



HIDROELECTRICA

REPORT OF THE DIRECTORTE
S.P.E.E.H. HIDROELECTRICA S.A.
FOR THE FINANCIAL EXERCISE ENDED ON
31.12.2019



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1. IDENTIFICATION DATA

- Name of the company: S.P.E.E.H. HIDROELECTRICA S.A.
- Registered office: Bucharest, 15-17 Ion Mihalache Blvd., floors 10-15, sector 1, 011171
- Phone/fax: 0213032500; 0213032578
- Sole registration number at the Trade Register Office: 13267213
- Fiscal registration number: RO13267213
- Registered at Trade Register Office under no.: J40/7426/2000
- Paid-in and subscribed share capital: RON 4,482,393,310

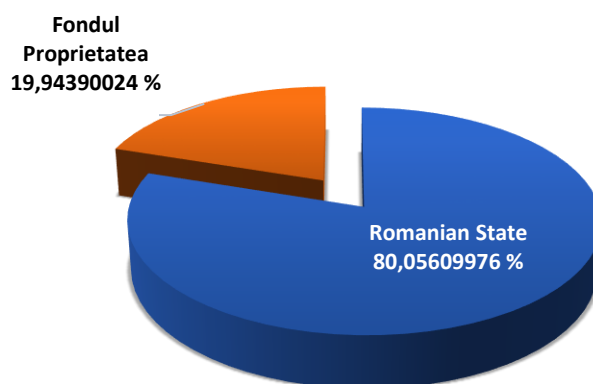
2. GENERAL DATA

S.P.E.E.H. Hidroelectrica S.A. is a joint stock company, established based on Romanian Government's Decision no. 627/13 July 2000, with headquarters in Bucharest, sector 1, 15-17 Ion Mihalache Blvd., floor 10-15, fiscal registration number RO13267213 and registered with the Trade Register Office to the Bucharest Tribunal under no. J40 / 7426/2000.

The share capital of S.P.E.E.H. Hidroelectrica S.A. on December 31, 2018 it was in amount of RON 4,482,393,310, consisting of 448,239,331 ordinary shares, issued in dematerialized form, by registration in account, with a par nominal value of RON 10, having the following structure of the shareholders:

- *ROMANIAN STATE* through the Ministry of Energy, holding a number of 358,842,926 shares, with a total nominal value of RON 3,588,429,260, representing 80.05609976% of the share capital of the Company;
- *Fondul Proprietatea S.A.*, holding 89,396,405 shares, with a total nominal value of RON 893,964,050, representing 19.94390024% of the share capital of the Company.

Hidroelectrica's shareholder structure as on 31.12.2019



The main activities of the company consist of:

- production of electricity in hydropower plants;
- selling electricity;
- performing ancillary services for the National Energy System;
- provide water management services from own accumulations by supplying raw water, debit adjustments, floods' protection, debit insurance and other common water management services
- ensuring navigation on the Danube river by locking;
- achieve control and ensure the attenuation of flood waves for the transit of catastrophic flows in the hydro-energetic facilities on the internal rivers under Hidroelectrica's management.

In situations that the increased flows might endanger material assets and human lives, together with the Ministerial Committee for Emergency Situations within the Ministry of Waters and Forests and the County Committees for Emergency Situations, the company contributes to a very important extent in limiting and eliminating these situations.

The company operates based on the licenses granted by the National Regulatory Authority for Energy (ANRE), which are regularly updated, thus:

- License No.332 / 2001 for the commercial exploitation of power generation capacities, including the provision of ancillary services, updated by ANRE Decision no.509 / 2017, valid until 24.07.2026.
- License No.932 / 2010 for the supply of electricity, updated by the ANRE Decision no. 768/2016, valid until 01.06.2020.

The organizational structure, the company consists of 7 branches without juridical personality spread on the territory of the country, namely:

- SH Bistrița - 13 Locotenent Drăghiescu Street, Piatra Neamț;
- SH Cluj - 1 Taberei Street, Cluj Napoca;
- SH Curtea de Argeș - 82-84 Basarabilor Street, Curtea de Argeș;
- SH Hațeg - 23 Nicolae Titulescu Blvd, Hațeg;
- SH Porțile de Fier - 2 I.C. Bibicescu Street, Drobeta Turnu Severin;
- SH Râmnicu Vâlcea - 11 Decebal Street, Râmnicu Vâlcea;
- SH Sebeș - 9 Alunului Street, Sebeș.

3. HIDROELECTRICA IN FIGURES

FINANCIAR	2019	2018	2019/2018
Revenues (mil. RON)	4,177	4,273	98 %
EBITDA (mil RON)	2,934	3,127	93.84 %
Net Profit (mil. RON)	1,386	1,939	71 %
OPERATIONAL (TWh)	2019	2018	2019/2018
Energy produced	15.21	17.23	88 %
Energy delivered	14.93	16.91	88 %
Energy sold	15.87	17.86	89 %

*EBITDA (Profit before interest, taxation, depreciation and amortization) is defined and calculated starting from the profit (loss) before tax adjusted (a) with i) depreciation and depreciation / resumption of impairment of tangible and intangible assets, ii) changes in provisions, iii) provisions used in 2019 following the loss of the dispute (ICC 19414 / MHM arbitration file) with Andritz Hydro GmbH (RON 71,302,700), iv) value adjustments of net current assets and v) financial result.

4. LENDMARKS OF 2019

The year 2019 was characterized by a multitude of events that went beyond the standard of predictable continuity of the company's activity, by a series of legislative changes, both internally and in the macroeconomic context, with major effects that affected several sectors of activity, requiring a proactive attitude of the executive management, a continuous adaptation to achieve the established objectives, as well as by identifying and taking advantage of the opportunities that inevitably appear in these periods of uncertainty.

Practically, overnight, by issuing GEO 114/2018 at the end of December 2018, the “rules of the game” were modified for the main sectors of activity in Romania, with major short-term effects, and with a worsening perception of all participants on the local economic environment, due to the lack of coherence and predictability of the legislative framework.

Thus, starting with 01.03.2019, the regulated market was reintroduced in Romania, by GEO 114/2018, reversing the trend of liberalization of the energy market in Romania, completed in 2017.

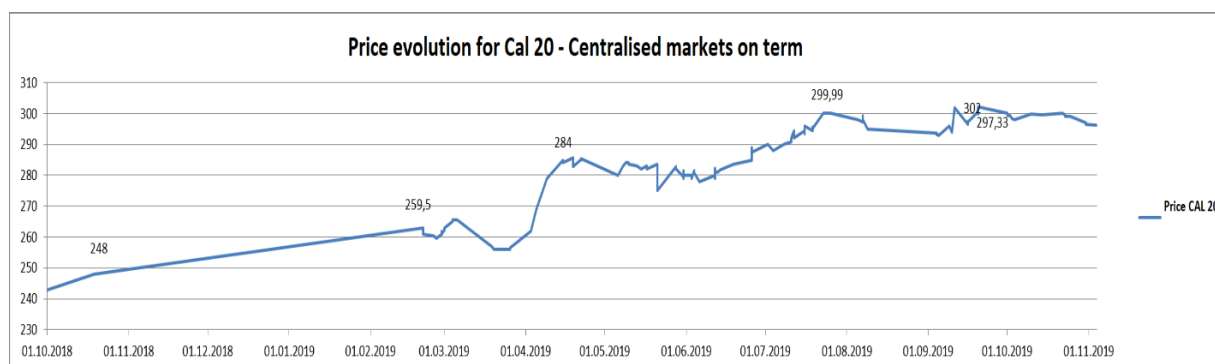
According to the ANRE methodology (Order 10/2019), in 2019 the following producers delivered energy on the regulated market to the Suppliers of Last Instance:

No..	Producer	Quantity (MWh)	%	01 March-30 June	01 July-31 December
1	S.N Nuclearelectrica S.A	1,377,328.97	31,90%	188,33	
2	S.P.E.E.H Hidroelectrica S.A.	1.636.531,52	37,91%	111,61	
3	OMV Petrom S.A	1.137.174,91	26,34%	259,58	
4	Veolia Energie Iasi S.A	416,86	0,01%	218,15	231,17
5	Termoficare Oradea S.A	1.593,79	0,04%	218,15	231,17
6	Societatea Electrocentrale Bucuresti S.A	125.083,18	2,90%	218,15	231,17
7	CET Govora S.A	6271,054	0,15%	218,15	231,17
8	Societatea Complexul Energetic Hunedoara S.A	9.914,73	0,23%	218,15	231,17
9	Societatea Complexul Energetic Oltenia S.A	22.875,63	0,53%	218,15	231,17
	Total	4.317.190,64			

<https://portal.anre.ro/PublicLists/Decizie>

The declared effect of GEO 114/2018 to generate a decrease in energy prices for consumers did not achieve its purpose, the market heading in the other direction, namely:

Romanian competitive market trading prices (OPCOM) have increased for energy with delivery in 2020:



Source: Internal analysis of Hidroelectrica SA

- The export-import balance in 2019 was negative, Romania becoming a net importer of electricity:

EXPORT	3,540 GWh
IMPORT	5,050 GWh
BALANCE	-1,510 GWh

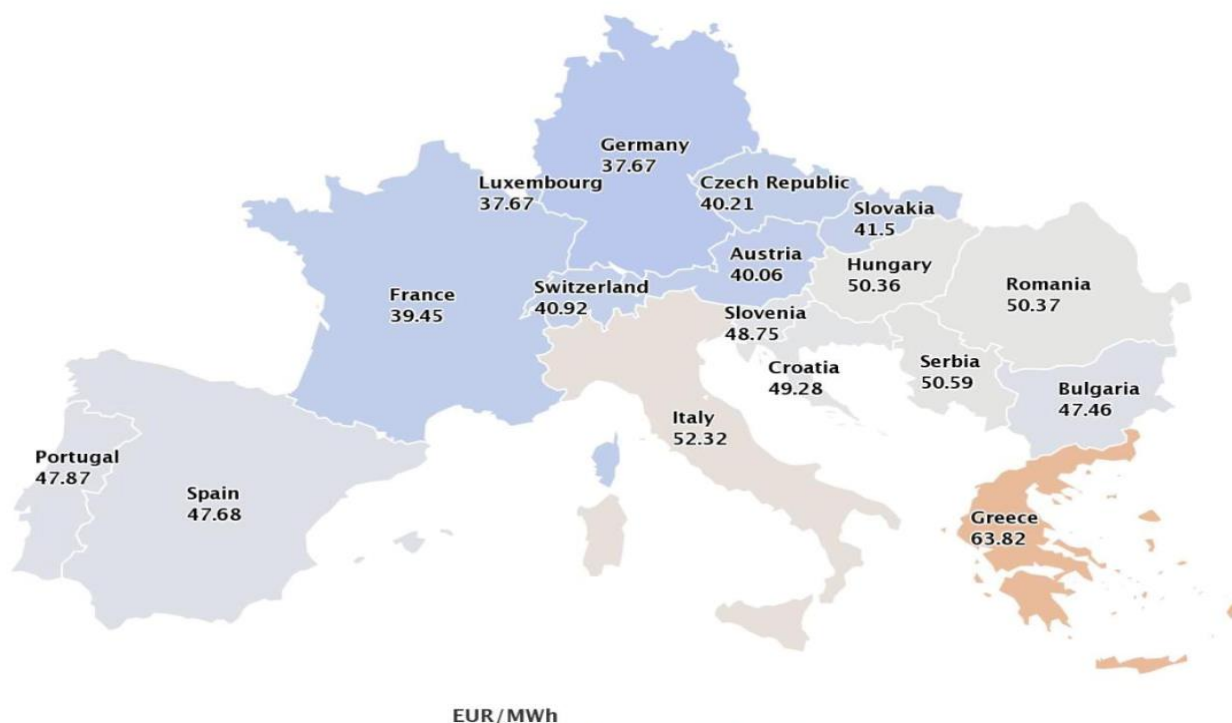
No.	Indicator	u.m.	December 2018	December 2019	%	2018	2019	%
0	1	2	3	4	5=4/3*100	6	7	8=7/6*100
1	Energy produced	TWh	5,46	5,10	93,41	61,97	57,02	92,02
2	Energy supplied	TWh	5,11	4,80	93,94	58,31	53,63	91,98
3	Import	TWh	0,48	0,58	121,41	2,93	5,05	172,17
4	Export	TWh	0,33	0,44	133,33	5,48	3,54	64,59
5	Internal consumption (2+3-4)	TWh	5,26	4,95	94,11	55,76	55,15	98,91
6	Consumption of household customers:	TWh	1,26	1,20	95,24	12,78	12,98	101,57

6.1.	- in US / regulated regime	TWh	0,86	0,75	87,21	9,66	8,40	86,96
6.2.	- in a competitive regime	TWh	0,40	0,45	112,50	3,12	4,58	146,80
7	Consumption of non-household customers:	TWh	3,15	3,01	95,56	37,25*	36,52	98,04
7.1.	- in SU / UI mode and inactive	TWh	0,09	0,09	100,00	0,99	1,00	101,01
7.2.	- in a competitive regime	TWh	3,06	2,92	95,43	36,26*	35,52	97,96

<https://www.anre.ro/ro/energie-electrica/rapoarte/rezultate-monitorizare-piata-energie-electrica/20191556881773>

**Source: ANRE Report 2019*

At the same time, on Next Day Market, Romania registered one of the highest prices in Europe with an increase of approximately 10% compared to 2018.



Source: Energy LIVE

For Romania: report OPCOM 2019:

https://www.opcom.ro/opcom/uploads/doc/rapoarte/Anual/RS_2019_RO.pdf

For Europa: graphic by EnergyLive

- The prices for household consumers, supplied in a regulated regime by the Suppliers, were not reduced after the reintroduction of the regulated market on 01.03.2019, A.N.R.E. only "freezing" the tariffs at the level of the previous year. As a result of this fact, Hidroelectrica SA became an optional Last Instance Supplier on the Muntenia SUD distribution area, starting with 01.03.2019, offering a discounted price compared to the supplier of the respective area.

Also, Hidroelectrica SA developed the company's supply portfolio, by delivering 680 GWh during 2019, an increase of over 70% compared to the previous year, exceeding the threshold of 1% market share in this segment in Romania.

In this context, in September, following the CEZ announcement, of intending to sell the assets of CEZ Romania Group, Hidroelectrica sent a letter of intent to participate in this process, in order to acquire the shares of CEZ Romania Group and consolidate its position, the largest energy producer in Romania on the one hand, and on the other hand to become a vertically integrated company with access to the entire value chain in the energy market - production, supply, distribution.

Domestic actions

The maturity level of the hydroelectric power plant portfolio held by Hidroelectrica currently generates a significant return to shareholders in terms of dividends and also offers the possibility of developing the company by attracting diversified sources of financing - loans, bonds, capital market, given the current structure of equity by financing the company's assets in proportion of 100% of equity (shareholders' money).

The continuous concern of the executive management, arising primarily from the mandate granted by the shareholders, is equally focused on the development component by increasing and protecting the value of the company, by maintaining a predictable policy of granting dividends to shareholders.

In addition to the internal actions that ensure the development of the company, the acquisition opportunities in the market are also a catalyst for increasing the value of the company. Thus, the recent intention of the CEZ Romania group to make a total exit from Romania in favor of a local investment in the CZECH REPUBLIC, perfectly responds to the company's expansion strategy by identifying new business opportunities meant to transform Hidroelectrica into a regional player of major importance in the electricity market in SOUTH EAST Europe.

It should be mentioned, from the point of view of internal actions, that during 2019, the selection procedures were finalized, according to GEO 109, both for the members of the Supervisory Board and for the Hidroelectrica Management Board. Thus, the company fulfilled one of the necessary conditions for ensuring the implementation of the development strategy, by ensuring a stable executive management, with a term of 4 years, a condition that is otherwise essential in the listing process.

Also, in July 2019, the shareholders approved the Management Plan of the company for a period of 4 years.

5. COMPANY ADMINISTRATION AND MANAGEMENT. CORPORATE GOVERNANCE

Strategic planning within Hidroelectrica has as references the Hidroelectrica Constitutive Act, the provisions of SR EN ISO 9001: 2015 Quality management systems - Requirements, SR EN ISO 31000: 2018 Risk management - Guidelines and OSGG 600/2018 updated for approval of the Internal managerial control code of public entities. The requirements of these regulations are convergent and can be found in the documents resulting from the implementation and development of the procedure M01.001 *Strategic planning*, implemented by the Supervisory Board.

For the efficient and effective performance of the activities within the company, the Supervisory Board implemented the procedures *M02.001* - Evaluation Modeling of the Process Map and the Internal Management Control System of Hidroelectrica and *M02.010* - Implementation Evaluation, a process establishing the framework / module for determination, regulation, management and execution of activities / operations, in a professional, coherent, transparent, integral and simple manner, having a constructive and common approach, at the level of the entire company.

By its policy, approved by the company's Supervisory Board, Hidroelectrica is based on a management system complying the requirements of quality, environmental and occupational safety and health management standards, continuously monitored and adapted / optimized, with reference to the identification, implementation and monitoring of applicable requirements, the Plan-Perform-Verify-Act cycle and reflection based on risk and opportunity. This compliance is demonstrated by the certification of the quality management system - SR EN ISO 9001: 2015, the environmental management system - SR EN ISO 14001: 2015 and the occupational health and safety management system SR OHSAS 18001: 2008 of Hidroelectrica by SRAC , IQNET partner (The International Certification Network) - RENAR accredited certification body.

We should mention that the members of the Supervisory Board are appointed by the Ordinary General Meeting of Shareholders, and the Directorate is appointed by the Supervisory Board, exercising their duties under the control of the Supervisory Board (consisting of 7 members).

Supervisory Board

On 04.05.2018, the General Meeting of Shareholders approved the commencing of the selection procedure for the members of the Supervisory Board according to the provisions of GEO 109/2011, with subsequent amendments and completions. Thus, on 05.02.2019, the shareholders appointed the members of the Supervisory Board with a term of office of 4 years.

No.	SB Member
1.	Ioana-Andreea LAMBRU (Chairperson)
2.	Daniel NAFTALI
3.	Mihai MIHALACHE
4.	Karoly BORBELY
5.	Cătălin POPESCU
6.	Carmen RADU
7.	Cristian-Nicolae STOINA

Within the Supervisory Board, the following committees are appointed, having an advisory role:

1. Nomination and Remuneration Committee
2. Audit Committee
3. Strategy and IPO Committee

Directorate

The structure of the Management Board during 2019 is presented below. Starting with 10.06.2019, the members of the Management Board were appointed for a period of 4 years.

Bogdan-Nicolae BADEA	01.09.2019	05.08.2019	SB Decision 113 date 18.12.2018
Marian BRATU	01.09.2019	05.08.2019	SB Decision 114 date 18.12.2018
Bogdan ȘOȘOACĂ	01.09.2019	05.08.2019	SB Decision 115 date 18.12.2018
Răzvan-Ionuț PAȚALIU	01.09.2019	05.08.2019	SB Decision 116 date 18.12.2018
Florentina ȘUȘNEA	01.09.2019	05.08.2019	SB Decision 117 date 18.12.2018
Bogdan-Nicolae BADEA	05.09.2019	06.09.2019	SB Decision 30 date 25.04.2019 SB Decision 38 date 03.06.2019
Marian BRATU	05.09.2019	06.09.2019	SB Decision 30 date 25.04.2019 SB Decision 38 date 03.06.2019
Bogdan ȘOȘOACĂ	05.09.2019	06.09.2019	SB Decision 30 date 25.04.2019 SB Decision 38 date 03.06.2019
Răzvan-Ionuț PAȚALIU	05.09.2019	06.09.2019	SB Decision 30 date 25.04.2019 SB Decision 38 date 03.06.2019
Florentina ȘUȘNEA	05.09.2019	06.09.2019	SB Decision 30 date 25.04.2019 SB Decision 38 date 03.06.2019
Bogdan- Nicolae BADEA	06.10.2019	06.09.2023	SB Decision 39 date 03.06.2019
Marian BRATU	06.10.2019	06.09.2023	SB Decision 40 date 03.06.2019
Răzvan-Ionuț PAȚALIU	06.10.2019	06.09.2023	SB Decision 41 date 03.06.2019
Radu-Cristian POP	06.10.2019	06.09.2023	SB Decision 42 date 03.06.2019
Cristian VLĂDOIANU	06.10.2019	06.09.2023	SB Decision 43 date 03.06.2019

In accordance with Art. 51 of GEO no. 109/2011, with subsequent amendments and completions, the company posted on its website the followings: the structure of the Supervisory Board, the advisory committees, as well as the Management Board, the resumes of the members of the Supervisory Board and the Management Board, their remuneration, the Code of Ethics, Statutory financial statements on 30.06.2019, decisions of the General Meeting of Shareholders, etc..

On 25.07.2019, the General Meeting of Shareholders approved, with the majority of votes casted, the company's Management Plan, as well as the financial and non-financial performance indicators of the members of the Supervisory Board and the Board of Directors of the company.

Below are presented the approved performance indicators and the ratio of fulfillment on 31.12.2019:

No.	Key performance indicators (KPI) HE Directorate	2019					
		Target	Value of target	Realized value	Ratio of fulfilling of KPI target (%)	Weighting coefficient KPI (%)	Result (%)
KPI financial							
1	Turnover (<i>mil. RON</i>)	min. 90% of REB	3,160	4,149	131.31	10	13.13
2	EBITDA margin (%) EBITDA*/ Turnover	min. 90% of REB	46.58	70.72	151.82	10	15.18
3	Gross profit (<i>mil. RON</i>)	min. 90% of REB	883	2,081	235.74	15	35.36
4	Current liquidity	min. 1	1	5.96	200	5	10.00
5	Net debt ratio	max. 3	3	-0.05	200	5	10.00
6	Outstanding payments to the state budget (<i>ths RON</i>)	0	0	0	100	5	5.00
Operational KPI							
1	Realization of investment program in refurbishments / modernizations (%)	min. 50%	42,397	42,597	100.47	10	10.05
2	Realization of physical maintenance program for planned works (%)	min. 50%	2,512	3,788	150.79	10	15.08
3	Availability of hydro units (%)	min. 75%	75%	89,3%	119.06	5	5.95
KPI Public service-oriented							
1	Performing the ancillary services necessary to ensure the operational stability of the NES (secondary control reserve and fast tertiary control reserve), at the request of NED (%)	min. 90%	6,692,259	7,435,843	111.11	5	5.56
2	Fulfilling the obligations to supply electricity from sales contracts (%)	min. 90%	9,869,608	10,966,232	111.11	5	5.56

No.	Key performance indicators (KPI) HE Directorate	2019					
		Target	Value of target	Realized value	Ratio of fulfilling of KPI target (%)	Weighting coefficient KPI (%)	Result (%)
KPI on corporate governance							
1	Timely preparation of the revenue and expenditure budget (%)	100%	100%	100%	100	3	3.00
2	Establish risk management policies and risk monitoring (%)	min. 70%	70%	71%	101.42	3	3.04
3	Implementation of the internal managerial control system	min. 4 standard	4	4	100	3	3.00
4	Development of reporting and control capabilities according to Stock Exchange principles	100%	100%	75%	75	3	2.25
5	Preparation and completion of the listing process	100%	100%	100%	100	3	3.00
Total ratio of compliance KPI HE Directorate (%)							145.16

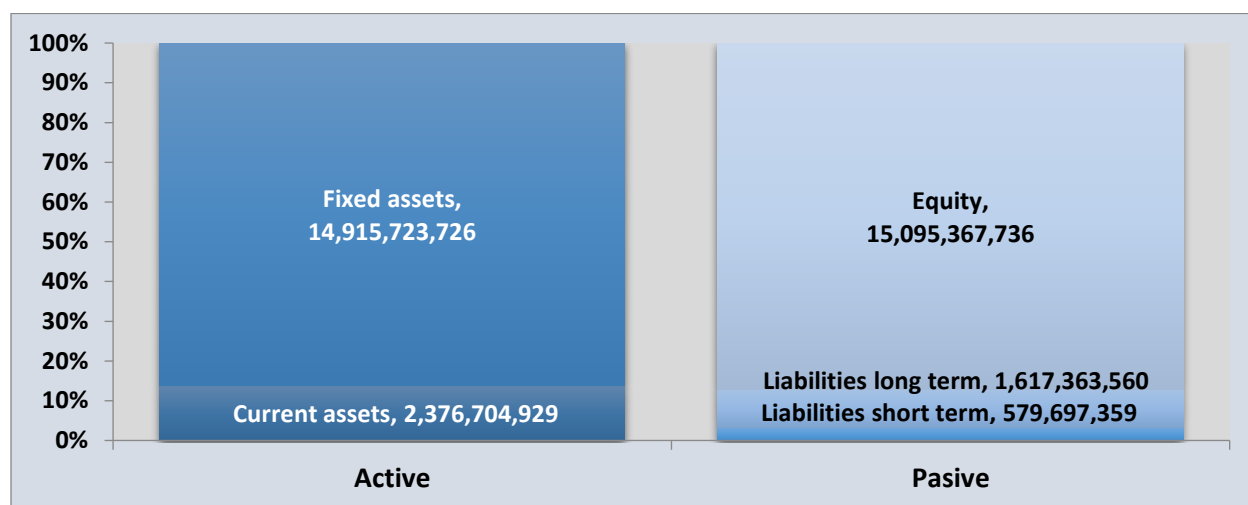
*EBITDA (Profit before interest, taxation, depreciation and amortization) is defined and calculated starting from the profit (loss) before tax adjusted (a) with i) depreciation and depreciation / resumption of impairment of tangible and intangible assets, ii) changes in provisions, iii) including provisions used in 2019 following the loss of the dispute (ICC 19414 / MHM arbitration file) with Andritz Hydro GmbH (RON 71,302,700), iv) value adjustments of net current assets and v) financial result

6. FINANCIAL AND ECONOMIC ACTIVITY

Statement of financial position as of December 31, 2019

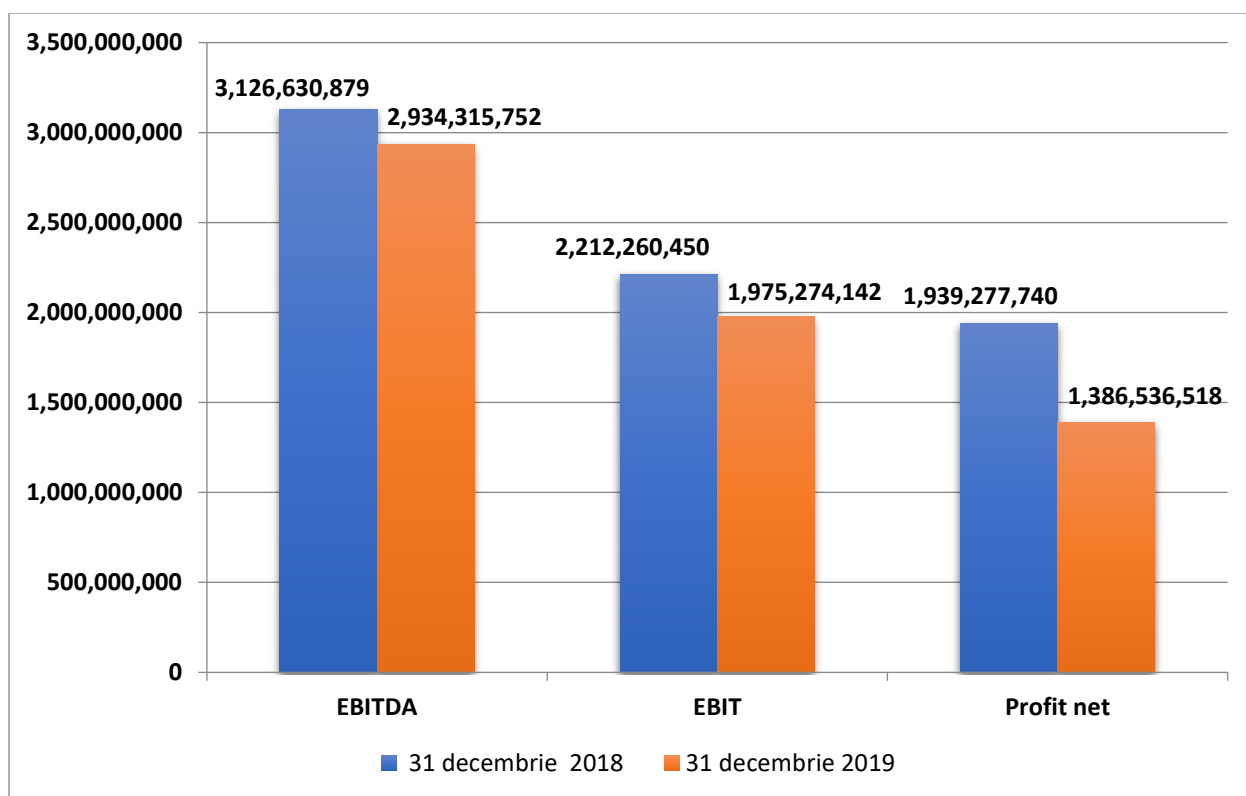
	31 December 2019	31 December 2018
Assets		
Fixed assets		
Tangible assets	14,695,506,367	15,287,335,832
Intangible assets	3,441,762	4,314,994
Other assets	2,390,385	2,703,649
Long-term receivables	214,385,212	-
Total fixed assets	14,915,723,726	15,294,354,475
Current assets		
Inventories	70,883,042	70,000,911
Trade receivables	327,536,263	445,823,203
Other receivables	6,111,792	220,492,636
Prepayments	2,084,599	2,120,469
Bank deposits	1,736,855,286	2,496,667,070
Restricted cash	10,257,471	10,257,471
Cash and cash equivalents	222,976,476	75,763,691
Total current assets	2,376,704,929	3,321,125,451
Total assets	17,292,428,655	18,615,479,926
Equity and debt		
Equity		
Share capital	4,482,393,310	4,482,393,310
Inflation adjustment of share capital	1,028,872,000	1,028,872,000
Public patrimony	39,619,341	39,619,341
Revaluation reserve	6,458,435,638	6,859,132,234
Other reservations	687,946,734	583,885,429
Retained earnings	2,398,100,713	3,565,623,133
Total equity	15,095,367,736	16,559,525,447
Liability		
Long-term debt		
Bank loans	26,445,661	68,316,357
Leasing	14,529,615	-
Revenues recorded in advance	155,794,499	161,186,535
Deferred tax liabilities	708,991,968	744,501,726
Employee benefits	101,206,714	92,801,043
Provisions	582,561,094	286,554,994
Trade payables	13,737,548	15,248,789
Other liabilities	14,096,462	8,125,574
Total long-term debt	1,617,363,560	1,376,735,018

	31 December 2019	31 December 2018
Current debts		
The current portion of long-term bank loans	43,561,064	42,509,247
The current portion of the lease	5,064,771	-
Trade payables	161,425,822	155,933,031
Current profit tax	181,676,152	106,847,471
Revenues recorded in advance	36,997,921	25,832,992
Employee benefits	32,019,137	34,923,038
Provisions	98,756,293	147,746,623
Other current debts	20,196,199	165,427,059
Total current debts	579,697,359	679,219,461
Total debt	2,197,060,919	2,055,954,479
Total equity and debt	17,292,428,655	18,615,479,926



The statement of profit/loss and other items of overall income is as follows:

	2019	2018
Revenues		
Sale of electricity	4,142,446,993	4,252,014,632
Other operating revenues	34,761,548	21,118,098
Total revenues	4,177,208,541	4,273,132,730
Operating expenses		
Purchased electricity	(25,774,982)	(126,925,533)
Depreciation of tangible and intangible assets	(737,517,895)	(665,787,207)
Resumption of adjustments for the depreciation of tangible and intangible assets, net	34,528,626	127,149,416
Value adjustments of trade receivables and other receivables, net	(1,116,983)	(21,237,758)
Stock value adjustments	(247,132)	(570,013)
Payroll and other remuneration	(396,670,837)	(374,479,753)
Turbinated water	(327,629,039)	(359,594,144)
Materials and consumables	(9,576,551)	(8,107,558)
Repairs and maintenance	(101,776,664)	(89,309,146)
Changes in provisions	(325,353,206)	(356,518,513)
Other operating expenses	(310,799,736)	(185,492,071)
Total operating expenses	(2,201,934,399)	(2,060,872,280)
Operating profit	1,975,274,142	2,212,260,450
Financial income	113,776,305	77,628,616
Financial expenses	(7,824,347)	(628,007)
Net financial result	105,951,958	77,000,609
Profit before tax	2,081,226,100	2,289,261,059
Income tax	(694,689,582)	(349,983,319)
Net income	1,386,536,518	1,939,277,740
Other results of the overall result		
Revaluation of tangible assets	-	1,371,943,377
Deferred tax related to the revaluation of tangible assets	-	(220,819,692)
Decreasing the revaluation reserve following the depreciation of tangible assets	(52,014,420)	
Other elements of the overall result	(52,014,420)	1,151,123,685
Total overall result	1,334,522,098	3,090,401,425



EBITDA (Profit before interest, taxation, depreciation and amortization) is defined and calculated starting from the profit (loss) before tax adjusted with (a) amortization and depreciation / resumption of impairment of tangible and intangible assets, ii) changes in provisions , iii) including provisions used in 2019 following the loss of the dispute (arbitral file ICC 19414 / MHM) with Andritz Hydro GmbH (RON 71,302,700), iv) value adjustments of net current assets and v) financial result

EBIT - represents the profit before the payment of interest and tax (operational profit).

Income tax increased in 2019 as a result of the taxation of retained earnings from revaluation reserves used to pay special dividends as well as to cover value adjustments of current objectives, as shown below:

a) For 2019

- Distribution of dividends in the amount of RON 1,000,000,000 from revaluation reserves previously transferred to the retained earnings and which, according to the fiscal legislation, are taxed at the moment of changing the destination; and
- Changing the destination of revaluation reserves by covering the accounting corrections (losses) registered in 2018 on account of the retained earnings in the amount of RON 1,574,162,178.

b) For 2018

- Distribution of dividends in the amount of RON 260,228,826 from revaluation reserves previously transferred to the retained earnings and which, according to the fiscal legislation, are taxed when changing the destination.

In 2019, the company distributed dividends in the amount of RON 2,798,679,809 (RON 6.24 / share) from the profit of 2018 and from the retained earnings, representing the revaluation reserve registered before 2004, transferred to the retained earnings as depreciation and disposal of fixed assets. According to the Fiscal Code, these reserves were taxed as a result of the change of destination.

Dividends distributed in 2019	
Dividends distributed from the profit of the year 2018	1,798,679,809
Dividends distributed from retained earnings representing revaluation reserves transferred	1,000,000,000
Total	2,798,679,809

In 2018, the company distributed dividends in the amount of RON 1,821,429,318 from the following sources:

Dividends distributed in 2018	
Dividends distributed from the profit of the year 2017	1,134,411,087
Dividends distributed from retained earnings representing revaluation reserves transferred	260,228,826
Dividends distributed from retained earnings representing accumulated profit	426,789,405
Total	1,821,429,318

In 2019, were paid dividends in the amount of RON 2,935,698,041 (2018: RON 1,684,411,087), representing RON 2,798,679,809 distributed in 2019, respectively RON 137,018,232 representing balance payment dividends as on December 31, 2018.

Situation of cash flows

	2019	2018
Cash flows from operating activities:		
Net income	1,386,536,518	1,939,277,740
<i>Adjustments for non-monetary items:</i>		
Depreciation of tangible assets	735,399,336	664,455,854
Depreciation of intangible assets	2,118,559	1,331,354
Resumption of value adjustments of tangible assets, net	(34,528,626)	(127,149,417)
Expenses from revaluation of tangible assets, net	-	5,434,388
Expenses with value adjustments of trade and other receivables, net	1,116,983	21,237,758
Expenses with value adjustments of inventories	247,132	570,013
Loss / (profit) on disposal of tangible assets	253,525	(120,410)
Revenue from investment subsidies	(5,526,866)	(5,539,422)
Unrealized losses from revaluation of debts	2,439,132	97,903
Interest income	(86,126,778)	(58,376,605)
Interest expenses	344,101	322,495
Income tax expense	694,689,582	349,983,319
	2,696,962,598	2,791,524,970
Changes in:		
Trade receivables	119,604,215	(105,839,187)
Other assets	(2,190,357)	57,946,019
Inventories	(1,129,263)	(2,331,238)
Restricted cash	-	(10,257,471)
Prepayments	35,871	219,438
Trade payables	1,121,287	4,286,386
Revenues registered in advance	11,299,759	1,669,361
Employees' benefits	5,501,770	17,812,988
Provisions	247,015,770	334,605,366
Other liabilities	(1,584,845)	(33,705,453)
Cash generated from operating activities	3,076,636,805	3,055,931,181
Interest paid	(344,101)	(322,495)
Profit tax paid	(655,370,658)	(336,133,560)
Net cash from operating activity	2,420,922,046	2,719,475,126
Cash flows from investment activity:		
Payments for acquisitions of tangible assets	(136,162,035)	(166,955,347)
Payments for acquisitions of intangible assets	(1,245,327)	(333,600)
Proceeds from the sale of tangible assets	1,780,362	771,112

	2019	2018
Interest received	100,938,562	35,466,539
Payments for deposits with an initial maturity of more than 3 months	(9,246,000,000)	(5,916,000,000)
Receipts from deposits with an initial maturity of more than 3 months	9,991,000,000	5,071,384,629
Net cash from / (used in) investment activity	710,311,562	(975,666,667)
Cash flows from financing activity:		
Loan repayments	(43,258,011)	(89,211,742)
Leasing	(5,064,771)	-
Dividends paid	(2,935,698,041)	(1,684,411,087)
Net cash used in financing activity	(2,984,020,823)	(1,773,622,829)
Net increase / (decrease) in cash and cash equivalents	147,212,785	(29,814,370)
Cash and cash equivalents as on January 1	75,763,691	105,578,061
Cash and cash equivalents as on 31 December	222,976,476	75,763,691

Indicator (thousand RON)	2019	2018	Variation (%)
Net income	1,386,536,518	1,939,277,740	-28,50%
Gross operating profit	1,975,274,142	2,212,260,450	-10,71%
Turnover	4,149,243,208	4,261,482,479	-2,63%
Operating expenses	2,201,934,399	2,060,872,280	6,84%
EBITDA*	2,934,315,752	3,126,630,879	-6,15%
Liquidity (cash, restricted cash and cash equivalents plus bank deposits)	1,970,089,233	2,582,688,232,00	23,72%

Main financial and non-financial indicators

Indicator [RON]	Formula	u.m.	2019	2018
Profitability indicators				
EBITDA pin total sales	EBITDA*/CA	%	70.72%	73.37%
EBITDA in equity	EBITDA*/Equity	%	19.44%	18.88%
Gross profit rate	Gross profit/CA	%	47.61%	51.91%
Rate of return on capital	Gross profit / Equity	%	13.09%	13.36%
Asset rate of return	Net profit/Total assets	%	8.02%	10.42%
Liquidity and solvency indicators				
Current liquidity indicator	Current assets /DPTS	X	4.10	4.89
Immediate liquidity indicator	Current assets – Inventories/DPTS	X	3.98	4.79
Patrimonial solvency	Equity /Total debts	X	6.87	8.05
Risk indicators				
Debt indicator	Borrowed capital / Equity	x	10.71%	8.31%
Activity indicators				
Rotation speed of flows-clients gross value	Average customer balance * 365/CA	zile	45	34
Credit turnover of suppliers	Average supplier balance adjusted VAT * 365/CA	zile	7.57	13.41

* EBITDA (Profit before interest, taxation, depreciation and amortization) is defined and calculated starting from the profit (loss) before tax adjusted with (a) depreciation and depreciation / resumption of impairment of tangible and intangible assets, ii) changes in provisions , iii) including provisions used in 2019 following the loss of the dispute (ICC 19414 / MHM arbitration file) with Andritz Hydro GmbH (RON 71,302,700), iv) value adjustments of net current assets and v) financial result.

Company's results

No.	Indicator [ths RON]	Realized 2019	REB 2019*)	Realized 2018	Variation (%)	
0	1	2	3	4	5=2/3	6=2/4
1	Operating revenues	4,177,462,066	3,518,989,524	4,273,783,432	119	98
2	Operating expenses	2,202,187,923	2,564,250,281	2,061,522,982	86	107
3	Operating profit	1,975,274,142	954,739,243	2,212,260,450	207	89
4	Financial expenses	7,824,347	3,583,971	628,007	218	1,246
5	Financial income	113,776,305	29,781,772	77,628,616	382	147
6	Net financial income / expenses	105,951,958	26,197,801	77,000,609	404	138
7	Profit before tax	2,081,226,100	980,937,044	2,289,261,059	212	91
8	Income tax expenses, net	694,689,582	156,949,927	349,983,319	443	198
9	Profit for the financial year	1,386,536,518	823,987,117	1,939,277,740	168	71

Execution of the Revenue and Expenditure Budget on 31 December 2019

As presented in the table below, all revenue indicators were exceeded (total revenue was 121% of the budget) and all expenditure indicators - including those of a payroll nature - were met (total expenditure was exceeded). 86.28% of the budget).

thousand RON

		No.	REB 2019 approved by GD 288/14.05.2019	Realised	
Indicators		row		31.12.2019	Realised vs. REB
1	2	3	4	5	6=5/4
I.	TOTAL INCOME (Row 2+Row 5)	1	3,548,771	4,291,238	120.92%
	Total operating income, of which:	2	3,518,990	4,177,462	118.71%
	Subsidies, according to the legal provisions in force	3			
	Transfers, according to the legal provisions in force	4			
	Financial income	5	29,782	113,776	382.03%
II.	TOTAL EXPENSES (Row7+Row19)	6	2,567,834	2,215,641	86.28%
	Operating expenses (Row8+Row9+Row10+ Row18)	7	2,564,250	2,203,968	85.95%
A.	Expenditure on goods and services	8	820,317	508,408	62.49%
B.	Expenses with taxes, fees and assimilated payments	9	144,754	139,565	96.42%
C.	(Row11+Row14+Row16+Row17)	10	452,524	400,386	88.48%
C0	Payroll related expenses (Row12+Row13)	11	432,044	384,029	88.89%
C1	Payroll expenses	12	397,327	351,194	88.39%
C2	Bonuses	13	34,717	32,835	94.58%
C3	Other personnel costs, of which:	14	4,210	3,486	82.80%
	Expenses with compensatory payments related to personnel availability	15	1,000	806	80.60%
C4	Expenses related to the mandate contract and other management and control bodies, commissions and committees	16	3,378	3,252	96.27%
C5	Expenses with insurance and social protection, special funds and other legal obligations	17	12,892	9,619	74.61%

D.	Other operating expenses	18	1,146,655	1,155,609	100.19%
	Financial expenses	19	3,584	11,673	325.70%
III.	GROSS RESULT (profit) (Row1-Row6)	20	980,937	2,081,226	212.17%
IV.	INCOME TAX	21	156,950	694,690	442.62%
V.	ACCOUNTING PROFIT AFTER DEDUCTING INCOME TAX	22	823,987	1,386,536	168.27%

Financial auditors' fees

The fees related to the professional services provided by KPMG Audit SRL to the Company in the period covered by the financial statements for the financial year ended 31 December 2019 and until the date of this Report (the period from January 1, 2020 until the date of this report) are the following:

Statutory audit services for financial statements - RON 361,286 (for the year ended December 31, 2019)

Services related to the audit regarding the financial conditions mentioned in the loan agreements concluded by the Company with commercial banks / international financial institutions (covenants) - RON 24,411 (for the year ended on December 31, 2019)

Non-audit services - 0 RON (for the year ended December 31, 2019)

7. FIELDS OF ACTIVITY

7.1 PRODUCTION AND OPERATION

Evolution of electricity consumption and production in 2019

The total power installed in NES in 2019 was 20,696.7 MWh (ANRE commercial operating license plants) of which 4,787.2 MWh in coal-fired power plants, 3,240.1 MWh in hydrocarbon power plants, 6,703.75 MWh in hydroelectric power plants, 1,413 MWh in nuclear power plants, 3,023.53 MWh in wind power plants, 137.48 MWh in biomass power plants, 1,391.59 MWh in photovoltaic power plants and 0.05 MWh in geothermal power plants.

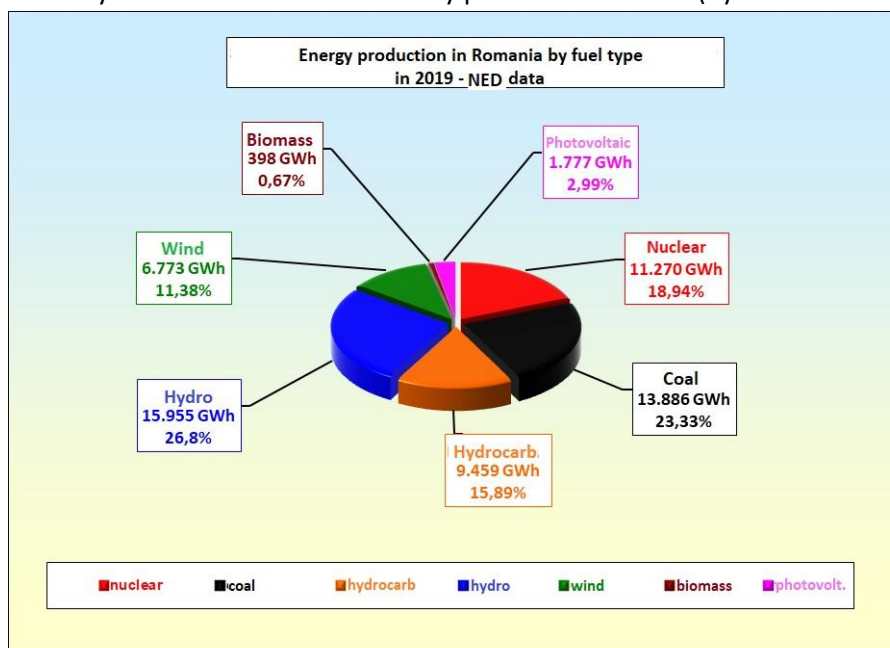
Romania's domestic electricity consumption in 2019 was 61,032 GWh, with a value 1.3% lower than the value recorded in 2018 (61,835 GWh).

Electricity production in 2019 was 59,518 GWh, of which 13,886 GWh produced in coal-fired power plants, 9,459 GWh in hydrocarbon power plants, 11,270 GWh in nuclear power plants, 15,955 GWh in hydroelectric power plants (of which 15,205 GWh in hydroelectric power plants under Hidroelectrica administration), 6,773 GWh in wind power plants, 398 GWh in biomass power plants and 1,777 GWh in photovoltaic power plants.

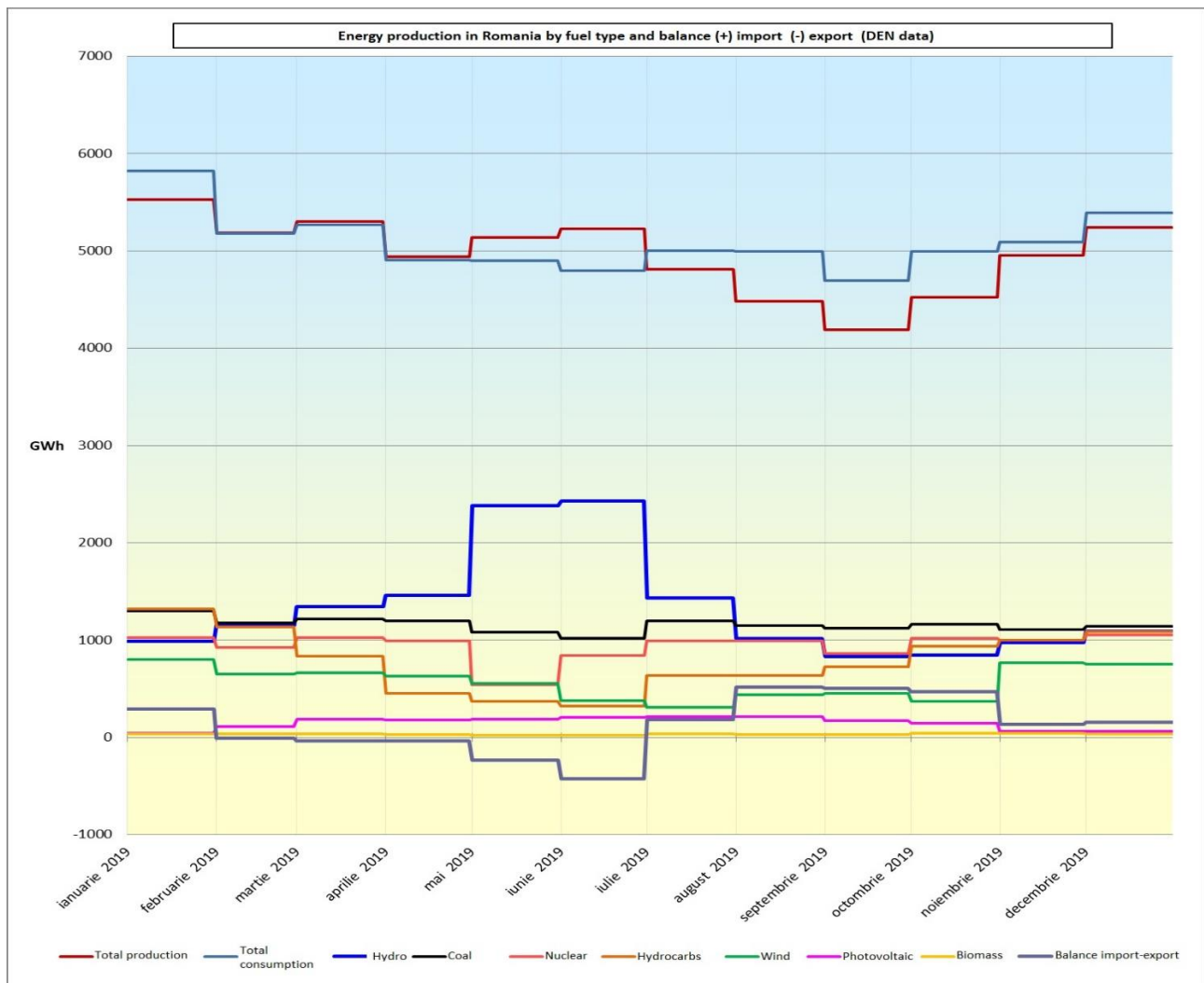
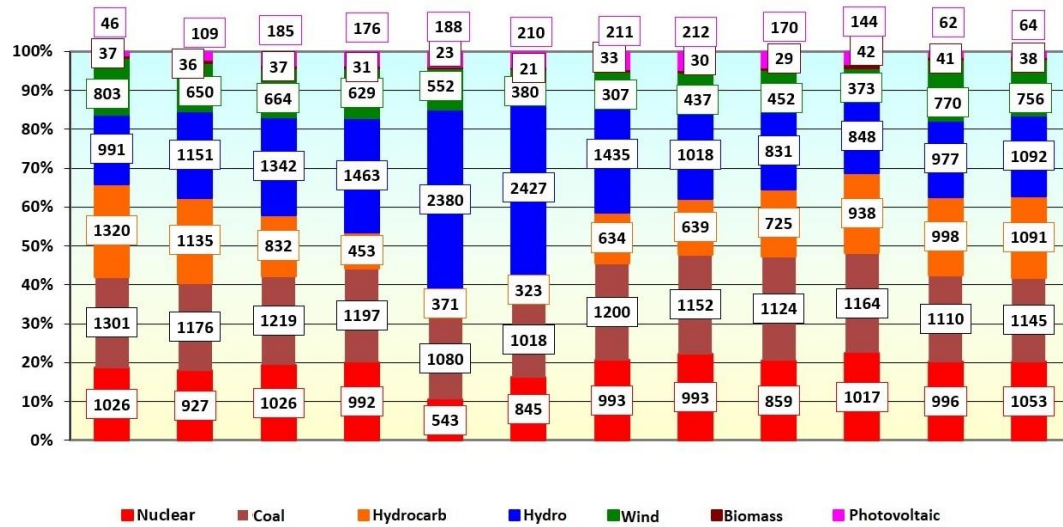
The electricity produced in the Hidroelectrica installations represented 25.54% of the total production of the country. The share of production achieved in Hidroelectrica installations compared to the total production of NES was between 50.6% (June) and 16.98% (October).

The production achieved in 2019 in the hydroelectric power plants under management was 11.76% (2,027 GWh) lower than the one achieved in 2018. The table below presents the participation in the monthly coverage of the NES load schedule of the producers from Romania (depending on the type of fuel).

Monthly ratio of Romania's electricity production in 2019 (by fuel nature - NED data)



Monthly ratio of Romania's electricity production in 2019 (by fuel nature - NED data)



Energy production of Hidroelectrica

The energy production in the hydroelectric power plants in 2019 was 100% obtained on account of the natural affluence, registering in addition a storage of **364.05** million cubic meters (**611.41** GWh) the energy reserve of the big accumulation lakes increasing from 1,618.45 GWh on 31.12.2018 (**1,382.98** million cubic meters of stock) to 2,229.86 GWh (**1,747.02** million cubic meters of stock) on 31.12.2019.

Providing ancillary services

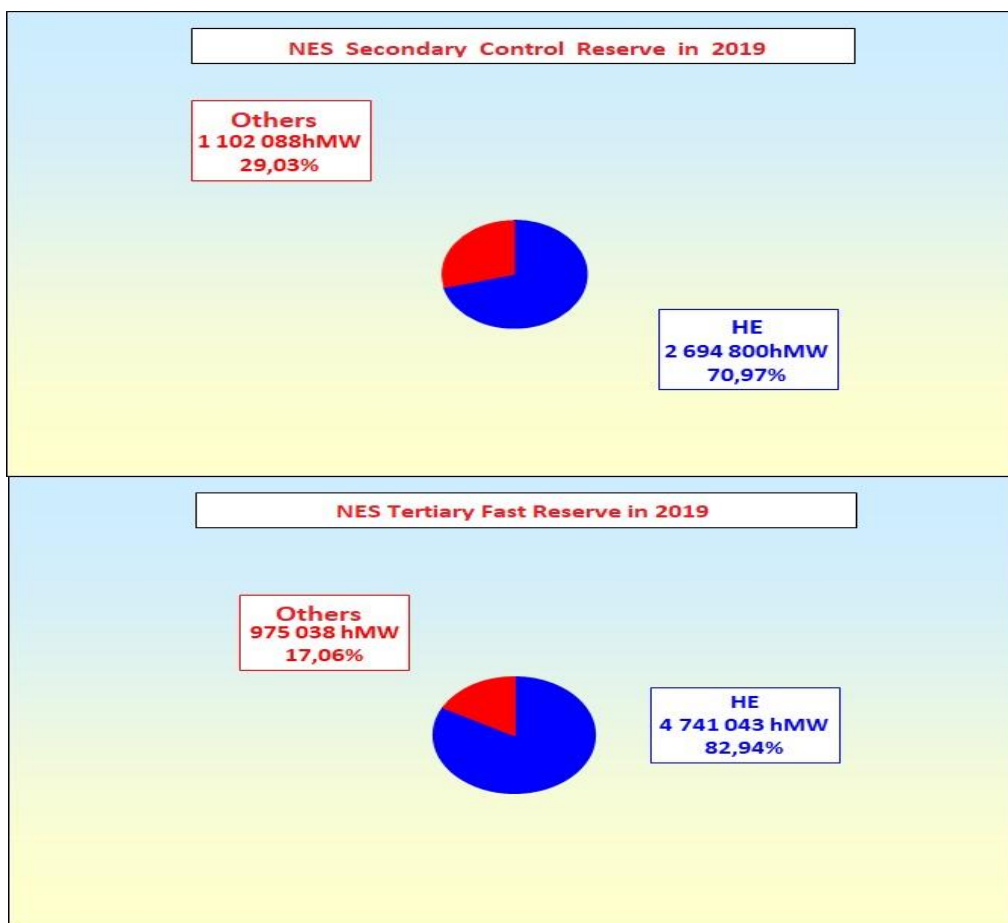
Hidroelectrica, through the volume and quality of the provided ancillary services, is one of the main contributing factors to ensuring the operational stability of NES.

The volume of ancillary services provided by SPEEH Hidroelectrica SA in the national energy system is presented in the following table:

Name of service	UM	Auctioned	Assigned	Contracted	Realized
Secondary control reserve	hMW	2,681,098	13,702	2,694,800	2,694,800
Tertiary fast reserve	hMW	4,712,079	28,964	4,741,043	4,741,043
Reactive power discharged or absorbed from the network in the secondary voltage control band	hrs x group	-	-	11,220	11,220

The following table and figures present the volume of ancillary services performed in 2019 by Hidroelectrica compared to the total at NES level.

Name of service	u.m.	NES Necessary	Realized Hidroelectrica	*Realized HE (%)
Secondary control reserve	hMW	3,903,700	2,694,800	70.97%
Tertiary fast reserve	hMW	5,746,200	4,741,043	82.94%
Reactive power discharged or absorbed from the network in the secondary voltage control band	hrs x group	11,220	11,220	100%



Following the regulations on the qualification of domestic producers as ancillary service providers (Transelectrica procedure PO TEL-07 V OS-DN / 154/2001), Hidroelectrica continued in 2019 the qualification program of its units.

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

- Secondary frequency - power control → 28 hydro-aggregates;
- Fast Tertiary Reserve → 95 Hydro Aggregates;
- Reactive power regulation in the secondary voltage adjustment band → 28 hydro-aggregates;
- Restoration of NES → 5 hydro-aggregates;

Power dynamics installed in Hidroelectrica in 2019. HPP participation in the power balance

In Hidroelectrica's installations, 209 capacities with a capacity of 6,432,330 MW were in operation on 31.12.2019. The value does not include 50 MW HA6-CHE Dimitrie Leonida which was withdrawn for refurbishment works.

Compared to 2018, the power installed in the hydroelectric power plants from the Hidroelectrica patrimony increased by 38.324 MW, according to the Commercial Exploitation License no. 332 / 24.07.2001.

The 6,432,330 MW in operation within Hidroelectrica were installed in 209 power plants and pumping stations (of which CHEMA and MHPP with powers ≤ 4 MW were 72, CHE > 4 MW but ≤ 10 MW were 23, CHE > 10 MW were 109). The number of groups in operation is 465 (of which 156 in plants with installed capacity ≤ 4 MW, 46 in plants > 4 MW but ≤ 10 MW, 252 in CHE > 10 MW), and 11 are pumping groups.

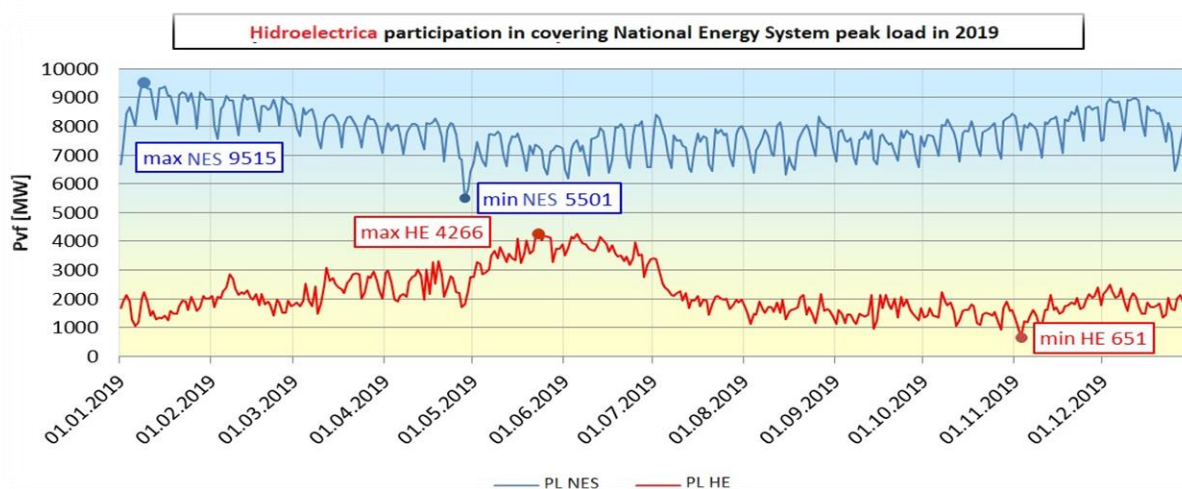
According to the procedure PO-HE-DE-06, out of the total of 6,313.98 MW of installed power in 2019 (in power plants over 4 MW (for which the procedure PO-HE-DE-06 was applied) there was an average permanent reduction of power of 262.58 MW, resulting from failing to complete investment works, construction deficiencies of turbines or generators, operating restrictions of storage lakes, pressure losses on additions higher than those in the project, etc., which made the available power in HPP over 4 MW to be of 6051.4 MW.

The average temporary reductions in available power were in 2019 of 775.35 MW, having as causes the following:

- *technical causes 45,13 MW;*
- *hydrological causes 52,58 MW;*
- *planned repairs 429,48 MW;*
- *accidental repairs 125,03 MW;*
- *other causes 123,13 MW;*

Thus, the average power in 2019 was 5,276.06 MW (about 15.08 MW lower than the value in the previous year, 2018).

Out of the total installed 70,361 MW of power plants with powers below 4 MW, in 2019 there were permanent power reductions of 30,750 MW, the value of the maximum available power being 39,611 MW.



Domestic consumption for production and transformation at the level of Hidroelectrica was 164,152 MWh, represents 1.08% of gross production.

The maximum value (percentage of production at the terminals) of domestic consumption for production and processing was registered at the Curtea de Argeş branch (including the Buzau plant) - 2.18%, and the minimum value was registered at the Portile de Fier branch (including the Tg Jiu plant) - 0.52%. Overall, the mentioned percentage value of domestic consumption for production and processing was 0.04% higher than in 2018.

Situation of Green Certificates

The monthly documentation regarding the obtaining of green certificates by the accredited patrimony power plants was drawn up and sent to Transelectrica:

Year	Estimated certificates	Certificates for trading	Deferred certificates
2019	115,676	115,678	0

In addition, Transelectrica approved 1,644 green certificates for monthly trading (19,728 green certificates for 2019) representing the green certificates postponed since July 2013.

Management of energy reserves from large accumulations

The management of the energy reserve was predominantly done in **deficient** hydraulic conditions. The main objectives regarding the management of the reserves was to monthly include them in the programs agreed with ANAR and the possibility of inclusion in the winter program approved by GD 593 / 12.08.2019.

7.2. ELECTRICITY TRADING / SUPPLY ACTIVITY

Electricity sales (quantities, prices, and values) in 2019

Sale types	Quantities (MWh)	% of total sales	Average price TG (RON/MWh)	Sales revenue TG included (RON)
Sales on the regulated market +TG	1,636,532	10.3	112,7	184,584,399
Sales on forward contracts (PCCB-LE, PCCB- NC, PCSU, PC- OTC)	10,301,744	64.9	223,4	2,301,842,713
Sales on NDM	2,625,440	16.5	258,5	678,891,547
Sales on INTRADAY	2,299	0.01	255,8	588,219
Sales Balancing + Imbalances	631,607	3.9	487,1	307,679,273
Supply	681,381	4.1	245,6	167,401,561
TOTAL sales 1 Jan. - 31 Dec. 2019	15,879,001	-	229,3	3,640,987,713
TOTAL sales STS (hMW) 1 Jan.- 31 Dec. 2019	7,447,063	-	-	445,711,327

Total energy sold

Indicator	Quantities (MWh)
Net production (GWh)	14,781
Energy Purchases (GWh) - NDM, Balancing Market, Competitive Markets	1,098
Total Energy sold	15,879

Evolution of quantities sold on the regulated market during the period 2015 - 2019

Indicator	2019	2018	2017	2016	2015
Energy sold by HE (GWh)	1,637	-	1,131	2,698	4,160
Share of HE's production sold on the regulated market	11.07	-	8.29	15.81	26.49
Share of HE's production sold on the regulated market	37.91	-	65.00	65.00	65.00

The evolution of sales on the main markets in the last 2 years, quantitative and value

Indicator	2019		2018	
	GWh	Value [ths RON]	GWh	Value [ths RON]
Electricity sales, of which:	15,879	3,640,988	17,861	3,763,297
Regulated contracts +TG	1,637	184,584	-	-
Contracts on the open market, of which:	14,242	3,456,404	17,861	3,763,297
OPCOM contracts (LE+NC+OTC+PCSU)	10,302	2,301,843	14,792	2,906,937
NDM/PI	2,627	679,480	1,219	270,545
Balancing market + imbalances	632	307,679	1,456	516,678
Supply	681	167,402	394	69,138

Trading energy on the platforms managed by OPCOM, takes into account several factors related to the trading strategy, the evolution of market prices, the time of bidding, the degree of useful filling of lakes, the flow of the Danube and inland rivers, the analysis of the contracting strategy of the main competitors, etc.

During the analyzed period, offers were submitted containing structured products (band and peak) with delivery in 2019, 2020 and 2021, thus having exposure on the following OPCOM platforms for the sale of electricity, in a transparent and non-discriminatory manner:

- a. Centralized market for bilateral electricity contracts - way of trading by extended auction and by continuous negotiation (PCCB-LE și PCCB-NC);
- b. Centralized market with continuous double negotiation of bilateral electricity contracts (OTC).

Supply of electricity activity

Between 01.01.2019 - 31.12.2019, the company carried out electricity supply contracts, related to 2,130 consumption places (at the end of 2019) resulting in a quantity of 681,381 MWh electricity sold and performed the following activities:

- Preparation and transmission of personalized offers to customers with a forecast consumption of more than 1 GWh / year, according to requests received;
- Concluding supply contracts in accordance with the standard offers published on the website;
- Concluding distribution contracts and related additional documents, for the new customers of Hidroelectrica, currently being concluded distribution contracts with all concessionaire distribution operators;
- Carrying out electricity supply contracts, by tracking consumption, communicating with the distributor, billing to the consumer, tracking receipts, resolving complaints submitted by consumers;

Also, the company capitalized in the analyzed period green certificates to cover the obligation to the final customer in the amount of RON 16,559,150.

7.3. INVESTMENT ACTIVITIES

The degree of the investment program related to REB 2019 Hidroelectrica, is presented in the following table:

THOUSAND RON

Activity	Approved 2019	Realized 2019	Savings 2019	% with savings
Development	208,701	41,538	15,165	21.46
Refurbishment	138,529	42,558	53,891	50.28
Equipment maintenance with capitalization	64,119	39,830	0	62.12
Construction maintenance with capitalization	9,181	7,657	0	83.40
Facilities	69,579	9,219	0	13.25
Total	490,109	140,801	69,056	33.44

The investment budget for 2019 provides for a total amount of RON 532,036 thousand (Annex 4 to REB 2019), composed of investment works (RON 490,109 thousand) and repayment of loan installments for investments made in previous periods (RON 41,927 thousand).

Comparing to 2018:

Activity	Approved 2018	Realized 2018	Savings 2018	% with savings
Development	224,820	63,976	73,978	42.41%
Refurbishment	187,211	116,117	38,684	78.18%
Equipment maintenance with capitalization	52,255	27,498		52.62%
Construction maintenance with capitalization	6,142	577		9.39%
Facilities	20,155	7,215		35.80%
Total	490,583	215,383	112,662	56.99%

The causes of failing to realize the budget in 2019 are:

- **22.14%** of the value of RON 208,701 thousand, budgeted in 2019 for the development activity, (RON 46,210 thousand) were allocated for the payment of advances requested by the executors (Hidroconstructia SA and Constructii Hidrotehnice Iași) on the occasion of negotiations and signing documents additional to historical contracts, through which the remaining works were contracted for completing the investment objectives HEA Răstolița - stage I - energy minimum, HEA of the river Bistra - Poiana Mărului - secondary supply Bistra, HEA Surduc-Siriu - stage Surduc Nehoiașu, HEA of the Olt river on the Cornetu-Avrig sector - Racovița stage and HEA Pașcani respectively. As the executors did not meet the applicable contractual conditions until the end of 2019, these advances could not be granted.
- Addenda were concluded with delay, affecting the volume of works and budgeted documentation;
- The sites could not be handed over to the executors due to the delay in obtaining GD deforestation lake basin at HEA Răstolița, GD expropriation at HEPP Racovița and obtaining construction permits from Gorj County, respectively Hunedoara County for the execution of safety works at HEA of the Jiu River on the Livezeni - Bumbești sector;

Documentation was submitted late and / or incomplete with comments on the recovery of documentation received both from CTE SH / HE and from local / national authorities involved in issuing approvals / authorizations;

Investment objectives with complex functions

Continuing the steps taken during 2018, for hydropower facilities with complex functions and reduced energy component, until the end of 2019, GMS decisions were obtained which provide the following:

- Completion within an amount not exceeding the estimated abandonment value of the facilities:
 - HEA Pașcani
 - HEA Cerna Belareca

- Completion on a modified layout of the following objectives:
 - HEA Surduc-Siriu – stage Surduc Nehoiașu
 - Stage Siriu – Nehoiașu - operational, $I_p = 2 \times 21$ MW/ $E_m = 120,6$ GWh/year
 - HEA of Bistra river- Poiana Mărului - secondary adduction Bistra
 - Stage Râul Alb - operational, $I_p = 40,9$ MW/ $E_m = 67,5$ GWh/ year
 - Stage Ruieni - operational, $I_p = 143,02$ MW/ $E_m = 276,62$ GWh/year
 - HEA of Olt river on sector Cornetu-Avrig - stage Căineni and Lotrioara
 - HPP Cornetu - operational, $I_p = 30,5$ MW/ $E_p = 62,4$ GWh/ year
 - HPP Robesti - operational, $I_p = 28,5$ MW/ $E_p = 56,5$ GWh/ year
 - HPP Racovița - operational, $I_p = 29,9$ MW / $E_p = 46,4$ GWh/ year
- Completion of the remaining works to be carried out at the functional fall steps and abandonment of the energy-unprofitable fall steps to the following objectives:
 - HEA of river Strei on sector Subcetate – Simeria
 - Step Subcetate - operational, $I_p = 12,15$ MW/ $E_m = 22,93$ GWh/ year
 - Step Plopi - operational, $I_p = 12$ MW/ $E_m = 23,63$ GWh/ year
 - Step Bretea - operational, $I_p = 12$ MW/ $E_m = 24,34$ GWh/ year
 - Step Strei - abandon
 - Step Călan- abandon
 - Step Băcia - abandon
 - Step Simeria- abandon
 - HEA of river Bistrița pe sectorul Borca - Poiana Teiului
 - Step Poiana Teiului - operational, $I_p = 10$ MW/ $E_m = 39,10$ GWh/ year
 - Step Galu - abandon
 - HEA of river Siret pe sector Cosmești – Movileni
 - Step Movileni - operational, $I_p = 34$ MW/ $E_m = 112,40$ GWh/ year
 - Step Cosmești - abandon
 - HEA Dâmbovița Clăbucet
 - Step Sud - operational, $I_p = 64$ MW/ $E_m = 57$ GWh/ year
 - Step Nord Făgăraș - abandon
- Abandonment of works to objectives:
 - HEA Făgăraș – Hoghiz, (GMS Decision 12/2019)
 - HEA Runcu – Firiza, (GMS Decision 12/2019)
 - HEA Valea Sadului Vădeni (Directorate Decision 45/2019 SB Decision 98/2019).

In 2019, it was contracted to carry out feasibility studies to update the technical-economic indicators of these facilities. In the first part of 2020, these Studies will be submitted to the ministry, accompanied by a draft note to obtain the Government Decision to modify the indicators.

In 2019, was submitted for HEA Făgăraș Hoghiz and HEA Runcu Firiza, the necessary documentation to the Ministry of Energy to support the Government Decisions to analyze and continue the steps for the abandonment.

Out of the total of RON 210.3 million, transfers from fixed assets in progress in 2019, the main investment projects put into operation in 2019 are the following:

SH	Name of project	Value fixed asset (RON)
SH Porțile de Fier - HEU Tg. Jiu	Fiber optic cable telecommunications line between Clocotiș dam and Clocotiș HPP - within the investment objective Cerna-Motru-Tismana hydrotechnical and energy complex, second stage.	219,798.20
SH Sebeș/ HEU Sibiu	HEA Cornetu Avrig, step HEPP Racovița HA1	28,940,910.39
SH Sebeș/ HEU Sibiu	HEA Cornetu Avrig, step HEPP Racovița HA2	28,940,384.33
SH Sebeș/ HEU Sibiu	HEA Cornetu Avrig, step HEPP Racovița. Auxiliary installations and general services.	12,817,241.13
SH Sebeș/ HEU Sibiu	HEA Cornetu Avrig, step HEPP Racovița. SCADA	5,772,902.24
Total		76,691,236.29

Refurbishment

The causes of the failures in 2019 are similar to those registered in 2018, namely:

- procurement procedures that are long and extended by shifting the terms for submitting bids, at the request of ANAP, or potential bidders;
- canceled tender procedures, due to lack of bidders, or non-compliant technical bids;
- changes of the strategy for carrying out refurbishment / modernization projects: due to the failure to contract the technical-economic and procurement documentation with internal providers, was performed a prospecting of the international market for design and consulting services (throughout the procurement procedure works and contract development of works) - the received offers exceeded far the estimated, it was decided to put up for auction the refurbishment design and execution works; There is little risk of not finding executors for the design and execution side, the design activity being internalized and the execution services are purchased through international tenders. It should be mentioned, however, that the national legislation on public procurement, with which foreign companies are not familiar, may hinder the process of procurement of services and the planning data may be postponed (tenders resumed).
- carrying out the modernization works of the stations conditioned by the periods of withdrawal from operation and by the weather conditions during the contract period;

- non-compliance with the contractual clauses by the equipment suppliers, which led to non-compliance with the contractual term of execution of works;
- delays in the entry into force of contracts due to non-fulfillment by the executors of the provisions regarding the establishment of performance guarantees;
- non-performance of the scheduled works and / or non-fulfillment of the contractual obligations of the contractors, or their subcontractors due to causes related exclusively to them and for which Hidroelectrica charges penalties.

The refurbishment / modernization projects completed and put into operation in 2019 are the following:

Project	Value (RON)
Stație 20kV Clopotiva	109,685.22
Stație 20kV Carnești II	108,915.61
Stație 6,3 kV Totești II	249,707.43
Stație 20kV Totești I	108,863.60
Stație 20kV Orlea	108,846.68
Stație 6,3 kV Hațeg	249,679.66
Stație 6,3 kV Totești I	249,738.16
Stație 6,3 kV Carnești	255,724.19
Stație 6,3 kV Clopotiva	285,832.76
Modernisation Stație de 110 kV HEP Zăvideni	861,182.37
Modernisation Stație de 110 kV HEP Zăvideni	24,855.45
Modernisation Stație de 110 kV HEP Călimănești	653,90.36
Modernisation Stație de 110 kV HEP Ionești	653,909.36
Modernisation Stație de 110 kV HEP Drăgășani	653,909.36
Modernisation Stație de 110 kV HEP Mălaia	1,630,051.96
Modernization Hydro agregat no. 1 HEP Călimănești	23,331,520.29
Total:	29,536,331.46

We mention that in 2018, refurbishment / modernization projects in value of **RON 17,599,614.58** were completed and put into operation.

Maintenance and equipment

For 2019, the equipment maintenance program was prepared in the amount of RON 180 million, of which the estimated value of the equipment maintenance works with SSH Hidroserv was of RON 149.73 million.

The distribution of these values by performers is as follows:

- RON 149.73 million with SSH Hidroserv, of which RON 22.8 million works contracted and not executed, or partially executed in 2018 and which will continue in 2019;
- RON 24.65 million third party executors;

- RON 5.62 million own forces.

For 2019, through the annual equipment maintenance program, a number of 4,506 maintenance works were scheduled to be executed, being distributed on executors as follows:

- 4,137 works with S.S.H. Hidroserv S.A. ;
- 369 works with third party performers.

On 31.12.2019, works amounting to RON 173.81 million were contracted, of which:

- RON 149.7 million with S.S.H. Hidroserv S.A., representing 100% of the 2019 schedule;
- RON 24.08 million with third party executors.

The situation of the physical accomplishment of the equipment maintenance works at 31.12.2019

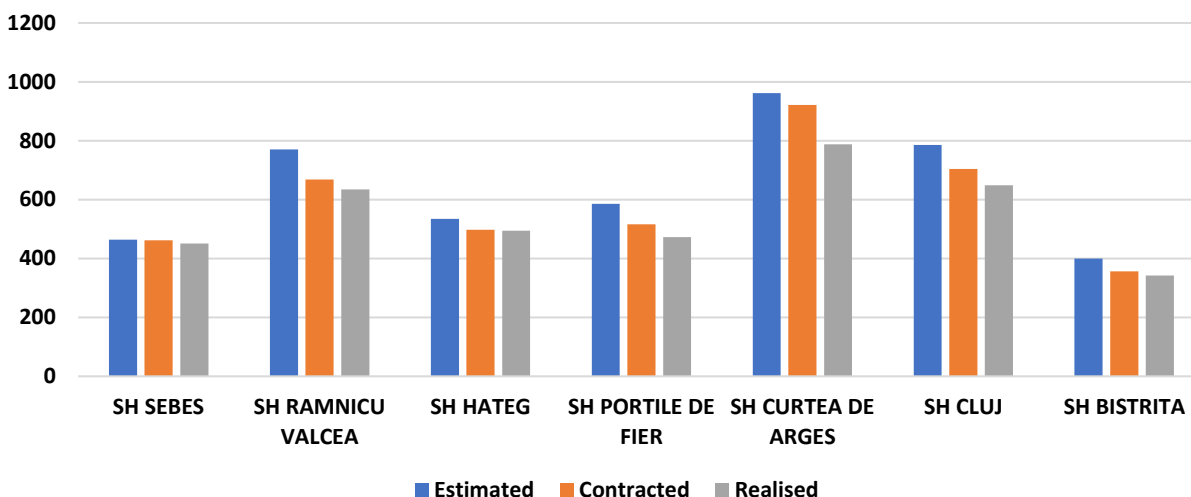
In 2019, were scheduled to be performed equipment maintenance works amounting to RON 180 million, being performed on 31.12.2019 equipment maintenance works amounting to RON 138.61 million, of which RON 119.11 million with S.S.H. Hidroserv S.A. The corrective maintenance works carried out in 2019 were in value of RON 30.48 million (of which RON 6.03 million additional works).

For 2019 were scheduled for S.S.H. Hidroserv S.A. 3,948 types of works, being carried out a number of 3,595 types of works, representing 91% of what was scheduled.

Equipment maintenance achievements - physical - graphic stage

No.	Branch	Number of works estimated according to AMP 2019	Number of contracted works	Number of works carried out at 31.12.2019	%
1	SH Sebeș	464	462	451	97%
2	SH Râmnicu Vâlcea	771	668	635	82%
3	SH Hațeg	535	498	494	92%
4	SH Porțile de Fier	586	516	473	81%
5	SH Curtea de Argeș	962	922	788	82%
6	SH Cluj	786	704	649	83%
7	SH Bistrița	400	356	342	86%
8	Executive	2	2	2	100%
TOTAL		4506	4128	3834	85%

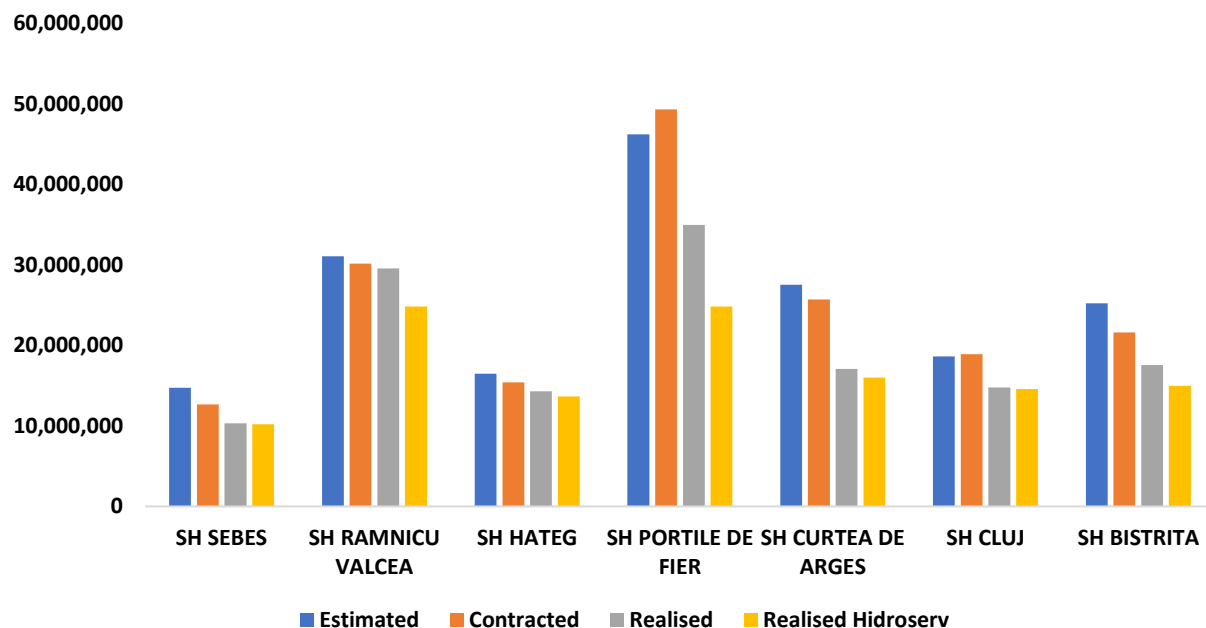
Physical state - Annual maintenance program 2019



Achievements of equipment maintenance values

No.	Branch	Estimated value of works according to AMP 2019		Value of contracted works		Value of works performed at 31.12.2019	
		Total	of which Hidroserv	Total	of which Hidroserv	Total	of which Hidroserv
1	SH Sebeș	14,748,989	14,420,364	12,656,856,59	12,571,512	10,325,751	10.208.965
2	SH Râmnicu Vâlcea	31,088,852	25,995,057	30,175,766	27,167,532	29,552,002	24.842.850
3	SH Hațeg	16,507,282	15,698,747	15,422,016,32	15,298,144	14,288,270	13.679.698
4	SH Porțile de Fier	46,231,909	30,389,108	49,321,559,37	31,983,787	34,983,919	24.821.379
5	SH Curtea de Argeș	27,551,752	25,984,551	25,721,192,19	24,920,825	17,103,535	16.007.900
6	SH Cluj	18,643,382	17,324,274	18,896,332,58	18,346,507	14,768,558	14.580.329
7	SH Bistrița	25,218,633	19,922,871	21,610,878,63	19,446,665	17,577,412	14.965.680
8	Executiv	9,200	-	7,920,00	-	6,990	-
TOTAL		180.000.000	149,734,972	173,812,522	149,734,972	138,606,437	119,106,801

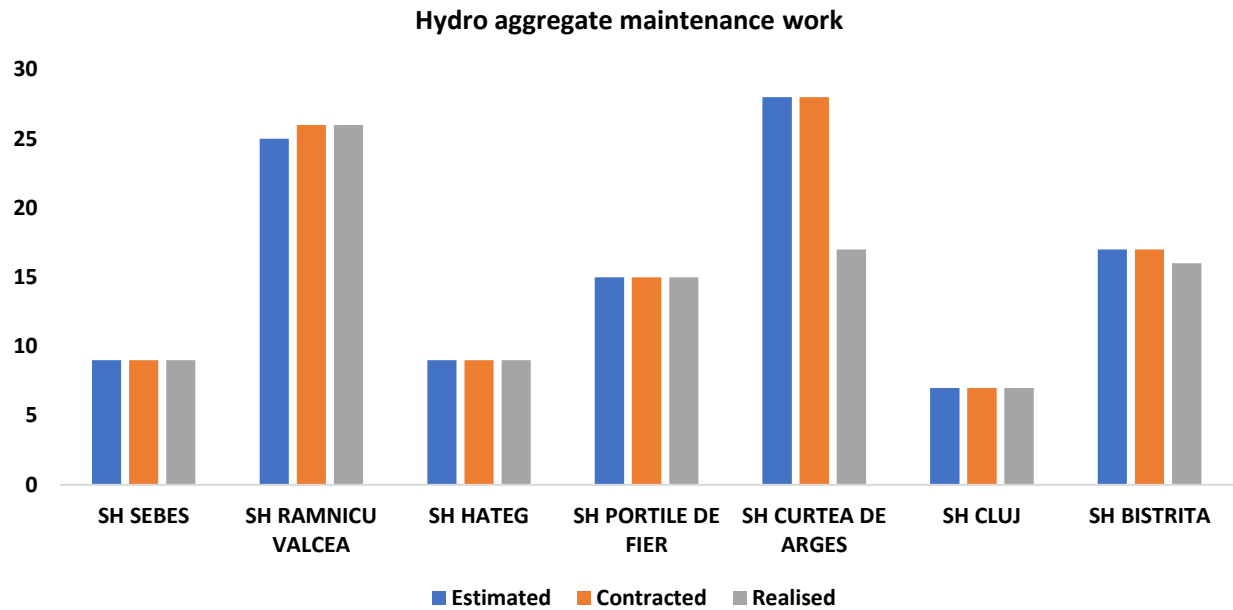
Value achievements - Annual maintenance program 2019



From the point of view of the works with capitalization (CAPEX), until 31.12.2019, were carried out works amounting to RON 41.24 million.

In 2019, revisions were scheduled for 111 hydro units, 111 of them being contracted. On 31.12.2019, 99 maintenance works on hydro units were completed, 5 being in the process of completion.

No.	Branch	Hydro aggregate maintenance works					
		Estimated		Contracted		Realized	
		Number	Value	Number	Value	Number	Value
1	SH Sebeș	9	4,643,150	9	3,816,534	9	3.902.705
2	SH Râmnicu Vâlcea	26	7,174,877	26	7,144,540	26	7.377.640
3	SH Hațeg	9	5,887,756	9	5,886,951	9	5.772.687
4	SH Porțile de Fier	15	8,097,545	15	8,521,597	15	8.419.486
5	SH Curtea de Argeș	28	11,993,779	28	11,921,210	17	6.198.654
6	SH Cluj	7	3,631,360	7	2,656,040	7	3.050.145
7	SH Bistrița	17	9,491,324	17	9,440,272	16	6.453.694
TOTAL		111	50.919.791	111	49,387,144	99	41,356,530



Until 31.12.2019, were performed all the maintenance works necessary for the safe operation of the hydropower installations.

8. PREDICTABLE DEVELOPMENT OF THE COMPANY

Hidroelectrica's main objective is to develop a sustainable energy system, by focusing on achieving its strategic objectives, outlined in such a way as to exploit to the full the opportunities for progress and to ensure long-term corporate success.

The objectives of Company's development strategy reflect the needs of the national economy regarding the provision of resources, safety and energy efficiency and the observance of the principles of sustainable development, being closely related to the fulfillment of the objectives of the European Union.

Also, Hidroelectrica's strategic objectives are aligned with the company's mission and values, each direction of action being focused on increasing the company's performance and consolidating the leading position of the Romanian energy market, with the prospect of becoming a regional leader in renewable energy generation.

8.1. Strategy activity and institutional relations

The development of Company's investment strategy has involved the initiation and development of actions / strategic initiatives on increasing the value of the company by achieving or acquiring new renewable energy production capacities, as well as by addressing new areas of economic and industrial activity.

Thus, in 2019, the strategy and institutional relations activity focused mainly on the following directions of action:

- Development of the investment strategy, by permanently analyzing the context in which the company operates, identifying strategic options and evaluating the best options;
- Identifying the company's medium and long-term objectives and urgent directions of action to be achieved in order to strengthen the company's strategy;
 - Refurbishment of hydroelectric power plants;
 - Development of new production capacities;
 - Unlocking the situation of hydropower facilities with complex uses and reduced energy component, under various stages of execution;
 - Diversification of the production portfolio through energy production projects, especially from renewable sources (wind, solar, biomass), but also involvement in other economic fields, taking into account current conditions and the evolution of the energy market at national and regional level;
 - Starting the procedures regarding the listing of the company on the stock exchange;
 - Implementation of new technologies in the process of electricity production.
- Strengthening relations with state institutions: Government of Romania, Ministry of Energy etc.;
- Developing the relationship with potential investors interested to buy micro hydropower plants, as well as monitoring companies that have purchased micro hydropower plants over time.

8.2. Corporate Business Activity

In 2019 were developed the following main activities, grouped by areas of interest:

- **Mergers and acquisitions (M&A)**

In accordance with the Hidroelectrica Management Plan 2019-2023, approved by the OGMS Decision no. 16/2019, through its Management, the Hidroelectrica's Management Board aims to maintain the company's position in the field of electricity production and to provide ancillary services, not only at national level, but also regionally, both by supporting the efforts in transforming Hidroelectrica into a major regional player on the electricity market in South-Eastern Europe, as well as through sustained actions to expand the company's activity, including at regional level, by consolidating activities and / or identifying business opportunities .

- **Opportunities to diversify the business portfolio**

Opportunity to acquire CEZ Romania Group participations

In the second half of 2019, Hidroelectrica sent a letter of intent to participate in the process of selling shares of CEZ Romania Group, initiated by CEZ a.s.

The portfolio of assets that are subject of this potential acquisition are in a clear complementarity with the current activity of Hidroelectrica and with the purpose defined by its shareholders to maintain the company in the field of electricity production and ancillary service provision not only at national level, as well as at the regional level.

Thus, through this acquisition, Hidroelectrica would benefit from that diversification of the business, typical of the large vertically integrated players in the energy market, through access to the entire value chain in the market, respectively production, supply, distribution.

Hidroelectrica could directly access a consumer portfolio of 1.4 million persons through the supply activity and directly 5.8 million consumers through the distribution activity, with multiple advantages in the medium and long term.

On the other hand, it would diversify its source of electricity production by purchasing wind farms with an installed capacity of 600 MW - the largest onshore wind farm in Europe, with natural operating synergies between the hydro source and the wind source.

In this context, in the second part of the year, the auction documents were prepared, and the public procurement procedures were launched:

- *Services of specialized consultancy, assistance, evaluation and intermediation of mergers and / or acquisitions (M&A) of the CEZ Romania and ENEL Romania groups;*
- *Due-diligence consulting services and evaluation of the assets of UCM Reșița S.A., which will be taken over and used in the maintenance and modernization activities of Hidroelectrica.*

8.3. International Relations, Investor Relations, Representation, and IPO

8.3.1. International Relations and Representation

During 2019, the activity of international relations focused on:

- Initiation, development and consolidation of international cooperation relations with external partners, including: Sumitomo Corporation Banking, Japan, Verbund AG, Austria, GAMESA ELECTRIC and the Spanish Embassy in Bucharest, ELEKTROREMONT D.O.O. SUBOTICA, Serbia, Swiss IM Engineering, Switzerland, etc., as well as with the professional organizations and associations to which the company is affiliated: International Hydropower Association, World Energy Council, Eurelectric, the last two through local representations: CNR-CME and IRE, CRE etc.;
- Following the Memorandum of Understanding concluded between Hidroelectrica and VERBUND Hydro Power GmbH on 23.10.2018, the analysis of the parties was advanced to identify the joint development of high value-added projects for both companies. These areas aimed at implementing design, construction and equipment solutions based on the latest solutions and technologies in the field, especially the implementation of new solutions and efficient technologies for optimizing Hidroelectrica projects under various stages of execution, in relation to well-defined technical and economic criteria, taking into account current market conditions and forecasts on the evolution of the energy market at national and regional level.

8.3.2. Activities related to the listing process of Hidroelectrica

At the beginning of 2019, Hidroelectrica resumed its efforts to prepare for the IPO and listing with a series of meetings held in London with investment banks, consultants and lawyers specialized in the capital market. Following internal analyzes, it was considered to change the approach of the process of preparing Hidroelectrica for IPO taking into account the best practices in the field, in order to use the services of an independent capital market consultant (Equity Adviser), to identify and to help clarify all issues of concern to potential investors and solve them before selecting a new Intermediating Trade Union.

This approach has, on the one hand, the advantage of avoiding a false start and, on the other hand, the exclusive concentration of the Intermediating Trade Union on the execution of the mandate for placement and distribution of shares issued under the IPO in the shortest possible time

According to this new approach, Hidroelectrica's listing process was divided into two phases:

- **Pre-IPO phase**
- **IPO development phase**

In the Pre-IPO phase, the international legal consultant, and the independent consultant 'Equity Adviser' will be employed in the process for preparing the listing.

At the end of this phase, the selection procedure of the Intermediating Trade Union will take place.

During the IPO, the independent consultant 'Equity Adviser' will have the role of assisting the company and its shareholders throughout the process, coordinating the intermediating activities of union members and other consultants, constantly monitoring the performance of banks in their activities.

In addition, the Consultant will provide data and analysis that will allow the client (management and shareholders) to make informed and timely decisions in a transparent manner.

During 2019, several materials were prepared for the meetings of the Commission for coordinating the privatization process, as well as for the Commission for preparing and monitoring the privatization process within the Ministry of Energy, to present this new approach.

These materials referred to the description of the services provided by independent consultants for the capital market, the comparative description of the activities of such a consultant to those provided by the intermediating trade union, and to those provided by the legal consultant in order to avoid possible duplication of tasks, as well as drafting answers to committee's questions.

In order to complete the necessary information for the privatization commissions and to start the actual procurement procedures for the selection of the international legal consultant and the independent consultant for the capital market 'Equity Adviser', two market researches were carried out which provided price indications regarding both types of services necessary for preparing and conducting the IPO, as well as indications for determining the tasks of each consultant in the listing process.

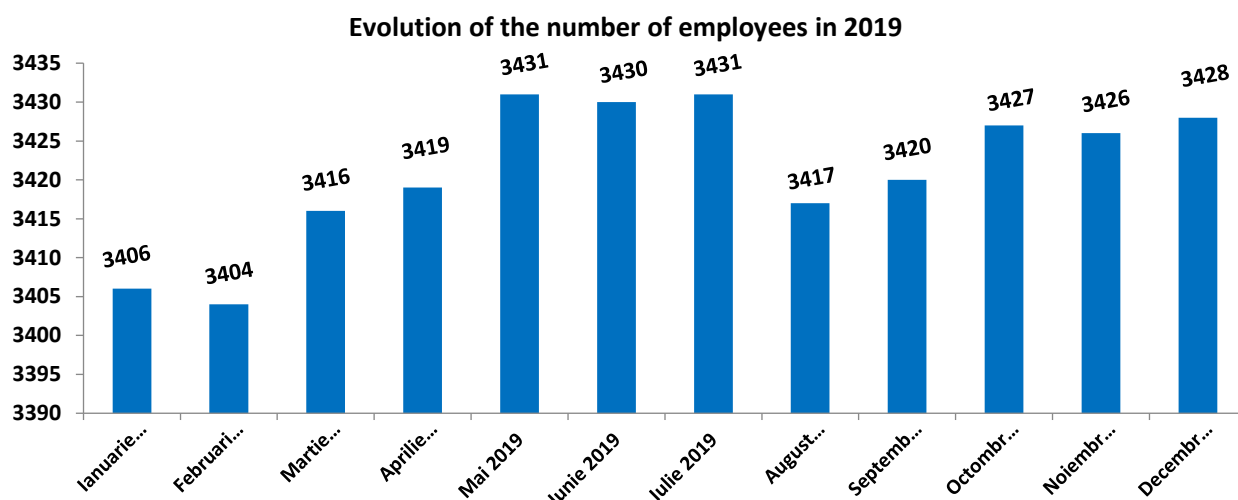
At the end of September 2019, the Preparatory Commission endorsed, and the Coordinating Commission approved both the tasks to be performed by the international legal consultant and those of the independent consultant 'Equity Adviser'.

Thus, in December, was launched the public procurement procedure *Consulting services for capital market "Equity Adviser" type that will be used for training and assistance in conducting the IPO of S.P.E.E.H. Hidroelectrica S.A.*.

9. HUMAN RESOURCES

For 2019, in the approved REB, the average number of personnel is 3,500 and at the end of the year there were 3,540 employees.

As at 31.12.2019, the actual number of employees was 3,402, to which were added 26 contracts suspended for various reasons (a total of 3,426 full-time employees and 2 part-time employees).



a) Employment in 2019 by personnel categories

	TESA	Workers	Total
Total	73	91	164

b) Leaving the organization by natural causes:

Between January and December 2019 there were 143 departures from the organization, highlighted in the following table:

No.	Reasons for leaving the organization	TOTAL 2019
1	Old-age pension	56
2	Partially anticipated retirement	13
3	Early retirement	3
4	Invalidity pension	4
5	Termination of labor contract	14
6	Termination of the LC for the duration of the LC suspension of the holder or at the end of the probationary period	4
7	Parties' agreement	16
8	Parties' agreement (voluntary dismiss)	0

No.	Reasons for leaving the organization	TOTAL 2019
9	Resignation	11
10	Parties' agreement	7
11	Dismissal - physical incapacity	10
12	Individual dismissal	0
13	Disciplinary dismissal	5
TOTAL		143

Salary fund January - December 2019

Capitol REB	REB	SALARY FUND MADE JANUARY - DECEMBER 2019
C0=C1+C2	EXPENDITURE OF SALARY NATURE	382,878,509
C.1	Payroll costs	351,194,415
C.1.1	Gross basic salaries, of which:	206,803,135
C.1.1.1	Basic salaries	189,625,895
C.1.1.2	Payroll for overtime	17,177,240
C.1.2	BONUSES (according to the collective labor agreement): bonuses, additions, prizes, electricity, other facilities, of which:	144,391,280
C.1.2.1.	Increases	117,103,492
C.1.2.2	Easter, St. Elijah and Christmas additions	10,816,915
C.1.2.3	Other facilities (special events, jubilee bonuses, retirement benefits, marriage benefits, hospital compensation, etc.)	9,510,085
C.1.2.4	Electricity	6,384,917
C.1.2.5	AWARDS	575,871
C.1.2.6	VARIABLE PAYMENT	-
C.2	BONUSES	31,684,094
C.2.1	Total social expenses (art. 25 of L227 / 2015-Fiscal Code), of which:	7,087,514
C.2.1.1	Gift vouchers	477,600
C.2.1.2	Other social expenses	6,609,914
C.2.2	Meal tickets	10,200,000
C.2.3	Employees' participation in the profit obtained in the previous year	14,396,580

Training

For 2019, the amount used was in the amount of RON 251,250 for a number of 1,075 employees trained / authorized.

The following table details the training / authorization courses:

Type	Amount RON	No of participants	Workers	Tesa
Authorizations	69,205	161	82	79
Training and specialization courses	182,045	914	169	745
Courses abroad	0	0	0	0
Training with internal lecturers	0	0	0	0
TOTAL	251,250	1,075	251	824

The summary of all recruitments carried out and completed in 2019 is as follows:

2019	Total number of recruitment carried out and completed	Number of positions for which recruitments were carried out and completed	No. of registered candidates	No. of admitted candidates
Total	237	332 jobs (170 TESA, 162 workers)	722	271
Occupancy rate in 2019 = number of positions occupied / number of positions for which recruitments took place = 271/332 = 81.63%			No. of candidates for a position = 722/332 = 2.17 candidates / position	

10. RISK MANAGEMENT

10.1 FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk is the risk that the company will incur a financial loss due to the breach of contractual obligations by a customer or a counterparty to a financial instrument, and this risk results mainly from trade receivables, cash and cash equivalents and bank deposits.

Cash and bank deposits (representing deposits with an initial maturity of more than 3 months) are placed in financial institutions that are considered to have a high creditworthiness.

Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk.

	31 December 2019	31 December 2018
Trade receivables	327,536,263	445,823,203
Other receivables	214,385,212	214,385,212
Cash and cash equivalent	222,976,476	75,763,691
Restricted cash	10,257,471	10,257,471
Bank deposits	1,736,855,286	2,496,667,070
Total	2,512,010,708	3,242,896,647

Trade receivables

The company's exposure to credit risk is mainly influenced by the individual characteristics of each client. The company has established a credit policy according to which each new customer is analyzed individually in terms of creditworthiness before concluding a contract, so that the sale is made to customers with an appropriate creditworthiness. Adjustment for impairment of trade receivables is the amount of expected losses, calculated based on loss rates.

The following table provides information on credit risk exposure and expected loss rates (ECL) as at 31 December 2019:

	Weighted average loss rate 0%	Gross value	Depreciation adjustment	Net trade receivables
Non past due	0%	299,379,580	-	299,379,580
Outstanding - from 0 to 3 months	0.00 %	23,807,019	(555)	23,806,464
Outstanding - from 3 to 6 months	1.99 %	2,920,626	(58,209)	2,862,417
Outstanding - from 6 months to 1 year	49.47 %	1,252,892	(619,745)	633,147
Outstanding – more than 1 year	98.84 %	77,599,183	(76,744,528)	854,655
Total		404,959,300	(77,423,037)	327,536,263

The following table provides information on credit risk exposure and expected loss rates (ECL) as at 31 December 2018:

	Weighted average loss rate 0%	Gross value	Depreciation adjustment	Net trade receivables
Non past due	0%	439,829,638	-	439,829,638
Outstanding - from 0 to 3 months	16.06%	739,614	(118,585)	621,029
Outstanding - from 3 to 6 months	10.57%	831,852	(87,929)	743,922
Outstanding - from 6 months to 1 year	28.42%	5,851,689	(1,662,835)	4,188,854
Outstanding – more than 1 year	99.43%	77,310,723	(76,870,964)	439,759
Total		524,563,516	(78,740,313)	445,823,203

Loss rates are based on actual experience of credit losses over the past three years.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulties in meeting the obligations associated with financial liabilities that are settled by transferring cash or another financial asset. Hidroelectrica has significant cash and cash equivalents, so it does not face liquidity risk.

The Company monitors the level of expected cash inflows from the collection of trade receivables, as well as the level of expected cash outflows for the payment of loans, trade payables and other debts. Hidroelectrica aims to maintain a level of current bank accounts that exceeds the expected cash outflows for the payment of financial debts.

Exposure to liquidity risk

The following table presents the contractual maturities of financial liabilities at the reporting date. The amounts are presented as gross and out-of-date value and include estimated interest payments.

Financial liabilities	Accounting value	Contractual cash flows		
		Total	Less than 1 year	between 1 – 5 years
31 December 2019				
Trade payables	175,163,370	175,163,370	161,425,822	13,737,548
Loans	70,006,725	70,199,291	43,728,436	26,470,855
Leasing	19,594,386	20,268,682	4,409,536	15,859,146
Total	264,764,481	265,631,343	209,563,794	56,067,549
31 December 2018				
Trade payables	171,181,820	171,181,820	155,933,031	15,248,789
Loans	110,825,604	112,414,427	43,423,873	68,990,554
Total	282,007,424	283,596,247	199,356,904	84,239,343

Market risk

Market risk is the risk that changes in market prices - the exchange rate and the interest rate - might affect the company's profit or the value of the financial instruments held. The objective of market risk management is to manage and maintain exposures within acceptable limits and to optimize results.

a. Interest rate risk

Hidroelectrica has long-term loans with variable interest rates, which may expose the company to interest rate risk. The company considers that the potential impact is low due to the low level of loans.

	31 December 2019	31 December 2018
Fixed interest rate instruments		
<i>Financial assets</i>		
Restricted cash	10,257,471	10,257,471
Bank loans	1,736,855,286	2,496,667,070
Total	1,747,112,757	2,506,924,541
Variable interest rate instruments		
<i>Financial debts</i>		
Bank loans	(70,006,725)	(110,825,604)
Leasing	(19,594,386)	-
Total	(89,601,111)	(110,825,604)

Sensitivity analysis of the fair value of fixed interest rate instruments

The Company has no financial assets and financial liabilities at a fixed interest rate recognized at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis of cash flows instruments with variable interest rate

A reasonably possible increase (decrease) in interest rates by 50 basic points at the reporting date would have increased (decreased) the profit before tax by the amounts below. This analysis assumes that all other variables, especially exchange rates, remain constant.

	Profit before tax	
	Increase by 50 points	Decrease by 50 points
31 December 2019		
Variable interest rate instruments	(448,006)	448,006
31 December 2018		
Variable interest rate instruments	(554,128)	554,128

b) Currency risk

The company is exposed to currency risk to the extent that there is an imbalance between the currencies in which it performs sales and purchases and in which the loans are denominated and the functional currency of the company. The functional currency of the company is the Romanian Leu (RON).

The currencies in which these transactions are denominated are mainly RON. Certain debts are denominated in foreign currency (EUR and USD). The company's policy is to use as much local currency as possible for the transactions it carries out. The Company does not use derivative instruments or hedging instruments.

31 December 2019				
	EUR	USD	CHF	HUF
Cash and cash equivalents	347,138	173,963	307,018	217,530
Trade receivables	(53,254,443)	(176,190)	-	(723)
Bank loans	(70,006,725)	-	-	-
Leasing	(4,198,184)	-	-	-
Net exposure to the statement of financial position	(127,112,214)	(2,227)	307,018	216,807

31 December 2018				
	EUR	USD	CHF	HUF
Cash and cash equivalents	241,226	202,183	289,836	217,915
Trade receivables	(19,594,292)	-	-	-
Bank loans	(110,825,604)	-	-	-
Net exposure to the statement of financial position	(130,178,670)	202,183	289,836	217,915

The following exchange rates were applied during the year:

	31 December 2019	31 December 2018
RON/EUR	4.7793	4.6639
RON/USD	4.2608	4.0736
RON/CHF	4.4033	4.1404
RON/100 HUF	1.4459	1.4527

Sensitivity analysis

A 10% appreciation of the RON against the following foreign currencies on 31 December 2019 and 2018 would have increased the profit with the amounts indicated below. This analysis assumes that all other variables remain constant.

	Profit before tax	Profit before tax
	31 December 2019	31 December 2018
EUR	12,711,221	13,017,867
USD	223	(20,218)
CHF	(30,702)	(28,984)
100 HUF	(21,681)	(21,792)
Total	12,659,061	12,946,873

A 10% depreciation of the RON against foreign currencies on 31 December 2019 and 2018 would have had a similar but opposite effect on the above amounts, assuming that all other variables remain constant.

	Profit before tax	Profit before tax
	31 December 2019	31 December 2018
EUR	(12,711,221)	(13,017,867)
USD	(223)	20,218
CHF	30,702	28,984
100 HUF	21,681	21,792
Total	(12,659,061)	(12,946,873)

10.2 OTHER RISKS AND UNCERTAINTIES

COVID-19 – influences on the activity of the Company

On March 11, 2020, the World Health Organization declared the coronavirus epidemic a pandemic, and the President of Romania declared a state of emergency on March 16, 2020. To respond to the potentially serious threat posed by COVID-19 to public health, the Romanian government authorities have taken measures to control the epidemic, including introduction of restrictions on movement of persons at borders, restrictions on the entry of foreign visitors and the "blocking" of certain industries, until new developments. Specifically, airlines have suspended the transport of people to and from countries affected by the COVID-19 crisis, and schools, universities, restaurants, cinemas, theaters, museums and

sports facilities, shops were closed except grocery stores and pharmacies. In addition, the major manufacturers in the automotive industry have decided to close operations both in Romania and in other European countries. Some Romanian companies have also asked employees to stay home and have temporarily reduced or suspended work.

The economic impact of these events includes:

- Disruption of commercial operations and economic activity in Romania, with a cascading effect on supply chains;
- Significant disturbances of the activity in certain sectors, both in Romania and on the markets with a high dependence on a foreign supply chain, as well as the disturbance of the export-oriented businesses that largely depend on the external markets. Affected sectors include trade and transport, the travel and tourism sector, entertainment, production, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- Increasing economic uncertainty, reflected in the increased volatility of asset prices and exchange rates.

On March 21, 2020, an emergency government ordinance on certain economic and fiscal-budgetary measures entered into force to counteract the negative effects of the COVID-19 epidemic, especially on small and medium-sized entities.

The company operates in a strategic sector, the electricity generating sector which has not been significantly affected by the COVID-19 epidemic.

The company achieved relatively stable sales, and its operations, including deliveries, were not interrupted. Based on publicly available information at the date these financial statements were authorized to be issued, management considered a number of serious but plausible scenarios regarding the potential evolution of the epidemic and its estimated impact on the entity and the economic environment in which the entity operates.

To mitigate the risks arising from potential adverse scenarios, management has begun to implement measures, which include in particular:

- implementation of the work-from-home program based on rotation for a significant group of support and administrative personnel;
- employees in the production department were trained to comply with very strict prevention rules, including social distance;
- reducing expenses by purchasing products and services strictly necessary during this period.

To develop a likely scenario, management has considered the following issues that may adversely affect the Company:

- The recession of the Romanian economy, which would significantly reduce the need for electricity and the purchasing power of consumers, as well as regulations issued by the government in the

emergency period - leading to lower energy prices and total sales estimated with impact by the Company, in the analyzed scenario estimated at about 10% revenue reduction for 2020 compared to 2019.

- Increase in operational expenses due to the measures taken to reduce the effects of COVID-19 and for the protection and health of employees, as well as the isolation of the operating personnel from hydroelectric power plants, with estimated effect, in the analyzed scenario, of increasing total operating expenses by 0.5% for 2020;
- Reducing the debt recovery rate from certain clients.

These above aspects will affect both the Company's cash flows for 2020 and its profitability. The Company considers that the effects on the economy of the COVID-19 crisis will affect the Company's estimates for the following year in terms of valuing tangible assets and receivables.

The financial position of the Company as of December 31, 2019, as well as in March 2020 is very solid: the cash and bank deposits of the Company as of December 31, 2019 were in the amount of approximately RON 2 billion; the unused available credit lines were in value of RON 100 million. Also, the Company's capital expenditure commitments for the next 12 months were reduced by 50% in March 2020, mainly because to the inability of construction contractors to sustain the pace of work due to the effects of COVID-19, limiting themselves to unavoidable replacements of production equipment and essential maintenance costs.

Based on the calculations of the evolution of cash flows using the above assumptions, the Company concluded that there will be a reduction in cash flows without having a major disruptive impact on the Company's activity or timely payments of debts for the analyzed period, of at least 12 months from the balance sheet's date. The scenario that the Company has considered for the assessment of the impact on financial resources assumes that energy demand and energy prices will be affected for a period of 3 months starting April 2020. However, in the case of an alternative scenario where the effects on the economy will be extended for a period of more than 3 months, the Company will still have enough financial resources.

In the management's opinion, the above factors reinforce that the Company will have enough financial resources to continue its activity for a period of at least 12 months from the reporting date. Management concluded that the range of possible outcomes considered to reach this conclusion does not give rise to significant uncertainties related to events or conditions that could significantly call into question the Company's ability to continue operating. Management does not anticipate an immediate and significant direct adverse impact of the Covid - 19 epidemic on the Company, its operations, financial position, and results of operations. However, we cannot exclude the possibility that prolonged quarantine periods, an intensification of the severity of these measures or a secondary negative impact of these measures on the economic environment in which we operate will have a negative effect on the Company and on the financial position and operating results on medium and longer term. We will continue to monitor situations closely and will react to mitigate the impact of such events and circumstances as they occur.

11. PROCESS MANAGEMENT. INTERNAL AUDIT

Process management

Procedures **M02.001 Evaluation Modeling Process Map and Managerial Internal Control System and M02.010 Implementation evaluation process within Hidroelectrica** establishes the analysis and responsibilities for the maintenance and development of the quality process management system through the Process Map tool, implementation and monitoring of the execution of each process included in the Process Map.

The compliance of the Hidroelectrica Process Quality Management System with the requirements of SR EN ISO 9001: 2015 is certified by SRAC through Certificate No. 325, valid until 21.06.2021.

In order to ensure the level of knowledge necessary for the proper understanding and execution of the responsibilities of the managers regarding the way of monitoring / analyzing the operations, the way regulation within the company, part of the Hidroelectrica management system, was developed a course and a set tests on the online E-Learning Hidroelectrica platform. Each manager should go through it annually.

The Office of Analysis, Monitoring Processes and Reporting, subordinated to the President of the Hidroelectrica's Directorate monitors, provides the necessary support, and reports compliance, effectiveness and alignment with the Hydro-Power Management Strategy.

Company's / management-level goals include components for the development and maintenance of the management system at each individual department level, based on Hidroelectrica Policy. During the evaluation and targeting sessions, opportunities for improvement at the company / department level were identified and analyzed and the extent to which those were set in earlier periods.

Considering the performance indicator established by the Hidroelectrica Management Plan for the period 2019-2023 regarding the implementation / validation of the implementation in each year of a number of 4 standards according to the Order of the General Secretariat of the Government no. 600/2018 on the approval of the Code of internal managerial control of public entities, during 2019 the following standards were revised and confirmed as implemented: Standard 1 - Ethics and integrity, Standard 2 - Duties, functions, tasks, Standard 3 - Competence, performance , Standard 4 - Organizational structure.

Through the Income and Multi-Annual Expenses Budget were identified, analyzed, established, and provided the necessary resources for proper business processes within the company so that the goals, including process performance and compliance with electricity generation / delivery, can be achieved.

During the meetings of the Supervisory Board / Directorate, the implementation of the Hidroelectrica Budget was analyzed on each component, including the components with an impact on the proper functioning of the management system, and the necessary measures were taken when deficiencies were found.

Internal Audit

The public internal audit activity in Hidroelectrica is carried out through the Internal Public Audit Department, subordinated to the Audit Committee of the Company's Supervisory Board, according to the procedures M09.001 Internal Audit Planning, M09.010 Implementation of internal audit mission and M09.090 Monitoring annual internal audit plan, with reference to the requirements established by Law No. 162/2017 on Statutory Audit, Law 672/2002 (updated) on Internal Public Audit and ISO 19011: 2018 - Guidelines on Audit of Management Systems.

The Public Internal Audit Department carries out insurance and advisory missions both at Hidroelectrica Executive level and at branch level with the mission of increasing and protecting the value of the company and determining the effectiveness of the management system by providing objective risk-based assurance, counseling and support for company's management.

During 2019, 18 insurance missions and 28 counseling missions were carried out, following which the procedures regarding the audited processes were implemented and / or updated. For each of these processes, multiple meetings were held with both the employees of the executive and those of the Hidroelectrica branches responsible for their documentation and with the process owners, to ensure the standardized and unitary documentation.

The activity of Hidroelectrica's public internal audit department consisted in 2019 in the performance of the audit missions, a real support in the optimization of the processes, bringing value in a visible way. Also, in many situations, through counseling activities, a conciliating environment was provided between the various organizational structures of the company.

12. IT ACTIVITY AND COMMUNICATIONS

Between January and December 2019, the IT department continued the processes of digitizing the company and aligning IT services to the needs of users and the company's operational processes. Thus, it continues with the main directions in order to centralize IT services, optimize operational costs, strengthen IT security, establish new IT services and align IT services with the company's objectives and requirements.

The activity focused on strengthening IT security measures, solving alarm warning problems, reconfiguring the voice / data communication system, improving desktop's management platforms and collaborative support.

- Most workstations and legacy type servers have been replaced with new ones, recently purchased;
- Most critical servers in the MIS network have been virtualized in order to ensure a higher level of redundancy;
- The documents to promote the centralized acquisition of 11 A0 ++ large format multifunctional printers were drafted. Procurement procedures have been completed, equipment has been delivered and installed, replacing those purchased in the 2000s - almost constantly all non-functional;
- Removing fully depreciated and obsolete IT system components and proposing to be disposed off;
- The contract for the independent audit of existing Microsoft licenses in Hidroelectrica was developed and finalized;
- The documentation for the acquisition of new SAP Professional User licenses for the extension of the SAP ERP integrated IT system was developed and approved, as well as for a new framework agreement of ERP system maintenance for two years.

Communication and data transmission systems

- Reduced the unavailability of communication equipment in HPPs by providing and installing backup power systems (UPS) to all VPN equipment;
- Increasing the availability of SCADA communications equipment and servers at SH Sebeș and HEU Sibiu by improving the backup power supply system for communications equipment in underground power plants, technical blocks, dams and pumping stations;
- In order to increase the security of the communications related to the operative connections from the HPP in the facilities where we operate our own radiocommunications network, the old radio stations were replaced with Motorola equipment with superior characteristics and reliability;
- Providing technical assistance in replacing Telekom routers in most locations with better ones, repairing own equipment.
- Increasing the availability of the communications system where the need has been found by installing additional terrestrial or satellite communication channels, to ensure the redundancy of data necessary for command-control and dispatching systems (SCADA);
- Completed the acquisition of a new digital PABX system with 200 extensions at HPP Portile de Fier I. The products were delivered, and the installation and configuration works had begun.
- Installation and configuration of VoIP PBX in HEU Dimitrie Leonida - SH Bistrița.

Operational Technology Activity

- The new IT production application, on WEB technology, has been completed and put into use. Ensures the introduction and knowledge at any time of production data in / from the entire branch: lake quotas, machined flows and tributaries, volumes, precipitation levels, events, failures, works, energy, consumption, operating times, planned repairs, exchange of energy produced / delivered, energy consumption and balances, hydropower balances, etc.;
- The Meridian system was implemented for tele-counteracting at HEU Sibiu;
- Purchase of Siemens SIMATIC FIELD PG M5 Laptops / Consoles. Objective achieved: connection to the automated processes developed on Siemens automated and graphics stations, this being provided with the media and licensed software intended for this purpose (it has licenses for TIA Portal latest version);
- Carrying out the feasibility study “Modernization of the SCADA system in the Olt Mijlociu hydro-arrangement”;
- Initiation of procurement procedures for the implementation of a two-year framework agreement for preventive and corrective maintenance of the company's warning-alarm systems;
- Upgrade hardware and software for branches and Executive Technical Management systems;
- The feasibility study for the investment “Modernization of SCADA systems dispatching PDF” was elaborated, was approved the Substantiation Note regarding the inclusion in the development and refurbishment program, the specifications in CTE Hidroelectrica, was approved the report of necessity for the acquisition of investment works;
- The feasibility study for the investment “Modernization of the PF1 central monitoring and diagnosis system” was elaborated, the substantiation note regarding the inclusion in the development and refurbishment program was approved, the specifications were prepared and approved in CTE Hidroelectrica, was approved the report of necessity for the acquisition procedure of investment works;
- The Conceptual Note for the investment “Communication system integrated through optical fiber and microwave connections of HEU Târgu-Jiu” was drafted and approved. The Design Theme was written to contract the execution of a Feasibility Study for this work. The design theme is to be approved in CTE Hidroelectrica;
- The Conceptual Note for the investment “Modernization of the microwave communication system of Portile de Fier” was drafted. The documentation was scheduled for analysis and approval by the directorate.

IT Security Systems and Cybersecurity

The following IT solutions have been implemented:

- “IT solution for active hardware and software inventory, ticketing and IT infrastructure management”;
- “ DLP Solution (Data Loss Prevention/ Data leakage prevention)” Symantec type;
- Migrating Exchange 2010 e-mail infrastructure to Exchange 2016 with own resources;
- The documentation for the acquisition of an integrated cyber security system of Hidroelectrica was prepared.

13. LITIGATIONS

The main litigations in which the company is involved as on December 31, 2019 with a total potential exposure of RON 870.1 million are the following:

a) Litigation on file 3200/2/2018 against Ministry of Energy

The dispute concerns the Concession Agreement no. 171/2004 regarding public assets.

Petitioner: Ministry of Economy, Energy and Business Environment

Defendant: Hidroelectrica SA

Potential exposure: RON 373 million.

The Ministry of Economy, Energy and Business Environment requested the following from the court:

- (i) Supplementing Hidroelectrica's consent to conclude an addendum to the concession contract, whereby the contract is modified so that:
 - The Ministry of Energy, as a concession provider, can unilaterally modify the amount of the royalty; and
 - amend the amount of the royalty at the value of the annual amortization of assets received under concession.
- (ii) Subsequently, the Ministry of Energy supplemented the action in court, requesting Hidroelectrica to pay RON 373 million, representing the difference between the amortization of the assets received in concession and the royalty paid for 2013-2018.

The action in court of the Ministry was initiated following an inspection and a report of the Court of Accounts at the Ministry of Economy, Energy and Business Environment. According to this report, the method of establishing the royalty for the concession agreement violate Law no. 15/1994 regarding the amortization of the fixed capital in tangible and intangible assets and the methodological application norms, applicable to the economic agents. According to the provisions of the mentioned law, the amortization of the concessional assets belongs to the owner, in this case, in charge of the Ministry's. This depreciation is recovered by royalty.

The company has as arguments against the request of the Ministry the provisions of Ordinance no. 81/2003 on the revaluation and depreciation of fixed assets in the patrimony of public institutions, according to which the assets belonging to the public domain are not subject to depreciation. This category also includes the goods granted by the Ministry to the Company. Thus, the value of the depreciation that the Ministry has in its charge, as the owner of some concessional public domain assets, is invalid, consequently the value that should be recovered through the royalty is zero.

On November 6, 2019, the court appointed an independent expert to determine the amount of depreciation, namely the difference between the determined depreciation and the royalty paid by the Company.

The next term is April 29, 2020, when the independent expert is expected to submit the accounting expertise report. Following the submission of the report, the parties will be able to dispute its content.

Based on the arguments presented above, the Company estimates that it is highly probable that the dispute will be finalized in favor of the Company, consequently, it did not register a provision in connection with this dispute.

b) General tax inspection

Hidroelectrica was under general fiscal inspection, the period subject to control being 01.01.2006 - 30.06.2012. ANAF issued the Tax Decision no. F-MC 851 / 21.01.2014 regarding additional fiscal payment obligations in the amount of RON 232,570,429, representing income tax, VAT, social contributions, and accessories, related.

By the Decision for solving the preliminary tax complaint no. 406 / 18.12.2014, ANAF's General Directorate for Solving Complaints, partially upheld the appeal filed by Hidroelectrica, ordering the annulment of the Tax Decision for the amount of RON 18,185,217. Consequently, the obligations established by the Tax Decision were reduced to RON 214,385,212.

Given that Hidroelectrica was not insolvent at the date of the tax decision, it could be applied the enforcement procedure because the Tax Decision has become enforceable title. According to the provisions of art. 148¹ of the Fiscal Procedure Code applicable at that time, the writ of execution could have been suspended or not commenced if Hidroelectrica SA should have submitted to the competent fiscal body a letter of bank guarantee, at the level of the established tax obligations, with a validity of at least 6 months from the date of issue.

In order to suspend the enforcement procedure, the Company submitted to ANAF letter of bank guarantee no. GI-16/0826 in value of RON 214,385,212. This letter was extended / renewed successively until August 2016.

The main aspects regarding the payment of the letter of bank guarantee are presented in point iv. below.

i. The litigation filed by Hidroelectrica against the Decision for solving the preliminary fiscal appeal no. 406 / 18.12.2014 and the annulment of the Tax Decision no. F-MC 851 / 21.01.2014

Hidroelectrica filed a complaint against Decision no. 406 / 18.12.2014 and requested in court the cancellation of the Tax Decision no. F-MC 851 / 21.01.2014. At present, file no. 3288/3/2015 instrumented by the Bucharest Court of Appeal is in the stage of evidences' administration, respectively the experts designated by the court are preparing the financial-accounting expertise report.

The next trial is on May 6, 2020 for the administration of evidence, including the expert report.

ii. Decisions regarding the Tax Decision no. F-MC 851 / 21.01.2014 within the insolvency file of Hidroelectrica

As it intended to capitalize in the insolvency procedure the Tax Decision no. F-MC 851 / 21.01.2014, on 17.12.2014, ANAF registered in the insolvency file of Hidroelectrica a payment request, based on the

provisions of art. 64 paragraph 6 of Law no. 85/2006 regarding the insolvency procedure. In accordance with the provisions of this text of law, the payment obligations born during the insolvency procedure are paid according to the resulting documents, not requiring registration with the creditors' group. ANAF claimed that, by issuing the respective taxation decision on 21.01.2014 (therefore, during the insolvency proceedings), the debt from the Tax Decision acquires the character of current debt, which is paid with priority, without registration in the List of creditors.

In December 2014, the official receiver Euro Insol found that ANAF has no right over the requested debt neither during the procedure nor after its closure, considering the following:

- the receivable from the Tax Decision is not current (born during the insolvency proceedings), but previous to the procedure, as it targeted the debts established for the period 01.01.2006 - 20.06.2012;
- as is the case of a previous claim, it should be declared in the creditors' group within the term stipulated in Law no. 85/2006, in case of the Company, the term being 06.08.2012;
- failure to file the statement of claim within the legal term shall result in its revocation, in accordance with the provisions of art. 76 par. (1) of the Law no. 85/2006.

Against this measure of the Official receiver, ANAF has prepared an appeal.

By Civil Sentence no. 6458 / 17.07.2015 given by the syndic judge, the court rejected ANAF's appeal, validating with the decision the reasoning of the Official receiver and acknowledging that the claim for damages by ANAF does not exist.

Sentence no. 6458 / 17.07.2015 was appealed by ANAF. Bucharest Court of Appeal - 5th Civil Division, by Decision no. 135 / 10.03.2016, dismissed ANAF's appeal and maintained its final sentence as legal and sound.

iii. The dispute regarding the challenge on enforcement filed by Hidroelectrica and ING Bank regarding the foreclosure carried out by ANAF

On February 18, 2016, ING Bank issued in favor of ANAF the Letter of Guarantee No. GI-16/0826 amounting to RON 214,385,212 with validity until August 18, 2016.

By Decision no. 21 of August 18, 2016, the Supervisory Board approved the non-extension of the Letter of Guarantee and, if appropriate, the exercise of an appeal against any writs of execution that could be initiated by ANAF without a valid letter of bank guarantee.

On 18.08.2016 ANAF sent ING Bank a payment request to execute the letter of bank guarantee. On 25.08.2016, following the analysis of the conformity of the received request, ING Bank submitted to ANAF the note of refusal to pay the request.

On 06.09.2016, ANAF started the foreclosure against ING Bank because of its refusal to comply with the payment request. Following the summons of foreclosure received, ING Bank paid to ANAF the amount of RON 214,385,212.

Both ING Bank and Hidroelectrica SA filed a challenge on enforcement against the foreclosure initiated by ANAF.

On 06.03.2019, the Bucharest Tribunal-Civil Section V, by Civil Decision no. 641, cancelled the foreclosure carried out by ANAF. The decision mentions that the return of the foreclosure can be performed only by ING Bank, because it was under foreclosure, the fact that Hidroelectrica paid, in its turn, the amount executed concerns only the relations between Hidroelectrica and ING Bank generated by the credit agreement no. 16271 / 02.09.2016.

According to the motivating decision, communicated on 25.06.2019, the cancellation of the foreclosure performed by ANAF is motivated by the following:

- the conditions for the execution of the letter of bank guarantee by ANAF were not fulfilled;
- the request for payment made by ANAF to execute the letter of bank guarantee did not comply with the requirements of the letter of bank guarantee regarding the content of the request for payment.

The decision of the court, although final, could be challenged only by extraordinary means of withdrawal (appeal for annulment or review). Thus, ANAF formulated a request for review which is the object of file no. 18751/3/2019 pending before the Bucharest Tribunal, with a trial date on 26.05.2020.

iv. The litigation opened by Hidroelectrica against ING Bank regarding the recovery of the amount paid following the foreclosure performed by ANAF

By the address no. 100178 / 14.09.2016, ING Bank notified Hidroelectrica that following the payment made to ANAF, the bank credited the Company's accounts with the amount of RON 214,385,212 based on the credit agreement no. 16271 / 09.02.2016, concluded to issue the letter of bank guarantee. The amount not covered by the Company's existing cash in all accounts opened by Hidroelectrica at ING Bank will become an unauthorized loan and immediately due, so the bank requested the urgent payment of the amounts necessary to pay the unauthorized loan. Following the notification of ING Bank, Hidroelectrica paid the amount of RON 214,385,212.

As a result of the Civil Sentence no. 641, by which the court annulled the foreclosure performed by ANAF against ING Bank, Hidroelectrica requested the court to oblige ING Bank to reimburse the amount of RON 214,385,212, as well as the legal interests of RON 61,611,928, calculated between 09.14.2016 - 30.06.2019. Hidroelectrica's request is the subject of file no. 25111/3/2019 registered with the Bucharest Tribunal.

The company submitted this request considering the following:

- ING Bank did not comply with the contractual obligations mentioned in the credit agreement no. 16271 / 09.02.2016, by the fact that it gave effect to the ANAF's request to execute the letter of bank guarantee as the payment request made by ANAF was not in accordance with the requirements of the letter of bank guarantee regarding the content of the payment request (also presented by Decision No 641 - see point iv above);

- By canceling the foreclosure performed by ANAF against ING Bank, ING Bank is entitled to recover the amount from ANAF by returning the foreclosure. Consequently, Hidroelectrica does not owe ING the amount of RON 214,385,212. Thus, according to the Civil Code, art. 1341, Hidroelectrica has the right to be refunded this amount, as it was paid to ING to pay off an undue amount.

During the litigation, ING Bank requested the court to suspend the case until the settlement of the case in which Hidroelectrica requested the annulment of the Tax Decision no. F-MC 851 / 21.01.2014, act that generated the fiscal obligation that was guaranteed by the letter of bank guarantee (see point ii. above).

The next term in this file is 26.05.2020. During this hearing, the court is expected to decide on ING Bank's request to suspend the case.

Hidroelectrica also formulated, on the fiscal procedure, requests for the restitution by ANAF of the debt in the amount of RON 214,385,212.

The company analyzed the recoverability of the receivable in value of RON 214,385,212. The company considers the receivable recoverable, considering the following factors:

- the final favorable decision regarding the cancellation of the foreclosure performed by ANAF - presented at point iv. above;
- the action taken by the Company to recover the debt from ING Bank, as well as the arguments presented to the court to support the restitution request - presented above.

(c) Arbitral file no. ICC 20540/MHM

Arbitral litigation regarding Contract no. 23.534 / H.700.116004, on the refurbishment of hydroelectric power plants located on the Lower Olt: Ipotesti , Draganesti, Frunzaru, Rusanesti and Izbiceni.

Petitioner: Hidroelectrica

Defendant: Voith Hydro Holding GmbH & CO KG („Voith”) and Andritz Hydro GmbH („Andritz”)

Potential exposure: RON 28.3 million.

Hidroelectrica asked the arbitral tribunal to issue a decision by which:

- (i) oblige the defendants to replace the defective works with others in accordance with the Contract or, alternatively, to pay the amount of RON 166 million, representing the contractual value of the defective works, plus the related interest;
- (ii) order the defendants to pay damages for the prejudice because of the breach of the object of the Contract, in the form of:
 - the retention by the Petitioner in full ownership the works with deficiencies; and
 - payment of damages for any prejudice suffered as a result of non-fulfillment of the object of the Contract, respectively (a) RON 83 million if the defendants will be obliged to replace the defective works or, otherwise, (b) RON 573 million.

Voith and Andritz applied to the arbitral tribunal for reconvening the following:

- (i) reject entirety the claims of the Company;
- (ii) require the Company to pay to Voith and Andritz the amount of RON 63.9 million representing a bank guarantee executed by the Company (RON 35.6 million), additional works (RON 17 million), equipment delivered by Voith and Andritz in value of RON 11.3 million plus due interest;
- (iii) alternatively, reject the Company's claims regarding the replacement of the works with deficiencies, the financial compensation and the reimbursement of the price of the works with deficiencies and, only with regard to the corroded parts and affected by the linear and round

indications, order the repair, subject to the Company increasing repair costs compared to those that reparations would have recorded at the time of deficiency;

(iv) grant the costs incurred in connection with arbitration and interest at 6% per year

In March 2018, the final pleadings of the parties took place. Subsequently, the Arbitral Tribunal asked the parties for a series of clarifications.

In August 2019, one of the three arbitrators was recused and replaced at the request of the Company, as he became, during the arbitration proceedings, an employee of the legal consultant of Voith and Andritz. Following the recusation, the parties provided the Tribunal with comments on the arbitrator's recusation and the possible resumption of the proceedings in the context in which the events leading up to the arbitrator's recusation could have been influenced by the violation of the arbitrator's principle of independence. The tribunal did not return until the date of the financial statements with a decision. The decision that could be taken is either to resume the arbitration procedure in the new component of the arbitrators, or to decide on the adjudicated cause.

On December 31, 2019, the company has registered a provision related to the letter of guarantee executed, in the amount of RON 35,618,248 (December 31, 2018: RON 35,618,248). With regard to the balance remaining from the request of Voith and Andritz (RON 28.3 million), considering the uncertainties generated by the complexity of the case, the company estimates that the arbitral award will oblige both parties involved to pay damages. The company could not reliably estimate the amount of these compensations to recognize a provision.

d) The arbitral file no. 20901/MHM

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

Petitioner: Hidroelectrica SA

Defendant: ANDRITZ HYDRO AG („Andritz”)

Potential exposure: RON 72,5 million

Hidroelectrica has asked the arbitral tribunal to issue a ruling by which:

1.A. Mainly: to order Andritz to pay the Company damages for the loss suffered as a result of failing to fulfill the object of the Contract, amounting to RON 1,582 million plus 6% interest per year, calculated up to the payment day. The amount also includes replacement work according to the Quantum MWH Replacement Program.

1.B. Alternatively, to the extent that Arbitral Tribunal considers that the Quantum MWH Replacement Program will satisfy the Company's right to a hydroelectric power plant in accordance with the contractual provisions, order Andritz to pay the Company the amount of RON 1,204 million plus the 6% interest per year, calculated up to the payment day.

In the counterclaim, Andritz asked the arbitral tribunal to force the Company to pay the amount of RON 72.5 million, representing costs incurred by Andritz to repair the damage caused by the cavitation.

During 2019, all the hearings scheduled within the arbitration procedure took place.

In January 2020 and March 2020, the parties submitted their conclusions after the hearing.

The General Court is expected to give a final judgment between May and June 2020.

Considering the uncertainties generated by the complexity of the case, on 31 December 2019 Hidroelectrica estimates that the arbitral award will oblige both parties involved to pay damages. The company could not reliably estimate the amount of these compensations to recognize a provision.

a) The arbitral file no. ICC 22482/MHM

Arbitral litigation regarding Contract no. 21 / 50765 / 09.11.2001 on capital repairs and the modernization of the hydropower plant Portile de Fier II.

Petitioner: Andritz Hydro GmbH, Germany and Andritz Hydro GmbH, Austria (together „Andritz”)

Defendant: Hidroelectrica

Potential exposure: RON 60.7 million

Andritz asks the Arbitral Tribunal to order Hidroelectrica to pay the amount of RON 60.7 million plus the 6% interest per year, representing Andritz’s works after Hidroelectrica’s unilateral termination of the contract.

Hidroelectrica filed a counterclaim requesting RON 16.2 million plus interest, representing the difference between the advance paid by the Company and the interim payments to Andritz and unjustified by works executed according to the contractual provisions, plus the related interest.

In April 2018, the arbitral tribunal decided to divide the procedure in two stages

- Stage of exclusion on the lack of competence and admissibility of the action, exceptions filed by Hidroelectrica and motivating that Andritz did not fulfill the contractual steps regarding the pre-arbitration stage and that Andritz lost the right to these claims, considered to be current in the procedure of insolvency because it has not applied for payment of these amounts during the insolvency period; and
- Stage of the fund.

During 2019, the Arbitral Tribunal decided regarding the exceptions invoked by the company.

The Tribunal rejected its objections.

According to the procedure schedule for the substantive stage, the hearings will take place in June 2020.

The estimated date for the completion of the file is the end of 2020.

The company considers that the probability that as arbitral tribunal's decision will be highly favorable to Hidroelectrica consequently, it has not entered a provision in connection with this dispute.

f) Litigation regarding file 44443/3/2016 against Hidroconstructia SA

Petitioner: Hidroconstructia S.A.

Defendant: Hidroelectrica

Potential exposure: RON 32,8 million

Hidroconstructia SA filed claims in amount of RON 32.8 million, representing the equivalent of the costs generated by stopping the construction works related to some of the investment projects under execution. The company has asked the court to reject Hidroconstructia’s request, motivating the following:

- the claims made by Hidroconstructia does not represent costs of preserving the works during the period of their ceasing, but the costs incurred by Hidroconstructia before the insolvency of the Company;
- thus, as a claim before the insolvency proceedings, it should have been declared at the creditors’ group within the preemptive term stipulated in the Law no. 85/2006, in the case of the Company the term being 06.08.2012; and
- failure to submit the claim in the legal term means Hidroconstructia is losing the right to request the collection of the debt.

In March 2018, the tribunal of the Bucharest Court of Appeal rejected Hidroconstructia SA request, the decision being contested by both parties.

In April 2019 the Bucharest Court of Appeal upheld the appeals made by the parties and sent the case back to the Bucharest Tribunal.

Hidroelectrica initiated an appeal against this solution, which is pending before the High Court of Cassation and Justice ("ICCJ"), in the filter procedure. The deadline for the meeting is to be set.

In view of the favorable decision at the substantive stage, the company considers that the probability that the arbitral tribunal's decision will be highly favorable to Hidroelectrica and, consequently, it has not entered a provision in connection with this dispute.

g) File no. 40314/3/2013* against Consortium Romelectro SA, Hidroconstructia SA and ISPH Project Development SA („Consortium")

The dispute concerns the execution contract no. 21DI/26.01.2004 on achieving the investment *Hydroelectric development of Jiu River on the sector Livezeni-Bumbesti*.

Petitioner: Consortium Romelectro SA, Hidroconstructia SA and ISPH Project Development SA

Defendant: Hidroelectrica

Potential exposure: RON 88.4 million

The Consortium asked the court the following:

- (i) the delivery of a court decision to replace an addendum on the execution contract, an addendum having as object additional works executed by the Consortium from 2010 until now and establishing the value of the respective works in the amount of RON 88.4 million; and
- (ii) obliging Hidroelectrica to pay the amount of RON 88.4 million representing the liabilities resulting from the execution of the works.

Subsequently, the claims in point (ii) have been split in two, being finally settled in the Hidroelectrica insolvency file, where the syndic judge decided to reject them. Therefore, the subject of the case is represented only by the court's decision that should be considered as addendum.

In November 2015, the court of first instance rejected the Consortium's request, the decision being contested by the Consortium.

In December 2016, the Court of Appeal upheld the appeal brought by the Consortium and referred the case back to the court.

After re-examining the substance, in April 2018, the court rejected the request of the Consortium.

The current appeal of the Consortium against the decision of April 2018 is judged. The next hearing is on 30.04.2020.

Hidroelectrica analyzed possible future events considering the following:

- in case the final decision of the court is unfavorable to the company, an additional act will be concluded according to the request mentioned in point (i) mentioned above;
- the consortium Romelectro - Hidroconstructia - ISPH will initiate the foreclosure procedure of the amount of RON 88.4 million;
- the company will challenge the enforcement procedure, arguing that the Association has been deprived of the right to request this claim by the decision of the syndic judge.

In view of the analysis performed and the favorable decisions in the substantive and appeal stages, the company considers the probability that the arbitral tribunal's decision will be highly favorable to Hidroelectrica and, consequently, it has not entered a provision in connection with this dispute

The ongoing investigation of the Competition Council at Hidroelectrica

There is an ongoing investigation at Hidroelectrica ordered based on the Order of the President of the Competition Council no. 1079 / 24.08.2018 having as object a possible violation of art. 6 paragraph (1) letter (b) 1 of the Competition Law no. 21/1996, with subsequent amendments and completions

("Competition Law") by Hidroelectrica S.A. on the market of production and sale of electricity in Romania by limiting the sale of electricity.

By court decision no. 22 / 03.09.2018 pronounced by the Bucharest Court of Appeal, an unexpected inspection was authorized at Hidroelectrica and at the Compania Națională de Transport a Energiei Electrice Transelectrica S.A. ("Transelectrica"), the Competition Council invoking the fact that, in 2017, the Romanian electricity market was characterized by an increase in the price of electricity on each of the centralized markets managed by OPCOM, especially in January, June and July. 2017. In addition, the suspicions of the competition authority were based on the price increases registered on the balancing market, where, against the background of the large volume of energy selected for the increase, the prices registered very high hourly values in January and February 2017.

Thus, the request of the competition authority was based on a possible anti-competitive act committed by Hidroelectrica, consisting in limiting the sale of electricity on the market and sale of electricity in Romania, achieved by withdrawing available capacity or selling offers at prices above market (physical and / or financial withdrawal of capacity).

On September 5, 2018, based on the court decision authorizing the inspection, as well as the Order of the President of the Competition Council no. 1112 / 04.09.2018, the Competition Council inspected the headquarters of Hidroelectrica S.A. in Bucharest. The inspection took place over a single day, and no seals were required. At the end, the inspectors picked up a series of documents in physical format, in electronic format, as well as scanned documents.

At this date, the investigation is ongoing, without any measures being ordered against Hidroelectrica, Directors or managers.

14. NON-FINANCIAL DECLARATION FOR THE YEAR 2019

14.1. The business model of the Hidroelectrica Group

Hidroelectrica group comprises:

- the parent company S.P.E.E.H. Hidroelectrica S.A. having as main activity the production of electricity and the provision of ancillary services
- subsidiary Societatea de Servicii Hidroenergetice - Hidroserv S.A. having as main activity the provision of maintenance and repair services for hydropower assets
- Hidroelectrica Trading d.o.o. Belgrade having as main object of activity trading electricity in the Republic of Serbia, liquidated starting 01.08.2019.

Hidroelectrica is the most important producer of electricity among the producing companies on the energy market, providing annually over 25% of the total production and being the main provider of ancillary services, at the level of NES.

The main activities of the company consist of:

- production of electricity in hydropower plants and the sale of electricity;
- performing ancillary services for the National Energy System;
- provide water management services from own accumulations by supplying raw water, debit

- adjustments, flood protection, debit insurance and other common water management services;
- ensuring navigation on the Danube by locking;
- in the hydroelectric installations on the internal rivers under the management of the company, Hidroelectrica performs the control and ensures the mitigation of the flood waves for the transit of the catastrophic flows. In situations where increased flows might endanger material assets and human lives through the National Emergency Committee, the Company contributes to a very important extent in limiting and removing these situations.

As a participant in the electricity market, the company operates based on the licenses granted by the National Regulatory Authority for Energy which are regularly updated as follows:

- License No.332 / 2001 for the commercial exploitation of power generation capacities, including the ancillary services, updated by ANRE Decision no.509 / 2017, valid until 24.07.2026.
- License No.932 / 2010 for the supply of electricity, updated by the ANRE Decision no. 768/2016, valid until 01.06.2020.

On December 31, 2018, Hidroelectrica S.A. had under administration 208 hydropower plants and pumping stations, with a total installed capacity of 6,444 and 3,428 employees.

As concerning the organizational structure, the company consists of 7 branches without juridical personality dispersed on the territory of the country, namely:

- SH Bistrița – 13 Locotenent Drăghiescu Street, Piatra Neamț;
- SH Cluj - 1 Taberei Street, Cluj Napoca;
- SH Curtea de Argeș – 82-84 Basarabilor Street, Curtea de Argeș;
- SH Hațeg - 23 Nicolae Titulescu Blvd, Hațeg;
- SH Porțile de Fier - 2 I.C. Bibicescu Street, Drobeta Turnu Severin;
- SH Râmnicu Vâlcea - 11 Decebal Street, Râmnicu Vâlcea;
- SH Sebeș - 9 Alunului Street, Sebeș.

Mission

To create value through the production and marketing of electricity in hydropower plants, in a responsible manner to the community and the environment, in terms of quality and performance.

Vision

Strengthen leadership position in power generation and ancillary services, complying the principles of sustainable development.

Values

Performance, Integrity, Creativity, Teamwork and Social Responsibility

The main objective of Hidroelectrica is the sustained increase of the company's value through:

- optimizing the cost base and operational optimization;
- optimizing the operation of production capacities;
- making cost-effective investments;
- development at regional level;
- listing the company on the stock exchange.

Hidroelectrica sells electricity in a transparent, non-discriminatory and competitive manner to all potential customers on the competitive market of the electricity market, targeting the best price it can obtain on the markets it operates, under the law (including secondary legislation).

In fulfilling its mission, Hidroelectrica is based on a management system according to the standards in quality, environment, safety and health management, continuously monitored and adapted / optimized, as well as focused on identifying, implementing and monitoring the applicable requirements, the Plan-Perform-Check-Act cycle and risk-based thinking.

Hidroelectrica is a sole shareholder in S.S.H. Hidroserv S.A. and Hidroelectrica Trading d.o.o. Belgrade, company liquidated in 2019.

Societatea de Servicii Hidroenergetice-Hidroserv S.A.

Societatea de Servicii Hidroenergetice - Hidroserv S.A registered with the Trade Register Office attached to the Bucharest Tribunal under no. J40 / 9762 / 05.08.2013, a company formed by the merger of the 8 Hidroserv Repair and Service Branches (established by RGD No. 857/2002), a subsidiary with legal personality.

S.S.H. Hidroserv S.A. has as main purpose the provision of repair services and other service activities, for hydro-aggregates, although the main object of activity included in the Constitutive Act, NACE code 3511, is "production of electricity " and the secondary objects of activity consist of a series of related service activities in several domains to support the main object of activity.

Considering the negative evolution of the economic-financial indicators, the Board of Directors of Hidroserv requested the insolvency of the company, and the Syndic Judge, by concluding the meeting, pronounced on 10.10.2016, within the file no. 36365/3/2016, pending before the Bucharest Tribunal-Civil Section VII, ordered the opening of insolvency proceedings according to the provisions of art. 71, paragraph 1 of Law no. 85/2014 on insolvency prevention and insolvency proceedings with the retention of the right to administer the company and based on art. 45, letter d) of Law no. 85/2014 appointed as official receiver C.I.T.R. BUCHAREST BRANCH S.P.R.L, reported to art. 87 paragraph 1, letter d) of Law no. 85/2014.

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

- Historical debts acquired by the merger;
- Collective labor contract;

- Non-performing stocks and receivables;
- Poor management;
- Inefficient personnel structure;
- Losses generated as a result of the execution of the obligations to remedy the works during the warranty period;
- Performing maintenance contracts;

Hidroelectrica SA has the quality of creditor, in the Insolvency Proceedings Bulletin no. 10744 / 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 were registered Hidroelectrica receivables - certain with voting right and under suspensive condition, in total amount of RON 1,758,484.58. Receivables under suspensive condition in the amount of RON 1,742,229.49 were entered in the category of non-voting receivables and the receivable of RON 16,255.09 was entered in the category of receivables with voting rights.

By the civil Sentence no. 658 / 07.02.2017, given in the file no. 31845/3/2917, the syndic judge admitted the request of the official receiver to terminate the administration right of SSH Hidroserv SA and, as a consequence, assigned the administration right to the official receiver, namely Casa de Insolventa Transilvania- SPRL Bucharest Branch, remaining final by the civil Decision no. 358 / 25.02.2019 pronounced by the Bucharest Court of Appeal: *"Rejects the appeal as unfounded. Dismisses the application to intervene in the interests of the appellant. Final."*

Currently, S.S.H Hidroserv S.A. is still under insolvency, during the observation period, the syndic judge granting a term on 24.06.2020 to continue the procedure.

Hidroelectrica SA lost control over Hidroserv SA in February 2018, as a result of the syndic judge's decision to terminate the administration right of Hidroserv SA assigning it to an official receiver.

Hidroelectrica Trading d.o.o. Belgrad

Hidroelectrica Trading d.o.o. Belgrade is a Limited Liability Company, based in Belgrade, Republic of Serbia, with a share capital of EUR 500,000 (of which EUR 50,000 was paid-in), established on 31.10.2014, with the main activity the trading of electricity.

As a result of Decision no. 30 / 23.11.2018 of the Extraordinary General Meeting of Shareholders of the Societati de Producere a Energiei Electrice in Hidrocentrale Hidroelectrica S.A., respectively of Decision no. 3 / 17.12.2018 of the General Assembly of the Sole Shareholder of Hidroelectrica Trading doo, the dissolution and liquidation of Hidroelectrica Trading doo from the Republic of Serbia was approved.

Liquidation procedure of Hidroelectrica Trading doo. was started at the beginning of 2019, the final decision on removing the Company from the Trade Register of the Republic of Serbia was issued on 01.08.2019, the date marking the completion of the dissolution and liquidation procedure of the subsidiary Hidroelectrica Trading doo from the Republic of Serbia.

The liquidation process of the branch was completed on 31.08.2019.

Considering the above, as of December 31, 2019, the Company no longer prepares consolidated financial statements.

14.2. Environmental issues

Policies adopted for the protection of the environment

Environmental protection activity in Hidroelectrica is organized in accordance with the legal environmental requirements and ISO 14001: 2015 Environmental Management Systems.

The compliance of the Hidroelectrica Environmental Management System with the requirements of SR EN ISO 14001: 2015 is certified by SRAC through Certificate No 95 valid until 21.06.2021.

Environmental protection is a priority area for Hidroelectrica. The company's strategic goal is to increase the value of the company by optimizing the operation of production capacities and operational control, cost-effective investments, and regional expansion, observing the applicable environmental legislation. These actions are carried out with a rational and responsible use of resources to prevent and reduce the impact on the environment.

The basic input of the HSW, Environment and ES Department for maintaining and improving the environmental component of the Integrated Management System is to control significant environmental aspects and increase compliance with applicable legal requirements and other requirements the organization has subscribed to.

For the purposes of this guideline, during 2019 a new procedure was developed and approved for the assessment of environmental impacts and environmental aspects corresponding to Hidroelectrica's activities, in order to identify and control significant environmental aspects," P_S13.211. Environmental impact assessment and the establishment of significant environmental aspects. "Hidroelectrica's management, aware of the major environmental influence on habitats and organisms in general and on human health in particular, has been constantly concerned with observing legal obligations in the field of environmental protection, applicable to the activity, compliance with regulatory obligations, minimizing the impact on the environment due to the activities carried out and preventing accidental pollution of water and other environmental factors, including by achieving efficient waste management.

Management was also concerned with ensuring good cooperation with environmental authorities and other stakeholders.

In order to achieve this objective, namely standards in line with the international environmental protection requirements, the environmental component of the integrated management system had the following directions of action:

- Enhanced environmental responsibility through direct involvement, training and continuous improvement in the field of environmental protection of all personnel;
- Preventing and combating water and soil pollution through measures related to the operation and maintenance of equipment in a first stage and through technological change in the future;

- applying environment-friendly solutions in new investment works, upgrades, refurbishment and restoration of the natural environment after completion of the works;
- efficient waste management resulting from own activity;
- initiating and developing partnerships with all stakeholders concerned with environmental protection;
- improving communication with interested public by increasing transparency and encouraging dialogue.
- continuously improving the environmental component of the Hidroelectrica Integrated Management System.

Environmental policy outcomes

Hidroelectrica acts responsibly and is actively engaged in projects that aim to protect and improve natural environmental conditions, as well as to reduce the pollution of the environment and pollution sources in the areas where it operates.

At the same time, under the goal "Hydropower - clean environment for all", the activities of Hidroelectrica are based on the proactive approach of environmental protection and the involvement and motivation of all personnel in assuming a responsible attitude towards the environment and the social community.

Regulatory acts

Environmental permits 2019

At the end of 2019, 189 hydropower objectives, necessary to be licensed, were holding an environmental permit within the validity period, and a number of 20 objectives were in the renewal procedure, one objective had obtained the annual permit and extended the environmental permit, without asking for its renewal. All environmental permits for HE patrimony objectives are issued without compliance programs.

The operating conditions imposed by the environmental permits refer to the monitoring of the environmental factors and to the observance of the environmental legislation applicable to the performed activity. During 2019 there were no exceedances of the legal limits of the measured indicators.

Environmental agreements 2019:

The applications and documentation necessary have been submitted to obtain the environmental agreements for the projects:

SH Cluj

HEA RASTOLITA "Definitive removal from the forest fund and land clearing in order to complete the Răstolița Hydropower Development" - ongoing procedure

HEPP Mărișelu – Refurbishment - ongoing procedure

SH Curtea de Argeș

HPP Izvoarele - Repair of the adduction gallery following the accident on 07.06.2017 - ongoing procedure

SH Râmnicu Vâlcea

Maintenance works in the confluence area of the Olănești and Olt rivers - Decision no. 275 / 04.06.2019 - procedure completed.

HPP Govora. Construction works - Drinking water connection - Classification of the notification - procedure completed

Refurbishment of high-power energy pumping stations, Lotru downstream - HEU Dorin PAVEL - Elaboration of technical expertise and feasibility study - Decision on the initial evaluation stage no. 462 / 11.09.2019 - procedure completed

Refurbishment of high-power pumping stations, Jidoaia – HEU Dorin Pavel,

Elaboration of technical expertise and feasibility study - Decision on the initial evaluation stage no. 463 / 11.09.2019 - procedure completed.

Refurbishment of the Petrimanu Energy Pumping Station (Elaboration of a Feasibility Study) - Classification of the notification - procedure completed.

Refurbishment HPP Brădișor - HEU "Dorin Pavel" - Development of technical expertise and classification feasibility study - notification - procedure completed.

The procedure for obtaining an environmental agreement for the “HEA project of the Jiu River on the Livezeni - Bumbești sector was continued. Continuing the works”; Presenting the memorandum necessary for the procedure, ANPM published the Decision of the classification stage no. 7 / 01.22.2020. As a result, it proceeded to the “RIM definition and implementation stage” of the procedure.

Environmental protection works

In order to comply with legal obligations and to keep under control significant environmental issues, were carried out actions with an environmental protection component, in amount of RON 10,917, including the fees paid for obtaining regulatory documents.

The most important categories of actions / works with environmental protection character realized in 2019 were:

Flood prevention works, consisting mainly of grate cleaning and clogging, with the main share in SH Bistrița, SH Cluj, SH Curtea de Argeș and SH Rm. Vâlcea, representing 81.3% of the total value of environmental protection works;

Waste management actions, generated from its own activity and the waste collected from the retention fronts and water intakes, were carried out in all branches of the company, representing 13.57% of the total value of environment protection works;

Works for the prevention of water pollution and for water purification executed by SH Porțile de Fier, SH Cluj, SH Curtea de Argeș, SH Hațeg, SH Râmnicu Vâlcea and SH Sebeș, representing 3.9% of the total value of works with environmental protection character;

In 2019, no environmental events were registered.

Environmental risks and management modes

For environmental risk and other identifiable risks besides documented processes, were initiated workshops and awareness sessions and risk assessment tools should be implemented in the coming period.

The significant environmental aspect is the pollution of water with oil, which can occur both through own activity and through works performed with third parties. In order to avoid such situations and to limit their consequences when they occur, at the level of the workplaces, numerous actions are taken: endowment with absorbent materials, prophylactic checks, training of personnel, etc.

At the hydro-aggregate operation level, other significant environmental aspects are:

- Variation of water level in the lake;
- Management of large waters;
- Accidents at the dam and piers;
- Extra filtration / Infiltrations;
- Fires and explosions;
- Faults that may occur at laboratory equipment, electrical installations that may cause fire, explosions, wastes;
- Use, handling and storage of toxic and dangerous substances;
- Generation and storage of hazardous waste;
- Storage and disposal of waste within the hydropower facility;
- Change in land use by third parties;
- Site organizations executed with third parties.

All these environmental aspects are controlled by different internal or external regulations:

- internal procedures, such as those related to waste management, or those related to exercises on how to act in emergency situations;
- programs on how to organize and conduct preventive maintenance at installations;
- operating regulations, daily operating schedule;
- various plans, such as: Flood Protection Plan, Fire Protection, Prevention and Control of Accidental Pollution;
- monitoring planning, special UCCH programs, prophylactic checks;
- regulations on annual training, on-the-ground training, including simulation, on requirements in procedures, etc.;
- internal working instructions;
- requirements specified in applicable regulatory or applicable environmental legislation.

Biodiversity

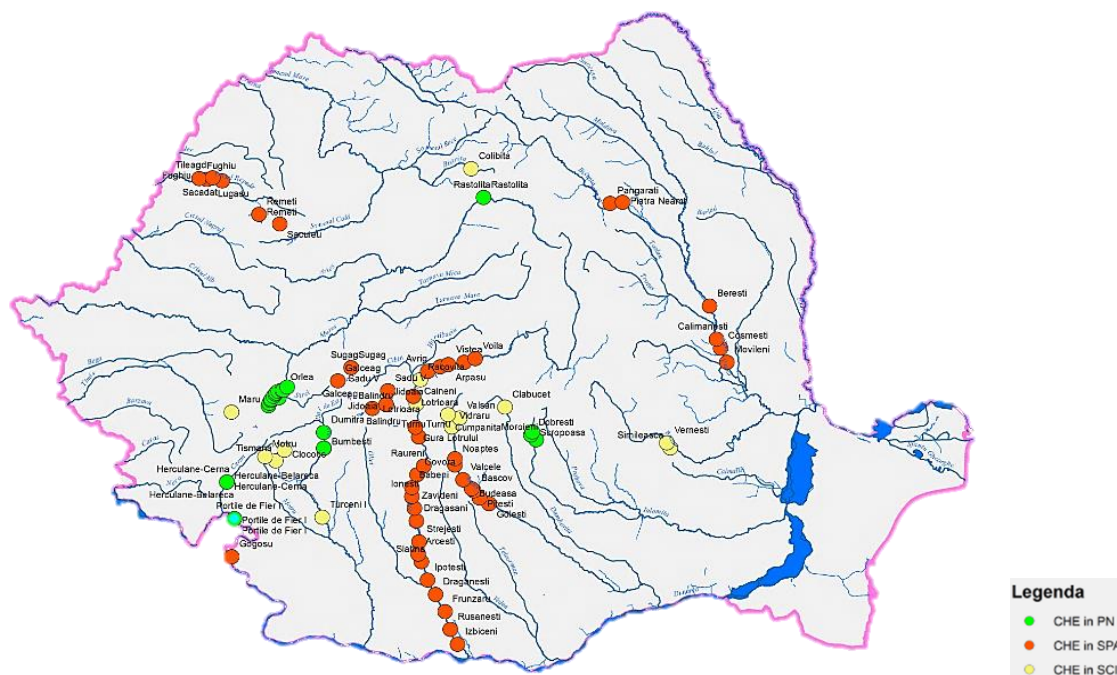
The concept of biodiversity or biological diversity was first defined in the context of the adoption of a new international environmental instrument at the 1992 UNCED Earth Summit in Rio de Janeiro. It represents the diversity of life on earth and involves four levels of approach: diversity of ecosystems, species diversity, genetic diversity and ethnocultural diversity.

The increased interest in the development of protected area networks in Romania has made in recent years a large part of the accumulation lakes under Hidroelectrica to be declared natural avi-fauna protected areas. Branches that have water storage reservoirs - avi-fauna protected areas are: Bistrita, Curtea de Argeş, Hateg, Portile de Fier, Râmnicu Vâlcea, Slatina. Thus, 52 plants have work points located in Special Protection Areas (SPAs).

In the same context, 38 of the hydro-energetic facilities have components (central, dam, hydrotechnical node, energetic socket, secondary sewage, utility roads, etc.) located in Sites of Community Importance (SCIs) and 21 facilities are located in National Parks (NP).

The exploitation and maintenance activities of the facilities are carried out in consultation with the custodians and in accordance with the requirements regarding conservation of biodiversity, detailed in the regulations specific to each protected area.

Hydroelectric power plants located in protected areas



Similarly, in the case of MHCs, 12 are located in SCIs, 7 in SPA areas and 10 in PNs.

Legenda

- MHC_in_SCI
- MHC_in_SPA
- MHC_in_PN

- No. of Accidental Pollution Prevention and Control Plans (APPCP) required to be developed or revised / no. APPCP scheduled for development or review = 1
- No. of objectives holding environmental permit required to be notified / no. of visas obtained / year = 1
- No. of requirements implemented, monitored and reported / No. of requirements of the regulatory act that need to be implemented, monitored, and reported = 1

Order no. 119 of February 11, 2002 "for the approval of the Procedure for transition to conservation, post-use or abandonment of dams" stipulates that the procedures for post-use and abandonment of dams should be performed by the owners of dams under certain conditions provided by law.

Post-use refers to the dams that have reached the final level, which have fulfilled their normal operating stage, and which can still be used for purposes other than those for which they were built. Post-use requires the implementation of a set of measures and works to ensure the new functionality of the dam in a safe way and protecting the population and the environment. The necessary measures and works are carried out both by the care of the dam owner or administrator, and by the post-user, by changing the use.

The transition to post-use of dams is proposed by the dam owners and is approved by order of the minister under the subordination, coordination or under whose authority the unit that owns the dam is, based on the approval of the Ministry of Waters and Environmental Protection.

After the execution of the works provided in the post-use project, once they are received, the handing-over of the works between the former owner and the post-user is carried out, following the legal procedures of handing-over the objective.

Abandonment refers to completed or unfinished dams, with or without normal obsolete life, which can no longer be operated or post-used due to technical impossibility or excessively high costs and which, at the same time, represent a potential danger to the population and environment. The abandonment requires the implementation of a set of measures and works for the decommissioning of the dam, the ecological reconstruction of the area and the proper ensuring of the flow of liquid and solid flows, including the maximum ones, in the initially barred section. The necessary measures and works are carried out by the care of the dam's owner or administrator and must ensure the flow conditions existing prior to the execution of the dam.

The commencement of dam abandonment operations takes place:

- following the request of the owners of the dams, when they find that the necessary performance requirements cannot be met according to the law, the respective dams presenting an unacceptable associated risk;
- as a result of the disposition of the control bodies, following expertise that show that the dams present an unacceptable associated risk, constituting a real danger for the population and the environment;
- following accidents, when the conclusions of the expertise expressly specify the abandonment due to the very high cost of the necessary restorations, as well as the non-fulfillment of the performance requirements and safety criteria etc.

The reception of the decommissioning and ecological reconstruction works is carried out by representatives of the dam owner and of the central or local public administration, which takes over the respective area, by concluding a handover-takeover report.

The Romanian State through the Ministry of Economy and Trade, later through the Ministry of Energy, currently the Ministry of Economy, Energy and Business Environment, holds the property right over the hydropower facilities (dams, pier, locks, water storage reservoirs) and the lands on which they are located belong to public domain and which are the object of the concession contract mentioned above. The company has the right to use these assets for a period of 49 years, starting with the date of signing the concession contract (2004) for the purpose of operation, rehabilitation, modernization, refurbishment, as well as construction of new hydropower facilities according to investment programs. At the end of the concession contract, the Company transfers to the State the assets resulting from the rehabilitation, modernization, refurbishment, or construction carried out on the concession assets.

According to the concession contract, the Company has the right during the contract to abandon or deactivate assets that are part of the public domain with the consent of the grantor.

The company considers that, in accordance with the legal provisions and the practices in the field, the abandonment occurs in extreme situations, when the dams become an unacceptable risk with effect on

the environment and the population. Given that these buildings have complex functions, in addition to producing electricity including flood protection, water supply, irrigation, etc., post-use is the usual way in which these buildings will be used by central or local public administration, after which can no longer be used for energy purposes.

The necessary works for post-use are established by technical documentation prepared based on expertise on assess regarding the safety of the dam at that time, performed by experts certified by Ministries and certified / approved by the Ministry of Environment, Waters and Forests.

Also, the abandonment works are carried out based on a special documentation prepared with the water management permit, the environmental protection agreement, and the local and central public administration approval, as the case may be. These documents and approvals will establish the activities necessary for carrying out the abandonment.

Given that the rate of degradation and life-cycle of a dam varies significantly from case to case (some can reach hundreds of years), as well as the complexity and variety of works that may be required for post-use or abandonment, which depend of the actual situation of each dam at the time of post-use or abandonment, the works and costs that may be required cannot be reliably estimated on such a long time. Also, there are significant uncertainties regarding the evolution of the degree of degradation and determination of the real life-cycle of a dam, these being dependent on natural phenomena (floods, landslides, earthquakes, etc.) and the behavior over time of the construction itself.

The Company estimates that until the end of the concession contract (34 years remaining) the probability of situations requiring the transfer to post-use or abandonment of public domain assets or hydroelectric power plants owned by the Company (other than those in current assets) is reduced described in Note 5), given the long life-cycle of the dams, which can be significantly extended over 100 years through maintenance and improvements.

Consequently, the Company recognizes decommissioning provisions when management has made the decision to abandon an asset or move it to post-use. The provisions are recognized based on costs resulting from the technical documentation prepared by specialists in the field employed by the Company.

14.3. Issues of Safety and Health at Work (SHW) and Emergency Situations (ES)

Adopted policies

The company's main objectives for the conduct of SHW, Environment and ES activities in 2018 are as follows:

- increasing the compliance with the applicable legislation and other requirements of SHW, Environment and ES assumed by Hidroelectrica;
- controlling the risks of injury and professional illness, significant environmental aspects associated with the work done in the company and the risks of fire.

Occupational safety and health works in Hidroelectrica are organized in accordance with the requirements of the Health and Safety at Work Act 319/2006 and the OHSMS 18001: 2008 Occupational Health and Safety Management Systems - Requirements.

Compliance Occupational Health and Safety Management System of Hidroelectrica with OHSMS 18001: 2008 requirements are certified by SRAC through Certificate No. 250, valid until March 11, 2021.

Security activity and health at work, a preventive character, is based on Prevention and Protection Plan, drawn up in each branch and the executive. By implementing the measures foreseen in the prevention and protection plan for the year 2019, it was meant to observe the legal provisions regarding the safety and health at work.

In order to ensure the information, participation and consultation of employees in the elaboration and implementation of decisions on safety and health at work, the Occupational Safety and Health at Work is organized and functions both at the company's level and at the level of each branch of Hidroelectrica.

With regard to emergency situations, there is a constant concern at the company level for the efficiency of actions to prevent and increase the response capacity of the personnel in case of emergency.

Results of the policy

Compliance with the legal requirements in the fields of SWH, Environment and ES of the activities carried out within Hidroelectrica has been controlled by the competent authorities in respect of the hydropower objectives as follows:

- 67 inspections of the National Environmental Guard resulting in 79 measures;
- 12 inspections of the Territorial Labor Inspectorates following which 13 measures were initiated and 2 verbal warnings were applied;
- 72 inspections of the Inspectorates for Emergency Situations, applying 48 warnings and 8 fines: 6 to SH Portile de Fier in the amount of RON 15,000 and 2 fines in SH Sebeş in the total amount of RON 100.

During 2019, events were registered regarding Occupational Safety and Health.

The program of expenses for the prevention and protection plans from the subunits of Hidroelectrica S.A. for 2019 it was in a total value of RON 8,463,851.5, with the following values by chapters:

• Technical measures for prevention and protection	RON 1,773,612.9;
• Organizational measures for prevention and protection	RON 2,807,249.9;
• Hygienic - sanitary measures	RON 3,882,988.7;
• Measures of a different nature	RON 0.

Within the Program of expenditures for implementation of prevention and protection plans in the Hidroelectrica S.A. sub-units, there are also measures whose value is highlighted in the maintenance / investment / endowment works.

Achievement of the expenditure program:

- Preventive and protective technical measures (including the value of acquisitions initiated in 2019: 46.97 %
- Organizational measures for prevention and protection: 43.90 %
- Hygiene and sanitary measures: 9,48 %

With regard to the health aspects at work, following the periodical medical examination of Hidroelectrica employees, no professional diseases related to the profession were detected and reported. Common illness (without professional determination) has been directed to family doctor or specialist.

The overall risk of injury and professional illness in Hidroelectrica in 2019 was 2.99. The overall level of risk, both at consolidated level and at the level of each branch and executive, falls below the acceptable risk level of 3.5.

Regarding the Emergency Situations Activity in 2019, the relations with the Emergency Situations Inspectorates aimed at the joint co-operation and organization of exercises and practical applications in order to increase the efficiency of preventive actions and increase personnel's capacity of response in case of emergency situations. The exercises focused on: "The activity of the County Emergency Committee and the County Emergency Inspectorate for the management and coordination of the intervention forces for limiting and removing the consequences of a hydrotechnical accident and alarming the population".

Every month, on the first day of Wednesday, the sirens are activated within the warning-alarm systems, existing at the level of Hidroelectrica branches. This activity is carried out within the exercise for testing and verifying the system for notification, warning and alarm in civil protection situations organized at national level by the General Inspectorate for Emergency Situations.

Considering their importance in ensuring civil protection, to keep the alarming systems in good working order, Hidroelectrica has concluded a contract for their maintenance services. In accordance with the legal requirements in the fields of sustainable water management and emergency situations, for the elaborating, respectively the updating of the Action Plans in case of accident at the dams managed by Hidroelectrica, contacts are carried out for the services for drawing up these plans. Some of them have been completed and some have been developed and are to be approved and endorsed by the competent authorities.

In 2019, there were no emergency events.

Risks Health and Safety at Work and method of administration

Within HIDROELECTRICA, the Occupational Safety and Health risks for all jobs are evaluated. The Method of evaluation of the risks of accidents and occupational diseases at work evaluation was used, developed by INCDPM - revised edition 2003, approved by MMSF.

Indicators - key to non-financial performance

Within Hidroelectrica, the value of 3.5 of the calculated global risk levels is the limit that places jobs in the category of jobs with acceptable risk level.

14.4. Issues concerning human rights and fighting corruption and bribery

Adopted policies and results

Hidroelectrica has a permanent concern to prevent and fight human rights abuses, as well as to establish and develop tools to fight corruption and bribery.

The Code of Ethics

The Code of Ethics approved by the Supervisory Board on October 13, 2016 is a guide for the management and employees of the company regarding professional conduct and ways to solve business ethics issues.

Every year, the Human Resources Department reports to the Department of Public Internal Audit which informs the Supervisory Board about implementing the Code of Ethics on the following issues:

- Training on Code of Ethics

All Hidroelectrica employees participate annually in updating the information in the Code of Ethics, followed by a test on the company's e-learning platform or by a written test.

The verification in 2019 was carried out between 01.01.2019 - 30.04.2019 by testing. For the newly hired employees, the verification was by written test on the date of employment, within the general introductory instruction - Organizational culture.

To verify the personnel's knowledge, was developed a set of questions and a verification test to be used for testing the on the e-learning platform regarding the Code of Ethics in force

The verification of the personnel on the Code of Ethics took place using the Hidroelectrica e-learning platform, (the employees took the test on the Code of Ethics on the e-learning platform) and by written testing.

- Monitoring the declarations on the lack of conflict of interest for the employees of the Procurement Department and the Supply Trading Department, Art.2.6 of the Code
- Statements on their own responsibility were requested that they were not in a conflict of interest for employees in the Procurement Department and in the Trading and Supply Department.

31 Statements from the Procurement Department (14 Executive and 17 Branches) and from Supply Trading Department (14 Executive and 17 Subsidiaries) were submitted to the Human Resources Department, Personnel Development Directorate. The statements are annual and are requested at the beginning of each year.

- Statements related the gifts received and donated according to the provisions of the Ethical Code, art. 2.7 of the Code

The Code of Ethics also sets out rules with regard to gifts that may or may not be received by an employee of Hidroelectrica.

Thus, in all cases where a Hidroelectrica employee receives a gift from a business partner / other partner of Hidroelectrica, regardless of its form, whether or not there is a motivation to grant it, he/she will report this event directly to the hierarchical superior and the manager of the HR department. If the gift received cannot be refused, it will be handed over based on a declaration to human resources department and donated on behalf of Hidroelectrica for a charitable cause.

Imprinted promotional materials bearing the emblem / company name / event offered to participants in events organized by a Hidroelectrica partner are not considered as gifts.

- Actions carried out by the Human Resources Department provided in the Code of Ethics on recruiting, hiring and personnel promotional, and monitoring family degree of kinship in 2019:

Collecting statements on employment / promotion in Hidroelectrica:

All newly recruited or promoted employees, participants in a recruitment / promotion in Hidroelectrica following the approval of the Code of Ethics, declared before employment / promotion:

- if they are married or are in a relationship of family or affinity up to third degree with a member of the Supervisory Board, respectively of the Board of Directors;
- if they are married or have a relationship of affinity up to third degree with the employee with whom they have direct relationships of subordination;
- if the criminal prosecution / trial was ordered against it.

The monitoring of the family relationship for the incompatibilities regarding the conflict of interests was carried out during the period 01.03.2019- 15.03.2019.

Also, on the company's website are posted the income statements of all employees with leading positions.

Integrity Plan

Hidroelectrica's integrity plan for 2019 is approved by the company's management and is posted on the website.

Risks and management administration

The risks of corruption are treated by the company in accordance with the Decision no. 599/2018 for the approval of the Standard Methodology for Corruption Risk Assessment within Central Public Authorities and Institutions. Thus, at the company level, the following risks were identified as risks of corruption:

- Corruption (bribery);
- Conflicts of interest;
- Fraud within the organization.

For each of the above risks, intervention measures have been established to reduce and monitor these risks, respectively:

- Implement internal procedures and controls to prevent or identify risk at an early stage;
- Assets' protection measures.

14.5. Social and personnel connected aspects **Policies adopted and results**

In the field of human resources, the company has the following objectives:

- Ensuring the personnel needs both in number and category and in the budget of income and expenditure on living expenses;
- Increasing motivation and employee involvement;
- Employee development through continuous improvement of knowledge and skills;
- Implementing a cultural change in Hidroelectrica

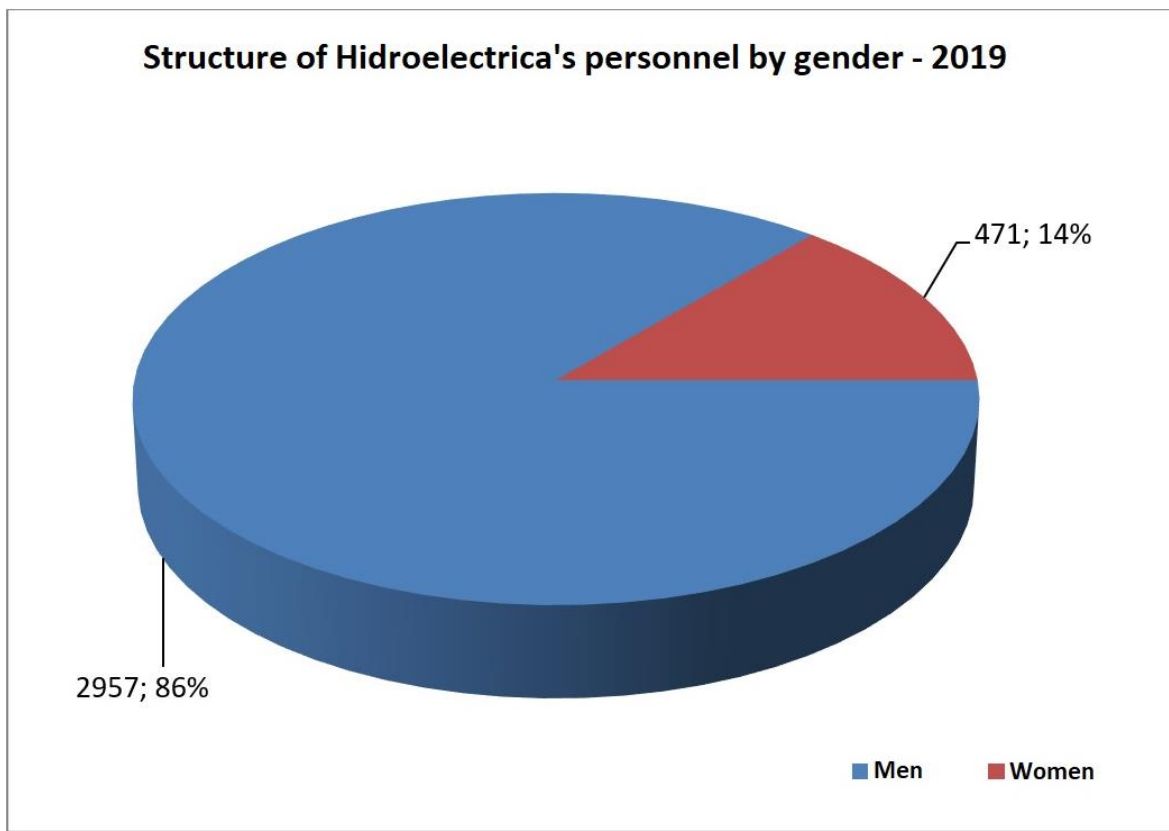
Equality of gender

Equality of treatment between men and women has been a fundamental principle of the European Union since its establishment. In 1957, the principle of equal pay for equal work became part of the Treaty of Rome. Since then, the European institutions have repeatedly reiterated this principle, promoting it as an essential value of the EU. The Commission's "Strategic Commitment to Equal Opportunities for Women and Men 2016-2019" was created as a reference framework, highlighting the need to step up efforts at all levels to develop policies for improving gender equality. It also supports the European Pact for Gender Equality 2011-2020.

Hidroelectrica also took actions in 2019 to ensure gender equality, a principle by which men and women receive equal pay, have equal rights in the organization.

Thus, starting in 2019, a new salary system based on the Mercer international methodology has been implemented, establishing salaries for different positions by assessing the positions according to five dimensions (impact, communication, innovation, knowledge and risks), which can be filled by a transparent procedure, regardless of whether the subject is a man or a woman, the principle of competence being the only one counting.

Hidroelectrica does not restrict anyone right to take up a job by taking part in the recruitment, selection and promotion process, even if 14% of all employees are women, according to the following chart:



86% of the company's employees are men because many of the workplaces in the operation of the plants are in hard-to-reach, isolated areas with a continuous underground working program. However, of the total number of women in the company, 23.6% work on hydroelectric power plants, and the rest work in offices.

Of the total number of women, 11.25% have managerial positions in Hidroelectrica (head of office, head of section, head of department, head of hydroelectric power plant, top management: department manager, branch office manager).

Access to top management functions:

- 7 women employees hold the position of department manager (28% of the total of 25 department manager positions)
- 7 women employees occupy the position of Branch Economic Director (100% of total Branch Office Director positions)

The average age of the staff is 49.69 years at 31.12.2019. Rejuvenation measures are taken by granting private scholarships for students and by no means restricting the participation in competitions of any person, regardless of whether they are between the ages of 40-50 years.

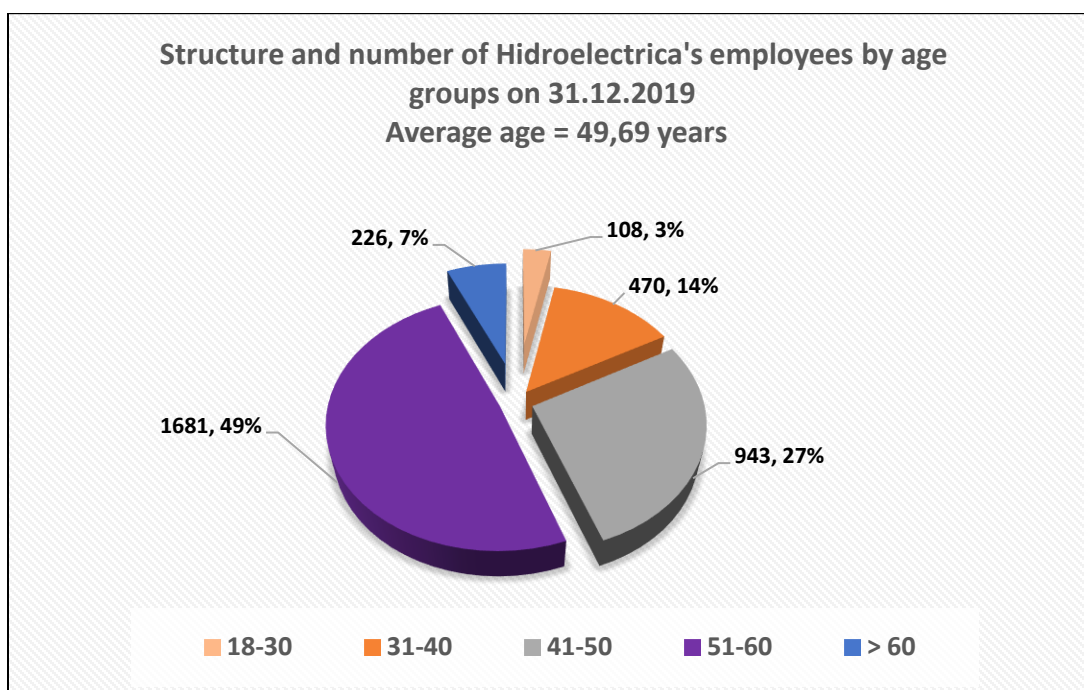
Non-discrimination based on trade union and religious affiliation

Hidroelectrica combats discrimination of all kinds through all its actions.

The Labour contract stipulate free days which are also paid for employees of a religion other than the Orthodox majority, according to the legislation in force.

The collective agreement respects the trade union activity of its employees. Those who have leadership positions in the trade union, benefit of paid free days, for performing union activities. It also respects the right of the union to have regular meetings of its governing bodies. Only in 2019, there were 7 regular meetings of the leadership of the Hidrosind union in Bucharest or in other cities in the country, totaling 19 days for trade union activities. In each branch, employees with eligible trade union positions, benefit from a day / week dedicated to providing trade union activities within or outside the unit.

Some trade union leaders have participated in competitions, and now occupy leading positions in company without any discrimination.



Structure of personnel		
Age groups	Average age / Categories	No. of employees
<30 years	27,3	108
31 – 40 years	36,3	470
41 – 50 years	46,7	943
51 – 60 years	54,9	1681
>60 years	62,1	226

Social Dialogue

Employees of the company are members of the trade union over 95%. Their interests are defended by Hidrosind trade union representative at the Hidroelectrica's level.

The Collective Labor Agreement is concluded with the social partner, Hidrosind. Trade union and employees are consulted about the main actions that take place in the organization: restructuring / reorganization, preparing revenues and expenditure budget, distribution of profits to employees, trails based on regulations / protocols concluded between the employer and trade union.

Employees' recruitment, selection and performance assessment procedures are approved by the administration along with the Hidrosind. For transparency, a trade union representative is member in each committee for all competitions that take place in the organization, whether internally or externally.

The award, promotion, salary increase is based on the regulation / protocol concluded by the employer and the Hidrosind trade union.

The internal regulation is drawn up in compliance with labor legislation and is drafted together with the trade union, even though the Labor Code only provides consultation of the trade union in this case.

The collective labor agreement provides for substantial rights granted to employees in case of collective or individual dismissal (maximum 24 salaries of employee, depending on seniority in the organization). We should mention that over 75% of employees can benefit from maximum compensation, given that they are working for more than 20 years in the organization.

Social Benefits for Employees through the collective labor agreement

At the level of the organization, a joint administration-trade union committee is operational, which observes the compliance of the clauses stipulated in the collective agreement. In special, well-justified cases, or based on social inquiries, the commission proposes to the management of the company to provide material assistance to employees, their family members, or former employees (pensioners).

Gifts to children (up to 18 years of age) on Christmas Day, June 1st, women's day on March 8th, gift vouchers for the birthday of each employee, meal vouchers for each employee, depending on the number of working days in the month, benefits at the birth of a child, marriage, the death of an employee or a member of the family, transport to and from the workplace, mobile phone, car for the most important positions, training and professional development, personal authorization, salary bonuses (Easter, Christmas) and company's day (Energy Day - July 20).

The fact that the company provides attractive salaries, benefits and working conditions is reflected in the extremely low fluctuation of personnel registered in 2019 (under 3%).

Equal Chances: The Professional Contest "TROFEUL ENERGETICIANULUI"

The "Trofeul Energeticianului" professional contest is hosted annually by Hidroelectrica, enrolling in the series of events celebrating on the July 20th - Energy Day. This competition gives equal opportunities to all employees who practice the profession of power engineer, both in Hidroelectrica and the subsidiary Hidroserv, to participate in the contest. The only condition to enroll and earn in this professional competition is competence.

At its 23th edition in 2019, " Trofeul Energeticianului " aims to stimulate employees' interest and concern in order to increase the professional craftsmanship and to continue to improve their own training, as well as promoting the organizational culture and improving the company's image.

The tradition of this event has entered the organizational culture and is being carried out for six occupations / professions from Hidroelectrica SA and Hidroserv - Service and Repair Departments. The contest has three phases: the mass phase, with more than 500 employees participating, at branch level, where remains the best participants in the mass phase, 200 (respectively 150 from Hidroelectrica and 50 from the Hidroserv branch). 42 employees (21 from Hidroelectrica and 21 from Hidroserv branch) compete at the country level.

The competition commissions are made up of specialists in the organization, representatives of the trade union leaders and professors from different universities.

Winners are motivated with consistent and popular prizes on the company's website. The Hidroelectrica winners' prize budget is RON 350,000 annually. Expenditures with third parties are about RON 400,000 (the Hidroserv awards and the payment of teachers co-opted).

Equal Chances: Training for trade union

The training plan also includes trade union training courses. In 2019, the training plan, which is the annex to the CLA in force, included courses for a national trade union delegate, as well as the labor legislation and employment relationships that were requested by Hidrosind for a number of 150 employees, members the union.

The aim of the courses is to complete and update the necessary knowledge regarding legislation in the field of labor, cooperation, and development of the trade union activity at national and European level. The total budget is RON 150,000.

Hidroelectrica, a project-oriented company

The Human Resources Department together with the Project Management Department has started in 2018 the acquisition of consultancy services for the implementation of an optimization project on the organizational structure approved by the Directorate with Decision 1417 / 20.10.2017 with the approval of the Supervisory Board according to the Decision No. 45/2017, in the view of Hidroelectrica's operation as a "project oriented organization" (POO).

It aims to improve leadership, decision-making, communication and leadership, strengthen leadership in the company's production, maximize profit, observe the principles of sustainable development, optimize costs, increase managerial team cohesion and teamwork project, ensuring the transition from a formal, hierarchical approach to a project-based approach and introducing the concept of continuous learning.

151 employees from departments of development, refurbishment, project management, design, plus the entire management of the company, will be trained in management program.

Being a project of cultural change on its stages, the trade union was consulted and involved in the implementation.

The duration of the contract will be 2 years and the value of the acquisition was estimated at approx. RON 1,310,392.

In 2019, the trainings related to the first year of contract were carried out, including the site visit of the managers, and the implementation phase (follow-up) of the project will be completed in the second year.

Social Responsibility Programs: Scholarships for Pupils and Students

One of the strategic directions of the company is to provide qualified personnel in the Hidroelectrica professions to cover the necessary positions in all fields of activity. In view of increasing the average age of employees and the fact that the training of a hydropower specialist requires a long period and professional training, Hidroelectrica carries out social responsibility programs aimed for the younger generation, which represent a future alternative to the needs of the companies.

Private scholarships represent the Social Responsibility program started in 2003 and designed to support talented, ambitious young students with very good school results and clearly defined career goals by providing financial support during university studies based on a contract and assuring a place for practice. This facilitates the easier integration of future specialists into the organization, as it takes a long time to know the production process and the complexity of hydropower installations.

Hidroelectrica selected in 2019 for 50 private scholarships, 20 for pupils and 30 for students. The value of a private scholarship is RON 600 / pupil and RON 1000 / month for student, 10 months per school year.

The budget for 2019 was RON 420,000.

Social responsibility programs: "Hidroelectrica of the future"

"Hidroelectrica of the Future" is a 4 years social responsibility program which has started in 2016 in partnership with the Ministry of National Education, aiming at educating young people and presenting career opportunities by popularizing the hydropower field, presenting the reference hydrological objectives, company's history, technological flow, hydro-technical equipment and construction from Hidroelectrica.

The program aims the development of inter-institutional communication between educational units and Hidroelectrica, based on actions aimed at the transition from school to a possible workplace of students in vocational and technical education who are trained for crafts specific to the hydropower field.

Every year Hidroelectrica opens its doors to 600 children visiting the most important hydro-energetic objectives in Romania.

The first edition was officially launched at HPP Vidraru in 2016. The second edition was hosted by HPP Dorin Pavel / Lotru in the presence of the president of the Board, Mr. Bogdan Badea, in 2017;

The 2019 edition was launched at HPP RETEZAT within the Hateg Branch.

The value of the project budgeted in 2019 is about RON 83,000, namely Euro 18,000.

14.6. Hidroelectrica's policy on donations and sponsorships

As a company active in the energy sector, Hidroelectrica is aware of its responsibility towards the communities in which it operates. Through its sponsorship / donation actions under the legal provisions in force, Hidroelectrica wants to contribute to a better life of local communities based on the company's values: Integrity, Team spirit, Social responsibility, Creativity, Performance.

Areas of primary interest

Environment protection:

- Hidroelectrica acts responsibly and is actively involved in projects aimed at protecting and improving natural environmental conditions, as well as reducing environmental pollution and pollution sources in the areas where it operates.
- At the same time, under the desideratum "Hydro energy - clean environment for all", the activities carried out by Hidroelectrica are based on the proactive approach of environmental protection and on the involvement and motivation of all staff in assuming a responsible attitude towards the environment and the social community.

Health

- Hidroelectrica supports the medical and health field, public or private hospitals or other medical institutions through sponsorships / donations for equipment, procurement of services, projects in the field etc.
- Hidroelectrica also sponsors various national programs, organizations, other entities that support the performance of medical treatments / medical interventions for people with such needs. These sponsorships can also be granted directly to individuals in need of such treatments / medical interventions (through the patronage contract).

Education and research

- Hidroelectrica supports the education and professional training of young people (especially in the energy field), the formation of a practical experience for students and young specialists, as well as the intensification of the activity in the alternative training systems.
- Educational institutions (e.g. schools, high schools, universities, etc.) and / or academic communities, as well as other educational, education and research activities, including participation in national / international scientific competitions / conferences, are also supported. Private scholarships may also be awarded.

Sport

- Hidroelectrica sponsors teams, associations, sporting events that have a good reputation and operates according to the legislation, are recognized by the competent state authority for sports organizations, both in the professional sports and amateur sectors, which offer opportunities to promote the image of company.

Other domains of interest

Social / humanitarian / philanthropic

Social solidarity is part of the core of the company's business model.

Hidroelectrica supports social activities related to:

- children - supporting projects or organizations, entities that promote children with special needs and / or their development;
- charity projects or helping disadvantaged categories;
- aids in case of natural calamities;
- projects aimed at protecting human rights.

Local Communities

Hidroelectrica can grant sponsorships that help support and develop local community projects and strengthen company-community relationships.

Culture

The cultural activities promoting our country's culture in the field of national heritage and modern identity are supported by the company. The cultural sectors can be: music (local / international events / concerts, musical artists at the beginning of career or already well-known, etc.), painting, sculpture, theater, cinema, photography, digital art, multimedia etc.

Granting sponsorships / donations

Granting fourteen sponsorships from the 2019 budget:

- Patronage agreement Sorin Teodoru (RON 45,000)
- „Fight for life Charity” Association (RON 100,000)

- “Marius Nasta” Institute of Pneumophysiology (RON 100,000)
- The “Hope for Children of Romania” Foundation attached to the Emergency Clinical Hospital for Children "M. S. Curie" (RON 100,000)
- Bucharest University Emergency Hospital (Euro 50,000)
- SMURD Foundation (Euro 15,000)
- Colțea Clinical Hospital (RON 5,100,000)
- Fight for Life Charity Association (Euro 5,000)
- “Bagdasar-Arseni” Emergency Clinical Hospital (RON 4,500,000)
- Foundation of the Central Children's Clinical Hospital "Grigore Alexandrescu" (Euro 4,500)
- “Vasile Pârvan” Cultural Association (RON 49,000)
- Association of Future Champions (90,000 RON)
- Inițial Sports Club Association (RON 25,000)
- The “Hope for Children of Romania” Foundation attached to the Emergency Clinical Hospital for Children "M. S. Curie" (Euro 45.000)

Chairman of Directorate

Bogdan Nicolae BADEA

Member of Directorate

Marian BRATU

Member of Directorate

Răzvan PAȚALIU

Member of Directorate

Radu Cristian POP

Member of Directorate

Cristian VLADOIANU