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Stamp with text:
„EURO Insol - Reorganisation and Winding-Up Company
Ref. No. 3270 of 09/07/2012”

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Stamp with text: Bucharest Tribunal - 7th Civil Section - Registrar's Office
The case file No. [left blank] was placed on record this 10 July 2012.
Signature (illegible signature, affixed hereto)

Attn.: Bucharest Tribunal - 7th Civil Section
Ref.: Report on the proposal to continue the surveillance period in the general proceedings
Case file No. 22456/3/2012
The Debtor: Societatea Comerciala de Producere a Energiei Electrice in Hidrocentrale
HIDROELECTRICA SA (under insolvency)

Report

on the proposal to continue the surveillance period in the general proceedings

I. Preliminary considerations

Following the request submitted by the Debtor, "Hidroelectrica " SA, having its registered office in Bucharest, 2nd district, 3, Constantin Nacu str., Tax Identification Number 13267213, registered number J40/7426/2000, the Bucharest Tribunal, 7th Civil Section, as per judgment No. 7222 given on 20 June 2012 in case file 22456/3/2012, has ordered the opening of the insolvency proceedings under Law 85/2006, as amended and supplemented, and appointed Euro Insol SPRL as judicial administrator.

II. General information about the company

Hidroelectrica S.A. is a state-owned company, whose main scope of activity consists of the production of electricity and the supply thereof, according to licenses, according to the provisions of the laws in force, being organised as a joint-stock company.

Hidroelectrica was established under Government Decision No. 627/13/07/2000, following the reorganisation of the National Electricity Company and is registered under No. J40/7426/10 Oct. 2000 with the Trade Registry, registration certificate series A No. 733887, issued on 10/08/2000, with Tax ID 13267213.

The Romanian State, via the Ministry of Economy, Trade and Business Environment, holds an interest of 80,0561% in the stock capital of S.C. Hidroelectrica S.A., and the remaining 19,9439% is held by S.C. Fondul Proprietatea S.A. The company is managed by a Board of Directors which consists of 5 members, and the executive management of the company is ensured by a CEO.

Hidroelectrica S.A. has 13 branch offices with no legal personality and 8 subsidiaries with legal personality.

III. Measures taken by the judicial administrator

So far, the judicial administrator has taken the following measures, from the opening of the insolvency proceedings:

- On 22 June 2012, EURO INSOL SPRL, acting as judicial administrator, has notified the opening of the public opposability proceedings in the Insolvency Proceedings Bulletin, and the publication thereof occurred on 26 June 2012, in IPB No. 9157. The same notification was also published in the "Bursa" newspaper, in the 26 June 2012 edition.
- On 22 June 2012, EURO INSOL SPRL, acting as judicial administrator, notified the Romanian and foreign credit institutions where Hidroelectrica SA has opened accounts.
- On 25 June 2012, the notification regarding the opening of the proceedings was placed on record at the registered office of SC Hidroelectrica SA, as well as the request for the submission of the economic and financial documents stipulated in the law, for review purposes.
- The Extraordinary General Meeting of the Shareholders of Hidroelectrica SA was convened on 25 June 2012, in order to appoint the special administrator. The General Meeting of the Shareholders approved unanimously, on 26 June 2012, the appointment of Mr. Vulpescu Dumitru Remus as special administrator.
- The review of the following documents made available has begun on 22 June 2012:
 - The collective bargaining agreement;
 - The main electricity supply agreements; the bank loan agreements;
 - Other agreements: acquisition of new technologies, provision of services, sale and purchase, advertising, sponsorship, etc.
 - Creditor situation;
 - Current debt situation arising after the date of opening of the proceedings, to be paid at their maturity;
 - Certain relevant expenditure items, according to the balance sheets for the years 2009, 2010, 2011 and as of 31.05.2012.
 - The bank accounts were maintained and converted into insolvency accounts, and Euro Insol SPRL, acting as judicial administrator, filed a specimen signature.
 - On 26 June 2012, the agreement signed with EURO PEC SA, for the supply of electricity, was terminated, and the supply of electricity was interrupted on 27 June 2012, at 00:00 a.m.
 - On 02 July 2012, notifications were sent to nine companies which had entered into electricity supply agreements, by means of which the representatives thereof were invited for renegotiations, scheduled from the 5th to the 15th July 2012.
 - Until the date of issue of this report, 850 creditors have been identified in the accounts of the Debtor, and they have been duly notified.

IV. The judicial administrator's proposal

Since the debtor does not meet the criteria specified in Art. 1 paragraph 2 of Law 85/2006 on simplified proceedings, the judicial administrator has submitted a proposal to continue the surveillance period in the general proceedings.

The above proposal is also supported by the preliminary examination of the economic and financial standing of the Debtor, having regards to:

- turnover and future opportunities for the increase thereof in the near future;
- considerations based on the strategic position held by the debtor in the national energy sector;
- the debtor's potential to generate cash flows in the near future, which would ensure both the payment of outstanding debts arising after the date on which the proceedings were opened, and the accumulations required, which will be used in the reorganisation plan. We would like to specify that, by means of the application for the opening of the general insolvency proceedings, the debtor has indicated its intention to propose a reorganisation plan, and the judicial administrator has expressed its intention to assist the debtor in the development thereof, which will then be submitted to the creditors for approval;

On 31.05.2012, the date of the last completed trial balance prior to the opening of the proceedings, the main balance sheet items defining the debtor's financial standing debtor are as follows:

	- RON -			- RON -	
ASSETS	31/05/2012	%	LIABILITIES	31/05/2012	%
Intangible assets	5,069,224	0.02%	Share capital	4,475,627,400	21.48%
Tangible assets	20,256,159,704	97.24%	Revaluation reserves	10,973,291,012	52.68%
Financial assets	60,408,208	0.29%	Reserves	1,037,211,908	4.98%
NON-CURRENT ASSETS	20,321,637,136	97.55%	Results carried forward	4,796,381	0.02%
Inventory	109,526,442	0.53%	Current results	989,731	0.00%
Receivables	307,103,302	1.47%	EQUITY	16,491,916,432	79.17%
Short term financial investments	11,795,247	0.06%	Public property	39,208,376	0.19%
Cash accounts	70,869,163	0.34%	Short term debts	2,021,005,150	9.70%
CURRENT ASSETS	499,294,154	2.40%	Long term debts	1,996,706,520	9.58%
Accrued expenses	10,688,974	0.05%	TOTAL LIABILITIES	4,017,711,670	19.29%
TOTAL ASSETS	20,831,620,264	100.00%	Other liabilities	282,783,786	1.36%
			TOTAL LIABILITIES	20,831,620,264	100.00%

In what regards the assets and liabilities mentioned above, we would like to specify the following:

- the company's assets are not encumbered;
- the long term liabilities consist of loans used to finance investment projects, the financing banks have not ordered an acceleration of maturity, and there is no indication that this situation will change.

The net turnover recorded in the first five months of the current financial year amounted to RON 1,048,489,127, and the synthetic structure of income and expenditure shown in the profit and loss account is as follows:

- RON -	
INDICATORS	Values
Operating activity	
- income	1,053,533,713
- expenditure	930,878,064
- results (profit/loss)	122,655,649
Financial activity	
- income	11,960,406
- expenditure	124,156,547
- results (profit/loss)	(112,196,141)
Total income	1,065,494,119
Total expenditure	1,055,034,611
Gross results	10,459,508
Corporate tax	9,469,777
Net results	989,731

The preliminary analysis of the profit and loss for the current financial year shows that:

- the debtor has obtained, in the first five months of the current year, a gross profit amounting to RON 10,459,508, and a net profit amounting to RON 989,731;
- solutions for the optimisation of the tax burden can be identified, mainly related to the corporate tax, by reducing non-deductible expenditure or limited deductibility expenditure;
- the company's operating costs are high, but they can be restructured in the next period, the turnover can significantly increase by renegotiating the ongoing bilateral agreements.

Considering the above, we concluded that the debtor has a good chance of reorganisation if:

- the production costs and particularly the administrative costs are reduced in order to achieve the best possible financial results, under the given conditions, and to maximise the wealth of the company;
- the contracts which are manifestly detrimental to the debtor or for which there is no technical or economic justification are terminated, and the agreements necessary to maintain the current activity of the company are renegotiated.

Since 20 June 2012, the date on which the proceedings were opened, and until 05/07/2012, current debts amounting to RON 88,501,606 have been extinguished, of which the amount of RON 84,010,237 was paid to banks, representing outstanding interest and maturities, as follows:

Details regarding payments	Value (RON)	%
Remuneration for the time actually worked	3,756,100	4.2%
Leave of absence	256,691	0.3%
Bonuses payable under the collective bargaining agreement	128,480	0.1%
Payments outstanding for investment credit	80,546,999	91.0%
Interest on credit lines	3,463,238	3.9%
Other current payments	350,099	0.4%
Total	88,501,606	100%

V. Requests filed to the bankruptcy judge

For the reasons given above, we hereby request, under Art. 54 paragraph 1 and 2 of Law 85/2006, the approval of this report regarding the continuation of the surveillance period in the general proceedings

regarding the Debtor *Societatea Comercială de Producere a Energiei Electrice în Hidrocentrale "Hidroelectrica" S.A.*

COORDINATING INSOLVENCY PRACTITIONER,

Remus Borza, Attorney-at-Law

(illegible signature and stamp, affixed hereto)