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## HIDROELECTRICA



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

**November 2012**

**Legal Administrator**  
**EURO INSOL SPRL**  
**By coordinating practitioner**

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

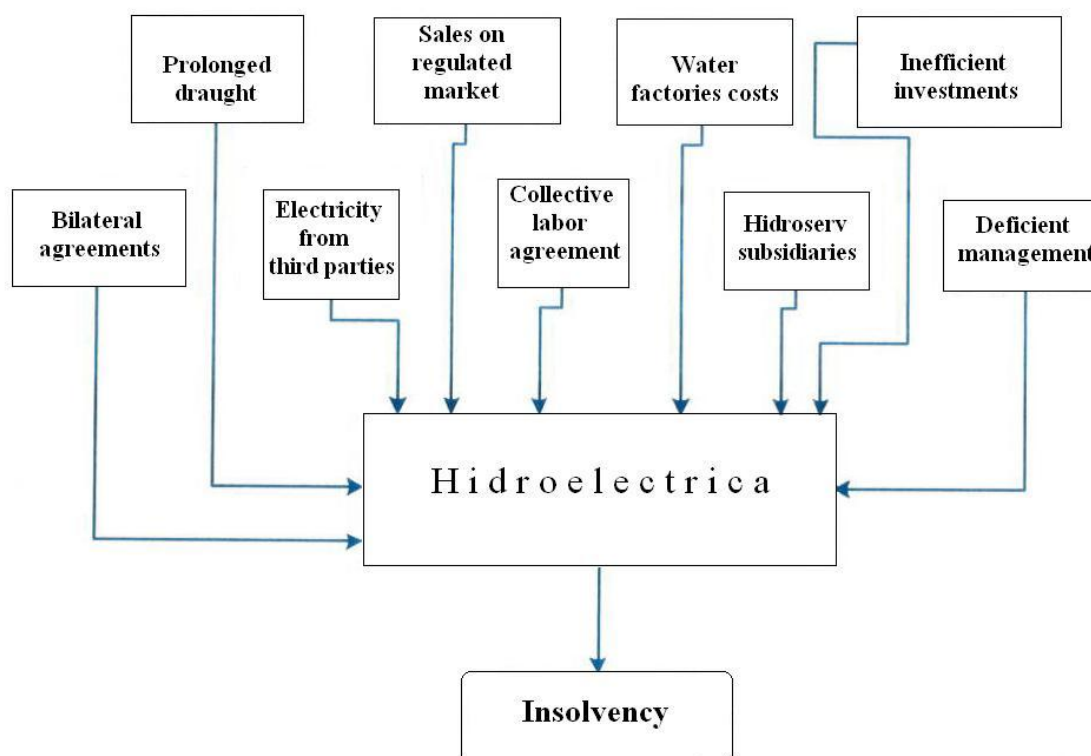
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## I. Brief history

Following a request made by the debtor Company for generation of electricity "Hidroelectrica" SA, with headquarters in Bucharest, sector 2, 3 Constantin Nacu Street, Fiscal Identification Number 13267213, registered in the Trade Register under number J40/7426/2000 by Bucharest Court, Civil Section VII, through conclusion of session delivered on 20.06.2012 in file no. 22456/3/2012, has ordered the opening of insolvency proceedings under the Law no. 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 has 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:

- **Minimising 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 purchasing policies (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. In order to ensuring proper control of financial and economic activity of the debtor was decided to assign right for bank signature to one person - the legal administrator - and established ban on company accounts and operations in 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, and 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 ceasing 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;
- Working visits to all Hidroelectrica subsidiaries, where were analyzed: the processes of achieving electricity production, ongoing maintenance programs with Hidroserv subsidiaries, personnel structure and investment programs.
- Managing financial resources of the debtor without affecting production processes.

### B. Procedural Actions for insolvency.

- Activities of corporate governance. Convening the General Meeting of shareholders to decide regarding level of competence of the respective forum.
- 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*

##### Energy sales PCCB – OPCOM

During November 2012, based on the decision of legal administrator and special administrator, Hidroelectrica had participated with a significant number of selling electricity offers on the platform PCCB - OPCOM, managing to successfully trade 27

packages, totalling an amount the 1,350,000 MWh, at an average price of 229 RON / MWh.

List of packages traded in November 2012 is the following:

No.		Quantity (GWh)
1	E.on Energie Romania SA	43,80
2	ARELCO Power SRL	25,68
3	TRANSELECTRICA	40,08
4	REPOWER	40,08
5	RENOVATIO	40,08
6	TRANSELECTRICA	80,16
7	TINMAR-IND	80,16
8	REPOWER	80,16
9	ELECTRICA FURNIZARE	146,88
10	EFT Romania SRL	146,88
11	Fidelis Energy SRL	25,68
12	Romelectro	25,68
13	Repower	51,35
14	Ennex	51,35
15	EoN	51,35
16	Repower	102,70
17	Transformer Energy	22,08
18	Axpo Energy	22,08
19	ELECTRICA FURNIZARE	44,15
20	ELECTRICA FURNIZARE	44,15
21	Axpo Energy	14,64
22	ELECTRICA FURNIZARE	14,64
23	RENOVATIO	14,64
24	Axpo Energy	29,28
25	ELECTRICA FURNIZARE	58,56
26	Arelco	29,28
27	GDF Suez	24,40
	<b>TOTAL</b>	<b>1349,97</b>

Also in November 2012, in addition to the above, a number of additional 5 packages offer have been prepared and approved, delivered in half-wave regime, totalling an amount of 153,000 MWh. Auctions for these offer packages were scheduled by OPCOM to be held on 06-07.12.2012.

Sale of energy produced by Hidroelectrica on stock administered by OPCOM, after the moment since EURO INSOL, Hidroelectrica legal administrator, had denounced bilateral contracts with energy traders, brought additional revenue of 33 million Euros for the company. In the period July - November 20, 2012, Hidroelectrica traded 36 packets of

energy on the competitive market PCCB - OPCOM, totalling 1,501,745 MWh, with an average price of 229 RON / MWh, value of concluded contracts being of RON 343,895,780.

Income realised from these transactions are in value of RON 148.6 million (approximately EUR 33 million) higher than the ones the company obtained prior to insolvency, from the sale of the same amount of energy to traders with an average price of 130 Euro / MWh. Hidroelectrica obtained an average of 100 RON / MWh more than the bilateral contracts concluded with "smart guys". A quantity of 1.5 million MWh was sold, representing the largest amount ever traded on the power exchange, i.e. 8.5% of Hidroelectrica in an average hydrological year. Additional revenues from the sale, in a transparent and competitive energy market, OPCOM help to offset lower revenues and, consequently, the loss caused by prolonged drought that has seriously affected the company's energy production.

#### Regulated price for 2013 - Substantiation production costs

Regarding the Regulated Market, in November 2012 was prepared and submitted to NAER substantiate costs of producing electricity from hydro power, in order to obtain a regulated price for 2013 that will cover company costs, plus a reasonable profit.

Documentation has been prepared in accordance with NAER and sent to electricity and heat producers by NAER Order no. 57/2008.

To substantiate the regulated price for the quantities that will be delivered in 2013, the company took into account both production costs of hydroelectric groups (plants with installed capacity below 10 MW, installed capacity between 10 MW and 100 MW, and installed capacity above 100 MW, hydroelectric reservoirs and hydroelectric plants "along the river") and losses relating to the supply of electricity on the regulated market for the years 2011 and 2012, during which daily production was greatly reduced because excessive drought, when the company activated the force majeure clause for all ongoing contracts.

Required profit margin was 9%, according to the procedure approved by NAER Order no. 57/2008.

Average regulated price based and applied on NAER for 2013, including recovery of losses of the Regulated market of the years 2011 and 2012, plus a profit margin of 9%, is 191 RON / MWh.

#### Reducing the amount on the Regulated market

Given the prolonged drought and Hidroelectrica's situation, the force majeure clause in all ongoing contracts has been declared starting August 2012 and, following repeated requests to reduce regulated quantities for 2012, by Decision No. 2967/21.11.2012 issued by NAER, this amount was reduced by 65972.127 MWh (for the period 23.11.-31.12.2012.).



## **2. Analysis of IT contracts and IT applications**

### **2.1. Optical Fibre Network Works in HP Ramnicu Valcea**

Hidroelectrica by Ramnicu Valcea Hydropower Branch, as Beneficiary and Romsys SRL as Entrepreneur concluded a Contract for Works no. 67-111.15-367 dated 30.09.2011 amended by the Additional Act no. 1 dated 29.03.2012, involving the execution of Optical Fibre Network in HP Ramnicu Valcea CPV code 45112500-0, 45314000-1 and 45231600-1 with a total value of RON 10,236,059.16 plus VAT, of a total amount of RON 2,456,654.20 (hereinafter called "the Enterprise Contract").

Under the Enterprise Contract, Romsys as beneficiary of the contract has subcontracted to SC Rokura Ltd the works for a total value that is not specified being marked as confidential the terms and conditions set forth in the Contract for subcontracting and works execution no. 4053 dated 17.11.2011 (hereinafter "Subcontract").

The analysis performed by legal administrator Euro Insol SPRL in exercising legal and appropriateness of contracting installation works by Hidroelectrica through Ramnicu Valcea Subsidiary for fibre networks covered by the Contract and Subcontracts, showed that these works are not strictly necessary and proper for functioning condition of hydropower in remote dispatching system and operating without operational staff.

A fibre optic network allows data transmission at a great distance, common standards are at least 10,000 Mb /s while aggregate demand for data transmission on a location as Technical Project does not exceed 100 Mb /s (of which over 90 % is video traffic in case the dispatcher follow live surveillance system). These communication needs can be met easily by national providers of communications voice / data (Romtelecom, Orange, Vodafone) through links of type MPLS (Multi Packet Label Switching) with guaranteed minimum band width 10MB/s/ location communications equipment rented with port voice / data costs 460 RON / location / month.

Moreover, fibre optic rings upstream and downstream close by external data providers without minimum security to ensure data flows, thus Hidroelectrica is financing uncertain technical solution with high costs.

It was also found that the value of the Enterprise Contract of RON 10,236,059.16 without VAT (equivalent to approximately EUR 2,275,000) is much higher than costs of rental communications equipment from Romtelecom for a period of 25 years. Rental costs would have amounted to only EUR 500,000 (approximately EUR 20,000 per year).

Also, the operative management of the national energy system based on the exploitation of hydro SCADA invoked the necessity and justification of the signing of the Enterprise Contract and Subcontract may be retained as an argument for the implementation of voice-data communication system with the fibre optics because it was designed to



operate and function in a classical way of communication (copper wire, VPN, wireless transmission).

The feasibility study "Fibre Optic Network in HP Ramnicu Valcea " prepared by SC ISPH SA under contract no. 191-11.11/09.11.2006 works subject to Enterprise Contract and Subcontract represent part of investments that do not produce income and were not identified possible reductions in operating expenses as a consequence of achieving optical fibre network. Moreover, it was analyzed the possibility of implementing cheaper variants, namely, fibre optic network laid the ground for the portion of this solution which was possible to be applied.

Contract prices vs. market prices were also analyzed as follows:

**1. Industrial Managed Switch 8-port type EDS-408 A-3S-SC-T-64 pieces.**

The provider offer these devices at priced of 10,159 RON / pcs.

When analyzing price over internet research results that these devices can be purchased at a price of \$ 1.789 - namely RON 6,260.

From the above results there is a difference in price of 3,899 RON / pcs. and 249,536 RON/64 pcs.

Under Enterprise Contract contracted a value higher than market value, the difference representing the additional costs and loss for Hidroelectrica in value of RON 249,536

An alternative solution is to replace the industrial type switches with adapter to DIN RAIL 19 "with normal Gigabit switches with 2/4 optic fibre ports, or 24/48 Gigabit Ethernet data ports.

**Price difference between contracted solution and alternative above mentioned solution is of 396,603 RON.**

**2. Industrial source model DR-75-24-64 pieces.**

These devices can be purchased from the market at a price of \$ 119 (approx RON 416.5) compared to 721.28 Ron as the contracted price of the Enterprise Contract, which leads to a difference of 204.78 RON / piece and 19,505.92 RON/64 pieces.

Alternatively, there are alternative uses of Cisco switches, in which case the industrial sources are no longer required, power supplies directly to 220 V.

**By eliminating sources provided in the contract, the price of the contract would be reduced with the amount of 721.28 RON / pcs x 64 pcs = 46,161.92 RON/64 pc.**

**3. Converter Ethernet 10 BXT at serial interface RS 232 model NPort 5110-T-24 pieces.** Enterprise Contract contracted a value higher than market or project as appropriate, the **difference representing the additional costs and Hidroelectrica loss of 20,044.80 RON.**

4. **Interface FXS 4P/FXO MVP 4P model 410 EU-28 pieces.** Enterprise Contract contracted a value higher than market or project as appropriate, the difference representing the additional costs and loss for Hidroelectrica of 99,546.16 RON. On the other hand, chosen solution with 14 FXS equipment and 14 FXO equipment could be replaced with 14 FXS and FXO one device with two ports E1 (60 simultaneous voice channels and 4-channel digital signal), the cost of such equipment being in value of RON 20,725 with a total price RON 95,191 per configuration, **the difference from the solution thus contracted representing 53,741 RON.**
5. **Uninterruptible power supply equivalent with 3 hours free operation, model-1X100AH SAET 00-VDC-230 Vca.** Enterprise Contract contracted a value higher than market or project as appropriate, **the difference representing the additional costs and loss for Hidroelectrica of 268,100 RON.**
6. **Optical cable submerged in rivers and lakes, type URC - 1 LW 1.9, total length of 77,300 ml.** From market analysis, price per meter of fibre submersible with equivalent technical features in accordance with the requirements of the specification, type SM-MEWE-3 is about 17 RON / lm. To the offered price there is a difference of 51.42, 00 RON / lm -17 RON/lm = 34.42 RON / lm x 77,300 lm = 2,660,666 RON price difference for the distance which is not suitable for optical cable assembly installed OPUG type.
7. **OPUG optical cable, model-0625 MMC inserted along reservoirs dams length.** If the design would take into consideration the possibility of using fibre optic cable inserted in embankments where possible, would have achieved a much **lower price cost with at least RON 1,722,225.**

In conclusion, if we refer only to contracted amounts of equipment compared to the market value, results a total loss of 4,603,725 RON for Hidroelectrica.

Moreover, if you would have used the above mentioned alternative solutions that meet technical requirements without affecting performances for required data-voice-video transmission **Hidroelectrica's loss would be in the amount of 5,166,853 RON.**

Given the above, the legal administrator had decided to terminate the Enterprise Contract and Subcontract under the provisions of Art. 86 (1) of Law 85/2006.

## **2.2. Printing solution**

Hidroelectrica as Promissory purchaser and Romsys SRL as Promissory provider of services concluded Framework Agreement no. 103 dated 30.09.2011 as amended by the Additional Act no. 1 dated 31.05.2012, regarding essential elements and conditions that will govern service contracts during the term of the Agreement, the total

value of services being RON 7,886,544 (1,872,290.8 EURO) excluding VAT in amount of RON 1,892,770.56 (hereinafter named the "Framework Agreement").

Under the Framework Agreement, the parties have contracted Subsequently Service Contract no. 104 dated 30.09.2011 as amended by the Additional Act no. 1 dated 01.06.2012 having as object the provision by the Provider of printing and copying services worth RON 1,949,245.8 excluding VAT in value of RON 467,819. ("Agreement subsequent to year 1"). Subsequent contract for one year terminated at the expiration date of 30.09.2012.

Under the Framework Agreement was signed Subcontracting Contract HP Customer Agreement for Managed Print Services no. 4223 dated 26.09.2011.

The analysis of Hidroelectrica need and opportunity for contracting printing and copying services to Romsys Ltd for subsequent years 2, 3 and 4 under the Framework Agreement, made by Euro Insol SPRL legal administrator, revealed that these services have represented and will continue to represent for losses Hidroelectrica; **the costs for solution covered by this Framework Agreement – Renting, printing and copying solutions are higher by at least RON 5,193,744 towards alternative solution to buying all printing and copying equipment for headquarters and subsidiaries.**

After verifications performed by the legal administrator resulted that in reality, even at the signing date of the Framework Agreement and Subsequent Agreements, in all offices of the company headquarters and subsidiaries existed printing and copying equipment that were managed by employees of those offices, including the replacement of consumables.

In order to maximize the debtor's property, in fulfilling its statutory duties, the legal administrator undertook a comparative analysis of the cost of that Framework Agreement amounted to RON 7,886,544 (1,872,290.8 EURO) plus VAT in value of RON 1,892,770.56 to costs that would be incurred by Hidroelectrica in hypothesis of acquisition of such printing and copying equipment from the market, resulting in a significant difference that translates into Hidroelectrica losses at least of 5,193,744 RON.

Thus, a comparative analysis on the types of printing and copying equipment is as follows:

**1. Multifunctional HP type CM 6030f – 15 units.**

**In the event of purchasing such equipment from the market**, according to prices available on the internet it was found that the purchase price of a printer type HP CM6030f is RON 32,659 including VAT per piece plus the cost for accessory "stapler / stacker with 3 compartments output " CC517A type with a price of RON 8,128 including VAT per piece. Summing printer cost of 32,659 RON / piece + Accessories CC517A cost

of 8128 Euro / piece results in a cost of RON 40,787 / per printer, **resulting a total cost for 15 printers of RON 611,805 including VAT.**

Number of pages to be printed with this machine is 1,500 pages black / white per month and 1,500 color pages per month. For 48 months contracted, this type of printer is going to print:

1500 pages b / w x 48 months x 15 = 1,080,000 page printed black / white /48 months;

1500 pages color x 48 months x 15 = 1,080,000 page printed color/48 months;

For black / white pages:

Toner price is 0.0139 RON / page. **Toner price for 1,080,000 pages black / white /48 months is 1,080,000 x 0.0139 RON / page = 15.012 RON with VAT included.**

For color pages:

Toner price is 0.2133 RON / page. **Toner price for 1,080,000 pages color/48 months is 1,080,000 x 0.2133 RON / page = 230.364 RON with VAT included.**

**If Hidroelectrica S.A. would have purchased equipment "HP Multifunction type CM 6030f - 15 units." and supplies due to the 1,080,000 pages of b / w and 1,080,000 color pages would have paid a total of RON 857,181 including VAT.**

**In case of renting such equipment under the Framework Agreement for 15 printers of this type during contracted period of 48 months Hidroelectrica will pay: 361.35 Euro / month / piece x 15 units x 48 months = 260,172 EUR (1,094,986 RON ) without VAT.**

In terms of price for printing color and black and white as in Framework Agreement **Hidroelectrica pays a price of 0.0144 euro / Page B / W and 0.1050 euro / page color.** The price to be paid by the company for printing a number of pages black/white/48 months and of 1,080,000 pages color/48 months **is in value of EURO 128,952 (RON 542,720) excluding VAT.**

Consequently, according to the Framework Agreement, the solution leads to a total rental cost for Hidroelectrica for this type of equipment of **RON 1,637,706 excluding VAT.**

**Consequently, the difference in cost between the two solutions for this type of equipment is RON 946,431 excluding VAT, and this amount would represent a loss for Hidroelectrica if the Framework Agreement solution is maintained.**

## **2. Multifunctional HP type CM 3530 – 59 units.**

In the event of purchasing such equipment from the market, the purchase price for a printer HP CM3530 type is RON 6,279 including VAT per piece. For a total of 59 printers rented, **Hidroelectrica would pay a total of RON 370,461 including VAT.**

For 48 months contracted, this type of printer is going to print:  
500 pages b / w x 48 months x 59 units = 1,416,000 pages black/white/48 months;  
500 pages color x 48 months x 59 = 1,416,000 page color /48 months;

For pages b / w:

Toner price is 0.0823 RON / page for months 1,416,000 pages black/white /48 months  
price is 1,416,000 x 0.0823 RON / page = **116.537 € VAT.**

For color pages:

Price toner is 0.47829 euro / page for 1,416,000 pages color/48 months, price is RON  
1,416,000 x 0.47829 / page = **677.259 € VAT.**

**If Hidroelectrica S.A. would purchase " Multifunctional HP CM 3530 type - 59 units." equipment and supplies due to 1,416,000 pages of b / w and 1,416,000 color pages would have paid a total of RON 938,917 excluding VAT.**

**In case of renting such equipment under the Framework Agreement** for 15 printers of this type during contracted period of 48 months Hidroelectrica **will pay** the amount: EUR 134.75 / month / piece x 59 units x 48 months = **389,562 Euros (RON 1,639 ,551) excluding VAT.** Regarding the price to be paid by the company for printing a number of 1,416,000 pages white/black/48 months and 1,416,000 pages color/48 months, **is of EURO 163,406 (RON 687,727) excluding VAT.**

Consequently, according to the Framework Agreement, the solution leads to a total rental cost for this type of equipment for Hidroelectrica of **RON 2,327,278 excluding VAT.**

**Consequently, the difference in cost between the two solutions for this type of equipment is RON 1,388,361 excluding VAT, and this amount would represent a loss for Hidroelectrica if the Framework Agreement solution is maintained.**

### **3. Multifunctional HP type P2055dn – 80 units.**

**In the event of purchasing such equipment from the market,** the purchase price of a printer HP type P2055dn is of RON 1,140.46 including VAT per piece, **resulting in a total cost of RON 91,237 including VAT.**

Contracted for 48 months, this type of printer is going to print:  
725 pages b / w x 48 months x 80 units = 2,784,000 printed pages white/black/48 months;

For pages b / w:

Price toner is 0.10523 Ron / page. Price of toner for 2,784,000 pages white/black /48 months is  $2,784,000 \times 0.10523$  RON / page = **RON 292.960 including VAT.**

If Hidroelectrica S.A. would purchase equipment "Multifunctional HP P2055dn type - 80 units" and due supplies for the 2,784,000 pages printed b / w, the company would have paid a total of **RON 309,836 excluding VAT.**

**In case of renting such equipment under the Framework Agreement** for 15 printers of this type during contracted period of 48 months Hidroelectrica **will pay** the sum of: 44.30 euro / month / piece x 80 units x 48 months = **EURO 170,112 (715,950 RON) excluding VAT**

Regarding the price the company is going to pay for printing a total of 2,784,000 pages white/black/48 months, this results in **EURO 43,152 (RON 181,614) excluding VAT.**

Consequently, according to the Framework Agreement, the solution leads to a total rental cost for this type of equipment due to Hidroelectrica of **RON 897,564 excluding VAT.**

**Consequently, the difference in cost between the two solutions for this type of equipment is RON 587.728 excluding VAT, and this amount would represent a loss for Hidroelectrica if the Framework Agreement solution is maintained.**

#### **4. Multifunctional HP M5035XS – 65 units**

**In the event of purchasing such equipment from the market**, the purchase price of a printer HP M5035XS type is RON 19,448 including VAT per piece, resulting in a total price of **1,264,120 € including VAT.**

Contracted for 48 months, this type of printer is going to print: 1500 pages b / w x 48 months x 65 units = 4,680,000 page printed white/black/48 months;

For pages b / w:

Toner price is 0.0524 RON / page. Toner price for 4,680,000 pages white/black /48 months is  $4,680,000 \times 0.0524$  RON / page = RON 245.232 including VAT.

If Hidroelectrica S.A. purchases equipment "HP Multifunction M5035XS - 65 units." and due supplies for 4,680,000 pages printed b / w, company would have paid: RON 1,264,120 + 80 printers + RON 245,232 toner black / white = **RON 1,509,352 including VAT and  $1,509,352 / 1.24 =$  RON 1,217,219 excluding VAT.**

**In case of renting such equipment under the Framework Agreement** for 15 printers of this type during contracted period of 48 months Hidroelectrica **will pay** the sum of: 204.73



euro/month/unit x 65 units x 48 months = **Euro 638,757.60 (RON 2,688,339) excluding VAT.**

Regarding the price to be paid by the company for printing a total of 4,680,000 pages w/b/48 months is Euro 51,948 (RON 218,634) excluding VAT.

Consequently, according to the Framework Agreement, the solution leads to a total rental cost for Hidroelectrica for this type of equipment of **RON 2,906,973 excluding VAT.**

**Consequently, the difference in cost between the two solutions for this type of equipment is RON 1,689,754 excluding VAT, and this amount would represent a loss for Hidroelectrica if the Framework Agreement solution is maintained.**

#### 5. Multifunctional HP 9040 MFP – 1 unit

In the event of purchasing such equipment from the market, the purchase price of a printer HP 9040MFP type varies between RON 40,000 and 50,000 including VAT per piece.

Contracted for 40 months, this type of printer is going to print: 25,000 pages B / W x 40 months = 1,000,000 pages B/W/40 months;

For pages b / w:

Toner price is 0.0419 RON /. Toner price for 1 million pages W/B/40 months is 1,000,000 x 0.0419 RON / page = **RON 41,900 including VAT.**

If Hidroelectrica S.A. purchases equipment "HP 9040MFP Multifunction - 1 unit." and due supplies for 1,000,000 pages of b / w, the company would have paid: RON 50,000 for 1 printer + RON 41,900 for toner white / black = **RON 91.900 including VAT** and 91,900 / 1.24 = **RON 74,113 without VAT.**

**In case of renting such equipment under the Framework Agreement** for 15 printers of this type during contracted period of 40 months Hidroelectrica **will pay** the sum of de: 847,27 euro/month/unit x 1 unit x 40 months = **Euro 33.890,80 (RON 149.268) excluding TVA**, cost of toner for 1.000.000 copies in white/black being included:

**Consequently, the difference in cost between the two solutions for this type of equipment is RON 75.155 excluding VAT, and this amount would represent a loss for Hidroelectrica if the Framework Agreement solution is maintained.**

In total, assuming the acquisition of all equipment mentioned above would result an expense for Hidroelectrica up to RON 3,231,360 excluding VAT, taking into account the discount of 20% which would be given by other providers due to volume of orders, resulting in a total purchase of **RON 2,692,800 excluding VAT.**



In conclusion, after comparative analysis mentioned above, results that renting such equipment under the Framework Agreement in the amount of RON 7,886,544 excluding VAT towards RON 2,692,800 excluding VAT in Hidroelectrica direct acquisition hypothesis, results a difference of 5,193,744 RON which is undoubtedly a loss difference for Hidroelectrica.

Under these conditions discussions with Romsys were initiated to renegotiate the terms of the Framework Agreement.

### **3. *Approval the proposal of the 8 Hidroserv merger***

By Government Decision no. 857 of 16 august 2002 regarding reorganizing the Company for hydroelectric power generation "Hidroelectrica" SA, were founded eight companies, Hidroserv subsidiaries for repair and services works, so:

- a) Company for repair and services works "Hidroserv" Bistrita S.A, with registered office in Piatra Neamt, 13 Locotenent Draghiescu Street, Neamt County, serving Bistrita and Buzau HPP;
- b) Company for repair and services works "Hidroserv" Cluj S.A, cu with registered office in Cluj-Napoca, 1A Taberei Street, Cluj County, serving Cluj and Oradea HPP;
- c) Company for repair and services works "Hidroserv" Curtea de Arges-S.A, with registered office in Curtea de Arges, 1 Barajului Street, Arges County, serving Curtea de Arges and Buzau HPP;
- d) Company for repair and services works "Hidroserv" Hateg S.A, cu with registered office in Hateg, 38bis Progresului, Hunedoara County, serving Hateg HPP;
- e) Company for repair and services works "Hidroserv" Porțile de Fier-S.A, with registered office in Drobeta-Turnu Severin, 27 Aurelian Street, județul Mehedinti County, serving Portile de Fier, Caransebes and Tg.Jiu HPP;
- f) Company for repair and services works "Hidroserv" Ramnicu Valcea-S.A, with registered office in Ramnicu Valcea, Calea București no. 269, Valcea County, serving Ramnicu Valcea and Sibiu HPP;
- g) Company for repair and services works "Hidroserv" Sebes-S.A, with registered office in Sebes, 9 Alunului Street, Alba County, serving Sebes and Sibiu HPP ;

- h) Company for repair and services works "Hidroserv" Slatina-S.A, with registered office in Slatina, 153B Tudor Vladimirescu Street, Olt County, serving Slatina HPP.

The activity of these subsidiaries is to provide repair services and other technical services overhaul maintenance and modernization of the units and power plants.

In substantiating the proposed merger of the 8 Hidroserv sites in one company were analyzed following elements: average number of personnel for the period 2002-2012, turnover in the period 2002-2012, the evolution of indicators in the period 2002-2012, indirect cost rates applied starting in September 2012, as well as average hourly rate agreed on staff, the main economic and financial situation of Hidroserv realized on 31.12.2011 and the evolution of turnover from 2013 to 2017.

We should mention that after the establishment of these branches total staff was of 2041 persons and currently has reached 2529 persons.

In 2011, the turnover of the eight branches was worth RON 457,082,179.

The current form of the organization of maintenance activities highlights the following aspects:

- The share capital is divided into eight entities, and as a consequence the turnover of each of these companies do not enable them to participate in auctions outside the system, especially for large scale works;
- Each entity has a minimum number of machines for the execution of maintenance and repair branches they serve, while for the award of major works, should need a proper park of such equipments. Establishment of the new structure will mean mechanization department that will allow efficient use of equipment of the eight branches and will be such a large work force for the development of interventions and repairs to existing buildings, and acquisition of investment works in progress which are currently run by specialized units in the country. Currently, earthmoving equipment (excavators, bulldozers, dump trucks, etc.) are not charged more than 5-10% of their capacity, which are still supported by local intervention situations. Through more efficient use of the park equipment, the additional revenue for the newly created entity will increase turnover by 10-15%.
- By upgrading and modernization of hydro-units (HPP Portile de Fier, HPP Slatina and HPP Ramnicu Valcea) the amount of maintenance work was reduced considerably, given that HIDROSERV subsidiaries have not changed organizational structure. Dismissal of qualified personnel in branches that will be created is not the best solution, because of the risk of losing the personnel in maintenance works; hydro staff can be used in other branches that will claim the lack of staff in the refurbishment and modernization works i.e Bistrita and Arges. This redistribution of personnel can be done only if a form of organization that can have the necessary power to apply the appropriate measures in the territory.

Based on the aforementioned considerations, resulted the need for reorganization of the eight existing subsidiaries and setting up the merger, of a new company through which to coordinate uniformly and efficiently the maintenance activity, a company with eight repair subsidiaries, as units without legal personality, based on the territorial structure of the former subsidiaries, and in compliance with Law no. 67/2006 regarding protection of rights of the employees in case of transfer of the company, unit or parts of it.

Following the reorganization and restructuring, the new company will have to cover the specialized structures of at least two main areas of activity:

- Maintenance of electro-mechanical equipment, meaning planned or accidental works, maintenance works, technical revisions, including works of modernization / upgrading the units and power plants.
- Maintenance to construction and hydro-technical works in operation, but also works on new investment targets: small hydro power plants, etc..

In this context, the new entity will be able to cover the traditional niches that were covered by other providers of services and works such as refurbishment and new investment projects in the field of renewable energy sources: hydro, wind, photovoltaic, etc.. By extending activity, we expect to increase the turnover with about 150 million RON in the first three years, mainly because of the ability to approach new works.

Hidroelectrica runs annual investment program of 300 million Euros, out of which the present Hidroserv covers a very small part. We estimate that with reorganization and restructuring, the new entity may attract about 10 million annually, as it develops new technical and organizational capabilities.

Reorganization by merging the entire maintenance activities through merger will complete the establishment of a new company, with the same legal form of subsidiaries but more powerful than any of the eight existing entities, only the registered share capital will be in value of RON 58,094,171, showing a high reliable and execution potential. The new entity that will be established, the Company "Hidroelectrica-Serv" SA will ensure the efficient use of machinery and labor to solve specific power system emergencies (accidents, disasters, etc.).

This reorganization unifies procedures and processes at one level of decision, so for Hidroelectrica SA this will mean a reduction in maintenance costs. This reduction will be possible by reducing the number of personnel and indirectly productive staff in the eight subsidiaries and, consequently, the overheads rates applied in demands and situation works in relation to Hidroelectrica SA. A reduction of such staff by approx. 400, leads to a decrease in payroll for at least 24 million / year, which means 8% of turnover.

Commercial relationships between companies Hidroelectrica-Serv SA and new Company for generation of hydropower electricity Hidroelectrica SA will run on contractual basis, according to the legislation.

Establishment of a single hydroserv type company has the following advantages:

- more efficient use of resources within the eight current hydroserv;
- increase the capability of the new entities in addressing complex works;
- ensure lower costs to the governing bodies (executive management and / or collective);
- ensure the efficiency and speed up decision making and greater efficiency of information systems.

Given the above, according to the steps to be taken by law, in accordance with Art. 15, para. 5, letter. e) the Articles of Association of Hidroserv Subsidiaries, with reference to art. 15, para. 6, called for mandating representatives in Hidroelectrica SA General Meeting of Shareholders to empower Hidroelectrica's representatives in the General Meeting of Shareholders of the eight Hidroserv Subsidiaries to initiate the establishment of merging procedure between Hidroelectrica-Serv SA, respectively:

- approval for the merger of eight Hidroelectrica subsidiaries and settlement of Hidroelectrica -Serv SA;
- Empowering the Board of Directors of the eight subsidiaries to take all necessary operations for developing and signing the merger;
- Registration at territorial Trade Register the Decision of the EGMS regarding approval of the merger;
- Appointment an independent assessor for the assets and liabilities of the eight subsidiaries that will merge;
- Establish a reference data for financial statements that will be taken into account in determining the conditions of the merger;
- Notification sent to Competition Council under the provisions of Article 15 (1) of the Competition Law no.21/1996;
- Empowerment a person to coordinate entire merge procedure.

For the purposes of the above, was convened the Extraordinary General Meeting of Shareholders Hidroelectrica on 29 November. Details of the agenda and decisions adopted by this meeting are presented in section B.1. of this Report.

#### **4. *Analysis of investment programs***

##### **4.1. *Analyzing and completing Hidroelectrica's development program in 2012***

On 08.11.2012 was distributed to subsidiaries the final form of the Development Program in 2012, respectively Development Program on fourth quarter 2012.

Chronologically Development Program in 2012, is as follows:

According to the Hidroelectrica Income and Expenditure Budget approved by Government Decision no. 277/2012, the funds for investment expenditures are in the amount of RON 1,200,000.

In April was approved the Development Program for 2012 - the first half amounted to RON 1,200,000,000 according to Expenditures and Revenues Budget allocated by Government, funds from own resources RON 890,000,000 and loans RON 310,000,000

The criteria that were use to assign values of investment securities for 2012 and outlook for the period 2013-2016 were as follows:

- State (percentage) of works and residual values to be executed on 01.01.2012, priority to finance given the capacity of new production by commissioning 2012 to 2013;
- Increase the use of investment resources to finance the rehabilitation and modernization of hydroelectric plants with exceeded lifetime;
- Promoting and financing the interventions in existing equipment to maintain operational capacity of electricity generation in HPP;
- Promoting and funding works to improve safety in operation of hydro-technical structures;
- Develop feasibility studies for new investment targets for exploitation of hydropower potential of Romania, in conjunction with the production of energy from renewable sources.

Thus, after applying the above criteria have resulted in the following categories of investment objectives and priorities for 2013 and the period from 2013 to 2016:

A.1. Investment objectives in progress for new production;

A.2. Ongoing investment objectives of national interest to be promoted.

B. Refurbishment of HPP, rehabilitation and modernization of HPP with the exceeded existence;

C. Intervention works to existing equipment to maintain operational capacity of electricity generation is hydroelectric;

D. Works to improve safety in operation of hydro-technical construction. Development Program achievements in the first six months were in value of RON 425,355,000 out of which RON were 578,240,000 allocated.

Hidroelectrica's Insolvency declared on 20.06.2012, coupled with reduced production of electricity in severe drought conditions in 2012 to an estimated value for the current year to 12 TWh, led to the need for the establishment new investments for reduction in value worth no more than RON 600 million.

Therefore in early September 2012 was approved Hidroelectrica's Development Program for 2012 reduced to the total amount of RON 737,152,000, of which the second semester is in value of RON 311,797,000 and third quarter in value of RON 182,326,000,

the achievements of the first half being in value of RON 425,355,000 according to the note no. 65280/03.09.2012.

The total amount of own resources established for 2012 was RON 553,741,000 according to above mentioned program.

As of 31.08.2012 the Subsidiaries analyzed all working fronts within investment contracts for construction – assembly works. Analysis aimed at identifying the main critical sections in need of safe release of these fronts open so that the coming of cold season would not register damage of started and unfinished works. Under these conditions in fourth quarter were allocated additional resources to the Development Program in September.

Thus Development Program for the year 2012 has a total value of RON 783,255,000, out of which own sources from depreciation in value of RON 599,844,000, in fourth quarter the value was of RON 168,971,000 as Hidroelectrica note no. 97455/08.11.2012.

Under these conditions Development Program for 2012 was divided in chapters and is presented in Appendix 1 to this Report.

#### **4.2. Hidroconstructia**

On 06.11.2012 at the request of the General Manager of SC HIDROCONSTRUCTIA SA, Mr. Eng Emil Timofti held a meeting to review the current situation of ongoing contracts that Hidroelectrica has with Hidroconstructia S.A.

From Hidroconstrucția S.A. participated:

Emil Timofti – General Manager

Eugen Popa – Technical Manager

Mihăiță Fundeanu – Production Manager

From Hidroelectrica S.A. participated:

Attn at law. Remus Adrian Borza –Euro Insol SPRL – Legal Administrator

Ștefan Gheorghe – General Manager

Dragoș Zachia – Zlatea – Deputy General Manager

Răzvan Cojoc – Manager of Strategy Development

Hidroconstructia S.A. Development Program requested increase in the fourth quarter, noting that in the first nine months of this year (30.09.2012) has had realized production and unconfirmed by Subsidiaries over RON 50 million, due to reduced Failure to confirm the Development Program in quarter III.

Legal Administrator noted that reducing Development Program after 01.07.2012, respectively Semester II was due to the company's state of insolvency, the high level of value of outstanding loans with payment peaks in the months July-August and



November-December 2012 and decrease of company revenues due to prolonged drought, which will lead to achieving the lowest annual energy production estimated at 12 TWh company history in 2012.

Even under these conditions, Hidroelectrica provided by the Development Program in the second half of 2012 necessary funds for the execution of all maintenance work and ongoing contracts with Hidroconstructia.

Given the coming of the cold season, Hidroelectrica by letter no. 65028/31.08.2012 called Hydro Subsidiaries together with Hidroconstructia and general contractor ISPH SA to review all work fronts and establish minimum necessary works for the safety of critical sections, so that the works should not deteriorate during the cold season.

This works of identifying minimum necessary works for safe execution of ongoing fronts formed the basis of the allocation of the Company Development Program in fourth quarter. Thus, Company's Development Program for 2012 was increased by the amount of RON 46,103,000, out of which RON 18,908,000 for Hidroconstructia.

#### **5. *System Portile de Fier I and Portile de Fier II - Session no. 86 of the Romanian-Serbian Mixed Commission.***

Between 26 - 28 November 2012, Hidroelectrica SA legal administrator participated in Belgrade at the Session no. 86 of the Romanian-Serbian Mixed Commission for Portile de Fier, together with representatives of Romanian part appointed by the MECBE no. 2559/22.11.2012, namely: Stefan GHEORGHE – President, Nicolae Tudorescu - Deputy President, Manuela Horvath – Secretary, Ovidiu Gabor and Ioan Raceu – members, Aurel Cocioran, Constantin Guran, Dragos Novac, Vasilica Boescu, Ioan Suciu – alternate members.

At the Joint Commission of plenary sessions attended His Excellency Mr. Daniel BANU - Romanian Ambassador to Serbia and Mrs. Patricia Radut - economic adviser to the Romanian Embassy in Serbia.

The works of 86<sup>th</sup> Session of the Joint Romanian - Serbian Commission Portile de Fier were led by Chairman of the Serbian side of the Portile de Fier, Mr. Aleksandar Obradovic.

The session took place in plenary sessions and in working groups for preparing materials and started in November 19, 2012 in Belgrade.

The 11 issues of the agenda of the 86<sup>th</sup> Session of the Joint Romanian - Serbian Commission for Portile de Fier were reported situations of exploitation of Energy System Portile de Fier I and Portile de Fier II, as well as operation and maintenance of System Portile de Fier I and System Portile de Fier II in the period 01.05.2012 - 31.10.2012, the results of experimental operation of the System Portile de Fier II with high rates of



retention in the period 01.05.2012 - 31.10.2012, activities related refurbishment / repair and modernization of the capital increase installed capacity of hydro power plant System Portile de Fier I and System Portile de Fier II, stage for elaborating documentation "Expertise state sinks Portile de Fier I dam spillway proposing additional safeguards", meeting the obligations related to the replacement or reconstruction of objects, installations and works on coastal defense system of Serbian land, executed for operation of Portile de Fier I system with retention Danube at the share 68.00 mdMA at Gura Nerei, making protective measures against ice during winter 2012 - 2013, achieving mutual loans under Article 20 of the Convention of 1998 to 31.10.2012 and the changes in composition of both parties in the Joint Romanian Serbian Commission - Portile de Fier at the 85<sup>th</sup> session.

The Joint Commission has given two tasks to users regarding activities were further analyzed for the next period and terms of solving problems arising on spot.

Legal administrator prepared a detailed presentation of the situation of Hidroelectrica Hidroelectrica in the first plenary of the 86<sup>th</sup> session, affirming its support for the success of the Romanian-Serbian cooperation to secure operating systems Portile de Fier I and II, but also emphasizing that all different positions will be treated very seriously and will make efforts to solve them until the next session, and with the agreement of Serbian direct involvement of the two presidents of the Commission, when depending on the outcome reached will decide next steps.

Next Session of Romanian – Serbian Joint Commission for Portile de Fier will take place in the second half of May 2013, in Bucharest.

## **6. Checks and enforce measures to reduce costs**

Based Decision no. 357/03.09.2012 issued by the Legal Administrator EURO Insol SPRL and General Manager of SC HIDROELECTRICA SA to perform control in order to verify consistency between consumer bills prepared to issue vouchers, fuel and motor vehicle roadmaps and the persons responsible, any damages and proposed measures for recovery.

Control was focused on activity performed on the period 01.01.2010 - 03.09.2012.

Were identified the following:

- Consumption notes prepared for the release of fuel vouchers, without correspondence in roadmaps and daily business records of the vehicles.
- Consumption notes prepared for release of fuel vouchers that contain a greater number of vouchers vs. the roadmaps and FAZ correspondent.
- Consumption notes prepared for release of fuel vouchers prepared for vehicles that do not belong to Hidroelectrica fleet.

- Consumption notes and roadmap incorrectly completed (wrong number of vouchers, miscalculations in the number of vouchers, etc.).

Conclusions of the report prepared are:

- Following an estimated calculation, the material damage is in amount of RON 18,000.
- Mrs. Preda Aida, administrative clerk, while substitute storekeeper, released-fuel vouchers unregistered in vehicles' roadmaps that, based on unsigned consumer bills or non-assumed by the respondents under "Recipient "and then registered in accounting records. This act constitutes a disciplinary offense and may be registered as offence under art. 43 of the Accounting Law 82/1991, republished, with further changes. We should also mention that consumption bills issued in the month of August 2012 were not registered in the accounting registers at the date of the inspection.
- In other cases, Ms. Preda Adia recorded in accounting records consumer bills that contained changes in the amount, without being certified by signature / date. This fact represent misconduct disciplinary offense.
- Mrs. Preda Aida, administrative clerk in the Administrative Service, Department of Heritage of Hidroelectrica, during April-September 2012, failed to comply with the duties specified in the job description and "Fill consumption notes and note for justification of vouchers value on vehicles "and" Note on vehicles situation at the end of the month". Compliance with these tasks involves making consistent use of bills issued statements justifying the fuel vouchers for the Department of Transportation.
- Failure to comply with specified powers led to the nonconformities identified by the Commission and constitutes a disciplinary offense.
- The above conclusions resulted from analysis of the fulfillment of the duties of the job for the staff that was employed as a storekeeper and the storekeeper with responsibilities for the period 2010 to the present (job description for Ms. Voicu Luciana Elena, job description for Mrs. Adia Preda and job description for Mr. Busu Claudiu).
- Mrs. Preda Adia acknowledged that she signed for Mrs. Luciana-Elena Voicu, mimicking her signature, which is contrary to law.
- After analyzing the statements there was a major discrepancy between the statements of the driver and of others who gave explanations on the documents researched and Mrs. Preda Adia's statement.
- Ms. Luciana-Elena Voicu recorded in accounting consumer a receipt that contained changes in the amount, without being certified by signature / date. We should mention that Ms. Voicu's declaration stated that "consumer bill was issued by me with the amount of 25 auto fuel bills at the time of introduction, I introduced the 50 auto fuel bills in EMSYS program, considering that there was a mistake and not for that driver's defraud. "Later, when he noticed differences between the

number of tickets registered in consumer bill and related roadmap, announced hierarchical superior for solving this mismatch.

- Were identified consumer bills signed under "to receive" fuel vouchers, but could not identify to whom it belongs because the signature was not recognized by the person nominated in the box. In this situation were consumer bills with the following series: Ionel Serbanescu BC 6254, BC 6442 Dobre Constantin, BC 6463 Dobre Doinita, BC 6867 Gheorghe Ion, BC 6894 Dobre Doinita, BC 4625 Catalin Nicolae. It is possible that the persons listed has signed receipts attached with a signature similar or different from them, but not to recognize or person that wrote those notes to be signed instead of "recipients" initiating signatures or executing them at random. Further research is needed to solve this case in order to recover damages.
- Some of the irregularities mentioned above occurred because of lack of discipline on the timely drafting roadmaps. Such were the circumstances in which storekeeper had to introduce in EMSYS quantities on vouchers, only on voucher consumption, without the possibility of confrontation with roadmaps that have been prepared by a lag of time than the consumer bills.

Consequently, the legal administrator decided the following:

1. In accordance with the provisions of Article no. 267 and 268 of Law 53/2003 - Labor Code, Human Resources and Communication Department and Economic and Commercial Division will start disciplinary investigation procedure prior to persons who have not fulfilled the duties of office arising from job description - in terms of how the prepare of all documents related to process management of fuel vouchers.
2. Submit this Act to the Legal Services of SC Hydroelectric S.A. formalities for initiating the competent court in order to recover damages caused to SC Hidroelectrica from persons who are responsible for its production.
3. Regulating the use of the Emsys system, the SC Hidroelectrica S.A. - Executive and secure it to prevent false registration in documents.
4. Develop a procedure to regulate management of fuel –vouchers.

Prior disciplinary inquiry held in October ended with the minutes dated 1.02.2012 by which disciplinary commission has proposed a total of 9 sanctions for employees. Also there have been efforts to recover damages of RON 18,000 brought to the company through mismanagement of fuel bills. Accordingly to legal administrator resolution, 8 disciplinary sanctions were applied (two disciplinary termination of the individual labor contract and 6 to reduce salaries by 10% for 3 months).

## **7. Analysis of organizational structure**

### **7.1 Principles of the new organizational chart**

At the base of the new organizational structure of the company stand the organizational processes, methods which contribute to increasing competitiveness of the organization. Benefits of implementing the organizational strategy processes are:

1. Efficient process performance, as measured by:

- Quality of product / service output;
- Reducing resource consumption / costs;
- Reduce process time.

2. Individual and organizational learning by:

- Specific methods of communication, controlling, documentation of processes;
- Support for the integration of new employees or existing employees as development.

Were defined three types of processes: processes level 0, processes level 1, processes level 2.

Level 0 processes include: core business management processes and support processes.

Level 1 process is a detailed process level 0 horizontally.

Level 2 process is a detail of processes level 1 vertical by defining operational procedures. Processes all level 0, 1 and 2 make up the map of Hidroelectrica processes.

For business efficiency to consider reducing the number of departments and organizational entities sizing (direction department, service, office, compartment). Thus, following processes within the company, core - business processes were held at level of departments.

Depending on the role and importance of support processes, they will be on departments, directorate and services.

Along with refining the organizational structure at headquarters, has began analyzing organizational structure of the 13 subsidiaries of Hidroelectrica.

The process has began by requesting proposals from all subsidiaries from all organizational structure of the company, taking into account such ideas to streamline the company's activity coming from the bottom to up.

Principles considered regarding organizational structures of the subsidiaries were:

- Grouping subsidiaries by number of employees in large, medium and small;
- Territorial dispersion, depending on the number of counties in which subsidiaries operates;
- Reducing administrative staff from plants, only entities that have a productive role;
- Reducing the number of management positions in subsidiaries.

On 21 and 22 November 2012 the legal administrator approved the meeting of the Commission laying down detailed rules for personal, norms and rules of personnel

structure, consisting of representatives of management and Hidrosind union officials, in which the following aspects were analyzed:

1. Definition for staff operating from HPP 5,6 (Norm of hydroelectric personnel large / important to be understood as a multiple of 5,6).

The number of staff prevents overtime and provide necessary fund for granting holiday, completion of training, sick leave, medical examinations, psychological examinations, etc., in accordance with the law.

2. Setting the number of operational posts on each job based on the following general principles:

Cover all items of business personnel operating hydro-electric power plant Installations Company in accordance with the technical and legal regulations, ensuring safe operation and economic efficiency of hydropower plants.

3. Including the classification of large hydropower plants (IP> 10 MW) of Hidroelectrica track and partially low power stations in central cascades decorated the main rivers (related to high power hydraulic-functional).

4. Establish requirements for work stations operating on the volume of each power plant, boiler importance for NES (installed capacity, power generation, framing the task in the daily chart, the volume of ancillary services it can provide, and the general health of the plant hydraulic structures and equipment).

5. General scheme adopted for all hydropower plants operating in Romania is the ,operating with permanent staff on duty. "

6. For hydropower plants that were under revamping / modernization whose contribution to increasing safety proved to be clear, the number of stations was operating properly sized.

Discussions on the issues mentioned above will continue in the first half of December 2012 to get the approval of the Commission for negotiation of collective labor contract.

## **7.2 Changes**

On 19.11.2012, under Decision no. 519/15.11.2012 approved by the Legal Administrator has ceased the individual employment contract of Information Technology and Communications Director, Mr. Raymond Maiorescu. IT Director has filled the application 98.726/12.11.2012 requesting the termination of employment with Hidroelectrica by agreement of the parties, according to art. 55, letter b of the Labor Code.

By Decision no. 539/16.11.2012, as of 19.11.2012, Director of Information Technology and Communications is Mr. George Sorinel Dodenci.

On 23.11.2012, Head of the Department of Industrial Informatics from Technology Information and Communications Directorate, Mr. Vulpes Nicolae has agreed crossing from the management of service as chief executive (senior engineer) with changing jobs from Executive Hidroelectrica to HPP Caransebes. Change in job was approved by the Legal administrator of the company by decision no. 562 / 23.11.2012 with effect from 12.01.2012.

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

In order to improve the financial and economic activities in terms of records and payment of obligations owed to others, a series of actions were carried out to reduce the time for compiling and ensure a higher degree of accuracy of information, while after 20.06.2012, the date of initiation general insolvency procedure, debtor payments are made from the executive office for all 13 subsidiaries.

Given the fact that payments were made at the executive orders made by hand, with all the drawbacks derived from such a mode, during October were completed application deployment procedures internets banking / multicash at most banks in the operations carried debtor receipts and payments.

Meanwhile organizational measures have been implemented to collect the data on branches and centralizing claims and liabilities to third parties throughout the company. In accordance with the Accounting Law no. 82/1991, republished, with subsequent amendments and given MPF Order 2861/2009 for the approval of the organization and inventory of assets, liabilities and equity committees were established inventory and determined periods making company-wide inventory and revised procedures for inventory.

### **Prepare and submission of quarterly reports.**

Having regard to Article 51, paragraph 1, letter c) of Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public enterprises legal administrator approved publication of company's quarterly reports, after completing the necessary adjustments on the analysis and operation of income and expenditure accounts, with the applicable accounting compliance.

Thus, taking into consideration:

a) Non-conformities detected by the legal administrator to the applicable accounting regulations of the company, nonconformities related primarily to:

- how to calculate and record depreciation expense for depreciable fixed assets;
- failure to impairment losses of doubtful receivables for which there were no legal possibilities for recovery or chances of recovery were very low;



b) The fact that the company's creditors requested to verify amounts by the statements of claims submitted for entry in Table preliminary claims and were found amounts of interest and penalties nature unregistered in company's accounts,

c) Given that total or partial failure to register above mentioned expenses has led to significant distortion of the results shown in the profit and loss account, both in financial statements for the year ended 31.12.2011 and in the trial balance prepared on 30.06.2012.

After 20.06.2012, the date of opening insolvency proceedings and until 02.10.2012, the date quarterly reports were submitted, in company's accounting records were operated a series of recordings due to account "retained earnings arising from accounting errors" events for the year 2011 and on behalf of expenditure and revenue accounts for events that focused the first half of this year.

### ***Retained earnings from accounting errors for financial year 2011***

In the financial statements for the year ended 31.12.2011, the Company reported a gross profit amounting to RON 39,609,944 and a net profit amounting to RON 6,444,266 out of which RON 1,647,885 assigned amount for increase legal reserves, so that the remaining net profit to the company was RON 4,796,381.

Reconsideration of amounts due to the nature of expenditure and income as presented below, for 2011 results in a loss amounting RON 129,418,167 reflected in the accounts statement from accounting errors results from:

- Increased the total expenses by the amount of RON 149,238,874, as follows:
  - RON 17,092,610 - penalties related portion of 2011, penalties that were allowed in the preliminary table and claims that were not recorded in the company accounts.
  - RON 132,146,264 - additional depreciation arising from its recalculation using linear depreciation regime (see also Chapter 9.1.2. Letter d) of the "Report on the causes and circumstances that led to the insolvency of Hidroelectrica" the legal administrator filed under art. 59 of Law 85/2006 on insolvency proceedings, as amended and supplemented);
- Increased total revenues amounting to RON 19,820,708, of which:
  - RON 452,934 - income from subsidies resulting from the recalculation of depreciation;
  - RON 19,367,774 - revenue resulting from reduced income tax expense as a result of the above records.

### **The financial result for the first half of 2012**

The result for the first half of 2012, as it was originally presented by the company, was revised so that from a loss RON (45,936,793) originally presented as a result of corrections reached a loss of RON (202,139,669) presented in the balance corrected



and submitted quarterly reports on 02.10.2012. Increasing loss initially presented comes from:

- Surplus of expenditure amounting to RON 156,354,795, consisting of:
  - RON 47,052,356 - penalties related portion of 2012, penalties allowed in the preliminary table of claims that were not recorded in the company accounts.
  - RON 63,004,857 - Provisions for amounts due as penalties, amounts that have not been admitted to the preliminary table drawn up by the legal administrator but arising from failure to pay within the time limits set by commercial contracts signed and appreciated that there is a significant risk that these amounts would be accepted after resolving claims disputes from the preliminary table.
  - RON 25,819,486 - adjustments for doubtful debts in respect of the possibility of recovery, some of them even operating limitation.
  - RON 30,299,290 - additional depreciation resulting from correct application of the system of depreciation of fixed assets provided by applicable accounting regulations (OMPF 3055/2009);
  - RON 2,512,823 - foreign exchange differences arising from the revaluation of receivables denominated in currencies other than the local currency;
  - RON 325 - bank charges;
  - (12334342) - reduction of income tax expense due to the effect of additional records on account of expenditure and revenue accounts;

Surplus incomes of RON 151,919 representing income from investment subsidies resulting from recalculation of depreciation.

Thus, according to initial trial balance prepared on 33.06.2012 by Hidroelectrica the income statement has highlighted a loss for the first 6 months of 2012 amounting to RON 45,936,793 and the corrections made, as shown above, the company presents the balance corrected:

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

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

### ***Annual reports prepared in accordance with IFRS***

Amendments made to the balance on 30.06.2012, as presented above, which affected earnings derived from accounting errors for financial year 2011, required discussion and

reconciliation of views between the legal administrator and KPMG as statutory auditor of the financial statements, the delivery of the audit report for the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the financial year 2011.

Auditor was provided all information requested and developed a complete set of consolidated financial statements, with all amendments subsequently agreed and KPMG delivered audit report of these financial statements.

By the time this report was filed consolidated financial statements and while they were transmitted financing banks.

## **9. PR and mass media**

Communication with shareholders and the public, through the media, continued a pace in this period, given the need for more extensive briefings:

- Evolutions in the administration of insolvency proceedings in order to reorganize the business;
- Activities, objectives and results of operations performed by the legal administrator, special administrator and executive management of Hidroelectrica SA;

For this:

1. Were disseminated to the media and published on the Hidroelectrica website a statement of the Hidroelectrica legal administrator.

2. Hidroelectrica legal administrator, Mr. Remus BORZA

- participated as a speaker at the Conference on "The role of banks in restructuring companies" organized by Bursa daily newspaper in collaboration with the National Bank of Romania.
- participated along with the General manager, Stefan Gheorghe, at Ziarul Financiar Festive Gala - "100 most valuable companies" in which Hidroelectrica was awarded 7<sup>th</sup> place in the hierarchy.

3. In period 1 to 30 November 2012 the views expressed and statements of Hidroelectrica legal administrator, Mr. Remus BORZA were mentioned in 76 articles in printed media and online.

4. Representative of EURO INSOL, Hidroelectrica legal administrator, Attorney at law. Dr. Remus Borza was a constant presence in the media statements, interviews and explanations relating to:

- Measures taken to improve key financial indicators of Hidroelectrica

5. Hidroelectrica Press Office responded to the requests for information sent by the Ziarul Financiar, Kamikaze magazine, George Hudrea (individual), NewsIn news agency, Economica.ro

Among 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:

**News Agencies:** Agerpres, Mediafax, Hotnews, Newsin, Associated Press, Reuters, Amos news, Bloomberg,

**Print and online:** 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.

Constant presence of the Legal administrator, special administrator and Hidroelectrica General manager in mass media through statements, interviews, participation in radio and TV programs and conferences regarding energy, had as main objectives:

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

### ***10. Relationship with financing banks***

1. Legal administrator convened and participated in regular meetings with the 15 creditor banks. During these meetings was analyzed Hidroelectrica cash-flow situation, the most important decisions and measures on reducing operational costs and the main events that legal administrator attended.

2. During the reporting period there were carried negotiations with BRD and Banca Transilvania to extend the maturity of credit lines granted to the company, negotiations completed amendments of extending the terms and conditions agreed upon by the parties.

### ***11. Working visits to subsidiaries***

#### **HPP Curtea de Arges**

On 16 November, the legal administrator took a working visit to HPP Curtea de Arges. The meeting was attended by 115 people including:

From HPP Curtea de Arges attended:

1. branch management team
2. branch management team of Hidroserv subsidiary
3. plant management and operating departments
4. heads of functional departments
5. heads of hydroelectric power plants

6. operational staff and staff from functional compartments
7. unions and branch presidents of Hidroserv

From Hidroelectrica participated:

Attorney at law Dr. Remus Adrian Borza – Legal Administrator  
 Ștefan Gheorghe – General Manager  
 Dragoș Zachia Zlatea – Deputy General Manager  
 Răzvan Mugurel Cojoc – Director of Strategic Development

They discussed the causes of insolvency, measures ordered by the legal administrator during July-November 2012 and strategies to be implemented in future regarding organization and efficiency of business and personnel structure.

### History of HPP Curtea de Arges

In 1961 thousands of "great masters, journeymen and masons", came along Arges bringing with them the Bicz experience to build in the beautiful valley of the legendary master Manole a hydroelectric power plant "even more beautiful and brighter".

Rushing waters of the Arges were embanked forever by the huge concrete chest of Vidraru Dam. Down the valley, at the foot of the mountain bearing Cetatea Poienari name appeared in the depths, like a crown, a huge building that houses the turbines where the horsepower starts on the power lines from strings. Thus, in 1966, with the commissioning of HPP Vidraru, has started the first form of today's subsidiary.

The history of hydro power plants under Curtea de Arges Hydro Subsidiary administration had began long before. After the plant was completed in 1884 providing power supply to Peles Castle, Romanian Society for electrical and industrial center put into operation Sinaia 0 Plant in 1899, initially with three groups of 250 kW, and later in 1901, adding the fourth group. It was at that time the largest plant in the country and the first central station generating electricity at 50 Hz frequency phase. In 1899, Sinaia 0 was interconnected with TEP Doftana by 8 kV line on wooden poles. The two objectives are true museum of Romanian hydro-energetic with original equipment still in operation. Between 1928 - 1930 was built HPP Dobrești with an installed capacity of 16 MW (the largest in the country until 1960, when it was put into operation the first hydroelectric aggregate Stejaru). Later, in 1953, was commissioned hydroelectric power Moroieni.

### Hydroelectric objectives

HPP Curtea de Arges subsidiary, with an installed capacity of 609.84 MW, used hydropower potential of river Arges, Dâmbovița, Tragului, Ialomita, Prahova, Barsa, Ghimbășel and Turcu. Outfitting components comprise a number of 51 power plants, hydro power plants and small hydroelectric power projects with a total energy of 1,200 GWh.



Barajul Vidraru

Subsidiary operates dams and barrages arched type dam and hydropower plants which are located underground, by

derivation and type dam, equipped with Francis turbines, Kaplan, Pelton, and EOS turbine helical.

Vidraru hydroelectric plant, commissioned on 9 December 1966, is the most important object under administration of the branch.

The dam is a double curvature concrete dam, with a height of 166.6 m and the crest length of 307 m. 480,000 cubic meters of concrete were necessary to build the dam. Lake has a total volume of 465 million cubic meters, an area of 870 ha and a length of 14 km. In underground station, located at 104 m below the Arges river, are located the 4 vertical Francis turbines of 55 MW each.

Gallery of running water discharge machined at the bottom of hydroelectric reservoir Oiești to be then used to cascade hydropower stations on the river, until Mihăilești. Among the secondary inlet Vidraru hydropower, the most important are Doamnei - Valea cu Pești and Topolog - Cumpăna.

Vidraru Hydroelectric scheme arrangement is completed by hydro Cumpăna and Valsan of 5 MW Hydropower and SHP Calugarita, and also arched concrete dam Doamnei, Cumpăna and Valsan.

Cascade hydropower stations on the Arges River downstream of Vidraru hydroelectric power plant are "up to date" equipped with two hydro with Kaplan turbines with power falls between 10-20 m and 8-16 MW, depending on the energy sector. Remote power dams are (Oiești and Cerbureni), dam type (Curtea de Argeș, Zigoneni, Vâlcele, Budeasa, Bascov, Pitești, Golești and Mihăilești) or deviation plants (Albești, Valea Iașului, Noapteș, Baiculești, Mănicești and Merișani).

Planning scheme designed for Dâmbovița River is intended for power generation in Clăbucet (IP = 64 MW), Rucăr (IP = 23 MW), Dragoslavele (IP = 7.7 MW), Frasin (IP = 0.6 MW), Văcărești (IP = 4.84 MW) and meet the needs of industrial water and irrigation expansion in Bucharest and Dâmbovița river basins and Colentina. Another plant under the administration of HPP Curtea de Argeș is performed on Tragului River and is intended to supply industrial water and drinking water for Campulung Muscel and electricity production power in Lerești (19 MW), Voinești (5.2 MW) and Schitu - Golesti (1.55 MW).

Ialomișa arrangement is of particular historical value due to HPP Dobrești (IP = 16 MW) built between 1928-1930.

HPP Moroieni (IP = 15 MW) was inaugurated in 1953 and then upgraded in 2003 to celebrate the 50th anniversary of the commissioning and hydroelectric Scropoasa with an installed capacity of 12 MW which was commissioned in 1983.

On Prahova river are placed small hydropower plants Peles, Sinaia 0, Sinaia 1, Sinaia 2, Sinaia 3, Nedelea 1 and Nedelea 2.

Heritage of the branch is completed by 8 SHP in Brasov area, located on rivers Barsa, Ghimbășel and Turcu, with a total installed capacity of 8.26 MW.

### **HPP Ramnicu Valcea**

On 07.11.2012, starting 17.30 hrs, the legal representative of EURO INSOL, Mrs. Remus Borza, met part of HPP Rm. Vâlcea employees.

From Executiv Hidroelectrica attended:

- Gheorghe Ștefan – General Manager
- Zachia Dragoș – Deputy General Manager
- Sima Ioan – Maintenance Manager

From Hidroserv Rm. Vâlcea:

- Dinculescu Gheorghe – General Manager
- Botoran Mircea – Technical Manager
- Ștefănescu Radu – Deputy Technical Manager

From HPP Rm. Vâlcea:

- Băviță Daniel – Manager of HPP Rm. Vâlcea
- Șerban Vergiliu - Deputy Technical Manager HPP Rm. Vâlcea
- Paraschiv Gheorghe – Manager of HEU Dorin Pavel
- Vîrje Constantin – Chief engineer HEU Dorin Pavel
- Heads of departments operating power heads, heads of functional departments and TESA employees

They discussed the causes of insolvency measures ordered by the legal administrator during July-November 2012 and implemented in future strategies on the organization and efficiency of business and personnel structure.

### **History of HPP Ramnicu Valcea**

Râmnicu Vâlcea Subsidiary was founded in 1969 as a hydropower plant company for the administration of 6 hydro power plants with total installed power of 274.35 MW, located on the Arges River, and running targets located on rivers Olt and Lotru.



**Lacul Vidra**

Due to the rapid development of energy facilities in the three river basins and their complexity by reorganizing work, in 1976, the subsidiary took into operation only Olt river and Lotru arrangements.

Since 2002, Râmnicu Vâlcea Subsidiary manages hydropower plants located on the river Lotru and on the middle of the river Olt (Gura Lotrului -Dragasani), and from 1 July 2010 the hydro

Arcești and Strejesti on the lower Olt.

Today, the Subsidiary includes 16 hydroelectric (33 hydro-aggregates), 3 pumping stations hydropower (7 groups of pumping) and 3 small hydro plants (6 hydro-aggregates). The total installed capacity is 1201.7 MW of which 643 MW in planning Lotru, 554.9 MW in Middle Olt, and 3.8 MW in SHP. Annual electricity production project is of 3043.61 GWh.



## Hydropower objectives

### Hydro power stations on Lotru River

Lotru flows from the lake of glacial origin Galcescu in Parang Mountains and is the main tributary of the Olt, with a length of 76 km and a catchment area of 1,024 square kilometers.



Hidrocentrala Lotru - Ciunget

Hydropower potential of the river Lotru arrangement was realized between 1965-1985 and is of particular importance because by its 160 kilometers of galleries adduction and through a complex system of dams and river flows adjacent focuses derivatives in a single build, Vidra.

Average annual potential of Lotru basin is 1,243 GWh energy recovery of debts accumulated in the lake Vidra can be done in three stages of failure rates ranging from 1289 m to 300 m, Ciunget, Malaia and Bradisor plants.

The main elements of hydropower Lotru are:

3 hydropower (Ciunget, Malaia and Bradisor) with a total installed capacity of 643 MW;  
3 stops pumping energy (Petrimanu, Jidoaia, Lotru-Aval) with a total installed capacity of 61.5 MW;

7 dams, out of which 5 concrete dams (Petrimanu, Galbenu, Jidoaia, Lotru-Aval, Bradisor) with heights ranging from 42 to 62 m, Vidra rock fill dam, Malaia dam made of local materials.

### Olt River hydro power stations- middle sector

With a length (670 km) and area of 24,010 sq km the catchment area is located in the Carpathian Mountains and on southern slopes of the Carpathians. Olt is one of the main rivers of the country.

Olt river hydropower potential is estimated at 1867 MW, representing 17% of potential inland rivers. Installed hydro flow increases as the river makes its way from its source in the high alpine mountain peaks Hasmasul Mare, flows into the Danube, reaching the middle to 330 cm / s.

Hydro power Olt started in 1969, by building hydroelectric forth. In the middle of the Olt are located 13 central-type hydroelectric dam equipped with Kaplan turbines (Gura Lotrului, Turnu, Calimanesti, Daesti, Ramnicu Valcea, Raureni, Govora Babeni, Ionesti, Zavideni, Dragasani, Strejesti, Arcesti), 3 SHP and 4 pumping stations with a total installed power of 558.7 MW and an electricity generation project of 1686.61 GWh / year.



## **B. Procedural measures**

### **1. General Meeting of Shareholders**

Since the last report, the Extraordinary General Meeting of Shareholders and Ordinary General Meeting were convened on 29 November 2012.

Meetings were convened and chaired by the legal administrator, in accordance with Art. 20, paragraph 1, lett. g) nr.85/2006 Law on insolvency proceedings, as amended and supplemented.

- Agenda of the Ordinary General Meeting was as follows:

1. Approval in principle of triggering fusion procedures by merging the 8 Hidroserv sites and setting up a new company, named "Hidroelectrica-Serv" SA, with the sole shareholder SC "Hidroelectrica" SA, in compliance with the Companies Law No.31/1990, republished, with subsequent amendments.

2. Empowerment of each Hidroserv Board to draw up and sign the merger by amalgamation in accordance with art. 241 of the Companies Law no. 31/1990, republished, with subsequent amendments.

This mandate shall include without limitation:

- drafting and signing of the merger and any amendments thereto, if any;
- selecting the independent assessor to produce reports for assets and liabilities of the company in order to draw up draft terms of merger;
- presentation / confirmation of financial statements in accordance with art. 244 of Law no. 31/1990 companies, republished, with subsequent modifications and amendments;
- preparing Directors' report on the merger explaining the merger and legal and economic foundations of the merger, especially on exchange rate shares of companies participating in the merger;
- perform any other action required or necessary for completion of the merger.
- meeting in person or by other authorized persons, at their option, all legal formalities required to complete the merger and formation Hidroelectrica-Serv SA before any authority, body or person, including but not limited to: (i) fusion Project submission to the Trade Registry and publication in the Official Gazette, (ii) liabilities signing statement, a statement about the way advertising the merger, (iii) signing any document necessary to complete the merger.

3. Confirmation that the reference dates of the financial statements to be used for establishing fusion to form the basis for establishing the Company's Project Fusion "Hidroelectrica-Serv" SA is June 30, 2012.

4. Mandating General Manager of each Hidroserv to ensure management of the merger, or to coordinate and to centralize aspects of implementing this process in the branch.

By decision of the ordinary General Meeting dated 29 November 2012 were adopted the followings:

1) It authorizes representatives of SC P.E.E.H. Hidroelectric S.A. for the Extraordinary General Meeting of Shareholders of each of the eight companies Hidroserv type, subsidiaries of SC P.E.E.H. Hidroelectrica to vote for approval of the merger by merging of the eight Hidroserv branches and establishment of SC Hidroelectrica - Serv SA, with sole shareholder SC P.E.E.H. Hidroelectrica SA, in compliance with Law no. 31/1990 republished, subsequently amended and supplemented.

2) The Boards of eight Hidroserv subsidiaries of SC P.E.E.H. Hidroelectrica will take all necessary measures for:

- Selection of independent assessors that will prepare assessment reports of the assets and liabilities of each of the eight branches;
- Approving the proposal for approval in the GMS, of (i) the reference date of the financial statements to be taken into consideration for the merger, in accordance with Law no. 31/1990 on companies, republished, with subsequent amendments and (ii) the appointment or not of an independent expert to examine the draft terms of merger and draw up written report to shareholders, in accordance with Art. 2433 par. (5) of Law no. 31/1990 on trading companies, republished, with subsequent amendments;
- Notifying the Competition Council in accordance with Article 15, para. (1) of the Competition Law no. 21/1996, as amended and supplemented;
- Empowering a person to coordinate the entire procedure for merger by amalgamation.

3) Empowers Mr. Emil Mihai Mesaros to sign in name and on behalf of shareholders all decisions of OGMS dated 29.11.2012.

The following decisions were adopted by the Extraordinary Meeting of Shareholders:

1) To approve the change, at the Trade Registry of the Court in Hunedoara, the headquarters of SC P.E.E.H. Hidroelectric S.A. Hydropower Branch Hațeg with the following identification:

- Object of activity: production of electricity - CAEN code 3511;
- Headquarter: Blvd Titulescu no. 23, Hațeg, Hunedoara County.

2) To approve the change of name of working point "Ciunget Technology Platform" under the administration of HPP Ramnicu Valcea in Hydroelectric Plant "Dorin Pavel" and registration of the amendment at the Trade Registry.

3) Empowers Mr. Emil Mihai Mesaros to sign in name and on behalf of shareholders decisions of EGM dated 29.11.2012.

## **2. Report regarding litigations in November 2012**

After pronouncement was delayed for 21 and 28 November 2012 the Bucharest Court of Appeals ruled solutions in the first nine claims against the preliminary table of Hidroelectrica, with hearings on November 14, 2012.

All appeals of the legal administrator EURO INSOL had prevailed, and appeals of court were rejected as unfounded.

Favorable solutions indicate that the legal administrator has made correct and legal statements of claim and enrolled in the debt only those amounts considered certain, liquid and due debts of Hidroelectrica, declining enrollment insufficiently documented or reported late claims under the Law insolvency.

On 28 November 2012 hearings regarding other 10 complaints filed by creditors against the preliminary table Hidroelectrica took place, including appeals brought by traders Alpiq RomIndustries and Alpiq RomEnergie whose bilateral contracts of sale and purchase of electricity were terminated by the legal administrator. The two traders, part of Alpiq group, were seeking compensation that accrued over 250 million for denunciation contracts with Hidroelectrica, representing profit which is no longer realized from selling energy supplied by Hidroelectrica.

The appeals of the two Alpiq were postponed at their request to communicate defense, court deadlines are set for 6 and 20 February 2013.

The other 4 complaints of creditors remained to be solved by Bucharest Court that will give a solution on December 5, 2012.

Regarding speculation in the press about the fact that Hidroelectrica might have lost the dispute with Energy Holding we mention that Energy Holding originally asked the court damages in the amount of 77 million, but the request was rejected by the Court of Appeal on 12 November 2012 in 11017/2/2012 case, in which were solved the requests made by Energy Holding and Hidroelectrica against acts of the Chamber of Commerce and Industry. The Court of Appeal considered that the notice of force majeure issued by Hidroelectrica in September 2011 - contested by Energy Holding - and the resolution to cancel the notice of force majeure - attacked by Hidroelectrica – do not represent administrative acts; these can be attacked by common law (civil Code).

Both Hidroelectrica and Energy Holding contested acts mentioned on administrative disputes procedure, as they lead to article 1 and 28 of the Law regarding Chambers of Commerce no. 335/2007, according to which the Chambers of Commerce are public benefit organizations with legal personality, in conjunction with Art. 2 para. (1). b) of Law 554/2004 on administrative procedure, which mentions that the public authority is any organ of state or local governments acting in a public power to meet the public interest; are treated as public authorities for the purposes of this law, private legal persons which, by law, have obtained the status of public utility or are authorized to provide a public service.

In light of these provisions, it was considered justified that both Notice and Resolution are documents issued by a legal person of private law (Chamber of Commerce), which

has the status of public utility regulations entering into the sphere of the administrative courts. However, the Court of Appeal held that the contested provisions are administrative and will be canceled on the common law procedure.

Trader Energy Holding filed an application to be registered in the claims table of Hidroelectrica, for the amount of RON 91,137,692.26, but this amount was rejected by Hidroelectrica legal administrator, as claim was considered as not a certain, liquid and due debt in terms of insolvency law.

Energy Holding contested the rejection of his claim; first hearing of the appeal against the debtor regarding Claims Preliminary Table Hidroelectrica is set on 20.02.2013.

Please find below details of each file separately.

Legal administrator represented SC HIDROELECTRICA SA as debtor in the following litigations:

**1. File no. 3057/2/2012 - The Court of Appeal Bucharest**

**PARTIES:** FILIALA HIDROELECTRICA HIDROSIND- Plaintiff

ROMANIAN GOVERNMENT: Defendant

MINISTRY OF ECONOMY, TRADE AND BUSINESS ENVIRONMENT: Intervener

SC HIDROELECTRICA SA- Defendant

**OBJECT:** Cancelling of GD 38/2012 (Hidroelectrica listing)

At the hearing dated 29.11.2012 the court ascertained the cause and ordered deferral on 13.12.2012.

**2. File no. 50454/3/2009\* - The Bucharest Court**

**PARTIES:** ANGELESCU TATULEA SANDA ADELA – Contester

BODEA-TATULEA VERONICA EDITA – Contester

SC HIDROELECTRICA SA- Intimate

**OBJECT:** Law 10/2001

At the hearing dated 26.11.2012 court adjourned the case, deciding hearings on 28.01.2013.

**3. File no.. 28176/3/2006 – The Bucharest Court**

**PARTIES:** Asan, Traian Oprea, and others - defendants

SC HIDROELECTRICA SA- civil part

**OBJECT:** Abuse against public interest

At the hearing dated 09.11.2012, we applied for a civil party. The court has not gave a solution until this date.

**4. File no. 41292/3/2012 – The Bucharest Court**

**PARTIES:** SC HIDROELECTRICA SA- defendant

HIDROELECTRICA HIDROSIND with chosen office at SCA CINCAN & CONSTANTIN : Plaintiff

HIDROELECTRICA HIDROSIND UNION with chosen office at SCA CINCAN & CONSTANTIN : Plaintiff

**OBJECT:** injunctive

At the hearing on 08.11.2012, the court took note of the request for waiver of Plaintiff and canceled as unpaid subscribed by counter claim request.

**5. File no. 1313/2/2012 - The Court of Appeal Bucharest**

**PARTIES:** Hidroelectrica- Plaintiff

NAER- defendant

**OBJECT:** administrative cancellation

At the hearing on 07.11.2012, the court rejected as unfounded.

**6. File no. 41292/3/2012 – The Bucharest Court**

**PARTIES:** SC HIDROELECTRICA SA- defendant

FILIALA HIDROELECTRICA HIDROSIND with chosen office at SCA CINCAN & CONSTANTIN : Plaintiff

SINDICATUL HIDROELECTRICA HIDROSIND with chosen office at SCA CINCAN & CONSTANTIN: Plaintiff

**OBJECT:** injunctive

At the hearing dated 16.11.2012 the court adjourned the case on 07.12.2012, to enable Hidroelectrica to prepare defenses. Also ordered injunctive severance fund, receiving file no. 46447/3/2012 with hearings on 25.01.2013.

**7. File no. 8271/2/2012 – The Court of Appeal Bucharest**

**PARTIES:** SC HIDROCONSTRUCȚIA SA : Plaintiff

MUNTEAN VASILE : Defendant

HIDROELECTRICA SA- Defendant

**OBJECT:** temporary suspension of execution

At the hearing on 21.11.2012, the court granted term to Hidroconstructia to bring registry certificates and submit the file to its own calculation of bail, saying the court bail amount would be 10% of RON 11,280 then the term dated 28.11.2012, following the view of Hidroconstructia, the court set bail in the sum of RON 4202 and granted term on 07.12.2012.

**8. File no. 37358/3/2012 – The Bucharest Court**

**PARTIES :** ANDRITZ HYDRO GMBH RAVENSBURG- conteste

HIDROELECTRICA SA- respondent

EURO INSOL SPRL- legal administrator

**OBJECT :** appeal to preliminary table

At the time of trial court dated 28.11.2012 as the pronouncement retained and will be delivered on 12.12.2012.



**9. File no. 36549/3/2012 – The Bucharest Court**

**PARTIES :** ALPIQ ROMINDUSTRIES SRL – conteste

HIDROELECTRICA SA- respondent

EURO INSOL SPRL- legal administrator

**OBJECT :** appeal to preliminary table

At the time of trial court dated 28.11.2012 granted the judgment on 20.02.2013 for Alpiq Romindustries to acquaint with defense statement.

**10. File no. 36546/3/2012– The Bucharest Court**

**PARTIES :** ALPIQ ROMENERGIE SRL - conteste

HIDROELECTRICA SA- respondent

EURO INSOL SPRL- legal administrator

**OBJECT :** appeal to preliminary table

At the time of trial court dated 28.11.2012 granted the judgment on 20.02.2013 for Alpiq Romindustries to acquaint with defense statement.

**11. File no. 36109/3/2012 – The Bucharest Court**

**PARTIES :** SC BUSINESS PLUS SRL - conteste

HIDROELECTRICA SA- respondent

EURO INSOL SPRL- legal administrator

**OBJECT :** appeal to preliminary table

Because the court found the term pronouncement dated 14.11.2012 and on 28.11.2012 rejected the application for relief filed by SC BUSINESS PLUS SRL was unfounded and dismissed appeal on the preliminary table of HIDROELECTRICA made by SC BUSINESS PLUS SRL as unfounded.

**12. File no. 36241/3/2012 – The Bucharest Court**

**PARTIES :** HIDROELECTRICA SA- respondent

AN APELE ROMANE EXPLOATAREA COMPLEXA STANCA COSTESTI -  
conteste

EURO INSOL SPRL- legal administrator

**OBJECT :** appeal to preliminary table

Because the court found the term pronouncement dated 14.11.2012 and on 28.11.2012 dismissed the appeal as unfounded, forcing objector to pay the sum of RON 16,821.84 in respect of costs by legal administrator EURO INSOL SPRL.

**13. File no. 36309/3/2012– The Bucharest Court**

**PARTIES :** HIDROELECTRICA SA- respondent

INSPECTORATUL DE JANDARMI JUDETEAN ARGES - UM 0681 PITESTI -  
conteste

EURO INSOL SPRL- legal administrator

**OBJECT :** appeal to preliminary table

The court allowed the appeal in part and ordered registration of the debt amounting RON 109,945.84 in the final table of the debtor claims of HIDROELECTRICA SA.





**14. File no. 36373/3/2012– The Bucharest Court**

**PARTIES :** HIDROELECTRICA SA- respondent

ADMINISTRATIA NAȚIONALĂ APELE ROMANE-ADMINISTRATIA BAZINALA

APĂ SOMEȘ-TISA - contestator

EURO INSOL SPRL- legal administrator

**OBJECT:** appeal to preliminary table

The court dismissed the action as unpaid.

**15. File no. 36375/3/2012– The Bucharest Court**

**PARTIES:** HIDROELECTRICA SA- respondent

ADMINISTRATIA NAȚIONALĂ APELE ROMANE-ADMINISTRATIA BAZINALA

APĂ SIRET - contestator

EURO INSOL SPRL- legal administrator

**OBJECT:** appeal to preliminary table

At the time of trial court dated 14.11.2012, the court retained the pronouncement on the application for exemption from stamp duty formulated by appeal. On 11.28.2012, the court ruled aforementioned rejection and granted hearings on 23.01.2013.

**16. File no. 36376/3/2012– The Bucharest Court**

**PARTIES:** HIDROELECTRICA SA- respondent

ADMINISTRATIA NAȚIONALĂ APELE ROMANE-ADMINISTRATIA BAZINALA

DE APĂ BUZĂU-IALOMIȚA - contestator

EURO INSOL SPRL- legal administrator

**OBJECT:** appeal to preliminary table

The court retained the pronouncement term dated 14.11.2012 and on 28.11.2012 dismissed the appeal as unfounded, forcing objector to pay the sum of RON 16,821.84 in respect of costs to legal administrator EURO INSOL SPRL.

**17. File no. 36378/3/2012– The Bucharest Court**

**PARTIES:** HIDROELECTRICA SA- respondent

ADMINISTRATIA NAȚIONALĂ APELE ROMANE-ADMINISTRATIA BAZINALA

DE APĂ BUZĂU-IALOMIȚA - contestator

EURO INSOL SPRL- legal administrator

**OBJECT:** appeal to preliminary table

The court retained the pronouncement term dated 14.11.2012 and on 28.11.2012 dismissed the appeal as unfounded, forcing objector to pay the sum of RON 16,821.84 in respect of costs to legal administrator EURO INSOL SPRL.

**18. File no. 36548/3/2012– The Bucharest Court**

**PARTIES :** HIDROELECTRICA SA- respondent

SC NGM COMPANY SRL - contestator

EURO INSOL SPRL- legal administrator

**OBJECT :** appeal to preliminary table

The court noted its delivery due on dated 28.11.2012 and delay pronounced for 12.12.2012.



**19. File no. 36548/3/2012– The Bucharest Court**

**PARTIES:** HIDROELECTRICA SA- respondent

SC ROMTELECOM SA - conteste

EURO INSOL SPRL- legal administrator

**OBJECT:** appeal to preliminary table

At the request, the court ordered the adjournment of the case on 06.02.2013 for Romtelecom to acquaint with defense statement.

**20. File no. 37032/3/2012 – The Bucharest Court**

**PARTIES:** HIDROELECTRICA SA- respondent

SC GTS TELECOM SRL – conteste

EURO INSOL SPRL- legal administrator

**OBJECT:** appeal to preliminary table

At the request, the court ordered the adjournment of the case on 28.11.2012 and postpones pronouncement for 12.12.2012.

**21. File no.. 37368/3/2012– The Bucharest Court**

**PARTIES:** HIDROELECTRICA SA- respondent

SC NEI GUARD SRL - conteste

EURO INSOL SPRL- legal administrator

**OBJECT:** appeal to preliminary table

The court upheld objector purposing to grant a period to get to know the content and postponed hearing of the cause on 20.02.2013.

Legal administrator

**EURO INSOL SPRL**

By coordinating practitioner

Attorney at law. Dr. Remus Adrian Borza

## Annex 1

Chapter	No.	Works	Revenues 9 months 2012			Program Quarter IV 2012			Total year 2012		
			Own sources	Loans	TOTAL	Own sources	Loans	TOTAL	Own sources	Loans	TOTAL
<b>CAP. I - TOTAL out of which:</b>		<b>Investment objectives</b>	<b>343,854</b>	<b>0</b>	<b>343,854</b>	<b>116,543</b>	<b>0</b>	<b>116,543</b>	<b>460,397</b>	<b>0</b>	<b>460,397</b>
CAP. IA,	1-20	Further investment objectives with the main credit from MECBE	325,512	0	325,512	105,537	0	105,537	431,049	0	431,049
CAP. IB,	21-45	Further investment objectives with the main credit from Hidroelectrica	18,342	0	18,342	11,006	0	11,006	29,348	0	29,348
CAP. IC	46-48	New investment objectives with execution beginning in 2012, with the main credit from Hidroelectrica -	0	0	0	0	0	0	0	0	0
<b>CAP. II - TOTAL out of which:</b>		<b>Modernization and refurbishment similar investments financed from own sources</b>	<b>84,302</b>	<b>158,690</b>	<b>242,992</b>	<b>49,411</b>	<b>24,721</b>	<b>74,132</b>	<b>133,713</b>	<b>183,411</b>	<b>317,124</b>
CAP - II A	49-96	Works in progress	82,323	158,690	241,013	45,700	24,721	70,421	128,023	183,411	311,434
CAP. II B	97-100	Works started the year 2012	1,979	0	1,979	3,711	0	3,711	5,690	0	5,690
CAP. III	101-114	Own equipment and machinery employed	130	0	130	365	0	365	495	0	495
CAP. IV	115-141	Registration of land charges and trials for future investment, own sources	2,587	0	2,587	2,652	0	2,652	5,239	0	5,239
<b>PROGRAM TOTAL</b>			<b>430,873</b>	<b>158,690</b>	<b>589,563</b>	<b>168,971</b>	<b>24,721</b>	<b>193,692</b>	<b>599,844</b>	<b>183,411</b>	<b>783,255</b>