

# EURO Insol

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# HIDROELECTRICA



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

***December 2012***

**Legal Administrator**

**EURO INSOL SPRL**

**By coordinating practitioner**

**Attorney at law. Dr. Remus Adrian Borza**

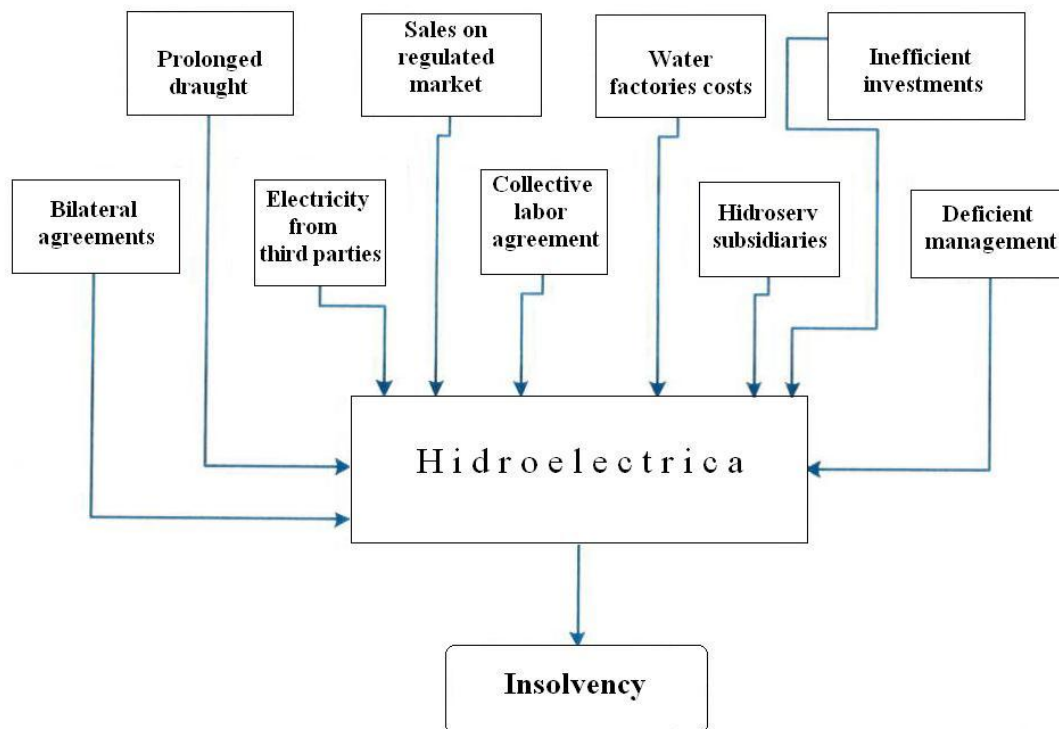
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## I. Brief history

Following a request made by Company for Electricity Generation in Hydropower Units "Hidroelectrica" SA, with headquarters in Bucharest, sector 2, St. Constantin Nacu no. 3, Fiscal Identification Number 13267213, registered in the Trade Register under number J40/7426/2000, the Bucharest Court, Civil Section VII, by concluding session delivered on 20.06.2012 in case 22456/3/2012, ordered the opening of insolvency proceedings under the General Law 85/2006, with subsequent amendments and appointed Euro Insol SPRL as legal administrator.

After drafting the Report regarding causes and circumstances that led to the emergence of company's insolvency, a complex and multidisciplinary report had been completed and submitted to the file on 10 august 2012, where the legal administrator's conclusions have revealed nine causes for company's insolvency:



Until the date of the present Report, the legal administrator has adopted a series of measures leading to performance of the following purposes:

- **Minimizing company's loss.** Legal administrator has considered some line of actions materialized mainly through: identifying the sources of losses and stopping them and renegotiating contracts with all partners - customers, suppliers of products and services, establishing clear policies for purchases (electricity, products, and services).
- **Maximizing company's revenues.** Legal administrator has analyzed selling prices for electricity in bilateral contracts in relation to prices obtainable on OPCOM and intervened with the necessary corrections by renegotiating/termination of supply contracts, and sale of redundant energy on Competitive market.
- **Ensuring continuity in the functioning of the company,** without affecting production processes. The legal administrator has reorganized company's activities designed to increase the operational and commercial efficiency of the debtor. Also set new circuits for approving documents so that the steps required (for necessary papers, procurement procedures, orders, and contracts) should be made within a reasonable time, eliminating bureaucracy. To ensuring proper control of financial and economic activity of the debtor has decided to assign right for bank signature to one person - the legal administrator - and established ban on company accounts and operations of its subsidiaries without approval
- **Legal action for insolvency proceedings,** consisting in preparing and presenting the preliminary table with claims, organizing the first meeting of creditors, preparing reporting activity under Law no. 85/2006, ensuring representation of the debtor in Table preliminary objections to claims made in actions brought by Hidrosind, oppositions, appeals and all appeals and requests made by energy traders in the case of insolvency and beyond.

Each of the measures and actions taken up to the date of the present Report are described in detail in the Activity Report of the legal administrator for September and October 2012, published in the Bulletin for Proceedings of Insolvency or on site [www.euroinsol.eu](http://www.euroinsol.eu).

## II. SUMMARY OF CURRENT ACTIVITIES

For the period covered by this report, Euro Insol SPRL activity has continued with actions that have commenced in previous months, with the main goal of reducing losses, organizing and streamlining internal processes and procedures to ensure a better operational and commercial functioning in order to create the premises for debtor's economic recovery.



**A. Operational measures:**

- Establish clear sale policies on the Competitive market and establish the principles for tendering and contracting electricity for year 2013.
- Continuing economic and financial recovery measures, mainly by identifying the sources that generate losses and stop them, renegotiating contracts with all partners, clients and suppliers of products and services in order to reduce pressure on operating expenses and therefore reducing payment flows, while the debtor returns have fallen significantly due to lowering production amid severe drought;
- Managing financial resources of the debtor without affecting production processes.
- Company's organizational restructuring.

**B. Procedural Actions for insolvency.**

- Prepare to defend Hidroelectrica in a number of 74 complaints brought by creditors against preliminary table.
- Disputes settled during the activity report.

**III. DESCRIPTION OF ACTIVITIES**

**A. Operational measures applied by the legal administrator**

**1. Supplying**

**Regulated Market**

During the month of December 2012 has continued the substantiation action and explanation of the elements of production costs in relation to the National Authority for Energy Regulatory (NAER).

This has resulted in sustaining production cost substantiation previously presented in November 2012 under no. 101375/16.11.2012 by successive meetings with both specialist staff within the Authority and its management.

In addition, to demonstrate the legitimacy of Hidroelectrica requests on increasing electricity price sold through regulated contracts in 2013, was drawn up the "Study to substantiate the costs for Hidroelectrica portfolio - Year 2013", submitted to NAER under no. 59692/28.12.2012.

Following these approach, NAER Decision no. 3312 of 19.12.2012 regarding approval of prices and quantities of regulated electricity sector, has established for 2013 a reduction of approx. 1.6 TWh in the amount of electricity on the regulated



market, while increasing the price of 54 Ron / MWh, respectively from 71 Ron / MWh in 2012 to 125 Ron / MWh in 2013.

Thus, the quantity of 1.6 TWh available on the Regulated market should be valued at OPCOM price at estimated average of 227 Ron / MWh and increase regulated price by 54 Ron / MWh in 2013, leading to some additional revenues amounting 460.2 million Ron, creating the potential for Hidroelectrica's financial and economic recovery;

### Competition market

In December 2012 continued the sale of electricity on the Centralized Market for Bilateral Contracts - PCCB OPCOM due to production for the year 2013.

Thus, 16 packages were launched in two auction sessions, the first with 5 offer packages during 06.-12.07.2012 and second with offer 11 packages on 18.12.2012. The total amount of electricity contracted in December 2012 with delivery during 2013 was of 634,800 MWh at an average price of 227.60 Ron / MWh, and a total value of 144,480,510 Ron (approx. 32 million Euro).

Defining elements of contracts signed as a result of participation on PPCB OPCOM in December 2012, are presented below:

No.	Partner	Quantity MWh	Price Ron/MWh	Value Ron	Contract
1	Electrica Furnizare	30,600	239.11	7,316,766.00	140/06.012.2012
2	ELECTRICA FURNIZARE	30,600	239.11	7,316,766.00	141/06.12.2012
3	GDF SUEZ Energy Romania SA	30,600	232.80	7,123,680.00	142/07.12.2012
4	RE Power Generation	30,600	231.50	7,083,900.00	143/07.12.2012
5	GDF SUEZ Energy Romania SA	30,600	235.86	7,217,316.00	144/07.12.2012
6	ENEL Energie Muntenia	43,800	225.05	9,857,190.00	149/18.12.2012
7	ENEL Energie Muntenia	43,800	225.00	9,855,000.00	150/18.12.2012
8	EoN Energie Romania	43,800	225.05	9,857,190.00	151/18.12.2012
9	CEZ Vanzare	43,800	224.50	9,833,100.00	152/18.12.2012
10	ELECTRICA FURNIZARE	43,800	225.14	9,861,132.00	153/18.12.2012
11	ELECTRICA FURNIZARE	43,800	225.01	9,855,438.00	154/18.12.2012
12	ELECTRICA FURNIZARE	43,800	225.11	9,859,818.00	155/18.12.2012
13	ELECTRICA FURNIZARE	43,800	225.17	9,862,446.00	156/18.12.2012
14	EoN Energie Romania	43,800	224.94	9,852,372.00	157/18.12.2012
15	EoN Energie Romania	43,800	225.17	9,862,446.00	158/18.12.2012
16	EoN Energie Romania	43,800	225.25	9,865,950.00	159.18.12.2012
-	<b>TOTAL</b>	<b>63,800</b>	<b>227.60</b>	<b>144,480,155.00</b>	-

We should mention that between August-December 2012, Hidroelectrica has concluded a total of 55 contracts for sale of electricity as a result of CMBC tendering OPCOM, to be delivered during 2013, totaling an amount of 2,028,305 MWh and a



value of 460,994,097 Ron, **the average price for sale is for 227.28 Ron / MWh** (TG included).

## **2. Main refurbishment projects**

Refurbishment work on December 2012 was further marked by refurbishment works and commissioning of the refurbished units and a series of negotiations to achieve discounts in the amounts registered in the statement of affairs.

### **2.1. Refurbishment project of HPP Stejaru**

Between 03-04.12.2012, representative of Legal Administrator - Euro Insol, Remus Borza together with Special Administrator - Remus Vulpescu and Hidroelectrica CEO - Stefan Gheorghe, went to the European Bank for Reconstruction and Development in London in order to obtain the necessary agreement to resume auction for refurbishment project HPP Stejaru, given Hidroelectrica favorable conditions and confidence, following measures taken by the legal administrator since company entering into insolvency.

Discussions with EBRD representatives focused primarily on Hidroelectrica's current situation, effective measures implemented so far by the Legal Administrator and forecasting measures to be taken, so that it is covered all 9 cases of Hidroelectrica insolvency, as they were detailed in the Report published in August 2012 by Legal Administrator.

EBRD, like other financing banks of Hidroelectrica were confident in the measures applied by the Legal administrator and agreed to restart the auction for the refurbishment project of HPP Stejaru.

Prepare to resume the process of auction, on 07.12.2012 Hidroelectrica canceled existing tender process, which had began in September 2011 and suspended in July 2012 after the company entered insolvency.

On 10.12.2012 EBRD and Hidroelectrica published on their website General Note for Public Auction informing worldwide interested companies regarding Stejaru project and inviting potential contractors to participate in the transparent process which will run under EBRD rules and policies, following the procedure required by the financing bank.

Also, information on auction resumption of Refurbishment Project HPP Stejaru was submitted in writing to representatives of over 30 potential contractors worldwide, registered in Hidroelectrica database.

Until today all specialized major companies in the world have shown interest and a number of potential contractors have requested appointments with Hidroelectrica's legal and company representatives to better understand the tendering and implementation procedure. Thus, in January 2013, before the official launch of tender procedure were scheduled a series of meetings with representatives of companies interested in the project Stejaru.



Financing Project for Refurbishment of HPP Stejaru contracted in July 2011 and suspended after company entering into insolvency, is provided through a syndicated loan offered by the European Bank for Reconstruction and Development (70 million Euro), Erste Bank and Caixa Bank (20 million Euro each ).

HPP Stejaru, with an annual production of 435,000 MWh, has over 50 years of operating in the national energy system, being put into operation between 1960 to 1961 and is equipped with 6 vertical Francis turbines with a total installed power of 210 MW (4x27.5MW + 2x50MW). Refurbishment works will enable safe operation and maximum efficiency of HPP Stejaru for at least another 30 years.

## **2.2. Refurbishment Project Romanian Lock Portile de Fier I**

In November 2012, after negotiations between legal administrator - Euro Insol and company representatives of Romenergo SA - Refurbishment Works for Romanian Lock Portile de Fier I was obtained waiver of appeal against Hidroelectrica preliminary table debts, amounting to approximately 8.6 million Ron. In December 2012 continued and have ended a series of important works executed under the refurbishment contract remaining due to end on 31.05.2013.

To ensure ship movements, given the provisions of the Convention of 18.08.1948 and agreements between riparian states regarding traffic on the Danube, the Romano-Serbian Joint Commission, decided rehabilitation of locks on both sides of Navigation System Portile de Fier I.

Refurbishment Project of Roman Lock Portile de Fier I appeared necessary because of the physical and moral wear and equipment being seriously affected due to functional characteristics. By GD 956/2004 were approved technical and economic indicators of the investment objective "Rehabilitation works of the Roman Locks and Navigation System Portile de Fier I";

Thus, in June 2006, Hidroelectrica concluded, in open public auction, refurbishment contract with the winner-SC Romenergo S.A.

After refurbishing equipment belonging to Romanian lock was obtained increased traffic capacity, from 12.8 million tones / year to 35 million tones per year, increasing lock's availability from 232 days / year to 320 days / year, improvement average length of sluicing from 145 minutes to 75 minutes.

By GD 956/2004 has been decided that the work will be financed from own Hidroelectrica sources, loans raised and money from the state budget. Amount expected to be provided from the state budget, 88 million Ron in 2004 prices, represent 43% of the general estimate of work.

However, to date, the funds were exclusively from Hidroelectrica own sources and contracted loans. In September 2012 and in November 2012, Hidroelectrica asked the Ministry of Economy and Trade the allotment for data specified in GD 956/2004 and last updated general estimate. Until now MECBE has not given any response.

## **2.3. Refurbishment Project Lower Olt**



For December 2012, the Legal Administrator requested the consortium of companies, Voith Hydro and Andritz Hydro, contractors for revamping of the 20 hydro-aggregates located on the Lower Olt, to arrange a meeting in order to get a new agreement for providing trade discounts to the amounts due the contractor.

Discussions on this topic have been started in August 2012 and continued through several rounds of negotiations between August-December 2012.

Thus, on 13.12.2012 representatives of Voith Hydro and Andritz Hydro Consortium attended the meeting with representatives of the Legal Administrator - Euro Insol and Hidroelectrica representatives.

Following the meeting, the parties have agreed by signing an addendum to the contract of refurbishment, a reduction in the amount registered at the credit for the Lower Olt River Project Refurbishment of approximately 19.1 million Euro representing additional costs for extending schedule for suspension of project execution in 2009-2010 due to lack of funds and cancellation of payments in amount of 1 million Euro to contractor.

Thus, the result of negotiations led to obtaining a reduction of nearly 20 million Euro which provides necessary conditions for continuing in the best circumstances of the Lower Olt refurbishment works.

The project of rehabilitation the 20 hectares on the Lower Olt River, the largest Hidroelectrica project of this nature is necessary due to serious technical problems and high maintenance costs.

The contract was awarded in 2004, to consortium led by Voith Siemens Hydro Power Generation (now Voith Hydro), following GD. 1599/2003 - which provide direct custody of the works by this consortium.

After refurbishment will be obtained: increase the power available in turbine mode about 55%, from 185 MW to 285 MW, increasing available power pump system from 0.0 MW to 200 MW and average power output increased by approximately 75 %, from 512 GWh / year to 944 GWh / year.

The refurbishment project is now 95% completed; the last refurbished hydropower unit will be put into operation in February 2013. In December 2012 was put into operation, after upgrading, hydropower unit no. 19 located in HPP Izbiceni, plant last completed on the Lower Olt River, located near the confluence of Olt with the Danube River.

#### **2.4. Refurbishment Project HPP Lotru-Ciunget**

In September 2012, Hidroelectrica's legal administrator requested Voith Hydro a reduction of the amount registered in the statement of affairs for Refurbishment of HPP Lotru Ciunget.

Starting September 2012, the parties held a series of discussions and have made various proposals for a reduction of the amount registered in the statement of affairs. Amounts recorded are mainly VAT refunds paid by Voith Hydro on behalf of the



Romanian state for Hidroelectrica and due penalties accrued as a result of late payment of VAT.

On 13.12.2012, the legal administrator and Hidroelectrica representatives have agreed, by signing a bilateral agreement with Voith Hydro, a reduction of 10% of all penalties due to non-payment of VAT on time for execution of the works in the refurbishment project of HPP Lotru-Ciunget.

Refurbishment works at HPP Lotru-Ciunget, largest hydropower plant on the inland rivers of Romania, has began in 2007 and was completed in early 2011 and is 80% funded by the World Bank through a loan 66 million Euro.

Currently refurbished equipment of HPP Lotru Ciunget is under warranty period contract.

## **2.5. Refurbishment Project HPP Portile de Fier II**

In august 2012, the Legal Administrator asked the contractor Andritz Hydro to participate in discussions and negotiations on reducing the amount registered in the statement of affairs and credit amounts for the remaining works under contract Refurbishment HPP Portile de Fier II (8 ha) and HPP Gogosu (2 ha).

In the period August to December 2012, the parties held a series of discussions and exchanged correspondence on trade discounts to facilitate completion of works at the Portile de Fier II central plant and additional Gogosu.

In December 2012, the Legal Administrator requested a new round of talks in order to finding an amicable solution to continue refurbishment works.

It is said that revamping the HPP Gogosu was contracted in 2003 by signing an addendum to the contract for the refurbishment of plant of Portile de Fier II signed in 2001.

Adaptation and adjustment application of contractual price works contracted in 2003 and expected additional cost to guarantee energy and operating parameters, has led to a significant increase in value contracted in 2003, with about 28%.

Legal administrator and Hidroelectrica representatives, thinks that price for HPP Gogosu refurbishment works, given today's market conditions, however, are too large and thus the prices and further work required by the contract lead to costs affecting Hidroelectrica's estate and opportunities for recovery out of insolvency.

Thus, legal administrator and Hidroelectrica representatives asked contractor to provide commercial discount prices reflecting reasonable prices for both parties, reported in today's market conditions or concluding an addendum to the contract by which the parties should agreed to stop the execution of refurbishment as in the contract because the refurbishment project of HPP Gogosu will be subject to an open public tender procedure in order to ensure the correct price.

By December 2012 the contractor failed to propose feasible solutions to reduce the amount necessary to complete commercial refurbishment works at HPP Gogosu so as to ensure favorable conditions both sides should continue the work.

Moreover, on the meeting dated 12.12.2012, Andritz Hydro said that disagrees with giving amicable execution for HPP Gogosu and noted that such a decision can be taken only by legal administrator unilaterally, but for this, in terms of Andritz Hydro, denouncing the entire contract involves upgrading and not only the two addendums for contracted works at HPP Gosgosu.

Legal Administrator shall evaluate the situation, given the official position of Andritz Hydro, submitted in writing and will apply the necessary measures to protect debtor's assets and ensure execution of upgrading works according to the conditions stipulated by the legislation in force.

### 3. **Received Investment Objectives**

In December 2012 a team formed by representative of the legal administrator, Remus Borza and of Hidroelectrica CEO, Stefan Gheorghe attended the reception of following objectives belonging to the investment objectives:

#### 3.1. **Secondary inlet Sebes - Ruieni, section Cuntu-Borlova**

Legal Administrator of Hidroelectrica together with Hidroelectrica General Manager Stefan Gheorghe participated on 14 December 2012, at the Taking-Over for Cuntu ÷ Borlova gallery section (L = 7695 m), which is part of the secondary inlet Sebes - Ruieni (L = 11606m).

Secondary inlet Sebes-Ruieni represents part of the investment objective "Inlet Bistra Poiana Marului, Ruieni, Poiana Rusca" (approved by Decree 294/1981).

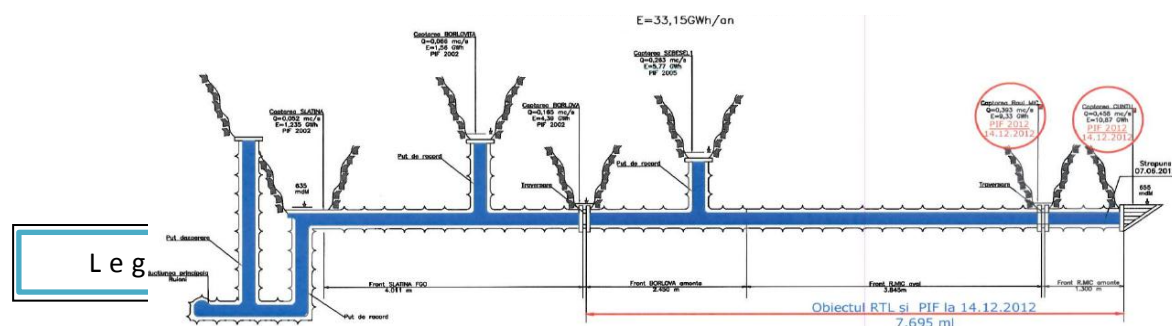
Arrangement is situated in Caras – Severin, upstream Caransebes, being done on right tributaries of the river Timis in mountain area: Rece River and Bistrita River.

Currently focused flow in two spatial accumulations and processed in two hydropower plants:

- Accumulation Poiana Mărlui with a total volume of 96 million cubic meters and **HPP Ruieni** (IP=140 MW) – commissioned in 1993;
- Accumulation Poiana Ruscă with a total volume of 20,4 million cubic meters and **HPP Râul Alb** (IP = 40MW) - commissioned in 2008;

To ensure the required water volume scheme the side adductions include two adductions, the first of which includes a gallery section received for completion of work on the 14 December 2012:

- Secondary adduction Sebeş-Ruieni gallery, take water from tributaries of the river on right part of Sebeş and inject them directly into the main inlet lake HPP Poiana Marului - Ruieni. Following commissioning on 14 December 2012 of Cuntu-Borlova



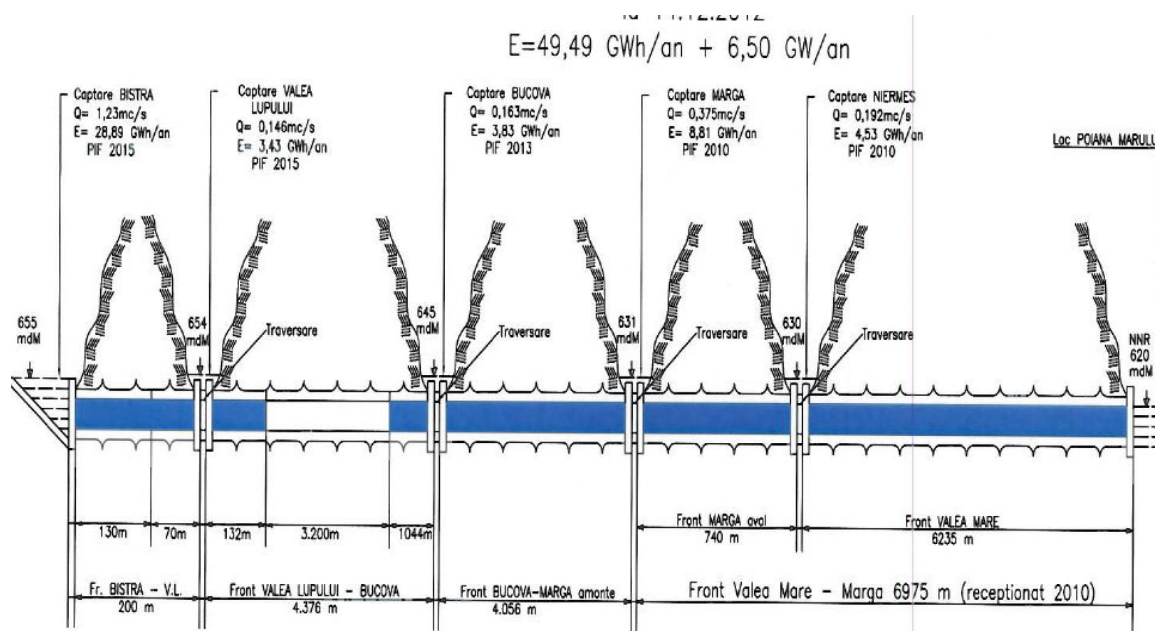


section and those two side intakes Cuntu and Raul Mic, obtained increase energy in Ruieni HPP are 20.2 GWh / year of total 33.15 GWh / year, representing 7.60% of the energy produced by the plant.

- b. Value of inventory asset for the gallery section Cuntu-Borlova, including abstractions Cuntu and Raul Mic is of 82,107,738 Ron

#### Secondary adduction. Take over on 14.12.2012

b. Secondary adduction Bistra - lake Poiana Marului, gallery take a left tributary waters of the river Sebes and inject them into the lake Poiana Marului. Gallery has a total length of 15,876 m and 5 catchments (Bistra, Valea Lupului, Bucova, Marga, Niermeș). Currently are in service Niermeș and Marga abstraction, bringing an increase of 13.34 total energy GWh / year in Ruieni plant. Energy increase that Ruieni plant will get by commissioning of the last 3 Bistra secondary catchments, Valea Lupului and Bucova, expected to be achieved in stages until 4<sup>th</sup> quarter 2016, will still be 36.15 GWh / year. Total energy gain in power on all Ruieni Plant due to this secondary adduction is 49.49 GWh / year on average hydrological year.



#### Secondary Adduction Bistra – lake Poiana Marului. Situation on 14.12.2012

At the reception the gallery section Cuntu-Borlova was analyzed the execution stage at the end of 2012 to the second side galleries, Bistra- lake Poiana Marului, where they found:

- Adduction Gallery Marga - Bucova section L = 4.056 m is excavated, has concrete foundation plate, also requires some concrete rings, disassembling, cleaning works to be finished in the first half of 2013.

- Marga Cross - work on the crossing foundations are initiated, requires connection to the slopes, wearing tight channel adjustment, disassembly technological organization, return to forest fund.
- Capture Bucova (Bucovita) has the construction part completed, next step will be installation of capture mechanical equipment and connection (pipe) with inlet capture - works that could be finished by June 2013.

Under these conditions, by ensuring funds, in June 2013 can be put into operation secondary capture Bucova and associated inlet (L = 4.056 m) section Bucova - Marga. Amount of investment required for funding in 2013 is 13,600,000 Ron. Energy contribution brought by Bucova intake is of 3.83 GWh / year (1.45% of the energy produced by HPP Rueni).

### **3.2. HPP Plopi**

HPP Plopi (IP = 11,90 MW and energy average = 27,9 GWh/year) belongs to investment objective „Refurbishing of Hydro-energetic of Strei river, on Subcetate-Simeria sector” (approved by Decree no. 40/1989).

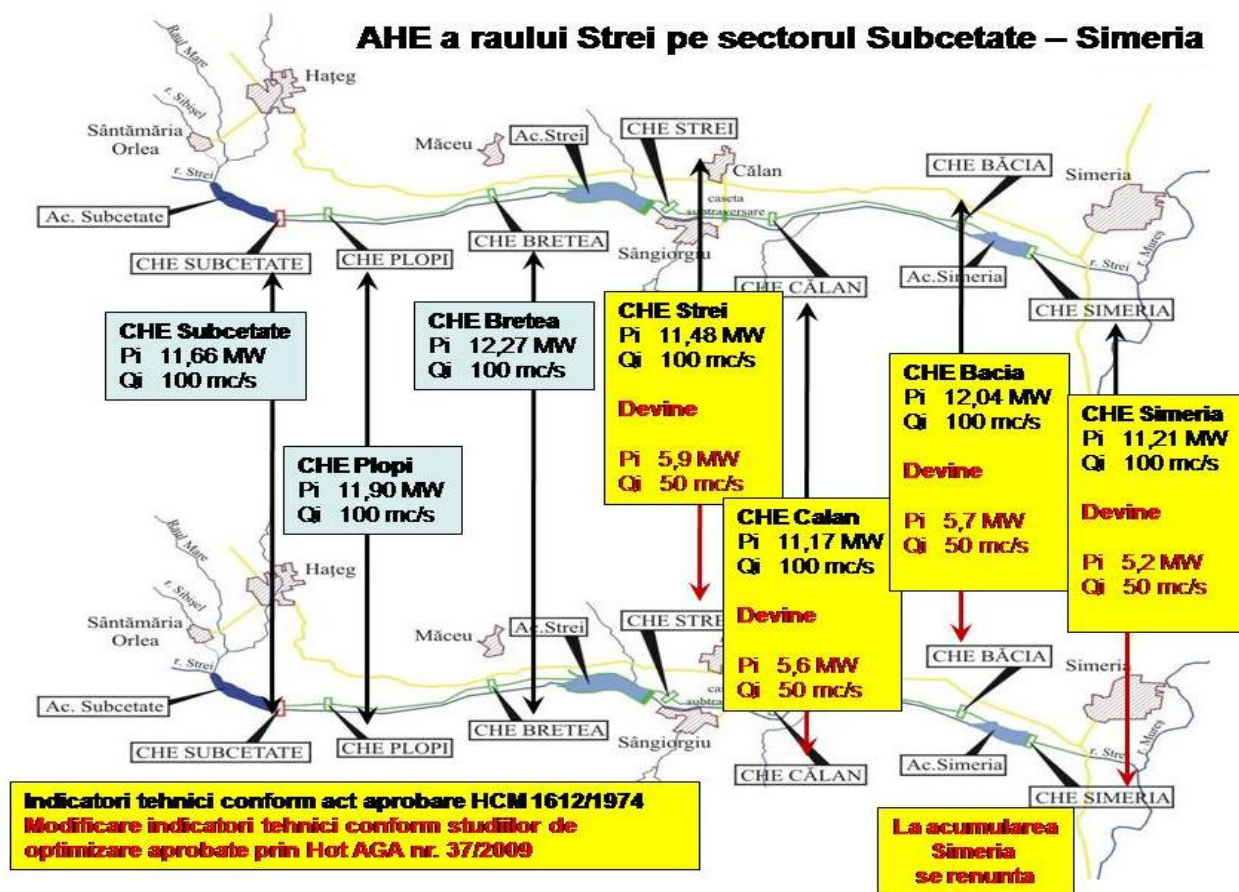
Strei River hydro power stations is to achieve seven hydropower units that will provide Strei river flow regulation on length of 32.5 km, with a drop of 105 meters and installed flow of 100 cm / s and 50 m / s, correlated with power plants existing on Raul Mare. Of these, two are central accumulation plants (Subcetate - in future exploitations and Strei plant unchallenged now), the remaining 5 plants representing channel plants. Arrangement scheme has been changed from the initially scheme set by Decree, as modifying installed power in the last 4 plants, to qualify as qualified RES sources for obtaining Green Certificates.

Of the 7 plants of the arrangement, two plants are currently in operation, HPP Subcetate commissioned in 2004 and HPP Plopi, commissioned 2010 and HPP Bretea under construction, the works being completed at a rate of about 45%.

Value of fixed assets up to final acceptance of object HPP Plopi is 214,747,890 Ron.

In 2013, investment funds will be allocated, so that they can accept on 30.06.2014, at the time of commissioning, the hydroelectric power plant Bretea. The other four hydroelectric power plants located downstream of HPP Bretea respectively HPP Strei, Calan, Bacia and Simeria be completed so that to be put into operation gradually until 31.12.2016. We should mention that these plants, including Bretea will have installed power below 10 MW, and will qualify for the RES support scheme with 3 green certificates / MWh.





### 3.3. Deaeration shaft Netis-HEA Retezat-main adduction

Works were partially completed.

Shaft capture and deaeration shafts are located on the left bank of the Netiş river, approx. 300 m downstream from Netiş capture. Secondary capture Netiş from arrangement Raul Mare Retezat brings an additional turbine flow underground to HPP Retezat. It is located on the route of the supply manifold, approx. 3.6 km downstream of the valve house and approx. 14.9 km upstream of steady connection from castle gallery.

Netiş uptake shaft has a diameter of 1400 mm at the top and 1200 mm the bottom. Shaft stings connecting gallery Netiş (lower house), which has an internal diameter of 4.90 m and a length of 26.0 m.

Air deaeration introduced when water flows is captured by a 245 mm internal diameter shaft, located approx. 23 m of the shaft capture to the connection of intersection gallery Netiş with the main headrace gallery.

Ability drain current deaeration shaft ( $D_i = 245$  mm) is much lower air flow introduced by the shaft capture internal diameter of 1400 mm with flow captured, which has led to the need to achieve a new deaeration shaft, located near existing deaeration shaft that fill gap for venting the chamber section below. It will intersect the lower house of the connection near the intersection with adduction gallery.





Work was necessary to increase water flow and thus will result in increased deaeration capacity designed to increase electricity production corresponding to Netiş capture.

Deaeration shaft is located above the lower house and will run between the roof surface and the lower house ceiling, near the intersection with adduction gallery. Free diameter of the shaft will be 2.6 m and a length of 114 m.

Established asset value is 2,823,041Ron

Work performed, with partial reception performed subject dated 15.12.2012 are:

1. Preparatory works
2. Digging and concreting shaft
  - Excavations shaft 114 m
  - Concreting shaft: 367.7 cm
  - Injection of building: 1698 m

Remaining works in first Semester of 2013:

- Air Tronson Shaft on a height of 4.5 m
- Reconstruction of walls and surface fitting dome camera - 5.5 m
- Injection of consolidation – 336 m

### **3.4. The progress of works realized by Hidroconstructia SA at the end of 4<sup>th</sup> quarter IV 2012**

On 21.12.2012 a meeting was held to review the progress of works at the end of the fourth quarter 2012 for main investment objectives that Hidroelectrica has ongoing with Hidroconstrucția S.A.

From Hidroconstrucția S.A. participated Mr. Emil Timofti, General Manager and Mihăiță Fundeanu, Production Quality Manager.

From Hidroelectrica S.A. participated Mr. Attorney at law Remus Adrian Borza, Euro Insol SPRL – Legal Administrator, Ștefan Gheorghe, General Manager, Dragoș Zachia – Zlatea, Deputy General Manager and Răzvan Cojoc, Director of Strategy Development Division.

Hidroconstrucția S.A. presented the stage of the works on November 30, 2012 for the main investment targets, due to the reduction of Development Program after 01.07.2012 as a result of Hidroelectrica entering insolvency.

Given company's difficult financial situation that will expand in 2013, Hidroelectrica by letter no. 114067/13.12.2012 called Subsidiaries that together with Hidroconstructia, as executor to prepare an inventory of works for the total of 15 investment objectives, under execution, which will enter a phase of conservation in 2013, some for 3 months and others for 12 months. Expenses arising from this situation will be documented and analyzed with maximum rapidity by all involved parties to minimize the adverse consequences resulting from reduced financial



resources of the Company. They will be stipulated in the Development Program in 2013.

#### 4. **Maintenance activity**

Maintenance activity in HIDROELECTRICA, represents the main support for the operation of hydropower objectives in safe conditions. The importance of this work lies in the following:

- Maintain safely operating of hydropower plants;
- Reboot the damaged or malfunctioning equipment;
- Increase the technical performance of the equipment;
- Ensure the health and safety conditions of labor for operating personnel;
- Eliminate environmental risk factors and civil society;
- Ensure compliance with legal requirements;

At the end of 2011 in accordance with the "Normative for programming maintenance activities - EHN-01-2005" was prepared maintenance program for 2012 worth 386 million Ron. Following company's entry into insolvency and the need to reduce operating costs, the maintenance program has been reduced to 305,081,406 Ron according to the values shown in the table below:

No.	Hidroelectrica Subsidiary	Initial value for maintenance program 2012 (Ron)	Reduced value 2012 (lei)	Value maintenance program 2012 reduced (Ron)
1	Portile de Fier	45,000,000	7,000,000	38,000,000
2	Caransebes	10,500,000	2,000,000	8,500,000
3	Tg Jiu	12,000,000	1,200,000	10,800,000
4	Hateg	43,650,000	5,365,000	38,285,000
5	Bistrita	40,000,000	5,800,000	34,200,000
6	Buzau	22,500,000	4,075,594	18,424,406
7	Curtea de Arges	38,000,000	1,970,000	36,030,000
8	Rm.Vilcea	41,000,000	5,733,000	35,267,000
9	Sibiu	13,400,000	320,000	13,080,000
10	Cluj	20,000,000	4,000,000	16,000,000
11	Oradea	18,000,000	3,500,000	14,500,000
12	Sebes	14,600,000	4,950,000	9,650,000
13	Slatina	38,750,000	6,475,000	32,275,000
14	Executiv	28,600,000	28,530,000	70,000



<b>TOTAL</b>	<b>386,000,000</b>	<b>80,918,594</b>	<b>305,081,406</b>
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In late December 2012, the status value of the maintenance program is the following:

<b>No.</b>	<b>Hidroelectrica Subsidiary</b>	<b>Reduced value for maintenance program 2012 (Ron)</b>	<b>Value realized on 11 months 2012 (RON)</b>	<b>Estimated total value to be realized by maintenance in in 2012 (Ron)</b>
1	Portile de Fier	38,000,000	30,953,984	35,096,875
2	Caransebes	8,500,000	6,921,169	7,928,108
3	Tg Jiu	10,800,000	10,361,729	10,799,999
4	Hateg	38,285,000	34,643,695	37,985,000
5	Bistrita	34,200,000	29,249,905	31,962,260
6	Buzau	18,424,406	17,650,597	18,099,648
7	Curtea de Arges	36,030,000	33,586,328	36,020,065
8	Rm.Vilcea	35,267,000	27,408,688	31,002,674
9	Sibiu	13,080,000	12,324,849	13,088,872
10	Cluj	16,000,000	12,046,227	14,830,380
11	Oradea	14,500,000	12,033,646	15,193,813
12	Sebes	9,650,000	7,181,423	8,280,384
13	Slatina	32,275,000	27,901,006	30,105,717
14	Executiv	70,000	0	70,000
	<b>TOTAL</b>	<b>305,081,406</b>	<b>262,263,249</b>	<b>290,463,795</b>

As shown in the present situation, we succeeded in framing values reduced maintenance costs and even reduce them. The decrease was mainly due to:

- Inability to finalize works according to scheduled terms as originally proposed in 2013;
- Reducing maintenance costs in relation to Hidroserv Subsidiaries in the last quarter of 2012, by standardizing and reducing the time values of labor, overheads and profit shares;
- Giving up level 4 modernization works that were scheduled to begin in the fourth quarter of 2012.

Maintenance work is carried out in two areas:

- Maintenance of equipment;
- Building Maintenance.

In terms of maintenance equipment at sizing works volume were taken into account the following:

- Hydro power plants with installed capacity of over 4 MW (a total of 228, with an installed capacity of 4295 MW, representing 78% of the total) that exceeded the normal period of use (according to HG 2139/2004);
- A great deal of plants, hydro and auxiliary facilities, in operation, have a number of deficiencies in design and execution, obsolescence, most of them are designed and built before 1989.

Given the above, in the 2012 works included in the annual maintenance program and provided to replace some components that were not included or were not considered for refurbishment of central plants. Replacing these components was based on data analysis of the technical condition of equipment for:

- Increasing operational safety of hydroelectric power plants;
- Reducing the degree of unavailability of hydro units;
- Maintain the existing operating capacity.

They pursued mainly the following:

- Replace speed automatic controllers;
- Automatic voltage regulator replacement;
- Rehabilitation of generators and turbines;
- Replacement automation panels;
- Replacement of electrical protections;
- Replacement AC own service facilities;
- Electrical cell replacement terminal stations 6 kV, 10.5 kV and 20 kV, with priority on hydro units breakers;
- Replacement breaker for 110 and 220 kV substations in central power outlet;
- Replacement batteries and DC battery chargers.

"Level 4 with modernization works" has started at Kaplan hydro units on the Olt River - middle sector in 2001, with the time for completion between 12 and 18 months that continued also in 2012. This type of work includes rehabilitation of all subassemblies hydro units and its ancillary facilities, modernization generator installation and automation of its services and alternating current of hydro unit. In 2012 were completed the works at HS Rm. Valcea HA1 - HPP Babeni 18.5 MW. Work under progress takes place also in: HS Bistrita – HA 1 HPP Racaciuni 22,5 MW; HS Slatina – HA 2 HPP Strejesti 25 MW.

Benefits such works are:

- Reducing maintenance costs by increasing the number of working hours between two works from hydropower maintenance;
- Reducing the number of deficiencies and the duration of hydro units unavailability.



Given the high percentage of equipment mounted in the plants, with a life of more than 21 years, it is necessary to have an important financial effort in maintenance work to replace obsolete equipment in parallel with the rehabilitation of physical waste equipment.

Of particular importance in the maintenance activity has the maintenance work in construction. A specificity of repair work on buildings in this area is that there were issued normative repair from time to time, building repairs shall be made as necessary. Another issue is that building interventions are performed only on a project issued by a certified designer, checked by a verifier, also authorized. Finding faults in construction work is done by constant and systematic performance monitoring construction in each branch, through daily observations of operating personnel and bi-annual field inspections established by branch Commission Decision. The value of construction works included in the 2012 annual program as was reduced, is in value of 65,831,969 Ron, and works carried out over a period of 11 months is in value of 58,491,455 Ron.

## **5. Procurement activities**

### **5.1. Commercial discounts obtained**

After negotiations values of remaining works of commercial contracts in progress were reduced, with addendums signed by the legal administrator with co-contractual partners. Value of reductions resulting from addendums approved by Hidroelectrica executives spread across branches is of 218,113,765 Ron (420 addendums) of which:

- from investment funds: 115,025,171 Ron
- from maintenance fund: 88,747,962 Ron
- from other funds: 14,322,923 Ron

In the table below we present the total value of these reductions and breakdown of the three categories mentioned above:

#### **Total discounts**

Subsidiary	No of contracts	Initial value	Remaining Value to be Executed	Value of discount	Final Value
Executive	20	28,020,226	7,256,154	984,285	27,035,940
HS Bistrita	54	663,766,662	607,833,615	62,909,120	600,857,543
HS Buzau	19	317,653,034	280,173,653	18,536,525	299,116,509
HS Caransebes	24	300,454,127	242,611,436	14,082,700	286,371,427
HS Cluj	29	536,829,757	456,004,172	25,109,989	509,504,339
HS Curtea de Arges	62	98,111,331	28,054,687	5,646,095	92,465,236
HS Hateg	46	291,841,919	212,177,911	17,115,559	274,726,361
HS Oradea	21	92,318,141	78,621,320	28,229,442	64,088,699



HS Portile de Fier	21	104,321,152	40,711,402	11,188,502	93,132,648
HS Ramnicu Valcea	20	73,388,380	38,949,406	6,961,537	66,426,843
HS Sebes	21	126,444,464	77,485,692	7,478,472	118,961,510
HS Sibiu	48	306,770,252	175,211,978	9,825,461	296,944,791
HS Slatina	17	68,087,169	20,989,473	7,209,224	60,877,946
HS Targu-Jiu	18	182,403,083	44,394,966	2,836,855	179,566,228
<b>Total</b>	<b>420</b>	<b>3,190,409,697</b>	<b>2,310,475,863</b>	<b>218,113,765</b>	<b>2,970,076,018</b>

**Investment Funds:**

Subsidiary	No of contracts	Initial value	Remaining Value to be Executed	Value of discount	Final Value
Executiv	7	14,103,201	3,138,360	460,737	13,642,464
HS Bistrita	27	587,010,746	548,165,295	38,210,919	548,799,827
HS Buzau	10	289,243,940	270,043,811	13,596,260	275,647,680
HS Caransebes	14	288,568,842	235,441,893	11,832,276	276,736,566
HS Cluj	18	514,920,382	446,474,756	22,475,732	490,229,223
HS Curtea de Arges	12	49,210,592	17,471,207	1,141,873	48,068,718
HS Hateg	13	237,607,741	184,701,629	10,066,499	227,541,242
HS Oradea	8	39,715,616	37,916,083	2,460,123	37,255,493
HS Portile de Fier	8	21,531,405	3,271,168	309,793	21,221,612
HS Ramnicu Valcea	3	20,042,453	3,958,076	197,903	19,844,550
HS Sebes	10	104,242,393	64,881,956	3,919,846	100,322,547
HS Sibiu	19	295,752,959	170,927,313	8,649,700	287,103,259
HS Slatina	8	27,292,352	6,251,718	354,106	26,938,246
HS Targu-Jiu	10	164,399,426	36,288,467	1,349,403	163,050,022
<b>Total</b>	<b>167</b>	<b>2,653,642,047</b>	<b>2,028,931,733</b>	<b>115,025,171</b>	<b>2,536,401,448</b>

**Maintenance Funds:**

Subsidiary	No of contracts	Initial value	Remaining Value to be Executed	Value of discount	Final Value
Executive	1	414,413	414,413	41,441	372,972
HS Bistrita	5	64,784,025	47,888,064	21,402,785	43,381,240
HS Buzau	2	21,324,000	7,201,070	4,237,741	17,086,259
HS Caransebes	5	11,689,313	7,003,866	2,235,768	9,453,545
HS Cluj	1	20,179,600	9,115,491	2,608,729	17,570,871
HS Curtea de Arges	4	37,060,284	7,471,888	3,005,109	34,055,175
HS Hateg	2	51,826,632	26,179,200	6,857,723	44,968,910





HS Oradea	4	35,415,011	27,321,917	20,598,575	14,816,436
HS Portile de Fier	5	76,146,821	34,307,889	10,595,728	65,551,090
HS Ramnicu Valcea	1	43,187,987	25,940,637	5,109,551	38,078,436
HS Sebes	2	14,227,364	9,175,921	3,077,067	11,150,297
HS Sibiu	3	9,667,830	3,277,807	1,059,750	8,608,080
HS Slatina	2	38,750,000	13,438,720	6,516,000	32,234,000
HS Targu-Jiu	1	16,800,000	7,311,113	1,401,994	15,398,006
<b>Total</b>	<b>38</b>	<b>441,473,280</b>	<b>226,047,996</b>	<b>88,747,962</b>	<b>352,725,316</b>

**Other funds:**

Subsidiary	No of contracts	Initial value	Remaining Value to be Executed	Value of discount	Final Value
Executive	12	13,502,612	3,703,381	482,107	13,020,504
HS Bistrita	22	11,971,892	11,780,256	3,295,416	8,676,476
HS Buzau	7	7,085,094	2,928,771	702,524	6,382,570
HS Caransebes	5	195,972	165,677	14,656	181,316
HS Cluj	10	1,729,774	413,925	25,528	1,704,246
HS Curtea de Arges	46	11,840,455	3,111,591	1,499,112	10,341,343
HS Hateg	31	2,407,546	1,297,082	191,337	2,216,209
HS Oradea	9	17,187,515	13,383,320	5,170,744	12,016,770
HS Portile de Fier	8	6,642,926	3,132,344	282,980	6,359,946
HS Ramnicu Valcea	16	10,157,940	9,050,693	1,654,083	8,503,857
HS Sebes	9	7,974,707	3,427,815	481,559	7,488,666
HS Sibiu	26	1,349,463	1,006,858	116,012	1,233,452
HS Slatina	7	2,044,818	1,299,035	339,118	1,705,700
HS Targu-Jiu	7	1,203,658	795,385	85,458	1,118,200
<b>Total</b>	<b>215</b>	<b>95,294,370</b>	<b>55,496,133</b>	<b>14,340,633</b>	<b>80,949,255</b>

These statements were obtained with centralized computer application "addenda reduction" available on the Hidroelectrica intranet. In this application was completed addenda data on the reduction of contracts by all subsidiaries of hydropower plants.

In this application was additionally introduced a section dedicated to other types of spending cuts, which come from reducing the value of commercial contracts, for example, approved necessary papers to a value lower than required, reducing rents on various facilities, renegotiation ongoing contracts, waiver of claims in the statement of affairs, etc..

The total value of the savings to date represents the value of **96.807.425 Ron**.

**Other discounts:**



Subsidiary	Initial Value	Final Value	Value of discount
Executive	297,037,123	200,441,657	96,595,466
HS Bistrita	70,000	55,097	14,903
HS Buzau	385,694	292,400	93,294
HS Curtea de Arges	15,000	7,500	7,500
HS Hateg	45,687	17,243	28,443
HS Oradea	66,600	50,400	16,200
HS Portile de Fier	84,985	70,732	14,253
HS Ramnicu Valcea	88,848	79,963	8,885
HS Sebes	57,705	46,445	11,260
HS Sibiu	26,537	22,826	3,711
HS Targu-Jiu	117,010	103,500	13,510
<b>Total</b>	<b>297,995,188</b>	<b>201,187,763</b>	<b>96,807,425</b>

## 5.2. Ongoing purchasing procedures

Procurement procedures were performed in the annual program of Hidroelectrica as follows:

- Open Auction "HEA Siriu-Surduc. Surduc-Nehoiasu Stage. Phase I (one group of 55 MW) Procurement of equipment and technical assistance for installation, commissioning and acceptance "- Documentation submitted to SEAP to be approved by the NARMPP;
- Survey Open Auction regarding Study "Exploiting correlated Remeti, Munteni, Lesu plants as virtual production unit" - published in SEAP documentation for approval of NARMPP purchase later canceled by the beneficiary (Technical Department);
- Subsequent contract negotiation for three services "Microsoft Enterprise Services Recreation Renewal" - tender on 20.12.2012 with SC NESS ROMANIA SRL, targeting a 20% reduction in progress procedure;
- Services Direct Acquisition "Barracuda Spam Firewall Renewal" Contract no. 148/14.12.2012 signed with SC Lasting System Ltd and sent to the beneficiary;
- Negotiation without prior publication of a contract notice for the contract with SC ISPH SA regarding "Study on tariff foundation for using the lake Izvorul Muntelui as a inferior reservoir of HEPA Frasin Pingariti" to be signed by Hidroelectrica management (estimate: 9850 Ron contracted-value 9800 Ron) ;
- Negotiation without prior publication of a contract notice for the contract with SC ISPH SA for HEA of Strei River on Simeria Subcetate section for amendments in the technical economic indicators of "Contract no. 160/19.12.2012 concluded with SC



- ISPH SA and sent to the beneficiary (value of reduction from the estimated value: 400,000 Ron - 25%);
- g) Tender for the contract "Revision energy limitation of general interest PE 017/1983 - Regulation on technical documentation service" published in SEAP documentation for NARMPP validation, acquisition subsequently canceled by the direction of the beneficiary (Technical department);
  - h) Negotiations without prior publication of a contract notice for the contract with SC ISPH SA "Study on joint sealing solutions for hydraulic structures 106/02.11.2012 contract signed and sent to the beneficiary (value of reduction from the estimated value: 9000 Ron-10%).
  - i) Negotiation without prior publication of a contract notice for the contract with SC ISPH SA "Tariff study for the year 2013 for Hidroelectrica portfolio - Contract no. 105/02.11.2012 signed and sent to the beneficiary direction (value of reduction from the estimated value: 9.000 Ron-10%);
  - j) Negotiation without prior publication of a contract notice for the contract with SC ISPE for "Revision energy limitation of general interest PE112/1993 - normative design of DC" - Contract no. 107/06.11.2012 concluded with SC ISPE SA and sent to the beneficiary (value of reduction from the estimated value: 14,440 Ron - 10%);
  - k) Negotiation without prior publication of a contract notice for the contract with SC ISPH SA for "Study on the implementation of evolutionary function analysis parameters to allow referral follow risk" - procedure undertaken until the negotiation stage and subsequently canceled due to unavailability of funds (maintenance Department) report procedure no. 108668/04.12.2012;
  - l) Negotiation without prior publication of a contract notice for the contract with SC ISPH SA for "Documentation on the behavior of hydro technical constructions for 2012" - Contract no. 139/03.12.2012 signed with SC ISPH SA and sent to direction of the beneficiary (value reduction from the estimated value: 7.500 Ron -10%);
  - m) Negotiation without prior publication of a contract notice for contracts with ISPH for "Standard for execution concrete construction and control of hydropower units. Reviewed PE 713-90 and investigation for approval as republican normative ". Contract to be signed by ISPH management (value of reduction from the estimated value: 5.000 Ron -6%);
  - n) Negotiation without prior publication of a contract notice to SC CS ROMANIA SA for contract services, technical support, maintenance and functional extensions for application with modules: Technical Management, Energy Supply and Eligible consumers "- report being signed (value of reduction from the estimated value: 237,892 Ron 35%);
  - o) Negotiation without prior publication of a contract notice for the contract with SC ISPE SA "Dielectric Measurements - GD 3 Mariselu" ongoing negotiation procedure and report to be signed (estimated value: 10,000 Ron, negotiated value 9800 Ron);



- p) Negotiation without prior publication of a contract notice for the contract with KPMG Advisory NV for the project " verifying Monitoring Reports emission reductions for the years 2009 - 2012 due to " Hidroelectrica Portfolio of hydropower development JI Track I "- Contract no. 147/14.12.2012 signed with KPMG Advisory NV and sent to the beneficiary (estimated value: 42,000, contract value Euro 36,000 - 15%).
- q) Negotiation without prior publication of a contract notice with TUV SUD Industrie Service GmbH for the contract "Checking Monitoring Reports for 2012 emission reductions for the two projects Joint Implementation (JI)" - Contract no. 146/14.12.2012 signed by TUV SUD Industrie Service GmbH and sent to the beneficiary direction (estimated value: 26,000 Euro contract value 24,000 Euro - 8%).

For the negotiated procedure without prior publication of a contract notice mentioned above were obtained in final reductions at least 10% - 15% from the initial estimated value of these acquisitions. Quantification is found in table Other Discounts presented in section 5.1 above.

Tender documentation were endorsed and approved by the preparation for Common Notes and Decisions regarding acquisition procedures performed the subsidiaries in their annual programs under the procedures, decisions and internal rules.

Also, purchases for goods and services necessary for the activity of subsidiaries were at central level as follows:

- Public tender procedure for the contract "Medical examination services to Hidroelectrica employees" - Contract no. 145/14.12.2012 SC concluded with ROMAR MEDICAL CENTER SRL (estimated value: 1,300,000 Ron, negotiated contract: 451,890 Ron -65%);
- Open tender procedure for awarding contract for "Paper Printers, Photocopiers and Plotters" - Contract being signed by Hidroelectrica management; winning bidder was SC Top Office Ltd (estimated value: 283,508 Ron, contract value: 264.037 Ron - 7%);
- Open tender procedure for awarding contract for "Revaluation of tangible assets of Hidroelectrica private property" - Contract being signed by Hidroelectrica management with winning bidder SC ROMCONTROL SA (estimated value: 1,000,000 Ron, Contract value: 750,000 Ron -25 %);
- Direct purchase through electronic catalog ESPP "Audit for Hidroelectrica's IT system for executive and subsidiaries" - Contract no. 133/19.11.2012 signed with SC SYSDOM PROIECTE SRL and sent to the beneficiary;
- Open tender procedure for awarding contract "Check-use for investigation / examination of technical facilities operating in regulated ISCIR areas under Hidroelectrica management for period 2013-2014" - Tender documentation is being developed and approved by Hidroelectrica management;
- Negotiate subsequent contract for 2013 with the National Agency for Meteorology for the contract "forecasting services" - ongoing procedure;

- Negotiate subsequent contract for 2013 with the National Institute of Hydrology and Water Management for the contract "services hydrology and water management" - ongoing procedure;
- Direct Purchase "Car insurance for cars need to be renewed in 2012" - the procedure completed, insurance policies under signature;
- Open tender for the contract "Car insurance and CASCO insurance required to be renewed in 2013 for cars" - prepared tender documentation, pending approval by Hidroelectrica management

Documents are being centralized and prepared in order to achieve centralized procurement following:

- Cleaning Services
- Paintwork
- Lighting
- Vehicle Maintenance and Repair Services
- Stationary items
- Tires
- Personal protective equipment
- Fire Extinguishers
- Computer technology
- Medicines and medical supplies
- Water

It was also approved the delegation of competence for organizing and carrying out the procedures performed centrally to cover the needs of all branches to branches with the largest share of those acquisitions and the branches that have specially trained staff in order to draw up specifications. The evaluation committees and representatives of Hidroelectrica executive will be present.

- Acquisition of "Sanitary hygienic materials" delegate to be conducted by HPP Portile de Fier by decision 447/24.10.2012.

- Acquisition of Varnish and Paint will be delegated to HPP Curtea de Arges.

Centralized scheduling ordering supplies for executive-level contracts undertaken by subsidiaries in respect of:

- bulk diesel for heating and generating sets,
- fuel - vouchers,
- mineral oils
- meal tickets

For mineral oils was approved the prepayment of amounts ordered for November and December with payment and delivery in January 2013. We mention in this connection that requested were addressed to all the executive HE subsidiaries until the 15<sup>th</sup> of this month for next month the quantities needed of these products.

## **6. Operating activities**

**Hydrological characterization:**

Winter months have deficient hydraulicity (corresponding to a severe drought) in all sectors so as:→ Dâmbovița (67%), Râul Târgului (56%), Argeșul (55%), Oltul (54%), Bistrița (52%), Drăganul (50%), Bistra Mărului (49%), Lotrul (48%), Prutul (41%), Someșul (41%), Râul Mare (41%), Sebeșul (39%), Râul Alb (39%), Cerna -Valea lui Iovan (39%), Buzăul (37%), Jiul (28%).

In hydrological terms December 2012 continued to be a very weak period in the prior quarter.

Danube registered hydraulicity 87.9%, and can be characterized as virtually subnormal observing a slight decrease in the recorded average value (the previous month) of river hydrology (inflow recorded 4548 mc / s towards 5170 cm / s and normal monthly average value recorded in November of 4702 m / s).

Hydrological forecast prepared by INHGA early was fulfilled within 68% (Râul Mare – Gura Apelor section) and 146% (Arges – Vidraru section). For Danube, forecast on 31.11.2012 (4000 m / s predicted flow) was achieved at a rate of 114%. On 20.12.2012 INHGA updated forecast for the Danube River from the above value of 4000 m / s to the value of 4500 m / s, a value that would ultimately prove to be very close to the value recorded period (4548 m / s).

Hydrological conditions combined with employment hydro units in the Balancing Market, led to reduced volumes of stocks in cascade arrangements (stocked total volume for December of about 63 million cubic meters). Compared to ANAR established target volumes, at large facilities under Hidroelectrica administration were occurred accumulation (except Fantanele accumulation, where there was an excess of 0.9 million cubic meters). The degree of filling of large volume accommodation reached a value of 58.35% on 31.12.2012, with only 1% above the average at the end of December of last 16 years (57.4%) and by 5.2% over the estimate of GD 941/2012 (smoothly shift to winter period program - 53.2% on 31.12.2012). Energy production from own plants in November was of 855 GWh, about 424 GWh below average production in December of last 16 years (1279 GWh).

Situation of head cascade arrangements:

Date	Degree of filling the Useful volume (%)	Useful Total Volume ( mn cm)	Energetic reserve ( GWh)
2011-31 Dec	38.39	950.31	1116.94
31 Jan	34.08	831.13	1010.76
29 Feb	23.92	583.23	698.58
31 Mar	28.32	690.70	801.21
30 Apr	52.84	1288.54	1519.70
31 May	71.09	1752.78	2144.58
30 Jun	77.07	1900.31	2325.22
31 Jul	67.29	1659.11	2000.17
31 Aug	64.64	1593.88	1910.64



<b>30 Sept</b>	<b>63.14</b>	<b>1556.91</b>	<b>1878.95</b>
<b>31 Oct</b>	<b>61.40</b>	<b>1514.00</b>	<b>1837.70</b>
<b>30 Nov</b>	<b>60.89</b>	<b>1501.44</b>	<b>1829.94</b>
<b>31 Dec</b>	<b>58.32</b>	<b>1437.93</b>	<b>1766.90</b>

### How to cover contractual obligations:

Month	Contractual obligations							Total offered	Purchase		Total Supplied from own production
	Export	Eligible Contract	Contract Electrica	Contract bilateral	Cons	Sell NDM	Total obligations contract		NDM	Contract bilateral	
Jan	32177	382345	175586	10709	6851	0	611686	611695	0	0	735981
Feb	12734	388553	169049	822	6502	0	580408	580577	0	0	851578
Mar	48362	584678	307513	1325	10741	0	959057	959062	0	0	966134
Apr	65638	746133	450397	1241	14978	33729	1337371	1337362	0	0	1339236
May	62924	838241	560520	43538	18783	117581	1677095	1677098	0	0	1663426
Jun	70053	800464	469512	84699	17023	90870	1554451	1519930	545	67493	1530182
Jul	66162	478961	413108	77230	12591	6060	1063759	1124180	16811	222255	1176236
Aug	31	332784	265667	66997	7603	656	680188	678823	1370	0	719362
Sept	0	286793	246924	36484	6488	0	579274	579291	0	0	572781
Oct	0	311744	287114	15442	6998	0	624814	624800	0	0	645159
Nov	0	363474	363523	19196	8951	39113	799217	799215	0	0	815670
Dec	0	344698	395023	27337	9270	47736	828402	827642	765	0	854810
<b>TOTAL</b>	<b>358081</b>	<b>5858868</b>	<b>4103936</b>	<b>385020</b>	<b>126779</b>	<b>335745</b>	<b>11295722</b>	<b>11319675</b>	<b>19491</b>	<b>289748</b>	<b>11870555</b>

**Total annual energy delivered, 11,871 GWh, representing the lowest of the last 17 years.**

Ancillary services were realized 100%. (130,260 hMW contracted amount of secondary control, 406968 hMW regulated amount of tertiary control reserve, 1330 MVarh corresponding amount in secondary voltage control).

Month	Purchase average price on NSM ( RON/MWh)	Sell average price on NDM ( RON/MWh)
Jan	Not purchased	Not sold
Feb	Not purchased	Not sold
Mar	Not purchased	Not sold



Apr	Not purchased	126,23
May	Not purchased	157,35
Jun	47,47	173,98
Jul	81,92	312,65
Aug	92,94	348,28
Sept	Not purchased	Not sold
Oct	Not purchased	Not sold
Nov	Not purchased	258,61
* Dec	19,70	238,31

**\*Starting 01.12.2012, following to favorable prognosis regarding Danube hydrology and resizing contracts, Hidroelectrica managed to get out of the state of force.**

### **Structure of electricity production:**

Arrangement	Dispatchable units			Non-Dispatchable units		
	MWh	MW	%	MWh	MW	%
<u>Dunărea Arrangement</u>	561 569,00	754,80	66,42			
Arrangements with accumulations	184 543,64	248,04	21,83	5 763,21	7,75	62,14
Facilities along the water	99 423,00	133,63	11,76	3 511,13	4,72	37,86

Total - **Dec** **854 809,98** **1 148,94**

Total **Year** (Cumulative to date) **11 870 674,68** **1351,40**

### **Specific consumption for production and transformation:**

Month	C <sub>pr</sub> (MWh)	C <sub>pr</sub> (%)
Jan	6851	0.92
Feb	6502	0.76
Mar	10741	1.10
Apr	14978	1.11
May	18783	1.12
Jun	17023	1.10
Jul	12591	1.06
Aug	7603	1.05
Sept	6488	1.12
Oct	6998	1.07
Nov	8951	1.09
<b>Dec</b>	<b>9270</b>	<b>1.07</b>

In December was registered own consumption for the production of 9270 GWh.



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

Month	Installed power	Permanent discounts	Provided power	Degree of fulfillment $P_d / 4500 \times 100$ (%)
Jan	6239.95	268.96	5261.95	132.67
Feb	6239.25	268.96	5402.40	132.68
Mar	6239.95	268.96	5402.40	132.68
Apr	6239.95	265.71	5390.60	132.76
May	6267.05	284.59	5314.03	132.94
Jun	6267.05	272.87	5469.62	133.20
Jul	6267.05	297.71	5295.83	133.05
Aug	6267.05	297.71	5295.83	133.05
Sept	6271.45	279.01	5187.05	133.16
Oct	6271.45	274.77	4983.85	133.26
Nov	6271.45	274.77	5039.57	133.26
Dec	6271.45	276.38	4987.07	133.22

**Situation of discharges** ( For reporting month PO –HE-DE-07)

**Discharged energy** (MWh)

Cause → Month ↓	Servitude, utilities	Flow over the installed	Permanent discounts	Repair maintenan ce	Draining other causes	Total
Jan	15824	0	0	3390	3	19218
Feb	13873	94	0	1500	128	15596
Mar	14149	0	0	4127	12	18287
Apr	15207	8993	3877	37129	80	65286
May	14895	40256	704	49088	4380	109323
Jun	9169	31488	474	61693	1121	103945
Jul	16460	343	48	15626	175	32652
Aug	18025	63	0	11507	171	29766
Sept	20763	31	0	7156	9	27959
Oct	19903	15	0	7280	29	27227
Nov	17374	34	0	9048	41	26497
Dec	11028	0	0	7453	6	18487
<b>Total la zi</b>	<b>186670</b>	<b>81317</b>	<b>5103</b>	<b>214997</b>	<b>6155</b>	<b>494243</b>

**Obs. (\*)**The data are estimates after daily records of application "energy management" values with a high degree of accuracy will be available until 10 January when is scheduled reporting deadline procedure for December.

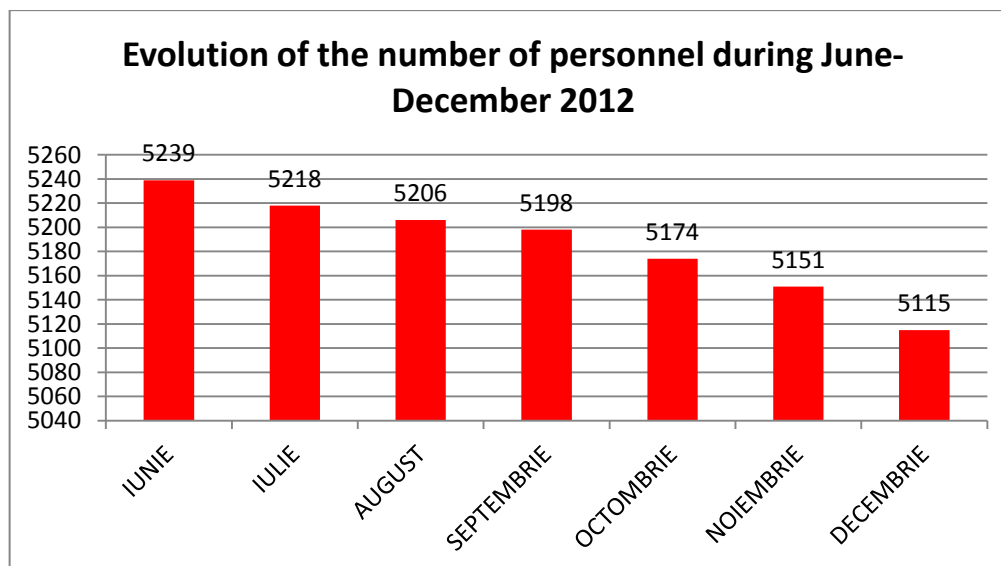
For the month of **January 2013** estimate energy production achieved in their own facilities, prepared based on the latest forecasts inflow of sections arranged degree of filling of the situation and proposed arrangements made by NAER water flow is about 1000 GWh.



## 7. Company personnel and organizational restructuring

On 31.12.2012 was recorded a total of 5115 employees from 5151 employees which were registered on 30.11.2012.

Throughout the period from June to December we had observed a downward trend in the number of Hidroelectrica employees:



Downward trend of staff on branches is presented below:

NR.CRT	SUCURSALA	NR PERS. EXISTENT 21.06.2012	NR PERS. EXISTENT 31.07.2012	NR PERS. EXISTENT 31.08.2012	NR PERS. EXISTENT 30.09.2012	NR PERS. EXISTENT 31.10.2012	NR PERS. EXISTENT 30.11.2012	NR PERS. EXISTENT 31.12.2012
1	BISTRITA	595	593	593	590	590	586	583
2	BUZAU	344	344	344	343	338	338	338
3	CARANSEBES	195	196	196	196	195	193	192
4	CLUJ	317	314	311	310	309	308	298
5	CURTEA DE ARGES	666	663	661	660	661	659	657
6	HATEG	357	354	354	352	353	350	347
7	ORADEA	290	289	288	288	287	287	286
8	PORTI DE FIER	487	485	484	485	477	474	474
9	RM VALCEA	552	554	553	552	551	548	547
10	SEBES	241	240	240	241	240	240	238
11	SIBIU	316	314	314	313	312	309	307
12	SLATINA	328	328	326	325	324	324	324
13	TG JIU	285	285	285	285	284	284	279
14	EXECUTIV	260	259	257	258	253	251	245
	<b>TOTAL</b>	<b>5233</b>	<b>5218</b>	<b>5206</b>	<b>5198</b>	<b>5174</b>	<b>5151</b>	<b>5115</b>

The main causes of decline are of natural reasons (old age pensioners, early retirement or partial anticipated retirement, demise).

During the month of December 2012 were recorded 2 inputs 2 employed in HS Bistrita that have resumed activity after the end of parental leave and a total of 38 employees have left the organization. The situation on subsidiaries:



No	SUBSIDIARY	NO OF EXISTING PERSONNEL 21.06.2012	NO OF EXISTING PERSONNEL 30.11.2012	NO OF EXISTING PERSONNEL 31.12.2012	Outputs in December 2012	Inputs in December 2012
1	BISTRITA	595	586	583	4	2
2	BUZAU	344	338	338	1	0
3	CARANSEBES	195	193	192	2	0
4	CLUJ	317	308	298	10	0
5	CURTEA DE ARGES	666	659	657	2	0
6	HATEG	357	350	347	3	0
7	ORADEA	290	287	286	1	0
8	PORTILE DE FIER	487	474	474	0	0
9	RM. VALCEA	552	548	547	0	0
10	SEBES	241	240	238	4	0
11	SIBIU	316	309	307	2	0
12	SLATINA	328	324	324	0	0
13	TG. JIU	285	284	279	6	0
14	EXECUTIV	260	251	245	3	0
	<b>TOTAL</b>	<b>5233, (5239 / 3 positions with 2 employees)</b>	<b>5151</b>	<b>5115</b>	<b>38</b>	<b>2</b>

The following table highlights reasons for leaving the organization, structured on cases. Most departures are due to pensioners (24 cases).

No.	Reasons to leave the organization in December 2012	No of salaries that left
1	Age limit retirement	10
2	Early retirement	3
3	Partial early retirement	11
4	Mutual termination of labor agreement	3
5	Demise	1
6	Disciplinary termination of labor agreement	1
7	Parental leave	4
8	Expiry of determined period	3
9	Termination of labor agreement due to definitive Court	1



	<b>Decision</b>	
<b>10</b>	<b>Resignation</b>	<b>1</b>
	<b>TOTAL</b>	<b>38</b>

December 2012 has a rich agenda in relation administration - unions during the unfolding of several negotiating sessions' clauses regarding Collective Labor Agreement, finalized with addendum no. 17 to the Collective Labor Agreement.

In December, the following activities were performed:

- **Mixed Commission Session Administration - Unions**

The Commission met at company's headquarters and was chaired by company's legal administrator

Were approved:

- Days off for winter holidays (December 24 and December 31);
- Protocol on Christmas additional pay granted to employees, the amount decreased by half as a result of company's difficult situation;
- Protocol on giving gifts to children of employees (150 lei / child)
- Have reviewed 31 requests for material aid for very expensive treatments for employees of the company, which has been approved according to the severity of the case, and due to other benefits previously granted, only a total of four material aid benefits for employees of branches.

During the meeting, some clauses of the Collective Labor Agreement were sent to Unions for analysis concerning facilities that could be reduced by negotiation.

Also at the meeting of the Joint Commission Directors-Union, according to the agenda, were presented Union general principles behind the development of new organizational structures and executive Hidroelectrica branches.

Based on design of company new organizational structure on processes, business methods which contribute to increasing the competitiveness of the organization.

General principles:

- 1. Structuring processes on three levels: Level 0 processes, level 1 processes, level 2 processes.**

**Level 0 processes** contain:

- **core business** (activity of producing electricity and ancillary services, business for sale, purchase and supply of electricity);



- **management processes** (Strategy and Corporate Development, Integrated Management System, Internal Managerial Control, Security, Legal, PR and relationship with shareholders, PMO)
- **support processes** (Finance, IT & Telecommunications, Human Resources, Procurement and Logistics, Utilities Management).

Level 1 process is a breakdown processes horizontal level 0;

Level 2 processes is a detail level 1 vertical processes by defining operational procedures.

**All level processes 0, 1 and 2 compose Hidroelectrica process map.**

2. **Standardization of activities;**
3. **Centralization of activities (Human Resources, Economics, IT and Telecommunications, Procurement and Logistics, Utilities Management)**
4. **Providing services and support processes for subsidiaries and management will have to serve both headquarters and Hidroelectrica branches, but will allow affiliates to provide services also for Hidroserv.**

Along map processes, for organizational structures of branches were taken into account two criteria:

- Territorial dispersion, ie the number of counties in which branches operates (number between 2 and 6 counties)
- Size of the branch, depending on the number of employees (large branches with a total of 490 or more employees, branch employees average a total of between 300 and 490, small branches, with a total under 300 employees).
- Exclusive plants become productive units, dismantling the functional departments within them;
- As a result of contracting health services to the whole society were reduced costs with nurses and doctors offices.
- Some activities were merged (quality management and environmental protection, emergency activity, classified information, the ISCIIR inspectors).

Regarding standardization of operating personnel to ensure safe operation of hydropower plants, Hidrosind administrative has analyzed normative operating staff, commission works resulting from standardization. The document was developed with support from the company's specialists and executive branches and will be approved during the month of January 2013.

It was also introduced a new organizational entity at headquarters, named department, headed by a department manager.

Normative organizational entities establishing new organizational structure and executive branches is presented, in summary, the following table:



ENTITY NAME ORGANIZATION / WHERE CONSISTS	NO OF POSTS FOR SETTLEMENT
DIRECTORATE/ EXECUTIVE	MINIMUM 12
DEPARTMENT/ EXECUTIVE	MINIMUM 9
OFFICE/ EXECUTIVE & SUBSIDIARY	MINIMUM 5
OFFICE/ EXECUTIVE & SUBSIDIARY DEPARTMENT/ EXECUTIVE & SUBSIDIARY	MINIMUM 4 MINIMUM 3

- **Meeting with Unions at company's headquarter**

Between 11 - 20 December negotiations were held with union representatives to discuss legal administrator's initiative and agree to changes in applicable collective labor agreement during company's insolvency.

The meetings began with an analysis of the company's situation submitted by the Legal Administrator and Report on labor costs in the first 10 months. They also discussed situation of Hidroserv subsidiaries. Discussions were held on the proposed new organizational structure. Organizational structures were also conveyed to branch managers for review and comments.

Were negotiated and approved the following changes of the Collective Labor Contract:

1. **Reduce holiday bonus by 50%** compared to the existing rate until 31.12.2012;
2. **Reduction of 50% of the maximum level of compensation for management;**
3. **Reducing delegation allowance to 70 Ron / delegation day;** accommodation will settle only documents and only to 3 stars hotel units.  
It will also reimburse travel expenses for professional competition (Trofeul energicianului), except for cultural activities and sports.
4. Hidroelectrica **will no longer contribute to the employee's voluntary pension fund with 400 Euro / fiscal year;**
5. If **partial early retirement** the bonus provided in CLC (calculated using the formula **x 2 x no of months early monthly pension reduction amount**);



6. **Reduce the amount of bonuses for Christmas, Easter, Energetician Day to 50% of the class 17 of the scale pay;**

7. If non-resident staff: no longer reimburses counter value for 7.5 liters of fuel per 100 kilometers, equivalent double subscription **will be granted on public transport** on the distance between place of residence and work, no **longer reimburses the cost of two trips** per month round trip home. Derogations from these provisions shall be approved by General Manager, at HS proposal.

8. No longer offer tickets for vacation;

9. Training will be held only with internal staff according to internal procedure without being contracted outside services.

They will no longer organize union training courses.

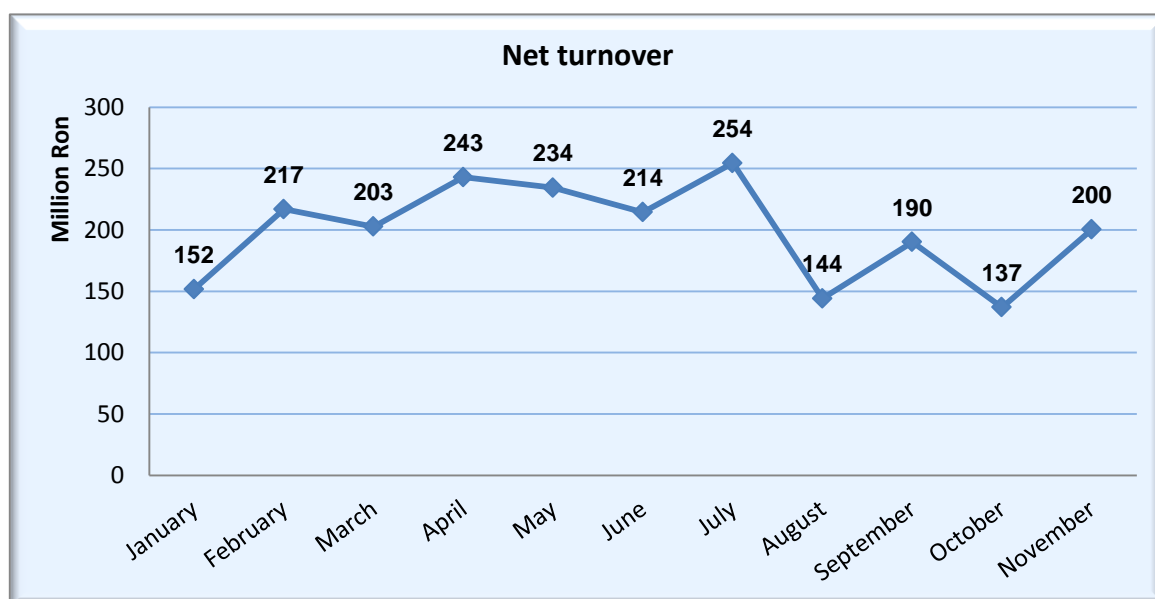
10. **Reducing the number of meal tickets**, equal to half the number of working days in the month;

11. **Introducing** a unique function in classification function and crafts namely **department manager**.

Above mentioned changes were included in Addendum No. 17 in Hidroelectrica CLC being filed and recorded at Bucharest Labor Inspectorate no. 18 / 12.21.2012 and shall take effect starting 01.01.2013.

#### 8. *Specific activities of economic and financial nature.*

Net turnover achieved in November 2012 worth 200 million and the aggregate value on 11.30.2012 was RON 2.19 billion (approx. EUR 481 million). Monthly evolution of turnover in 2012 is as follows:



Net turnover on 30.11.2012 showed a reduction of approx. 21% compared to the same period in 2011, primarily due to decreased drought that has diminished substantially income from the sale of production.

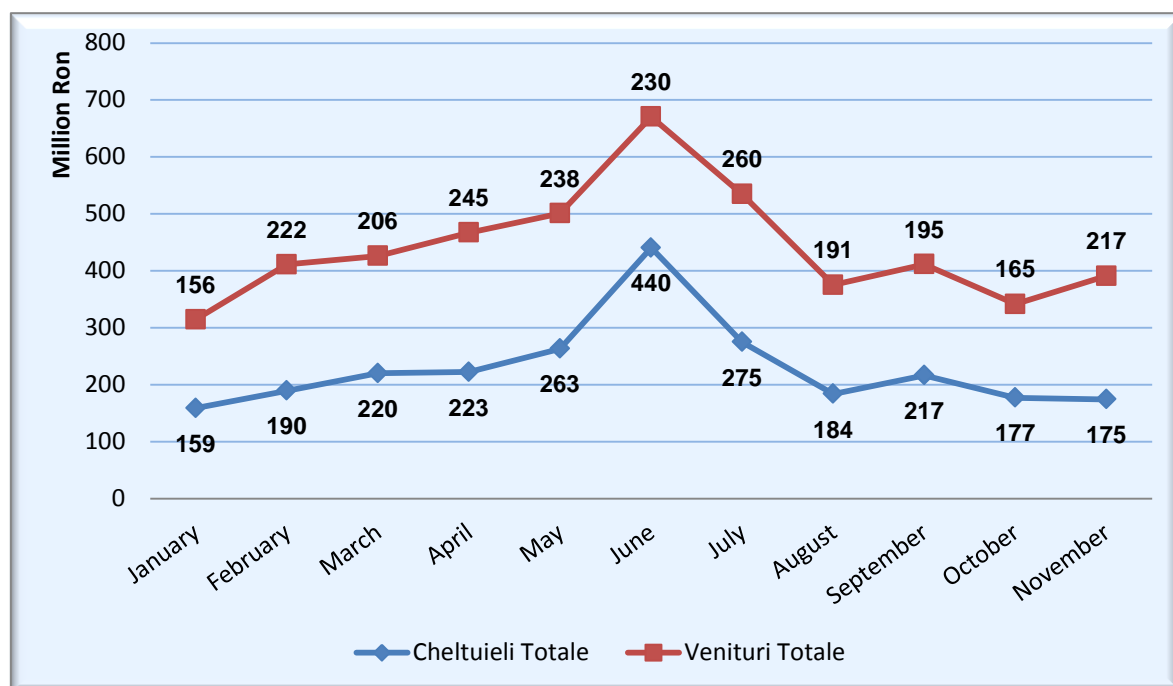


Operating income realized until 30.11.2012 amounted to 2.2 billion Ron in the following structure:

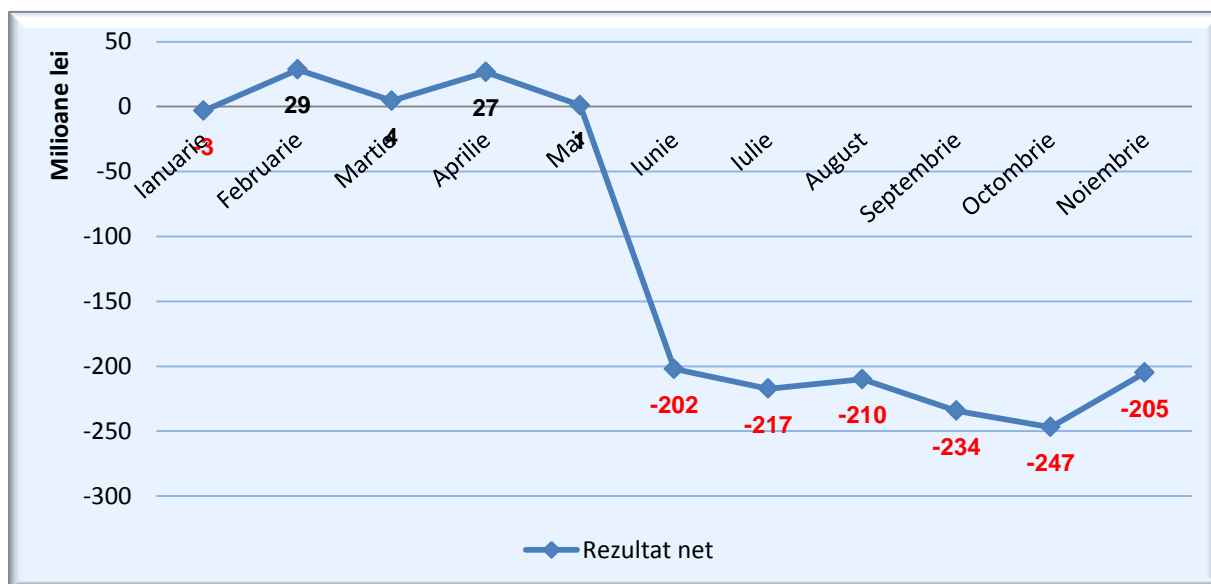
Indicators	Per unit	Realized
1. Total supplied energy (A+B+C) out of which :	MWh	11.830.685
	Mn. Ron	1.752
A. Energy supplied on Regulated Market, out of which:	MWh	3.709.053
	Mn. lei	265
Supply to captive consumers and distribution operators (Electrica)	MWh	3.709.053
	Mn. Ron	265
B. Energy supplied on Competition Market, out of which:	MWh	6.502.433
	Mn. Ron	994
Eligible and Certified suppliers	MWh	6.145.522
	Mn. Ron	935
Export	MWh	356,911
	Mn. Ron	59
C. Energy supplied on other markets, out of which:	MWh	1,619,200
	Mn. Ron	492
Other producers	MWh	0
	Mn. Ron	0
Next Day Market	MWh	288,009
	Mn. Ron	51
Centralized Market Bilateral Agreements	MWh	62,612
	Mn. Ron	16
Transelectrica (Balanced Market)	MWh	1,184,246
	Mn. Ron	390
PRE Members	MWh	68,425
	Mn. Ron	28
Direct consumers	MWh	15,908
	Mn. Ron	7
2. Ancillary services, transportation, managing market, of which:	Mn. Ron	371
Supplied to Transelectrica SA (secondary control frequency / power reserve power, reactive power and voltage control assurance)	Mn. Ron	285
Ancillary services, transport and market management competitive market	Mn. Ron	55
Transport energy reissued. Sold on the Regulated market	Mn. Ron	30
3. Green certificates	Mn. Ron	45
4. Emission reduction units	Mn. Ron	13
5. Industrial water services	Mn. Ron	1
6. Other services	Mn. Ron	8
7. Other incomes from operation	Mn. Ron	14
<b>TOTAL REVENUES FROM OPERATION (1+2+3+4+5+6+7)</b>	<b>Mn. Ron</b>	<b>2,203</b>



Total revenues until 30.11.2012 amounted to 2.3 billion Ron (approx. EUR 510 million) and total expenditure was 2.5 billion Ron (approx. EUR 554 million), monthly progress being presented in the chart below.



The evolution of net result for the period January-November 2012 is presented in the chart below.



The result for the first half of 2012, as it was originally presented by the company, was revised so that from a loss of 45.9 million it was originally presented as a result of corrections to a loss of 202 million Ron shown in the balance corrected and quarterly reports filed by the company on 02.10.2012. The increase comes from loss initially submitted:

- Surplus of expenditure amounting to 156,354,795 Ron, consists of:



- 47.052.356 Ron - penalties related to 2012, penalties allowed the preliminary table of claims that were not registered in company accounts.
- 63.004.857 Ron – Provisions for amounts due as penalties, amounts that have not been admitted to the preliminary table drawn up by the legal administrator but claims arising from failure to pay within the time set by commercial contracts signed and appreciated that there is a risk that these amounts to be admitted following complaints of Table preliminary settlement claims.
- 25.819.486 Ron – adjustments for doubtful debts in respect of the possibility of recovery, some of them even operating limitation.
- 30.299.290 Ron – additional depreciation resulting from correct application of the system of depreciation of fixed assets provided by applicable accounting regulations (OMFP 3055/2009);
- 2.512.823 Ron – exchange differences arising from the revaluation of receivables denominated in a currency other than the currency;
- 325 Ron – bank fees;
- (12.334.342) – reduction of income tax expense due to the effect of additional account records of expenses and income accounts;

- Surplus incomes of 151,919 Ron representing income from investment subsidies resulting from the recalculation of depreciation.

Thus, according to initial trial balance prepared by Hidroelectrica on 30.06.2012 the income statement highlighted a loss for the first 6 months of 2012 amounting to 45,936,793 Ron and with the corrections made, as shown above, the company presents the balance corrected:

- **Recoverable loss for the financial year 2011 amounting 129,418,167 Ron**
- **A loss in the first six months of 2012 amounting 202,139,669 Ron.**

Please note that the loss recoverable submitted in quarterly reports filed by the company is in value of 124,621,786 Ron, the difference between the remaining net profit to the company worth 4,796,381 Ron on 31.12.2011 and loss of 129,418,167 Ron above mentioned.

According to trial balance prepared on 30.11.2012, revenues recorded in November 2012 are worth 217 million Ron and total expenses are worth 175 million Ron, resulting in the gross profit rate of 42 million Ron, so that the loss registered on 31.10.2012, worth 247 million Ron, reduce on 30.11.2012 at an amount of 205 million Ron, is estimated that the loss for the financial year 2012 will be reduced to a value approx. 170 million Ron.

On 30.11.2012, the main positions that define Hidroelectrica financial state are as follows:





Million Ron			Million Ron		
ASSETS	30.11.2012	%	LIABILITY	30.11.2012	%
Intangible assets	5	0.02%	Share capital	4,476	21.83%
Tangible assets	20,001	97.54%	Revaluation reserve	10,935	53.32%
Financial assets	60	0.29%	Reserves	1,081	5.27%
<b>FIXED ASSETS</b>	<b>20,066</b>	<b>97.85%</b>	Reported result	(130)	-0.63%
Stocks	107	0.52%	Current result	(205)	-1.00%
Receivables	241	1.18%	Distribution of profit	0	
Short term investment	0	0.00%	<b>EQUITY</b>	<b>16,157</b>	<b>78.79%</b>
Cash	82	0.40%	Patrimony	39	0.19%
<b>CURRENT ASSETS</b>	<b>431</b>	<b>2.10%</b>	Short term debts	2,203	10.74%
Expenses recorded in advance	10	0.05%	Long term debts	1,767	8.61%
<b>ASSETS TOTAL</b>	<b>20,507</b>	<b>100.00%</b>	<b>TOTAL DEBTS</b>	<b>3,970</b>	<b>19.36%</b>
			Other liabilities	341	1.66%
			<b>LIABILITY TOTAL</b>	<b>20,507</b>	<b>100.00%</b>

On 30.11.2012, Hidroelectrica had cash on hand and in bank accounts, totaling 64.3 million Ron and also use the amounts of the credit lines worth 666.5 million Ron, so net cash was negative, amounting to (602.2) million Ron.

In December 2012, the company received revenue from operating activities and financing activities in the amount of 243.3 million Ron, as follows:

Specification	Amount (Million Ron)
Electricity	229.5
Green Certificates	13.0
Interests and dividends	0.8
<b>Total</b>	<b>243.3</b>

Total payments in December 2012 are worth 283.6 million Ron, of which 112 million Ron represent capital repayments, interest payments and fees due under loans for investments and credit lines contracted with financing banks, structured as follows:

Specification	Amount (Million Ron)
Salaries and other right	20.8
Investment and production suppliers	105.5
Tax obligations to the state budget	45.3
Interest and fees on credit lines	3.8
Interest and fees for investment loans	14.4
Reimbursements under credit lines	11.1
Repayments of capital investment loans	82.7
<b>Total</b>	<b>283.6</b>



On 31.12.2012, Hidroelectrica had in accounts opened with banks own funds in the amount of 24.1 million Ron and amounts of credit lines used were in value of 668.4 million Ron, **resulting cash in a negative net worth (644.3) million Ron** .

## 9. *PR and mass media*

Communication with shareholders and the public, through the media, peaked in December 2012 as a result of a sequence of activities and events critical to the evolution of the company:

- getting out of a force majeure
- negotiations with unions to reduce the number of employees and personnel costs;
- participation with offers to sell electricity on the competitive market administered by OPCOM.

Thus:

1. Were disseminated to the media and published on the Hidroelectrica website 6 press releases issued by Hidroelectrica's legal administrator.

<http://www.hidroelectrica.ro/Details.aspx?page=227&article=238>

<http://www.hidroelectrica.ro/Details.aspx?page=229&article=240>

<http://www.hidroelectrica.ro/Details.aspx?page=230&article=241>

<http://www.hidroelectrica.ro/Details.aspx?page=231&article=242>

<http://www.hidroelectrica.ro/Details.aspx?page=232&article=243>

<http://www.hidroelectrica.ro/Details.aspx?page=31>

2. Between 1 to 31 December 2012 the views expressed and statements of Hidroelectrica legal administrator, Mr. Remus BORZA were mentioned in 138 articles in print media and on-line.
3. EURO INSOL representative, Hidroelectrica legal administrator, Attn at law. Dr. Remus Borza, was a constant presence in the media statements, with interviews and remarks on:

- Measures taken to improve key financial indicators of Hidroelectrica;
- Exist the force majeure;
- Evolution of negotiations with unions of Hidroelectrica employees;
- Stage of main Hidroelectrica investment projects;
- The stage of solving complaints filed in preliminary table of receivables.

4. Hidroelectrica Press Office responded to the requests for information sent by Ziarul Financiar and Hotnews.

The most influential and relevant media organizations that included information from this news feeds events, print and online editions, programs, newsletters and their programs include:

**Press agencies:** Agerpres, Mediafax, Hotnews, Newsin, Associated press, Reuters, Amos news, Bloomberg,



**Printed and on-line:** Ziarul Financiar, Capital, Romania Libera, Evenimentul Zilei, Bursa, Adevarul, Jurnalul National, Business Magazin, Focus Energetic, Puterea, Libertatea, Trimpublishations, The Diplomat Bucharest

**Radio and TV:** Pro TV, The Money Channel, TVR 1, Prima TV, Realitatea TV, Romania TV, Antena 3, B1 TV, Digi 24, Radio Romania, National TV, Prima TV.

Legal administrator, special manager and the CEO of Hidroelectrica were constantly present in media through statements, interviews, participation in radio and TV programs and conferences on energy, having as main topics:

- Description and reasoning of decisions taken in the process of insolvency administration;
- Explanation of Hidroelectrica specific cases, due to lower production of electricity from severe drought occurring both on the Danube and the main hydropower units on interior rivers;
- Fighting pessimistic / critical scenarios presented in the media, represented by the highly special insolvency procedure of Hidroelectrica, largest Romanian energy producer;
- Strengthening Hidroelectrica image as the largest energy producer in Romania and the main service provider for safe operation of the National Energy System.

#### **10. *Relation with financing banks***

During regular meetings with financing bank were presented:

- Measures taken by the legal administrator on further reducing operating costs;
- Analyzes of the in progress investment portfolio and the intention to further promote financing priority investments to those securities which are particularly important for Hidroelectrica, within the financial resources that the firm may dismiss in subsequent periods;
- Positive changes in the financial results of the 2013, as a result of NAER decision no. 3312/19.12.2012 that established amount on Regulated market for the year 2013 to 3.9 TWh, 1.6 TWh less than in 2012, and average delivery price increased to 125 Ron / MWh to 71 Ron / MWh average price of 2012.

Thus, the availability of a quantity of 1.6 TWh on the Regulated market should be valued at a OPCOM price estimated average of 227 Ron / MWh and regulated price increases by 54 Ron / MWh in 2013, leading to some additional revenues amounting 460.2 million Ron, which creates the potential for Hidroelectrica financial recovery

- Principles underlying the budget construction for 2013, and the extension for the period 2014-2015, which is mainly based on a conservative estimate of income and sizing strict operational costs, Hidroelectrica target is to maximize



wealth in order to close insolvency proceedings and reintegration in the economic cycle with maximum efficiency.

### ***B. Procedural measures***

#### **Report regarding litigations in December 2012**

Legal administrator has represented SC HIDROELECTRICA SA in the following litigations:

##### **1. File no. 7917/2/2012- Bucharest Court of Appeal**

**PARTIES :** ALPIQ ROMINDUSTRIES- Appelant

ALPIQ ROMENERGIE- Appelant

SC HIDROELECTRICA SA- Defendant

**OBJECT:** Appeal against the decision of 09/05/2012 (straightening clerical error)

At the hearing dated 11.12.2012 applicants have lodged a defense and defendant have applied for the grounds of the appeal. The Court put into consideration the appellants to file extract from the Trade Register regarding legal representatives. The next hearings are on 22.01.2013.

##### **2. File no. 43280/3/2012- Bucharest Law Court**

**PARTIES :** BRANCH HIDROELECTRICA HIDROSIND - Plaintiff

UNION HIDROELECTRICA HIDROSIND - Plaintiff

SC HIDROELECTRICA SA - Defendant

**OBJECT: Injunctive**

At the hearing dated 07.12.2012 the Court took note of the request for waiver of judgment filed by the plaintiff.

##### **3. File no. 8271/2/2012- Bucharest Court of Appeal**

**PARTIES :** SC HIDROCONSTRUCȚIA SA - Plaintiff

MUNTEAN VASILE - Defendant

SC HIDROELECTRICA SA - Defendant

**OBJECT:** temporary suspension of execution



At the hearing dated 05.12.2012 the Court put the applicant to submit the certificate to reveal term graft granted as request for execution filed, and at the hearing on 12.12.2012 the Court accepted the application.

**4. File no. 33620/3/2012- Bucharest Law Court**

**PARTIES :** JIAN AUGUSTIN, JIAN VOICHITA ....., and others.) - Objector

SC HIDROELECTRICA SA - Respondent

**OBJECT:** appeal against the preliminary table

At the hearing dated 12.12.2012 the court dismissed the action as superfluous.

**5. File no. 36777/3/2012- Bucharest Law Court**

**PARTIES :** SC SIND TOUR OPERATOR SRL - Objector

SC HIDROELECTRICA SA - Respondent

**OBJECT:** appeal against the preliminary table

At the hearing dated 12.12.2012 the court dismissed the action as unpaid.

**6. File no. 36780/3/2012 - Bucharest Law Court**

**PARTIES :** SC ELECTROMONTAJ SA - Objector

SC HIDROELECTRICA SA - Respondent

**OBJECT:** appeal against the preliminary table

At the hearing dated 12.12.2012 the Court granted time to take notice of the defense statement content. Next hearing will be on 20.02.2013.

**7. File no. 36857/3/2012- Bucharest Law Court**

**PARTIES :** SC ELECTROCARBON SA - Objector

HIDROELECTRICA SA - Respondent

**OBJECT:** appeal against the preliminary table

**OBJECT:** appeal against the preliminary table

At the hearing dated 12.12.2012 the Court granted time to take notice of the defense statement content. Next hearing will be on 09.01.2013.



**8. File no. 36861/3/2012- Bucharest Law Court**

**PARTIES :** SC ELSID SA TITU - Objector

HIDROELECTRICA SA - Respondent

**OBJECT:** appeal against the preliminary table

At the hearing dated 12.12.2012 the Court granted time to take notice of the defense statement content. Next hearing on 09.01.2013

**9. File no. 36896/3/2012 - Bucharest Law Court**

**PARTIES :** NICULA SANZIANA - Objector

HIDROELECTRICA SA - Respondent

**OBJECT:** appeal against the preliminary table

At the hearing dated 12.12.2012 the Court granted time to take notice of the defense statement content. Next hearing on 09.01.2013

**10. File no. 36989/3/2012 - Bucharest Law Court**

**PARTIES :** INSPECTORATUL DE STAT IN CONSTRUCTII - ISC - Objector

HIDROELECTRICA SA - Respondent

**OBJECT:** appeal against the preliminary table

**OBJECT:** appeal against the preliminary table

At the hearing dated 12.12.2012 the Court granted time to take notice of the defense statement content. Next hearing on 06.02.2013.

**11. File no. 37059/3/2012- Bucharest Law Court**

**PARTIES :** SOCIETATEA NAȚIONALĂ NUCLEARELECTRICA SA (SNN) - Objector

HIDROELECTRICA SA - Respondent

**OBJECT:** appeal against the preliminary table

At the hearing dated 12.12.2012 the court dismissed the action as superfluous.





**12. File no. 37615/3/2012- Bucharest Law Court**

**PARTIES :** SC MAGMA COM SRL - Objector

HIDROELECTRICA SA - Respondent

**OBJECT:** appeal against the preliminary table

At the hearing dated 12.12.2012 the court dismissed the action as superfluous.

**Legal administrator**

**EURO INSOL SPRL**

By coordinating practitioner

Attorney at law. Dr. Remus Adrian Borza