



**S.C. Hidroelectrica S.A.**

J40/7426/2000

RO 13267213

Capital social: 4.475.643.070 lei

Certificat ISO 9001/14001/OHSAS 18001

SRAC Nr. 325/4; 95/3; 250/2 - 2012

## **Special administrator's report for the period July 15<sup>th</sup> 2012 – August 15<sup>th</sup>, 2012**

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## 1. COMPANY'S DATA

### Company

- Trading company for Power Generation within Hydropower Plants Hidroelectrica S.A. ("Hidroelectrica") was established on August, 20<sup>th</sup>, 2000, based on Governmental Decision 627/2000.
- Hidroelectrica is registered at the Registrar of Companies, Bucharest Court of Law, under the number J40/7426/2000, and the VAT No. RO 13267213.
- The main object of activity of Hidroelectrica is "power generation", CAEN code 3511, rev. 2.
- As of June, 20<sup>th</sup>, 2012, Hidroelectrica is undergoing a legal reorganization procedure, Euro Insol SPRL being appointed as judicial administrator of the company, according with the Civil Sentence 7222/20.06.2012, pronounced by the Bucharest Court of Law – Section VII Civil Division, file 22456/3/2012, with the tasks provided by article 20 of Law 85/2006, on the insolvency procedure.
- As per the decision of the Extraordinary General Shareholders' Meeting no. 24, dated June, 26<sup>th</sup>, 2012, Mr. Dumitru-Remus Vulpescu was appointed as special administrator of the company.

### Company's data (as of 30<sup>th</sup> of June 2012)

Share capital	4,475,643,070
Number of shares	447,564,307
Face Value /Share	10 lei

### Ownership structure<sup>1</sup> (as of June, 30<sup>th</sup>, 2012)

Shareholders	% of the paid share capital
Romanian State, through the Ministry of Economy, Commerce and Business Environment	80.0561%
Fondul Proprietatea S.A	19.9439%

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<sup>1</sup> Source: Hidroelectrica

## 2. OVERVIEW

Installed capacity	6,470MW (as of 30.06.2012)
Hydropower plants in operation	275 (as of 30.06.2012)
Energy produced:	2011: 14,710 GWh 2010: 19,852 GWh 2009: 15,516 GWh
Energy produced during an average hydrological year	17,539 GWh
Market share <sup>2</sup>	2011: 23.8 % 2010: 32.7 % 2009: 26.9 %

On June, 20<sup>th</sup>, 2012, through the Civil Sentence 7222/20.06.2012, issued by Bucharest Court of Law – Section VII Civil Division, file number 22456/3/2012, Hidroelectrica's request to start the insolvency proceedings was accepted, Euro Insol SPRL being appointed as judicial administrator of the company. The main duties of the judicial administrator are as below mentioned:

- a. Monitoring and supervising the activity of the debtor and elaboration of a detailed report on the causes and circumstances that led to insolvency, with reference to all persons who would be responsible for, and on the existence of the premises of their liability as well as on the real possibilities to reorganize the activity of the debtor or on the reasons which could impede such reorganization and submission of this report to the Court judge, within a specified period, which may not exceed 40 days from the appointment of the judicial administrator.
- b. Elaboration of the reorganization plan of the debtor;
- c. Supervising the management operations of the debtor's patrimony;
- d. Full management, or partial, of the debtor's activity;
- e. Initiating legal actions for cancelling the fraudulent contracts concluded by the debtor, to the detriment of the creditors' rights, as well as cancelling the assets transfer or the trade agreements or the placing of collaterals and guarantees concluded by the debtor, susceptible to prejudice the creditors' rights;
- f. Maintaining or denouncing various contracts concluded by the debtor;
- g. Verifying the claims and, when appropriate, issuing objections to these claims, as well as elaborating the creditor's claims table;

<sup>2</sup> Calculated per the total energy produced in Romania.



- h. Collect receivables;
- i. Notifying the Court judge on any issue which would require his involvement;
- j. Monthly submission of a report including the description on how the judicial administrator completed his duties, as well as a justification on any expenses incurred in managing the procedure or any such other expenses incurred from the funds existing in the debtor's property.

On June, 26<sup>th</sup>, 2012, by the Decision of General Extraordinary Shareholders' Meeting number 24/2012, Mr. Dumitru-Remus Vulpescu, **was appointed as special administrator of the company, with the following main duties:**

- a) Express the debtor's intention to propose a reorganization plan;
- b) Participate, as debtor's representative, in the legal proceedings referred to in article 79 and article 80;
- c) Make appeals within the procedure regulated by the present law;
- d) Propose a reorganization plan;
- e) Manage the activity of the debtor, under the supervision of the judicial administrator, after the reorganization plan is confirmed;
- f) Shall not propose the sale, transfer or use as guarantee of any of the company's assets without obtaining prior approval of the company's shareholders, if the asset value exceeds the value limit of 100,000 euro.
- g) Shall not propose the purchase of assets and/or shares of other company, on behalf and for the company, without obtaining the prior approval of the shareholders, if the assets' value exceeds 100,000 euro.
- h) Shall transmit to the shareholders and shall publish on the company's website, by the 15<sup>th</sup> of the following month, a report including the main measures adopted till the date of the report, their impact on the company's operations, including profit loss account, balance sheet and the cash flow statement;
- i) The special administrator shall present to the shareholders the draft plan for reorganization no later than August, 31<sup>st</sup>, 2012. Following the discussions with the shareholders, the final form of the reorganization plan will be approved by them, according with the provisions of the legislation in force. The reorganization plan, or a summary of it shall be made public on the company's website. The reorganization plan, elaborated by the special administrator, shall comply with the legal provisions and shall include at least the following measures:
  - i. General aspects: improvement of the company's cash flow, by a policy of increasing the operational income and reducing the expenses;

- ii. Specific aspects: establishing a set of strict rules for the Trading Department, with a view to making the department responsible for trades performed. Each operation must be treated separately, in terms of profitability, with a clear separation between the trading activity (buying and selling the energy in the market) and the actual activity of selling the energy produced by Hidroelectrica. The entire quantity of energy available to be sold will be sold through the OPCOM market, for periods of maximum 1 year, at the market prices afferent to the OPCOM market, with at least quarterly indexation of the prices of the OPCOM market.
- iii. Specific aspects: CAPEX (investment spending) should be limited to the minimum during the entire period of the insolvency procedure.

The table below summarizes the financial position of Hidroelectrica for the semester ended on June, 30<sup>th</sup> 2012 ("S1 2012"), for the semester ended on June, 30<sup>th</sup> 2011 ("S1 2011") and for the year ended on December, 31<sup>st</sup> 2011 ("Year 2011"):

	Note	S1 2012	S1 2011	Year 2011	Variation%	
					S1 2012 vs. S1 2011	S1 2012 vs. Year 2011
Total shareholders' equity	a	16,444,989,908	16,509,511,243	16,489,796,972	99.61%	99.73%
Total assets	a	20,708,678,114	20,277,184,103	20,962,323,111	102.13%	98.79%
Total liabilities	a	3,942,304,532	3,435,905,717	4,146,751,166	114.74%	95.07%
Net turnover	a	1,262,933,855	1,640,002,512	3,020,591,574	77.01%	41.81%
EBITDA	b	509,085,237	523,654,317	873,581,226	97.22%	58.28%
Net Profit	a	-45,936,793	23,389,860	6,444,266	-196.40%	-712.83%
Net cash flows	b	-762,060,605	-265,561,196	-659,279,642	286.96%	115.59%

Source: Hidroelectrica

**Note:**

- (a) Prepared on the basis of Romanian Accounting Regulations
- (b) Calculated by Hidroelectrica's representatives.



### 3. SIGNIFICANT EVENTS

#### 3.1. The selection of the future Board of Directors according with the provisions of Government Emergency Ordinance 109/2011, on corporate governance of the public enterprises.

The Special Administrator continued the efforts of the company to comply with the provisions of Government Emergency Ordinance 109/2011 on corporate governance of public enterprises as regards the selection of the future Board of Directors of the company.

During the first stage of the selection process, applications from Romania, as well as from abroad were received during 28.05.2012 – 28.06.2012, these applications being currently under evaluation by the company's representatives and the human resources recruitment company selected for this purpose, SC Adecco Romania SRL. During this stage of the selection process, 37 applications were registered, among which 11 were submitted by persons from abroad.

The interviews with the candidates for the position of non-executive member of S.C. Hidroelectrica S.A. are currently undergoing.

#### 3.2. Commercial relations

By the end of the 1<sup>st</sup> semester of the year 2012, Hidroelectrica S.A. had been undergoing 10 bilateral contracts. Following to the negotiations during the month of July 2012, out of the total of 10 bilateral contracts for sales and acquisitions of energy, a number of 6 such contracts, namely, the contracts concluded with S.C. EUROPEC S.R.L., S.C. Energy Holding S.R.L., S.C. ALPIQ RomIndustries S.R.L., S.C. ALPIQ RomEnergie S.R.L., S.C. EFT Romania S.R.L., and EFT AG, were denounced (**Annex 6**).

The re-negotiation process with the two final consumers S.C. ELSID TITU S.A. and S.C. Electrocarbon S.A. and with the supplier S.C. Electromagnetica S.A. came to an end, Hidroelectrica S.A. reaching at its proposed goals, namely at increasing the contract price – enforceable upon the three contracts starting from January 1<sup>st</sup> 2012, and at decreasing the contracted volume and the period of availability for the contract concluded with S.C. Electromagnetica S.A.

The delivery of an energy quantity of 3 TWh by the year 2018 has been re-negotiated with the company S.C. ALRO SLATINA S.A. The price will be calculated on an annual basis and according to a formula that will consider a series of factors, including the aluminum stock exchange list on the London Metals Stock Exchange as well as the OPCOM stock exchange lists.

Throughout the month of July 2012, Hidroelectrica S.A. had participated in the PCCB platform managed by OPCOM with some initial auction packages, following to which 8

contracts for sales and acquisitions of energy were concluded, summing up a volume of energy of 108 GWh at an average price of 259 lei/ MWh.

### Development of bilateral energy sale-purchase contracts

Crt. No.	Client	Contract No / Date of conclusion	Contracted quantity 2011 MWh	Contracted price 2011 (including Tg) lei/MWh	Contracted quantity 2012* MWh	Contracted price 2012 (including Tg)* lei/MWh	NOTES
1	SC ELSID SA	24CE/18.12.2002	250,000	112	250,000	189.00	The price of 189 lei/MWh shall be applied retroactively starting with 01.01.2012 and shall be in force by the date of 31.03.2013. <a href="#">Contract availability: 31.03.2013</a>
2	SC Electrocarbon SA	32CE/28.03.2003	200,000	112	200,000	189.00	The price of 189 lei/MWh shall be applied retroactively starting with 01.01.2012 and shall be in force by the date of 31.03.2013. <a href="#">Contract availability: 31.03.2013</a>
3	SC ALRO SA	47CE/08.09.2005	3,000,000	LME Formula	3,000,000	173 lei for the period of 01.07. - 31.07. 2012 183 lei for the period of 01.08. - 31.12.2012	Starting with the year 2013, the contractual price shall be set up according to a formula that will consider aluminum stock exchange list on the London Metals Stock Exchange, with FLOOR = 171.98 lei/MWh and CAP = 205 lei/MWh. <a href="#">Contract availability: 31.01.2018</a>
4	Electromagnetica	36CE/21.04.2004	1,000,000	149	800,000	183.6 lei for the period of 01.01. - 31.07.2012 198.60 lei for the period of 01.08. - 31.12.2012	Starting with the year 2013, the price adjustment formula based on the DAM average price on the last 12 calendar months and the PCCB weighted average price on the next 6 calendar months, shall be applied. Transactions were already concluded. <a href="#">Contract availability: 30.04.2014</a>

\*Following to re-negotiations.

### 3.3. Force Majeure

Pursuant to the forecast issued by INHGA (The National Institute of Hydrology and Waters Management) for July – September 2012, as well as to the updated forecast for the month of July, which was issued by INHGA as of July 16<sup>th</sup> 2012, and to the estimations issued by the same institution for the October 2012 – March 2012 winter season, it could be estimated that the hydrological draught that had started from the month of April 2011, would continue also in the 2<sup>nd</sup> semester of the current year, and some urgent measures to protect the hydro resources – resources indispensable for insuring the SEN's operational safety – being required to be adopted. On the date of 26.07.2012, Hidroelectrica S.A. submitted at the Chamber of Commerce and Industry of Romanian and Municipality of Bucharest the documentation required for obtaining the Notifications to confirm the Force Majeure existence for each contract of sales and acquisitions of energy, which Hidroelectrica S.A. was developing on both the energy regulated and energy competitive markets. Following to obtaining the Notifications to confirm the Force Majeure existence, such notifications were made available to the contractual partners; meanwhile the total produced and delivered



volumes were distributed on an hourly basis procentage, identically for all the contracts under development, no matter the market where such contracts were operating.

### **3.4. Important litigations pending before the Courts of Law after the date of June 20<sup>th</sup> 2012**

#### **A. Litigations generated by the enforcement of the procedure of insolvency, disposed through the Civil Sentence no. 7222/ 20.06.2012, pronounced by Bucharest Court of Law in the File no. 22456/3/2012:**

1. File no. 22456/3/2012, pending before Bucharest Court of Appeal, Appeal declared by **"S.C. ALPIQ ROMINDUSTRIES S.R.L.", "S.C. ALPIQ ROMERGIE S.R.L.", Hidroelectrica's Branch "HIDROSIND"**, Due term: August 22<sup>nd</sup> 2012;
2. File no. 26502/3/2012, pending before Bucharest Court of Law, **Contestation issuer – the National Trade Union "PETROM ENERGIE", Hidroelectrica's Trade Union "HIDROSIND"** – against the enforcement of the procedure of insolvency, Due term: September 5<sup>th</sup> 2012;
3. File no. 26503/3/2012, pending before Bucharest Court of Law, **Contestation issuer "S.C. ALPIQ ROMINDUSTRIES S.R.L."** – against the enforcement of the procedure of insolvency, Due term: September 5<sup>th</sup> 2012.

#### **B. Litigations generated by the enforcement by S.C. HIDROELECTRICA S.A. of the Force Majeure Clause within the energy sale-purchase contracts:**

1. File no. 31569/3/2012, pending before Bucharest Court of Law, **Contestation issuer "S.C. ALRO SLATINA S.A."** – which contestation was issued against the measure by the judicial administrator for the enforcement of the force majeure clause upon the Contract no. 47CE/09.09.2005, Due term: September 5<sup>th</sup> 2012;
2. File no. 31849/3/2012, pending before Bucharest Court of Law, **Contestation issuer "S.C. ELECTROCARBON S.A. SLATINA"** – which contestation was issued against the measure by the judicial administrator for the enforcement of the force majeure clause upon the Contract no. 32CE/ 28.03.2003, Due term: September 5<sup>th</sup> 2012;
3. File no. 31833/3/2012, pending before Bucharest Court of Law, **Contestation issuer "S.C. ELSID TITU S.A."** – which contestation was issued against the measure by the judicial administrator for the enforcement of the force majeure clause upon the Contract no. 24CE / 18.12.2002, Due term: September 5<sup>th</sup> 2012.

#### **C. Litigations generated by the measure taken by the EURO-INSOL SPRL Judicial Administrator for the denunciation of the energy sale-purchase contracts:**

1. File no. 31384/3/2012, pending before Bucharest Court of Law, **Contestation issuer "S.C. ALPIQ ROMENERGIE S.R.L."** – which contestation was issued against the measure by the judicial administrator for the denunciation of the Contract no. 89CE/ 08.04.2008, Due term: September 5<sup>th</sup> 2012;

2. File no. 29088/3/2012, pending before Bucharest Court of Law, **Contestation issuer "S.C. EFT AG", "EFT ROMANIA S.R.L."** – which contestation was issued against the measure by the judicial administrator for the denunciation of the Contract RO no. 22E/ 25.03.2004, Contract no. 12E bis/ 28.02.2003, Due term: September 5<sup>th</sup> 2012;
3. File no. 29713/3/2012, pending before Bucharest Court of Law, **Contestation issuer "S.C. ENERGY HOLDING S.R.L."** – which contestation was issued against the measure by the judicial administrator for the denunciation of the Contract no. 33CE/ 14.01.2004, Due term: September 5<sup>th</sup> 2012.
4. File no. 31379/3/2012, pending before Bucharest Court of Law, **Contestation issuer "S.C. ALPIQUE ROMINDUSTRIES S.R.L."** – which contestation was issued against the measure by the judicial administrator for the denunciation of the Contract no. 89CE/ 20.11.2004, Due term: September 5<sup>th</sup> 2012.

We thereby state that the litigations mentioned above at points B and C are also to be found on the courts of law's website [www.portal.just.ro](http://www.portal.just.ro), and that S.C. HIDROELECTRICA S.A. has not been yet summoned for the respective litigations as up to the date of this report.

### **3.5. Communication with the shareholders and with the public in order to increase the transparency and improve the disclosure of information on the company**

The communication with the shareholders and with the public, by the intermedium of mass-media, has constantly continued during this period, having in view the fact that information as much as possible on the activity, the goals, and the results of the activity undertaken by Hidroelectrica S.A.'s Special Administrator is required, in the context that the insolvency procedure with the view of re-organizing the activity is undergoing.

The special administrator's constant presence in mass-media, by making statements, giving interviews, participating in both radio and TV talk shows as well as in some energy-related conferences, mainly aimed at:

- Describing and making arguments related to the decisions adopted during the insolvency process;
- Presenting the negotiation process of the bilateral contracts, which resulted in the denunciation of such bilateral contracts concluded with the energy traders;
- Giving explanations for Hidroelectrica's special condition, as following the decrease of its energy production due to the severe draught both on the Danube and on the main inside hydropower basins;
- Necessity to enforce the Majeure Force clause within all the undergoing contracts of energy supply;
- Preventing the pessimistic/ critical scenarios that mass media broadcasted and that had as support the extremely special character of the insolvency procedure of Hidroelectrica – the major Romanian energy producer.



### 3.6. Relations with Banks

Out of the total loans contracted for investments of **623,329,779** equivalent Euros, at the current date, **108,662,622** equivalent Euros were reimbursed, thus resulting a balance of **381,441,456** equivalent Euros, with maturity up to 2021 – the International Bank for Reconstruction and Development (IBRD).

We mention that there are still available amounts of 24,985,700 Euros, from UniCredit loan, destined to the project for rehabilitation of 5 power plants, in the downstream of Slatina – Olt Lower river.

Currently, there aren't any arrears for the payment of the maturities of the contracted investments loans, the reimbursements being made according with the payment schedule agreed with the financing banks.

The investment loans situation is presented in the **Annex 1**.

The funds attracted for financing the current activity, as Credit Lines, were contracted to a value of about **205.25** million Euros, with maturity within 1 year.

Hidroelectrica took the necessary measures to reduce the exposure on these Credit Lines, by reimbursing and closing some or by reducing the level of some Credit Lines, the contracted level being currently of about **200.03** million Euros, of which **168.43** million Euros are being used.

### 3.7. Listing of the company

By the decision 38/2012 of the Romanian Government for approval of the strategy for privatization of the Hydropower Generation Trading Company "Hidroelectrica" – S.A. Bucuresti (hereinafter mentioned as "The Decision") the company's listing on Bucharest Stock Exchange was approved by an offering of 10% of the share capital of the company.

The steps initiated by the company in this regard, before the Bucharest Court of Law approved Hidroelectrica's request to open the general procedure of insolvency, were:

- Organizing the tender for the selection of the Intermediary for the Public Offer for the sale of shares. Two bidders, investment banking groups on the capital market, submitted their offers:
  1. The consortium formed of BRD-GROUPE SOCIÉTÉ GÉNÉRALE (leader), CITIGROUP GLOBAL MARKETS LIMITED, SOCIÉTÉ GÉNÉRALE and SSIF INTERCAPITAL INVEST and
  2. The consortium formed of UNICREDIT CAIB SECURITIES ROMANIA S.A. (leader), GOLDMAN SACHS INTERNATIONAL, UNICREDIT BANK AG, LONDON BRANCH,



ERSTE GROUP BANK AG, BANCA COMERCIALĂ ROMÂNĂ S.A. and BT SECURITIES S.A.

- The Committee for preparation and monitoring the privatization of S.C. P.E.E.H. Hidroelectrica S.A. Bucharest declared as winner the Consortium of BRD-GROUPE SOCIÉTÉ GÉNÉRALE (leader), CITIGROUP GLOBAL MARKETS LIMITED, SOCIÉTÉ GÉNÉRALE and SSIF INTERCAPITAL INVEST.

The special administrator shall analyse, in the future, the possibility of continuing the activities related to this project during the company's insolvency period as well.

In order to avoid that the operations for the preparation of the Public Offer should be ceased during the procedure of insolvency, the winning banking consortium suggested that financial assistance services be given.

The opportunity to conclude such agreement concerning the stock exchange listing is now being analyzed by the legal consultant of S.C. Hidroelectrica S.A.: the law firm "Zamfirescu, Racoti si Predoiu", following which Hidroelectrica, M.E.C.M.A., through O.P.S.P.I., will jointly decide on the conclusion of such contract of financial assistance with the investment banking group formed by BRD-GROUPE SOCIÉTÉ GÉNÉRALE, CITIGROUP GLOBAL MARKETS LIMITED, SOCIÉTÉ GÉNÉRALE and SSIF INTERCAPITAL INVEST.

Two meetings between the representatives of S.C. Hidroelectrica S.A.'s shareholders (M.E.C.M.A./ O.P.S.P.I. and F.P.) and the representatives of the Investment Banking Group, which had suggested that a contract of financial assistance should be concluded with S.C. Hidroelectrica S.A. by the time that the Company got out of insolvency, took place during the month of July.

#### 4. ANALYSIS OF HIDROELECTRICA'S ACTIVITY

##### Comparative analysis of the generation activity (first halves of 2011 and 2012)

###### Semester I 2011

A brief review of the first semester of 2011 reveals the following aspects:

From hydrological point of view, the 1<sup>st</sup> semester may be characterized by the following:

*JANUARY* – winter month with hydropower developments' hydraulicities ranging from *normal* to *rainy-surplus* for all hydropower developments.

On Danube, the registered hydraulicity, of 167% corresponded to a month *in surplus* (the recorded flow of 8,358 cm/s compared to 5,010 cm/s in a normal month).

*FEBRUARY* – winter month with hydropower developments' hydraulicities ranging from *deficit* to *surplus*.

On Danube, the registered hydraulicity, of 117%, corresponded to a month *in surplus* (recorded flow of 5,807 cm/s compared to 4,960 cm/s in a normal month).

*MARCH* – spring month with hydropower developments' hydraulicities ranging from *deficit* to *normal*.

On Danube, the registered hydraulicity, of 78%, corresponded to a *deficitary* month (recorded flow of 5,324 cm/s compared to 6,800 cm/s in a normal month).

*APRIL* – spring month, with *deficitary* hydraulicity in most of hydropower developments.

On Danube, the registered hydraulicity, of 62%, corresponded to a *deficitary* month as well, (the recorded flow of 4,897 cm/s compared to 7,930 cm/s in a normal month).

*MAY* – spring month with *deficitary* hydraulicity in all hydropower developments.

On Danube, the registered hydraulicity, of 52%, corresponded also to a *deficitary* month (recorded flow of 3,886 cm/s compared to 7,500 cm/s in a normal month).

*JUNE* – summer month with predominantly *deficitary* hydraulicities in most of hydropower developments.

On Danube, the registered hydraulicity, of 64%, corresponded also to a *deficitary* month (the recorded affluent flow of 4,102 cm/s compared to 6,370 cm/s in a normal month).

The below table is presenting Hidroelectrica's sales and acquisitions of energy in the 1<sup>st</sup> semester of 2011:

[MWh]



Month	SALES						ACQUISITIONS			
	Regulated Market	Competitive Market	To producers, pursuant to bilateral contracts	Day-Ahead Market	Balancing Market	Total Sales	Day-Ahead Market	From producers, pursuant to bilateral contracts	Balancing Market	Total Acquisitions
Jan.	397,373	1,396,879	25,494	85,604	60,882	1,966,232	205	109,546	50,944	160,695
Feb.	337,843	1,334,350	0	6,832	54,332	1,733,357	4,425	201,717	46,134	252,276
March	376,246	1,426,677	12,386	19,613	55,570	1,890,492	5,740	301,067	60,324	367,131
April	462,565	1,444,116	1,188	2,238	98,210	2,008,317	11,843	369,893	50,159	431,895
May	515,543	1,323,498	0	1,979	103,021	1,944,041	10,320	423,921	45,641	479,882
June	413,840	1,158,930	0	13,444	79,388	1,665,602	6,369	448,152	52,277	506,798
July	350,657	1,098,991	0	22,781	93,346	1,565,774	1,615	296,777	55,890	354,281
<b>Total</b>	<b>2,854,067</b>	<b>9,183,441</b>	<b>39,068</b>	<b>152,491</b>	<b>544,749</b>	<b>12,773,815</b>	<b>40,517</b>	<b>2,151,073</b>	<b>361,369</b>	<b>2,552,958</b>

As a synthesis of the first half of 2011, it can be distinguished:

- Degree of filling as of 31.12.2010 of 85.4% (the maximum of the last 16 years for December) due to exceptional hydraulicity of 2010;
- Starting March a hydrological deficit (unexpected and unforeseen by the April and May monthly forecasts), both on Danube and inland waters, deficit that has widened by the end of semester, representing the beginning of severe drought of summer and autumn months;
- Monthly values of the produced energy for January and February were the highest for the last 16 years, due to surplus hydraulicity on Danube, to high degrees of filling of large lakes, to the necessity of getting on 31.03.2012 to a filling degree of about 30% necessary to take over the spring flood (the water reserve from the snow of about 788 million cm foreseen on 28.02.2011).
- total Hidroelectrica's energy generation on 30.06.2011 was of 9,126 GWh.

### Semester I + July 2012

A brief review of the first semester of 2012 reveals the following aspects:

**JANUARY** – winter month with *deficitary* hydraulicities in all hydropower developments.

January 2012 was one of the driest months of January registered within the last 15 years.

On Danube river, the registered hydraulicity of 75% was also *deficitary*, continuing thus the progress recorded during the previous period (April÷ December) (the affluent flow of 3,752 cm/s compared to 5,010 cm/s in a normal month).

**FEBRUARY** – winter month, with *deficitary* hydraulicities in all hydropower developments.

February 2012 is also one of the driest months of February registered within the last 15 years.

On Danube River, the registered hydraulicity, of 64% was also *deficitary*, thus continuing the progress of the previous period (April÷ January) (affluent flow of 3,171 cm/s compared to 4,960 cm/s in a normal month).



The very unfavourable hydrological situation imposed the extension of the previously declared force majeure (on 30.09.2011), with consequences on the quantities of energy delivered to Hidroelectrica's clients, quantities which were reduced proportionally to the decrease of the flow.

*MARCH* – spring month, with hydraulicities *under normal level* (mainly *deficitary*), in all hydropower developments.

In hydrological terms, March 2012 is one of the *most deficitary* months of March registered within the last 15 years.

On Danube river, the recorded hydraulicity of 81% was also *under normal values*, thus continuing the evolution of previous period (April 2011÷February 2012) (affluent flow of 5,504 cm/s compared to 6,800 cm/s in a normal month).

The very unfavourable hydrological situation imposed the extension of the previously declared force majeure (on 30.09.2011), with consequences on the quantities of energy delivered to Hidroelectrica's clients, quantities which were proportionally reduced by the decrease of the flow.

*APRIL* – spring month, with registered hydraulicities ranging from *deficitary* to *surplus*.

In hydrological terms, April 2012 marked a first come back to normality in the entire country after almost one year of hydrological deficit.

On Danube, the registered hydraulicity of 78%, can be characterized as *deficitary*, thus continuing the evolution of the previous period (April 2011 ÷ March 2012) (the affluent flow registered of 6,062 cm/s compared to 7,900 cm/s in a normal month).

To recover the water reserves within the major hydropower developments and waiting for a return closer to a normal hydrology on Danube river, it was necessary to extend the previously declared force majeure period, (on 30.09.2011), having consequences on the energy quantities delivered to Hidroelectrica's clients, quantities which were proportionally reduced by the decrease of the flow.

*MAY* – spring month with hydraulicities ranging from *deficitary* to *surplus*.

In hydrological terms, May 2012 marks a continuation of the process of returning to *normal* values of hydrology in the entire country (thus continuing the evolution of the previous month – April).

On Danube River, the registered hydraulicity, of 81%, may be characterized as *below normal levels*, continuing thus the evolution of the previous first 4 months (the affluent flow registered of 6,039cm/s compared to 7,500 cm/s in a normal month).

As a result of favourable hydrological situation, the previously declared force majeure (on 30.09.2011) was suspended with effect from 01.05.2012.

*JUNE* – summer month with hydraulicities mainly *deficitary*.

In hydrological terms, June 2012 marks, against expectations, a come back to a deficitary hydrological season.

On Danube River, the registered hydraulicity, of 91%, may be characterized as being on the lower limit of the normal monthly value, thus continuing the evolution of the previous first 5 months (the registered affluent flow of 5,822 cm/s compared to 6,370 cm/s in a normal month).

*JULY* – summer month with *deficitary* hydraulicities (corresponding to a *severe draught*) in all the hydropower developments. On Danube River, the registered hydraulicity, of 71%, may be characterized as being *deficitary*, thus continuing the evolution of the previous first 6 months (the registered affluent flow of 3,862 cm/s compared to 5,440 cm/s in a normal month).

In hydrological terms, July 2012 marks the beginning of an extremely dry period.

The below table is presenting Hidroelectrica's sales and acquisitions of energy in the first 7 months of the year 2012:

(MWh)

Month	SALES						ACQUISITIONS			
	Regulated Market	Competitive Market**	To producers, pursuant to bilateral contracts	Day-Ahead Market	Balancing Market*	Total Sales	Day-Ahead Market	From producers, pursuant to bilateral contracts	Balancing Market*	Total Acquisitions
January	175,586	428,430	0	0	209,807	813,823	0	0	93,650	93,650
February	169,049	405,455	0	0	334,384	908,888	0	0	76,700	76,700
March	307,513	636,696	0	0	107,062	1,051,271	0	0	82,308	82,308
April	450,397	815,836	0	33,729	106,521	1,406,483	0	0	80,846	80,846
May	560,520	943,926	0	117,581	78,498	1,700,525	0	0	70,723	70,723
June	469,512	988,338	0	90,870	80,377	1,629,097	545	50,867	68,323	119,735
July	413,108	854,555	0	6,060	0	1,273,722	16,811	184,797	0	201,608
<b>Total</b>	<b>2,545,685</b>	<b>5,073,236</b>	<b>0</b>	<b>248,240</b>	<b>916,650</b>	<b>8,783,810</b>	<b>17,356</b>	<b>235,664</b>	<b>472,550</b>	<b>725,570</b>

\* As on the date of this report, the Balancing Market report for the month of June has not been completed, and the note for the month of July has not been received yet from OPCOM.

\*\* As of the date of this report, the direct sale by the subsidiaries for the month of July has not been finalized yet.

As a synthesis of the first half of 2012, it can be distinguished that:

- As of the date of 31.12.2011, a filling degree of 38.4% (much below the average of the past 16 years for the month of December of 57.4%), due to deficitary hydraulicity of 2011;
- Keeping the force majeure enforced on 30.09.2011 up to the date of 30.04.2012, following the drought during summer-autumn 2011;



- A slight recovery of the hydrology to normal values in April and May 2012;
- A deficitary hydrology on Danube during the whole first semester, practically missing the large inflow characteristic to the interval April ÷ June;
- Increase starting with June of the deficitary hydrology, both on Danube river, as well as on inland rivers, deficit that has widened by the end of the semester;
- Monthly values of the energy produced for January and March were minimum monthly records for the last 16 years, due to a deficitary hydraulicity of the Danube and the low water reserves within the major developments, to the necessity to maintain the water reserves of the large facilities within the limits established with the National Administration "Apele Romane" ('ANAR') through monthly programs, for providing the ancillary services required for the winter season and for providing the conditions to take over the spring flood (the water reserve from snow of about 1,324 million cm, predicted on 10.03.2012);
- As of the date of 31.07.2012, Hidroelectrica's total output was 8,262 GWh.

Given the unfavorable hydrological forecast for the period of August ÷ December 2012, the electric energy output from hydropower facilities is estimated at about 4,900,000 MWh.

Given the total contractual obligations for the period of August ÷ December 2012 of 6,413,190 MWh, to which the quantities delivered on the Balancing Market, estimated at 500,000 MWh (based on the Dispatcher's order), are added, it results that the contractual obligations from our own electric energy output will be covered 68%. The quantities and the prices on the Regulated Market in the year 2012 were set up by ANRE through the **Decision 907/30.03.2011** (for prices) and the **Decision 3329/29.12.2011** (for the January hourly quantities forecast), **Decision 234/27.01.2012** (for the February hourly quantities forecast), and the **Decision 506/28.02.2012** (for the March ÷ December 2012 hourly quantities forecast).

The total quantity for the Regulated Market in the year 2012 is 5,504,427.067 MWh, and the weighted average price is 72.27 lei/MWh, unlike the average cost of electric energy production within hydro facilities of 125 lei/ MWh, as it was stipulated in the 2012 Income and Expenditure Budget. Given this situation, the company drew up inquiries to bring an action against the regulator, for the annulment of the Decision no. 506 / 2012, and for the issue of a new decision that should foresee lower quantities for Hidroelectrica and a price based on production real costs.

The strategy for the enhancement of company's cash flow, which the special administrator adopts, stipulates the adoption of some policies to increase the operating incomes generated by taking the following actions:



- Participation with offers in the PCCB (for the beginning, two offers for energy sale on the Centralized Market of Bilateral Contracts platform – PCCB OPCOM were drawn up, with delivery within the period of August 1<sup>st</sup> – December 31<sup>st</sup> 2012. The whole available energy quantity shall be traded on the OPCOM Market;
  - Establishment of some firm policies for the Supply Department, related to the operations which it undertakes, while treating such operations in terms of profitability;
-

## 5. FINANCIAL ACTIVITY

The non-audited balance sheet and profit and loss account for the 6 month period ended on June 30<sup>th</sup> 2012, which were elaborated according with Romanian accounting regulations, are to be found in the **Annexes 3 and 4** to this Report.

This section includes the main elements of Hidroelectrica's financial position and outcomes in the semester ended on June 30<sup>th</sup> 2012.

	Note	June 30 <sup>th</sup> 2012 (lei)
Total shareholders' equity	a	16,444,989,908
Total assets	a	20,708,678,114
Total liabilities	a	3,942,304,532
Net turnover	a	1,262,933,855
EBITDA	b	509,085,237
Net profit	a	-45,936,793

Source: Hidroelectrica

### Note:

- (a) Prepared on the basis of Romanian Accounting Regulations
- (b) Calculated by Hidroelectrica's representatives.

	Lei December 31 <sup>st</sup> 2011 Audited	Lei June 30 <sup>th</sup> 2012 Not audited
<b>Balance sheet</b>		
Fixed assets	60,444,956	60,123,852
Non-current Assets – Total	20,339,080,853	20,313,645,919
Current Assets – Total	611,856,575	384,760,612
Advance payments	11,385,684	10,271,583
Short-term liabilities (to be paid within 1 year)	2,639,156,284	2,266,894,602
Total assets minus short-term liabilities	18,323,143,066	18,243,584,162
Provisions	84,718,971	83,837,673
Total shareholders' equity	16,489,796,972	16,444,989,908

<b>Profit and Loss Account</b>	Lei June 30 <sup>th</sup> , 2011 Not audited	Lei 30 <sup>th</sup> June 2012 Not audited
Net turnover	1,640,002,512	1,262,933,855
Sold output	1,639,342,980	1,259,336,818
Operating income – TOTAL	1,649,503,280	1,269,423,586
Materials and supplies expenses	14,207,316	9,883,379

Own expense (power and water)	2,273,616	2,417,762
Turbined gross water expenses	164,052,895	163,280,142
Market management and network transport expenses	95,237,667	73,530,399
Electric energy acquisition cost	396,546,542	41,346,154
Staff costs	207,250,171	206,624,401
Tangible and intangible assets amortization	445,358,532	423,461,148
Service charges	166,824,396	145,764,822
Other expenses and services executed by third parties	124,794,524	104,387,862
Other operating cost, including taxes and fees	372,922,958	325,067,782
Operating cost – TOTAL	1,589,039,161	1,183,799,497
Financial revenues – TOTAL	97,894,590	26,144,500
Financial charges – TOTAL	106,401,946	142,970,553
Gross profit	51,956,764	-31,201,964
Corporate tax	28,566,904	-14,734,829
Net profit	23,389,860	-45,936,793

### Financial indicators

			June30 <sup>th</sup> 2012
<b>1. Current liquidity ratio</b>			
Current assets/Current liabilities	=		0.17
<b>2. Debt ratio (%)</b>			
Debt/Shareholders' equity	x 100	=	15.67%
<b>3. Turnover speed of the fixed assets</b>			
Turnover/ Fixed assets	=		0.06

The main results as of the date of June 30<sup>th</sup> 2012 are to be found in the Annex 5.

### Signatures:

Dumitru-Remus Vulpescu  
Special Administrator



August 15<sup>th</sup> 2012