounts are recorded at nominal value, reduced to the estimated realizable value by recording the value adjustments for uncertain debts. Ultimate losses may vary from current estimates; however management believes that it has made the best estimate of losses.

M. Cash and cash equivalents

Cash and cash equivalents include on hand cash, balances with banks, short-term bank deposits. Accounts in foreign currencies are recognized in the balance sheet in lei at the exchange rates in effect at year's end. Treasury loans (overdraft) are treated as current liabilities.

Balances with banks include: availability in lei and foreign currency short-term bank loans are developed analytically, different for each bank in lei and foreign currency. Interest payable and to be received is recorded separately in accounting, at financial expenses or financial income, as the case may be. Operations on foreign currency and payments are recorded in the accounts at the exchange rate from the date of operation.

In view of preparing the statement of cash flows, cash loans are considered as a component of cash and equivalent items.

N. Share capital

The subscribed and paid in share capital has not changed in 2013, as presented in the statement of changes in equity. Value of subscribed and paid in share capital on 31 December 2013 is RON 4,475,643,070. The capital, according to Law no. 1481 / 24.11.2005 on setting company "Fondul Proprietatea" SA was divided by shareholders, legal entities, as follows:

- State, by Ministry Economy and Trade with 80.0561%
- S.C. "Fondul Proprietatea" S.A. with 19.9439 %

The Company recognizes changes in subscribed and paid in share capital only after approval by the General Meeting of Shareholders or the Board of Directors, as applicable, and registration with the Trade Register.

O. Dividends

Dividends are recognized as a liability in the period in which they are declared and their distribution approved. Failure to pay is due time imply delay penalties according to law.

P. Loans

Short and long term loans are initially recorded at the received amount, net of transaction costs. Long-term and medium term bank loans are developed analytically on each bank and the type of currency.

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NOTE NO. 6 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

P. Loans (continued)

Short term portion of long term loans is classified in "Debts to be paid over a period of one year" and included together with accrued interest in the balance sheet at "Amounts owed to credit institutions" within the short-term debts.

Q. Trade liabilities

Short term trade liabilities (maturing in less than 12 months) are recorded at nominal value, which approximates fair value of amounts to be paid for goods or services received and consist mainly of invoices for contracted goods and services.

R. Provisions

Provisions for risks and charges are recognized when the Company has a legal or constructive obligation resulting from past events, when required to settle the obligation is an outflow of resources embodying economic benefits and when a reliable estimate can be made regarding the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate of management in this case. If for settling an obligation is not probable an outflow of resources, provision was canceled by resuming revenue.

Were established:

- Provisions for litigation
- Provisions for restructuring
- Provisions for pension obligations and similar expenses
- Other provisions
- Impairment of assets and impairment of inventories
- Value adjustments to receivables-customers

T. Subventions

Investment grants recognized by the Company in accordance with the law were presented as deferred income and recognized in profit or loss on a systematic basis in periods when amortized investments were made (investment subsidies of private patrimony) or in equity, the commissioning of investment objectives (investment subsidies of public patrimony). In 2013, SPEEH Hidroelectrica SA under judiciary reorganization did not receive investment subsidies.

U. Profit and loss account

The effects of transactions and other events are recognized and accounted for when they occur and are presented in the unconsolidated financial statements of the related periods, at historical cost.

HIDROELECTRICA SA under judiciary reorganization
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NOTE NO. 6 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

V. Recognition of income

Recognition of income is at historical cost. The effects of transactions and other events are recognized when they occur and are accounted for even if the justification is drawn after (on the accounting principle of substance over form) and reported in the unconsolidated financial statements of the periods corresponding to the principle of independence of the financial exercise.

Revenue is recognized upon rendering of services and selling goods at prices set by contract.

Amounts received in advance for services are recognized as income in the accounting periods in which the services are provided.

W. Operating expenses

Operating costs are expensed in the period in which they were made at their historical cost.

X. Costs related to personnel

Labor costs represent total costs borne by Company, namely salaries in cash and benefits granted under the Collective Labor Agreement on branch and unit as well as social security contributions, health insurance and unemployment benefits, and costs of training.

These rights are recognized in expenses together with services performed by them and are recorded in the income statement in the same period as the related salary costs. Both the company and all employees are required by legal regulations to contribute to the health insurance, pension and unemployment fund.

Y. Employees' Benefits

All employees, based on labor contract, benefit of food vouchers, and in accordance with the Collective Labor Contract receive fixed bonuses for Easter and Christmas, holiday bonuses, bonuses awarded depending on loyalty jubilee, retirement bonuses as well as other benefits.

According to GD no. 1041/2003 and no. 1461/2003, Company provides in kind benefits in the form of free energy for employees who have retired from the power generating system. Also, according to the the Collective labor contract ("CLC"), the Company provides benefits to both the employees - depending on the years worked for the Company - and former employees at retirement, if certain conditions are fulfilled. The Company also provides in kind benefits in the form of free energy for employees who retired when certain terms and conditions are met.

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NOTE NO. 6 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

Y. Employees' Benefits (continued)

The benefits provided by the Company include the following:

- retirement awards ranging from 3-12 gross monthly base salary depending on the number of years of service in the Company at the date of retirement;
- jubilee premiums between 1 and 6 gross monthly salaries depending on the number of years of service in the Company;
- free electricity after retirement if certain conditions are met;
- bereavement benefits granted to employees and their families and for retired former employees of the Company, if certain conditions are met.

The Company has recorded a provision for benefits under the CLC and GD no. 1041/2003 and no. 1461/2003 based on actuarial calculations carried out periodically by independent actuary specialists, amounting to **RON 78,882,142**. On December 31, 2013, these were updated based on an actuarial calculation.

Z. Borrowing Costs

Borrowing costs include interest and other costs incurred by the company in connection with the borrowing of funds. SPEEH Hidroelectrica SA, under judiciary reorganization, recorded as an expense borrowing costs in the period to which they refer to, under accrual principle.

AA. Income tax

Current income tax is calculated in accordance with tax regulations in force. Calculation of current income tax is based on the results reported in the tax statement prepared based on the Company's financial statements, according to Romanian standards and adjusted for certain items according to law. Current income tax is calculated as a percentage of 16%, applied to the accounting profit obtained according to the Romanian legislation, adjusted for certain positions according to tax legislation (with deductible expenses and tax deductible or taxable and non-taxable income).

BB. Fiscal obligations

Tax liabilities are calculated, outlined, declared and paid in accordance with the legal provisions concerning both company's liabilities and employees' obligations.

Taxation

The taxation system in Romania is constantly changing and is subject to varying interpretations. In some cases, the tax authorities may treat differently certain issues, the calculation of the additional taxes, supplementary charges and penalties for late payment (interest rate of 0.04% per late day and penalty between 5-15% of the remaining balance to be paid, respectively from 01.07.2013 penalty of 0.02% for each day of delay). In Romania, the fiscal year remains open for review for 5 years. The Company's management believes that tax liabilities included in these financial statements are appropriate.

HIDROELECTRICA SA under judiciary reorganization
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NOTE NO. 6 PRINCIPLES, POLICIES AND ACCOUNTING METHODS (continued)

CC. Contingent liabilities

A contingent liability is:

- a possible obligation, incurred as a result of past events prior to the balance sheet date and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that may not be entirely under the control of the company; or
- obligation that arises from past events prior to the balance sheet date but not recognized because:
 - not sure that outflow of resources will be required to settle the debt; or
 - the debt can not be measured with sufficient reliability.

The Company does not recognize contingent liabilities in the balance sheet.

EE. Related parties

Parties are considered related if one party either by property, contractual rights, or other family relationships, is able to directly control or significantly influence the other side.

The entity that meets the conditions of Article 3, Chapter II of the Directive VII, part of the MPFO no. 3055 / 2009, that was considered a related party to the SPEEH Hidroelectrica under judiciary reorganization, is represented by Hidroelectrica SERV SA registered at Trade Register under no. J40 / 9762 / 05.08.2013, the company formed by the merger of the eight former subsidiaries for repairs and services Hidroserv, presented in Note 10.

NOTE NO. 7 EQUITIES AND BONDS

a) Shares

In accordance with Law no. 1481 / 24.11.2005, the share capital of the Company is 80.0561% owned by the Romanian state as shareholder, represented by the Ministry of Economy and Trade and 19.9439% 19.9439% by SC "Fondul Proprietatea" SA.

On 31 December 2013, the share capital situation is as follows:

	31 December 2012	31 December 2013
1. Subscribed share capital - paid, of which:	4,475,643,070	4,475,643,070
- Romanian state through the Ministry of Economy and Trade	3,583,025,290	3,583,025,290
- SC "Fondul Proprietatea" SA	892,617,780	892,617,780
2. Total number of shares, of which:	447,564,307	447,564,307
- Romanian state through the Ministry of Economy and Trade	358,302,529	358,302,529
- SC "Fondul Proprietatea" SA	89,261,778	89,261,778
3. Nominal value	10 lei/share	10 lei/ share

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NOTE NO. 7 EQUITIES AND BONDS (continued)

All shares are common, were subscribed for and fully paid in on 31 December 2013. All shares have the same voting rights and have a nominal value of 10 lei / share.

b) Bonds:

The Company did not issue any bonds on December 31, 2013.

NOTE NO. 8 INFORMATION REGARDING EMPLOYEES 2012

1. INFORMATION RELATED TO NUMBER OF PERSONAL

SPEEH Hidroelectrica SA, under judiciary reorganization, considering the nature of work and under licenses granted, uses highly skilled personnel with labor contract concluded on undetermined period.

1.1. Evolution of the average number of personnel in SPEEH Hidroelectrica under judiciary reorganization, in 2012 and 2013 is as follows:

	2012	2013
Average number of personnel, persons	5,199	4,601

1.2. Number of existing staff in SPEEH Hidroelectrica SA under judiciary reorganization, on 31 December in 2012 and 2013 is as follows:

	31 December 2012	31 December 2013
Average number of personnel, persons	5,115	4,172

Expenditure on staff in 2013 compared to 2012 is as follows:

	2012	2013
Personnel expenses total, of which:	418,863,325	354,704,802
- Salaries and allowances	322,419,585	273,822,413
- Social security costs	96,443,740	80,882,388

The Company has no contractual obligations to pay pensions to former managers and administrators and has not granted any loan to managers and administrators during exercise. Wage costs awarded to managers (including those of subsidiaries) and its directors during 2013 is in the amount of RON 8,721,289.

HIDROELECTRICA SA under judiciary reorganization
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NOTE NO. 9 ANALYSES OF THE MAIN FINANCIAL INDICATORS

INDICATORS

	Indicators	2012	2013
1.	Synthetic indicators at the reporting date (RON)		
	a) PROFIT/(LOSS) GROSS (A)	(487,621,356)	901,584,235
	b) EBITDA	853,947,101	1,955,452,552
	c) EBIT	(382,907,910)	963,263,305
	d) TURNOVER	2,402,785,281	3,083,233,611
	e) OWN EQUITY	16,039,945,669	16,697,470,770
2.	Profitability indicators (%)		
	a) EBITDA in total sales	35.54%	63.42%
	b) EBITDA in own equity	5.32%	11.71%
	c) EBIT in total sales	-15.94%	31.24%
	d) EBIT in own equity	-2.39%	5.77%
	e) The gross profit rate	-20.29%	29.24%
	f) Rate of return on equity	-3.04%	4.31%
3.	Liquidity indicators (%)		
	a) current liquidity	15.77%	33.86%
	b) immediate liquidity indicator	11.66%	26.02%
4.	Risk indicators		
	a) Indebtedness indicator	0,14	0,05
	b) Interest coverage rate	-3.21	15.27
5.	Indicators of activity (days)		
	a) Rotation speed of debts - customers	28	25
	b) Rotation speed of payables - suppliers	125	62

HIDROELECTRICA SA under judiciary reorganization
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NOTE NO. 10 OTHER INFORMATION

a) Information regarding the Company

SPEEH Hidroelectrica SA under judiciary reorganization is a Romanian legal person having the legal form of a joint stock company, operating under the Romanian legislation.

SPEEH Hidroelectrica SA under judiciary reorganization operating time is unlimited, starting from the date of registration in the Trade Register. It is registered with the Trade Register under no. J/40/7426/2000 with fiscal registration number 13267213.

SPEEH Hidroelectrica SA under judiciary reorganization is headquartered in Romania, Bucharest, 15-17 Ion Mihalache Blvd., Tower Center, 13th floor, sector 1.

SPEEH Hidroelectrica SA under judiciary reorganization has as main activity the production and generation of power by operating hydrological potential in compliance with legislation, conducting acts of trade approved by appropriate object status, based on production license no. 332 / 24.07.2001, updated by NRA Decision no.1655 / 04.07.2012 and electricity supply license no. 932 / 27.05.2010 issued by NRA Decision no.1387 / 27.05.2010. All these decisions issued by NRA are periodically updated.

Company consists of seven branches unincorporated as follows: HS Bistrița, HS Curtea de Argeș, HS Cluj, HS Hațeg, HS Porțile de Fier, HS Râmnicu Vâlcea, HS Sebeș.

Following a request made by Hidroelectrica to Bucharest Court Civil Section VII, by Civil no.7222 / 2012 issued in file no. 22456 / 3/2012 on 20.06.2013, decided to open the general insolvency procedure under Law No. 85/2006, with subsequent amendments and appointed Euro Insol S.P.R.L. as judicial administrator.

After drafting and preparing and preliminary table of claims, on 10.09.2012 the court published in the Insolvency Bulletin no. 12666 / 17.09.2012, the judicial administrator has drafted the final table of claims against the Hidroelectrica debtor's property which he displayed at the court on 07.06.2013 and was published in the Bulletin Insolvency no.10226 / 10.06.2013.

The final table of claims was accepted and included claims placed under suspense condition, totaling **RON 4,394,000**, as follows:

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

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

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

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NOTE NO. 10 OTHER INFORMATION (continued)

a) Information regarding the Company (continued)

Creditors Claims included in Payments program, integral part of the Reorganization Plan, were in value of **RON 1,217,000** as follows:

- Receivables in the amount of **RON 274 million**, with settlement between 21.06.2013 - 26.06.2013 until termination of insolvency proceedings. Settling the obligation was performed by actual payments in amount of RON 213 million and compensation amounting to RON 61 million;
- Receivables in the amount of **RON 829 million**, payable in installments between July 2013 - June 2015, according to the agreements concluded with some creditors, such as:

Creditor	Receivable	No. of installments	Starting date	Closing date	Monthly rate
Administratia Nationala Apele Romane (A.N.A.R.)	309,513,512	24	31.07.2013	30.06.2015	12,896,396
Complexul Energetic Oltenia	49,750,062	12	31.07.2013	30.06.2014	4,145,838
Energomontaj	12,873,706	12	31.07.2013	30.06.2014	1,072,809
Fondul Proprietatea	47,087,952	6	31.07.2013	31.12.2013	7,847,992
Hidroconstructia	75,520,125	24	31.07.2013	30.06.2015	3,146,672
Hidroconstructia	9,639,829	12	31.07.2013	30.06.2014	803,319
Ministry of Economy, Trade and Business Environment through Office for State Ownership and Privatization in Industry	254,913,316	24	31.07.2013	30.06.2015	10,621,388
Nuclearelectrica	70,093,550	24	31.07.2013	30.06.2015	2,920,565
General Total	829,392,052				43,454,979

- Receivables under suspensive condition in the amount of RON 114 million to be issued on the precedent conditions under the arising provisions.

The difference of RON 3.107 million up to the amount of 4.394 million recorded in the final table is made up of:

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

On June 26, 2013, the sentence handed down by the Court of Civil nr. 6482 by Bucharest Court, Civil Section VII in file no. 22456 / 3/2012, was approved the final report prepared by the Judicial Administrator EURO Insol SPRL, and under Article 132, para. (1) of Law No. 85/2006, ordered the closure of the judicial reorganization initiated against Hidroelectrica S.A.

According to EGM Case No. 27 / 01.11.2012, at termination of insolvency, Hidroelectrica amended memorandum came into effect, the company being managed, on 31.12.2013, according to two-tier system by the Supervisory Board and Executive Board.

On February 25, 2014 the Company has re-entered the special administration, because the Court of Appeal has accepted certain appeals made by energy distributors (see Note 16).

HIDROELECTRICA SA under judiciary reorganization
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NOTE NO. 10 OTHER INFORMATION (continued)

a) Information on the Company's relationships with subordinate branches

As of 05.08.2013, SPEEH Hidroelectrica SA under judiciary reorganization is the sole shareholder of Hidroelectrica SERV SA registered at Trade Register under no. J40 / 9762 / 05.08.2013, company formed by the merger of the eight former subsidiaries for repairs and services Hidroserv.

On 31.12.2013 the in kind contribution to the capital of Hidroserv subsidiaries is in amount of RON 58,039,420, adjusted for impairment of shares held by Hidroelectrica in subsidiary in the amount of RON 36,796,469 due to recorded loss and thus decreasing of equity of the Hidroelectrica SERV subsidiary.

In 2013 compared to 2012, Company's transactions with its subsidiaries are as follows:

Description	31.12.2012	31.12.2013
Providing services to subsidiaries	855,158	1,417,266
Income from shares held by the Company in subsidiaries	4,727,487	1,412,126
Acquisition from subsidiaries	332,222,573	168,037,417

For the year ended 2013, the acquisitions from subsidiaries are structured as follows:

- RON 104,272,949 - repair services provided by Hidroserv;
- RON 46,546,405 - entries of assets in progress for works provided by the subsidiaries;
- RON 16,064,672 - other services provided by subsidiaries;
- RON 1,128,986 - acquisition of materials from subsidiaries.

On December 31, 2013, compared to 31.12.2012, receivables and liabilities on subsidiaries are as follows:

Description	31.12.2012	31.12.2013
Trade receivables from subsidiaries	263,159	1,034,169
Dividends from subsidiaries	5,955,620	308,630
Liabilities to subsidiaries	108,073,339	51,234,357

On December 31, 2013, liabilities to subsidiaries are structured as follows:

- RON 38,436,920 - representing current trade payables;
- RON 12,798,067 - representing retained performance bonds;

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NOTE NO. 10 OTHER INFORMATION (continued)

a) Inventories

	31 December 2012	31 December 2013
Consumables	106,730,730	108,641,501
Commodities	115,376	113,202
Packaging	43,107	36,729
Advance for stocks	20,373	14,883
Value adjustments	(83,638)	(339,648)
TOTAL	106,825,948	108,466,667

	31 December 2012	Increase	Decrease	31 December 2013
Impairment of consumables (acct.392)	82,440	41,973	297,271	337,738
Impairment of inventory and packaging (acct.395 + acct.398)	1,198	-	712	1,911
III. TOTAL Impairment of inventories	83,638	41,973	297,983	339,648

Impairment of inventories amounting to **RON 339,648** represents the value adjustments made for depreciation of materials, inventory items, packaging and spare parts for inventories without movement and the items proposed for disposal

b) Cash and bank accounts

Bank accounts	31 December 2012	31 December 2013
Bank accounts in RON	48,275,271	53,724,373
Bank accounts in foreign currency	5,631,712	19,928,754
Cash	311,305	168,676
Cash advances	1,902	-
Equivalent in cash	1,150,078	698,856
TOTAL	55,370,268	74,520,659

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NOTE NO. 10 OTHER INFORMATION (continued)

c) Revenues

	U.M.	31 December 2012	31 December 2013
1. Total electricity delivered	MWh	12,824,287	15,025,168
(A+B+C) of which :	lei	1,927,716,204	2,667,160,200
A. Electricity delivered on the Regulated Market , of which:	MWh	12,824,287	3,974,814
Provision for captive consumers	lei	1,927,716,204	496,850,298
Distribution Operators (Electrica)	MWh	12,824,287	3,974,814
	lei	1,927,716,204	496,850,298
B. Electricity delivered on the Competition Market, of which:	MWh	12,824,287	3,823,225
	lei	1,927,716,204	674,286,892
Eligible and Licensed suppliers	MWh	6,490,220	3,823,225
	lei	997,783,742	674,286,892
C. Electricity delivered on other markets of which:	MWh	1,873,081	7,227,129
	lei	577,005,132	1,496,023,009
Next Day Market	MWh	335,745	2,525,234
	lei	62,183,152	434,672,902
Centralized Market for Bilateral Contracts	MWh	86,299	3,331,567
	lei	22,224,013	698,363,021
Transelectrica (Balance Market)	MWh	1,365,356	1,359,945
	lei	456,351,514	357,510,513
PRE Members	MWh	68,420	-41
	lei	28,395,692	47,428
Direct consumers	MWh	17,260	10,360
	lei	7,850,762	5,420,737
Buyers of MHPP	MWh	-	64
	lei	-	8,409
2. Ancillary services, transport, market management of which:	lei	401,505,123	340,778,863
Supplied to Transelectrica SA (secondary control frequency / power, reserve power, providing reactive power and voltage control)	lei	307,475,454	269,025,905
Ancillary services, transport and market administration on Competitive market	lei	57,647,939	31,035,592
Transport invoiced for electricity sold on the Regulated market	lei	36,381,730	40,717,366
3. Green certificates	lei	44,860,342	57,679,064
4. Emission Reduction Units	lei	19,652,004	7,608,016
5. Industrial water services	lei	1,138,627	1,063,337
6. Other services	lei	8,202,185	8,952,355
7. Other operating revenues	lei	15,340,950	66,407,258
TOTAL OPERATING REVENUES	lei	2,418,415,434	3,149,649,093
(1+2+3+4+5+6+7)			

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NOTE NO. 10 OTHER INFORMATION (continued)

d) Information on profit tax

The main Company's economic - financial indicators 31.12.2013 are as follows:

No.	Name of indicator	Value
1	Turnover	3,083,233,611
2	Operating revenues	3,149,649,093
3	Operating expenses	2,133,576,843
4	Operating result - profit (row 2 – 3)	1,016,072,250
5	Financial revenues	109,970,782
6	Financial expenses	224,458,797
7	Financial result (loss) (row 5 – 6)	(114,488,015)
8	Total revenues	3,259,619,875
9	Total expenditures	2,358,035,640
10	Gross Loss (row 8 – 9)	901,584,235
11	Legal reserve (5%)	45,008,605
12	Non-taxable income	82,936,293
13	Non-deductible expenses	163,297,338
14	Items similar to income resulting from the destination change of revaluation surplus reserve (acct.1065) according to GMSno.14/2011	205,984,880
15	Taxable income (rd.10 – rd.11 – rd.12 + rd.13 + rd.14)	1,142,921,555
16	Tax loss recoveries from previous years	-
17	Taxable income (rd.15 – rd.16)	1,142,921,555
18	Corporate tax rate of 16%	182,867,449
19	Tax credit for sponsorship / patronage, private scholarships in the limit provided by law	110,345
20	Tax on profit for the year 2013	182,757,104

After applying all the tax regulations in force on 31.12.2013, we calculated a taxable income of RON 1,142,921,555 for the Company accounted tax, applying the rate of 16%, in value of RON 182,757,104, after deduction of the tax credit in the amount of RON 110,345.

Deductible expenses in the amount of RON 163,297,338 as of 31.12.2013 are mainly the following:

- **RON 46.878 million**, litigation provision on severance pay and related social security contributions due to redundant employees during 2013;
- **RON 36,796,469** adjustment of loss for shares held in Hidroelectrica –SERV;
- **RON 6,232,226** expenses on impairment of in progress tangible assets and tangible assets recorded due to degradation or destruction of ongoing investments that have not been completed and for which no funds has been allocated in future development programs, and the proposed decommissioning and scrapping of inventory after 31.12.2013;

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NOTE NO. 10 OTHER INFORMATION (continued)

f) Information on profit tax (continued)

- RON 4.200.000, adjustment for unpaid balance from SMR Bals (Bals Enterprise Axles and Bogies), representing delay penalties and interest for late payment calculated for delivered electricity. In February general insolvency proceedings have been opened for SMR Bals, thus SPEEH Hidroelectrica SA under judiciary reorganization shall have to enroll in the statement of affairs with all unpaid debts until that date;
- **RON 37,084,168**, the amortization of fair value granted on revaluation of fixed assets that were fully depreciated but continue to operate;
- **RON 22,587,931** represents depreciation expenses of fixed assets recorded in the period when were not operational for more than 30 days.

Non-Taxable incomes on December 31, 2013, are in amount of **RON 82,936,293** and represents:

- RON 41,163,420, cancellation of provision for late fees, submitted under condition in the final table of the claims and subsequently won by Nuclearelectrica and rescheduled for payments under the program, integral part of the Company's reorganization plan;
- RON 21,263,361 decrease in the provision for employee benefits payable in accordance with the collective labor agreement, based on updated actuarial calculation on 31.12.2013;
- RON 6,730,915 decreasing the provision for payment of compensation for expropriation disputes concerning land at Strei Simeria, due to payment by SPEEH Hidroelectrica SA under judiciary reorganization of damages won by the plaintiffs in the course of 2013;
- RON 11,029,209, cancellation allowance for disputes with dismissed employees on redundancy payments and related social security contributions payable under collective labor contract won in court and paid to 123 employees.

Similar items of income, amounting to RON 205,984,880 recorded in calculating income tax of 2013, represents the revaluation reserve related to revaluations of tangible assets made after 1 January 2004 as tax deduction in calculating income tax expense with amortization amount representing surplus value.

d) Information on the audit

2013 financial statements were audited by Deloitte Audit Company, in accordance with the contract number 266 / 14.02.2014.

Please note that the contract's object represents the provision of audit services in accordance with audit applicable standards and the financial statements of the Company prepared in accordance with the MPFO no.3055 / 2009 and International Financial Reporting Standards adopted by the European Union for financial exercises ended on December 31, 2013.

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NOTE NO. 11 EQUITY

**SPEEH Hidroelectrica SA under judiciary reorganization equity in Company's subsidiary
HIDROELECTRICA SERV SA**

As of 05.08.2013, Hidroelectrica is the sole shareholder of Hidroelectrica SERV SA, registered at the Trade Register under no. J40 / 9762 / 05.08.2013, company formed by the merger of eight former subsidiaries for repairs and services Hidroserv.

SPEEH HIDROELECTRICA SA under judiciary reorganization has on 31 December 2013, as sole shareholder, shares in Hidroelectrica SERV SA, totaling **RON 58,039,420**, of which:

- RON 17,200,370 representing shares held by HIDROELECTRICA SPEEH under judiciary reorganization as a shareholder in the share capital of companies established under GD 857/2002, according to article 1;
- RON 40,839,050 represents in kind contribution made by the Company to the share capital of the subsidiary.

On 31.12.2013, the Company founded adjustment for impairment of shares held by Hidroelectrica in subsidiary in amount of RON 36,796,469 due to recorded loss and thus in lowering equity of the Hidroelectrica SERV subsidiary.

Shares held in other companies

No.	Company	Type of capital company	No. of shares	Nominal value lei
1	Romanian Stock Exchange	Mix	90	900

NOTE NO. 12 SUBSIDIES

In 2013 SPEEH Hidroelectrica SA under judiciary reorganization did not receive subventions from the state budget or budget appropriations under the State Budget Law.

1. Account 4751 Balance "Government grants for investments" at the end of 2013 is RON 156,525,815, and consists of:

- RON 73,137,036 represents the current value of assets and / or being depreciated at the end of 2013, made from the development fund received from the Ministry of Industry during 2001-2002;
- RON 83,388,779 represents the current value of assets and / or being depreciated at the end of 2013, made from the development fund received during 2003-2004.

The 4751 account balance includes both investment subsidies of public patrimony and investment subsidies of private patrimony.

2. Account 4753 Balance "Donations of property and equipment - HS Slatina" is **RON 701,845** and represents the value of assets (residential) received free of charge from Hidroconstructia.

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NOTE NO. 12 SUBSIDIES (continued)

3. Account 4754 balance "assets plus inventory" is in amount of RON 322.407.

4. Account 4758 balance "Other amounts received as investment subsidies" is in amount of RON 29,479,714 consisting of:

- RON 29,295,546 represents grants received by Protocol in 2002;
- RON 96,078, connections subsidies;
- RON 3,170 representing donations from state budget;
- RON 20,047 represents assets received free of charge;
- RON 64,872, other amounts received.

NOTE NO. 13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Both the subsidiaries and executive of SPEEH Hidroelectrica under judicial reorganization have developed program measures for the development of internal control / management.

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

Economic environment risk

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

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

Identifying and evaluating investments influenced by a less liquid lending market, credit analysis and other contractual obligations raise their own challenges.

Company management is unable to predict events that could have an effect on the banking sector in Romania and the effect that might have on the propensity of economic agents.

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NOTE NO. 13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Price risk

Currently the price of electricity delivered on the Regulated market is determined solely by the Company, it is agreed and reviewed periodically by the National Regulatory Authority for Energy with Competition Office approval, and the price of electricity to final consumers is monitored by the Government and World Bank.

The current legislative framework enables producers to sell electricity to eligible customers on the open market by concluding bilateral agreements. Possible risk of price fluctuations is not covered by derivatives.

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and available credit lines, by continuous monitoring of flow and treasury estimated, by correlating real and financial assets and liabilities maturities. On 31 December 2013 and 31 December 2012, the Company recorded net current liabilities which indicate increased liquidity risk.

Hydrological risk

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

- Monitoring conditions and trends, in order to get the best data, to be used in projections and estimates;
- A prudent approach to contractual obligations;
- Monitoring the market for maximum revenue from sales outside the contract, in case of a surplus;
- Considering diversification of strategies through alternative production sources, including unconventional sources.

Interest rate risk

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

Changes that may occur in exchange rates and interest rate levels and, in terms of their growth can affect the Company.

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NOTE NO. 13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk (continued)

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

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

Currency risk

Currency used on the domestic market is the Romanian *leu* and for foreign loans financing is denominated in various foreign currencies. As a result, foreign currency loans are subsequently expressed in lei. Differences in results are included in the income statement and do not affect cash flow until the debt liquidation.

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

Legislative risks

Fiscal controls are common in Romania, consisting of detailed checks of accounting records of the taxpayer. Such checks often occur after months or even years to establish payment obligations. Penalties regime has a positive character. Consequently, according to the results of these checks, companies may be due to additional taxes and fines. In addition, tax legislation is subject to frequent changes, and authorities often manifest inconsistency in the interpretation of legislation. However, the Company's directors believe that adequate reserves have been established for all significant tax liabilities.

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

The real value of financial instruments

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

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

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NOTE NO. 14 CONTINUITY OF ACTIVITY

Following a request made by Hidroelectrica to the Bucharest Court Civil Section VII, by Civil Sentence no.7222 / 2012 issued in file no. 22456 / 3/2012 on 20.06.2013, decided to open the general insolvency procedure under Law No. 85/2006, with subsequent amendments and appointed Euro Insol S.P.R.L as judiciary administrator.

On June 26, 2013, the Civil Sentence no. 6482 issued by the Bucharest Tribunal, Civil Section VII on file no.22456 / 3/2012, approved the final report prepared by the Judicial Administrator EURO Insol SPRL, and based on Article 132, para. (1) Law No. 85/2006, ordered the closure of open judicial reorganization against Hidroelectrica S.A.

According to EGM Decision No. 27 / 01.11.2012, at termination of insolvency, Hidroelectrica updated memorandum came into effect, Company being managed, on 31.12.2013, in two-tier system by the Supervisory Board and the Executive Board.

On February 25, 2014 the Company has re-entered the special administration, because the Court of Appeal has accepted certain appeals made by energy distributors (see Note 16).

Continuing Company's business depends on the continuing support of its creditors, shareholders and the Romanian Government's decisions. Company's Management and judiciary administrator believes that uncertainties connected to continuity of activity will be solved in a favorable manner to the Company, depending on Company's chances of reorganization, results to be included in the reorganization plan prepared in accordance with the Insolvency Law. Considering the above and taking into account the Company's strategic importance in the national energy system, Company management believes that the Company will continue to conduct business in the foreseeable future and, accordingly, considers appropriate to use the going concern assumption for the preparation of financial statements unconsolidated for the year ended December 31, 2013.

NOTA NR. 15 COMMITMENTS AND CONDITIONALITY

1) Contracts for the rehabilitation and modernization of hydropower plants

During 2001, the Company entered into an agreement with VA Tech Hydro (now Andritz Hydro) Ltd. in the amount of EUR 254.85 million for the rehabilitation and modernization of the HPP Iron Gates 2 (8 groups) and HPP Gogosu (two groups) with deadline in 2014. In early 2013 were denounced the works for HPP Gogosu with a value in the contract of EUR 54.5 million.

Until 31.12.2013 refurbishment works were completed on seven groups of the HPP Iron Gates 2 to increase installed power of $7 \times 4,4\text{MW} = 30.8 \text{ MW}$ and refurbishment works have began on the 8th group.

On 06.06.2013, the Judicial Administrator decided termination of refurbishment contract in HPP Iron Gates II No. 21 / 50765 / 21.12.2001, and as a consequence the remaining works to be executed are now Hidroelectrica S.A responsibility.

SPEEH Hidroelectrica SA under judiciary reorganization is concerned with taking all necessary measures for completion of works in HPP Iron Gates II – HA1.

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NOTA NR. 15 COMMITMENTS AND CONDITIONALITY (continued)

1) Contracts for the rehabilitation and modernization of hydropower plants (continued)

- In 2004, the Company entered into an agreement with Voith Siemens Hydro Power Generation GmbH. & Co. KG (current Voith Hydro) and Va Tech Escher Wyss GmbH (current Andritz Hydro) amounting to EUR 356.7 million for the rehabilitation and modernization of hydropower plants on the Lower Olt (Ipotesti, Drăgănești, Frunzaru, Rusanesti, Izbiceni - 20 groups) all 20 hydro units have been completed, refurbished and rendered in operation, until end of 2013, so:
- Receptions protocols were completed on completion and commissioning for power plant equipment and facilities related to HPP Rusanesti and HPP Izbiceni;
- Final acceptance receptions were completed on block 1 of HPP Frunzaru, block 1 of HPP Rusanesti and plant related equipment for HPP Frunzaru;

Committees for final acceptance of hydro units delayed receptions because corrosion occurred on steel turbine components and warranties for all hydro units have been extended;

Discussions with the Contractor continued (correspondence, testing, implementation of cathodic protection system, meetings at senior management level) to identify and implement the necessary solutions to eliminate the phenomenon of corrosion.

In the context of efficient production of energy from clean renewable sources and reducing production costs, Judiciary Administrator and SPEEH Hidroelectrica SA under judiciary reorganization have launched, since 2012, an invitation to the World Bank to analyze the opportunity to invest into 3 new refurbishment projects of hydropower plants Vidraru, Retezat and Mariselu, of particular importance for Hidroelectrica and National Power System, so that in February 2013 a delegation of SPEEH Hidroelectrica SA under judiciary reorganization representatives and World Bank conducted a information mission on the details of this project.

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

In December 2012, the EBRD has agreed to resume the auction for HPP Stejaru refurbishment project after it was suspended in July 2012 due to the Company entering into insolvency. So in January 2013 a new trial has been initiated, being sent an invitation to participate in pre-qualification to 300 companies worldwide and embassies in Romania.

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

Refurbishment Project HPP Stejaru will be continued in accordance with the company's management decisions.

2) Environmental conditionality

In 2013, significant environmental aspects were carried out for monitoring and controlling actions. Mainly, work were conducted in areas such as prevention of water pollution, land protection, removing the effects of floods and their prevention and works to improve the landscape affected by hydraulic works.

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NOTA NR. 15 COMMITMENTS AND CONDITIONALITY (continued)

2) Environmental conditionality (continued)

By the end of 2013, 202 objectives had valid environmental authorization from the total of 244 hydropower objectives that require authorization, representing approx. 83% of the total. Validity of periods ranges between 2013 ÷ 2023.

Controls carried out by local environmental protection authorities have reported deviations from compliance with legislation, fines were not applied and improvement measures proposed by the Environmental Guard on the checks have been resolved and reported on deadlines. Measures requiring allocation of financial resources were included in the annual plans of work.

3) Penalties on debts to suppliers

In 2013, Company registered penalties related to outstanding debt in the amount of RON 43,471,721, representing mainly late fees owed to Nuclearelectrica for disputes regarding the admission of this amount in the table of receivables.

The Company has established provisions for pending litigations on penalties, interest for delayed payment of suppliers.

4) Other conditionalities

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

- Disputes arising from the publication of "Preliminary Table of receivables";
- Commercial Litigation arising from lack of cash to pay on due dates of invoices issued by suppliers (both debtors and delay penalties and / or interest);
- Disputes arising from the settlement notices received by the Company on Law No. 10/2001;
- Labor disputes which have as object:
 - Updating the inflation index and the legal interest of money rights for the period 2006-2007, paid by the company during 2008-2009;
 - Issuance of certificates for activity in work group I or II.

Disputes concerning the insolvency

On 31.12.2013 the Company is involved in a series of disputes with both energy distributors in the insolvency procedure and the action for damages. Based on the opinion of Company's Advocates such disputes will not have a material impact on the Company, as the Court of Appeal neither denied any measure of the juridical administrator nor found that energy distributors would be entitled to be enrolled in the table.

1. the total amount of damages actions brought by energy distributors is RON 1,661,677 thousand.
2. the total amount requested by energy distributors in the insolvency is RON 1,510,135 thousand.

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NOTA NR. 15 COMMITMENTS AND CONDITIONALITY (continued)

On 31.12.2013 the Company is involved in litigation with the Andritz Hydor GMBH (Germany) and Andritz Hydro GmbH (Austria) in contradiction with SPEEH Hidroelectrica SA under judiciary reorganization. The litigation seeks annulment of repayment of amounts paid by SPEEH Hidroelectrica SA under judiciary reorganization amounting to EUR 13,625 thousand, representing advances paid in May and June 2003 for Phase III of Iron Gates II project, under contract 2I / 50675 / 09.11.2001, as amended by the addenda 3 and 4 signed by the parties on 05.12.2002 and 26.03.2003.

General tax audit

During 09.08.2012- 05.12.2013, SPEEH Hidroelectrica SA under judiciary reorganization was in general tax audit, the period under review ranging between 01.01.2006 and 30.06.2012. On 23.01.2014 the National Agency for Fiscal Administration announced tax audit report and the decision on imposing additional tax payment obligations, amounting to RON 232,519,889.

As the Company believes that the decision to impose tax is unfair, submitted on 19.2.2014 to the General Directorate for Solving Complaints within NAFA an appeal against the decision no. F-MC 851 / 21.01.2014.

Fiscal Procedure Code, the Articles No. 205¹ and no. 207², gives the possibility of suspending the enforcement of the imposing decision of the disputed amounts, if the taxpayer submits to the tax authorities a letter of bank guarantee on the disputed tax liabilities.

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

Since the tax decision relates to Company amounts prior to the opening proceedings, lawyers opinion is that for the present case apply the provisions of Law 85/2006 on insolvency, mentioning that the proprietor of claims who has not filed the claim before the opening of procedure is declined with respect to such claims.

Dispute with Ministry of Economy, Commerce and Business Environment & the National Agency for Fiscal Administration

Amount of RON 391,847 thousand representing debt requested by MECBE or the amount of RON 144,195 thousand, representing debt required by NAFA, have entered into the final table of the claims under criminal case settlement condition no. 7774/1/2011 before the High Court of Justice on committing the potential crime for undermining the national economy by some members of the company's management. These amounts represent potential prejudice suffered by MECMA and NAFA to the extent that it will hold crime of undermining the national economy by leading members who are defendants in the case. Both MECMA and NAFA are a civil party in the criminal case and have called for the introduction of SPEEH Hidroelectrica SA under judiciary reorganization as civilly responsible party. On 31 March 2014 the sentence was given by High Court of Cassation and Justice of Romania, under which the court ordered the company's management members who were investigated in the process to pay RON 339,916 thousand to MECBE and RON 129,722 thousand RON to NAFA, and Hidroelectrica was not among the parties in the process. The decision is not final and can be appealed.

Based on the opinion of Company's Advocates, the director and the Company's management estimates that the settlement of disputes mentioned above, for which reserves have been established on December 31, 2013, will be favorable to the Company and does not have a negative impact on the unconsolidated financial statements for the year ended then.

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NOTA NR. 15 COMMITMENTS AND CONDITIONALITY (continued)

Litigation with Trade Union Federation Universe and Hidroelectrica Hidrosind Branch

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

During 2008, the Company concluded with Hidroelectrica - Hidrosind Union Federation a transaction involving the extinction of the dispute which is the subject of this case. Through this transaction SPEEH Hidroelectrica undertook to pay all Company employees, regardless of union membership, in stages, during 2008 - 2010 depending on the economic - financial results of the Company the difference between actual wages paid and wages due as a result of applying hierarchy indices of the scale in force on 01.10.2005, for the period 01.01.2006 - 31.12.2007.

The last payment on this issue was made during 2009 and recorded as an expense in the period in which was granted.

Subsequently, the employees represented by the Universe Union Federation and Hidroelectrica Hidrosind Branch submitted applications to the territorially competent courts and documents for updating the inflation index differences in wages paid, and ordered the company to pay legal interest for late payment. At this point, for most employees represented by the Universe Union Federation such compensation was paid, following irrevocable judgment of the court. In terms of employees represented by Hidroelectrica Hidrosind Branch disputes are ongoing. Company management could not reliably estimate the future value of these payments. However, based on the opinion of Advocates, Director and the Company's management estimates that they will not have a significant negative impact on unconsolidated financial statements 31.12.2013.

Litigation on buildings taken for the public interest

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

In terms of real estate that is subject to Law 10/2001 (abusively taken in March 6, 1945 - December 22, 1989), SC Fondul Proprietatea is the entity required to pay compensation, established to provide financial resources necessary for compensation of abusively expropriated persons.

For disputes not covered by Law 10/2001, the Company's management regularly analyze the pending litigation, and in consultation with its legal representatives decide the creation of provisions for amounts involved or their presentation in the unconsolidated financial statements. Based on available information to the Company, management estimates that these disputes shall not have a significant negative impact on the unconsolidated financial statements on 31.12.2013.

Other litigations

The company is and could become part in other legal disputes or other actions against various public institutions, instances resulting from the normal course of its business and contractual issues involving diverse, and on the value added tax, income tax and other conditionalities. These processes and actions could have a significant negative impact on the Company's financial position or the results of its activity, but which can not be evaluated by management on unconsolidated balance sheet date.

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NOTA NR. 15 COMMITMENTS AND CONDITIONALITY (continued)

Onerous contracts

An onerous contract is a contract under which compulsory costs of contractual obligations exceeds the economic benefits to be gained from it. These costs reflect at least net cost of exiting contract, which is less than the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfill it. The company's management is not aware of the existence of onerous contracts on the balance sheet date and had no provisions in this regard in these unconsolidated financial statements.

Insolvency

Following a request made by Hidroelectrica, Bucharest Court, Civil Section VII, by Civil Sentence no. 7222/2012 issued in case no. 22456/3/2012 on 20.06.2012, decided to open insolvency proceedings under Law no.85 / 2006, with subsequent amendments and appointed Euro Insol S.P.R.L as judicial administrator.

After preparation and presentation of preliminary table of claims, to court on 10.09.2012 and published in the Bulletin Insolvency no.12666 / 17.09.2012, juridical administrator drafted the final table of claims against the Hidroelectrica debtor's property which was presented to graft court on 07.06.2013 and published in the Bulletin of Insolvency Proceedings no. 10226 / 06.10.2013.

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

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

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

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

Claims of creditors included in payments program, part of the Reorganization Plan, were in value of RON 1,217,000 as follows:

- Claims in the amount of **RON 274 million**, with settlement between 21.06.2013 - 26.06.2013 until closure of insolvency proceedings. Settle the obligation was performed by actual payments in amount of RON 213 million and a compensation amounting to RON 61 million;
- Receivables in the amount of RON 829 million, payable in installments between July 2013 - June 2015, according to the agreements concluded with some creditors, such:

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NOTA NR. 15 COMMITMENTS AND CONDITIONALITY (continued)

Creditor	Receivable	No. of installments	Starting date	Closing date	Monthly rate
Administratia Nationala Apele Romane (A.N.A.R.)	309,513,512	24	31.07.2013	30.06.2015	12,896,396
Complexul Energetic Oltenia	49,750,062	12	31.07.2013	30.06.2014	4,145,838
Energomontaj	12,873,706	12	31.07.2013	30.06.2014	1,072,809
Fondul Proprietatea	47,087,952	6	31.07.2013	31.12.2013	7,847,992
Hidroconstructia	75,520,125	24	31.07.2013	30.06.2015	3,146,672
Hidroconstructia	9,639,829	12	31.07.2013	30.06.2014	803,319
Ministry of Economy, Trade and Business Environment through Office for State Ownership and Privatization in Industry	254,913,316	24	31.07.2013	30.06.2015	10,621,388
Nuclearelectrica	70,093,550	24	31.07.2013	30.06.2015	2,920,565
General Total	829,392,052				43,454,979

- Receivables under suspensive condition in the amount of RON 114 million to be issued on the precedent conditions under the arising provisions.

The difference of RON 3.107 million up to the amount of 4.394 million recorded in the final table is made up of:

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

On June 26, 2013, the sentence handed down by the Court of Civil nr. 6482 by Bucharest Court, Civil Section VII in file no. 22456 / 3/2012, approved the final report prepared by the Judicial Administrator EURO Insol SPRL, and under Article 132, para. (1) of Law No. 85/2006, ordered the closure of the judicial reorganization initiated against Hidroelectrica S.A.

According to EGM Case No. 27 / 01.11.2012, at termination of insolvency, Hidroelectrica amended memorandum came into effect, the company being managed, on 31.12.2013, according to two-tier system by the Supervisory Board and Executive Board.

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NOTE NO. 16 SUBSEQUENT EVENTS TO THE BALANCE SHEET

Insolvency

On Civil sentence no. 6482 date 06.26.2013 the Bucharest Court, Section Civil VII regarding file no. 22456 / 3/2012, approved the Final report prepared by the Judicial Administrator EURO Insol SPRL and under Article 132, para. (1) of Law No. 85/2006, ordered the closure of the judicial reorganization initiated against Hidroelectrica on 20.06.2012; there were unresolved disputes pending as follows:

- Appeals against measures of termination bilateral contracts;
- Closing appeals against insolvency procedure;
- Appeal against the preliminary table;
- Shares in mutual compensation formulated both by Hidroelectrica against traders of electricity (Alpiq Romindustrie, Alpiq Romenergie, Energy Holding - see Note 15) and by them against Hidroelectrica.

Regarding the complaints made against the denunciation measure of bilateral contracts, against insolvency procedure and appeals against the preliminary table, on 25.02.2014, appeals were admitted by Alpiq Romindustrie and Energy Holding, the sentences are reversed and the cases sent back for first instance.

The main impact of this litigation was to reopen in insolvency proceedings on 25.02.2014, initiated on 20.06.2012, the position of Judicial Administrator still being held by Euro Insol SPRL.

Until these financial statements were published, The Court of Appeals has not published the motivation for the admission of appeals.

Company lawyers' opinion with reference to the solutions given on appeal is that this cannot be considered to have a significant impact on SPEEH Hidroelectrica SA under judiciary reorganization, as the Court of Appeal neither denied any measure of judicial administrator nor found that traders would be entitled to be enrolled in the table, only for formal procedural reasons. The lawyers believe that reorganization plan voted in June 2013, is in force and full effect mainly on the measures proposed and voted on by creditors and less on payments to creditors, made partly in June 2013 (currently enrolled creditors who have debts are those that were agreed to reschedule).

The reorganization plan may be amended only as provided by Law 85/2006, respectively with the same formalities required on adopting it, but so far do not consider that there are grounds for amendment of the Plan.

Timeframe in which Hidroelectrica is under insolvency proceedings depends essentially on the time needed to solve all disputes referred back to the Court of Appeal.

Share capital

On 28.02.2014, EGM Resolution No.7, approved Hidroelectrica share capital increase with the capital value of **RON 5.014 million**, being registered at the National Trade Register Office by certificate of mentions no. 97865 dated 18.03.2014 on amending SPEEH Hidroelectrica SA under judiciary reorganization Articles of Incorporation.

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NOTE NO. 16 SUBSEQUENT EVENTS TO THE BALANCE SHEET (continued)

Sale of assets

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

At this stage were sold two assets packages with a total of three MHPP, with an installed capacity of 2.08 MW, project energy of 7.61 GWh and total price of **RON 11,236,500** excluding VAT, tenderers are following legal persons:

- Three Pharm S.R.L. – MHPP group of Capra River Basin, Neamț County (Pi=1,60 MW), at the price of RON 7,295,000;
- IDROENERGIA SRL (Italy) – MHPP on Barnar River Basin, Suceava County (Pi = 0.48 MW) at the price of RON 3,941,500.

Drawing up of warranty package available in 2014 for BRD Groupe Societe Generale

On 10.03.2014 was signed:

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

Through which Hidroelectrica granted guarantees to BRD in order to ensure existing financial obligations on 31.12.2013, under investment agreements signed for the loan granted in 2011 and credit lines in 2009.

On 31.12.2013 existing financial obligations to BRD Groupe Societe Generale were guaranteed according to degree of coverage as stipulated in the investment loan contract.

These unconsolidated financial statements were signed by the Company's management on April 23, 2014:

Mihail Viorelian Stanculescu
General Manager

Gabriela Mihailescu
Financial Manager