

S.P.E.E.H. HIDROELECTRICA S.A.
Two-tier Company



UNCONSOLIDATED FINANCIAL SITUATIONS
FOR THE FINANCIAL YEAR ENDED ON
31 DECEMBER 2017

Prepared in accordance with the
Minister of Finance of Romania Order no. 1802/2014, as amended

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S.P.E.E.H. HIDROELECTRICA S.A.
BALANCE SHEET
AS ON 31 DECEMBER 2017
(all amounts are in RON, unless otherwise specified)

No.	No. row	Balance on 01 January 2017	Balance on 31 December 2017
A FIXED ASSEST AND INTANGIBLE ASSETS			
3 Concessions, patents, licenses, trademarks, rights and similar assets and other intangible assets (acct 205 + 208 - 2805 - 2808 - 2905 - 2908)	3	3,733,942	5,312,746
TOTAL (row 01 to 06)	7	3,733,942	5,312,746
II TANGIBLE ASSETS			
1 Lands and constructions (acct 211 + 212 - 2811 - 2812 - 2911 - 2912)	8	10,397,540,980	10,161,238,252
2 Plant and machinery (acct 213 + 223 - 2813 - 2913)	9	2,618,590,208	2,425,093,495
3 Other installations, machinery and furniture (acct 214 + 224 - 2814 - 2914)	10	19,062,492	15,918,775
5 Tangible assets in progress (acct 231 - 2931)	12	3,290,891,293	3,308,831,368
9 Advance payments (acct 4093)	16	92,447,637	45,649,185
TOTAL (row 08 to 16)	17	16,418,532,610	15,956,731,075
III FINANCIAL ASSETS			
1 Shares held in subsidiaries (acct 261 - 2961)	18	2,423,685	2,423,685
5 Other fixed assets (acct 265 + 266 - 2963)	22	20,046,793	23,000
6 Other loans (acct 2675* + 2676* + 2677 + 2678* + 2679* - 2966* - 2968*)	23	5,323,643	5,555,173
TOTAL (row 18 to 23)	24	27,794,121	8,001,858
FIXED ASSETS - TOTAL (row 07+17+24)	25	16,450,060,673	15,970,045,679
B CURRENT ASSETS			
I STOCKS			
1 Raw materials and consumables (acct 301 + 302 + 303 +/- 308 +321 + 322 + 323 + 328 + 351 + 358 + 381 +/- 388 - 391 - 392 - 3951 - 3958 - 398)	26	51,706,637	68,190,905
3 Finished goods and merchandise (acct 327 + 345 + 346 + 347 +/- 348* + 354 + 356 + 357 + 361 + 326 +/- 368 + 371 +/- 378 - 3945 - 3946 - 3947 - 3953 - 3954 - 3955 - 3956 - 3957 - 396 - 397 - din ct 4428)	28	43,416	48,782
4 Advance payments (acct 4091)	29	4,812,535	0
TOTAL (row 26 to 29)	30	56,562,588	68,239,687

Attached notes represent integral part of the present financial statements

S.P.E.E.H. HIDROELECTRICA S.A.
BALANCE SHEET
AS ON 31 DECEMBER 2017
(all amounts are in RON, unless otherwise specified)

No.	No. row	Balance on 01 January 2017	Balance on 31 December 2017
II RECEIVABLES (amounts to be payable after more than one year must be shown separately for each item)			
1 Commercial receivables (acct 2675* + 2676* + 2678* + 2679* -2966*-2968 + 4092 + 411 + 413 + 418 - 491)	31	395,710,130	342,137,891
4 Other receivables (acct 425 + 4282 + 431** + 437** + 4382 + 441** + 4424 + din acct 4428** + 444** + 445 + 446 ** + 447** + 4482 + 4582 + 4662 + 461 + 473** - 496 + 5187)	34	243,249,222	235,548,901
5 Subscribed and unpaid capital (acct 456 - 495*)	35	124,410	272,530
TOTAL (row 31 to 35)	36	639,083,762	577,959,322
III SHORT TERM INVESTMENTS			
2 Other short term investments (acct 505 + 506 + 507 + from acct 508 - 595 - 596 - 598 + 5113 + 5114)	38	1,483,773,064	1,687,725,848
TOTAL (row 37 + 38)	39	1,483,773,064	1,687,725,848
IV CASH AND BANK ACCOUNTS (from acct 508 + acct 5112 + 512 + 531 + 532 + 541 + 542)			
	40	217,778,307	105,578,061
CURRENT ASSETS - TOTAL (row 30+36+39+40)	41	2,397,197,721	2,439,502,918
C PREPAYMENTS (acct 471)			
(row 43 + 44)	42	2,033,330	2,339,907
Amounts to be resumed in a period less than one year (from acct 471)	43	580,571	921,540
Amounts to be resumed in a period longer than one year (from acct 471)	44	1,452,759	1,418,367
D DEBTS TO BE PAID IN A PERIOD OF UP TO ONE YEAR			
2 Amounts owed to credit institutions (acct 1621 + 1622 + 1624+1625+1627+1682+5191+ 5192+5198)	46	136,724,529	89,503,109
3 Advance payments on the orders' account (acct 419)	47	135,266	136,353
4 Commercial debt - suppliers (acct 401 + 404 + 408)	48	140,884,813	134,402,810
5 Paying trade effects (acct 403 + 405)	49		
6 Amounts due to entities in the group (acct 1661 + 1685 + 2691 + 451***)	50	2,181,317	2,181,317

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BALANCE SHEET
AS ON 31 DECEMBER 2017
(all amounts are in RON, unless otherwise specified)

No.	No. row	Balance on 01 January 2017	Balance on 31 December 2017
8 Other debts, including tax and social security debts (acct 1623 + 1626 + 167 + 1687 + 2695 + 421 + 423 + 424 + 426 + 427 + 4281 + 431*** + 437*** + 4381 + 441***+4423+4428***+444***+446***+447*** + 4481 + 455 + 456*** + 457 + 4581 + 462 + 4661 + 473*** + 509 + 5186 + 5193 + 5194 + 5195 +5196 + 5197)	52	<u>113,694,805</u>	<u>127,318,577</u>
TOTAL (row 45 to 52)	53	<u>393,620,730</u>	<u>353,542,166</u>
E NET CURRENT ASSETS / NET CURRENT LIABILITIES) (row 41 + 43 - 53 - 70 - 73 - 76)	54	<u>1,994,360,630</u>	<u>2,062,927,855</u>
F TOTAL ASSETS LESS CURRENT LIABILITIES (row 25 + 44 + 54)	55	<u>18,445,874,062</u>	<u>18,034,391,901</u>
G DEBTS TO BE PAID IN A PERIOD LONGER THAN ONE YEAR			
2 Amounts owed to credit institutions (acct 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	57	199,039,592	110,725,802
4 Commercial debt - suppliers (acct 401 + 404 + 408)	58	-	7,458,050
8 Other debts, including tax and social security debts (acct 1623 + 1626 + 167 + 1687 + 2695 + 421 + 423 + 424 + 426 + 427 + 4281 + 431*** + 437*** + 4381 + 441*** + 4423 + 4428*** + 444*** + 446*** + 447*** + 4481 + 455 + 456*** + 4581 + 462 + 4661 + 473*** + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	63	<u>30,973,481</u>	<u>11,499,402</u>
TOTAL (row 56 to 63)	64	<u>230,013,073</u>	<u>129,683,254</u>
H PROVISIONS			
1 Provisions for employee benefits (acct 1515 + 1517)	65	73,722,284	83,797,397
3 Other provisions (acct 1511+1512+1513+1514+1518)	67	<u>65,645,229</u>	<u>99,696,251</u>
TOTAL (row 65 to 67)	68	<u>139,367,513</u>	<u>183,493,648</u>
I ADVANCE INCOME			
1 Investment grants (acct 475) (row 70 + 71)	69	<u>177,183,229</u>	<u>172,264,369</u>

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BALANCE SHEET
AS ON 31 DECEMBER 2017
(all amounts are in RON, unless otherwise specified)

No.	No. row	Balance on 01 January 2017	Balance on 31 December 2017
Amounts to be resumed in a period less than one year (from acct 475*)	70	5,524,763	5,564,009
Amounts to be resumed in a period longer than one year (from acct 475*)	71	171,658,466	166,700,360
2 Income recorded in advance (acct 472) - total (row 73 + 74), of which:	72	24,301,061	18,403,104
Amounts to be resumed in a period less than one year (acct 472*)	73	4,217,769	18,352,808
Amounts to be resumed in a period longer than one year (acct 472*)	74	20,083,292	50,296
3 Advance earnings on assets received through customer transfer (acct 478) (row 76 + 77)	75	270,532	222,115
Amounts to be resumed in a period less than one (from acct 478*)	76	54,400	37,620
Amounts to be resumed in a period longer than one year (from acct 478*)	77	216,132	184,495
Negative goodwill (acct 2075)	78	-	-
TOTAL (row 69 + 72 + 75 + 78)	79	201,754,822	190,889,588
J CAPITAL AND RESERVES			
I CAPITAL			
1 Paid-in subscribed capital (acct 1012)	80	4,481,650,630	4,482,393,310
2 Subscribed capital not paid (acct 1011)	81	-	-
3 Patrimony (acct 1015)	82	-	-
4 The patrimony of the national research and development institutes (acct 1018)	83	-	-
5 Other equity items (acct 1031)	84	-	-
TOTAL (row 80 +81 + 82 + 83 + 84)	85	4,481,650,630	4,482,393,310
II CAPITAL PREMIUMS (acct 104)	86	-	-
III RESERVE FROM RESTORATION (acct 105)	87	6,815,621,282	6,478,826,302
IV RESERVES			
1 Legal reserves (acct 1061)	88	292,298,334	372,422,376
3 Other reserves (acct 1068)	90	98,539,430	232,722,580
TOTAL (row 88 to 90)	91	390,837,764	605,144,956
V CARRIED FORWARD PROFIT A (acct. 117)			
- Balance C	95	5,006,316,887	4,688,111,868
- Balance D	96	-	-

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BALANCE SHEET
AS ON 31 DECEMBER 2017
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No.	No. row	Balance on 01 January 2017	Balance on 31 December 2017
VI PROFIT OR LOSS OF FINANCIAL EXERCISE (acct. 121)			
- Balance C	97	1,227,666,438	1,359,687,718
- Balance D	98	-	-
Distribution of profit (acct 129)	99	76,904,064	99,230,955
OWN EQUITY - TOTAL (row 85+86+87+91-92+93-94+95-96+97-98-99)			
	100	17,845,188,937	17,514,933,199
Public patrimony (acct 1016)	101	39,346,649	39,346,649
Private patrimony (acct 1017)	102	-	-
CAPITALS - TOTAL (row 100+101+102)			
	103	17,884,535,586	17,554,279,848

The financial statements were approved by the Company's management on May 9, 2018 and signed on behalf of the Company:

Bogdan BADEA Chairman Directorate	Marian BRATU Member Directorate	Adrian VOLINTIRU Member Directorate	Bogdan ȘOȘOACĂ Member Directorate	Razvan PAȚALIU Member Directorate
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Marian Fetita

Manager of Accounting Department

Prepared by

Bogdan Pribeagu

Head of Reporting, Control and Planning
Department

S.P.E.E.H. HIDROELECTRICA S.A.
SITUATION OF CASH FLOWS
AS ON 31 DECEMBER 2017
(all amounts are in RON, unless otherwise specified)

No.	No. row	Financial exercise ended at 31-Dec-16	Financial exercise ended at 31-Dec-17
1 Net turnover			
(row 02 + 03 - 04 + 05 + 06)	1	3,338,028,782	3,253,651,389
Production sold (acct 701 + 702 + 703 + 704 + 705 + 706 + 708)	2	3,084,353,469	3,047,318,319
Income from sale of goods (acct 707)	3	241,296,764	203,740,963
Revenue from operating grants related to net turnover (acct 7411)	6	12,378,549	2,592,107
3 Income from the production of intangible and tangible assets (acct 721 + 722)	9	10,892	6,093
4 Income from the revaluation of tangible assets (acct 755)	10	4	-
7 Other operating revenues (acct 751 + 758 + 7815)	13	27,886,455	32,289,907
- of which, income from negative goodwill (acct 7815)	14	-	-
- of which, income from investment grants (acct 7584)	15	6,736,987	5,561,725
OPERATING INCOME - TOTAL (row 01+07-08+09+10+11+12+13)	16	3,365,926,133	3,285,947,389
8 a) Expenditure on raw materials and consumables (acct 601 + 602)	17	5,151,787	5,998,467
Other material expenses (acct 603 + 604 + 606 + 608)	18	893,729	1,509,393
b) Other external costs (with energy and water) (acct 605)	19	373,352,881	306,849,177
c) Expenditure on goods (acct 607)	20	101,408,311	86,788,725
Trade discounts received (acct 609)	21	-110	-105
9 Personnel related costs (row 23+24)	22	306,841,680	296,464,220
a) Salaries and allowances (acct 641 + 642 + 643 + 644)	23	249,577,361	240,700,745
b) Expenditure on insurance and social protection (acct 645)	24	57,264,319	55,763,475
10 a) Value adjustments on tangible and intangible assets (row 26-27)	25	709,678,060	676,566,299
a. 1) Expenditures (acct 6811 + 6813 + 6817)	26	709,737,463	680,267,725
a. 2) Revenues (acct 7813)	27	59,403	3,701,426
b) Value adjustments for current assets (row 29-30)	28	15,461,880	32,720,469
b. 1) Expenditures (acct 654 + 6814)	29	15,582,709	35,095,330
b. 2) Revenues (acct 754 + 7814)	30	120,829	2,374,861
11 Other operating expenses (row 32 to 38)	31	331,325,682	251,466,543

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SITUATION OF CASH FLOWS
AS ON 31 DECEMBER 2017
(all amounts are in RON, unless otherwise specified)

No.	No. row	Financial exercise ended at 31-Dec-16	Financial exercise ended at 31-Dec-17
11.1. Expenditure on external performances (acct 611 + 612 + 613 + 614 + 615 + 621 + 622 + 623 + 624 + 625 + 626 + 627 + 628)	32	190,409,741	182,033,012
11.2. Expenses with other taxes, fees and similar charges; expenses representing transfers and contributions based on special normative acts (acct 635 + 6586*)	33	100,447,523	44,871,193
11.3. Expenditure on environmental protection (acct 652)	34	8,480,346	11,890,474
11.4. Expenditure from revaluation of tangible assets (acct 655)	35	-	-
11.6. Other expenses (acct 651 + 6581 + 6582 + 6583 + 6588)	37	31,988,072	12,671,864
Adjustments for provisions (row 40-41)	39	(18,449,267)	45,755,165
- Expenditure (acct 6812)	40	13,931,733	56,349,378
- Revenues (acct 7812)	41	32,381,000	10,594,213
OPERATING EXPENDITURE - TOTAL (row 17 to 20-21+22+25+28+31+39)	42	1,825,664,633	1,704,118,353
OPERATING PROFIT OR LOSS			
- Profit (row 16 - 42)	43	1,540,261,500	1,581,829,036
- Loss (row 42 - 16)	44		
12 Income from investments (acct 7611 + 7612 + 7613)	45	-	-
- of which revenues from related parties	46	-	-
13 Interest income (acct 766)	47	15,681,474	12,878,399
- of which revenues from related parties	48	-	-
15 Other financial income (acct 7615 + 762 + 764 + 765 + 767 + 768)	50	14,826,430	22,914,590
- of which, income from financial assets (acct 7615)	51	-	-
FINANCIAL INCOME - TOTAL (row 45+47+49 + 50)	52	30,507,904	35,792,989
16 Value adjustments for financial assets and investments held as current assets (row 54-55)	53	12,884,771	-
- Expenditures (acct 686)	54	12,884,771	
- Revenues (acct 786)	55	-	-
17 Interest related costs (acct 666*)	56	4,132,870	2,443,621

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SITUATION OF CASH FLOWS
AS ON 31 DECEMBER 2017
(all amounts are in RON, unless otherwise specified)

No.	No. row	Financial exercise ended at 31-Dec-16	Financial exercise ended at 31-Dec-17
- of which, expenses in relation to affiliated entities	57	-	-
Other financial expenses (acct 663 + 664 + 665 + 667 + 668)	58	15,670,473	12,697,571
FINANCIAL EXPENSES - TOTAL (row 53+56+58)	59	32,688,114	15,141,192
PROFIT OR FINANCIAL LOSS			
- Profit (row 52-59)	60	-	20,651,797
- Loss (row 59-52)	61	2,180,210	-
TOTAL REVENUE (row 16 + 52)	62	3,396,434,037	3,321,740,378
TOTAL EXPENSES (row 42 + 59)	63	1,858,352,747	1,719,259,545
18 GROSS PROFIT OR LOSS			
- Profit (row 62 - 63)	64	1,538,081,290	1,602,480,833
- Loss (row 63 - 62)	65	-	-
19 PROFIT TAX (acct 691)	66	310,414,852	242,793,115
20 Other taxes not shown at the above items (acct 698)	67		
21 PROFIT OR LOSS OF THE REPORTING PERIOD			
- Profit (row 64 - 66 - 67)	68	1,227,666,438	1,359,687,718
- Loss (row 65 + 66 + 67) (row 66 + 67 - 64)	69	-	-

The financial statements were approved by the Company's management on May 9, 2018 and signed on behalf of the Company:

Bogdan BADEA Chairman Directorate	Marian BRATU Member Directorate	Adrian VOLINTIRU Member Directorate	Bogdan ȘOȘOACĂ Member Directorate	Razvan PAȚALIU Member Directorate
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Marian Fetita

Manager of Accounting Department

Prepared by

Bogdan Pribeagu

Head of Reporting, Control and Planning
Department

S.P.E.E.H. HIDROELECTRICA S.A.
SITUATION OF CASH FLOWS
AS ON 31 DECEMBER 2017
(all amounts are in RON, unless otherwise specified)

	31 December 2016	31 December 2017
<i>Cash flows from operating activities</i>		
Profit before tax	1,538,081,290	1,602,480,833
<i>Amortization of intangible assets</i>	568,024	1,216,010
Depreciation related to tangible assets	668,728,041	649,596,026
Non-monetary impact reassessment	-	-
In-kind contribution	-	-
Expenditures / (Income) related to value adjustments of fixed assets	40,385,694	25,988,114
Expenditures / (Income) related to inventory provisions	356,433	-77,499
Expenditures / (Income) related to customer and assimilated accounts	15,181,549	35,282,102
Expenditures / (Income) related to provisions for investments in affiliated entities	12,884,771	-
Expenditures / (Income) related to risk and expense provisions	(18,527,661)	44,126,135
(Net Profit) / Net loss of tangible assets	(6,013,334)	16,882,618
Income from grants	(6,798,080)	(6,042,559)
Adjustments for loss / (profit) from foreign exchange	(17,307)	5,745,654
Interest related expenditures	4,132,871	2,443,621
Interest related income	(15,681,474)	(12,878,399)
Cash flow generated from operating activities before changes in working capital	2,233,280,816	2,364,762,656
(Increases) / Decreases in receivables	(295,743,180)	(178,110,445)
(Increases) / Decreases in prepayments	448,837	(306,578)
(Increases) / Decreases in stocks	(5,249,374)	3,455,360
Increases / (decreases) in debts	19,768,770	(10,938,410)
Increases / (decreases) of incomes in advance	(7,059,228)	14,086,622
Paid Interest	(4,132,871)	(2,443,621)
Received Interest	15,681,474	12,878,399
Income tax paid	(302,363,710)	(236,727,877)
Net cash from operating activities	1,654,631,533	1,966,656,106
<i>Cash flows from investing activities</i>		
Purchase of tangible assets	(177,460,191)	(244,814,646)
Acquisitions of intangible assets	(2,842,785)	(2,794,814)

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SITUATION OF CASH FLOWS
AS ON 31 DECEMBER 2017
(all amounts are in RON, unless otherwise specified)

	31 December 2016	31 December 2017
Loans (granted) / repaid and financial assets	(998,215)	(240,733)
Proceeds from the sale of fixed assets	8,747,728	12,163
Net cash flow from investing activities	(172,553,463)	(247,838,030)
<i>Cash flows from financing activities</i>		
Increase / (decrease) use of credit line	159	-
Cash / (Repayment) long term loan	(155,846,954)	(141,280,865)
Cash / (Repayment) loan from shareholders / associates	-	-
Payments from financial leasing	-	-
Dividends paid	(675,115,016)	(1,690,480,137)
Changes in the share capital increase / (decrease)	33,580	742,680
Net cash flow from financing activities	(830,928,231)	(1,831,018,322)
(Decrease) / Net increase in cash and cash equivalents	651,149,839	(112,200,246)

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Bogdan BADEA	Marian BRATU	Adrian VOLINTIRU	Bogdan ȘOȘOACĂ	Razvan PAȚALIU
Chairman	Member	Member	Member	Member
Directorate	Directorate	Directorate	Directorate	Directorate

Marian Fetita

Manager of Accounting Department

Prepared by

Bogdan Pribeagu

Head of Reporting, Control and Planning
Department

S.P.E.E.H. HIDROELECTRICA S.A.
SITUATION OF OWN EQUITY MODIFICATIONS
AS ON 31 DECEMBER 2017
(all amounts are in RON, unless otherwise specified)

	Balance on	Increase		Decrease		Balance on
	1 January 2016	Total, of which	by transfer	Total, of which	by transfer	31 December 2016
Own equity component						
Subscribed capital	4,481,486,280	164,350	-	-	-	4,481,650,630
Public patrimony	39,346,649	-	-	-	-	39,346,649
Reserves from revaluation	12,005,893,683	-	-	5,190,272,401	5,190,272,401	6,815,621,282
Legal reserves	215,394,270	76,904,064	76,904,064	-	-	292,298,334
Other reserves	289,721,631	-	-	191,182,201	191,182,201	98,539,430
Retained earnings represent the undistributed profit or the uncovered loss	-	843,893,770	843,893,770	843,893,770	168,778,754	-
Retained earnings from the correction of accounting errors	(961,506,571)	(700,435,793)	-	(961,506,571)	(961,506,571)	(700,435,793)
Carried forward result representing the surplus from the revaluation reserves	1,118,026,435	5,190,271,862	5,190,271,862	601,545,616	601,545,616	5,706,752,680
Profit or loss of financial exercise	899,413,092	1,227,666,438	-	899,413,092	899,413,092	1,227,666,438
Distribution of profit	(55,519,322)	(76,904,064)	(76,904,064)	(55,519,322)	(55,519,322)	(76,904,064)
TOTAL	18,032,256,147	8,223,502,990	6,995,669,386	8,371,223,550	6,995,669,386	17,884,535,586

The financial statements were approved by the Company's management on May 9, 2018 and signed on behalf of the Company:

Bogdan BADEA	Marian BRATU	Adrian VOLINTIRU	Bogdan ȘOȘOACĂ	Razvan PAȚALIU
Chairman Directorate	Member Directorate	Member Directorate	Member Directorate	Member Directorate
Marian Fetita Manager of Accounting Department		Prepared by Bogdan Pribeagu Head of Reporting, Control and Planning Department		

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SITUATION OF OWN EQUITY MODIFICATIONS
AS ON 31 DECEMBER 2017
(all amounts are in RON, unless otherwise specified)

Own equity component	Balance on	Increases		Decreases		Balance on
	1 January 2017	Total, of which	by transfer	Total, of which	by transfer	31 December 2017
Subscribed capital	4,481,650,630	742,680	-	-	-	4,482,393,310
Public patrimony	39,346,649	-	-	-	-	39,346,649
Reserves from revaluation	6,815,621,282	-	-	336,794,980	336,794,980	6,478,826,302
Legal reserves	292,298,334	80,124,042	80,124,042	-	-	372,422,376
Other reserves	98,539,430	134,183,150	134,183,150	-	-	232,722,580
Retained earnings represent the undistributed profit or the uncovered loss	-	-	-	-	-	-
Retained earnings from the correction of accounting errors	(700,435,793)	700,641,793	700,641,793	206,000	206,000	-
Carried forward result representing the surplus from the revaluation reserves	5,706,752,680	337,000,981	337,000,981	1,355,641,793	700,641,793	4,688,111,868
Profit or loss of financial exercise	1,227,666,438	1,359,687,718		1,227,666,438	1,227,666,438	1,359,687,718
Distribution of profit	(76,904,064)	(99,230,955)	(99,230,955)	(76,904,064)	(76,904,064)	(99,230,955)
TOTAL	17,884,535,586	2,513,149,409	1,152,719,011	2,843,405,147	2,188,405,147	17,554,279,848

The financial statements were approved by the Company's management on May 9, 2018 and signed on behalf of the Company:

Bogdan BADEA	Marian BRATU	Adrian VOLINTIRU	Bogdan ȘOȘOACĂ	Razvan PAȚALIU
Chairman Directorate	Member Directorate	Member Directorate	Member Directorate	Member Directorate
Marian Fetita Manager of Accounting Department		Prepared by Bogdan Pribeagu Head of Reporting, Control and Planning Department		

Attached notes represent integral part of the present financial statements

S.P.E.E.H. HIDROELECTRICA S.A.
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1. COMPANY'S PRESENTATION

S.P.E.E.H Hidroelectrica SA managed in two-tier system is a Romanian legal entity, having the legal form of a joint stock company which carries on its activity in accordance with the Romanian legislation.

The duration of operation of SPEEH Hidroelectrica SA is unlimited, starting with the date of registration at the Trade Register. It is registered with the Trade Register Office under no. J40/7426/2000, having a sole registration number 13267213.

The headquarters of the Company are in Romania, Bucharest, 15-17 Ion Mihalache Blvd., Tower Center Building, 11-14th floors, sector 1.

SPEEH Hidroelectrica SA's main activity represents the production and supply of electricity by exploiting the hydrological potential in compliance with the legislation in force, the performing trade documents corresponding to the object of activity approved by the constitutive act, based on the production license no. 332 / 24.07.2001, for the commercial exploitation of the power generation capacities, updated by the NAER Decision no. 1624 / 10.07.2014 and the electricity supply license no. 932 / 27.05.2010 for the electricity supply, updated by the NAER Decision no.2507 / 28.08.2013. All these decisions granted by NAER are updated on a regular basis.

The company has 7 branches without legal personality, as follows: SH Bistrita, SH Curtea de Arges, SH Cluj, SH Hateg, SH Portile de Fier, SH Ramnicu Valcea, SH Sebes.

Following the request made by Hidroelectrica, the Bucharest Tribunal, the Civil Section VII, through the Civil Sentence No. 7222/2012, pronounced in the file no. 22456/3/2012 on 20.06.2012, ordered the opening of the general insolvency procedure, provided by the Law no.85 / 2006, with the subsequent amendments and completions, and appointed Euro Insol S.P.R.L as Official Receiver.

On June 26, 2013, Civil Court No.6482 given by the Bucharest Court of Law, Civil Section VII, file No. 22456/3/2012, approved the Final Activity Report prepared by the Official Receiver EURO Insol SPRL, and on the basis of Art.132, paragraph (1) of the Law no.85 / 2006, decided the closing of the judicial reorganization procedure against Hidroelectrica S.A.

According to the EGMS Decision no. 27 / 01.11.2012, upon expiration of insolvency, the constitutive act of Hidroelectrica S.A. amended version came into force, the company being administered on December 31, 2013 as two-tier system by the Supervisory Board and the Directorate.

On 25 February 2014 the Company re-entered into special administration due to Civil Decision no. 456 / 25.02.2014 pronounced by the Court of Appeal Bucharest - V Civil Section in File no. 22456/3/2012 / a1, by which civil sentence no. 6482 / 26.06.2013 pronounced by the Bucharest Tribunal - VII Civil Division and Euro Insol SPRL resumed its mandate as Official receiver for the company.

By decision no.4437 / 2016, delivered in the public hearing dated 21.06.2016 in file 22456/3/2012 *, on the role of the Bucharest Tribunal, the insolvency proceedings against Hidroelectrica were closed.

The company is currently administered in two-tier system, by the Supervisory Board and Directorate, as interim.

Considering the above and taking into account the strategic importance of the Company within the national energy system, the Management believes that the Company will continue to operate in the

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foreseeable future and consequently appreciates the appropriate use of the continuity principle for the preparation of the unconsolidated financial statements for the year ended December 31, 2017.

2. PRINCIPLES, POLICIES AND ACCOUNTING METHODS

These financial statements are the responsibility of the Company's Management and were prepared in accordance with the requirements of Romanian accounting rules, namely Accounting Law no. 82/1991, republished and the Order of the Minister of Public Finance ("MFO") no. 1802/2014, as amended.

These Regulations partly implement the provisions of Directive 2013/34 / EU of the European Parliament and Council on the annual financial situations, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43 /EC of the European Parliament and Council repealing Council's Directives 78/660 / EEC and 83/349 / EEC, published in the Official Journal of the European Union no. L 182 on 29 June 2013.

MFO no. 1802/2014 as amended follows the line of European Directives IV and VII and differs from International Financial Reporting Standards. As a result, these financial statements are not in line with International Financial Reporting Standards.

These financial statements, prepared in accordance with MFO no. 1802/2014, as amended, shall not be used by third parties or by users of financial statements that are unfamiliar with MFO no. 1802/2014 applicable on Romanian territory.

SPEEH Hidroelectrica SA is a company with majority state capital and must prepare annual financial statements in the format provided for large entities irrespective of the size criteria.

The financial statements ended December 31, 2017 are self-tailored and do not belong to a group.

The accounting records on the basis of which these financial statements have been prepared are in *lei* ("RON") at historical cost, except when the fair value was used, according to the Company's accounting policies and according to MFO 1802/2014 with subsequent amendments.

Principles

1) Principle of continuity of activity. The company operates on a business' continuity basis. This principle assumes that the entity normally continues its operation without going into a liquidation procedure or significant reduction of activity.

2) The principle of the permanence of the methods. Accounting policies and valuation methods have been applied consistently from one financial year to the next.

3) The principle of prudence. In preparing the annual financial statements, recognition and evaluation have been carried out on a prudent basis and, in particular:

- a) the profit and loss account include only the profit realized on the balance sheet date;
- b) debts incurred during the current financial year or a previous year are recognized, even if they become apparent only between the balance sheet date and the date of its drafting;
- c) impairments are recognized, regardless of whether the result of the financial year is loss or profit. The recording of impairment adjustments or loss of value is made on the expense accounts, regardless of their impact on the profit and loss account.

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All foreseeable liabilities and potential losses that occurred during that financial year or in the course of a previous exercise are recognized, even though they become apparent only between the balance sheet date and the date of its compilation.

4) The principle of accrual accounting. The effects of transactions and other events are recognized when transactions and events occur (and not as cash or cash equivalents are accrued or paid) and are recorded in the accounting and reported in the financial statements of the related periods.

5) The principle of intangibility

- 1) The opening balance for each financial year must correspond to the closing balance sheet of the previous financial year.
- 2) In case of changes in accounting policies and the correction of errors related to previous periods, the balance sheet of the period prior to the reporting period is not amended.
- 3) Registration in the account of retained earnings of the correction of important errors relating to previous financial years and the change in accounting policies is not considered to be a breach of the intangibility principle.

6) The principle of separate valuation of assets and liabilities. The components of asset and liability items are valued separately.

7) Non-Compensation Principle. Any offset between the items of assets and liabilities or between items of income and expense is prohibited. Possible offsetting between claims and liabilities to the same entity made in compliance with the legal provisions can be recorded only after accounting for the receivables and income, respectively the corresponding debts and expenses.

In the above situation, the explanatory notes show the gross amount of the claims and liabilities that were subject to the offsetting.

In the case of asset exchange, the sale / removal from the records and the purchase / entry into evidence, based on supporting documents, with the registration of all revenues and expenses related to the operations, is distinctly recorded in the accounting. The accounting treatment is similar in the case of reciprocal service provision.

8) Accounting for and presenting balance sheet's items and the profit and loss account taking into account the economic substance of the transaction or commitment in question. Compliance with this principle aims to recording in accounting the fair presentation of economic and financial operations, in line with economic reality, highlighting the rights and obligations, as well as the risks associated with these operations.

Events and financial - economic operations must be emphasized in the accounting as they arise, based on supporting documents. The supporting documents underlying the recording of the economic and financial operations in the accounting must reflect exactly how they are produced and that are consistent with reality. Also, the contracts concluded between the parties must provide the execution of the operations and observing the existing legal framework. Entities are required to take account of all available information when drawing up supporting documents and accounting for economic and financial operations so that to have few situations when the economic nature of the operation is different from the legal form of the documents on which they are based.

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9) The principle of valuation at acquisition cost or production cost. The items presented in the financial statements are usually valued on the cost of acquisition or the cost of production. Cases where the purchase cost or production cost is not used are presented separately.

10) The principle of materiality. The Company may deviate from the requirements included in the present regulations regarding disclosure of information and publication when the effects of compliance are insignificant.

Policies and accounting methods

1) Foreign Currency Transactions

Foreign currency transactions are denominated in RON using the exchange rate from the transaction date. Monetary assets and liabilities denominated in foreign currency at the end of the year are denominated in RON, at the exchange rate on that respective date. Earnings and losses on realized or projected foreign exchange differences are recorded in the income statement for the year.

The exchange rates used at 31.12.2017 are:

Currency	31 December 2016	31 December 2017
1 EUR	4.5411	4.6597
1 USD	4.3033	3.8915
100 HUF	1.4627	1.5011

1) Using estimates

In preparing these unconsolidated financial statements under MPFO no.1802 / 2014, it was necessary to make some adjustments to the statutory accounts and to obtain information that cannot be available directly from the Company's accounts. Estimates are reviewed periodically and, if adjustments are required, they are recorded in profit or loss account, when they become available. Although these estimates are made by the management of the company based on the best available information at the date of the unconsolidated financial statements, the results achieved may differ from these estimates.

2) Comparative situations

The unconsolidated financial statements as at 31.12.2017 are comparable to the unconsolidated financial statements as at 31.12.2016. Also, where necessary, comparative figures have been reclassified to be consistent with changes in the presentation of unconsolidated financial statements for the current year.

4) Correction of accounting errors

According to MFPO's provisions no.1802/2014 for the adoption of accounting regulations in line with European directives, the correction of the errors related to the previous financial years is carried out on the basis of the retained earnings.

However, the insignificant errors of the previous financial years may be corrected in the profit and loss account. Unimportant errors are those that do not influence financial-accounting information. Analyzing whether an error is significant or not should be made according to the context, given the nature of individual or aggregate value of the elements.

Past due errors represent omissions and erroneous statements included in the entity's financial statements for one or more prior periods resulting from the misuse of, or fail to use, credible information that: (a) were available at the time the financial statements for those periods had been approved for issue;

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(b) could have been reasonably obtained and taken into account in the preparation and presentation of those annual financial statements.

2) Assets

Tangible assets

The company currently owns both fixed assets of the nature of public domain and of nature of the state's private domain.

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

At the time of entry into the patrimony, the recording of fixed assets is made at the acquisition cost or production cost. Fixed assets made through investments are recorded at the level of direct costs attributable to the acquisition, construction (including technical solutions - models / prototypes and related technical documentation), without capitalizing financial expenses with interest rates and interest rate differences on borrowing rates, and without including differences of exchange rate in the accounting value of assets.

Subsequent expenditures (upgrades, refurbishment) related to tangible assets already recognized as assets, increase their value only if they increase the initial technical parameters and lead to future economic benefits, additional to those initially estimated. Obtaining benefits can be achieved either directly through growth revenue or indirectly by reducing maintenance and operating costs.

Subsequent expenditures incurred to obtain or maintain the level of future economic benefits that the entity expects to obtain on the basis of the initially estimated performance are recognized in the profit and loss account when carried out.

Depreciation

The Company uses the straight-line method to record the amortization of fixed assets by allocating the depreciation expense over the life of the fixed asset.

The Company does not depreciate the fixed assets belonging to the state's public domain as well as the assets in progress.

The duration of the economic depreciation of fixed assets is determined by the company's specialists according to the estimated period for which these assets will ensure generation of income.

The amortization of subsequent expenses that were included in the initial cost of the fixed assets is carried out linearly, starting from the month following the improvement works, during the remaining use of the respective asset, except for the improvement works designed to prolong the duration of use.

Revaluation

The Company has opted for the presentation of tangible assets at revalued amount, except for the advances and on-going tangible assets that are presented at historical cost.

Revaluations are carried out by independent valuers with appropriate frequency so that the carrying amount should not differ materially from the amount that can be determined on a fair value basis at the reporting date.

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Intangible assets

An intangible asset is recognized if, and only if:

- it is separable, meaning, it can be sold, transferred, assigned, leased or exchanged either individually or together with another identifiable asset or related identifiable debt, irrespective of whether the entity intends or fails to do so; or
- derives from contractual or other legal rights, whether those rights are transferable or separable from the entity or other rights and obligations.

The company considers as intangible asset the purchased licenses and software. Software programs are amortized linearly over the useful life, respectively over a period of 3 years.

Financial assets

The financial assets are mainly represented by the participation titles in the Company's subsidiaries, which are recorded in the accounting, as follows:

- at the date of the establishment of the subsidiaries and the establishment of the participation titles, based on the protocols for the delivery of the patrimony elements;
- at the date of the increase of the share capital at subsidiaries level with Company's in-kind or cash contribution to their share capital;
- at the time of the reducing the share capital of the subsidiary by returning to the company a share from the contributions.

Also, the company records as financial assets also the fixed assets, receivable with a term of more than 1 year, respectively long-term guarantees.

6) Public patrimony

The Government Decision no.365 / 1998 performs the first inventory of the assets belonging to the public domain that must be evidenced separately, and GD no. 627 / 13.07.2000 nominates the real estate that make up the public domain of the state handed over to Hidroelectrica SA and that must be inventoried and updated as often as necessary by Government Decision.

Law no. 213/1998 regulates the legal regime of the public patrimony, mentioning that the ownership of the public patrimony belongs to the state, which can rent or lease the goods that are public property.

In accordance with the provisions of MFO no.555 / 2003 amending and supplementing the MFO no.1718 / 2011 for the approval of the "Specification for the inventory of assets belonging to state's public domain", by the annual inventory of the public patrimony, has divided the goods from the public domain of the State acquired through investments or acquisitions:

- from public funds or by donations,
- from own sources.

In this respect, the annual inventory of public goods of the state is not updated with the goods and their related value, resulted from the investments made from own financing sources.

Starting with 2004, pursuant to Law no. 571/2003 regarding the Fiscal Code art. 24 paragraph 3, letter e) "the investments made from own sources materialized in new assets of the public domain, as well as in the development and modernization of goods under public property" are depreciable and recoverable from the tax point of view, by deducting the depreciation according to the provisions of this article.

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Based on the concession contract, the Company has the obligation to pay for the use of the assets under the public patrimony an annual fee of 1 ‰ (one in one thousand) for the annual income from the activity of electricity production and technological ancillary services.

7) Depreciation of assets

Tangible assets and other long-term assets, including intangible assets, are reviewed to identify impairment losses whenever events or changes in circumstances indicate that the carrying amount can no longer be recovered. Impairment loss represents the difference between the carrying amount and the maximum of the sale price and the amount of use. For calculating this loss, assets are grouped to the lowest level of detail for which independent cash flows can be identified. Where necessary, value adjustments are made for impairment of assets.

8) Inventories

Inventories consist mainly of spare parts, consumables, auxiliary materials and other stocks used in the operation of hydropower plants as well as their repair and maintenance activity. The company records inventories at the acquisition cost, that is, the purchase price, fees, and transportation, and when applicable, the discounts received, the cost of processing and other costs incurred to bring the stocks in the form and place they are at the reporting date. Inventory's accounting is quantitatively and value-prone by using intermittent inventory.

Inventories are presented in the unconsolidated financial statements at the minimum between the acquisition cost and the net realizable value, namely the cost of acquisition is reduced by the amount of the provisions for impairment. Inventories are recognized as an expense when they are used, applying the FIFO method to determine the cost.

9) Customers and assimilated accounts

Customer accounts and assimilated accounts include invoices issued and uncollected up to 31.12.2017 for hydroelectric power generation, functional system services and other services outside the core business, with a payout in less than 12 months. Customer accounts and assimilated accounts are recorded at the nominal value, less estimated realizable value, by registering value adjustments for uncertain customers. Final losses may vary from current estimates; however, the Management believes it has made the best estimate of the losses.

10) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank accounts, short-term bank deposits. Foreign currency accounts are presented in balance sheet in RON, at the exchange rates in force at the end of the year. Treasury credits (overdrafts) are treated as current liabilities.

Bank accounts include: availabilities in RON and foreign currency, short-term bank loans, presented in analytics on each bank and distinctly in RON and foreign currency. Interests payable and receivable are recorded separately in accounting, at financial expense or financial income, as appropriate. Transactions and payments in foreign currency are recorded in the foreign exchange rate of the transaction.

For the purpose of drawing up the cash flow statement, treasury credits are considered a component of cash and assimilated items.

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11) Social capital

Subscribed share capital underwent changes in 2017, as presented in the Statement of Changes in Equity. The amount of subscribed share capital paid on 31 December 2017 is in value of RON 4,482,393,310. This capital, according to the Law no.1481 / 24.11.2005 regarding the establishment of "Fondul Proprietatea" SA, was divided into the following legal entities:

- The State through the Ministry of Economy and Commerce with 80.0561%
- S.C. "Fondul Proprietatea" S.A. with 19.9439%

The Company recognizes the changes to the subscribed share capital paid only after their approval in the General Meeting of Shareholders or in the Board of Directors, as appropriate, and their registration with the Trade Registry Office.

12) Dividends

Dividends are recognized as a liability in the period in which they are declared, and their distribution is approved. For non-payment in due time penalties are due for delays, according to the legislation in force. Legislation in force at the time of preparing Financial Statements obliges state-owned companies to distribute at least 50% of the profit remaining distributable after covering all legal obligations, in the form of dividends.

According to Ordinance 64/2001 updated, starting with approval of the financial statements of the year 2016, to the majority state-owned entities, the retained earnings in the balance as on 31 December of each year, including 2016, can be distributed as dividends.

13) Loans

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

The short-term portion of long-term loans is classified in "Liabilities payable over a one-year period" and included together with interest accrued at the balance sheet date in "Amounts owed to credit institutions" in short-term debt.

14) Commercial Debts

Short-term commercial debts (maturing in less than 12 months) are recorded at nominal value, which approximates the fair value of the amounts to be paid for the goods or services received and are mainly represented by invoices issued for goods and contracted services.

15) Provisions

Risk and expense provisions are recognized when the Company has a legal or constructive obligation arising from past events when an outflow of resources embodying economic benefits is required to settle the obligation and when a credible estimate of the amount can be made regarding the value of obligations.

Provisions are reviewed at each balance sheet date. If an outflow of resources is no longer likely to be extinguished for an obligation, the provision shall be cancelled by the resumption of income.

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We have established:

- provisions for litigation
- provision for restructuring
- provisions for pensions and similar obligations and expenses
- other provisions
- adjustments for depreciation of fixed assets and depreciation of inventories
- value adjustments for customer-related receivables.

16) Grants

Investment grants recognized by the Company in accordance with current legislation in force have been presented as accrued income and recognized in the profit and loss account, on a systematic basis, over the periods in which the investments made are depreciated (private equity investment grants) respectively in the capital accounts, at the commissioning of the investment objectives (subsidies for investments of the public patrimony nature). In 2017, SPEEH Hidroelectrica SA benefited of RON 187,387 as grants, representing the equivalent of land expropriations for AHE Rustolița investment objective.

17) Profit and loss account

The effects of transactions and other events are recognized and recorded in the accounting when produced and are presented in the unconsolidated financial statements of the related periods at historical cost.

18) Revenue recognition

Recognition of revenue is made at historical cost. The effects of transactions and other events are recognized when they occur, are recorded in the accounting even if the supporting document is subsequently prepared (to comply with the accounting principle of economic prevalence over the legal) and reported in the unconsolidated financial statements of the related periods, in order to respect the principle of the independence of the financial exercise.

Revenues are recognized when providing services and selling the goods at the prices set by contracts.

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

19) Operating costs

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

20) Costs of employees

The labor cost represents the total expenses incurred by the company, the salaries in cash and the benefits provided under the Collective Labor Agreement, as well as social security contributions, health and unemployment insurance and the cost of training.

These entitlements are recognized in expenses when the services are rendered and are recorded in the profit and loss account over the same period as the related salary costs. Both the Company and every employee are obliged by the legal regulations in force to contribute to the Health, Pension and Unemployment Fund.

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21) Employees' Benefits

All employees, based on a working contract, benefit of meal vouchers. Also, under the Collective Labor Agreement, they receive fixed bonuses on Easter, Christmas and Energy Day, jubilee bonuses, retirement bonuses, and other benefits.

In accordance with GD no. 1041/2003 and no. 1461/2003, the Company provides in-kind benefits, in the form of free energy, to employees who have retired from the energy system. Also, in accordance with the Collective Labor Agreement ("CLA"), the Company provides benefits to both employees - depending on seniority within the Company - and to former employees, at retirement, if certain conditions are met.

The benefits provided by the Company include the following:

- retirement bonus ranging from 1 to 6 gross monthly salaries based on years of seniority in the Company at retirement age;
- jubilee annuities between 1 and 6 gross monthly salaries based on the number of years of service within the Company;
- free electricity provided after retirement, if certain conditions are met;
- death grants offered to employees and their families, as well as to former retired employees of the Company, subject to certain conditions.

The Company has recorded provisions for benefits granted in accordance with the provisions of the CLA and GD no. 1041/2003 and no. 1461/2003, based on the actuarial calculations carried out periodically by the independent actuarial specialists, amounting to RON 83,797,397. As at 31 December 2017, they were updated as a result of the actuarial calculations made by KPMG ADVISORY SRL – according to the IAS19.

22) Debt costs

Debt costs include the interest and other expenses borne by the company in connection with the loan of funds. SPEEH Hidroelectrica SA records as an expense the costs of the debt in the period to which they refer, according to the accrual accounting principle.

23) Profit tax and tax liabilities

The current income tax is calculated in accordance with the legal tax regulations in force. The calculation of the current income tax is based on the results reported in the profit tax statement prepared on the basis of the Company's financial statements, and according to Romanian standards and adjusted for certain items according to the legislation in force.

Current income tax is calculated as a percentage of 16%, applied to the accounting profit obtained under Romanian legislation, adjusted for certain positions under tax law (with deductible and non-deductible expenses, namely with taxable and non-taxable income).

Tax liabilities are calculated, accounted for, declared and transferred in accordance with the legal provisions regarding both the Company's obligations and employee obligations.

The inherent risks generated by taxes and other tax liabilities arise from the regime of perpetual and sometimes contradictory tax changes, but also from interpretations to tax legislation given by control bodies for the purpose of collecting more taxes on the state budget, social insurance or local taxes.

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Contingent liabilities

A contingent liability is:

- a potential obligation arising as a result of past events prior to the balance sheet date and whose existence will be confirmed only after the occurrence or non-occurrence of one or more uncertain future events that can not be wholly under the control of the company; or
- current liability arising from past events, prior to the balance sheet date, but not recognized because:
 - is not sure that there will be a need for resources to clearing this debt; or
 - the amount of the debt can not be sufficiently reliably.

The company does not recognize contingent liabilities on the balance sheet.

24) Affiliated parties

Parties are considered affiliated if one party, either through ownership, contractual rights, family or other relationships, could directly control or significantly influence the other party.

Entities that meet the conditions stipulated in MFO no.1802 / 2014, and which were considered as affiliated parties of SPEEH Hidroelectrica SA, are represented by:

1. Hidroserv S.A. registered with the Trade Register Office under no. J40 /9762/05.08.2013, a merger of 8 former repair and service Hidroserv subsidiaries, presented in Note 15.4.
2. Hidroelectrica Trading D.O.O. registered with the Trade Register, Belgrade, Serbia under no. 21058050 / 10.31.2014.

1. FIXED ASSETS

a) Intangible assets

COST	Balance on 1 January 2017	Increase	Decrease	Balance on 31 December 2017
Establishment costs	-	-	-	-
Development costs	9,000	-	-	-
Patents, acquisition licenses and own sources	1,087,983	2,382,567	-	3,470,550
Other Fixtures (Software)	29,075,225	412,247		29,487,472
Total	30,172,208	2,794,814		32,967,022
AMORTIZATION	Balance on 1 January 2017	Annual amortization	Decrease	Balance on 31 December 2017
Development costs	9,000	-	-	9,000
Patents, acquisition licenses and own sources	49,738	44,800	-	94,538
Other Fixtures (Software)	26,379,528	1,171,210	-	27,550,738
Total	26,438,266	1,216,010	-	27,654,276
Net value	3,733,942			5,312,746

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3. FIXED ASSETS (continuation)

b) Tangible assets

COST	Balance on 1 January 2017	Increase		Decrease		Balance on 31 December 2017
		Aquisition	Transfer	Concessions	Transfer	
Land and land improvements	752,149,959	735,163	542,966	38,383	-	753.389.705
Constructions	10,035,749,233	321,107	126,498,772	302,394		10.162.266.718
Technical installations and machines	2,913,047,473	574,865	87,053,680	35,584		3.000.640.434
Other installations, machinery and furniture	22,653,846	-	200,571	-		22.854.417
Tangible assets ongoing	5,030,446,694	275,597,799	677,998	16,077,720	214,973,987	5.075.670.784
Advance payments for tangible assets	92,447,637	-46,345,548		452,904		45.649.185
Total	18,846,494,842	230,883,386	214,973,987	16,906,985	214,973,987	19.060.471.243

AMORTIZARE	Balance on 1 January 2017	Annual amortization	Decrease	Balance on 31 December 2017
Land improvements	62,855	47,891		110,746
Constructions	372,002,238	365,206,594	7,110	737,201,722
Technical installations and machines	293,017,492	281,014,528	3,457	574,028,563
Other installations, machinery and furniture	3,588,654	3,327,013	1,637	6,914,030
Total	668,671,239	649,596,026	12,204	1,318,255,061

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3. FIXED ASSETS (continuation)

b) Tangible assets (continuation)

VALUE ADJUSTMENTS	Balance on 1 January 2017	Increase	Decrease	Balance on 31 December 2017
Land and land improvements	461,463	45,554	-	507,017
Constructions	17,831,656	(627,252)	605,718	16,598,686
Technical installations and machines	1,439,773	142,515	63,912	1,518,376
Other installations, machinery and furniture	2,700	18,912	-	21,612
Tangible assets ongoing	1,730,738,358	15,950,360	3,031,796	1,743,656,922
Advance payments for tangible assets	8,817,043	14,365,451		23,182,494
Total	1,759,290,993	29,895,540	3,701,426	1,785,485,107
Net value	16,418,532,610			15,956,731,075

Tangible assets of the Company consist mainly of special constructions, namely hydropower plants, pumping stations, micro-hydropower stations, locks, and hydro-aggregates, equipment and installations. The company manages a number of 203 hydro power plants with an installed capacity of 6,444 MW and 5 pumping stations with an installed capacity of 91,5 MW.

The depreciation adjustments of the tangible assets in the balance at 31.12.2017 amounting to RON 18,645,691 represent mainly the fair value of the constructions and technological equipment which were taken over from Electrica and IRE Deva in 2002 on the base of GD 554 / 2002, having an inappropriate technical condition for functioning, in an advanced state of physical and moral degradation and which are not included in the maintenance program or in the investment program for the following periods.

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The balance of investments in progress at 31.12.2017, amounting to RON 5,075,670,784, is distributed on the following investment objectives:

Name of investment	Balance 31.12.2016	Balance 31.12.2017
<i>Functional investments, not received</i>		
AHE CORNETU-AVRIG	206,557,296	206,626,173
AHE SIRIU SURDUC	7,943,207	114,732
AHE STREI	841,697	841,867
AHE of Siret river on sector Cosmești-Movileni	71,064,496	71,092,496
AHE BISTRA-POIANA MARULUI	143,544,860	143,545,868
AHE RAUL MARE RETEZAT	128,190,579	128,190,579
TOTAL	558,142,135	550,411,715

<i>Investments with firm commitments</i>		
AHE CORNETU-AVRIG	409,283,944	409,857,670
AHE RASTOLITA (note 15.5)	670,476,094	674,015,016
AHE Livezeni-Bumbesti (note 15.5)	618,099,783	741,307,791
AHE Cosmești-Movileni	3,328,258	3,328,258
AHE SIRIU SURDUC(note 15.5)	644,540,028	669,427,850
AHE STREI(note 15.5)	201,919,617	35,651,732
TOTAL	2,547,647,725	2,533,588,317

Investments under analysis

Depreciation adjustments for ongoing investments

AHE PASCANI	367,605,246	367,860,826
AHE CERNA-BELARECA *	317,319,487	317,610,587
AHE FAGARAS-HOGHIZ	174,517,786	174,754,096
AHE of Jiu river on sector Valea Sadului Vadeni	164,922,105	165,157,715
AHE Cornetu Avrighi- steps Caineni and Lotrioara*	105,254,328	130,296,045
AHE of Siret river on sector Cosmești-Movileni	94,451,309	106,769,445
AH RUNCU-FIRIZA	85,616,667	86,404,892
Hydroenergetic complex Cerna Motru Tismana stage II*	83,364,073	80,733,351
Secondary adduction Nord Fagaras	34,641,879	34,761,669
LAC REDRESOR SEBES ETAPA II*	31,465,263	31,465,263
AHE SIRIU SURDUC	17,448,318	17,417,701
Derivation CHE Oiesti*	28,899,763	28,899,763
Lake rectifier Sebes*	23,566,144	23,721,878
The safety of Olt by rebuilding the transit capacity *	22,971,801	22,971,801
AHE Poneasca	22,409,983	22,409,604
Increase Safety Degree Lower Olt *	21,763,640	22,543,108
AHE OLT SECT IZBICENI-DUNARE CHE ISLAZ	13,491,742	13,491,742
CHEAP TARNITA LAPUSTESTI	12,149,719	12,279,139
AHE Borca-Poiana Teiului- CHE GALU	9,653,962	9,653,962
AHE BISTRA-POIANA MARULUI	2,105,629	9,437,552
Other investments*	66,376,288	51,832,269

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Name of investment	Balance 31.12.2016	Balance 31.12.2017
TOTAL	1,699,995,132	1,730,472,408
Spare parts of stock nature	61,832,009	57,637,907
Other investments	162,829,693	203,560,437
TOTAL ongoing investments	5,030,446,694	5,075,670,784
Adjustments to non-received functional fixed assets	30,743,226	13,814,513
Adjustments ongoing investment	-1,739,555,401	-1,766,839,416
TOTAL ongoing investment, Net	3,290,891,293	3,308,831,368

* Investments under review at 31.12.2017

The company's management decided to make reversible adjustments to ongoing investments until a final decision on historical investment.

The balance of advances for tangible assets in progress as at 31.12.2017, amounting to **RON 45,649,185**, represents mainly advance payments for HPP Stejaru renewing factory's technology and equipment in amount of RON 22,391,830 and advances for HPP Portile de Fier II renewing factory's technology and equipment in value of RON 14,366 .680.

Investments with complex functions are represented by historical investment objectives for hydropower development schemes with social functions (described below), which have been approached from the design concept as having an energy function only as a secondary function.

These investment objectives include complex functions of rational and safe water management:

- Attenuation of the flesh flood;
- Protection of the population, localities and agricultural lands;
- Water supply to the riverside cities;
- Ensure the supply of water for the population and the industry;
- Ensuring the flow for irrigation, during dry periods;
- Retention of solid flow in the dead volume of the accumulation;
- Other social functions.

For all the projects analyzed and presented below, until the approval of the General Meeting of Shareholders, and until the issuance of any regulations for the implementation of the described proposals, in order to eliminate / diminish the opinion with reservations, also taking into account that the reserve has been expressed as of 2012 - the year of the funds' cancellation through the Reorganization Plan, an accounting depreciation adjustment was made with the related amounts.

In 2017 was concluded an agreement with ISPH PD to estimate the cost of abandoning, preserving, and the safe execution of the works performed on investments with complex functions, in accordance with the provisions of the Supervisory Board's Decisions issued in 2016.

After the endorsement of the TPPs at the Subsidiary level and the Executive Branch of Hidroelectrica SA, the data provided (estimated values for abandonment, respectively conservation and safety) were taken over by the Working Commission appointed by Decision no. 1421/2017 for carrying out financial analyzes and profitability economic calculations and efficiency for each investment with complex functions. The results and conclusions of these analyzes were presented by the Working Committee to Hidroelectrica SA management. The process of evaluating the alternatives for these investment objectives is ongoing

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(further, in collaboration with entities that benefit from complex functions, respectively abandonment), a decision will be taken at the completion of this stage.

Projects analyzed

I. INVESTMENT OBJECTIVE "Pascani Hydropower Plant"

Acts of approval:

- Decree of the State Council no. 403 / 26.12.1985 approves the investment objective "Accumulation of Pașcani on the Siret River in Iași and Suceava counties, the beneficiary of the investment being the National Water Council;
- Decree of the State Council no. 24/1989 approves the investment objective "Pașcani hydroelectric power plant on Siret river", the beneficiary being the Ministry of Energy;
- GD no. 554 / 30.05.2002 established free transfer of investment objective HPP Pașcani to Hidroelectrica SA, which is implemented by the handover Protocol concluded on 08.07.2002;
- DRG no. 866 / 28.06.2006 established free transfer of investment "Pascani Accumulation" investment objective from the administration of the Ministry of Environment and Water Management, the Romanian Waters Administration to the administration of the Ministry of Economy and Commerce - SC Hidroelectrica SA and approves the unification of the investment objectives (accumulation + plant) under the name "Pascani Hydropower Plant", implemented by Protocol no. 1186 / 17.01.2007;
- Order MECWM no. 2910 / 9.11.2011 approving the last updated General Investments Survey on 01.01.2011 in prices valid on 31.12.2010;

Date for commencing the works:

- 1985 – for accumulation
- 1989 – for plant.

According to the technical and economic parameters approved by the Decree of the State Council no. 24/1989 and MECWM Order no.2910 / 2011, for the completion of AHE Pascani, the general estimate includes a total outstanding amount of ROL 500,164 thousand, out of which ROL 90,835 thousand for HPP Pascani.

Proposal:

The Decision of the Supervisory Board no.54 / 13.10.2016 approves the implementation of the steps for the ceasing and the safe execution of the works already performed.

In 2017, the elaboration of the abandonment study of the works already executed for HPP Pascani was contracted, respectively the study of preservation and safety of the works already executed for HPP Pascani.

The working committee appointed by internal decision finalized the financial analysis related to this objective and the drafting of the Fundamental Note for presenting to the Hidroelectrica management the results and conclusions of this analysis.

The process of evaluating the alternatives for further management of the investment objective is ongoing (continued in collaboration with beneficiary entities of complex functions / abandonment), a decision to be taken at the completion of this stage.

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II. INVESTMENT OBJECTIVE "Hydropower Complex Development of the Olt River on the Fagaras - Hoghiz Sector"

Acts of approval

- Decree of the State Council no. 24/1989 for approving the investment;
- RGD no. 1211/1996 on the free transfer of the works performed on some complex water accumulations at the Ministry of Waters, Forests and Environmental Protection - Autonomous "Romanian Waters" and the measures for the continuation and completion of the investment objectives, respectively the breakdown of the investment objective "Olt River Hydropower Development on the Fagaras-Hoghiz Sector" in the Venetia Accumulation on the Olt River and the Fagaras-Hoghiz Hydroelectric Plant and the transfer from the Autonomous Electricity Directorate "RENEL", under the authority of the Ministry of Industries, to the Autonomous Directorate "Apele Române", under the authority of the Ministry of Waters, Forests and Environmental Protection, of the works performed at the Venetia Accumulation;
- RGD no. 424/2003 regarding the measures for the continuation of the works on some complex hydro-investment objectives, which repeals the provisions of RGD 1211/1996;
- MECWM Order no. 2910 / 9.11.2011 approving the last updated General Investments Survey on 01.01.2011 in prices valid on 31.12.2010.

Start date: 1989

According to the arrangement scheme in the version approved according to Decree 24/1989 for completion of a complex HPP on the river Olt, on the Fagaras-Hoghiz sector, the general estimate includes a total outstanding value of ROL 2,361,424 thousand.

Proposal:

The Decision of the Supervisory Board no. 68 / 28.11.2016 approves the steps taken to obtain a GD to suspend, preserve and secure the works already executed.

In 2017 was contracted the elaboration study for abandonment of the works already executed, respectively the study of preservation and safety of the works already executed.

The working committee appointed by the internal decision finalized the financial analysis related to this objective and the drafting and presented to the Hidroelectrica Directorate the substantiation note with the results and the conclusions of this analysis.

Following the analysis of the Fundamental Note, the Hidroelectrica's Directorate issued the decision no. 1837 / 08.12.2017, approving the abandonment of the works already performed on the investment objective "Hydroenergetic Complex of the Olt river on the Fagaras-Hoghiz sector" and the closing of the investment title. The Directorate also approves the elaboration of the abandonment documentation according to the legislation in force and the contracting of the necessary works.

III. INVESTMENT OBJECTIVE „ Hydropower Complex of Jiu River on sector Valea Sadului-Vădeni"

Acts of approval:

- Decree no. 40/21.02.1989 – approving the investment;
- Government Decision no. 1211/1996 on the free transfer of the works performed on some water accumulations with complex use at the Ministry of Waters, Forests and Environmental Protection - the Autonomous Administration "Apele Române" and the measures for the continuation and termination of the investment objectives;

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- Government Decision no. 424/2003 on the measures for the continuation of the works on some complex hydro economic investment objectives, which revoke the Government Decision no. 1211/1996;
- MECWA Order no. 2910 / 9.11.2011 approving the last updated General Investments Survey on 01.01.2011 in prices valid on 31.12.2010.

Date for commencement the works: 1989.

For the completion of the "HEA of Jiu River in Valea Sadului-Vadeni" sector, the general budget includes a residual value of RON 2,375,237 thousand.

Proposal:

Based on the Fundamental Note no. 123149 / 11.11.2016 and Decision no.1924 / 2016 issued by the Directorate, the Supervisory Board through the Decision no. 66 / 28.11.2016, postpones the decision for the Jiu River Hydro-energetic Arrangement on the Valea Sadului-Vadeni sector and requests the Hidroelectrica Directorate to reanalyze the investment.

In 2017 was contracted the elaboration of the abandonment study of the works already executed for the Valea Sadului and Turcinești stage, respectively the study of preservation and safety of the works already executed for Valea Sadului stage, Curtisoara stage and Turcinești stage" (independent on each stage) .

The working committee appointed by internal decision, finalized the financial analysis related to this objective and drafted the Fundamental Note for the presentation to the Hidroelectrica Directorate the results and conclusions of this analysis.

The process of evaluating alternatives for further management of the investment objective (continuation / optimization / abandonment) is in progress, a decision will be taken at the end of this stage.

IV. INVESTMENT OBJECTIVE "HEA of the Siret River in the Cosmești - Movileni sector"

Documents for approval:

- RGD no. 311/1990 approving the investment;
- RGD no. 1598/2009 – on declare the public interest of the investment to be of national interest "Siret hydroelectric development on the Cosmești - Movileni sector";
- MECWA Order no. 2910 / 9.11.2011 approving the last updated General Investments Survey on 01.01.2011 in prices valid on 31.12.2010;

Date of commencement the works: 1990.

For CHE Cosmești, the remaining value determined on the basis of the General Price, from which the achievements of the years 2011-2017 were deducted, in value of RON 735,435 thousand, out of which RON 85,785 thousand for the Movileni stage and RON 649,650 thousand for the Cosmesti stage.

Proposal:

In 2017, was contracted the elaboration of the abandonment study of the works already performed for the Cosmesti stage and the study of preservation and safety of the works already performed for the Cosmesti stage.

The working committee appointed by internal decision, completed the financial analysis related to this objective and the drafting of the Fundamental Note for presenting to the Hidroelectrica's management the results and conclusions of this analysis.

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The process of evaluating alternatives for further management of the investment objective (continuation / optimization / abandonment) is in progress, a decision to be taken at the completion of this stage.

V. INVESTMENT OBJECTIVE "Hydropower Development Runcu - Firiza"

Documents for approval:

- Decree no. 95 / 11.04.1989 - on the approval of the technical and economic indicators, of the investment objective in progress "Hydropower Development Runcu - Firiza";
- RGD 489 / 21.06.1996, on the approval of the updated technical and economic indicators of the investment objective in progress „ Hydropower Development Runcu - Firiza;
- RGD 190 / 30.04.1998 on declaring works of national interest to be of public utility;
- MECWA Order no. 2910 / 9.11.2011 approving the last updated General Investments Survey on 01.01.2011 in prices valid on 31.12.2010.

Date of commencing the works: 1989

In order to complete the "HEA Runcu-Firiza" investment objective, approved by RGD no. 489/1996, the general estimate includes a total outstanding amount of RON 353,558 thousand.

Proposal:

In 2017, was contracted the elaboration of the abandonment study of the works already executed, respectively the study for preservation and safety of the works already executed for HEA Runcu-Firiza.

The working committee appointed by internal decision completed the financial analysis related to this objective and drafted the Fundamental Note for presenting to the Hidroelectrica's management the results and conclusions of this analysis.

The process of evaluating alternatives for further management of the investment objective (continuation / optimization / abandonment) is in progress, a decision will be taken at the completion of this stage.

VI. INVESTMENT OBJECTIVE "HYDROPOWER PLANT DÂMBOVIȚA - CLĂBUCET"

Documents for approval:

- Decree no. 10 / 18.01.1977 for the approval of the investment objective "Dâmbovița -Clăbucet Hydropower Plant", beneficiary Ministry of Electricity;
- Decree no. 126 / 9.06.1980 for placing investment works outside the construction perimeters of the locality, the construction of some exploitation roads, expropriation of some buildings, removal from agricultural production, from forestry fund and the deforestation of some lands, as well as the demolition of some constructions, beneficiary Ministry of Energy;
- Decree no. 139 / 19.05.1982 on the expropriation, removal from agricultural land and forestry of some lands, deforestation of forest areas, and construction of some exploration roads;
- Order of the Ministry of Economy, Commerce and Business Environment no. 2050 / 17.11.2009 regarding the approval of the total value of the General Investment Note as at 01.04.2009.

Date of commencing the works: 1977

For the completion of UHE Dâmbovița Clăbucet, the general estimate includes a total outstanding amount of RON 440,427 thousand.

Proposal:

In 2017 was contracted the elaboration of the study of abandonment of the works already executed at the Ramura Nord Fagaras stage, and of the study for preservation and safety of the works already executed at the Ramura Nord Fagaras stage.

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The working committee appointed by internal decision completed the financial analysis related to this objective and Fundamental Note for presenting to the Hidroelectrica's management the results and conclusions of this analysis.

Following the analysis of the Fundamental Note, Hidroelectrica's Directorate issued the decision no. no.1836 / 08.12.2017 - approving the abandonment of the Ramura Nord Fagaras stage, the updating of the technical and economic indicators of the investment scheme "Dâmbovița Clabucet Hydropower Development" and the closing of the investment title. The Directorate also approves the elaboration of the abandonment documentation according to the legislation in force and the contracting of the necessary works.

VII. INVESTMENT OBJECTIVE "Hydropower Development AHE Surduc – Siriu"

Approvals, endorsement and other relevant documents:

- Decree 351/1979 - approval of the Order for the elaboration of the technological engineering project and of the construction-installations project for the "Hydropower Development Facility" Surduc-Siriu";
- Decree 294/1981 and IGSIC Expert Report / 1982- Approval of technical and economic documentation and measures for realization the investment "Hydropower Development Facility Surduc-Siriu";
- GD 1211/1996 on the free delivery of the works performed on some complex water accumulations to Ministry of Waters, Forests and Environmental Protection - the Autonomous Administration "Apele Romane" and the measures for the continuation and completion of the investment objectives;
- RGD 1087/2002 - the declaration of the investment as an objective of public utility of national interest;
- Government Decision no. 424/2003 on the measures for the continuation of the works on some complex hydro-investment objectives;
- MECWA Order no. 2910/2011 for approving the update of the last General Estimate - total investment value, in prices on 31.12.2010 based on documentation prepared by ISPH S.A. "HEA SURDUC - SIRIU. Technical and economic documentation on the basis of the update of the general estimate to be executed on 01.01.2011 in prices valid on December 31, 2010".

Date of commencing the works: 07.10.1981

For the completion of HEA Surduc - Siriu, the general estimate includes a total outstanding amount of RON 2,280,279 thousand.

Proposal:

EGMS Hidroelectrica SA by Decision no. 18 / 16.09.2016 approves the optimization of the investment project AHE Surduc – Siriu.

By Notice No.9 / 03.10.2016 of the TPE of the Ministry of Energy, is approved the optimization of the investment project AHE Surduc – Siriu.

In the year 2017 the following studies were concluded: abandonment study for the Cireșu stage, conservation and safety study for the Cireșu stage and study of the optimization of the entire AHE development Siriu - Surduc - in order to substantiate the new economic indicators.

The working committee appointed by internal decision completed the financial analysis related to this objective and drafted the Fundamental Note for presenting to the Hidroelectrica's management the results and conclusions of this analysis.

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The process of evaluating alternatives for further management of the investment objective (continuation / optimization / abandonment) is in progress, a decision will be taken at the completion of this stage.

VIII. INVESTMENT OBJECTIVE "AHE of the Bistrita River on the sector Borca - Poiana Teiului"

Documents for approval:

- Decree of the Council of State no. 95 / 11.04.1989 approving the investment;
- RGD 489/1996 approving updated technical and economic indicators;
- MECWA Order no. 2910 / 9.11.2011 approving the last updated General Investments Estimate on 01.01.2011 in prices valid on 31.12.2010.

Date of commencing the works: 1989

For the completion of the Galu fall, the remaining value to be executed on 01.01.2018 is of RON 673,532 thousand.

Proposal:

In 2017, the study of abandonment, respectively the study of preservation and safety of works already executed at the Galu stage, was contracted.

The working committee appointed by internal decision completed the financial analysis related to this objective and the drafting of the Fundamental Note for presenting to the Hidroelectrica's management the results and conclusions of this analysis.

IX. INVESTMENT OBJECTIVE "Hydropower Development Bistra, Poiana Mărlui, Ruieni, Poiana Rusca"

Documents for approval:

- Decree of the Council of State no. 294/1981 approving the main technical and economic indicators of the investment;
- MECWA Order no. 2910 / 9.11.2011 approving the last updated General Investments Estimate on 01.01.2011 in prices valid on 31.12.2010.

Date of commencing the works: 1981

For the completion of "Hydropower Development Bistra, Poiana Mare, Ruieni, Poiana Rusca", the value to be executed on 01.01.2018 is RON 1,617,336 thousand.

Proposal:

In 2017, the following studies were concluded: abandonment study for the Scorilo dropping stage and Raul Lung - Poiana Ruscă Lake secondary dam, conservation and safety study for the Scorilo dropping stage and the secondary Raul Lung - Poiana Ruscă Lake.

The working committee appointed by internal decision completed the financial analysis related to this objective and drafted the Fundamental Note for presenting to the Hidroelectrica's management the results and conclusions of this analysis.

The process of evaluating alternatives for further management of the investment objective (continuation / optimization / abandonment) is in progress, a decision will be taken at the completion of this stage.

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X. INVESTMENT OBJECTIVE “Hydropower Development of Strei River on sector Subcetate – Simeria”

Documents for approval:

- Decree no. 40/1989 - approval the investment;
- Government Decision no. 392/2002 - declaration of the investment of public utility and national interest, according to the law no. 33/1994;
- MECWA Order no. 2910 / 9.11.2011 approving the last updated General Investments Estimate on 01.01.2011 in prices valid on 31.12.2010.

Date of commencing the works: 1989

The completion of the Strei River Hydropower Project on the Subcetate - Simeria Sector for the solutions stipulated by the Decree no. 40/1989 and MECWA Order 2910/2011 would mean an investment in value of RON 883.752 thousand.

Proposal:

EGMS Hidroelectrica SA by Decision no. 18 / 16.09.2016 approves the optimization of investment project AHE Strei River on the Subcetate - Simeria sector, by abandoning the downstream steps of HPP Bretea. By means of Note No.9 / 03.10.2016 of the Ministry of Energy, is approved the optimization of investment project AHE Strei river on the Subcetate - Simeria sector.

In 2017, it was contracted to develop the following studies: abandonment study for downstream steps of HPP Bretea and optimization study of AHE Subcetate Simeria in order to substantiate the new technical and economic indicators of the arrangement.

The working committee appointed by internal decision completed the financial analysis related to this objective and the drafting of the Fundamental Note for presenting to the Hidroelectrica's management the results and conclusions of this analysis.

XI. INVESTMENT OBJECTIVE „AHE Cerna-Belareca”

Approving documents:

- **Decree 351/1979** approving the order note for the elaboration of the technological engineering project and the construction-installations projects, as well as the measures for realization of the investment: Hydropower Development Belareca-Cerna;
- **Decree no. 158 / 13.05.1980** approving the construction project, the constructive solutions and the other elements with the main technical and economic indicators, as well as the measures for completing the investment for hydropower development Belareca-Cerna, as a two-story arrangement, Herculane and Cornereva, one central, Herculane, common for the two falls, equipped with 3 turbines.
- The scheme is in progress, the entire Herculane fall being completed, including the Herculane plant, and some works from the Belareca fall.
- MECMA Order no. 2910 / 9.11.2011 approving the last updated General Investments Estimate on 01.01.2011 in prices valid on 31.12.2010

Date of commencing the works: 1980.

In 2017, was contracted to develop the following studies: the Belareca dropout study and the conservation and safety study for the Belareca fallout.

The working committee appointed by internal decision completed the financial analysis related to this objective and drafted the Fundamental Note for presenting to the Hidroelectrica's management the results and conclusions of this analysis.

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The process of evaluating alternatives for further management of the investment objective (continuation / optimization / abandonment) is in progress, a decision will be taken at the completion of this stage.

XII. INVESTMENT OBJECTIVE "Hydropower development of the Olt River defile on sector Cornetu –Avrig"

Approving documents:

- Decree of the State Council no. 24 / 03.02.1989 approval of the investment;
- MECWA Order no. 2910/9.11.2011 approving the last the last updated General Investments Estimate on 01.01.2011 in prices valid on 31.12.2010.

Date of commencing the works: 1989

In 2017, it was contracted to develop the following studies: abandonment study for Caineni and Lotrioara steps, and a conservation and safety study for the Caineni and Lotrioara steps.

The working committee appointed by internal decision completed the financial analysis related to this objective and drafted the Fundamental Note for presenting to the Hidroelectrica's management the results and conclusions of this analysis.

The process of assessing alternatives for further management of the investment objective (continuation / optimization / abandonment) is underway, a decision will be taken at the completion of this stage.

c) Financial assets

COST	Balance on 1 January 2017	Increase	Decrease	Balance on 31 December 2017
Shares held in affiliated entities	73,000,495	-	-	73,000,495
Titles held as assets	23,000	-	-	23,000
Other assets	25,347,436	(19,792,263)		5,555,173
Total	98,370,931	(19,792,263)	-	78,578,668
VALUE ADJUSTMENTS	Balance on 1 January 2017	Increase	Decrease	Balance on 31 December 2017
Shares held in affiliated entities	70,576,810			70,576,810
Total	70,576,810			70,576,810
Net value	27,794,121			8,001,858

The financial assets comprise mainly the participation titles held in the affiliated entities amounting to RON 73,000,495, namely:

- Shares amounting to RON 70,576,810 held by the Company in subsidiary Hidroelectrica-SERV SA;
- Shares amounting to RON 2,423,685 held in Hidroelectrica Trading D.O.O.

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Other fixed assets amounting to RON 5,555,173 on 31.12.2017 represent guarantees paid by the Company for fulfillment of contractual obligations, with liquidity term longer than 1 year, the main guarantees are presented below:

- related to the concession contract concluded with MEC for the public domain assets under the Company's administration, amounting to RON 1,045,441;
- related to the rental agreement concluded with Tower Center International SRL, amounting to RON 1,425,734;
- related to the administrative costs requested by the Geneva Arbitration Court in the arbitration procedure with EFT Switzerland, amounting to RON 662,385;
- related to the administrative costs requested by the Permanent Court of Arbitration within the arbitration procedure with EFT, amounting to RON 1,123,925;

Equity investments of SPEEH Hidroelectrica SA in the subsidiary Hidroelectrica SERV SA

As of 05.08.2013, Hidroelectrica is the sole shareholder of Hidroelectrica SERV S.A. registered at Trade Register under no. J40 / 9762 / 05.08.2013, with registered office in 3 Constantin Nacu Street, floors 3-5, sector 2, Bucharest, a company made up by the merger of the 8 former Hidroserv's subsidiaries and services.

SPEEH HIDROELECTRICA SA holds on 31 December 2017, as sole shareholder, equity investments in Hidroelectrica SERV SA, amounting to **RON 70,576,810**, out of which:

- **RON 27,200,370** representing equity investments held by SPEEH HIDROELECTRICA SA as a shareholder in the share capital of the companies set up according to RGD no. 857/2002, according to art..1;
- **RON 43,376,440 lei** represents in-kind contribution / cash contribution of the Company to the share capital of the subsidiary.

On 31.12.2017, the Company constituted an adjustment for the loss of value of the shares held in its subsidiary in proportion of 100% due to the loss registered and thus the decrease of the subsidiary's Hidroelectrica SERV own equities.

Equity investments of SPEEH Hidroelectrica SA in the subsidiary, Hidroelectrica Trading D.O.O.

Starting 31.10.2014, Hidroelectrica is the sole shareholder of Hidroelectrica Trading D.O.O. registered with the Trade Register-Belgrade, Serbia under no. 21058050/31.10.2014.

SPEEH HIDROELECTRICA SA holds on 31 December 2017, as sole shareholder, equity investments in **Hidroelectrica Trading D.O.O.**, in total value of RON **2,423,685**, of which:

- **RON 242.368** represent payouts;
- **RON 2,181,317** represent amounts payable.

4 INVENTORIES

	Balance on 1 January 2017	Balance on 31 December 2017
Raw materials and materials	48,430,403	64,979,165
Raw materials and materials to third parties	4,653,156	4,511,255
Commodities	43,416	48,782
Other stocks	27,529	27,436
Advance payments for stocks	4,812,536	0
Provisions for depreciation of inventories	(1,404,451)	(1,326,951)
Total	56,562,588	68,239,687

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Adjustments for depreciation of inventories amounting to RON 1,326,951 represent the value of adjustments made for impairment of inventory materials, inventory items, packaging and spare parts related to non-moving stocks and those proposed for disposal.

5 RECEIVABLES

	Balance on 1 January 2017	Liquidity deadline	
		Less 1 year	Over 1 year
Advances to service providers	132,437	132,437	-
Clients and assimilated accounts	436,751,463	436,751,463	-
Value adjustments receivable - customers	(41,469,566)	(41,469,566)	-
VAT to be recovered	8,559,471	8,559,471	-
Other debts to the state budget	477,384	477,384	-
Income tax	19,214,124	19,214,124	-
Receivables from group's companies	295,796	295,796	-
Debtors and other receivables	222,420,645	222,420,645	-
Value adjustments claims - various borrowers	(7,422,401)	(7,422,401)	-
Receivables on subscribed and unpaid capital	124,410	124,410	-
Total	639,083,762	639,083,762	-

	Balance on 1 January 2017	Liquidity deadline	
		Less 1 year	Over 1 year
Advances to service providers	55,533	55,533	-
Clients and assimilated accounts	418,388,660	418,388,660	-
Value adjustments receivable - customers	(76,751,668)	(76,751,668)	-
VAT to be recovered	-	-	-
Other debts to the state budget	508,650	508,650	-
Income tax	19,214,124	19,214,124	-
Receivables from group's companies	445,366	445,366	-
Debtors and other receivables	221,977,990	221,977,990	-
Value adjustments claims - various borrowers	(6,151,863)	(6,151,863)	-
Receivables on subscribed and unpaid capital	272,530	272,530	-
Total	577,959,322	577,959,322	-

As of December 31, 2017, short-term commercial receivables amounting to RON 577,959,322 are mainly represented by:

- **clients**, in value of RON 341,970,002 for the electricity delivered in 2017, of which we mention:

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CLIENTS	Balance on 1 January 2017	Balance on 31 December 2017
Transelectrica	155,910,432	165,353,171
Electrica S.A.	51,808,881	16,010,899
Ezpada	19,892,570	8,086,238
ENERGY DISTRIBUTION SERVICES	15,071,094	3,023,872
E-ON Energie	9,068,391	5,350,268
Tinmar-Ind	6,578,908	8,631,582
ALRO Slatina	6,128,295	-
GEN-I TRGOVANJE IN PRODAJA ELECTRICNE	5,170,828	-
Transenergo COM	0	-
Other clients	125,653,347	135,513,972
TOTAL	395,282,746	341,970,002
Uncertain clients	41,468,718	76,754,328
Adjustments for impairment of trade receivables	(41,469,566)	(76,754,329)
TOTAL short term commercial receivables	395,281,896	341,970,001

The balance of uncertain clients in the amount of RON 76,754,328 is presented as follows:

- Transenergo COM, in value of RON 22,251,775,
- CET Brasov, in value of RON 18,724,742,
- KDF ENERGY, in value of RON 10,619,368,
- ARELCO POWER, in value of RON 9,719,820,
- S.C Termoficare 2000 Pitesti, in value of RON 4,192,674,
- Complex Energetic Hunedoara, in value of RON 3,549,904,
- HIDROTARNITA, in value of RON 2,798,251,
- Fidelis Energy SRL, in value of RON 1,519,757,
- OET Obedieni Energiini Targoviste OOD, in value of RON 1,680,000,
- ENNET Grup, in value of RON 758,886,
- Other clients, in value of RON 939,151.

For these receivables there were constituted adjustments for depreciation in the amount of **RON 76,754,329**.

The amount of **RON 223,548,901**, representing "various debtors and other receivables", includes mainly amounts receivable from:

- ANAF forced execution according to the Taxation Decision no F-MC 851 / 21.01.2014, amounting to **RON 214,385,212** (note 15.5 - General Tax Inspection).
- delayed and non-charged penalties from SMR Bals, amounting to **RON 4,900,000**, for which the Company constituted an adjustment for depreciation at the full value of the not-received balance.

6 CASH AND CASH EQUIVALENTS

	Balance on 1 January 2017	Balance on 31 December 2017
Bank accounts in RON	207,448,311	66,745,708
Bank accounts in foreign currency	10,193,303	38,709,320
Cash	95,762	113,904
Other values	40,931	9,129

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Total	217,778,307	105,578,061
Short term bank deposits *	1,477,736,745	1,683,761,234
Total cash + bank deposits (short term investments)	1,695,515,052	1,789,339,295

*the difference between the amount of RON 1,683,761,234 related to the bank deposits and the amount of RON 1,687,725,848 related to the short-term investments is given by the amounts related to the green certificates and the interest on the bank deposits not presented in the above note.

7 EXPENSES IN ADVANCE

	Balance on 1 January 2017	To be resumed	
		Less 1 year	Over 1 year
Contracts of superficies	1,486,351	33,992	1,452,359
Lease contracts	472,693	472,293	400
Other expenses in advance	74,286	74,286	0
Total	2,033,330	580,571	1,452,759

	Balance on 31 December 2017	To be resumed	
		Less 1 year	Over 1 year
Contracts of superficies	1,452,359	33,992	1,418,367
Lease contracts	398,441	398,441	-
Other expenses in advance	489,107	489,107	-
Total	2,339,907	921,540	1,418,367

8 LIABILITIES

	Balance on 1 January 2017	Maturities	
		Less than 1 year	Over 1 year
Amounts owed to credit institutions	335,764,121	136,724,529	199,039,592
Advances from customers	135,266	135,266	-
Suppliers	72,234,712	72,234,712	-
Suppliers non-billed invoices	50,746,996	50,746,996	-
Debt to personnel	9,930,410	9,930,410	-
Taxes and duties related to salaries	10,137,074	10,137,074	-
Current income tax	68,169,613	68,169,613	-
VAT not applicable	8,181,559	8,181,559	-
Debt to affiliates	27,052,128	24,251,234	2,800,895
Various creditors	1,586,772	1,541,595	45,177
Other debts	39,695,151	11,567,742	28,127,409
Total	623,633,803	393,620,730	230,013,073

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	Balance on 1 January 2017	Maturities	
		Less than 1 year	Over 1 year
Amounts owed to credit institutions	200,228,911	89,503,109	110,725,802
Advances from customers	136,353	136,353	-
Suppliers	73,979,616	66,521,566	7,458,050
Suppliers non-billed invoices	49,407,215	49,407,215	-
Debt to personnel	13,119,365	13,119,365	-
Taxes and duties related to salaries	13,219,617	13,219,617	-
Current income tax	62,104,375	62,104,375	-
VAT to be paid	10,117,921	10,117,921	-
VAT not applicable	10,641,962	10,641,962	-
Debts to various clients	29,758,538	28,049,111	1,709,427
Other creditors	1,548,695	1,525,643	23,052
Other liabilities	18,962,852	9,195,929	9,766,923
Total	483,225,420	353,542,166	129,683,254

1. Short-term debts as of 31.12.2017 (debts payable in one year) amounting to **RON 353,542,166**

	Balance on 1 January 2017	Balance on 31 December 2017
Amounts owed to credit institutions	136,724,529	89,503,109
Advances from customers	135,266	136,353
Suppliers	72,234,712	66,521,566
Suppliers non-billed invoices	50,746,996	49,407,215
Debt to staff	9,930,410	13,119,365
Taxes and duties related to salaries	10,137,074	13,219,617
Current income tax	68,169,613	62,104,375
VAT to be paid	-	10,117,921
VAT not applicable	8,181,559	10,641,962
Debt to affiliates	24,251,234	28,049,111
Various creditors	1,541,595	1,525,643
Other debts	11,567,742	9,195,929
Total	393,620,730	353,542,166

1.1 On 31 December 2017, out of the total amount owed to credit institutions, the current portion to be reimbursed over a 1-year period is made up of:

	Balance on 1 January 2017	Balance on 31 December 2017
The current portion of long-term loans	136,481,317	89,396,887
Interest on long-term loans	243,053	106,222
Short-term bank credits (credit facilities)	159	

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Total current portion of amounts owed to credit institutions	136,724,529	89,503,109
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Short - term bank credits (credit lines) valid on 31 December 2017 were:

- BRD GSG dated September 29, 2009, for RON 100 million - the facility being used as a credit line. The contract was concluded for a period of 1 year, with the possibility of renewal at maturity of 12 months. The term of validity set on 30 September 2016 was extended by addendum until 31 December 2017. Financing costs were also negotiated and reduced. At 31 December 2017 the facility's balance is RON 0.

1.2 Short - term commercial debts amounting to RON 134,402,810, at 31 December 2017, are divided into:

- **debts to associates** amounting to **RON 18,474,029**
- **debts with suppliers in the current short-term activity**, amounting to **RON 33,080,974**, of which the main suppliers in the balance as of 31.12.2017 are:
 - Apele Romane Administration with the amount of RON 26,930,631;
 - Transelectrica with the amount of RON 2,500,414
- **debts with the suppliers from the short-term investment activity in the amount of RON 33,440,592, of which the main suppliers in the balance as at 31.12.2017 are:**
 - Romelectro SA with the amount of RON 15,719,720;
 - Andritz Hydro GmbH with the amount of RON 11,244,011;
 - Hydroconstructia SA with the amount of RON 4,433,564,
- **suppliers - non-received invoices** in the balance on 31 December 2017 with the amount of **RON 49,207,215, are mainly the following:**
 - Apele Romane Administration with the amount of RON 31,036,863,
 - S.C Transelectrica S.A with the amount of RON 4,323,567,
 - Andritz Hydro GmbH Ravensburg with an amount of RON 1,991,628,
 - Romelectro with the amount of RON 6,929,521.

The company has no overdue debts as at 31.12.2017.

1.3. Long-term debts (debts payable over a period of one year) amounting to RON 129,683,254 are made up of:

	Balance on 1 January 2017	Balance on 31 December 2017
Amounts owed to credit institutions	199,039,592	110,725,802
Commercial Debt - TL Providers		7,458,050
Guarantees to third party economic contracts	28,127,409	9,766,923
Guarantees to economic contracts with associates	2,777,990	1,709,427
Other liabilities to associates	22,904	-
Other liabilities	45,177	23,052
TOTAL long-term liabilities	230,013,073	129,683,254

2.1 Amounts owed to credit institutions over a period of more than one year

On 31 December 2017, the amounts owed to credit institutions over a period of one year are represented by:

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Description	31 December 2016	31 December 2017
<p>Contract: International Bank for Reconstruction and Development ("IBRD"), July 13, 2005, EURO 66 million - contracted loan for the rehabilitation of the Lotru hydroelectric plant and for the institutional development of the Company. The loan agreement entered into force on 25 January 2006, following the ratification by the Romanian Parliament of the guarantee agreement concluded between the IBRD and the Romanian State.</p> <p>Reimbursement: half-yearly starting March 15, 2010 and ending with a last rate on September 15, 2021.</p> <p>Guarantees: The loan is guaranteed by the Romanian Government through the Ministry of Public Finance.</p>	126,519,833	103,814,083
<p>Contract: Banca Comerciala Romana - Bucharest Branch - 09 December 2010, EURO 50 mil - the facility will be used to finance investments in the development of new and / or existing hydropower network.</p> <p>Reimbursement: 23 quarterly installments starting on 09.07.2012, the final repayment date being 08.12.2017.</p> <p>Guarantees: Letter of Comfort (No 4103/2010) issued by the Ministry of Economy, Commerce and Business Environment and pledge on all accounts opened at BCR.</p>	49,359,786	-
<p>Contract: ING Bank NV Dublin - March 22, 2011, EURO 60 million - Loan contracted for the financing of investment works / rehabilitation of the hydroelectric plant network.</p> <p>Reimbursement: Starting 07.06.2012, the principal being amortized in 17 equal quarterly installments between 07.06.2012-07.06.2016. On August 29, 2014, credit repayment was approved between March 7, 2016 and December 7, 2018, and a considerable reduction in costs was also achieved.</p> <p>Guarantees: Assignment of receivables related to contracts for electricity supply: no. 47CE / 08.09.2005 with ALRO Slatina SA, no. 5 / 03.01.2011 with Electrica Furnizare and no. 9 / 03.01.2011 concluded with Enel Energie and through a pledge on bank accounts opened at the bank.</p>	76,931,577	39,470,400
<p>Contract: ING Bank NV Amsterdam - November 16, 2009, EURO 60 million - the facility will be used to finance investments for the development of new and / or existing hydropower network.</p> <p>The credit facility was taken over by ING Bank NV Dublin on 3 December 2009.</p> <p>Reimbursement: 10 equal quarterly installments, between September 7, 2016 - 7 December 2018.</p> <p>Guarantees: Assignment on receivables that the Company must collected from Alro SA (supply contract 47CE / 08.09.2005), Electrica Furnizare (supply contract no. 5 / 03.01.2011) and Enel Energie (supply contract No. 9 / 03.01.2011) and a pledge on all the accounts opened with ING except for the account used for the performance of IBRD contract in value of Euro 66 million.</p>	14,531,520	7,455,520

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Description	31 December 2016	31 December 2017
Contract: BRD GSG - ING Bank - April 7, 2015, EURO 50 million - Loan contracted for general financing needs.	68,178,193	49,382,686
Reimbursement: 20 equal quarterly installments, starting with the payment date of the interest that occurs immediately after the last draw.		
Guarantees: Pledge on the accounts opened with BRD and ING Bank and the assignment of receivables that the Company has to collect on the basis of contracts for electricity supply: no. 1/03.01.2011- E.ON Energie Romania, 7/03.01.2011- Enel Energie Muntenia, 15/03.01.2011- CEZ Vanzare, no. 114/05.04.2016 - Enel SA, no. 145/03.05.2016 - Arelco Power SA, no. 300/27.10.2016 - Met Romania Energy Trade SRL, no. 301/27.10.2016 - Met Romania Energy Trade SRL.		
Total long-term debt	335,520,909	200,122,689
Less the current portion	(136,481,317)	(89,396,887)
Total net long-term borrowing from current rates	199,039,592	110,725,802

2.2. Performance bonds due in a period exceeding one year are at 31 December 2017 amounting to RON 11,472,251.

Out of the total long-term guarantees on 31.12.2017, the value of RON 1,709,427 represents guarantees granted by affiliated entities for both investment and repair works.

9 PROVISIONS FOR RISKS AND EXPENSES

	Balance on 1 January 2017	Transfers		Blance on 31 December 2017
		in account	from account	
Provisions for litigation	61,100,975	20,539,999	3,114,043	78,526,931
Provisions for restructuring	1,656,032	-	1,622,683	33,349
Provisions for pensions and similar obligations	73,722,284	14,453,634	4,378,521	83,797,397
Other provisions	2,888,223	19,726,714	1,478,966	21,135,971
Total	139,367,514	54,720,347	10,594,213	183,493,648

Provisions amounting to RON 183,493,648 represent the amount of provisions for litigation, future benefits due to employees under the CLA, salary and compensatory payments and other provisions and will be presented as the most important as follows:

- Hidroelectrica S.A has been in the insolvency procedure since 20 June 2012, for which provision has been made for litigations related to receivables entered in the preliminary receivables table or on

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receivables rejected by the official receiver in the preliminary list of creditors. These provisions are mainly:

- for the litigation regarding penalties and interests requested by Termoelectrica and not admitted in the preliminary list of creditors amounting to **RON 8,499,251**;
- provision for the litigation in dispute regarding salary claims requested by employees of Sebes Branch, amounting to **RON 1,605,042** admitted in the preliminary list of creditors under condition.
- provision for disputes concerning the expropriation of land related to the investment "Strei River Hydroenergetics on the Subcetate - Simeria Sector" amounting to **RON 12.199.093**;
- provision of ANDRITZ HYDRO, execution of performance guarantee no.8813G1014112A001 for the project "Rehabilitation of HPP Inferior OLT " in value of **RON 35,618,248**;
- provision for restructuring amounting to **RON 33,349** - representing the gross compensatory salaries and the due contributions of the unit, based on the collective labor contract, to the dismissed employees;
- provisions for the future benefits of employees due under the collective labor agreement, based on actuarial calculation, amounting to **RON 75,942,562**, updated on 31.12.2017;
- provision for electricity benefits related to retired employees from units belonging to the former Ministry of Electricity, Renel Autonomous Electricity Company, National Electricity Company - S.A., established on actuarial calculation basis amounting to **RON 7,854,835**;
- provision for the participation of the employees in the profit of 2017 in the amount of **RON 10,872,000**;
- provision for the ANAF dispute in the amount of **RON 19,214,124** for the profit tax constituted in June 2012 as a result of the correction of the fixed asset amortization expense for the period 01.01.2011-05.06.2012;
- provision for the employee's annual holiday of 2017 in the amount of **RON 6,411,235**;
- provision for the variable payment for the top management of the company for the year 2017 amounting to **RON 2,556,250**;

10 ADVANCE INCOMES

	Balance on 1 January 2017	To be resumed	
		Less than 1 year	Over 1 year
Investment grants	177,183,229	5,524,763	171,658,466
Deferred green certificates	20,023,793	0	20,023,793
Advance incomes related to the sale of electricity	4,192,806	4,192,806	0
Other incomes	84,462	24,963	59,499
Advance earnings on assets received through customer transfer	270,532	54,400	216,132
Total	201,754,822	9,796,932	191,957,890

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	Balance on	Te be resumed	
	31 December 2017	Less than 1 year	Over 1 year
Investment grants	172,264,369	5,564,009	166,700,360
Deferred green certificates	-	-	-
Advance incomes related to the sale of electricity	18,326,282	18,326,282	-
Other incomes	76,822	26,526	50,296
Advance earnings on assets received through customer transfer	222,115	37,620	184,495
Total	190,889,588	23,954,437	166,935,151

In 2017 SPEEH Hidroelectrica SA has not receive subsidies from the state budget, namely budget credits according to the State Budget Law.

1. The balance of account 4751 "Government grants for investments" at the end of 2017 is of RON **150,955,955**, consisting of:
 - RON 90,531,669, represents the value of government subsidies for fixed assets;
 - RON 60,624,286, represents the value of government subsidies for the current assets;

In the balance of account 4751 are included both subsidies for public patrimony investments and subsidies for private patrimony investments.

2. The balance of account 4753 "Donations of tangible assets - SH Slatina" is in value of RON 459,516 and represents the value of immobilizations (buildings) received free of charge from Hidroconstructia.
3. The balance of account 4754 "Immovable assets plus inventory" is in value of **RON 8,137,264**, representing mainly the take-over of the construction site (housing and office buildings) from Hidroconstructia SA for the investment titles Sebes upstream and Sebes downstream in 2015 and obtaining land ownership in 2016 and inventory adds in 2017.
4. The balance of account 4758 "Other amounts received in the form of investment subsidies" is in value of **RON 12,711,634**, representing mainly investments received through protocol in 2002 from Apele Romane and Electrica Serv.

11 CAPITAL AND RESERVES

A. SUBSCRIBED CAPITAL

According to the Law no.1481 / 24.11.2005, the share capital of the Company is 80.0561% owned by the Romanian State, as a majority shareholder represented by the Ministry of Economy and Commerce and in the proportion of 19.9439% by SC "Fondul Proprietatea"SA.

On 31 December 2017, the social capital situation is as follows:

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	1 January 2017	31 December 2017
1. Subscribed share capital - paid out of which:	4,481,650,630	4,482,393,310
- Romanian State represented by the Ministry of Economy and Commerce	3,587,834,700	3,588,429,260
- SC "Fondul Proprietatea" SA	893,815,930	893,964,050
2. Total number of shares, out of which:	448,165,063	448,239,331
- Romanian State represented by the Ministry of Economy and Commerce	358,783,470	358,842,926
- SC "Fondul Proprietatea" SA	89,381,593	89,396,405
3. Nominal value	10 RON/share	10 RON/share

All shares are common, subscribed and paid in full on 31 December 2017. All shares have the same voting right and have a par nominal value of 10 lei / share.

On 31.12.2017 the subscribed capital amounts to RON 4,482,393,310, consisting of:

- subscribed capital: RON 4,482,393,310;

1. Subscribed share capital in the amount of RON 4,482,393,310 at 31 December 2017 is made up of:

RON 3,485,599,880 - subscribed share capital paid at the date of establishment according to HGR no.627/2000.

Share capital increases amounting to RON 1,000,815,550 as follows:

a) RON 49,080 - value with which the subscribed share capital was increased according to Resolution no. 113 / 08.01.2003 of the Bucharest Trade Registry Office due to the merger with SC Energetica;

b) RON 462.644.000 - value with which the subscribed share capital was increased according to the registry's extract dated 07.01.2004, after the mention no.246596 / 22.11.2003 which also includes the amount of RON 148.208.230, representing the available cash received from the Special Energy System Development Fund in the period 1998 - 2000, having regard to the Decision of the Court of Accounts of Romania, Subsequent Control Section no.189 / 01.07.2001;

c) RON 13,435,110 - value with which the share capital was increased according to the Addendum no.482 / 11.01.2005, the Decision no.24 / 01.09.2004 of the Extraordinary General Meeting, registered in the Trade Register on 14.01.2005, based on at the conclusion of the delegated judge no.1879 / 14.01.2005;

This 2004 increase includes:

- RON 9,330, the difference between the registration value in the accounting of the certificate of attestation of the right of ownership, series MO3 no.6906 / 2001 and the evaluation sent together with the signed address to the evaluation commission, according to point 2 of the Decision no. 24 / A.I. / 2004 of the Court of Accounts of Romania;
- RON 13,425,780, representing the value of the lands for which certificates of attestation of ownership were obtained during the period 01 July 2003 - 31 July 2004;

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d) RON11.115.190 - value with which the share capital was increased, representing the value of the land for which the certificates for attestation of the right of ownership were obtained, an increase included in the addendum no.9 / 17.01.2006, registered at the Trade Registry on 08.02.2006, based on the conclusion of the delegated judge no.5518 / 07.02.2006;

e) RON 442,547,150 - the value with which the share capital was increased, representing the equivalent of the favorable differences from the successive revaluations, according to the regulations in force at the respective moments, GD no. 403/2000 and GD no. 1553/2003, of the lands for which the company obtained ownership certificates. The increase was made in accordance with the provisions of Law no.516 / 2006 on the completion of the Law no.302 / 2005 amending and supplementing Law no. 31/1990 on commercial companies. The increase was approved on GMS no.5Bis / 2007 and registered with the Trade Register on March 23, 2007, based on the conclusion of the delegated judge no.15039 / 21.03.2007;

f) RON 19,718,980 - value with which the registered capital was increased according to GMS no.15 / 2007, filed with the Trade Register on 24.10.2007 with the certificate no.453632, based on the conclusion of the delegated judge no.60433 / 22.10.2007.

This increase includes:

- RON 4.669.711 - value representing certificates of attestation of ownership obtained between 01.09.2005 - 30.09.2006;
- RON 15,049,269 - the value assessed according to the Land Evaluation Report for which SPEEH Hidroelectrica SA obtained certificates of attestation of ownership during the period 01.09.2005 - 30.09.2006;

g) RON 512,890 - value with which the share capital was increased, representing the value of the land for which certificates of ownership attestation were obtained, approved by the Board of Directors' Note No.3 / 2008, filed with the Trade Registry on 29.05. 2008, based on the conclusion of the delegated judge No. 42457 of 29.05.2008;

h) RON 667,240 - value with which the share capital was increased, representing the value of the land for which the certificates of ownership attestation were obtained, approved by the Board of Directors' Note No.9 / 2008, filed with the Trade Registry on 03.11. 2008, based on the conclusion of the delegated judge no.79195 / 03.11.2008;

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

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

k) RON 3.224.530 - value with which the share capital was increased according to the Board of Directors' Note no.7 / 2009, filed with the Trade Register on 12.10.2009, based on the no. 487748 / 12.10.2009

This increase includes:

- RON 189.250 - the value of the land for which the property right has been obtained through court sentences (SH Buzau);

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- RON 3,035,280 - value representing certificates of attestation of ownership obtained between 01.06.2009 - 31.08.2009;

l) RON 2.882.980 - value with which the share capital was increased according to the Board of Directors' Note no. 14/2009, filed with the Trade Registry on April 23, 2010, on the basis of the mention no.182301 / 2104.2010, representing the value of land for which were obtained certificates of attestation of ownership in the period 30.03.2007 - 24.11.2009;

m) RON 8.546.800 - value with which the share capital was increased according to the Board of Directors' Note no.9 / 08.09.2011, filed with the Trade Registry on 27.10.2011, based on the certificate of registration no. 408156 / 27.10.2011.

This increase includes:

- RON 313,969 - the value of the land for which the property right has been obtained through court sentences (SH Buzau);
- RON 8.232.831 - a value representing certificates of attestation of ownership obtained between 23.02.2010 - 07.03.2011.

n) RON 24,998,890 - value with which the share capital was increased according to the Board of Directors' Note no.1 / 23.01.2012, registered at the Trade Register on 26.01.2012, on the basis of the mention no.25935 / 24.01.2012, representing land value for which certificates of ownership have been obtained in 2006, 2007 and 2011;

o) RON 1,129,730 - value with which the share capital was increased according to the Board of Directors' Note no.8 / 23.03.2012, filed with the Trade Registry on 10.04.2012, based on the mention no.580628 / 06.04.2012, representing the value of land for which ownership certificates were obtained in March 2012 for SH Ramnicu Valcea.

p) RON 5,014,000 - value with which the share capital was increased according to the decision of the Extraordinary General Meeting of Shareholders no.7 / 28.02.2014, filed with the Trade Registry on 21.03.2014, based on the reference no.97865 / 18.03.2014, representing value of land for which ownership certificates were obtained during December 2012-April 2013 for SH Portile de Fier.

q) RON 818,470 - value with which the share capital was increased according to the decision of the Extraordinary General Meeting of Shareholders no.19 / 30.07.2014, filed with the Trade Register on 01.09.2014, on the basis of the mention no.300742 / 27.08.2014, representing the value of land for which certificates of ownership were obtained in February 2014, for SH Portile de Fier and SH Ramnicu Valcea.

r) RON 6,700 - value with which the share capital was increased according to the decision of the Extraordinary General Meeting of Shareholders no.25 / 02.10.2014, filed with the Trade Registry on October 10, 2014, on the basis of the no. 348437 / 07.10.2014, representing the value of land for which a certificate of ownership was obtained in August 2014 for SH Cluj.

s) RON 168,390 - value with which the share capital was increased according to the decision of the Extraordinary General Meeting of Shareholders no.20 / 15.11.2016, filed with the Trade Registry on 22.11.2016, based on the resolution no.179434 / 18.11.2016. RON 134,810 representing value of land for which a certificate of ownership was obtained in August 2016 for SH Sebes and RON 33,580 representing cash as a result of the in-kind contribution of the Romanian State.

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t) RON 742,680 - value with which the share capital was increased according to the decision of the Extraordinary General Meeting of Shareholders no.26 / 05.12.2017, registered at the Trade Register on 20.12.2017, representing the value of 8 lands for which the certificates attesting ownership were obtained.

Reducing share capital with the amount of RON 4,022,120 as follows:

a) RON 2,173,230 - the value with which the share capital of SPEEH Hidroelectrica SA was reduced in 2004 according to the Decision no. 31/2003 of the Extraordinary General Meeting of Shareholders and the publication in the Official Gazette of Romania no.1090 / 15.04.2004. This reduction was made based on the protocols concluded with SN TRANSELECTRICA SA, SC Electrica SA and ANRE according to the RGD no. 627 / 2000 and free transfers to the local public administration authorities according to the Law no. 137 art.15 paragraph 1 and 5;

b) RON 1,799,810 - value with which the share capital was reduced in 2004 by SPEEH Hidroelectrica SA, according to the Decision of the Extraordinary General Meeting no. 28 / 22.10.2004, included in the addendum no.2 / 22.02.2005, registered at the Trade Register on 23.05.2005, based on the conclusion of the delegated judge no.24033 / 23.05.2005. This reduction represents the value of the social assets transmitted to the County Councils according to the Law no. 137/2002, with the subsequent amendments and completions;

c) RON 49,080 - the value with which the share capital of SPEEH Hidroelectrica SA was reduced, according to the Decision no. 1 / 24.01.2008 of the Extraordinary General Meeting with the reference no.84620 / 28.02.2008 regarding the registration of the amendment of the constitutive act, registered with the Trade Registry on 03.03.2008, based on the conclusion of the delegated judge no.16715 / 03.03.2008. This reduction represents the free transfer, through Government Decision no. 1191/2006, of the Tismana Motel from the public domain of the State, to the administration of the Ministry of Culture and Cults and free use of the Metropolitan of Oltenia.

The increases or decreases in the share capital of SPEEH Hidroelectrica SA are made pursuant to provisions of Law no. 31/1990 on commercial companies, republished, amended and completed, as well as with respect to the provisions of art. 8 of GD no.627 / 31.07.2000. Annex 4.1 – Company's Statute, amended, completed and updated according to the legal provisions in force.

Regarding the increase of the share capital with in kind contributions representing the value of the land for which the Attestation of Ownership Certificate has been obtained, according to the principle of law "specialia generalibus derogant" is made by applying special legislative provisions, derogating from Law no. .99 / 1999, as subsequently amended and supplemented, with reference to Article 12 of Law no.137 / 2002, with subsequent amendments and completions, art. 9 ^ 1 of Title VII of Law no. 247/2005, with subsequent amendments and completions.

B. REVALUATION RESERVES

In 2015, the Company's Management approved the change in accounting policy as regards the transfer of the revaluation reserve to the retained earnings representing the surplus from the revaluation reserves, thus starting 1 January 2016, the revaluation gain will be realized as the asset is used by the Company. The change in the accounting policy implied the set up of reserves representing the surplus from revaluation reserves in value of ROL 4.8 billion.

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During 2017, were transferred to the "retained earnings representing the surplus from the revaluation reserves - acct.1175" surpluses from the revaluation reserve as depreciation of the fixed assets and the assets disposed, sold or ceded free of charge.

On 31 December 2017, the revaluation reserves are in the amount of RON 6,478,826,302, distributed as follows:

- Reserves related to fixed assets amounting to RON 6,168,370,145
- Reserves related to land amounting to RON 310,456,157.

C. LEGAL RESERVES

For the financial year 2017, the company constituted, by distributing from the net accounting profit, the legal reserve in value of RON 80,124,042, the balance of the legal reserve on 31.12.2017 being RON 372,422,376.

D. RETAINED EARNINGS REPRESENTING SURPLUS FROM REVALUATION RESERVES

The balance of the account at the end of the financial year 2017 is of RON 4,688,111,868 resulting from the transfer of the revaluation surpluses realized as the asset is used by the Company and of the revaluation surpluses for fixed assets removed from the accounts by cassation.

The retained earnings will be used, based on the approval of the General Meeting of Shareholders, to cover the negative result as a consequence of the correction of the fundamental errors over the previous years.

E. OTHER RESERVES

The balance of account 1068 "Other Reserves" as of 31.12.2017 is of RON 232,722,580 and consists of the following items:

- RON 97,000,000, representing "Other reserves within the limit of 6% of the revenues realized according to Government Ordinance no.89 / 2004" registered until 31 December 2005;
- RON 1.539.430, representing the value added as a result of the revaluation of the lands constituted as a in kind contribution to the share capital of Hidroserves.
- RON 115,076,237, representing the distribution as own sources of financing from the profit of 2016 according to the decision of GMS no. 7 / 25.05.2017 for profit distribution
- RON 19,106,913, representing the tax facility for the reinvested profit;

F. RETAINED EARNINGS

As of December 31, 2017, the debit balance of the retained earnings (acct.1174), representing the loss from the correction of the accounting errors, has a value of RON 0.

G. RESULT OF FINANCIAL EXERCISE

At the end of the financial year 2017, the Company recorded a net accounting profit in amount of RON 1,359,687,718.

The unconsolidated financial position and the unconsolidated operating result of the Company are partly dependent on the decisions of the National Energy Regulatory Authority regarding the electricity's tariffs delivered to the regulated market by the supplying and distribution companies, changes in the tariffs and /

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or decisions of the Romanian State, not being influenced by the decisions of the Company's management, these aspects diminishing influence on the Company's unconsolidated operating result, as well as on the recoverability of the net book value of the tangible assets used for the production of electricity. At the same time, the energy sector suffers permanent restructuring, which could have a significant impact on the Company, its future activity, as well as the predictability of the Company's future income. The elimination of the energy quotas on the regulated market will take place on 31.12.2017 with a positive influence on the Company.

H. PUBLIC PATRIMONY

As of December 31, 2017, the balance of the Public patrimony account amounts to **RON 39,346,649**, without recording any movements during the year and is structured as such:

Name of branch	Name of objective	Value (RON)
SH SIBIU	Cornetu Avrig - Dam CHE Robesti (from FS)	73,671
	Cornetu Avrig – Pier left shore CHE Robesti (din FS 2001 - 2002)	48,831
	Cornetu Avrig - Pier left shore CHE Robesti (din FS 2003 - 2004)	205,588
	Cornetu Avrig - Pier left shore CHE Robesti (din FS)	2,191,916
	Fixed assets in the field of public patrimony	13,928,089
SH BISTRITA	Pascani hydropower development, take-over from ANAR (dam, pier)	22,760,281
SH HATEG	Hindrance segment 10X10.5 of HPP Subcetate	138,273
	TOTAL GENERAL	39,346,649

The balance of public patrimony represents investments not yet in operation on 31.12.2017, i.e. investments completed but not yet included in the state's inventory of public domain goods made from grants and special funds.

The company has in concession goods from the public domain of the state amounting to RON 3,474,417,708, registered in nonconforming accounting evidence, structured thus:

- dams in value of RON 1,632,007,375;
- piers in value of RON 1,585,917,716;
- locks in value of RON 256,492,617.

12 TURNOVER

	Financial exercise ended on 31 December 2016	Financial exercise ended on 31 December 2017
Income from the sale of finished products	2,753,711,492	2,648,992,857
Income from the sale of residual products	82,447	30,440
Revenue from services rendered	578,047,199	598,637,879
Income from royalties, location management and rents	2,032,598	2,070,216
Income from sale of goods	10,155	-
Income from various activities	4,144,891	3,919,997
Total	3,338,028,782	3,253,651,389

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13 INFORMATION ON EMPLOYEES AND MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

SPEEH Hidroelectrica SA, due to the specific nature of the activity carried out and according to the granted licenses, uses mostly hired personnel on an indefinite period and with a high level of qualification.

The average number of employees during the years ended 31 December 2017 and 31 December 2016 was as follows:

	2016	2017
Average number of personnel, persons	3.400	3.279

Expenditure on staff, including redundant staff in 2017 compared to 2016, is as follows:

	2016	2017
Total personnel costs, of which:	306,841,680	296,464,220
- salary and allowance expenses	249,577,361	240,700,745
- social insurance costs	57,264,319	55,763,475

The Company has no contractual obligations regarding the payment of pensions to former managers and Directors and has not granted any credits to managers and Directors during the exercise. The salary expenses granted to the managers and Directors of the Company during year 2017 are in the amount of RON **1,484,442**.

14 OPERATING EXPENSES

	Financial exercise as on 31 December 2016	Financial exercise as on 31 December 2017
Expenditure on external benefits		
Maintenance and repair costs	82,286,387	82,120,027
Expenses on royalties, locations and rents	8,891,913	9,489,997
Expenses with insurance premiums	204,544	588,921
Expenses with studies and research	1,191,222	599,468
Expenses on staff training	130,568	118,057
Expenses on commissions and fees	8,544,257	6,681,804
Expenses on protocol, advertising and publicity	391,329	298,109
Expenses on freight and personnel transportation	5,886,344	3,501,388
Expenses on travel, secondments and transfers	2,185,698	2,272,521
Postage and telecommunication charges	3,345,196	2,400,153
Expenses on banking and similar services	1,528,402	566,143
Expenses on electricity transmission services	22,153,393	11,130,232
Expenses under military guard and militarized	11,739,592	13,830,141
Expenses on temporary maintenance services	2,739,395	3,534,330
Distribution services	15,407,046	18,327,672

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Other expenditure on services performed by third parties	23,784,454	26,574,049
TOTAL	190,409,741	182,033,012

15 OTHER INFORMATION

15.1. Distribution of profit

	Sold Ia 1 January 2017	Sold Ia 31 December 2017
Net profit to be distributed	1,227,666,438	1,359,687,718
- legal reserves	76,904,064	80,124,042
- covering the accounting loss related to the financial year 2012	-	
- dividends	-	
-other reserves	-	19,106,913
Non-distributed profit	1,150,762,374	1,260,456,763

At the end of the financial year 2017, the Company recorded a net profit of RON 1,359,687,718 (as on 31.12.2016 the Company recorded a net profit of RON 1,227,666,438). From the accounting profit of 2017 was calculated the deduction of the legal reserve amounting to RON 80.124.042 and other reserves resulted from the reinvested profit facility in the amount of RON19.106.913. The remaining profit in amount of RON 1.260.456.763 will be distributed according to decision of the General Meeting of Shareholders and in accordance with the GO regulations No.64 / 2001, with the subsequent amendments and completions, regarding distribution of profits for the national companies, and the commercial companies with full or majoritary state capital, as well as to the autonomous administrations corroborated with the Memorandum approved by the Government of Romania.

15.2 The result per share

	Sold Ia 1 January 2017	Sold Ia 31 December 2017
Net result of the exercise	1,227,666,438	1,359,687,718
Number of social shares	448,165,063	448,239,331
Result per basic action	2,739	3,033

15.3. Main financial indicators

	1 January 2017	31 December 2017
1. Liquidity indicators		
a) Current liquidity indicator	609%	690%
b) Immediate liquidity indicator	595%	671%
2. Risk indicators		
a) Indicator of indebtedness	0.02	0.01
b) Interest coverage indicator	372.69	647.33
3. Activity indicators		
a) Rotation speed of debts - customers (days)	39	41

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b) Rotation speed of credits - suppliers (days)	14	16
c) Rotation speed of fixed assets	0.20	0.20
d) Rotation speed of total assets	0.18	0.18

4. Profitability indicators

a) Return on capital employed	8,52%	8,96%
b) Gross margin of sales	46,14%	48,62%

15.4. Related parties and affiliated parties

a) Information about the Company's relations with the subordinated subsidiaries

As on 05.08.2013, SPEEH Hidroelectrica SA is the sole shareholder of Hidroelectrica SERV S.A. registered at NTRO under no. J40 / 9762 / 05.08.2013, a company formed by the merger of the 8 former Hidroserv repair and service subsidiaries.

As at 31.12.2017 the value of the in-kind contribution to the share capital of Hidroserv branches is in value of RON 70,576,810, for which there was an adjustment for the loss of value of the shares held by Hidroelectrica at its subsidiary in the amount of RON 70,576,810 due to the registered loss and thus the decrease in the equity of the Hidroelectrica SERV subsidiary.

During the year 2017, compared to 2016, the Company's transactions with its subsidiaries are as follows:

Description	2016	2017
Providing services to subsidiaries	1,241,870	1,184,379
Income from shares held by the Company at subsidiaries	-	-
Acquisitions from subsidiaries	114,381,081	117,906,720

For the year ended 2017, acquisitions from the subsidiaries of the company are structured as follows:

- RON108,806,534 - repair services provided by Hidroserv;
- RON 8.650.880 - inputs in current assets from works provided by subsidiaries;
- RON 447,480 - other services rendered by subsidiaries;
- RON 1,826 lei - acquisitions of materials from subsidiaries.

As of 31 December 2017, as compared to 2016, receivables and payables relating to the subsidiaries of the company are as follows:

Description	31 December 2016	31 December 2017
Commercial receivables from subsidiaries	295,796	445,366
Dividends received from subsidiaries	-	-
Debts to subsidiaries	27,052,128	29,758,538

On 31 December 2017, debts to subsidiaries are structured as follows:

- RON 18,474,029 - representing current commercial debts;
- RON 8.673.380 - representing retained performance bonds;
- RON 2,611,129 - representing other current liabilities;

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In 2014 Hidroelectrica established, as sole shareholder, **Hidroelectrica Trading d.o.o. Belgrade** - a S.R.L. company based in Belgrade, Republic of Serbia, with a registered capital of EUR 500,000 (of which EUR 50,000 was paid) and as the main object of activity the electricity trading.

In 2017 there were no transactions between the Company and its subsidiary.

15.5. Other information

1. Fees charged by each statutory auditor or audit firm

The financial statements for the year 2017 have been audited by the audit company Deloitte Audit SRL, in accordance with the provisions of contract number 25 / 02.02.2016. We mention that the subject of the contract represents the provision of audit services, in accordance with the auditing standards in force of Company's financial statements, prepared in accordance with the provisions of OMFP no.1802 / 2014 for the financial year ended 31 December 2017.

The total fees for the financial year charged by Deloitte Audit SRL for the statutory audit of the annual financial statements are in value of EUR 49,000.

1. Commitments under contracts

1) Contracts for the refurbishment and modernization of hydropower plants / hydro-aggregates

1). conditionalities

Refurbishment AHE VIDRARU (CHE Vidraru: Pi= 220 MW; Em= 409,4 GWh/year)

CHE Vidraru currently has an installed capacity of 220 MW and an annual average energy output of 400 GWh / year. After the plant will be upgraded, the installed power on the plant will remain the same, 220 MW, but power per group will increase to 58.8 MW and the annual average energy at 409.4 GWh / year.

In order to promote this investment objective, the Feasibility Study approved by GMS Hidroelectrica (10.03.2014) was elaborated and approved and PT + CS documentation (18.12.2015).

In 2016 was notified and posted (Notice No. 35/2016) the PT + CS documentation, the SEAP acquisition documentation was prepared, and the offers were opened.

In 2017, following the analysis of the received offers, the contract was not awarded because the offers were inconsistent and was taken the decision to resume the acquisition procedure.

On 05.07.2017, following the decision of the new HE Directorate, another acquisition procedure was started for contracting design services for the preparing documentation:

"Updating the Feasibility Study" and "Updating the technical and economic documentation, an integral part of the awarding documentation, for the acquisition of AHE Vidraru Refurbishment works"; through the "Feasibility Study Update", a decrease in the estimated value of the investment was obtained; all the documentation required for the award procedure was posted to SEAP in December 2017 and is expected to be validated by ANAP. Currently the procurement procedure is in progress.

AHE SIRIU-SURDUC

In order to optimize the investment on strictly energetic criteria, starting with 2003, optimization studies were carried out as follows:

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In 2003 a study was carried out on constructive solutions at AHE Surduc-Siriu, Cireșu-Surduc stage and Surduc-Nehoiășu stage, with the main purpose of reducing the investment costs by technically optimizing the components of the fittings, the installed flow and of the power installed in CHE Nehoiășu II, subject to maintaining the annual electricity production approved by Decree 294/1981.

The optimized layout of Surduc - Nehoiășu has the same elements as in the original design, but due to the change in energy conditions, the problem of reducing the flow rate installed in the two plants from 2x20 cbm/s to 2 x 13 cmb/s and of the useful volume of the Cireșu reservoir from 160 mil. cbm to 90 mil.cbm, corresponding to an NNR of 965.75mdM. The diameter of the adductions of the two power stations remained the same of 4 m, and the diameter of the forced Surduc - Nehoiășu gallery was reduced from 3.5 m to 3.1 m on the section 3 (horizontally and inclined).

Surduc dam weir, located on the river Bâsca Mare, will have the role of capturing and regulating the river to allow operation of the Surduc - Nehoiășu step, independent of the execution of the Cireșu dam and of the Surduc plant. Surduc accumulation will have a useful volume of 282,000 cubic meters, between the shares 868,50 - 873,00 mdM.

For the continuation and completion of the investment objective we need:

- obtaining the opinion of the Brasov Forest Guard and obtaining the approval of the Ministry of Waters and Forests for the final transfer of 1,17 ha of land necessary for the continuation of the works at the Surduc dam;
- obtaining the Government Decision for the approval of the optimized indicators.

AHE RASTOLITA

Instruments of approval:

Decree no. 95/1989HGR 489/1996 - approves the optimization of the technical and economic indicators of the objective.

Necessity and opportunity

A.H.E. Rastolita aims at exploitation the hydrological potential of the Rastolita River and the right tributaries of the Mures River on the Lunca Bradului - Bistra Mures sector. In the capture sections, these rivulets sum up a multiannual $Q_m = 5.92$ cbm / s flow rate, and by realizing the Rastolita dam at the N.N.R. quota 760.00 m.d.M. has a gross fall of 267.50 m. Following the Environmental Agreement and the requirements of the National Energy System, the arrangement was optimized and approved by RGD no. 489/1996.

The optimized fitting scheme with the energy parameters $P_i = 35.2$ MW and $E_m = 116.5$ GWh / year at $Q_i = 17$ cbm / s was approved by BD of CONEL with Decision no. 17 / 31.05. 1995 and approved by the Inter-ministerial Commission of the Romanian Government on 21.03.1996.

In December 201,7 HD 900/2017 was issued regarding the expropriation of the buildings located within the expansive corridor AHE Rastolita, which allows the continuation and finalization of the works from the first stage.

For the continuation and completion of the works it is necessary to deforest the accumulation, which means obtaining the GD for the final removal of the land from the forest fund and its handing over to Hidroelectrica SA.

To obtain this Decree, the following steps must be taken:

1. Submission to the Forest District the documentation for the final removal of the land from the forest fund, documentation containing also the Environmental Agreement. The Forest District

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draws up the Forestry Sheet with the calculation of the money obligations and the Memorandum in which it specifies the legal framing of the forestry fund.

2. Submission to the Board of Directors of the Forestry Sheet and the Memorandum for approval;
3. Submission to the National Forestry Directorate of the package consisting of the documentation for the final removal of the land from the Forest fund, the Forestry Sheet and the BD's FD notice, for the approval;
4. Submission to Forest Guard of the package consisting of the documentation for the final removal of the land from the forest fund, the forestry sheet and the obtained agreements. The Forest Guard verifies the documents and the land, issues an opinion which will be sent to the Ministry of Waters and Forests.
5. The Ministry of Waters and Forests approves the documents and promotes the Government Decision on the final removal of the land from the forest fund and its handing over to Hidroelectrica SA.
6. After issuing the GD for the final removal of the land from the forestry fund, follows the procedure for land transfer.

AHE STREI

Documents for approval Investment for approval decree: no. 40/1989

Necessity and opportunity (according to documents for approval)

The investment ensures exploitation of the hydroelectric potential of the Strei River's lower course, by constructing hydro power plants with a total installed capacity of 84 MW and electricity production in the average hydrological year of 170,100 MWh.

The investment is located between Subcetate and the confluence of the Strei River with the Mureș River. The arrangement will have a complex character of use, with the following functions: electricity generation, development of irrigation system, protection of localities and lands against floods and also water supply.

The main objects of the layout scheme

The hydropower development of the Strei River, according to the approved scheme, consists of the construction of five dams and seven hydroelectric power stations that will ensure regularization of Strei River flow over a 32.5 km length with a 105 m fall and a flow of 100 cb.m/s, correlated with the existing power plants on the Mare River. The works have started in 1989.

An optimization study was carried out in 2003, which was endorsed by CTE Hidroelectrica with opinion no. 203/2003. The most advantageous economically and energetic option has been approved, with seven approximative equal steps and three lakes: Subcetate 5.74 million cubic meters, Strei of 1.8 million cubic meters and Simeria 1.8 million cubic meters.

In 2008 was prepared the study "Optimization of constructive solutions and energy indicators for CHE Strei, CHE Călan, CHE Băcia and CHE Simeria".

AHE LIVEZENI-BUMBESTI

By implementing the project,, *AHE river Jiu-Bumbești Livezeni*” will be achieved:

- production of hydroelectric power from a renewable source, without pollutant emissions and greenhouse gas emissions, in CHE Bumbesti and CHE Dumitra (259 GWH / year)
- creation of new jobs, both during the construction and the exploitation period;

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- improving transport routes in the area;
- economic development of localities in the area by including the objective in the fees and tax system.
- annual energy production of 259 GWh / year in hydroelectric power plants: Dumitra and Bumbești, represents about 50% of the current production of UHE Târgu - Jiu. Putting these energy objectives into operation will significantly contribute to increasing national energy security. As a consequence of equipping these plants with modern control systems, a sensible improvement in the quality of the power supplied to the system will be obtained.

The main objectives of the layout scheme

The project requires the realization of a hydropower development scheme, on the Jiu defile sector, for a length of about 20 km and a fall of 263 m, by achievement of two hydropower plants per derivation, namely: CHE Dumitra and CHE Bumbești.

The hydro-energetic development of the Jiu River in the Livezeni-Bumbesti sector according to the approved scheme, consists of the construction of a weir dam, 19.5 km of underground pipes and 2 hydroelectric plants that will ensure the use of Jiu River flow, capitalizing a 263 m drop and a 36 cbm / s.

In December 2015 the Addendum no.15 was concluded for the contract no.21 DI / 2004 for the turnkey execution of the investment objective, the contracted amount being RON302.746 thousand.

Physical progress on 12.14.2017:

CHE Dumitra (Pi = 24.5 MW; Em = 91 GWh / year)

The power plant is 94% completed, the Livezeni dam and the power outlet 93%, MHC Livezeni 50%, the main headrace Livezeni-Dumitra 99%, Dumitra pressure node 96%.

CHE Bumbești (Pi = 40.5 MW; Em = 167 GWh / year).

The main headrace Dumitra - Bumbești was executed 92%; 87% Bumbești pressure node, 45% secondary capture, Bumbești CHE 75%.

Impediments to making the investment

The technical-economic indicators of Livezeni-Bumbesti investment were approved by Government Decision no. 10 on 09 January 2003, in accordance with the government's energy legislation and strategy on that date. Also, by Government Decision no. 1297 on September 20, 2006 the investment was declared of public utility, being considered work of national interest. The two Government Decisions were issued following the studies carried out between 1982 and 2002 when no protected areas were declared on the site of the works and the Community legislation did not operate on the territory of Romania.

National Park Jiu Defile was established by GD 1581 / 8.12.2005, almost 2 years after the issuing of the order declaring the works as investment objective and its inclusion in the Natura 2000 environment program took place in 2007, together with Romania's accession to EU.

By the Civil Decision no.5378 / 2017, given by the Bucharest Court of Appeal, the VII Administrative and Fiscal Contentious Division, the Authorization for construction issued by CC Hunedoara and CC Gorj were canceled, which requires the obtaining of a new Authorization for construction and elaboration of an appropriate environmental assessment study.

The company makes all the necessary steps to obtain the proper documents for the resumption of the works at the investment objective "Jiu River hydroelectric energy arrangement on the Livezeni-Bumbești sector" and considers that these proceedings will be finalized by the end of 2018.

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HYDROENERGETIC FACILITY PROCESS OF OLT DEFILE ON THE CORNETU - AVRIG SECTOR.

CHE RACOVITA ($P_i = 29.9\text{MW}$, $E_m = 46.4\text{ GWh / year}$) the basic works for the Commissioning at the final project's quotas are conditioned by obtaining the Government Decision on land expropriation based on Law 255/2010.

For the commissioning of CHE Racovita, it is necessary to perform works on the retraction and deepening of the escape channel, outlet conduits Sebes rivulet, the SAT passing on the level with the railway and the demolition of the downstream road bridge.

The completion of the investment in the technical and economic parameters of the project is conditioned by the collaboration with the Ministry of Transport, for the accomplishment of the works at the railway bridges, in accordance with the provisions of the Decree 24/1989. On December 31, 2017, the investment realization percentage is approximative 95%.

2) Other arrangements:

In 2017, contracts were awarded for the following investments:

1. Modernization of HA1 CHE Calimanesti

$P_{iCHE} = 38\text{ MW}$, $P_{iHA1} = 19\text{ MW}$, $E_{mCHE} = 106\text{ GWh/year}$, $E_{mHA1} = 54\text{ GWh/year}$

Modernization works will be carried out at HA1 to bring the project into parameters by replacing the hydro-generator stator, upgrading the rotor, modernizing the turbine (replacing the turbine blades) and upgrading the auxiliary facilities, its own services and the HA automation.

- In 2017 the contract was awarded and signed with S.S.H.Hidroserv SA Bucuresti
- Contract value: RON 23,699,524.09
- In 2018 - completion of modernization works.
- Value to be executed from the contract on 31.12.2017: RON 21.182.000

2. Modernization HA1 CHE Slatina

Reconditioning and modernization of the hydraulic turbine related to HA 1, generator, auxiliary installations and automation and control system.

$P_{iCHE} = 26\text{ MW}$, $P_{iHA1} = 13\text{ MW}$, $E_{mCHE} = 82\text{ GWh/year}$, $E_{mHA1} = 41\text{ GWh/year}$

- In October 2017, the contract was awarded to the bidder SC ROMELECTRO SA Bucuresti.
- On 25.01.2018 the contract entered into force.
- Contract's value: RON 25,440,090
- Completing the contract: 2019

3. Given guarantees and received guarantees

Given guarantees

On 31 December 2017, the Company has outstanding performance bond and payment guarantees issued in RON, EUR and HUF, namely:

- Letters of performance bond from bank for external partners on OTC market amounting to EUR 500,000;
- Performance bond in the form of a collateral deposit to cover payment obligations derived from energy purchases on the Hungarian market amounting to HUF 15,000,000;
- Performance bonds executed in RON amounting to RON 73,214,455.19 out of which:

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- Performance bonds issued in favor of all partners in order to guarantee the obligation to supply electricity sold on PCSU, amounting to RON 18,672,646.50;
- Performance bonds in favor of all partners in order to guarantee the obligation to supply the electricity sold to PCCB and PCCB-NC, amounting to RON 49,976,428.74;
- Performance bonds issued in favor of the various partners in order to guarantee the obligation to supply the electricity sold according to bilateral contracts concluded on SEAP, amounting to RON 4,565,379.95.
- Performance bonds secured by collateral deposits, issued in favor of OPCOM, in order to insure the payment obligations derived from the energy purchase transactions realized on DZU and PI, amounting to RON 7,871,691.04.

3.2 Received guarantees

The balance on 31.12.2017 of the received guarantees amounting to RON 436,588,116 is mainly made up of guarantees for the ongoing investments, as follows:

- Guarantees for various objectives under execution issued by Hidroconstructia SA amounting to RON 152,222,706;
- Guarantees for refurbishment of CHE Stejaru received Litostroj Power amounting to RON 50,843,073;
- Opening L/C according to the contract no.22 / 2016 RAIFFEISEN BANK amounting to RON 64,317,937;
- Guarantees for Bumbesti-Livezeni and Stejaru objectives issued from Romelectro S.A. amounting to RON 102,050,648;
- Guarantees for refurbishing of PF I and PF II issued by Andritz Hydro amounting to RON 33,936,165;
- Guarantees for various ongoing projects issued by Energomontaj SA amounting to RON 10,375,425;
- Guarantees for various ongoing projects issued by Constructii Hidrotehnice SA amounting to RON 13,974,797;
- Other guarantees issued to the Company in the amount of RON 8,867,365;

4. Arbitration litigation

On 31.12.2017 Hidroelectrica S.A. is involved in approximately 480 ongoing litigation in various procedural phases. Of the most important, we mention the following:

I. Arbitral file ICC 19414/MHM

Arbitral litigation regarding Contract no. 21 / 50765 / 09.11.2001 between Hidroelectrica and Andritz Companies - Rehabilitation and modernization of the HPP Portile de Fier II and HPP Gogoşu.

Petitioners: Andritz Hydro GmbH Germania and Andritz Hydro GmbH Austria

Defendant: Societatea de Producere a Energiei Electrice în Hidrocentrale „Hidroelectrica” SA

Arbitrary litigation is represented by the following claims of Andritz companies:

- (i) To declare that Hidroelectrica is not entitled to require Andritz Companies to repay the amount of Euro 13,625,000, representing the prepayment made in May and June 2003 for Phase III of the PF II project, according to Contract 21 / 50675 / 09.11. 2001, as amended by Additional Acts 4 and 6 signed by the parties on 5 December 2002 and 26 March 2003

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- (ii) To declare that the so-called Notification of Termination of Contract 21 / 50675 / 09.11.2001, sent by Hidroelectrica on 06.06.2013, is not valid and that the Contract 21 / 50675 / 09.11.2001 as amended and supplemented is still valid, subsists and produces its effects for the parties.
- (iii) To oblige Hidroelectrica to pay to Andritz Companies the amount of EUR 6,362,905 plus an interest rate of 6% / year starting 26.06.2013.
- (iv) To declare that Hidroelectrica cannot claim the recovery of the damages allegedly caused by the Andritz Companies because *"failing to sell the parts of the last group at the Porțile de Fier II plant to reduce costs and recover the advance paid for Gogosu and for certain technical issues which will remain open after the execution of the work currently being carried out in one of the groups in the project for the Porțile de Fier II plant's upgrading"*.
- (v) To order Hidroelectrica to issue the Final Reception Certificate for hydro aggregates 6 and 8 alternatively, the Arbitral Tribunal will issue the Final Reception Certificate for Hydro Aggregates 6 and 8 on behalf of Hidroelectrica.
- (vi) Order Hidroelectrica to pay the arbitration costs.

The amount of the litigation is 21,748,799 EURO

Arbitral Tribunal Miguel Virgós Soriano (Chairman), Georg von Segesser and Paolo Michele Patocchi.

Place of arbitration Geneva, Switzerland

The state of the arbitration litigation:

On 1 September 2017, the Arbitral Tribunal decided to rule on the heads of claim 1-4 (i) and (ii), formulated by Andritz companies based on the documents (including witness' statements and expert reports) without the need to organize the hearings. On the same date, the Court authorized the simultaneous submission by the parties of memoranda of written concussions, memoranda which were filed on 9 October 2017. On substantiations 4 (iii) and 5 made by Andritz; hearings will take place during 19-22 March 2018.

Between 23 and 28 October 2017, additional tests were carried out at HA 6 and 8 of HPP Portile de Fier II, coordinated by the neutral expert, Groupe E.

On February 26, 2018, the neutral expert submitted the Final Report of the Technical Expert.

The parties will submit their written conclusions on May 18, 2018 and thereafter, the cost memos (the date of which is not yet established). The arbitral tribunal will then deliberate and issue the final decision.

II. Arbitral file ICC 20861/MHM

Arbitral litigation regarding Contract no. 21 / 50765 / 09.11.2001 between Hidroelectrica and Andritz Companies - Rehabilitation and modernization of the Portile de Fier II Hydro Power Plant and the Gogosu Hydro Power Plant.

Petitioner: Societatea de Producere a Energiei Electrice în Hidrocentrale „Hidroelectrica” SA

Defendants: Andritz Hydro GmbH Germania and Andritz Hydro GmbH Austria

The arbitral litigation is represented by the following claims of Hidroelectrica:

- (i) order Andritz Companies to hand over to Hidroelectrica on inventory basis the equipment and machinery related to hydro aggregate no. 1 that were not incorporated in the works
- (ii) order Andritz Companies to pay Hidroelectrica compensation as a result of the damage caused by the failure of Andritz Companies to sell the machinery and equipment.
- (iii) order Andritz Companies to pay the arbitration costs.

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The value of the litigation *Estimated Euro 8,957,375 representing Euros 6,834,000 (the estimated value of the end of application number 1) and Euros 2,124 thousand plus a monthly sum of EUR 129,000 and a statutory interest rate of 6% per annum (the estimated value of the application number no.2).*

The Arbitral Tribunal Eduardo Silva Romero (Chairman), Michelangelo Cicogna, Inka Hanefeld

Place of Arbitration Bucharest, Romania

The state of the arbitration litigation:

By the Partial Arbitration Judgment on June 14, 2017, the Arbitral Tribunal rejected the exception to Andritz's lack of jurisdiction and retained its jurisdiction to settle Hidroelectrica's claims in substance.

By Procedural Order no. 3 on 20 June 2017, the Arbitral Tribunal suspended the arbitration proceedings until the ICC 19414 / MHM arbitration case will be solved and rejected Andritz's request for the disclosure to the Court the case files ICC 19414/MHM.

The substantive debates will resume after the final arbitration award in file ICC 19414 / MHM.

Two rounds of memoranda will be filed. The dates for the hearings on the merits and the final arbitration award have not yet been established.

III. Arbitral file ICC 20540/MHM

Arbitral litigation regarding Contract no. 23.534 / h.700.116004 regarding the refurbishing of the hydroelectric plants located on the Lower Olt: Ipotești, Drăgănești, Frunzaru, Rusănești și Izbiceni

Petitioner: Societatea de Producere a Energiei Electrice în Hidrocentrale "Hidroelectrica" S.A.

Defendant 1: Voith Hydro Holding GmbH & CO KG (Voith)

Defendant 2: Andritz Hydro GmbH (Andritz)

Object of the file

The petitioner requested the arbitral tribunal to issue a decision whereby (the petition was stated in terms of value by the Memorandum on the merits because of completing the expertise amount submitted together with the Memorandum on the merits on 24.09.2015):

- (i) oblige the Defendants to replace defective works with conforming works in accordance with the Contract in order to fulfill the object of the Contract or, alternatively, to pay the amount of EUR 35,539,620.57 representing the contractual value of the works with deficiencies (for both hypotheses) plus interest calculated from the date of the payment made by the Petitioner until the date of full repayment by the Defendants in the amount of Euro 10.254.001 (2015);
- (ii) order the Defendants to pay compensations for the damage suffered as failing to fulfil the object of the Contract, in the form:
 - the full ownership of deficient works by the Petitioner either in the case of the replacement by the Defendants or by a third party of works permitting the conclusion of the final acceptance report, according to the law, or the payment of the value of the works with deficiencies,
 - payment of compensations for any damage suffered as a result of non-fulfillment of the Contract's object within the term set by the Contract, namely in the amount of (i) EUR 2,229,091.15 and USD 17,733,678 if the Defendants will be obliged to replace the works with deficiencies or alternatively (ii) USD 138,133,678 and the amount of Euro 2,229,091.15 of which the amount of 35,539,620.57 will be deducted if the Defendants will compensate the Petitioner by paying the value of the works with deficiencies.
- (iii) order the Defendants to bear the cost of arbitration;
- (iv) have other measures considered appropriate in favor of the Petitioner.

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With respect to the counterclaim lodged by the Defendants, the Petitioner requested the arbitral tribunal:

- I. to reject all claims in the counter-claim, more precisely:
 - (i) to reject the Defendant's request for change orders, the Plus / Minus list, the 10% final price for the Cascade equipment and the associated interest as not included in the procedural framework established by this arbitration. In the alternative, dismiss them as inadmissible. In the second alternative, dismiss them as unfounded.
 - (ii) reject the claim of the Defenders regarding bonus completion and related interest, as they are deprived of the right to request. In the alternative, dismiss the application as inadmissible. In a second subsidiary, dismiss the application as unfounded.
 - (iii) reject the Defendants' request for cascade equipment and the Bank Guarantee claim as well as interest, as inadmissible. In the alternative, dismiss those claims as unfounded.
 - (iv) reject the claims of the Defendants in respect of the arbitration costs and the relevant interest as unfounded.
- II. to order the Defendants to bear the cost of arbitration.

The Defendants apply to the arbitral tribunal by memorandum dated 12 April 2017 (which also made a counterclaim, authorized in the proceedings by Procedural Order 10 on 6 June 2017):

- (i) not to take account of the Applicant's claim no.(iv)
- (ii) reject the Petitioner's claims in its entirety;
- (iii) grant the Defendants their claims made in the counterclaim and order the Petitioner to pay the Defendants a total amount of EUR 13,705,308.70 with interest as follows:
 - EUR 3,239,140.63 (from plus / minus list) plus interest of 6% p.a. calculated from September 24, 2015, or any subsequent date determined by the Arbitral Tribunal, up to full payment
 - EUR 255,650.00 (based on Andritz Change Orders) plus interest of 6% p.a. calculated from September 24, 2015, or any subsequent date determined by the Arbitral Tribunal, up to full payment
 - EUR 255,650.00 (based on Andritz Change Orders) plus interest of 6% p.a. calculated from September 24, 2015, or any subsequent date determined by the Arbitral Tribunal, up to full payment,
 - EUR 1,771,534.20 (for Cascada Equipment) plus interest of 6% p.a. calculated from 25 May 2014 for EUR 1,300,000.00 and 12 December 2014 for EUR 471,534.20, or a further date to be determined by the Arbitral Tribunal up to full payment,
 - EUR 350,338.84 (on the Completion Bonus) plus interest of 6% p.a. calculated from 29 January 2015, and any subsequent date to be determined by the Arbitral Tribunal up to full payment, and
 - EUR 7,949,355.25 in respect of Bank Guarantees, plus interest of 6% p.a. calculated from 3 July 2015 for EUR 1,423,904.98 and 6 July 2015 for the amount of EUR 6,525,450.27, up to full payment.
- (iv) *in eventu* and, alternatively, reject the Petitioner's claims (i) to order the defendants to replace the deficient works, and,
 - with regard to the corroded parts and affected by the linear and round indications, order only the repair, conditional on the Petitioner's payment to the Defendants, to increase the cost of repair in relation to those which the defendants would have incurred in 2014,

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provisionally estimated at EUR 2.8 million, and to order neither replacement nor financial compensation, nor the reimbursement of the price of deficient work;

- in any situation regarding oil leakage, to claim in its entirety and order neither replacement nor financial compensation;
- on the difference in temperature, to reject the application in its entirety and to order neither replacement nor financial compensation, considering that a reduction in the price constituting the only possible remedy, was not demanded by the applicant and that the applicant had already deducted more than adequate by collecting the bank guarantees of the Defendant 2;
- and in any event reject payment claims in full, in any event, to take into account the amount granted for any claim in the counterclaim submitted to the Defendants by offsetting, if any financial claim is made;

(v) to award costs incurred in connection with arbitration and interest of 6% p.a..

The value of the dispute it results from the Object of the file: approx. EUR 150,000,000 for the main claim and EUR 13,705,308.70 for counter-claim.

The Arbitral Tribunal Patrick Thieffry – Arbitrator appointed by Hidroelectrica
Siegfried H. Elsing – Arbitrator appointed by Voith/Andritz
The President of the Arbitral Tribunal, Mr. Yves Derains, resigned on September 12, 2016.

The new President of the Arbitration Tribunal is Philip De Ly

Stage of Procedure On November 10, 2017, the Parties filed simultaneously the Memoranda of Remedies. Between 13-15 December 2017 hearings were held on remedies and quantum, including hearings of Parties' Quantum Experts. On 15 December 2017, at the end of the hearings, a case management conference was held, during which the following procedural deadlines were set: (i) 22.12.2017 - The Petitioner submitted a letter stating the end of the application 2 (ii) 15.01.2018 - The Petitioner to submit any new legal evidence in respect of the legal evidence submitted by the Defenders in connection with the counter-claim on 11.12.2017, (iii) January 15, 2018 - The Petitioner shall submit his variants of translation versus the alternative translations of the Petitioner's evidence submitted by the Defendants on 11.12.2018, (iv) 15.02.2018 - The parties shall communicate to the Arbitral Tribunal the agreement they reach in respect of above mentioned translations. The Petitioner filed, as indicated by the Arbitral Tribunal, a letter specifying the end of application 2 a) of the arbitration request, as follows: „2. Order the Defendants to pay penalties for the damage suffered as a result of failing to fulfill the object of the Contract, in the form of: a) the full detention by Petitioner of works until their replacement in any of the following cases:

- In the event of their replacement by the Defendants in a form which permits the conclusion of the final acceptance report according to the law,
- In the case of their replacement by a third party in a form which permits the conclusion of the final acceptance report according to the law, or
- In the event of replacement by the Petitioner at the expense of the Defendant.”

Between 06 - 07 March 2018, the final parties' pleadings were held in Vienna, Austria. During the hearings, it was established that the arbitral tribunal would return with supplementary instructions on the completion of the proceedings in the file, regarding: (i) any further clarifications that would be required by the tribunal on certain points in the case file, if applicable, and (ii) form and timing of submission by the Parties of memoranda on arbitration costs.

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IV. Arbitral file 20901/MHM

Arbitral litigation on Contract no. 16636 / 31.10.1997 regarding the refurbishing and to increase the power of the 6 hydroelectric units of HPP Porțile de Fier I

Petitioner: Societatea de Producerea Energiei Electrice în Hidrocentrale "HIDROELECTRICA"

Defendant: ANDRITZ HYDRO AG

The object of the file

The applicant requested the arbitral tribunal to give a ruling by which:

1.A. Mainly: order the Defendant to pay to Petitioner damages for the loss suffered as a result of the non-fulfillment of the object of the Contract in the amount of USD 388,322,602 plus interest, calculated up to the day of payment, of 6% per annum. The amount also includes replacement work in accordance with the Replacement Program in the Quantum Report MWH.

1.B. In the alternative, in so far as the Arbitral Tribunal considers that the Repair Program in the Quantum MWH Report will be able to satisfy the Petitioner's right to a hydroelectric plant in accordance with the contractual provisions, order the Defendant to pay the applicant the amount of USD 295,623,602 plus interest calculated up to on the day of payment, of 6% per year.

2. Order the Defendant to bear the costs and expenses of the arbitrators, the ICC, the costs of lawyers, experts and consultants as well as internal costs and to compensate the Petitioner for the costs of preparing and conducting arbitration, including its internal costs.

3. Order any other measure the Court considers appropriate to be in favor of the Petitioner.

Value of litigation USD 388,322,602

Arbitral Tribunal: Alan Redfern (Chairman), Anne Marie Whitesell, Georgios Petrochilos

Status of the dispute: The Defendant will file on 20 April 2018 a Memorandum as a response of the Memorandum amid the case filed by the petitioner on 18 September 2017.

V. Arbitral file UNCITRAL Ad Hoc [EFT]

Arbitral litigation concerning the Contract RO 22 E having as object the supply of electricity by Hidroelectrica to EFT Energy Financing Team AG.

Petitioner: EFT Energy Financing Team (hereinafter *EFT*)

Defendant: Societatea de Producere a Energiei Electrice în Hidrocentrale „Hidroelectrica” SA

Arbitrary litigation is made up of the following claims of EFT:

- (i) Order Hidroelectrica to pay damages for the non-performance of the Contract RO 22 E in the amount of EUR 42.6 million (initially approximately EUR 80 million)
- (ii) To pay 5% interest on the amount in (i) from 6 December 2013 (Median date)
- (iii) Order Hidroelectrica to pay arbitration costs, including in-house costs

The amount of the litigation EUR 42.6 million, plus interest and other damages, the amount is provisionally mentioned

The Arbitral Tribunal Luca Radicati di Brozolo (Președinte), Alexis Mourre and David P. Roney

Place of Arbitration Bern, Switzerland

The state of the arbitration litigation:

Hearings on the merits took place in Geneva, Switzerland from October 31 to November 2, 2016.

On 16 November 2016, the Arbitral Tribunal issued Procedural Order no. 4, on the content of the Post Hearing Briefs, in which it requested completions regarding (i) the impact of ANRE regulations in force at

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the date of signing the Contract and of the ICCJ decision in file no. 7774/1/2011 on its validity; (ii) the probative power of administrative (non-final) decisions in arbitral proceedings, including on Swiss law; (iii) the substantive (and factual) effects in Switzerland of foreign judgments in insolvency.

Under the agreement of the parties on 3 December 2016, which the Arbitral Tribunal has taken note of, both parties filed the Post Hearing Briefs simultaneously, on 28 February 2017. On April 28, 2017, the petitioner submitted exclusive comments on the novelty elements invoked by Hidroelectrica.

Following the delivery of the Civil Sentence no. 3524 / 06.10.2017 by the Bucharest Court of Appeal in file no. 3810/2/2016, by which cancelled the Competition Council Decision no. 82/2015 on the EFT AG, the Arbitral Tribunal requested the parties to submit comments on this Sentence, through a report to Hidroelectrica's main defense, namely the nullity of the Contract RO 22 E on trespassing Competition Agreement, based on the Competition Council's decision. Hidroelectrica submitted clarifications on 27.11.2017. Both parties filed Post Hearing Briefs simultaneously on February 28, 2017, and the Petitioner made exclusive comments on the novelty elements invoked by Hidroelectrica.

On 21 December 2017, the General Court handed down the Partial Final Decision, which dealt exclusively with the issue of possible liability on the substance of Hidroelectrica, by reference to the counter-claim and the substantive defense of Hidroelectrica: Hidroelectrica defended its insolvency proceedings in Romanian law and the powers attributed by the Romanian law to the official receiver, the Tribunal declared that official receiver has validly denounced the EFT Agreement on 1 August 2012. The Arbitral Tribunal reserved its decision on the possible damages to which EFT would be entitled for at later date, and will shortly be asking the Parties for a list of questions regarding the applicable law to this issue (ie the Romanian law - Article 86 (2) of Law 85/2006 - or the Swiss law), rules and calculation methods. Please note that the Court of First Instance did not indicate a time limit to which the questions would be communicated to the Parties and no procedural timetable for the next phase. The issue of arbitration costs (the amount and assignment) is also reserved for the final decision. The Arbitral Tribunal approved the timetable proposed by the parties:

- 27.04.2018 – EFT Memorandum on the basis and amount of damages due to the valid denunciation of the Contract by the Official receiver;
- 22.06.2018 – Hidroelectrica's Memorandum on the basis and amount of damages due to the valid denunciation of the Contract by the Official receiver;
- 20.07.2018 – Response Memorandum of EFT;
- 03.09.2018 – Response Memorandum of Hidroelectrica;
- 22-23.10.2018 – hearings on the merits, if necessary.

The Arbitral Tribunal shall declare the closure of the proceedings and shall give the arbitral award at a later stage, after following the phases described above.

VI. Arbitral file ICC 22047/MHM

Arbitral litigation regarding Contract no. 23.534 / H.700.116004 concerning the refurbishment of the hydroelectric plants located on the Lower Olt: Ipotești, Drăgănești, Frunzaru, Rusănești și Izbiceni.

Petitioner: Andritz Hydro GmbH Germania (hereinafter „Andritz”)

Defendant: Societatea de Producere a Energiei Electrice în Hidrocentrale „Hidroelectrica” SA

Arbitrary litigation is represented by the following claims of Andritz:

- (i) Declare unlawful and inoperative the compensation [operated by the Hidroelectrica's Official receiver between EUR 7,262 thousand, representing part of the Andritz receivables unconditionally recorded in Hidroelectrica's list of creditors, and the amount of Euro 13,625

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- thousand representing the advance payment made by Hidroelectrica in May and June 2003 for Phase III of the PF II project, according to Contract 2I / 50675 / 09.11.2001, as amended by Supplementary Documents 4 and 6 signed by parties on December 5, 2002 and March 26, 2003];
- (ii) To declare exigible Andritz's claim against Hidroelectrica in the amount of EUR 7,262 thousand plus 6% interest calculated from 30 June 2013;
 - (iii) To determine Hidroelectrica to pay Andritz the amount of EUR 7,262 thousand plus the 6% interest calculated from June 30, 2013;
 - (iv) Order Hidroelectrica to pay the arbitration costs;
 - (v) Have any other remedies / remedies that the Arbitral Tribunal considers appropriate.

Litigation amount: Euro 7,262,095 (Andritz evaluation according to Request for Arbitration)

The Arbitral Tribunal: Stavros Brekoulakis – President Mag. Martin Platte – co-arbitrator nominated by the Applicant; Dr. Beata Gessel-Kalinowska vel Kalisz - co-referee nominated by Hidroelectrica

The state of the arbitration litigation:

By Procedural Order No 2 of 30 January 2017, the Arbitral Tribunal ordered the suspension of the trial, according to the parties' agreement, until the file ICC 19414 / MHM is solved, and the Andritz appeal against Hidroelectrica's insolvency proceedings.

VII. Arbitral file ICC 22482/MHM

Arbitral litigation regarding Contract no. 2 I / 50765 / 09.11.2001, between Hidroelectrica and Andritz Hydro GmbH (formerly VA Tech Hydro GmbH & Co) - subject of the contract: capital repairs and modernization of the Portile de Fier II Hydro Power Plant. By the Additional Act no. 2 / 22.03.2002 the object of the contract was extended to the modernization of the auxiliary equipment of 8 units (Phase II) and by the Additional Act no. 4 / 05.12.2002 were added units 9 and 10 (Phase III)).

Petitioner: Andritz Hydro GmbH (former VA Tech Escher Wyss GmbH) and Andritz Hydro GmbH (former VA Tech Hydro GmbH & Co)

Defendant: Societatea de Producere a Energiei Electrice în Hidrocentrale „Hidroelectrica” SA

The arbitral litigation is represented by the following claims of Andritz Hydro GmbH:

- Order the Defendant to pay the amount of EURO 13,015,329.06,
- Order the Defendant to bear all the costs arising from the present arbitration dispute.

The value of the dispute: Compared to the claims made so far by the arbitral action, we estimate the following value - EURO 13,015,329.06 (the estimated value of the end of application number 1) and a legal interest rate of 6% per year.

Hidroelectrica filed a counterclaim requesting the applicants to be ordered to pay the sum of EURO 3,481,016.4

Arbitral Tribunal: the constitution phase has been completed

Status of the arbitral litigation: In April 2018, the procedural timetable for arbitration is to be established.

5. Other litigations

General Tax Inspection

Hidroelectrica was subject to the general tax inspection, the period under control being between 01.01.2006 and 30.06.2012. The National Agency for Fiscal Administration ("ANAF") issued the Taxation Decision no. F-MC 851 / 21.01.2014 regarding additional tax liabilities, the amount of payment retained in charge of Hidroelectrica being in value of RON 232,570,429 representing profit tax, VAT, social contributions and accessories, related to these categories of taxes, fees and contributions. By the decision on resolution of the preliminary tax appeal no. 406 / 18.12.2014, ANAF General Directorate for Solving Complaints partially upheld the appeal filed by Hidroelectrica, ordering the annulment of the Taxation Decision for the total amount of RON 18.185.217 from the payment of which Hidroelectrica was exonerated.

Consequently, the obligations established by the Taxation Decision were reduced to a total amount of RON 214,385,212.

Against Decision no. 406 / 18.12.2014, Hidroelectrica filed a complaint at the Bucharest Court of Appeal - Administrative Litigation Section, within the legal frame of 6 months from the date of the decision, as File no. 3288/2/2015.

Considering that Hidroelectrica was not insolvent at the time of issuing the Taxation Decision (21.01.2014), it could be enforced because the Taxation Decision became enforceable on 20.02.2014. The tax decision would become enforceable under the conditions set out in Annex 1 of the Order of the Minister of Finance no. 1021/2013: *"The difference of tax, fee or contribution found by the tax inspection bodies and established to be paid, as well as the related obligations, are paid according to the date of communication of the present tax decision, as follows: - until the 5th day the following month, when the date of communication is within the first 1-15 days of the month; - until the 20th day of the following month, when the communication date is within 16-31 days of the month."* According to the provisions of art. 148¹ of the Fiscal Procedure Code (version 21.01.2014) the tax forced execution was suspended or would have not commenced if Hidroelectrica had submitted to the competent fiscal body a bank guarantee letter at the level of the contested tax obligations with a validity of at least 6 months from the date of issuance.

In order to capitalize the insolvency procedure, the Taxation Decision, on 17.12.2014, ANAF registered in the file insolvency of Hidroelectrica no. 22456/3/2012 * a request for payment, based on the provisions of art. 64 par. (6) of Law 85/2006 on Insolvency Procedure. In accordance with the provisions of this law, payment obligations incurred during the insolvency proceedings are paid in accordance with the documents resulting therefrom, without requiring registration in the creditor's group. ANAF claimed that, by issuing the Taxation Decision on 21.01.2014 (i.e., during the insolvency proceedings), the receivable from the Taxation Decision acquires the current receivable character, which is paid with priority, without enrolling in the List of creditors. Euro Insol Official receiver, by measure taken on December 2014 in the Activity Report and published in BPI no. 1310 / 22.01.2015, found that:

- the receivable from the Taxation Decision is not current (appeared during the insolvency procedure) but before the procedure, as it targeted the debits established for the period 01.01.2006 - 20.06.2012;
- as they are past receivables, they had to be declared at the creditor's group in the period stipulated by Law 85/2006 (06.08.2012 in the case of Hidroelectrica);
- the failure to file the claim in the legal term attracts the decline, according to the provisions of art. 76 par. (1) of the Law no. 85/2006;

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• as such, the Official Receiver Euro Insol has found that ANAF has no right in respect of that claim, neither in the procedure nor after its closure, in accordance with the provisions of Art. 76 par. (1) of Law 85/2006. Against this measure of the Official Receiver, ANAF filed an appeal in accordance with the provisions of Insolvency Law 85/2006 (Article 21). File no. 3288/2/2015 was suspended until the appeal against the request for payment submitted by ANAF was rejected by the Hidroelectrica's Official Receiver.

By civil sentence no. 6458 / 17.07.2012 filed by the syndic judge in the file 22456/3/2012 * / a1, the court rejected ANAF's appeal with the following reasoning: "carrying out fiscal inspection and issuing the tax decision after the opening of the insolvency proceedings, but for fiscal debts related to a period prior to respective moment, cannot transform the nature of the claims, classified from this point of view by Law no. 85/2006 in past and subsequent receivables, which attract different legal regimes in respect of the declaration, the registration or not in the list of creditors and their payment. Considering these considerations and appreciating, referring to the nature of the claim as born prior to the opening of the insolvency proceedings, that the official receiver had correctly considered that the provisions of art. 64 par. 6 of the Law no. 85/2006, the court will reject the appeal ". Therefore, the court validated the reasoning of the Euro Insol Official receiver, who found that the claim for damages claimed by ANAF did not exist. Sentence 6458 / 17.07.2012 was appealed by ANAF. Bucharest Court of Appeal - 5th Civil Division, by decision no. 135 / 10.03.2016 pronounced in the file 22456/3/2012 * / a1, dismissed ANAF's appeal and maintained the sentence as legal and solid.

File no. 3288/2/2015 has resumed its procedural course and is currently being resolved. Next hearing: 06.06.2018.

In 2016, the Company signed with ING Bank the credit agreement no. 16271 / 09.02.2016 for ING Bank to issue a bank guarantee letter in favor of ANAF, in value of RON 214,385,212. On 18.02.2016 ING Bank issued the Letter of Guarantee No. GI-16/0826 in favor of ANAF, in value of RON 214,385,212 with validity till 18.08.2016. By Decision no. 21 of 18.08.2016, the Supervisory Board approved the non-extension of the Bank Guarantee Letter (BGL) No GI-16/0826 and, if applicable, the exercise of contestation against execution of any enforceable acts initiated by ANAF, on the basis of the decision taxation no. F-MC 851 / 21.01.2014 in the absence of a valid bank guarantee letter validly extended, according to the Code of Fiscal Procedure.

On 18.08.2016 ING Bank informed the Company that ANAF sent to the bank a notice for executing the Bank Guarantee Letter no. GI-16/0826. ING BANK will analyze its compliance and will decide on the execution of the BGL within 5 business days. On 25.08.2016 ING Bank submitted to ANAF the refusal to pay. On September 6, 2016, ANAF started enforcement against ING Bank as a result of its refusal to respond to ANAF's request for payment of the Bank Guarantee Letter. By address no. 100178 / 14.09.2016, the Company was informed that, following the enforcement order issued by ANAF on 06.09.2016, ING Bank paid to ANAF the amount of RON 214.385 thousand. Both ING Bank and Hidroelectrica filed an appeal against ANAF enforcement. At the trial date set for 17.10.2017 in the litigation regarding the contestation of the execution in file 38194/299/2016 *, the 1st District Court of Bucharest remained in the ruling on the contestation of enforcement, which was postponed for the date 31.10.2017. The solution of the court was as follows: *"It rejects the exception of the lack of the procedural capacity of " Hidroelectrica "SA, invoked by the intimate General Directorate for Public Finances of Bucharest - the Ministry of Public Finance Administration Sector 1 as unfounded. Rejects the contestation of the execution submitted by the Hidroelectrica in contradiction with the General Direction of Public Finances of Bucharest - the Administration Sector 1, the General Tax Administration and ING Bank N.V. Amsterdam, Bucharest Branch, as unfounded. Rejects the application for interlocutory intervention in the*

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*interest of the opposing party formulated by Fondul Proprietatea SA as unfounded. Rejects the challenge to enforcement that forms the subject of the related file no. 38330/299/2016 *, formulated by ING Bank N.V. Amsterdam, the Bucharest Branch in contradiction with the General Directorate of Public Finances Bucharest - the Administration Sector 1, as unfounded. Dismisses the application for interim relief in the interests of ING Bank N.V. Amsterdam formulated by the Hidroelectrica SA as unfounded. Takes note of the waiver of the request for an incidental intervention filed by Fondul Proprietatea SA in the interests of the challenger of ING Bank. With right to appeal within 10 days from communication. The appeal is filed with the Court of Bucharest District 1, under the sanction of nullity. Delivered today, 07.11.2017, and making the solution available to the parties through the Registry of the Court."*

Economic and Financial Inspection at SH Portile de Fier, finalized with Mandatory Disposition CRR-AIF 778 / 10.03.2017

At the end of 2016 and early 2017 at the headquarters of SH Portile de Fier, took place an inspection of the Regional General Directorate of Public Finances - Craiova, the Economic and Financial Inspection. The inspection was carried out on the basis of the Emergency Ordinance no. 94/2011 regarding the organization and functioning of the economic-financial inspection approved with the modifications and completions by Law no. 107/2012 and GD no. 101 / 28.02.2012 for the application of the Methodological Norms regarding the establishment, organization and functioning of the economic-financial inspection. The economic and financial inspection was registered in the Sole Control Register series A no. 0858500 of the economic operator at position 84 / 14.09.2016, and the period under inspection was 01.01.2011-31.12.2015. As a result of the inspections carried out, the fiscal inspectors, through the Inspection Report, reported a series of possible irregularities, with remedying measures. Hidroelectrica, within the legal term, pursuant to art. 7 of the Law no. 554/2004 of the Administrative and Fiscal Contentious has filed a preliminary complaint with the Ministry of Public Finance, the competent institution to resolve the preliminary complaint ,according to the law, which was solved by Decision no 89 / P / 20.11.2017. To the measures ordered by Mandatory Disposition no. CRR-AIF 778 / 10.03.2017, Hidroelectrica took the following steps:

- notifying the companies SERV BARATIN SRL, GARDIAN GRUP CDSG SRL and HIDROSERV PORTILE DE FIER SA to repay the amounts unduly received and the legal penalties, but they categorically refused, underlining that "the services were rendered and there are no recorded outstanding debts to Hidroelectrica";
- a preliminary complaint was filed against Mandatory Disposition no. CRR-AIF 778 / 10.03.2017, and subsequently, the appeal against the mandatory disposition and the decision to solve the preliminary complaint was promoted to the administrative contentious court, which is the subject of the file no. 4915/2/2017;

Pronunciation on 26.02.2018: Admits the action as amended. Cancels the Minutes of Economic and Financial Inspection concluded on March 20, 2017, filed with the applicant under no. 29 918 / 03.21.2017; The Economic and Financial Inspection Report, concluded on 7.03.2017 under no. CRR-AIF 777 / 10.03.2017, Obligatory Provision no. CRR-AIF 778 / 10.03.2017 and Decision no. 89 / P / 11.20.2017. Accepts the suspension request. Suspends the execution of the Mandatory Provision no. CRR-AIF 778 / 10.03.2017, pending the final settlement of the present case. Law Enforcement. With right of appeal within 5 days of communication, for the application and for suspension within 15 days of communication, on the basis of the request.

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- a request for provisional suspension of the measures ordered by Mandatory Ordinance no. CRR-AIF 778 / 10.03.2017, to the competent court which formed the object of the file no. 3828/2/2017, but the court rejected this request, a request that Hidroelectrica resumed also in the application for annulment of the Obligatory Disposition no. CRR-AIF 778 / 10.03.2017, which is the subject of the court file no. 4915/2/2017, with judgment on 04.12.2017. In file no. 3828/2/2017 Hidroelectrica filed an appeal, a dossier in the regularization procedure, but by admitting the action in file 4915/2/2017 the present case had no purpose.

Labor disputes

Labor disputes represent a significant part of the company's litigation portfolio. Reported to the cause that generated the disputes of the respective work, those can be divided into the following categories:

1. Labor litigation resulting from redundancies;
2. Labor disputes arising from requests for the establishment of special conditions of employment and employees' registration in various groups based on the Order of the Ministry of Labor no. 50/1990 for the specification of the workplaces, activities and professional categories with special conditions that belong to groups I and II of work for retirement, on the Government Decision no. 1025/2003 regarding the methodology and criteria for registering persons in work places under special conditions and on the Government Decision no. 261/2001 - regarding the criteria and the methodology of registering the work places in special conditions;
3. Other labor disputes arising from the current employment relationship between Hidroelectrica S.A. and its employees or former employees or precursor companies;
4. Collective litigation initiated for employees by the Hidroelectrica's Trade Union "Hidrosind":
 - i. File 3032/3/2017, Bucharest Tribunal - Compensation following the reporting of the salary scale to the current minimum wage. Current Situation of the Dispute: The litigation was suspended until the appeal brought by intervener, Fondul Proprietatea S.A. Since the appeal was rejected, a time limit was set for the continuation of the trial on the case on 07.11.2017. The litigation was resolved, the court's decision being as follows: "It rejects the exception of the lack of active procedural quality. Dismisses the action as unfounded. Orders the applicant to pay the amount of RON 3000 to the defendant in respect of the costs of the proceedings. Appeal within 10 days of communication, which is filed with the Bucharest Court of Law - Section VIII Conflicts of Labor and Social Insurance. Pronounced in public sitting, today, 21.11.2017. "
An appeal was made by the Hidrosind Hidroelectrica Trade Union Appeal term: 29.05.2018 in the file no.320 / 2/2018 at the Court of Appeal Bucharest.
 - ii. File 3036/3/2017 Bucharest Tribunal - Compensations following the salary scale reporting to the current minimum wage. Current Situation of the Dispute: The litigation was suspended until the appeal brought by intervener, Fondul Proprietatea S.A. On March 22, 2018 the Bucharest Court of Appeal issued the appeals formulated by the Universe Federation and Fondul Proprietatea against the closing session of 31.05.2017. Appeal: Dismisses as unfounded the appeals made by the defendant SC de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica and by the interveners of the Univers National Federation of Unions in Electricity, Fondul Proprietatea. The file will be pending for further judgment.
 - iii. File 6803/3/2017 Bucharest Tribunal - Compensation following the reporting of the salary scale to the current minimum wage. Current situation of the Litigation: The litigation was

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- suspended on 10.08.2017 until the appeal brought by the interveners, Fondul Proprietatea S.A., The Bucharest Court of Appeal rejected the appeal as unfounded on 02.10.2017. The litigation was settled on the merits, as follows: "Dismisses the exception of the lack of active procedural quality. Dismisses the action as unfounded. Appeal within 10 days of communication, which is filed with the Bucharest Court of Law - Section VIII Labor Conflicts and Social Insurance. Pronounced in public sitting, today, December 20, 2017. ". Declared on April 10, 2018 by the Hidroelectrica Hidrosind Union. File in the regularization procedure.
- iv. File 19577/3/2017, Bucharest Tribunal - Compensation following the salary scale reporting to the current minimum wage. The litigation was settled on 7 February 2018, with the exception of the limitation of the material right to action in respect of wage entitlements corresponding to fortnight in May 2014. The action concerning the wage rights corresponding to fortnight as May 2014, as prescribed. Dismisses the remainder of the action as unfounded. It orders the applicant to pay the defendant the amount of RON 6000 in respect of costs representing a resuced lawyer fee. With right of appeal within 10 days of the communication to the Bucharest Tribunal.
- v. File 22456/3/2012 * / a6 * Bucharest Tribunal - restitution of differences' classes and bonuses. Current situation of the dispute: the main action was dismissed as unfounded. An appeal was filed by Hidrosind at the Bucharest Court of Appeal with deadline of 23.05.2018.
- vi. File 41672/3/2016 Bucharest Tribunal - requesting indemnification and cancellation of the provision of the Collective Labor Agreement on systematic overtime work. Current state of the dispute: By the judgment of 03.05.2018 the application was partially admitted, the Company being obliged to pay compensation in value of RON 183.507, which will be updated with the inflation until the date of payment.
- vii. File 41868/3/2017 Bucharest Tribunal - application for vacation bonus according to the provisions of the Collective Labor Agreement of 2017 formulated by the Hidroelectrica Hydrosind Syndicate for a number of 2819 employees.
Pronounced on 13.04.2018: "Admits action. Determin the defendant to pay to each applicant the salary rights representing the due vacation bonus balance under 2016 and / or 2017 according to labour contract applicable for the company on 2016, 2017, unpaid, and updated with the inflation index at the actual payment date, at which the statutory interest will be calculated from the due date to the actual payment date. Takes note that the applicant will seek separate court costs. "
- viii. File 92/3/2018 Bucharest Tribunal – applcation made by the Univers National Federation of Unions in Electricity requesting Hidroelectrica to pay indemnities related to the overtime work (15 minutes prior to taking the shift according to the job description) and granting 100% of base salary for the supplementary hours starting with 01.01.2015 and up to 31.12.2017, to which will be add the legal interest. Deadline 08.05.2018.
- ix. File 90/3/2018 Bucharest Tribunal - application for vacation bonuses according to the provisions of the 2017 Collective Labor Contract, formulated by the Univers National Federation of Unions in Electricity for a number of 82 employees. Sentence on mertits on 03.04.2018: "Admitted in part the action, obliges the petitioner to pay to the plaintiffs a compensation representing the equivalent of the due vacation bonuses to each, related to the 2017 holiday leave, made by the applicants after 01.07.2017. Obliging the defendant to pay compensation to the petitioners, representing the legal interest in respect of the amounts

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representing vacation bonuses due to each of the applicants, which was ordered to pay, according to the present sentence, calculated from maturity for each applicant up to the date of actual payment. Otherwise, the action is dismissed as unfounded. Notes that the defendants are seeking separate court fees.”

Litigation concerning immovable property taken over for the cause of public utility

The company is involved in a number of legal disputes in real estate (mainly land) used in current business. It is important to note that on 31.03.2018 the company was involved in a number of 47 litigations having as object expropriations, still to be solved, in different procedural stages.

Litigation arising from water use

The company as a defendant was involved in a number of litigations mostly having as object the annulment of the permits issued by the Apele Romane Administration in process of settlement, out of which a number of 7 cases were favorably solved by admitting the actions made by Hidroelectrica; a number of 28 litigations have been rejected and the remaining 15 litigations are pending. Most of these disputes arise from the imposition of obligations on Hidroelectrica by the Apele Romane Administration, which were assessed as outside the concession contract, applicable legislation and / or the technical possibilities of the hydropower plants.

Litigation on the Jiu River's Hydropower Project on the Livezeni-Bumbesti Sector”

Disputes were initiated in 2016 by Bankwatch Romanian Association, the Neuer Weg Association and the Energy Justice Association and had as object the suspending and canceling the Building Authorization no. 7/2016 issued by the Hunedoara County Council and the Building Authorization no. 16/2012 issued by the Gorj County Council. The main reason why the applicants consider building permits to be inadequate is the lack of a new environmental assessment, including an appropriate Evaluation Study regarding Jiu River Hydropower Project on the Livezeni-Bumbesti Sector”.

The technical-economic indicators of Livezeni - Bumbesti investment were approved by Government Decision no. 10 on 09 January 2003, in accordance with the government's energy legislation and strategy of that date. Also, by Government Decision no. 1297 on September 20, 2006 the investment was declared of public utility, being considered a work of national interest. The two Government Decisions were issued following studies carried out between 1982 and 2002, when no protected area was declared on the site of the works and the Community's legislation did not operate on the territory of Romania. National Park Jiu Defile was established by GD no. 1581 / 8.12.2005, almost 2 years after the issuance of the order for commencing the works to this investment objective, and its inclusion in the Natura 2000 environment program took place in 2007, together with Romania's accession into the EU.

On the role of the courts there were and there are the following disputes regarding the existence of the National Park Jiu Defile:

- The litigation that was the subject of file no. 30624/3/2016 on the merits of the Bucharest Tribunal Second Section of Administrative and Fiscal Litigation and which is aimed at suspending the authorizations for the construction of hydroelectric power plants on the Jiu river until a new environment assessment is made. The applicants' request was dismissed as inadmissible on 19.05.2017 and no appeal was declared.

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- The litigation that is the subject of file no. 10058/3/2017 on the merits of the Bucharest Tribunal Court Second Section of Administrative and Fiscal Litigation and having as its object the annulment of the authorizations for the construction of hydroelectric power plants on the Jiu river until a new environmental assessment is made. On June 22, 2017, the Bucharest Court dismissed the petition for legal action, being appealed by the petitioners. At the time of judgment on 07.12.2017, in the appeal, the Bucharest Court of Appeal gave the following solution: *"Admit the appeal. It partially cancels the civil sentence no. 4021 / 22.06.2017 of the Bucharest Tribunal and reanalyzing decides: Dismisses the exception of the delay in invoking the plea of illegality. It rejects the plea of illegality as unfounded. Accept the action. Cancels the building permit no. 7/2016 issued by the Hunedoara County Council and building permit no. 16/2012 issued by the Gorj County Council. Still retains the recurring sentence. Final. Pronounced in public sitting today 14.12.2017"*.
- Hidroelectrica, by lawyers, has formulated extraordinary ways of attack, considering to be entitled to appeal to the courts by way of appeal in annulment and by reviewing the appeal court's decision.
- The dispute which is the subject of file 1239/2/2018 having as object the annulment of administrative act dec.5378 / 14.12.2017 of file10058 / 3/2017 from the Bucharest Court of Appeal, Section VIII Administrative and fiscal contentious registered on February 22, 2018, and is currently in the regularization procedure.
- Litigation subject to file 804/2/2018 having as object the administrative act annulment dec. no. 5378 / 14.12.2017 of file no.10058 / 3/2017 (opposition in annulment-appeal), on the Bucharest Court of Appeal, Section VIII Administrative and fiscal litigation, filed on 05.02.2018. The contestant is Hidroelectrica, 08.06.2018.
- The litigation making the object of file 911/2/2018 having as object the annulment of administrative document file 10058/3/2017, dec.5378 / 14/12/2017 (review-appeal), on the Court of Appeal Bucharest, Administrative and fiscal litigation section VIII, registered on 08.02.2018. Hearing 19.04.2018.
- Litigation, making the subject of the file 720/33/2017 filed by the Cluj Court of Appeal, the 3rd Administrative and fiscal litigation, having as object the annulment of the administrative act. The Applicant "Efectul Fluture" Association requested in contradiction with the Romanian National Waters Administration and Hidroelectrica to cancel in full the Water Management Approval No.410 / 15.08.2005 issued for the Jiu River Hydro energetics Project on the Livezeni Bumbesti Sector. The case is pending, the next court term being granted by the court on 07.05.2018 for: 1.) to return by the court with address to the Government of Romania requiring to communicate the annexes and acts that were the basis on the issuance of the Government Decision no. 1297/2006; 2.) to return with the address to the Romanian National Waters Administration requesting to communicate the documentation underlying the issuance of the Initial Water Management Notice no. 188 / 14.02.2003; 3.) for the court to prepare an address to the Ministry of Environment and to the Romanian Water Administration requesting to communicate all the documentation related to Order no. 1044 / 27.10.2005 on the procedure for consultation of water users, riparian and the public in decision-making in the field of water management, related to respective objective on Jiu river hydropower project on the Livezeni Bumbesti sector, with Hidroelectrica SA as project holder.

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File 34693/3/2017 in which Hidroelectrica S.A. has the capacity of defendant, the petitioner being Fondul Proprietatea, for the cancellation of some parts of the GMS decision no. 11 / 03.08.2017. The brief solution of the court on 12.02.2018 is: "Notice the absolute nullity of 6, 8 (1-6), 9, 10, 11, 12 of OGMS No. 11 / 03.08.2017. Decides to keep the mention of the decision in the Trade Register and the publication in the Official Gazette "for which, at the moment of communicating the motivation of the solution adopted by the court, the Company will file an appeal. All the Supervisory Board Decisions adopted between 20.08.2017 - 18.09.2017 were ratified by the Decision of the Supervisory Board no. 15 of 13.03.2018.

The Decisions of the OGMS no.11 / 03.08.2017 which are the subject of the file 34693/3/2017 are:

"6. by majority of votes rejects from the agenda item 6, on the approval of the form of the mandate contract that will be concluded with the members of the Supervisory Board of the company, as submitted by Fondul Proprietatea prior to the GMS through Fondul Proprietatea note no. 514 / 18.07. 2017 registered at Hidroelectrica under no. 73 905 / 18.07.2017

8. Choose as temporary members of the Supervisory Board of SPEEH Hidroelectrica SA the following persons:

- By majority of votes, Mrs. Lambru Ioana-Andreea, Romanian citizen, born on 12.04.1985 in Bucharest Sec. 5, domiciled in Bucharest
- By majority of votes Mrs. Negru-Ciobanu Andreea, Romanian citizen, born on 19.05.1981 in Targu Ocna, Bacau county, domiciled in Voluntari, Ilfov county
- By majority of votes Mr. Cojocaru Radu Spiridon, Romanian citizen, born on 12.12.1947 in Com. Cetateni, Arges county, domiciled in Voluntari
- By majority of votes Mr. Borbely Haroly, Romanian citizen, born on 26.07.1976 in Hunedoara, Hunedoara county, domiciled in Bucharest
- By majority of votes Mr. Tudor Laurentiu Dan, Romanian citizen, born on 07.08.1966 in Gusoeni, Valcea county, domiciled in Bucharest
- By majority of votes Mr. Gambuteanu Horia-Marian, Romanian citizen, born on 07.09.1982 in Bucharest, sector 2, domiciled in Bucharest
- By majority of votes Mrs. Oana Valentina Truta, Romanian citizen, born on 20.08.1980 in Targu Mures, Mures county, domiciled in Bucharest

9. By majority of votes, the term of office of the temporary members of the Supervisory Board of SPEEH Hidroelectrica SA is of 4 (four) months, according to the provisions of art. 641 of GD no. 109/2011 on Corporate Governance of Public Enterprises, approved with amendments and completions by Law no. 111/2016, starting August 20, 2017;

10. By majority of votes set the fixed remuneration of the members of the Supervisory Board of SPEEH Hidroelectrica SA, equal to twice the average of the last 12 months from the monthly gross average earnings for the activity performed, according to the main object of activity registered by the company, of the activities' classification in the national economy, communicated by the National Institute of Statistics prior to the appointment.

11. By majority of votes, approves the form of the mandate contract that will be concluded with the members of the Supervisory Board of SPEEH Hidroelectrica SA according to the proposal of the shareholder Ministry of Energy, Annex no. 2 to the Order of the Minister of Energy no. 156 / 26.07.2017.

12. By majority of votes empowered the representative of the shareholder of the Ministry of Energy, Mr. Teodoru Sorin, to sign, on behalf of the shareholders, the mandate contract with the members of the Supervisory Board."

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Criminal litigation

The company is involved in a number of 10 criminal cases dealing with corruption offenses, manslaughter, misconduct, and embezzlement, files in which the Company is constituted as a civilian party or a civilly liable party. No amounts are identified for these files that might have a material effect on the financial statements.

1. Criminal file no. 3555/109/2015

Subject: Corruption offenses - Law 78/2000

Stage file: Call. Term 19.04.2018

Defendants: Oprea Octavian Florin, Vulparu Stefan, Stoian Florin Nicolae, s.a

2. Criminal file no. 3321/109/2016

Subject: Corruption offenses - Law 78/2000

Defendants: Vulparu Stefan, Oprea Octavian Florian, Metehoiu Bogdan Alexandru, Metehoiu Constantin, Dragu Vlad Alexandru, Oae Vasile, Dima Teodor, s.a

3. Criminal file no. 2303/1/2017

Subject: Corruption offenses - Law 78/2000, giving bribery, taking bribery, tax evasion, abuse of service

Stage file: Call. Term 09.05.2018

Defendants: Udrea Elena Gabriela, Obreja Rudel.

4. Criminal file no. 2751/277/2015

Object: killing from fault (Article 178 paragraph 2 of the CP, article 290 paragraph 1 CP, article 37 paragraph 3 with reference to paragraph 1 article 38 paragraph 4 with reference to paragraph 1 of the Law No 319/2006)

Stage file: Fund. Term 21.06.2018

Defendants: Margulescu Virgil

5. Criminal file no. 2883/P/2012 The Prosecutor's Office attached to the Drobeta Tr. Severin Court

Object: embezzlement -art. 295 par. (1) C.P. and negligence in service-art. 298 PC

Stage file: Criminal investigation

Defendants: Petru Elena Natalia

6. Criminal file no. 3267/P/2016 The Prosecutor's Office attached to the Drobeta Tr. Severin Court

Object: theft art. 228 paragraph (1) C.P. and destruction art. 253 paragraph (1)

Stage file: Criminal investigation

Defendants: unknown

7. Criminal file no. 5168/P/2015 The Prosecutor's Office attached to the Piatra Neamt

Object: theft art. 228 paragraph (1) C.P and destruction art. 253 paragraph (1)

Stage file: Criminal investigation

Defendants: unknown

8. Criminal file no. 207776/05.05.2016 Prosecutor's office attached to Panciu Court, Vrancea County

Object: the offense of qualified theft, the act provided by art. 228 par. 1 lit. d) and art. 2 lit. b) PC

Stage file: Criminal investigation

Defendants: unknown

9. Criminal file no. 496/P/2016 The Prosecutor's Office attached to the High Court of Cassation and Justice The National Anticorruption Directorate of Bucharest

Subject: Corruption offenses - Law 78/2000

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Stage file: Criminal investigation

Defendants: unknown

10. Criminal file no. 53/P/2017 The Prosecutor's Office attached to the High Court of Cassation and Justice The National Anticorruption Directorate of Pitesti

Object: offenses of abuse of service Article 13 of Law 78/2000 related to art. 297 paragraph 1 of the Criminal Code

Stage file: Criminal investigation

Defendants: unknown

S.S.H. Hidroserv S.A. Insolvency

In view of the negative evolution of the economic and financial indicators, the Board of Directors of Hidroserv requested company's insolvency, and the syndic judge, at the close of the hearing, dated 10.10.2016, within the file no. 36365/3/2016, under the jurisdiction of the Bucharest Tribunal - VII Civil Division, ordered the opening of insolvency proceedings according to the provisions of art. 71, paragraph 1 of the Law no. 85/2014 on insolvency and insolvency prevention procedures with the right to administer the company and on the basis of Art. 45 lit. d of Law no. 85/2014 appointed as Official Receiver C.I.T.R. BUCURESTI SPRL, referring to art. 87 paragraph 1, lit. d of Law no. 85/2014.

According to the Report on Causes issued by the above-mentioned Official Receiver, represented by attorney at law Adrian Lotrean, the main causes of S.S.H. Hidroserv S.A insolvency are:

- Historical liabilities acquired at the time of merger;
- Collective labor contract;
- Non-performing stocks and receivables;
- Management deficiencies;
- The inefficient personnel structure;
- Losses incurred as a result of the execution of the obligations to remedy the works under the warranty period;
- Maintenance contracts.

At the General Assembly of Shareholders of S.S.H. Hidroserv S.A. on 18.10.2016 Mr. Sandu Marian Corneliu (former Chairman of the Board of Directors of Hidroserv) was appointed Special Administrator of S.S.H. Hidroserv S.A., who was to perform his duties in compliance with the provisions and attributions established by the Company Law no. 31/1990 and Law no. 85/2014 on insolvency and insolvency prevention procedures.

In the Insolvency Proceedings Bulletin no. 10744 of 30.05.2017 was published the Preliminary List of Creditors updated after the settlement of the appeals to the preliminary list of creditors, in which receivables were admitted and admitted under suspension condition with a total value of RON 1,758,484.58. Claims under a suspensive condition of RON 1,742,229.49 were classified as non-voting suspensory receivables and the claim of RON 16,255.09 was registered as receivables with voting right. At the General Meeting of Shareholders of Hidroserv S.A. from March 16, 2017, following the renunciation to the mandate of Mr. Marian Sandu (although March 2017 was the first month with profit since the insolvency), Mr. Adrian Ion Moldoveanu was appointed as Special Administrator (former member of the Board of Directors of Hidroserv) to carry out its duties in compliance with the provisions and attributions

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established by the Companies Law no. 31/1990 and Law no. 85/2014 on insolvency and insolvency prevention procedures. On May 26, 2017, the General Meeting of Shareholders of Hidroserv S.A. Hydropower Services Company appointed a new Special Administrator, Mr. Valeriu Băbău. On September 29, 2017, the General Meeting of Shareholders of Hidroserv S.A. appointed a new Special Administrator, namely Olteanu Manuela Petronela, with a valid Mandate Contract up to the date of receipt of notification of the closure of insolvency proceedings or until any of the termination conditions provided in points 8 and 9 of the contract.

By Decision no. 1085 / 23.08.2017 Directorate of Hidroelectrica S.A. has appointed a commission with a wide range of competencies (e.g. human resources, financial, legal, maintenance and patrimony management) to perform the analysis of the report of the Special Manager of Hidroserv S.A.

In September 2017, the Supervisory Board approved an audit of how the executive management of Hidroelectrica SA has fulfilled its powers, regarding the control over the activity of the special administrator during the insolvency of the subsidiary Hidroserv SA.

Litigation concerning immovable properties taken over for the cause of public utility

The company is involved in a number of legal disputes over real estate (mainly land) used for current business.

Regarding the buildings that fall under the Law no. 10/2001 (abusively taken over from 6 March 1945 to 22 December 1989), the entity that is obliged to compensate is the National Authority for Restitution of Ownership, which was established to provide the financial resources necessary for the compensation of abusively expropriated persons.

For disputes that do not fall under the Law no. 10/2001, the management of the Company periodically analyzes the situation of disputes in progress and, after consultation with its legal representatives, decides if it is necessary to create provisions for the amounts involved or to present them in the unconsolidated financial statements. Based on the information available to the Company, management estimates that these disputes have no significant negative impact on the unconsolidated financial statements on 31.12.2017.

Other litigations

The Company is, and could become, part of other legal disputes or other actions of public institutions in front of different courts, resulting from the normal conduct of its business and involving various contractual issues and related to value added tax, and other conditionality. These processes and actions may have a significant negative impact on the Company's financial position or performance, but can not be measured by the Company's management when the unconsolidated balance sheet was prepared.

Onerous contracts

An onerous contract is a contract in which the mandatory costs for the performance of contractual obligations exceed the economic benefits to be obtained. These mandatory costs reflect at least the net cost of leaving the contract, which represents the minimum of the cost of fulfilling the contract and any compensation or penalties resulting from its non-fulfillment. The management of the company is not aware of the existence of onerous contracts when the unconsolidated balance sheet was prepared and has not made provisions in this respect in regard to unconsolidated financial statements.

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6. Taxation

The tax system in Romania is in a phase of consolidation and harmonization with European legislation. In this respect, there are still different interpretations of tax legislation. In certain situations, the tax authorities may treat certain aspects differently by calculating additional taxes and charges of interest and related late payments. The inherent risks generated by taxes and other tax liabilities arise from the regime of perpetual and sometimes contradictory tax changes, but also from interpretations to the tax legislation given by the control bodies for the purpose of collecting more taxes on the state budget, the social insurance or the local ones.

Starting in January 2016, the interest rate has fallen from 0.03% per day to late payment to **0.02%**; And the level of penalties has been reduced from the previous value by 0.02% to 0.01% per day of delay. Also, from 2016 was also introduced the non-declaration penalty of 0.08% per day.

In addition, the Romanian Government has a number of agencies authorized to carry out the audit (control) of companies operating in Romania. These controls are similar to tax auditors in other countries and can cover not only tax issues but also other legal and regulatory issues that are of interest to these agencies. In Romania, the fiscal exercise remains open for fiscal verification for 5 years. The Management of the Company considers that the tax liabilities included in these financial statements are appropriate although the inherent fiscal risks described above are high.

7. The environment

At the end of 2017, all hydroelectric objectives have an environmental permit within their validity period. All environmental permits for HE's patrimony objectives are issued without compliance.

Operating conditions imposed by environmental permits refer to the monitoring of environmental factors and compliance with environmental legislation applicable to hydropower objectives. For the monitoring of the environmental factors, measures are carried out for the physic-chemical indicators of the quality of the lakes, of the water and of the drinking water, of the noise measurements. Reporting on the state of completion of these actions and the results of the monitoring were carried out at the required deadlines.

In 2017 were performed 94 environmental authority inspections, following which 117 measures were drawn and two warnings were applied. The two warnings were received for lack of water management permits at controlled sites (CHEMP Borșa and CHEMP Vișeuț). At the end of 2017 the fees related to the issuing of the water management permits were paid and will be issued by ABA Someș-Tisa.

The most important categories of environmental protection actions / works carried out in 2017 were:

- Prevention of water pollution and water treatment SH Bistrița, SH Curtea de Argeș, SH Hațeg and SH Rm. Valcea, representing 15,80% of the total value of the environmental protection works;
- Flood prevention, flood protection and flood control measures in SH Bistrita, SH Cluj, SH Curtea de Arges, SH Hajeg, SH Rm. Vâlcea and SH Sebes, representing 45.48% of the total value of the works with environmental protection;
- Actions for waste management, both generated from their own activity and waste collected from the retention and water outlets, were carried out in all the branches of the company, representing 30.81% of the total value of the works with character environmental protection;
- Land protection, erosion control, landslides and desertification, realized in SH Rm, Vâlcea and SH Sebes, representing 4.73% of the total value of the environmental protection works;

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- Control and laboratory tests were carried out by SH Curtea de Argeș, SH Cluj, SH Hațeg, SH Râmnicu Vâlcea and SH Sebeș.

Expenditure incurred in 2017 for environmental protection works amounted to 2,485 thousand lei, including the fees paid for obtaining regulatory documents.

Year 2017 ended without environmental events.

At 31 December 2017, there was no liability for expected costs, including legal fees and consultancy, studies, design and implementation of environmental remediation plans.

8. Transfer price

Romanian tax legislation contains rules on transfer pricing between affiliated persons since 2000. The current legislative framework defines the principle of "market value" for transactions between affiliated persons as well as methods of setting transfer pricing.

In accordance with relevant tax legislation, the tax assessment of a transaction with affiliated parties is based on the concept of market price for that transaction. Based on this concept, transfer pricing should be adjusted to reflect market prices that would have been set between entities with no affiliation relationship and acting independently based on "normal market conditions".

As a result, tax authorities are expected to initiate thorough transfer pricing checks to ensure that the tax result and / or the customs value of the imported goods are not distorted by the effect of the prices charged in dealing with affiliated persons. It is likely that transfer pricing checks will be carried out in the future by tax authorities to determine whether those prices comply with the "normal market conditions" principle and that the taxpayer's taxable base is not distorted.

The company cannot determine the outcome of such verification. The Company considers that the transactions with affiliated parties have been performed at market values as well as from the preparation of the Transfer Pricing File for the year 2017.

16 FUTURE EVENTS

Hidroserv S.A. Insolvency

At the request of the appointed Official Receiver of Hidroserv S.A., through Civil Sentence no. 658 / 07.02.2018, given in the file no. 31485/3/2017, the syndic judge took over the right of administration of the debtor Hidroserv SA.

Execution of Bank Guarantee Letter no. GI-16/0826

On April 20, 2018, were published the grounds for the Civil Decision 8725/2017 which rejected the contesting of the letter of guarantee No. GI-16/0826 by ANAF. The company filed a lawyer's appeal.

The financial statements were approved by the Company's management on May 9, 2018 and signed on behalf of the Company:

Bogdan BADEA President Directorate	Marian BRATU Member Directorate	Adrian VOLINTIRU Member Directorate	Bogdan ȘOȘOACĂ Member Directorate	Razvan PAȚALIU Member Directorate
Marian Fetita Manager of Accounting Department			Prepared by Bogdan Pribeagu Head of Reporting, Control and Planning Service	

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