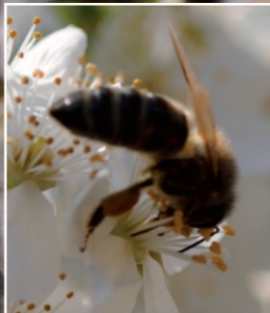


10 years



Thinking to  
the further  
products



**OPCOM**

Annual Report 2009

**OPCOM Electricity Market Operator**

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## CEO message

PXs support long term security of supply by ensuring price signal for efficient investment in due time as well as short term security of supply by efficiently balancing the generation and demand.

**LONG TERM:** PXs help investment by putting price on energy and carbon;

**SHORT TERM:** Neutral framework to meet offer and demand provided by PXs helps market to select efficient generation and discourage waste on demand side; also they guarantee the money come fast.

The services which only electricity market operators can provide:

- Reliable price reference
- Trading facilitation on different term horizons in liquid PX products
- Efficient portfolio adjustment
- Counterparty risk undertaking
- Correct XB capacity allocation through adequate flows providing thus maximizing the capacity utilization

OPCOM is one of the earliest national electricity market administrators in Europe, as well as one of the most liquid market places in terms of acquired market share. Its success is belonging to the participants' activity meaning also the advisory framework of the product groups as well as to the employees' effort. We aim to attract the interest of the electricity trading companies belonging to Romania as well as those coming from overall Europe by providing a well balanced products' portfolio.

The regional integration under the umbrella of unique EU model is what we fully support and promote.





## Thinking to the further products

The harvest of 2009, the tenth year of the OPCOM existence and activity was obviously the most impressive in terms of numbers and figures.

It was the largest market share for both deliveries in day ahead and in forward contracts' markets, as well as the highest number of the green certificates traded. The attractiveness of the OPCOM products was mirrored by the highest participants' number in all the four markets. This was however not only the result of last year OPCOM's activity but is also rewarding the intense work during 2003-2005 years, that one building on the previous years basis. The last four years meant consolidation period with the main result being the counterpart role implementation in 2008 after the continuous trading launch in 2007, which both represent the core of the further envisaged enhancements.

The international presence of OPCOM was manifested in both associations framework and in bilateral contacts.

The relation with main stakeholders in the neighboring countries was more balanced and mature than during the previous years. Despite the difficulties faced by Hungarian stakeholders Mavir and HUPX in launching the spot market we remain their reliable partners for market coupling once current difficulties removed. Looking beyond the nearest borders, the coupling Czech Republic-Slovakia was welcomed at that time by OPCOM and OTE is another reliable partner in Central Eastern Europe. The revival of long term plans of cooperation with Bulgarian system operator ESO is removing concerns regarding efficiency of the never ending discussions about cross border capacity allocation procedures.

First contacts with Serbian independent system operator EMS showed symmetry of opinions regarding the sustainable ways for regional integration. The second step of OPCOM – TEI AS discussions held in Ankara has demonstrated high potential of future cooperation.

Meanwhile, it is a matter of wisdom to see in the plenty harvest of the fall the needs of the future spring renewals.

Enjoying vertical development which led the number of participants and the markets' share at the unexpected levels when products launched, we feel obliged to see that some time horizons are still not covered by our current range of products as well as environmental market based instruments are represented in our portfolio by only the green certificates product. This is inviting us to work for horizontal portfolio enhancement.

The plans for future products were starting in 2009 with the aim to enlarge the offer in 2010 - 2011 by including intra-day energy trading, different certificates and financial instruments. The alliances are part of the plan, as well as market feedback and support from the authorities.

The regional / European cooperation is aiming for sustainable building on European Union models in ongoing preparation. OPCOM believes in idea of price coupling reinforced last year by the European Electricity Regulatory Forum in Rome and now declares its full support to the Price Coupling of the Regions as the core of EUROPEX strategy. The NASDAQ / Nord Pool Consulting support is the main pillar of our strategy to connect the markets through price coupling and intra-day continuous trading.

Victor Ionescu, CEO

## General Shareholders Assembly

<b>Dumitru Barascu</b>	<b>MECMA</b>
<b>Ioana Apan</b>	<b>MECMA</b>
<b>Marius Untescu</b>	<b>MECMA</b>

## The Board of OPCOM

<b>Anca Ioana Dobrica</b>	<b>MECMA</b>
<b>Radu Nicolae Chiurtu</b>	<b>MECMA</b>
<b>Monica Maurer – George</b>	<b>MECMA</b>
<b>Denisa Luminita Patirlageanu</b>	<b>MECMA</b>
<b>Victor Ionescu</b>	<b>OPCOM</b>

The Power Market Operator SC OPCOM SA was established through the Government Decision no. 627/13.07.2000 – “Decision on the reorganization of the National Electricity Company CONEL SA”, published in the Official Journal no. 357/31.07.2000 – as a subsidiary of the Transmission System Operator CN Transelectrica SA.

CN Transelectrica SA participates in OPCOM’s share capital as the sole shareholder.

OPCOM’s activity is performed under the license granted by the Romanian Energy Regulatory Authority.

OPCOM SA was registered with the Trade Register under the no. J40/7542/15.08.2000 and owns the tax registration certificate – tax code RO13278352.

The Company’s headquarter is located in Bucharest, 16-18 Hristo Botev Street, 3<sup>rd</sup> district.

OPCOM’s role is the operation of the electricity market by ensuring a continuous, orderly, efficient, fair and transparent performing of transactions and commercial trades under regulated conditions regarding the protection of the participants licensed as producers or suppliers and of the eligible consumers.

The main activity consists in the set up, organization, administration and development of the

- day ahead market, at a national and regional level;
- centralized market for bilateral contracts and the centralized market for continuous negotiation contracts (forward-type);
- market for green certificates and centralized market for green certificates;
- analysis and validation of the data related to the exchanges of electricity measured by the owners of the measurement groups, aggregated by the Balancing Responsible Party and communicated by OMEPA – the Measurement Operator for the wholesale power market, according to the provisions of the Romanian Energy Regulatory Authority’s Order no. 81/2006;
- administered markets’ surveillance

as well as playing the role of

- settlement operator for the Day Ahead market and the Centralised Green Certificates Market;
- settlement operator for the Balancing Market organized by CN Transelectrica SA.



## Management Report

SC OPCOM SA is the Romanian Power Market Operator, in accordance with the Government Decision no. 627/2000. Its activity includes services related to the organisation and administration of electricity markets, as well as settlement services, in conformity with the responsibilities established by the relevant authority. OPCOM offers an organised environment, viable and efficient for performing commercial trades on the wholesale electricity market under conditions of consistency, correctness, objectivity, independence, impartiality, transparency and non-discrimination. In order to provide these services, OPCOM's activity of organizing and operating the markets is based on the following activities: financial and administrative, Information Technology and Telecommunications, development, international cooperation and public relations. The compliance of the market operation with the secondary legislation, the markets' performance and the participants' behaviour are monitored by a specialized department that performs activities related to monitoring and reporting. The compliance of the employees' activity with the provisions of the internal rules and procedures is ensured by the quality assurance activity.

### **LEGAL, REGULATORY, INTERNAL ADMINISTRATIVE AND BUSINESS FRAMEWORK**

The Romanian Power Market Operator OPCOM SA runs its activity in accordance with the provisions of the Energy Law no. 13/2007, the License Conditions no. 407 – revision 1/2005 granted by the Romanian Energy Regulatory Authority (ANRE) for the Power Market Operator activity and with the provisions of the secondary legislation issued and approved by the relevant authority, the Rules governing the functioning and organisation of SC OPCOM SA and the internal rules and procedures.

The functioning of the Romanian electricity market, and namely the market activities of the companies from the electricity sector and the ones of the Romanian Power Market Operator "OPCOM" SA, was deployed in 2009 in accordance with the regulations in force issued and approved by the relevant authority.

OPCOM's current activity is a regulated one, which was deployed also during 2009 according to the applicable provisions of the power market operator license and the ANRE regulations.

OPCOM's economic and financial activity for 2007 – 2009 was deployed based on the indicators included in the annual Income and Expenditure Budget approved. The volume of electricity for which OPCOM provides services of organising and administrating the electricity market, as well as settlement services, based on a regulated tariff, according to the regulations in force, recorded an ascendant evolution during 2007-2008 due to a substantial macroeconomic growth in 2008, which led to a high level of electricity consumption. For 2009, the forecast projected a decrease in the consumption, which was confirmed later on by the realized values.

## management report . . . management report . . . management report . . . management report . . .

The tariffs that apply to the services provided by OPCOM are established by ordinances of the Romanian Energy Regulatory Authority. For 2008-2009, the tariff approved for the services provided to the participants on the administered markets was maintained constant, the Authority considering that the high level of the profit must be calibrated for all the regulated activities. For 2008-2009 and 2010, the tariff was not modified, the Executive Board having the responsibility of adjusting its expenses so as the revenues ensure the services provided to the market participants under conditions of efficiency of the administered markets, and a profit of up to 7%.

### QUALITY MANAGEMENT SYSTEM

During the 6 years of implementing the Quality Management System (QMS), OPCOM was subject to two processes of recertification, in July 2006 and July 2009, the last recertification being performed by Loyd's Register Quality Assurance (LRQA) with respect to the updated edition (dating November 2008) of the ISO 9001 standard. During the recertification auditing conducted in July 2009, all the company's processes and departments were verified. The conclusions of this auditing showed that all the processes are being performed under full compliance with the internal procedures and the regulations in force, that no situations of non-conformity were identified and that OPCOM's QMS is a mature system, constantly improved and proving a client-oriented strategy.

### IT SYSTEMS ADMINISTRATION

Throughout the entire year of 2009, these were the main responsibilities of the IT&Tc Division, the whole activity having as prime objective the functioning of the company's Information Technology and Telecommunications systems, in accordance with the provisions of the primary legislation of the electricity sector, among which: the Electricity Law and Romania's Energy Strategy, as well as with the provisions of the secondary legislation, by ensuring the conformity with the conditions stipulated in the license granted by ANRE. Mostly due to the international financial background, the development activity in 2009 was less significant concerning the external relations and more focused on the internal development of the IT systems in order to increase their flexibility, to achieve a better mastering of their features by the employees of the IT&Tc Division so as to be able to identify viable and economically efficient solutions for the future development of the company.

### ADMINISTERED MARKETS OPERATION SURVEILLANCE

The weekly and monthly reports presented data related to performance and concentration, data related to participants' behaviour on these markets, as well as unusual situations. In 2009, the published information was broadened to include:

- Daily report concerning the participation and concentration on the DAM, by outlining the active participants, the concentration ratio for the first three sellers/buyers and the Herfindahl-Hirschman Index on the selling and buying side;



## ement report . . .management report . . .management report . . .management report

- Weekly report concerning the functioning of the DAM for the week preceding the report;
- Monthly report concerning the participation and the concentration on the CMBC, by outlining the active participants, the concentration ratio for the first three sellers/buyers and the Herfindahl-Hirschman Index on the selling and buying side for the month preceding the report.

### THE ADMINISTERED MARKET PERFORMANCE

#### *The Day Ahead Market*

The 69 participants active on the DAM platform in the last month of 2009 have contributed to trade the largest monthly volume of electricity in the last five months of the spot market operation and to achieve for the third consecutive time since 2007, higher results aggregated at annual level than the previous calendar year. Annual values indicate a substantial increase of the average volume hourly traded from 468.714 MWh/h in 2006, 575.707MWh/h in 2007 and 592.852 MWh/h in 2008 to 724.494 MWh/h in 2009. The benchmarking of the past two years indicates an increase of 22.20% in 2009 compared to 2008. The spot market share of the internal consumption gained more than three percentage points in 2009, evolving from 9.56% in 2008 to 12.64% in 2009, while the average price dropped from 188.21 lei/MWh (51.21 EUR/MWh) to 145.26 lei/MWh (34.29 EUR/MWh), respectively weighted average price from 192.80 lei/MWh (52.40 EUR/MWh) to 155.35 lei/MWh (36.69 EUR/MWh).

This is the biggest price difference recorded from year to year, the decrease being from 2009 to 2008 of 22.82% in local currency, and of 33.03% in the single European currency.

A highly interest for spot trading was maintained throughout the year, the number of participants who submitted at least one bid in 2009 being the highest since July 2005 until now, 85, this representing about 87% of the 98 DAM members existing at the end of 2009. The expressed intentions materialized this year in hourly transactions that have varied in a range between 316 MWh/h and 1,333 MWh/h, the upper limit representing an absolute maximum of the entire period of spot trading with the new mechanisms, transactions being settled in all hourly intervals. The volume of these transactions amounted to at least 700 MWh/h in half of the hourly intervals of the year, equivalent to almost 12% of the annual average hourly consumption, while in only 960 cases (11% of the 8,760 intervals) the volume of transactions was less than 500 MWh/h.

Annual average prices corresponding to hourly electricity transactions in spot markets in Europe have dropped, being placed in 2009 in a range between 34 EUR/MWh and 64 EUR/MWh, the average of the prices set by OPCOM, 34.29 EUR/MWh, being the lowest in Europe, at a distance of 15 percent below the European average, 40.56 EUR/MWh.

There were no problems in meeting commitments of payment under terms provided, payment obligations/rights of collection for the electricity with delivery in 2009 amounting to, including VAT, 1,173.3 million lei (277.1 million EUR).

***The Centralized Market for Bilateral Contracts awarded through public auction***

With the largest quantity of electricity set in delivery according to public auctions conducted on CMBC, the year 2009 falls in the annual growth trend started in 2006, the 11.3 TWh corresponding to a number of 93 contracts with delivery in 2009. These deliveries secured 22.75% of the estimated electricity at an average price of 190.44 lei/MWh (44.41 EUR/MWh) and a weighted average price of 194.20 lei/MWh (45.28 EUR/MWh). Participants' interest for trading on CMBC this year is proved by 32 participants submitting bids, the intentions expressed in 2009 being materialized in transactions that totaled 4.8 TWh, a share of 79% of this amount being set for delivery in 2010. So far, last year's transactions secure deliveries of 3.8 TWh in 2010, representing almost 7.7% of consumption at an average price of 166.68 lei/MWh (39.64 EUR/MWh) and weighted average price of 154.67 lei/MWh (36.79 EUR/MWh), very close to the average spot price of transactions in 2009. These trends equally reflect realities and participants' expectancies in 2009 as well as for 2010, mainly a preference oriented, at least until now towards trades with short term deliveries on the background of the domestic electricity needs characterized by an uncertainty higher than previously.

***The Centralized Market for Bilateral Contracts with continuous negotiation***

Electricity deliveries in 2009, entirely arose from last year process of continuous trading on the CMBC-CN electronic platform, amounts to 56,496 MWh, respectively a share of 0.11% of the estimated electricity consumption and represents the equivalent of 172 contracts, of which 122 are standard weekly base load contracts and 50 monthly base load contracts, traded at an average price of 163.67 lei/MWh (38.13 EUR/MWh).

***The Centralized Market for Green Certificates***

141,607 green certificates were traded in 2009, out of which 38,171 certificates were purchased by suppliers on the centralized market administered by OPCOM in order to meet the mandatory quota for 2008 and 103,436 certificates were purchased to meet the quota for 2009, the latter representing the equivalent to 46.53% of certificates issued by the last deadline for bidding, December 15th, 2009. The average price for the green certificates traded to meet the mandatory quota for 2009 was 215.34 lei/certificate (55 EUR/certificate at the average exchange rate for December 2008, 3.9153 lei).



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### *The Settlement*

The excellent results recorded in Day Ahead market were due widely, to the robust collection and payment mechanism put in place since July 2008, based on the role of counterparty assumed by OPCOM. Payments related to DAM transactions totaled in 2009, including VAT, 1,173.3 million lei (277.1 million euro), out of which two banking days payments totaled 1,100.4 million lei (259.9 million euro), the difference representing the amount of compensation between participants and central counterparty.

According to the provisions of the in force regulations, settlement activity included the calculation of the quantities and the collection rights/payment obligations for:

- trades concluded on Day Ahead Market of 985.9 million lei, without VAT, (232.9 million euro) and Green Certificates Market of 29.7 million lei (7.8 million euro), corresponding to green certificates traded in 2009 to meet the mandatory quota for 2008 and 2009;
- trades on the balancing market administered by Transelectrica amounting to 325.1 million lei for upward regulation and, respectively, 139.8 million lei for downward regulation;
- the imbalances of the balance responsible parties of 151.8 million lei corresponding to positive imbalances and, respectively, 325.1 million lei corresponding to negative imbalances, as well as, settlement of information imbalances of the dispatchable units of 173,282 lei.

The residual costs or income resulting from the system balancing have been determined and redistributed.

## Markets: Facts and Figures



The performance of the transactions organized in 2009 by OPCOM is characterized by three indications with positive trends:

- Both number of participants registered in all four markets operated by OPCOM and active participation increased.
- Both delivery volumes and market shares of these deliveries have increased substantially over the previous year. The share of deliveries exceeded 35%.
- For the first time, the average price of transactions decreased compared to the previous year, both in the spot market and bilateral contracts markets.

In 2009, the transactions in the day ahead market alongside the contracts in progress on bilateral contracts markets amounted to an electricity volume of 17,724,035 MWh, the two markets together providing 35.33% of the estimated consumption for this year. However, transactions in 2009 concluded by public auction on CMBC announce now an amount of 3,823,540 MWh set to be delivered in 2010, representing a share of 7.68% of the estimated consumption of this year.

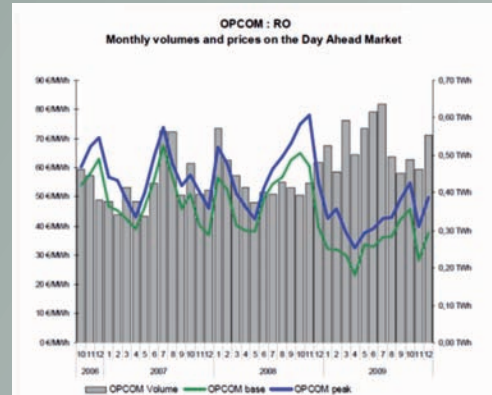
Additional to the electricity transactions, a number of 169,880 green certificates were centralized traded within 12 monthly auctions carried out in order to meet the mandatory quota for 2009.

Day Ahead Market	2009	2008	2007	2006
<b>Trades</b>				
Total volume [MWh]	6,346,571	5,207,616	5,043,193	4,105,931
Avg. volume [MWh/h]	724	593	576	469
Market share [%]	12.67	9.56	9.40	7.88
Value [Euro]	232,869,539	272,844,957	251,683,353	192,495,636
<b>Market for Bilateral Contracts attributed through public auctions</b>				
<b>Traded contracts</b>				
Number	31	97	158	34
Volume [MWh]	4,836,466	11,483,189	11,859,780	2,959,125
Value [Euro]	181,608,409	602,048,866	622,711,721	126,177,630
<b>Deliveries</b>				
Volume [MWh]	11,320,968	8,612,019	6,507,638	1,254,579
Value [Euro]	525,211,483	418,691,095	327,648,109	44,973,677
Market share [%]	22.60	15.81	12.13	2.41
<b>Centralized Market for Bilateral Contracts with Continuous Negotiation</b>				
<b>Traded contracts</b>				
Number	172	165	82	
Volume [MWh]	56,496	36,360	22,208	
Value [Euro]	2,135,191	2,064,053	1,228,489	
<b>Centralized Market for Green Certificates</b>				
<b>Green Certificates Trades</b>				
Number	169,880	110,109	41,364	20,939
Value [Euro]	9,343,400	5,214,574	1,737,234	879,415

The Day Ahead Market is the most appreciated OPCOM market by participants due to both its similarity with the mechanisms of the analogue instruments within other market places' framework in EU and the introduction in 2008 of an efficient model for the counterpart role implementation.

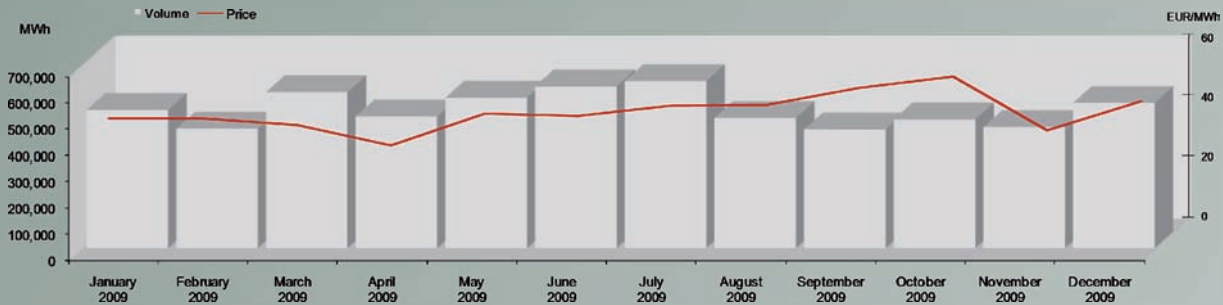
While no entrance fee and no initial guarantee are required, the needed guarantee being sized by only day by day trading intention there is no surprise that one of the crisis consequences was the participants conducting their interest to this product trading.

Special attention will be paid further to the enhancement of existing feature (hourly bids) with block bids, flexible and price independent bids. It will be vehicle for Romanian market coupling with the envisaged spot markets in the neighboring countries.



Source: European Commission - Quarterly report Q4 2009

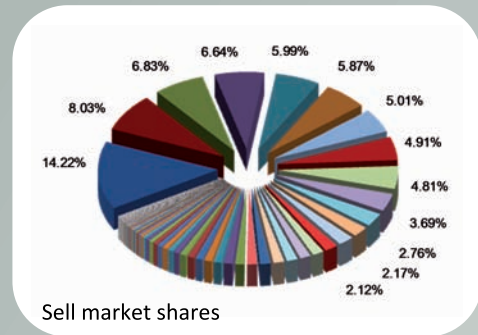
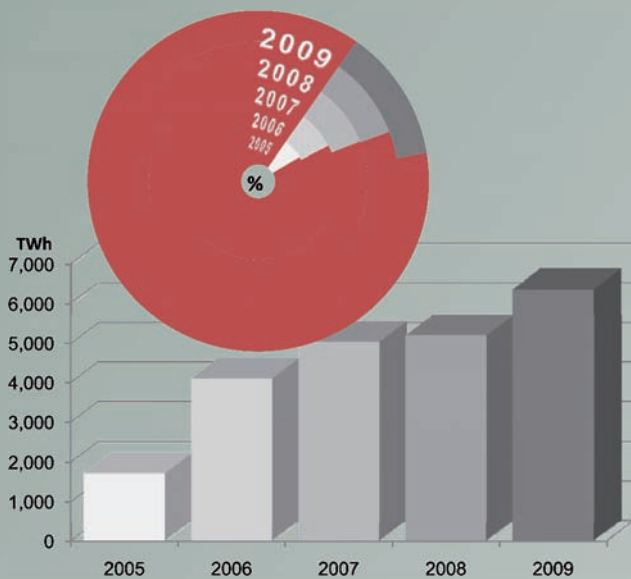
Day Ahead Market



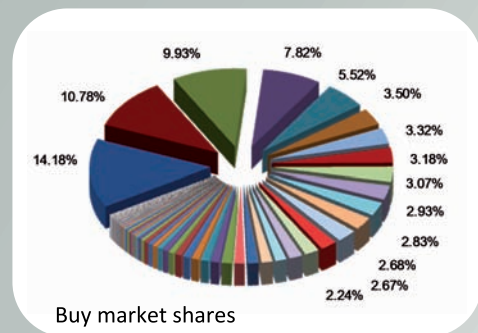
Monthly DAM volumes and prices. Year 2009.

DAM volumes and shares (% from Romanian Consumption)

Year on year from 2005 to 2009



Sell market shares



Buy market shares

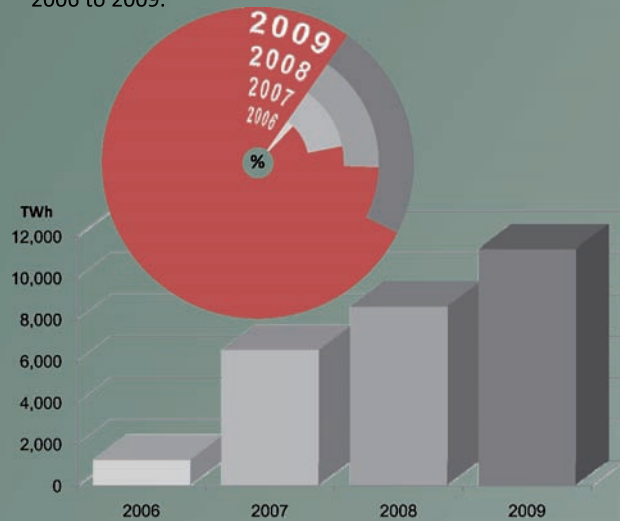
Participants: 85 active out of 98 registered





# Physical Forward Markets

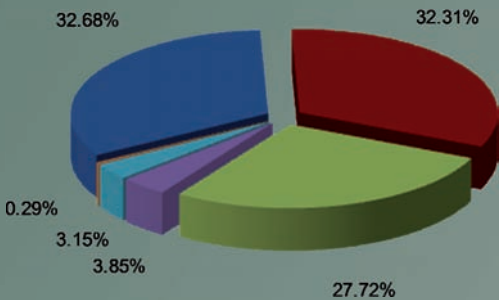
Physical forward contracts' volumes and shares (% from Romanian Consumption) in delivery. Year on year from 2006 to 2009.



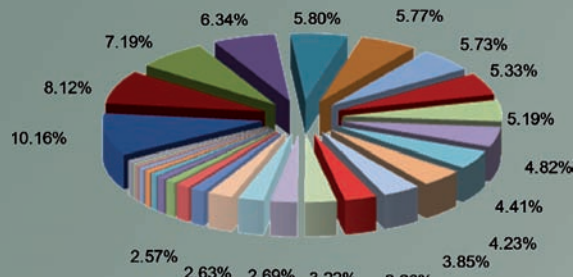
Participants: 35 active out of 103 registered

In 2009, the centralised trading of bilateral contracts achieved its maximum market share in delivery since its launch in December 2005. Simple, public auction mechanism was attractive both in late 2008 and early 2009 when the crisis effect was limited. The late 2009 the main effect of the difficulties that suppliers were facing in retail market (consumption significantly decreased) was the shift from the preference for the price hedging by long term contracts concluding to the shorter delivery periods, the main beneficiary being the Day Ahead Market.

Sell Forward market shares

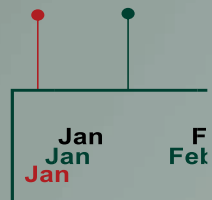


Buy Forward market shares

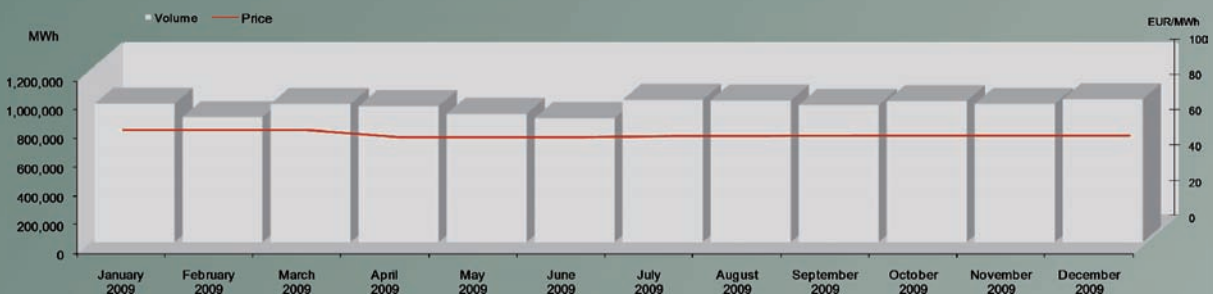


## Monthly records

Deliveries value: 47,419,764 euro  
Active participants: 69



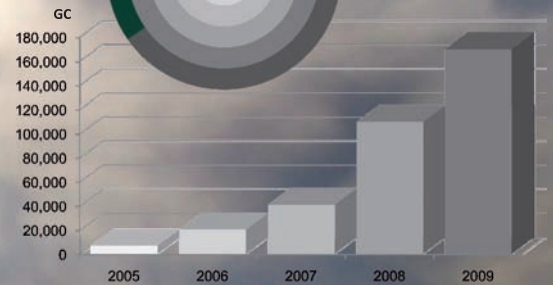
## Daily records



Monthly forward contracts' volumes in delivery and their average prices. Year 2009.

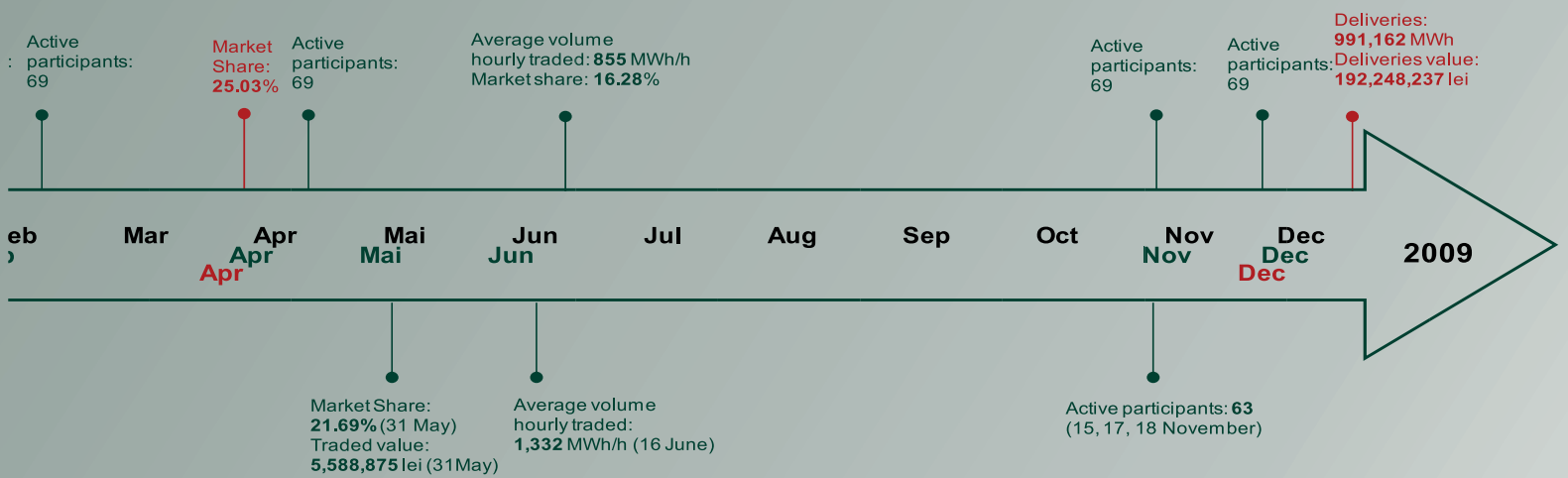
## Green Certificates Market

What in early 2005 appeared as a donquixotesque adventure looks now as being the most impressive reality of the current decade in the Romanian electricity market: renewable investment. The Green Certificates market was built up on the background of the existing legislation and the liquidity was slowly evolving. Now the "wind mills" are awaited to bring a much greener color to the Romanian electricity generation as well as to the domestic electricity market. A new legislation boosting for targets achieving is in implementation process. The announced numbers for new generation capacity demonstrate these incentives' relevance.



Green certificates centralised market - number and shares (% from issued GC). Year on year from 2005 to 2009

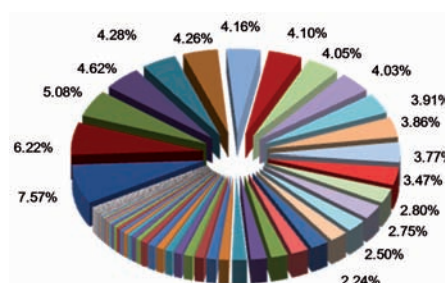
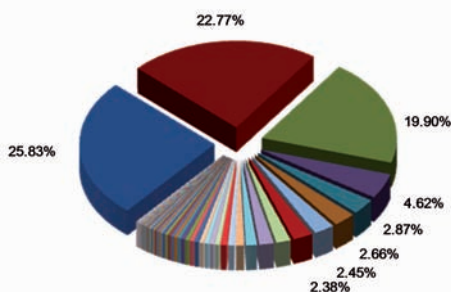
Wind farm in Dobrogea county



Sell DAM/Forward market shares

Buy DAM/Forward market shares

Day Ahead Market  
Centralized Market for Bilateral Contracts concluded by public auction



## Centralised energy markets

### Overview 2009



Administered markets, prices and OPCOM indices are trade marks registered to OSIM and OHIM.





## Market Participants. The Press.

Big companies generating electricity as well as very small renewable based producers, domestic suppliers to the end consumers as well as international traders feed the liquidity of the centralised markets administrated by OPCOM. Part of participants came in during the year 2009. This number increased from 87 to 98 in the Day Ahead Market, from 94 to 102, in Centralised Market of Bilateral Contracts as well as from 62 to 69 in Bilateral Contracts with Continuous Negotiation Market, from 84 to 96 in Centralised Market of Green Certificates.

The market voice is listened within the framework of the two product (technical) groups belonging mainly to the enhancement of short (day ahead in operation and intraday in ongoing development) and long term trading (public auction like and continuous trading auctioned physical forward contracts).

Overall market as well as large public are kept informed through press releases summarising monthly markets' evolution while market surveillance reports are showing trends and price and concentration indexes. The information is taken away from the OPCOM web-site by media. Press is paying attention to OPCOM numbers, the monthly press releases, daily reports and interviews with OPCOM management being preferred vehicles for information transfer. Large audience information providers as Platts and HEREN are partners of OPCOM while Romanian press is well connected to the OPCOM framework.







## IT suppliers. International cooperation.

The daily operation of OPCOM markets is backed by technical support of well known IT suppliers as AREVA and NASDAQ OMX. Future connections with emergent neighboring markets will build on existing platforms and current liquidity, evolving coherently with the EU legislation in ongoing process of development.

Following to the example provided by Central Western Europe, the countries of South East Europe have enough reserves to demonstrate their political decision for cooperation, from Budapest as well as the new entry Chisinau in North to the following candidate, Ankara in the far South. OPCOM is present in both EU level debates on the side of EUROPEX association and regional forum meetings held in Athens.

The 2008 and 2009 meetings of the European Electricity Regulatory Forum in Rome were pushing for putting in place large consulting panels by including relevant associations. Acting inside Europex, OPCOM is well aware that current draft models and road maps towards framework guidelines and network codes are only half opened windows to the future and this future just started recently. From time to time during the debates, almost each concept and principle long time considered as undoubtful and unchangeable may fast be replaced by surprising solutions. However, preserving the existing achievements and mitigating ambitions are key conditions to sustainable development. Europe can not be split in clusters with different models as well as the existing achievements can not be simply erased to let room for only theoretical constructions.

Strong and long term cooperation is linking OPCOM and World Bank. EURELECTRIC, WEC, USEA and USAID, as well as EBRD and EFET are partners of OPCOM towards better electricity markets and closer cooperation.



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## INDEPENDENT AUDITOR'S REPORT

### to the shareholders of SC the Power Market Operator "OPCOM" SA

#### Report on the financial statements

1 We have audited the attached Financial Statements of **SC** the Power Market Operator "**OPCOM**" SA (henceforth called "the Company") comprising the Balance Sheet at 31 December 2009, the Profit and Loss Account, the Statement of Changes in Equity and the Cash Flow Analysis for the financial year ended on the same date, as well as a summary of the relevant accounting policies and other explanatory notes, numbered from page 18 to page 19. The mentioned financial statements refer to:

- Net Assets/ Net shareholders' equity: 11.562 thousands lei;
- Net Result of the financial year: 855 thousands lei, profit.

#### The responsibility of the Company's board towards the Financial Statements

2 The Company's board is responsible for the accurate elaboration and presentation of these Financial Statements, according to the OPFM (Order of the Public Finance Ministry) no. 1752/2005 and its further amendments. This responsibility includes: designing, implementing and maintaining a relevant internal control for the accurate elaboration and presentation of the Financial Statements without any significant alterations due to errors or fraud; selecting and applying the adequate accounting policies; developing reasonable accounting forecasts in the given circumstances.

#### The Auditor's responsibility

3 Our responsibility is that, based on the conducted audit, we express an opinion on these Financial Statements. We have conducted the audit according to the Auditing Standards issued by the Chamber of Financial Auditors of Romania, which are based on the International Auditing Standards. These standards impose complying with the ethics requirements of the Chamber, planning and performing the audit in such a way that a reasonable level of assurance regarding the lack of significant alterations in the Financial Statements is attained.

An audit consists in performing procedures in order to obtain probative data to justify the amounts and the information included in the Financial Statements. The selected procedures depend on the auditor's professional judgement, including the assessment of the risk related to the existence of errors or fraud. In performing this risk assessment, the auditor takes into consideration the relevant internal control for the accurate elaboration and presentation of the Company's Financial Statements in order to determine the auditing procedures that are relevant in the given circumstances, but not with the purpose of expressing an opinion on the efficiency of the Company's internal control system. An audit also implies evaluating the degree of adequacy of the accounting policies used and the reasonability of the Board's accounting forecasts, as well as assessing their overall presentation.



**BDO Conti Audit SRL**  
Accountants & Consultants

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We consider that the probative audit data that we have obtained are sufficient and adequate for expressing our audit opinion.

#### **Our opinion**

4 In our opinion, the Financial Statements provide an accurate image, on all important aspects, of **SC OPCOM SA** as at 31 December 2009 and of the cash flows corresponding to the financial year ended on this date, according to the OPFM no. 1752/2005 and its further amendments.

#### **Report on the conformity of the Administrator's Report with the Financial Statements**

In accordance with the OPFM no. 1752/2005, article no. 263, second point, we have analysed the Administrator's Report attached to the Financial Statements and numbered from page 1 to page 38. The Administrator's Report is not part of the Financial Statements. We have not identified in it financial information that is significantly non-compliant with the information presented in the attached Financial Statements as of 31 December 2009.

On behalf of:

#### **BDO AUDIT SRL**

Registered to the Chamber of Financial Auditors of Romania:

By the no. 18/02.08.2001

Name of the signatory:

Mircea Tudor

Registered to the Chamber of Financial Auditors of Romania:

By the no. 2566/25.06.2008

Bucharest, Romania

12 March 2010

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(English translation for the annual report purposes only)



## BALANCE SHEET

EUR

	31 December 2008	31 December 2009
<b>ASSETS</b>		
Intangible assets	1,134,834	354,824
Investment in process		15,827
<b>Total intangible assets</b>	<b>1,134,834</b>	<b>370,651</b>
Property, Plant, Equipment	1,406,588	943,422
Investment in process	0	0
Other Fixed Assets	150,819	100,340
<b>Total fixed assets</b>	<b>1,557,407</b>	<b>1,043,762</b>
<b>Financial Investments</b>	<b>4,056</b>	<b>3,823</b>
Inventories	62,273	49,279
Accounts receivable	2,523,938	3,023,418
Cash	1,181,468	1,234,735
<b>Current Assets</b>	<b>3,767,679</b>	<b>4,307,432</b>
<b>Other current</b>	<b>14,027</b>	<b>15,788</b>
<b>Total Assets</b>	<b>6,478,003</b>	<b>5,725,628</b>
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>		
Financial Debt	0	0
Accounts Payable, others	2,190,565	2,680,775
<b>Total Liabilities</b>	<b>2,190,565</b>	<b>2,680,775</b>
Stockholders Equity	890,256	839,092
Reserves, others	1,994,018	1,895,299
Undistributed profit/losses	0	0
<b>Stockholders' Equity</b>	<b>2,884,274</b>	<b>2,734,391</b>
<b>Other Debt</b>	<b>1,403,164</b>	<b>310,462</b>
<b>Total Liabilities &amp; Equity</b>	<b>6,478,003</b>	<b>5,725,628</b>

Average annual exchange rate LEI/EUR

3.9852

4.2282

## PROFIT AND LOSS ACCOUNT

EUR

	31 December 2008	31 December 2009
<b>Turnover</b>	<b>4,228,147</b>	<b>3,707,319</b>
Own Work Capitalized		
Total output	0	0
<b>Operating revenues</b>	<b>4,228,147</b>	<b>3,707,319</b>
Other Revenues	3,308,089	992,686
<b>Total operating revenues</b>	<b>7,536,236</b>	<b>4,700,005</b>
Materials	105,991	59,752
Energy	39,807	41,858
Other materials	0	0
<b>Total material costs</b>	<b>145,798</b>	<b>101,609</b>
Services	2,728,764	1,354,648
Taxes	392,779	365,970
Wages	1,438,055	1,347,645
Other operational costs	63,276	15,292
<b>Depreciation cost</b>	<b>2,250,875</b>	<b>1,344,159</b>
<b>Total Operating Costs</b>	<b>7,019,548</b>	<b>4,529,323</b>
<b>Profit before tax and interests</b>	<b>516,689</b>	<b>170,681</b>
<b>Operational profit</b>	<b>516,689</b>	<b>170,681</b>
Financial Income	53,748	94,807
Financial Costs	10,154	10,680
Interests	0	0
<b>Net Financial Income</b>	<b>43,594</b>	<b>84,127</b>
Extraordinary Income		
Extraordinary Costs		
<b>Net Extr. Income</b>		
<b>TOTAL REVENUES</b>	<b>7,589,985</b>	<b>4,794,812</b>
<b>TOTAL COSTS</b>	<b>7,029,702</b>	<b>4,540,004</b>
<b>Profit before Tax</b>	<b>560,283</b>	<b>254,808</b>
Corporate Tax	100,910	52,481
<b>Profit after Tax</b>	<b>459,372</b>	<b>202,327</b>

Average annual exchange rate LEI/EUR

3.9852

4.2282

## CASH FLOW STATEMENT

EUR

Cash Flow Statement	2008	2009
Cash flows from operating activities		
Net earnings before taxes and other extraordinary items	560,283	254,808
Adjustments for:		
Amortization and provisions for of intangible assets' depreciation	2,250,875	1,344,159
Provisions for risks and charges – net value	25,867	(23,841)
Receipts from sales of intangible assets	(3,626)	-
Receipts from interests	(49,016)	(92,176)
Interest payments	-	-
Earnings from investment subsidies	(3,295,228)	(988,220)
Unrealized exchange rate differences (providers)	(3,398)	-
<b>Operating profit before changes in working capital</b>	<b>(514,242)</b>	<b>494,731</b>
Decrease/(Increase) in accounts receivable and of other nature	(1,820,934)	(647,100)
Decrease/(Increase) in inventories	87,550	9,414
Increase/(Decrease) in accounts payable and of other nature	1,935,381	645,607
<b>Cash generated from operating activities</b>	<b>(307,226)</b>	<b>502,652</b>
Income tax paid	(103,557)	(46,235)
Profit-shares distributed to employees	(17,211)	(35,749)
<b>Cash flows before extraordinary items</b>	<b>(433,012)</b>	<b>420,669</b>
<b>Net cash flow from operating activities</b>	<b>(433,012)</b>	<b>420,669</b>
<b>Cash flows from investment activities</b>		
Purchase of intangible assets	(369,682)	(166,484)
Subsidies received	1,603,379	-
Interest received	49,016	92,176
Proceeds from disposal of intangible assets	3,626	-
<b>Net cash flow from investment activities</b>	<b>1,286,339</b>	<b>(74,308)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(109,588)	(225,194)
<b>Net cash flow from financing activities</b>	<b>(109,588)</b>	<b>(225,194)</b>
Increase/(Decrease) in cash and cash equivalent	743,739	121,167
Cash and cash equivalent at the beginning of the year	437,729	1,113,568
Cash and cash equivalent at the end of the year	1,181,468	1,234,735
Average annual exchange rate LEI/EUR	3.9852	4.2282