




Opcom Annual Report 2012



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Message from CEO

The year 2012 accounted for OPCOM a year in which the efforts were headed both in the direction of strengthening at national level and in the integration direction in the projects undertaken at regional level of the electricity markets organized and managed.

Embarked on an ambitious path of the creation of the single European market together with the other Member States with the decision to become one of the pillars of this process whose finality is foreseen for 2014, Romania decided by the legislative framework created following the adoption in July 2012 of the Electricity and Natural Gas Law, to increase the transparency of the national energy market and to promote effective competition between market participants by setting the trading intentions in the centralized environments, thereby ensuring not only the increase of the market confidence but also the strengthening of the liquidity, precondition for the discovery of the energy fair price, for the benefit of end users.

As a national exchange we supported without exception that transparency is crucial for the market players, the regulatory authorities and the policy makers in the process of monitoring and evaluation of the energy market operation. As such, we promoted the availability of clear information on prices and volumes traded and market participation, supporting their importance for a transparent and efficient operation of the wholesale energy market across all channels.

In terms of legislative changes and start of the deregulation process of prices for non-household consumers, in a first stage, we aim to improve and develop new mechanisms for electricity price formation on different time horizons from trading up to two hours before delivery day and continuing with daily, monthly, weekly, quarterly, annual and multi-annual time frames, to respond to the needs of the market participant categories, while ensuring the stimulation of the large consumers' participation in the energy market and the competitiveness of energy producers.

The market mechanism for the large consumers was designed in 2012 to allow to flexibly define the contractual conditions so they both meet each customer's needs and specific requirements of a centralized trading framework, transparent and non-discriminating.

Through the proposed trading mechanism related to an OTC type market, whose development began in 2012, was intended to create the conditions for bringing in the centralized environment the arrangements based on pre-agreed contractual relationships so the information on quantities and prices offered for trading to be available in the centralized market, and the conditions for establishing the pre-agreed contractual relationships also to be available to the entire business community, creating thus undiscriminating conditions of access.

The viability of the mechanisms developed and implemented by OPCOM was supported in last the years by implementing at the company level of the strategy of organising working groups with the voluntary participation of market participants so that the trading needs and their trade practices to find their application in the products and services that OPCOM has submitted to the Competent Authority.

The effects of the additional measures adopted in 2012 were soon visible, the analysis of the results established in the markets operated by OPCOM in the last three years confirming that 2012 was a year of intensification of spot and forward trading in centralized environments, the active participants and traded quantities reaching absolute records since the launch of the market mechanisms for electricity trading: the number of participants registered at the market significantly increased and the amount of the electricity traded in 2012 was close to 20 TWh, in relative values more than a third of Romania's domestic consumption.

In order to strengthen and improve the operation of the energy market results by increasing competitive market liquidity on short, medium and long term, Romania is also engaged in projects that aim to facilitate efficient cross-border trade based on market mechanisms and transparency and integrity conditions.

We support the market coupling process as a solution that produces positive consequences on the market, helping to increase its liquidity and consistency of the price set, which is why, along with the regulator and the operator of the transmission system in Romania, we are actively involved in defining the project to extend to Romania the mechanism that, starting in September 2012, coupled the electricity markets from Czech Republic, Slovakia and Hungary.

Also, in order to participate in the European mechanisms designed to support the integrity and transparency of the national and European single market, OPCOM has followed the evolution of the process of implementation of the Regulation 1227/2011 on wholesale energy market integrity and transparency, in order to be actively involved in the later stages of implementation at national level of REMIT, both in terms of reporting data to ACER, and in terms of collaboration with national and European regulator in order to achieve effective monitoring of national and European energy market.

Based on experience gained in the electricity sector, OPCOM was strongly determined to take on similar challenges in 2012 to strengthen the fully functional energy market objective by developing complementary market mechanisms in the natural gas field. In this respect, necessary actions have been taken to implement the centralized market in the natural gas sector that contributes to the increase of safety and certainty as regards of ensuring the delivery of natural gas by using a transparent and non-discrimination framework for bidding and trading through market mechanisms.

At the end, I would like to address sincere thanks to all partners, and not last, all company' employees that by the effort and constant commitment decisively contributes to the company building and performance!

Victor Ionescu, OPCOM



General Shareholders Assembly

Dumitru Barascu	MECMA
Aurelia Stefanescu - Coculeana	MECMA
Tudor Simona Mariana	MECMA

The company "Operatorul Pietei de Energie Electrica si de Gaze Naturale" named „OPCOM” was set up according to Government Decision no. 627 / 13.07.2000 – „Decision on the reorganization of the National Electricity Company CONEL”, published in the Official Journal of Romania no. 357 / 31.07.2000, as a subsidiary of CNTEE Transelectrica as legal entity.

CNTEE Transelectrica SA is the only shareholder of OPCOM. The share capital of OPCOM is amounting 3,547,850 lei and is 100% owned by CNTEE Transelectrica SA as single shareholder.

OPCOM 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 Blvd, 3rd district.

Board of OPCOM

Anca Ioana Dobrica	MECMA
Cristiana Chiriac	MECMA
Nechita Stefanov	MECMA
Silvia Bianca Nita	MECMA
Victor Ionescu	OPCOM

The responsibilities derive from its role as organizer and administrator of the centralized electricity markets and settlement operator in the wholesale electricity market, according to in force ANRE regulations and License Conditions no. 407 - revision 1/2005.

The activities are conducted on trading platforms (which include: concepts, rules and information infrastructure, hardware and software) purchased through Phare funds, in Phare and World Bank co-financing. Throughout its existence OPCOM was the beneficiary of non-refundable loans granted by the European Commission as well as a World Bank funding, whose object was both consulting and providing tangible and intangible assets in order to design, implement and administrate a market model coherent with the European developments. Just a few elements of the OPCOM's activity are named below:

- spot trading of the electricity in the day-ahead market (DAM) and intraday market (IDM);
- term contracting through the centralized market for electricity bilateral contracts (CMBC and CMBC-CN);
- environmental certificates trading on the green certificates market as well as on the trading platform for greenhouse gases emission certificates;
- settlement of the transactions concluded on Day-Ahead Market, Intraday Market and Centralized Green Certificates Market;
- settlement of the electricity transactions concluded on the Balancing Market organized by CNTEE Transelectrica SA and the Imbalances of the Balancing Responsible Parties;
- administrated markets surveillance and results reporting to ANRE; providing relevant information to market participants, mass-media and general public.

Executive Management Report

The Romanian Power Market Operator "Opcom" S.A. was founded with the mission to support the liberalization process of the electricity market, being the main tool for the implementation and consolidation of a competitive electricity market by providing the framework for transparent transactions between licensed participants.

The activity of OPCOM is focused on the organization and administration services for the centralized electricity markets, on the organization and administration services for markets dedicated to the associated instruments (certificates) and on the settlement services according to the responsibilities set out by the ANRE through the Commercial Code's provisions and in force regulations, License Conditions granted by the relevant authority, respectively according to the responsibilities set out by the Ministry of Economy, Trade and the Business Environment (MECMA) through orders and regulations.

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 overseen 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 the attention area of the quality assurance activity.

LEGAL, REGULATORY, INTERNAL ADMINISTRATIVE AND BUSINESS FRAMEWORK

OPCOM runs its activity in accordance with the provisions of the Electricity and Natural Gas Law no. 123/2012, 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 regulations approved by MECMA, the Rules governing the functioning and organisation of OPCOM and the internal rules and procedures.

In accordance with legal framework, the activities of OPCOM are fully regulated, OPCOM's revenues being provided under a regulated tariff established for the organization and administration services for the centralized electricity markets and settlement services in the wholesale electricity market, according to the responsibilities set out by in force ANRE regulations and License Conditions granted by the relevant authority.

OPCOM's economic and financial activity for 2012 was deployed based on the indicators established by the Ministry of Public Finance, Ministry of Economy, Trade and the Business Environment and the Ministry of Labour, Family and Social Protection included in the Income and Expenditure Budget approved. The volume of electricity for which OPCOM provides services of organising and administering the electricity market, as well as settlement services, based on a regulated tariff, recorded in 2012 compared to 2011, the predictions of stagnation of the electricity domestic consumption being infirmed by the achieved values indicating for 2012 a negative variation compared to previous year, given that electricity exports decreased by 61%.

The tariffs that apply to the services provided by OPCOM are established by ordinances of the Romanian Energy Regulatory Authority. For 2010-2012, the tariff approved for the services provided to the participants on the administrated markets was maintained constant, the authority considering the high level of profit should be recalibrated for all regulated activities. In this regard we conclude that for the years 2010 - 2012 the tariff suffered no changes leaving the executive to scale the expenses so that to ensure the efficiency of the administrated markets, quality services for the market participants as well as a return of up to max (5-7)%.

QUALITY MANAGEMENT SYSTEM

OPCOM implemented as early as 2003 a quality management system (QMS), certified by the British company Lloyds Register Quality Assurance (LRQA) according to the ISO 9001 standard. During the 9 years of implementation, OPCOM's QMS has been subjected to three rectification auditings, in July 2006, July 2009 and July 2012, the last two recertifications being performed by LRQA according to ISO 9001:2008 standard.

The audits performed in 2012 on OPCOM's QMS, both the external, surveillance one by LRQA from 16.07 - 19.07.2012, as well as internal audits (planned audists from 25.06 - 28.06.2012 and 11.12 - 14.12.2012), once again highlighted the concern and commitment of the management to maintain and improve the Quality Management System of OPCOM SA. After those three audits from 2012 mentioned above, has not been initiated any non-conformity report / remark and has not been requested any solution to solve the problem or any corrective action.

IT SYSTEM ADMINISTRATION

Having as the main tasks the safely administering of the information technology and telecommunication systems of the company, the implementation of security policies for the information infrastructure and the telecommunication system, as well as the developing of the OPCOM's information and telecommunication network, the IT&C Division has permanently pursued, through its activity, ensuring of the operation conformity of the OPCOM's information and telecommunication systems in accordance to primary and secondary legislation from the energy sector.

The development activity throughout the year 2012 was oriented towards upgrading existing information systems, to allow them to reach a higher degree of performance and flexibility to respond more efficiently to the challenges of the energy market development in Romania, in conditions of increased safety. Providing technical support and maintaining the optimal parameters for the IT infrastructure are the performances reflected this year also by the successful setting of the market closing price on DAM and volumes traded for each hourly interval of the year 2012, completed with sustaining sessions for intraday market and the market for bilateral contracts. We must emphasize that after the issuing of the Energy Law the activity volume of the administered markets increased significantly, but the modernization programs, carefully planned and efficiently carried out, ensured the taking over of this additional volume of activities without disturbing the flow and the quality of the services provided.

MARKET SURVEILLANCE DEPARTMENT

The market surveillance has continued its activity by monitoring according to the regulations the operation of the market, as well as the behaviour of the market participants, providing to the regulatory authority the information required in its own activities. The daily, weekly and monthly reports, the administered electricity markets diagnosis documents presented the data regarding the performance and the concentration, the information regarding the behaviour of the participants in these markets and the special situations recorded in the market operation.

The periodic press releases, as well as the press releases occasioned by the market events were initiated.

OPCOM continued the monitoring activity of the implementation process of the Regulation (EU) No. 1227/2011 of The European Parliament and of The Council of 25 October 2011 on wholesale energy market integrity and transparency, entered into force on December 28, 2011 establishes rules prohibiting abusive practices affecting the wholesale energy markets, promoting real and fair competition in these markets for end users benefit.

PERFORMANCES OF THE ADMINISTERED MARKETS

The Day Ahead Market

The spot market answered, this year also, to the opportunities and needs for balancing of the participants' obligations one day before delivery, in a context in which the degree of incertitude related to the foreseen evolution of electricity generation and consumption was maintained. An absolute record number of 89 participants were active on DAM platform in the last month of 2012, contributing to establishing of an absolute record related to the monthly average of around 1,350 MWh/h and to consolidating the yearly average of the hourly traded volume, positioned similar as in the previous year over the 1,000 MWh/h threshold.

The yearly analysis indicates a traded volume with more than three times higher, from 388.927 MWh/h in 2005 to 1,220.200 MWh/h in 2012, as percentage from the domestic electricity consumption the last value representing around 20%.

At the level of overall year, the number of participants that submitted at least one offer was of 111, representing a rate of interest of 86% if compared with the 129 companies registered at the market at the end of December 2012. All 111 participants concluded transactions, the hourly volumes varying in a range between 651 MWh/h and 2,077 MWh/h, this last value for the first time higher than the threshold of 2,000 MWh/h, being an absolute maximum for the 2005-2012 time horizon. Set in all intervals without exception, the hourly trades reached 1,000 MWh/h in 85% of cases, while the trades' volume was lower than 900 MWh/h (equivalent of 15% from the yearly hourly average consumption) in 5% of the 8,784 hourly intervals.

The yearly weighted average price was of 223.53 Lei/MWh (50.23 EUR/MWh), while the yearly arithmetic average trading price was 217.21 Lei/MWh (48.80 EUR/MWh) in 2012, decreasing compared to the corresponding value of the year 2011, of 221.20 Lei/MWh (52.13 EUR/MWh). The same decreasing trend compared with the previous year was observed in Europe in almost all electricity spot trading environments, being to be remarked this year also a more reduced dispersion of the yearly average prices set by exchanges compared with the European average of 48 EUR/MWh, OPCOM positioning, through the value set in the administered spot market, practically at the level of this value.

The Centralized Market for Electricity Bilateral Contracts - Public Auctions Mechanism (CMBC)

From the 77 participants that expressed interest on using the product within their own contracting strategies in 2012, representing more than half of the 130 companies registered on the market at the end of December, a number of 64 traded at least one of the 254 awarded offers, respectively a total volume of 14.3 TWh compared with 5.6 TWh in the previous year, result that indicates more than doubling of the interest for electricity term trading. Compared with the number of offers initiated for trading in 2012, the awarded offers represent more than 40%, the presence in each auction session being, in average, of 6 participants. The 609 sale/purchasing offers (compared with 260 in 2011) were initiated by 46 participants (compared with 27 in 2011), out of which 33 concluded transactions (compared with 11 in 2011), approximately half of them being electricity generating companies.

The analysis shows that through the concluded trades, 2012 assures already deliveries for the following year of 10.7 TWh, volume representing a share of around 20% from consumption and being a favourable premise for the trading process in 2013, in conditions of continuing the gradual phase-out of the regulated tariffs for electricity. Comparatively, at the end of 2012 an electricity quantity of 4.6 TWh was contracted for delivery in the following year (compared with 10.7 TWh at the end of 2012), the difference up to around 7.9 TWh, volume delivered in 2012 on CMBC, representing trades concluded in 2012 for delivery during the same year.

The weighted average price for the electricity traded in CMBC in 2012, for delivery in 2012 and 2013, was of 230.59 Lei/MWh (51.20 EUR/MWh).

The deliveries contracted for 2012 represented a share of 14.62% from consumption, the related weighted average price being 217.82 Lei/MWh (48.87 EUR/MWh), result that compared with the spot price, 217.21 Lei/MWh, reflects the mutual support of the two markets.

The Centralized Market for Electricity Bilateral Contracts - Continuous Negotiation Mechanism (CMBC-CN)

The continuous trading mechanism attracted an increasing number of participants, initiators and respondents, a number of 1,477 standard contracts being awarded for delivery terms of one week, one month and one quarter, profiled for base-load and for off-peak hours, respectively a volume of 237,119 MWh.

The deliveries contracted for 2012 totalled 385,412 MWh, respectively a share of 0.72% from consumption, the related weighted average price being of 221.31 Lei/MWh (50.26 EUR/MWh). Until the reporting moment, price signals were set for the weeks 1-5 of 2013, January and February, respectively the first quarter of 2013.

The Centralized Market for Green Certificates

A record number of 1,053,229 of Green Certificates were traded centralised in 2012, at a weighted average price of 244.09 Lei/Green Certificate (56.44 EUR/Green Certificate, calculated at the exchange rate used for setting the trading values of the Green Certificates on the Green Certificates Market for 2011 and 2012).

The Trading Platform for greenhouse gases Emission Certificates

No trades with environmental certificates were concluded on this platform.

The Intraday Market

The electricity Intraday Market, in its first stage of implementation as an adjustment session with an auction deployed immediately after the trades confirmations for the Day-Ahead Market are issued, registers, at the end of 2012, a number of 53 participants out of which 22 were active, the total traded volume being of 7,425 MWh.

The Settlement

On the Day-Ahead Market, the collection and payments related to the concluded trades totalled, VAT inclusive, 2,970.9 mill. Lei (667.6 mill. Euros), out of which the payments made in two banking days reached 2,781.7 mill. Lei (625.3 mill. Euros), the difference representing the value of compensation between the participants and OPCOM as counterparty.

On the Intraday Market, projected to evolve from the current trading modality consisting in a single session deployed immediately after the trades confirmations for the Day-Ahead Market, towards the continuous trading for optimal adjustment of the participants' portfolios, the collection and payments totalled, VAT inclusive, 2,860 thousand Lei (650.1 thousand Euros), out of which the payments made in two banking days reached 2,856.6 thousand Lei (649.4 thousand Euros), the difference representing the value of compensation between the participants and OPCOM as counterparty.

Besides the accomplishment of the responsibilities deriving from the counterparty role assumed by OPCOM in the electricity spot trading process, the settlement activity supposed, in 2012 also, the fulfilment of the responsibilities derived from the process of setting the volumes, respectively the collection rights/payment obligations for:

- the trades on the Centralised Market for Green Certificates, in amount of 257.1 mill. Lei (59.4 mill. EUR), corresponding to the Green Certificates traded in 2012;
- the trades on the Balancing Market administered by C.N.T.E.E. Transelectrica S.A., in amount of 1,056.3 mill. Lei, corresponding to the upward balancing energy and, respectively 84.7 mill. Lei for downward balancing energy;
- the imbalances of the Balance Responsible Parties, amounting 81 mill. Lei corresponding to the positive imbalances and respectively 1,027 mill. Lei corresponding to the negative imbalances, as well as the settlement for notification imbalances of the Dispatchable Units, in amount of 222 thousand Lei.

The values of the residual costs/revenues derived from the system balancing were also determined and reallocated, amounts that totalled supplementary costs of 30 mill. Lei, respectively supplementary revenues of 11.3 mill. Lei.

ACTIVITIES FOR DEVELOPMENT OF PRODUCTS AND SERVICES OFFERED TOWARDS THE MARKET PARTICIPANTS

In the context created by the incidence of three factors, namely: the adoption in July 2012 of the electricity and gas Law that allowed market transparency and promoted competition between market participants by coagulation of the trading intentions in centralized environments, the denunciation of bilateral contracts and the initiation of the phased program adopted by the government in order to eliminate the regulated electricity prices, the development strategy of OPCOM has allocated resources to improve and develop the trading facilities and mechanisms for electricity and support schemes related certificates.

The OPCOM activities of development new products and trading mechanisms in the electricity and natural gas field, corresponding to the requirements of different categories of market participants, have resulted in documents prepared within the Working Groups organised by OPCOM, being finalized and / or in analysis by the Competent Authority in order to be approved, for the following trading areas:

- Electricity trading by the large final customers with annual consumption exceeding 70,000 MWh for delivery deadlines between 1 and 5 years. This new market is intended for large end consumers, as buyers and holders of electricity supply license, as sellers. The trading mechanism is a complex one which includes a public negotiation stage, when are determined the terms of the contract and an electronic auction session in which are established the conditions on the award quantity and price of the proposed tender;
- OTC trading of electricity for standard delivery terms between one day and one year. This market is intended for license holders and is based on a new trading mechanism which pools together the exchange market model based on continuous matching of orders that meet competitive correlation conditions with OTC market model based on eligibility lists set by each of the market participants according to the eligibility criteria adopted by each of them according to internal risk policies, criteria applied in a transparent and non-discriminatory way;
- Implementation of the next steps of the Intraday market development. The implementation process involved the creation of all the necessary adaptations, both by the market administrator, OPCOM and the transmission system operator, Transelectrica in order to enable trading and service transactions until 2 hours before delivery, in continuous mode, each calendar day, 24 hours a day, 24/7/365;
- Improving the centralized trading mechanism of green certificates. The improvement envisages the implementation of trading mechanisms based on spot transactions as well as transactions on term centralized market;
- The centralized trading of the standard bilateral contracts for natural gas. The market is open to holders of natural gas supply license. The proposed mechanism for this market is based on the principles of open tender and involves trading based on a standard contract for standard delivery time via the electronic platform operated by OPCOM.

The working groups were established in consultation with operators in the electricity or gas field and their participation was made by representatives of suppliers (including through AFEER) participants in the administrated markets of OPCOM, electricity producers representatives (active producers on OPCOM markets and/or appointed by COGEN), Transelectrica representatives and representatives of distribution license holders appointed ACUE. Working groups' activity has also enjoyed the support of ANRE and the MECMA.

Markets: Progress and Results

Designed to administer the wholesale electricity market in accordance to the primary and secondary legislation in force, the market operator continued the pursuing as always efficiently assuming its role in every aspects, starting from facilitating trading on different time horizons through liquid exchange products in order to efficiently adjust portfolios, establishing a solid reference price and price signals for term electricity trading, assuming the role of counterparty and ensuring the integrity and transparency of the administered markets.

The credibility and consistency of the reference price and of the price signals for different horizons of future delivery are even more sustained as the liquidity exceeds the relevant thresholds generally accepted and the number of participants in transactions is higher.

The functional products for year 2012, all of them being market trading instruments, were:

- centralized market for electricity bilateral contracts with both trading mechanisms, public auctions, respectively continuous negotiation;
- day ahead market;
- intraday market, in its first phase of development which began in July 2011 to respond to the needs for adjusting the positions updated in the time interval defined by the gate closing time for DAM bidding and and gate closing time for IDM bidding;
- centralized green certificates market and trading platform for greenhouse gases Emission Certificates.



	2012	2011	2010
Day Ahead Market			
Trades			
Total volume [MWh]	10,718,236	8,869,600	8,696,191
Avg. volume [MWh/h]	1,220	1,013	993
Market share [%]	19.88	16.37	16.56
Value [Euro]	538,421,206	461,873,344	322,478,398
Market for Bilateral Contracts attributed through public auctions			
Traded contracts			
Number	254	80	21
Volume [MWh]	14,252,684	5,557,220	3,874,480
Value [Euro]	729,805,608	271,037,236	135,817,241
Deliveries			
Volume [MWh]	7,872,825	4,659,945	4,088,250
Value [Euro]	384,714,527	178,338,505	149,296,442
Market share [%]	14.60	8.60	7.78
Centralized Market for Bilateral Contracts with Continuous Negotiation			
Traded contracts			
Number	1,477	2,798	110
Volume [MWh]	237,119	625,728	16,240
Value [Euro]	11,540,759	30,888,601	566,520
Centralized Market for Green Certificates			
Trades			
Number	1,342,801	410,628	248,694
Value [Euro]	75,525,051	23,056,762	13,678,170

The volumes contracted for delivery in 2012 on the markets administered by OPCOM, respectively in the Day-Ahead Market, the Intraday market and Centralised Market for Bilateral Contracts for electricity, totalled an electricity quantity of 18,983,898 MWh, equivalent of around 35% from the electricity consumption in 2012, an increase with 10 percentages compared with the share of trading on OPCOM markets set in the previous year. Additional to the electricity trades, over 1 million Green Certificates were traded centralised in 2012 on the platform administered by OPCOM, representing 19% from the total number of certificates issued for E-RES generated between January-December 2012 by the participants registered on the Green Certificates Market.

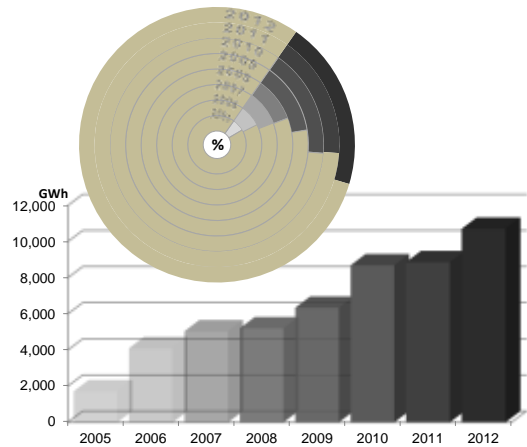
Day Ahead Market

Commercially launched on June 30, 2005, DAM offers to the wholesale electricity market participants the possibility to balance their portfolio (with delivery obligations) with a day before the delivery day as well as exploiting the opportunities appeared on the market close to the time of delivery. Participation to this market is allowed to all license holders registered as market participants on the DAM (electricity generators, suppliers and network operators).

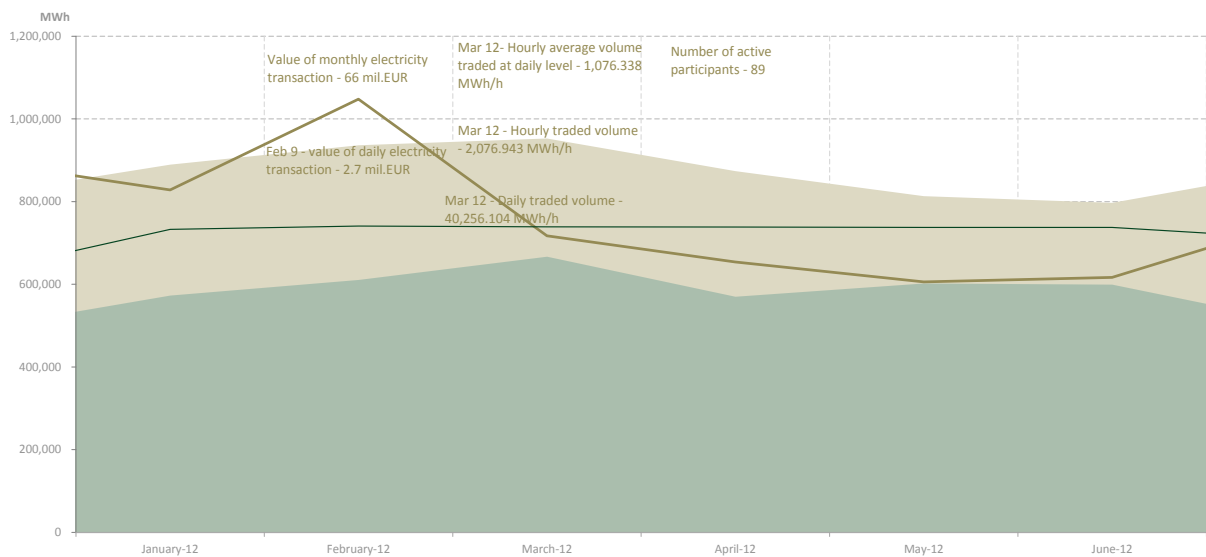
The activity in this market takes place in every calendaristic day and provides the framework required for setting firm transactions for hourly delivery of the electricity on each of the 24 hourly intervals of the following day.

The trading mechanism is based on closed auction, the trading price (market closing price) corresponding to the intersection point of the aggregated curves for sell and buy.

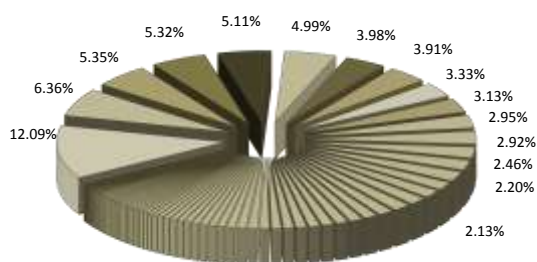
Beginning with the year 2008, OPCOM acts as counterparty on electricity transactions set on DAM, this mechanism being ment to ensure not only liquid trading but also secure trading.



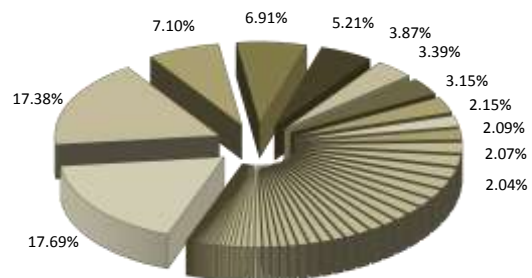
DAM volumes and shares (% from Romanian consumption). 2005-2012.



Evolution of price and volumes for spot (DAM) and forward (CMBC) trades. Significant values 2012.



Sell DAM market shares. 2012
HHI= 410



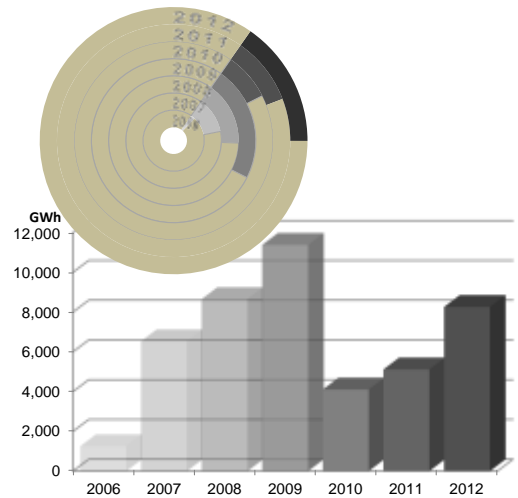
Buy DAM market shares. 2012
HHI= 823

Bilateral Contracts Markets

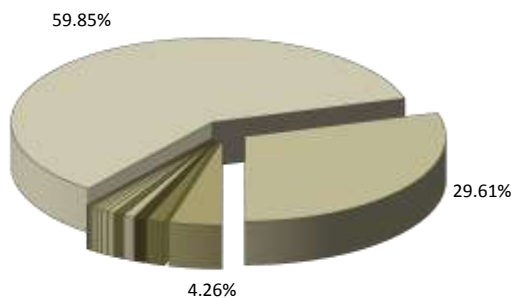
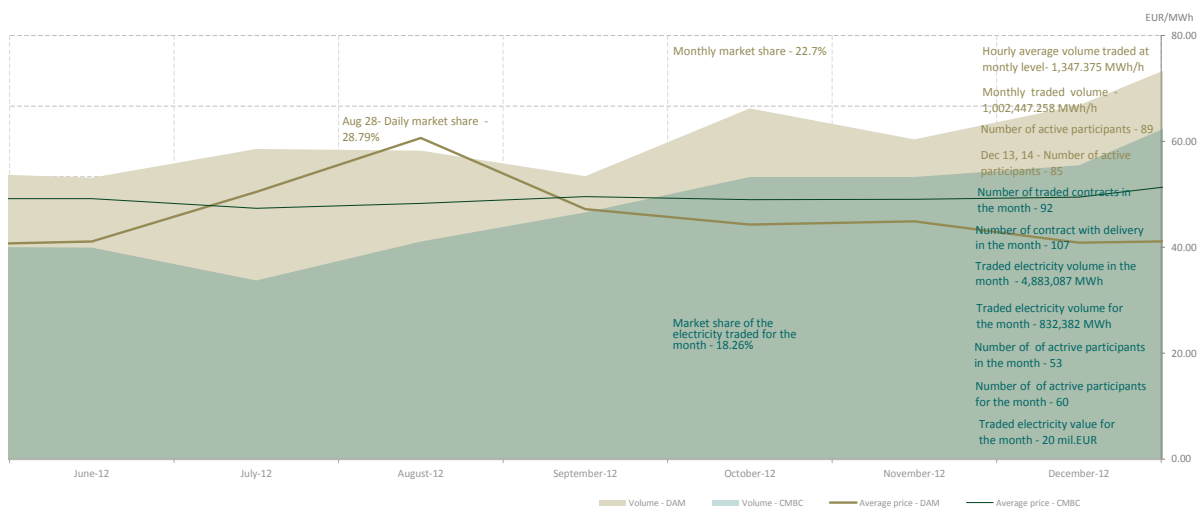
Commercially launched on December 1, 2005, CMBC offers to the market participants the possibility to trade electricity through public auctions, based on non-standardized offers, defined by market participants for delivery times longer than a month and unlimited as maximum delivery period. Trading through CMBC-CN mechanism ensures for the participants the possibility to trade electricity through electronic auctions organized on the OPCOM trading platform, based on simple quantity-price bids for standard instruments listed for standard delivery time longer than one week (week, month, quarter, year and multiples of these periods). Permanently are made available to the market participants 12 types of standard instruments for 29 different delivery periods.

All working days from a year are trading days.

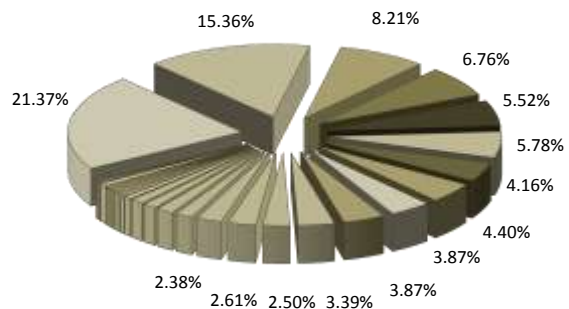
The trading mechanism is based on public auction for CMBC, respectively on the electronic trading through a public auction mechanism and continuous correlation for CMBC-CN.



CMBC volumes and shares (% form Romanian consumption). 2006-2012



Sell CMBC market shares. 2012
HHI = 4,483



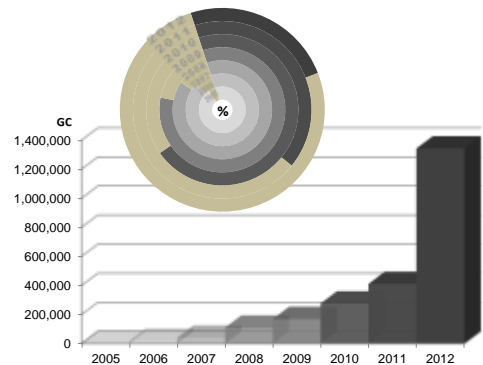
Buy CMBC market shares. 2012
HHI = 976

Green Certificates Market

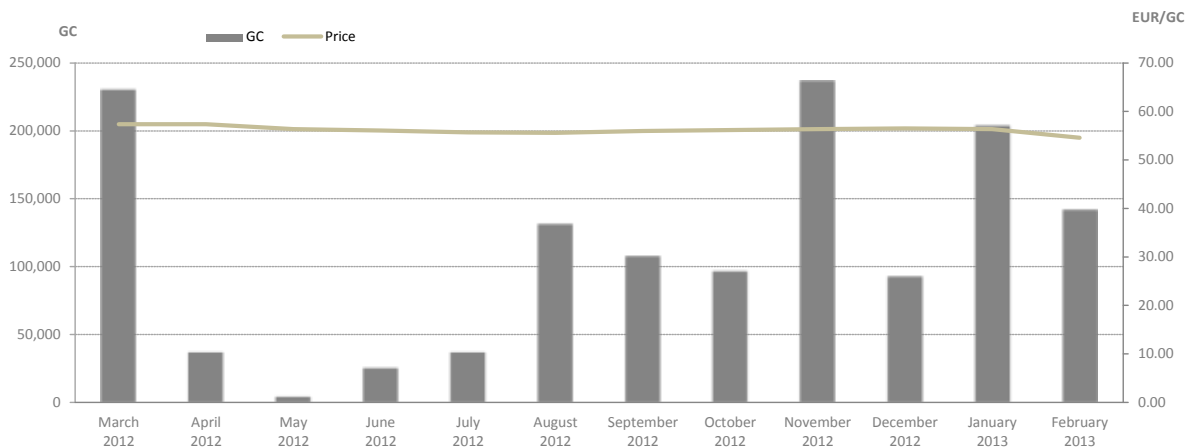
In Romania, as mechanism for promoting the electricity generation based on renewable energy sources the mandatory quotas system for acquisition of Green Certificates by the suppliers of electricity end consumers is operational.

The value of the Green Certificates represents an additional income for the generators for the «clean energy» they are delivering into the networks, the price of the Green Certificate being determined through market mechanisms, respectively through the Centralized Green Certificates Market (CGCM) organized and administered by OPCOM and the Bilateral Contracts Market for Green Certificates.

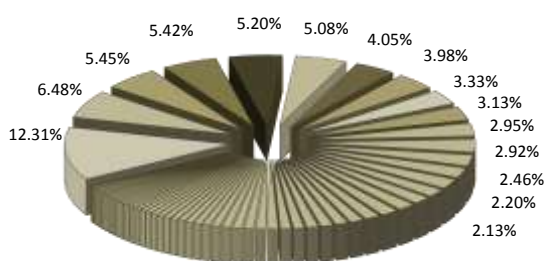
Commercially launched on November 16, 2005, CGCM is based on closed auction, the trading price corresponding to the intersection point of the aggregated curves for sell and buy of Green Certificates. For each participant in CGCM, based on the concluded trades, OPCOM sets the related trading confirmations, as well as the settlement notes including the values of the payment obligations/collection rights for each participant in CGCM.



CGCM – number and share (% from issued GC)
2005-2012

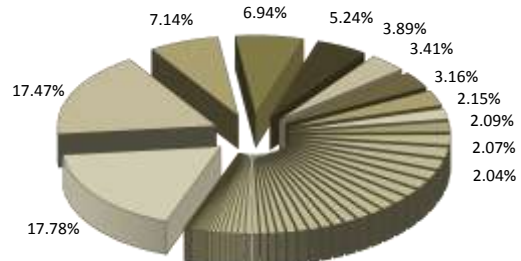


CGCM – Prices and traded green certificates. 2012



Sell CGCM market shares. 2012

HHI=772



Buy CGCM market shares. 2012

HHI=1,044

Market participants

Similar to many experienced European exchanges, OPCOM's mission is to assure an organized framework for the transparent electricity trading, providing, at the same time, through the diversity of the products offered towards the market, the reference price and price signals that consistency and credibility are confirmed by a relevant liquidity in terms of traded volumes and number of active participants.

The interest for being participants in the markets administered by OPCOM became more that evident, developed based on principles and offering products similar as by the exchanges in the European Union for electricity spot trading, electricity term trading - contracts for delivery periods longer than one week, and environment certificates trading – Green Certificates and Greenhouse Gases Emission Certificate. Around 270 companies were registered at OPCOM exchange at the end of 2012.

We can state, without being afraid for mistaking, that Romania has an international energy exchange not only due to the affiliation of the participant companies, but also due to the reach experience and the international success reflected by OPCOM's ranking, over the last years, among the first 10 European exchanges, in an hierarchy based on the criteria of the traded volumes, before other exchanges from EU countries as Belgium, Czech Republic, Slovakia, Hungary, Austria, Poland, France and Serbia, to this success contributing alike the electricity generators and the suppliers, local and from abroad.

Website and mass-media, main communication channels used by OPCOM

OPCOM's website, designed to contribute to the increase of the transparency degree, for public information related to the results of the markets competitive trades and for promoting the market and the company image, is also an access gate to the information of the energy markets developed in the European countries.

The ex-ante and ex-post information provided for each of the administered trading environments and that are facilitating for the market participants trading in conditions of increased security, as well as the possibility to accomplish the own activities of monitoring, the legislative elements that are governing the markets operation, are few of the important reference points in a brief radiography of the website content.

The market participants, and not least the general public, are the target group of the regular press releases, summarizing the markets evolution and the information occasioned by the market events, while the market reports are presenting results, evolution trends and concentration indexes with daily, weekly and annual periodicity. The information, being processed without exception at a level not disclosing the market position of a certain participant, is submitted toward the press or can be undertaken from OPCOM's website.

The press grants attention to the daily results from the trading platforms of OPCOM, as well as to the press releases and interviews with OPCOM's management. In 2012, the relationship with the press materialized in the organization of numerous meetings. The interviews were granted to specialized journalists in the country and abroad, from: The Diplomat Bucharest, Bursa, Saptamana Financiara, Focus Energetic, Finantistii, respectively Argus Media, ICIS – Heren, Platts, Thomson Reuters. Thus, over 20 news and commentaries related to OPCOM's activity were published in the daily reports of ICIS Heren during 2012.

The Ministry of Economy, Commerce and Business Environment/Ministry of Economy continued in 2012 to undertake on its own website OPCOM's press releases considered of interest by the perspective of OPCOM's statute as entity under the Ministry coordination.

Information technology and telecommunication infrastructure

The operation and the development of infrastructure and telecommunications in 2012, vital for assuring the secure, continuous and reliable operation of the administered markets, as well as for developing the products portfolio and for the efficiency of the internal activities, have continued the tradition of maintaining a high performance, confirming this year as well the standard of excellence specific for us on both technical and professional level of the human resource point of view.

Consistent with the permanent concern manifested in the previous years, through the current activities and the development work carried out in 2012 has been assured the achieving of the company objectives, based on superior operational parameters of the information technology and telecommunication infrastructure, assured through the secure administration of the information and telecommunication systems but also by their development in order to accommodate the evolution of corporate development processes and products portfolio.

Following closely the dynamics evolution of the activities, this evolution had been sustained through the careful administration of the information systems that, operating at the required parameters, represented the basis for fulfilling the responsibilities set by the primary and secondary legislation, as well as by the modernisations made in the infrastructure so that both the activities intensification and the products development and their implementation in due time to be possible to be performed in a consistent, stable and enduring manner.

The most important projects of 2012 were those for modernization of informatics trading platforms at the level of management software database and the completion of modernization trading platform for the intraday market for electricity, centralized market for electricity bilateral contracts and emissions trading, practically a completion of the project started in 2011. Projects have been successfully completed primarily due to the high professionalism of the project teams, composed both from the OPCOM employees (within the IT&C Division and Energy Trades and Settlement Division) and also from IT specialists providers of the platforms, the collaboration with them unfolding, again, in optimal conditions. These projects had been implemented maintaining the operation of the trading systems in best conditions, accurate results being obtained, uncontested for each auction session organized.

The new electricity and natural gas Law, enacted in 2012, had a very important impact in increasing the volume of the company's activity.

Practically, from the 3rd quarter of 2012 the number of participants in the markets operated by OPCOM has increased significantly and implicitly increased the activity on the trading platforms and the company website, the main information and market transparency channel. Planning and implementation on term of the programs of modernization and development of information systems have made possible the taking over of this important increases in the volume of activity without problems in the functioning of the trading platforms or in the data publication process.

In 2012, the fulfillment of the objectives was achieved also due to the important contribution of the good professional cooperation with technical support service providers, to whom we thank for by this means.

National and international cooperation

In 2012, our coherent and sustainable development path continued.

A fundamental contribution to our results and performance is given by ensuring a solid ground of knowledge, technology and experience, whose continued development is and will continue to be a goal for us. This solid foundation consists, in its structure, in an entwining of the internal efforts and of the financial support for the development programs deployed in the previous years from the European Commission and the World Bank, of the consultants and suppliers of information technology, whom we thank for the contribution brought to the human resource, corporate and technological development. In this context, special attention was granted to the development of the cooperation activity on both national and international levels.

At national level, according to our area of competency, cooperation was assured with the involved national authorities, the correct fulfilment of the responsibilities granted us by the primary and secondary legislation as well as by the national energy strategy being guaranteed. At the same time, special attention was assured for the clients relation development, for increasing the level of satisfaction of the participants in the administered markets and for consolidating their trust, as well as for developing the products portfolio entirely complying with the applicable legislation.

During 2012, continued the tradition of dynamic participation in the activity of the national associations where the company is affiliated. The participation in activities deployed by the Romanian National Institute for Energy Development Studies (IRE), the Romanian National Committee of World Energy Council (CNR-CME), Romanian Energy Centre - CRE, the Society of Power Engineers in Romania (SIER) and the Employers` Association ENERGIA (APEN) facilitated an appropriate promotion of the company`s objectives, products and image.

Consistent with the external affiliations and responsibilities of the company, the activity deployed within the framework of the international associations - the Association of European Energy Exchanges (EUROPEX), the International Association of Power Exchanges (APEX), the European Electricity Industry Union (EURELECTRIC), the World Energy Council (WEC) was based on using some approaches determined in a balanced manner corresponding to the objectives.

The activity developed at European level has considered the need to ensure an appropriate and active positioning within the context of the joint efforts at European level in order to develop the European legal framework required for the implementation of the Target Model of the European Internal Energy Market and also the associated mechanisms, as well as on assuring an appropriate external promotion and the continuation of the development of the relationships with the European homologues.

In the context of activity intensification at European level for the implementation of the European Internal Electricity and Gas Market, considering the European target set for 2014, schedules established by the European Commission in order to develop specific European legislative framework and provisions regarding the implementation of mechanisms for the target model established by ACER through the cross-regional roadmaps, a special attention was granted to the participation in the working and decision making processes by the European energy exchanges joined in the activities developed in this regard under the auspices of EUROPEX. The applied approach followed a coherent, pragmatic and constructive positioning in the implementation process of the European framework and mechanisms dedicated to this goal developed with joint efforts by EUROPEX together with the European Commission, ACER and other European organizations involved (ENTSO-E, EFET, IFIGE, EURELECTRIC).

European integration

By its approaches in the context of creating the Internal European Market to be achieved in 2014, Romania reasserted its commitment to comply with the directives, regulations and decisions of the European bodies, assuming, as member State of the European Union, the same ambitious goal. OPCOM continued to grant a careful attention for monitoring the evolutions at regional level, in the Central-East European and South-East European regions, for assuring the appropriate integration in the processes preparing the mechanisms for integrating the energy markets as an interim step towards the establishment of the European Internal Energy Market according to the targets set at European level.

The support for the efforts committed by the Romanian stakeholders involved in these processes included a pro-active participation in the activities deployed together with the MECMA, ANRE and Transelectrica, aimed to ensure an efficient integration of the national market in the regional and European specific mechanisms.

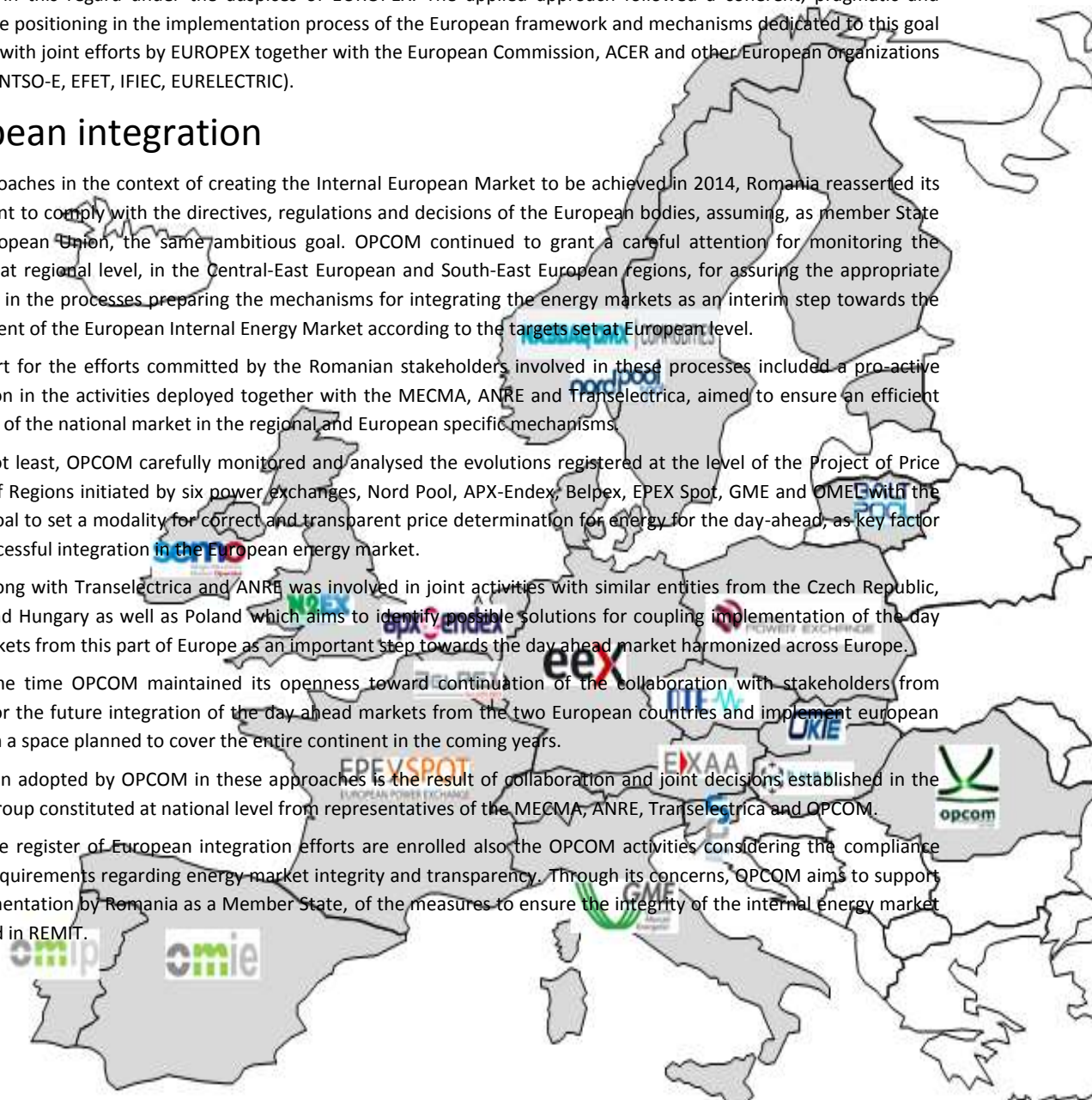
Last but not least, OPCOM carefully monitored and analysed the evolutions registered at the level of the Project of Price Coupling of Regions initiated by six power exchanges, Nord Pool, APX-Endex, Belpex, EPEX Spot, GME and OMIE with the declared goal to set a modality for correct and transparent price determination for energy for the day-ahead, as key factor for the successful integration in the European energy market.

OPCOM along with Transelectrica and ANRE was involved in joint activities with similar entities from the Czech Republic, Slovakia and Hungary as well as Poland which aims to identify possible solutions for coupling implementation of the day ahead markets from this part of Europe as an important step towards the day ahead market harmonized across Europe.

At the same time OPCOM maintained its openness toward continuation of the collaboration with stakeholders from Bulgaria, for the future integration of the day ahead markets from the two European countries and implement european solutions in a space planned to cover the entire continent in the coming years.

The position adopted by OPCOM in these approaches is the result of collaboration and joint decisions established in the Working Group constituted at national level from representatives of the MECMA, ANRE, Transelectrica and OPCOM.

In the same register of European integration efforts are enrolled also the OPCOM activities considering the compliance with the requirements regarding energy market integrity and transparency. Through its concerns, OPCOM aims to support the implementation by Romania as a Member State, of the measures to ensure the integrity of the internal energy market as provided in REMIT.



INDEPENDENT AUDITOR'S REPORT

to the shareholders of the Power Market Operator „OPCOM”

1 We have audited the attached Financial Statements of the Power Market Operator „OPCOM” (henceforth called “the Company”) comprising the Balance Sheet at 31 December 2011, 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. The mentioned financial statements refer to:

Net Assets/Net shareholders' equity:	13,078,009 lei
Net Result of the financial year:	608,677 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 Order of the Public Finance Ministry of Romania no. 3055/2009 and for that internal control which is considered by the management necessary to allow the elaboration of the financial statements set, which are free of significant alterations, whether caused by fraud or error.

Auditor's Responsibility

3 Our responsibility is that, based on the conducted audit, to express an opinion on these Financial Statements. We have conducted the audit according to the International Auditing Standards. These standards impose complying with the ethics requirements, 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 the 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.

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 the company's financial position as at 31 December 2012, as well as of the financial performance and of the cash flows corresponding to the financial year ended on this date, according to the Order of the Public Finance Ministry of Romania no. 3055/2009.

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

In accordance with the Order of the Public Finance Ministry of Romania no. 3055/2009, article no. 318, second point, we have read the Administrator's Report attached to the Financial Statements. The Administrator's Report is not part of the Financial Statements. We have not identified in the Administrator's Report financial information that is significantly non-compliant with the information presented in the attached Financial Statements.

On behalf of:

BDO AUDIT Ltd.

Registered to the Chamber of Financial Auditor's of Romania:

By the no. 18/02.08.2001

Name of the signatory: Mircea Tudor

Registered to the Chamber of Financial Auditor's of Romania:

By the no. 2566/25.06.2008

This report is a translation of the original report in Romanian, which is solely valid.





BALANCE SHEET

EUR

	December 31, 2011	December 31, 2012
ASSETS		
Intangible assets	62,102	467,873
Investment in process	0	0
Total Intangible Assets	62,102	467,873
Property, Plant, Equipment	1,256,975	1,363,576
Investment in process	0	0
Other fixed assets	84,738	92,281
Total Fixed Assets	1,341,712	1,455,857
Financial assets	103,350	100,807
Inventories	45,077	46,560
Accounts receivable	6,777,117	8,022,165
Cash	1,310,640	825,968
Current assets	8,132,834	8,894,693
Other current assets	44,950	45,993
Total Assets	9,684,949	10,965,223
LIABILITIES & STOCKHOLDERS EQUITY		
Financial Debt	0	0
Accounts Payable, others	6,572,568	7,960,806
Total Liabilities	6,572,568	7,960,806
Provisions and other Income in advance	60,259	51,404
Stockholders Equity	821,319	801,104
Reserves, others	2,230,804	2,152,259
Undistributed profit/losses	0	-350
Stockholders' Equity	3,052,122	2,953,013
Total Liabilities & Equity	9,684,949	10,965,223

Exchange rate (at the end of the period): RON/ EUR

4,3197

4,4287



PROFIT AND LOSS ACCOUNT

EUR

	December 31, 2011	December 31, 2012
Turnover	3,893,062	3,653,121
Own Work Capitalized	0	0
Total output	0	0
Operating revenues	3,893,062	3,653,121
Other Revenues	213,021	99,445
Total operating revenues	4,106,083	3,752,565
Materials	98,918	53,655
Energy	78,921	98,078
Other materials	0	0
Total material costs	177,839	151,733
Services	1,380,397	1,367,470
Taxes	20,017	16,242
Wages	1,658,736	1,712,564
Other operational costs	58,444	26,410
Depreciation cost	332,592	332,913
Total Operating Costs	3,628,024	3,607,331
Profit before tax and interests	478,059	145,234
Operational profit	478,059	145,234
Financial Income	63,974	37,626
Financial Costs	8,457	12,261
Interests	0	0
Net Financial Income	55,517	25,365
Extraordinary Income	0	0
Extraordinary Costs	0	0
Net Extraordinary Income	0	0
TOTAL REVENUES	4,170,057	3,790,191
TOTAL COSTS	3,636,481	3,619,593
Profit before Tax	533,576	170,599
Corporate Tax	98,013	33,160
Profit after Tax	435,563	137,439

Exchange rate (at the end of the period): RON/ EUR

4.3197

4.4287

CASH FLOW STATEMENT

EUR

	2011	2012
Cash flows from operating activities		
Net earnings before taxes and other extraordinary items	533,576	170,599
Adjustments for:		
Amortization and provisions for intangible assets' depreciation	332,592	332,913
Provisions for risks and charges - net value	22,484	(7,371)
Receipts from sales of intangible assets	(457)	(685)
Cost of assets disposed	687	334
Receipts from interests	(61,331)	(33,173)
Interest payments	-	-
Earnings from investment subsidies	(105,418)	-
Operating profit before changes in working capital	722,132	462,615
Decrease /(Increase) in accounts receivable and of other nature	(431,083)	4,326,681
Decrease /(Increase) in inventories	1,344	(2,592)
Increase /(Decrease) in accounts payable and of other nature	99,150	(4,174,595)
Cash generated from operating activities	391,543	612,109
Income tax paid	(109,750)	(29,393)
Cash flows before extraordinary items	281,793	582,716
Net cash flow from operating activities	281,793	582,716
Cash flows from investment activities		
Purchase of intangible assets	(610,130)	686,630
Proceeds from disposal of intangible assets	457	685
Interest received	61,331	33,173
Net cash flow from investment activities	(548,342)	(652,772)
Cash flows from financing activities		
Dividends paid	(394,485)	(382,358)
Net cash flow from financing activities	(394,485)	(382,358)
Increase /(Decrease) in cash and cash equivalent	(661,034)	(452,415)
Cash and cash equivalent at the beginning of the year	1,971,674	1,278,383
Cash and cash equivalent at the end of the year	1,310,640	825,968

Exchange rate (at the end of the period): RON/ EUR

4.3197

4.4287

earning every day-ahead your trust

stepping forward to the future





OPCOM
www.opcom.ro

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ROMÂNIA