



**S.C. Romelectro S.A.
Lacul Tei Blvd. 1 - 3,
RO - 020371, Bucuresti, Romania
Tel +4 021 2004 300
Fax +4 021 2004 375
office@romelectro.ro
www.romelectro.ro**



Romelectro Annual Report 2008





| | |
|---|----|
| Statement of the President | 03 |
| Council of Administrations | 04 |
| Our partners in creating value | 06 |
| About us | 07 |
| QEHS Management System and Certificates | 08 |
| Deep concern for sustainable energy | 09 |
| Efficient Generation | 10 |
| Electricity Trade | 12 |
| Projects | 13 |
| Auditor's Report | 24 |
| Financial Highlights | 25 |
| Human Resources | 27 |
| Organizational Chart | 28 |



Dear Shareholders and Colleagues,

It is again a pleasure to address to you, summarizing our past year activity and this time it is even harder to make it short, considering the riotous year we faced together and your efforts made for achieving our goals.

As you well know, the year 2008 gave us all a tough lesson on what sustainable business means, a lesson on ethics, a lesson on responsibility. We witnessed the collapse of great international companies, we felt the financial market drift and we saw the global economy in a moment of impasse. It has been proved that only the steady growth of a resource rate of consumption leads very quickly to the early expiration of that resource. We were indeed inaccurate because the sustainable development should consider efficiency as a key element of sustainable growth.

REDEFINING OUR BOUNDARIES

I am once again pleased to observe that over the years we have taken the adequate decisions for Romelectro's sustainable growth. We did not chase easy profits but continue enhancement of quality, not immediate and short-term results but continuous development of competencies. This approach made us overcome the external difficulties of the last year. In 2008 our clients found again in Romelectro the necessary partner that was ready to support their actions and their projects. It was not easy, but together we managed to offer the appropriate solutions and to consolidate our company position as one of the most preferred local strategic partners. On an increasingly volatile market, we managed to be for ourselves, for our partners and for our clients an island of stability and trust. Looking back, this was probably the greatest result that we managed to achieve together. And this strategy consolidated our portfolio of contracts for the years 2009 - 2012.

Taking into consideration the continuous development of our competencies, we initiated new projects in different new areas. We expanded our capabilities for environmental protection projects, and following the success of the low NOx projects, we managed to impose on the market our reliable solutions on ash and slag removal. The strategy led us to continue to gain the competence and to act competitively, implementing flue gas desulphurization technology on the Romanian market.

The implementation of these projects makes us one of the most important local EPC Contractors in the field of energy and environment and will represent the certainty of a long period of great opportunities. We chose to define economic competitiveness in terms of energy safety and environmental protection, and the fact that most of our projects mainly approach environmental protection and use new technologies exclusively, can only emphasize our approaches.

Moreover, I would like to mention the dynamic and continuous improvement of our teams of experts. Our organization is open to young specialists, finding here a competitive and professional environment and, in the same time, a place where they can contribute to their extended communities. Our viewpoints are becoming consistently more relevant in the specialized EU bodies. It remains a priority to participate as a credible and substantial partner in public debates, as we strongly believe that it is both our duty and responsibility to be part of the strategic developments within the energy sector, both at domestic and EU level. On medium terms, the results of this approach will definitely prove its value.

We find ourselves in a key moment, in which developing electricity generation sources that meet the EU standards on environment protection is essential for a healthy economic development. We will continue to remain focused on developing high efficiency cogeneration units, supporting our municipal clients and collaborating with them to achieve the best possible results for all parties involved. As investor and EPC Contractor, we will focus our efforts in identifying the best solutions for our clients, in terms of competitiveness and efficiency.

Assessing challenges and opportunities, Romelectro will remain true to the values and principles that made us one of the "most preferred local partners", building on our experience and expertise. We trust the time ahead will bring significant results, validating our strategic decisions in terms of business and development, enhancing our partnerships.

Viorel Gafita - President



Virgil Radulescu



The Council of Administration

ADMINISTRATORS REPORT

The Turnover of 511.323.085 RON, that is about 128 million EUR, consists of the income from executed works and provided works recorded on the base of fiscal invoices issued towards our clients.

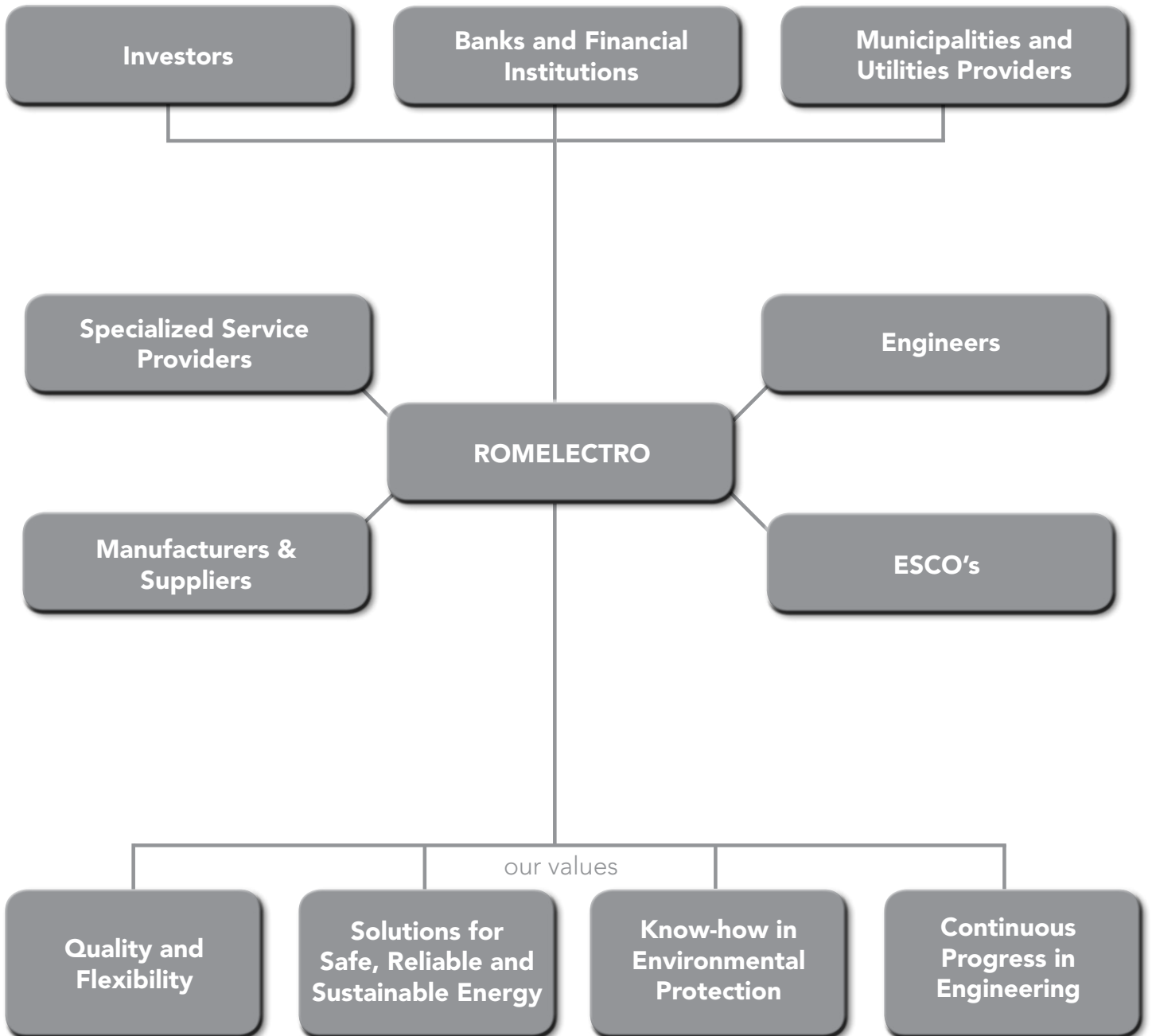
Regarding last year, our turnover recorded a growth of 40.2% in RON.

Extract from the Administrator's Report on 2008

Dan Octavian Georgescu

Viorel Gafita





WHY US?

- About 100 million EUR turnover in projects covering hydro generation, thermal generation, environmental projects, electricity transport and distribution;
- Diversity of our services and products offer backed by the most competitive and complex engineering capacity on the local market;
- Flexibility of our offer to the market changes and clients' requirements;
- Availability for strategic partnerships development as proven by the last years achievements;
- Tradition and experience, confirmed by the very high rate of success in the international bids floated in Romania in the power field;
- Successful selection of our partners resulted in very competitive technical and commercial solutions;
- Financial capability to enter into contracts exceeding 100 million EUR.

WHO WE ARE?

Romelectro

A unique environmental committed project developer, investor, EPC contractor on the energy market (power and heat generation, transmission and distribution)

ISPE

A consulting and engineering company, national leader in the field of power&heat generation, transmission and distribution systems

CELPI

A traditional steel structures, clamps and fittings designer, manufacturer and assembler unique at national level, for the fields of PTD, telecommunication and metal structures for civil and industrial buildings. The unique facilities in the full load mechanical tests station and the hot dip galvanizing plant may offer a very complex service

Electromontaj Carpati Sibiu

One of the most important erecting and assembling company, capable of ensuring also commissioning services, in the field of PTD

WHAT WE OFFER?

business areas

- Power and heat generation (fossil fuels, nuclear and renewable energies);
- Power T&D;
- Environmental protection;
- Infrastructure systems – public services;
- Telecommunication systems;
- Civil and industrial works.

services & products

- Technical consulting;
- Project management;
- Studies, Research-Development (R&D);
- Basic and detail engineering;
- Supply, erection/construction and assembling of equipments, parts and installations;
- On site supervision and commissioning;
- Equipment operation behaviour monitoring during guarantee period;
- Construction behaviour monitoring;
- Maintenance, retrofitting and upgrading.

key role on energy market

- Project developer; Investor; EPC contractor; Subcontractor; Local strategic partner; Supplier; Manufacturer.

VALUES WITHIN

- A simple philosophy based on our employees commitment and competence and our partners support: to provide solutions at competitive costs to meet our clients needs;
- A high level of internal discipline, as certified by many relevant authorities;
- Mobility and fast decision;
- Financial strength;
- International experience.

QUALITY MANAGEMENT

ROMELECTRO was certified in 2000 for the Quality Management System as: "General Contractor, Import-Export service, and Electricity Trading", by the Romanian Society for Quality Assurance - SRAC and was re-certified in 2003, by SRAC and IQNet, on the basis of ISO 9001:2000.



QUALITY AND ENVIRONMENTAL MANAGEMENT

Quality and Environmental System stands for the commitment of our company in developing complex power projects.

The certifying process for a double integrated management system - "Quality and Environmental Management" - was completed in 2006, on the basis of ISO 9001:2000 and ISO 14001:2004 standards, Romelectro being certified by SRAC and IQNet.



QUALITY, ENVIRONMENTAL AND OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

Targeting the accuracy of our services, ROMELECTRO already implemented a triple integrated management system - "Quality, Environmental and Occupational Health and Safety Management".

This final step of the certification was completed in 2008, by SRAC and IQNet, on the basis of ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:2007 standards.



At Romelectro, since quite a long period already, we learned that achieving competitiveness and sustainable development can be done only with full respect for the society and environment.

The environmental issues became a priority since more than 8 years ago, when the first pilot project was performed by our group of companies.

Meantime, we created unique abilities on the Romanian market providing solutions for our clients in their effort to comply with the EU norms and regulations.

As a result, Romelectro has become one of the most competitive local contractors in the environmental protection projects, mainly in the thermal power generation.

The challenge is to implement such solution as to make the already working (old technology) installations eligible to keep functioning while observing the new EU standards.

The need to act fast, in a commercial viable manner, with minimum perturbances to the availability of the power plants requested an important engineering and organizational effort.

Three major lines of business were developed for the environmental protection:

Low NOx firing installation

Romelectro has developed an important number of projects employing proven solutions for NOx emission reduction.

The major environmental gain of our solutions consisted of three cumulative gains:

- compliance to the maximum admissible level of noxes (an average of 100 – 150 p.c. reduction was achieved);
- increase in the efficiency of the boilers, after redesigning the firing system and up-to-date automation;
- increase in the output of the power unit, easier operation and improved availability.

Ash and slag removal by the dense slurry system

Romelectro is at the time being the only company in Romania that can offer complete solutions in this system.

Compared with a traditional sluice system, a dense slurry technology can significantly reduce the amount of water required for transport. Even more, by specific chemical mechanisms, the slurry solidifies, leaving no water to be retained and allowing the creation of a new soil. Just by minimal extra investments, slurry slag may

be used in secondary road consolidation, acting as a strong reliable basement.

Flue Gas Desulphurization

In order to access this technology, since 2007, Romelectro developed a partnership with highly competent partners whose know-how and proven experience in 3 continents gives us the confidence that in the very near future, we will become a major player in this specific field on the Romanian market.

Besides the three major business lines, a sustained technical, financial and human effort is continuously carried out towards new advanced methods for increasing the energy efficiency, energy savings, waste to energy and green energy.

The years that come will definitely prove the consistency of our strategy.

INITIATING AND DEVELOPING HIGHLY EFFICIENT GENERATION SOURCES IN GALATI

Facing the lack of efficiency of the Romanian power generation sector, Romelectro initiated the actions for identifying suitable sites for the development of high efficiency green field power project. Together with ENEL, Romelectro initiated the development of an 800 MW Thermal Power Plant sited in Galati Free Trade Zone, 260 km far from Bucharest, few kilometers from the border with both Ukraine and the Republic of Moldova. The project was from the beginning designed to use a clean coal technology, in accordance with the environmental constrains, with a super critical parameters boiler and high efficiency. Also, in the view of an environmentally competitive design, guaranteed plant emission limit values will be significantly lower than the limits set by the European regulations enforced.

The erection works are expected to start in 2010 and the commissioning of the new power plant is expected for 2014. Taking into consideration all the development conditions, existing and future infrastructure to be developed and the technology to be used, we consider that this project will not be just one of the most viable on the Romanian market but will play a significant role in the regional power sector.

Efficient Generation to Supply Electricity and Heat at Competitive Prices

Facing the lack of efficiency of the power and heat generation systems in Romania, Romelectro aims to develop clean and high efficiency combined heat and power solutions, both for industrial consumers as for municipalities. Offering a wide range of services, from technical and commercial consultancy to procurement and erection works, we managed to develop turnkey solutions in order to supply sustainable electricity and heat at competitive prices.

In the same line of business, looking for continuous improvement and innovation, we are trying to overcome the classic barriers and to focus on the clients' needs, by the "generation inside the fence" principle. Also, we consider the insufficiently used potential of renewable energy - such as biomass and waste - to generate environmental friendly energy.

Our clients:

- Medium and large industry, ready to develop sustainable and efficient generation sources for the internal consumption;
- Clients open to optimize their fuel consumption and energy costs;
- Municipalities in need of energy services delivered to house-hold consumers in the best commercial conditions.

ENGINEERING AND DESIGN

Romelectro is able to take advantage of many synergies within our group. This allows more complex energy solutions, more competitive conditions and a continuous exchange of people and know-how.

At group level, Romelectro is proud with the engineering capacity and expertise developed and proved by our activities in the field:

- Design and engineering for more than 15,000 MW installed in the Thermal Power Plants or Combined Heat and Power Plants, firing fossil fuels;
- Consulting, basic and detail engineering for upgrading and retrofitting programs for more than 20% of the generation capacities;
- More than 250 district heating systems supplying 2.5 million conventional flats, covering 16,500 km of transport and distribution networks.

PROJECT DEVELOPER AND POTENTIAL INVESTOR

We are offering our services to clients in order to assist them in finding the best technical and commercial solutions. Our goal is to draw feasible projects, in line with the clients' actual needs. And for us, the feasibility is measured from a technical, commercial and legal perspective.

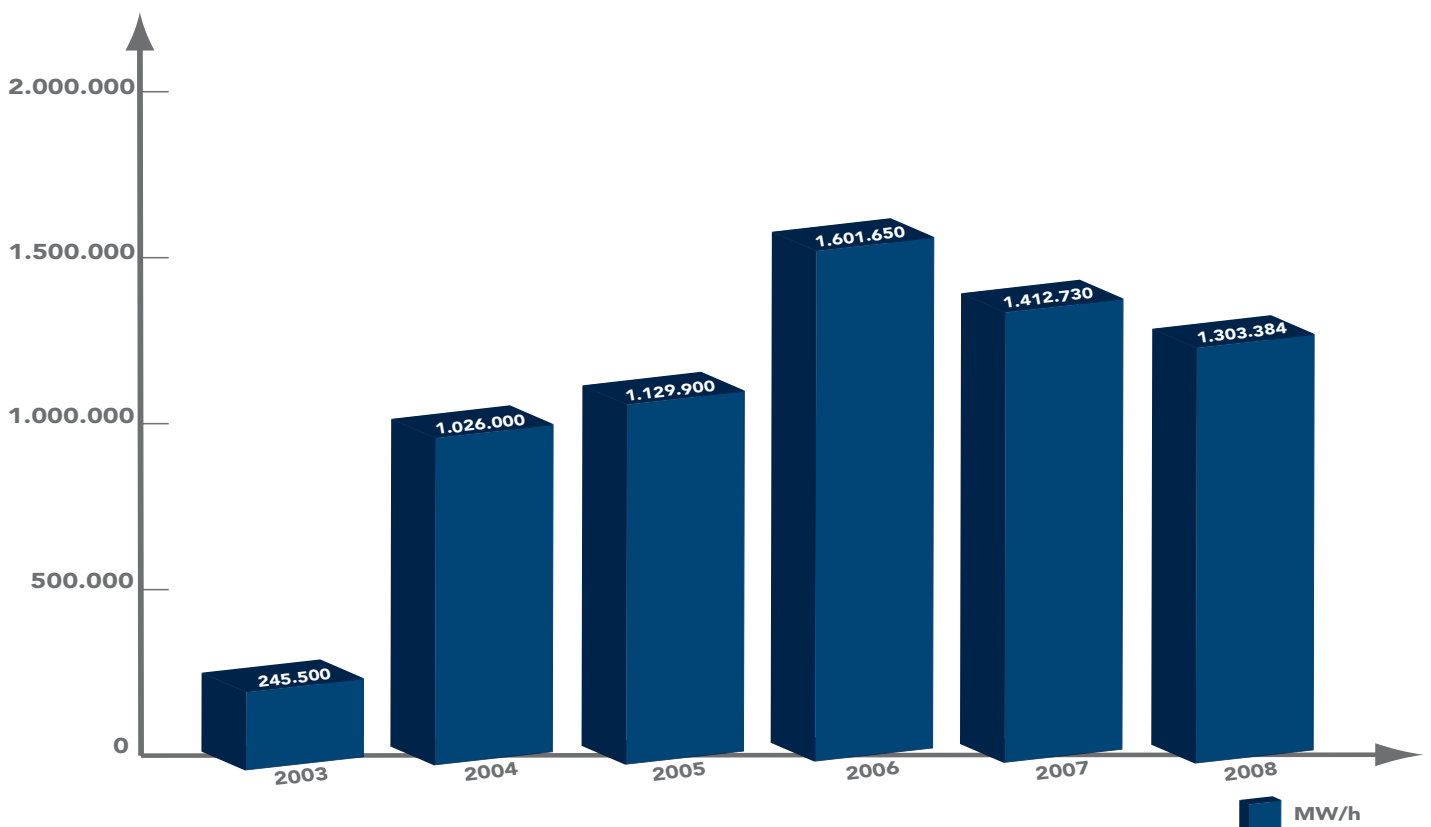
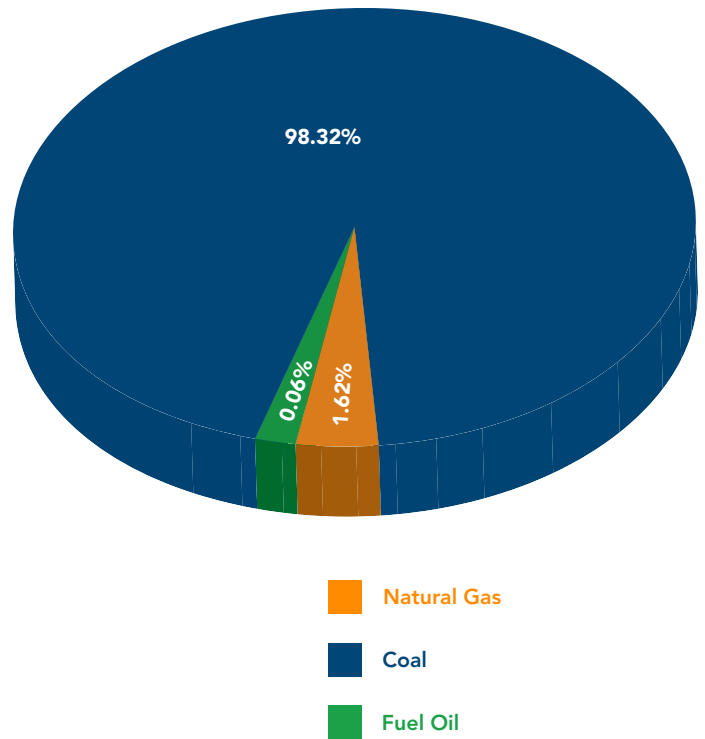
We are also ready to support the clients in attracting the needed financing by creating sustainable commercial project diagrams, in accordance with the investors' requirements.



ELECTRICITY TRADING

As one of the pioneers in electricity trading, Romelectro can combine physical supply, access to the network and financial instruments, enabling it to offer innovative products and services. Our trading activities make possible the optimization of each project on the market, by purchasing fuel and selling electricity in optimum conditions.

1. Active on the Day Ahead Market (PZU) and on the Centralized Market for Bilateral Contracts (PCCB) operated by OPCOM, Romelectro succeeded in making 2008 a very successful year.
2. In 2008 Romelectro traded physical quantity of 1,3 TW/h.
3. Romelectro is operating its 3 micro-hydropower plants (the Voineasa 1, 2, 3) and has begun the documentation for accessing structural funds from the EU for their rehabilitation. This project will increase the efficiency and the availability of the cascade.
4. 2008 was also the year in which Romelectro started a daring project in high efficiency cogeneration in Buzau, project awaiting completion in the first half of 2009.
5. Romelectro, founding member of AFEER (Association of Electricity Suppliers in Romania) was active in different aspects involving the Romanian electricity market pleading for a more efficient and transparent trading environment.



LN4 Modernization of high voltage bays 110 kV CIUNGET HPP substation

The 110 kV CIUNGET HPP electric substation is part of the 220/110 kV CIUNGET electric substation – Valcea county, and it is placed in the precincts of the hydropower plant 3 x 170 MW CIUNGET LOTRU HPP (the biggest indoor hydropower plant in Romania).

The 110 kV CIUNGET electric substation has an outstanding importance and its safe and secure functioning directly affects the performance of the entire arrangement on Lotru river. It provides:

- the interconnection with the National Power System (NPS) at 110 kV level by the 110 kV Ciunget – Sadu V – Dumbrava Sibiu OHTL and at 220 kV level by AT 100 MVA bay – 220 kV d.c. OHTL;
- evacuation of power in the 400/220/110/20 kV Sibiu Sud electric substation;
- supply with electric power of the 3 power pumping substations in the LOTRU river arrangement (Malaia, Bradisor and Lotru - downstream);
- interconnection with Malaia HPP and Bradisor HPP downstream power plants;
- supply with electric power of the internal services of CIUNGET HPP, CIUNGET platform and supply of consumers in the area (Lotru 20 kV network).

Estimated/operation performances

- Significant cut down of the maintenance annual expenses;
- Provision of labor protection norms and fire prevention observance, by removing the risks of accidents, fires;
- Increasing the safety in operation;
- Reducing the monitoring and maintenance personnel;
- Possibility of integral remote control of the station from the dispatcher to local distribution levels;
- Providing the environment and neighborhood protection at international standards.

Schedule

Date of commencement: 15.03.2006

Date of commissioning: 16.10.2008

Partnership

S.C. HIDROELECTRICA S.A. – Hidrocentrale Ramnicu Valcea Branch - client;

Romelectro T&D - design works;

Electromontaj Carpati Sibiu - erection, tests and commissioning;

Areva T&D Romania - primary and secondary equipment manufacturer.



Overhaul and modernization of 110 kV and 220 kV bays, 220/110/20/6 kV FAI substation

The substation has the following functions within the area:

- constitutes a power injection node from the transport grid into the distribution grid of Iasi Municipality; the 110 kV substation represents the basic node for distribution to the consumers of the power coming from the transport grid and local sources (CHP1 and CHP2 Iasi);
- together with the 220/110 kV substation Munteni, it represents the only supply sources for the area between Iasi, Barlad and Pascani;
- represents a supply source for Suceava – Botosani area;
- provides export of 30-50 MW power towards the Republic of Moldavia.

The special status of the substation in the grid generated a strict set of conditions:

- obligation to keep the power supply without any interruption;
- strict planning of the works as permitted by the central dispatching authority;
- an extra protection system meant to guarantee the safety of the personnel involved in the works, located very close to active parts;
- proper technical solutions to enable the extensions of the substation at all three voltage levels.

Offered services

Project management;
Basic and detail engineering;
Technical consultancy, including technical expertise and trials;
Technical assistance during procurement, erection and commissioning;
Procurement, delivery and commissioning of equipment and subassemblies.

Schedule

Due to the above specific status, the order to proceed was issued by the Client only on February 2008.

Partnership

Romelectro contracted the work as consortium leader in Romelectro – AREVA GmbH Dresda Consortium;

Transelectrica, Bacau Subsidiary - client;

AREVA GmbH - equipment manufacturer;
Energomontaj - engineering and design;
- erection, tests and commissioning.



This project consists in an execution of a 110 kV and 20 kV OHTL, meaning the delivery, erection and equipment for 35 OHTL d.c. towers and the erection of optical fiber cable - 24 fibers - on a 12 km length. The new line shall provide the connection to the National Power Grid for the 4 existing turbines.

Offered services

Project management;
Basic and detail engineering;
Legal assistance in execution, erection and commissioning;
Monitoring of behaviour in operation of equipment in warranty period;
Monitoring of behaviour in time of constructions;
Delivery, building-erection of equipment, subassemblies and installations;
Import-export of equipment, subassemblies and materials.

Schedule

Date of commencement: 01.04.2008

Partnership

F.D.E.E. ELECTRICA Muntenia Nord S.D.E.E; GALATI Branch – client;

Eximprod, Draka, Ribe, Celpi, Iproeb Bistrita - equipment and subassembly supplier;
Electromontaj Carpati Sibiu and Elemo Constanta - constructor and erector.



Using high efficiency technology, the project consists in transforming the existing power plant into a modern CHP power plant that will generate, in the best technical and economical conditions, both heat for urban consumption as well as electricity to be sold on the energy market. Started in September 2008, the new generation capacity consists in two 3 MW gas motor units (with heat recovery of 2x2,6 GCal/h hot water), two 30 Gcal/h hot water boilers and a 4t/h steam generator. Date of commissioning for gas motor units is planned for September 2009. Through its complex role in the project - investor, project developer and electricity off taker - Romelectro is ensuring the best technical and economical solutions that are essential for the financial closure of the project.

Offered services

Basic and detail engineering;
Project management;
Technical assistance upon execution, construction and commissioning;
Procurement, delivery and commissioning of equipment and subassemblies;
Commercial and legal counseling.

Schedule

Date of commencement: December 2007
Date of commissioning: December 2008 (first stage)
December 2010 (second stage)

Partnership

Romelectro, ISPE, Eximprod, Local Council of Buzau Municipality, Regia Autonoma Municipala (RAM) Buzau - investors and project developers;

GE Jenbacher (Austria), LOOS International - equipment and subassemblies manufacturers;
Regia Autonoma Municipala (RAM) Buzau, with technical assistance offered by the manufacturer - contractor for operation and maintenance.



The project is part of a number of investments to allow the Owner to comply with the environment protection E.U. regulatory framework.

Benefits expected after the project implementation

The area accommodating the new warehouse shall be of approximately 1.6 km² and the three compartments will create a storage capacity of about 32 millions m³, providing the functioning of the plant for an estimated period of 15 years.

The essence of the dense slurry technology consists of continuous mixing of the water with the wet slag from below the boilers and the dry ash from the electric filter, by intense hydraulic circulation, in a solid/liquid <1 ratio, whilst the effect is the activation of the cement-type chemical substances that are in the ashes, thus resulting a dense and homogeneous slurry. The new type of slurry is pumped to the warehouse, where, in time, it gets hardened, resulting an ash rock, thus avoiding the ash spreading due to the air mass movements.

Schedule

Date of commencement: 01.04.2008

Date of commissioning: 01.07.2009

Partnership

Complexul Energetic Rovinari - client;

GEA EGI Hungary - engineering and fittings works;

SAEM Energomontaj - erector and supplier;

AEC Energoconstructia - builder.



Refurbishment of the electric and automation system of ROVINARI Unit no. 6 (330 MW)

The automation installation corresponding to Unit no. 6 of 330 MW from Rovinari TPP was commissioned back in 1979, having at the time of awarding the contract of operation, with all associated problems (high costs of the maintenance works, difficulties in getting spare parts, increased technological risk induced by the equipment condition, the failure to comply with the current requirements as regards the environment, the ANRE's and UCTE's requirements for interconnection into the system).

The scope of the contract is to provide the LN4-type repair services necessary to the automation installations corresponding to Unit no. 6 of 330 MW from Rovinari power plant, according to the Beneficiary's requirements in the Tender Book - „Capital repair rehabilitation and modernization works on the ELECTRIC and AUTOMATION installations corresponding to ROV 6“.

The rehabilitation and modernization works will guarantee the extension with another 100,000 hours of the unit's life, in conditions of safety, economic efficiency and compliance within the international standards for the polluting emissions.

Benefits expected from the project implementation

Following the rehabilitation works, the Unit no. 6 of 330 MW from Rovinari TPP will provide:

- increase of the Unit no. 6 availability;
- extension of the unit operational life;
- improving the technical – economical parameters;
- improving the environment conditions, by reduction of noxes emissions;
- better flexibility in the operation of the unit with automatic adjustment of its main parameters, under variable load functioning of such unit;
- economic and safe operation of the unit at variable loads;
- a higher level of monitoring of the unit general condition;
- integration in the frequency/power adjustment system;
- possibility to better plan the predictive and preventive maintenance works.

Schedule

Date of commencement: 11.07.2008

Date of commissioning: 11.07.2010

Partnership

with SAEM IEA for the building and erection of specific activities;

Complexul Energetic Rovinari - client.



EPC contract for low NO_x burners in boilers no. 4, 5, 6, 7 and 8 in SC Electrocentrale Galati SA

This contract covers the retrofit of 5 steam boilers of 420 t/h, of TGM 89 – AS type from SC ELECTROCENTRALE GALATI SA (no. 4 - 8) with low NO_x natural gas – heavy oil mixed burning installations working under a new Burner Management System (BMS).

This BMS system shall be integrated into the automated management system to be upgraded with a DCS OVATION and HIMA protection system.

The modernized burning installations shall meet the environment requirements, at national and international levels.

Main technical characteristics

For each boiler the new installation shall consist of: 6 low NO_x 53 MWt burners, BMS, DCS, new modern gas, heavy oil and dual supply systems; anti-burglary monitoring system; gas leakage monitoring systems, re-circulated flue gas system, etc.

Estimated/operation performances

Reducing the level of noxious emissions to the following values: 150mg NO_x/Nm³, 100mg CO/Nm³, 5mg dusts/Nm³ in natural gas functioning and respectively 350mg NO_x/Nm³, 170mg CO/Nm³, 50mg dusts/Nm³ in functioning on heavy oil.

Schedule

Date of commencement: 15.03.2008

Date of commissioning: yearly for each boiler until 15.03.2012

Partnership

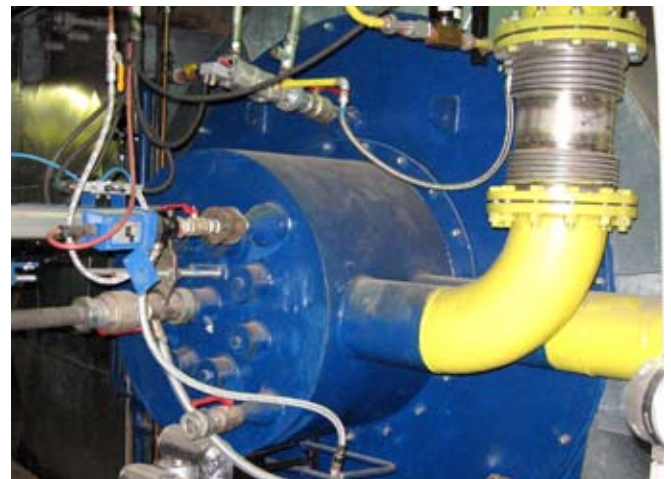
The project is performed under an EPC contract.

ELECTROCENTRALE GALATI - client;

Mehldau&Steinfath - equipment and subassembly supplier;

ICPET Steam Generators and ISPE - technical consultants;

Nuclearmontaj and Termoserv Galati - constructor and erector.



The works consist in the modernization of the firing installations – including design, execution and erection works - in view of equipping 4 power steam boilers of 320 t/h, PK47-2 type, in ELECTROCENTRALE – Mures Branch – IERNUT TPP (boiler no. 5 – body A and body B and boiler no. 6 – body A and body B) with natural gas low NOx burners and integration into an automatic control and Burner Management System (BMS).

The BMS shall be coupled with the existing automated management system (DCS) which shall be completed with the software and hardware necessary to assure the compliance with the additional adjustment requirements resulted from the new conditions imposed by the firing installation. The existing installations of the boiler technological protections (ESD) will function further on based on the same principles, while only certain modifications of the hardware and software shall be executed for the interconnection with BMS and for introducing certain additional protections which are deemed as necessary. For the operation interface the Experion PKS R310 system shall be used (such version represents the newest software platform of the Experion PKS systems).

As a result, the modernized burning installations shall comply with the environment requirements imposed by the legislation in force.

Offered services

Basic and detail engineering;
Technical assistance in execution, erection and commissioning;

Monitoring of the equipment behaviour in operation during the warranty period;
Delivery, building-erection of equipment, sub-assemblies and installations;
Maintenance, rehabilitation and modernizations;
Import of equipment, subassemblies and materials.

Main technical characteristics

For each boiler body the following shall be installed: 10 burners of NOx low content, of 30 MWt each, a BMS unit, a new modern system of gas supply, CH4 leakage in the furnace monitoring system, gas leakage in the boiler room monitoring system, emission monitoring system, O₂ and CO in the flue gas analysis system, instrumental air installation, ignition and cooling air installation, etc.

Estimated/operation performances

Reducing the NOx level to the levels: 170mg NOx/Nm³, 100mg CO/Nm³, 5mg dusts/Nm³ in natural gas operation, for O₂=3 %;

Schedule

Date of commencement: planned for the beginning of 2009

Date of commissioning: in stages, between 2010 - 2011

Partnership

MEHLDAU & STEINFATH - equipment and subassembly supplier;
ICPET Steam Generators and ISPE - technical consultant.



Increasing the stability of the slag and ash store on the right and left banks of Jiu SE Isalnita using the dense fluid technology

The solution is designed to transform the existing ash handling system to match the ash dense slurry technology.

Main technical characteristics

For each of the four boilers the ash transport system is made up of the following:

- Ash transport pump transversal draft funnel, with buffer tank included, respectively a Dn80 pipeline up to the ash bunker corresponding to the boiler;
- Three-serial pump system for the transport of the ash from the draft funnels of drum 2, respectively a Dn80 pipeline discharging the ash into the pipeline described above;
- Two coarse ash transporting pumps which overtake the ash from the bunker corresponding to the boiler and two Dn100 circuits for each pump (one toward the dense slurry station and another one toward the coarse ash dispatch silo);
- Four-serial pump system for the ash transport from the electric filter which overtakes the ash from the four diverters from the gutters, and two Dn150 circuits for each pump (one toward the dense slurry station and one toward the fine ash dispatch silo);
- Four diverters mounted on the four pneumatic gutters from the electric filters, which discharge the ash to the pneumatic transport system, respectively to the boiler ash bunker - the failure (emergency) variant;
- A Dn80 diverter, which is mounted on the junction of the two Dn 100 diverter transport circuits, providing the transport variant of the ash from the ash bunker (toward the dense slurry station or toward the dispatch silo);
- A Dn150 diverter, which provides the choosing of the transport variant of the ash coming from the ash transport pumps electric filers (toward the dense slurry station or the dispatch silo);

- Ash pneumatic transport pipes, from the P265GH steel pipeline, thermally non-insulated, mounted over-ground, on own supports, which make the connection between the transport pumps and the silos of destination;
- End parts (devices for discharge in the silo, with armor) for each pipe;
- Filters with sacks for each silo;
- Devices for loading the ash into vehicles (3 pieces), with mobile connection, that shall replaces the existing devices.

Estimated/operation performances

In compliance with the environment legislation requirements, avoiding the spreading of the ash from the store (under the form of dust), the risk of polluting the phreatic waters is thus decreased. The consumption of technological water is drastically reduced and so is, implicitly, the corresponding pumping energy.

Partnership

The project is performed under an EPC contract;

Electrocentrale ISALNITA Branch - client;

EGI - Hungary - engineering and furniture;
COMPLEXUL ENERGETIC CRAIOVA - purchaser.



INDEPENDENT AUDITOR'S REPORT

To the Attention of ROMELECTRO'S BOARD OF DIRECTORS

Report over the annual financial statements

1. We audited the financial statements of Romelectro SA ("The Company"), that includes the balance sheet concluded on 31st of December 2008, the loss and profit account, statement of changes in equity and cash flow statement for the year ended on such date, as well as a synthesis of the significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the financial statements

2. The Board of Directors stands responsible for faithfully drawing up and presenting such financial statements in accordance with the Order of Public Finance Ministry no. 1752/2005. This responsibility covers the drafting, implementing and keeping up a relevant internal control for drawing up and presenting faithful financial statements that do not contain significant distortions due to either fraud or error; selecting and applying appropriate accounting policies, drawing up reasonable accounting estimations for the given circumstances.

Auditor's responsibility

3. Our responsibility is to express our opinion over these financial statements based on the audit performed. We carried out such audit in accordance with the audit standards adopted by the Chamber of Financial Auditors in Romania. These standards impose that we should observe the ethical requirements of the Chamber, plan and perform the audit in view of obtaining a reasonable assurance that the financial statements do not contain significant distortions.
4. An audit consists of certain procedures carried out in order to obtain audit evidence relating to the amounts and information that is shown in the financial statements. The procedures selected depend on the auditor's professional reasoning and include the risk assessment of the financial statement significant distortion due to fraud or error. In assessing such risks, the auditor takes into consideration the relevant internal control for faithfully drawing up and presenting the financial situations of the Company in order to establish the appropriate audit procedures in the given circumstances, but not to the purpose of expressing an opinion over the efficiency of the Company's internal control. An audit includes also the assessment of the appropriateness extent of the accounting policies used and reasonability of

the accounting estimations drawn up by the Board of Directors, as well as the evaluation of the financial situations presented as wholeness.

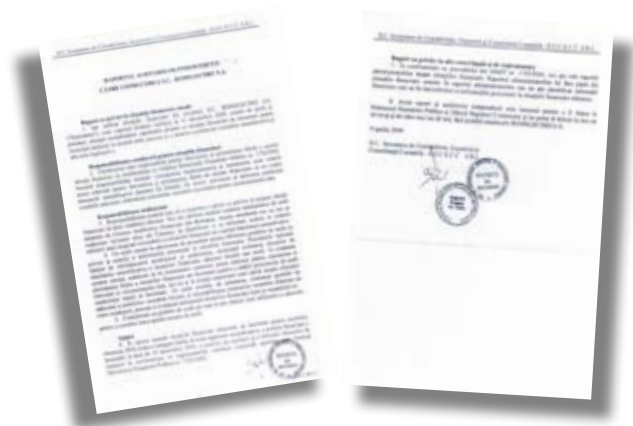
5. We deem the audit evidence we obtained to be sufficient and adequate for a basis of our audit opinion.

Opinion

6. In our opinion, the financial statements drafted by the Company for the financial exercise 2008 convey a faithful image, in all the aspects that matter, of the Company's financial standing on the date of December, 31st, 2008, of the result account and cash flow in accordance with the Romanian accounting regulations approved by the Ministry of Public Finances' Order no. 1752/2005.

Report over other legal and regulatory requests

7. Referring to the provisions of MPFO no. 1752/2005, we have studied the Administrators' Report attached to the financial statements. The administrators' report is not part of the annual financial statements. We have not identified, in the said administrators' report, financial information that did not comply with the financial information rendered in the attached financial statements.
8. This report drafted by the independent auditors was drawn up to be submitted to the Ministry of Public Finances and to the Register of Commerce Office and cannot be used to any other purpose and by any other third party, unless based on Romelectro's prior written consent.



KEY FIGURES

| | |
|------------------------|-------------|
| Turnover (RON) | 511.323.085 |
| Nominal capital (RON) | 15.650.640 |
| Employees, average no. | 86 |
| Gross profit (RON) | 38.674.164 |
| Net profit (RON) | 32.811.376 |

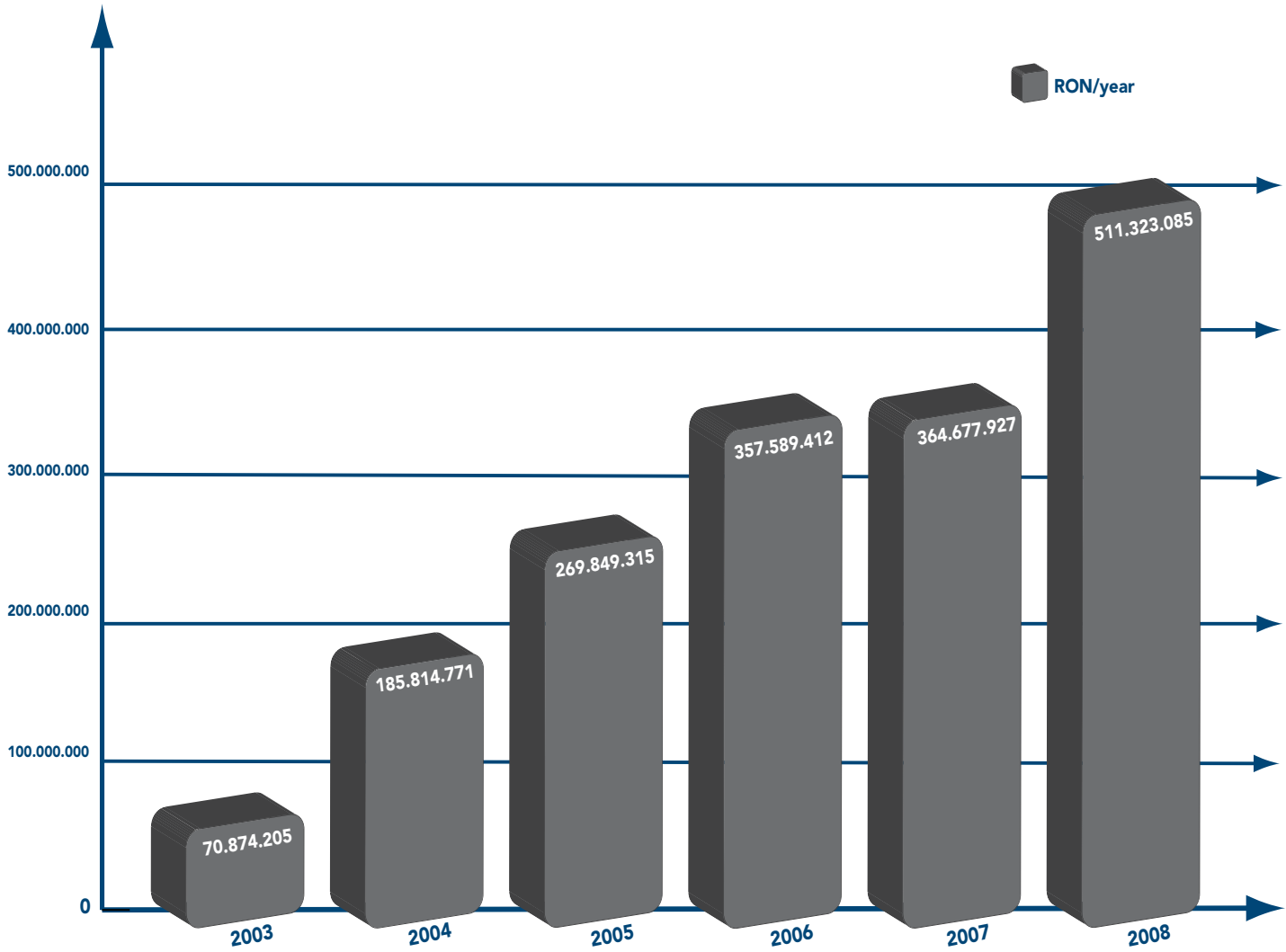
CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | RON |
|---|--------------------|
| Operating income | 513.049.380 |
| Financial income (exchange rate differences, interests) | 2.905.618 |
| Total income | 515.954.998 |
| Operating expenses | 472.986.942 |
| Financial expenses | 4.293.892 |
| Total expenses | 477.280.834 |

CONSOLIDATED BALANCE SHEET

| | RON |
|----------------------------------|--------------------|
| Noncurrent assets | 53.639.979 |
| Intangible assets | 73.245 |
| Tangible assets | 24.513.397 |
| Financial assets | 29.053.337 |
| Current assets | 186.522.655 |
| Regularization & similar account | 724.701 |
| Assets Total | 240.887.335 |
| Own capital | 72.790.375 |
| Debts | 167.286.553 |
| Liabilities total | 240.887.335 |

EVOLUTION OF ROMELECTRO'S TURNOVER BETWEEN 2003-2008

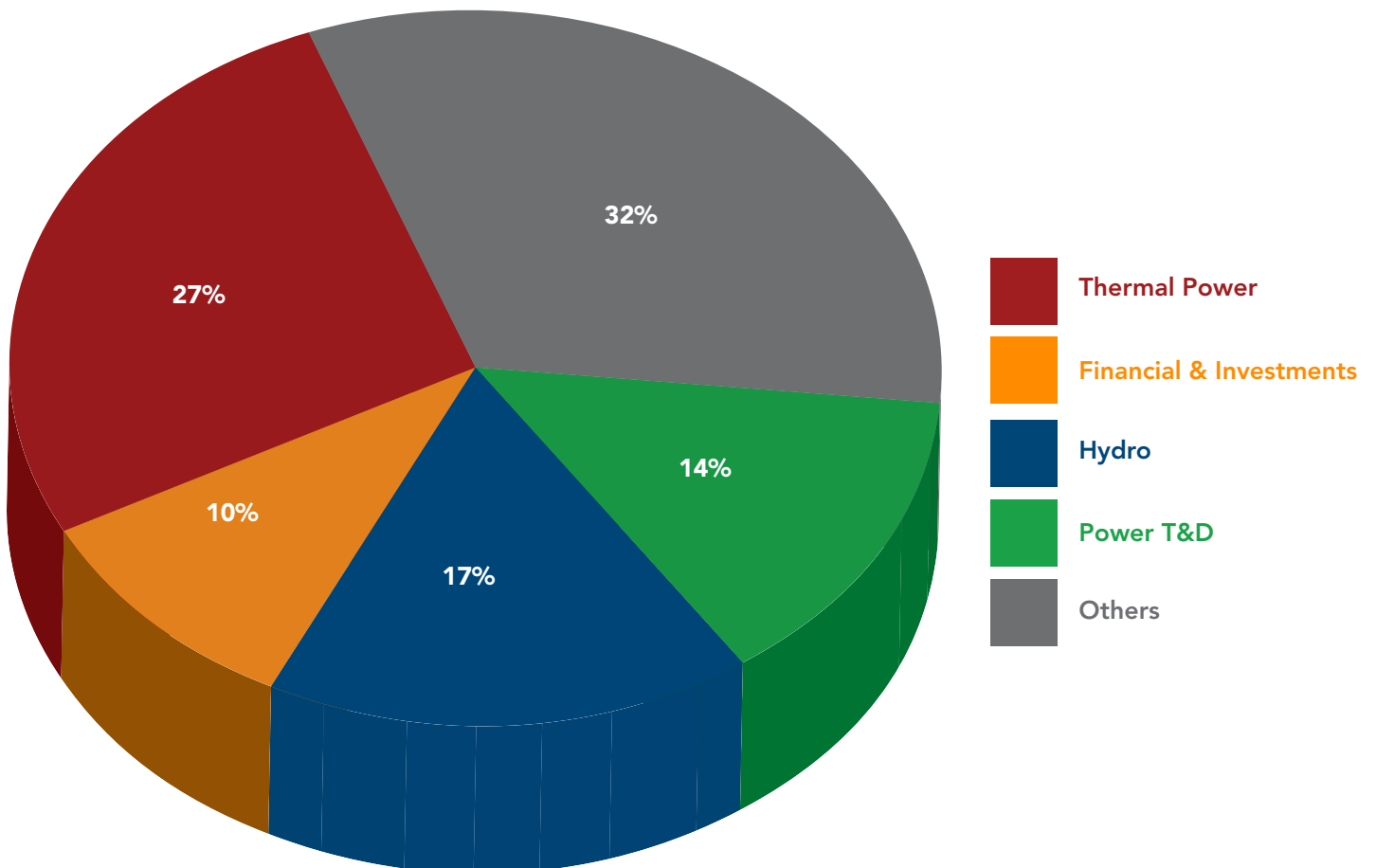


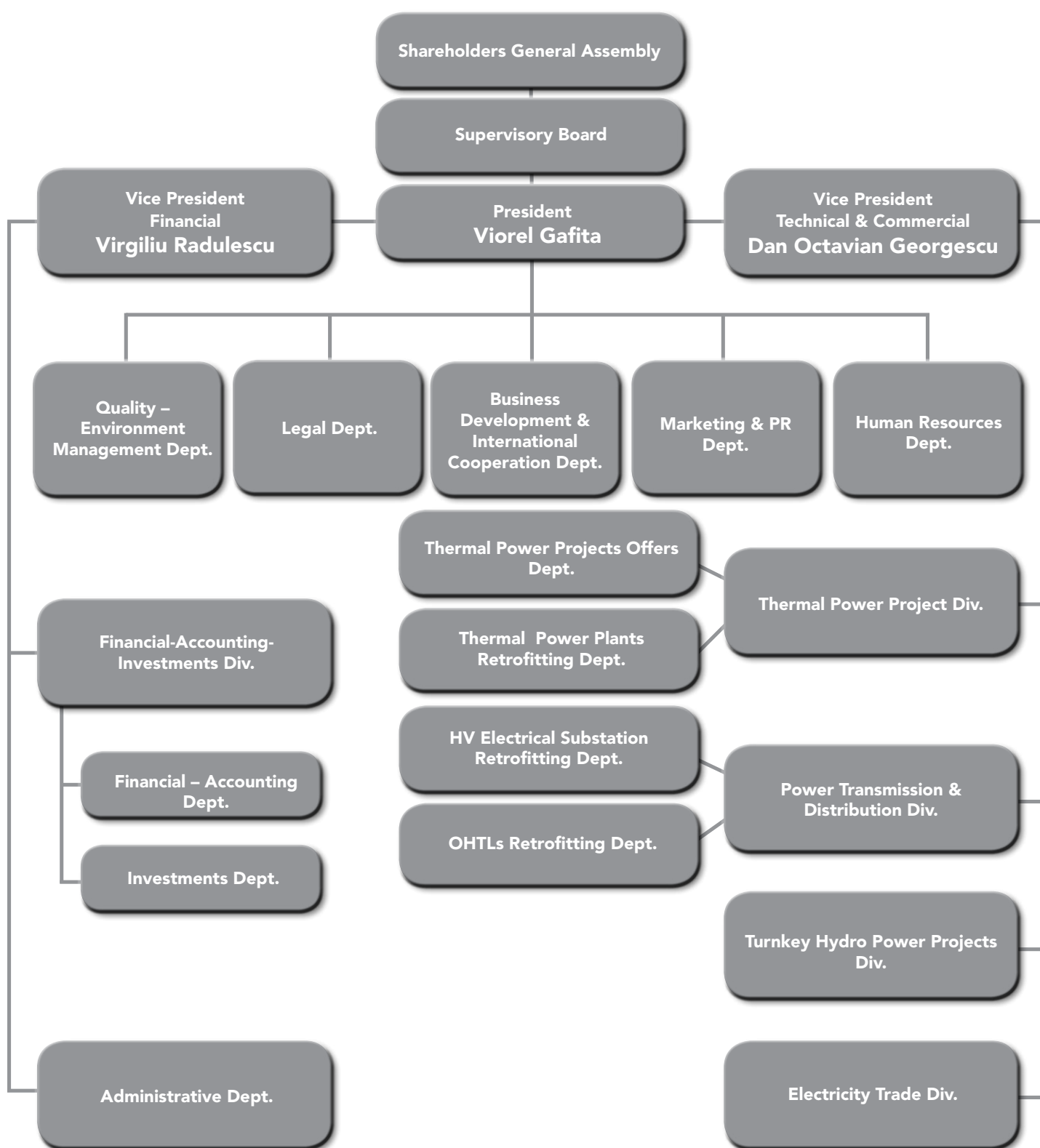
ROMELECTRO is a company rich in technology, with a long legacy of innovation that contributes to the success of our customers, our business growth and shareholders value.

At the center of this innovative culture is our highly skilled and talented workforce. Our people are our most valuable competitive advantage and we expect their pursuit of excellence will continue to be a key differentiator.

Today, the vast majority of our value is produced by people through technology and domain expertise. What we know has become more valuable than what we make.

ROMELECTRO's pursuit of excellence extends to business ethics, where we continue to strengthen mechanisms to educate staff and eliminate inappropriate activities. We strive for excellence in personal development, operational execution, health and safety, and business ethics because the best people want to work in a first-class environment.







S.C. Romelectro S.A.
Lacul Tei Blvd. 1 - 3,
RO - 020371, Bucuresti, Romania
Tel +4 021 2004 300
Fax +4 021 2004 375
office@romelectro.ro
www.romelectro.ro