

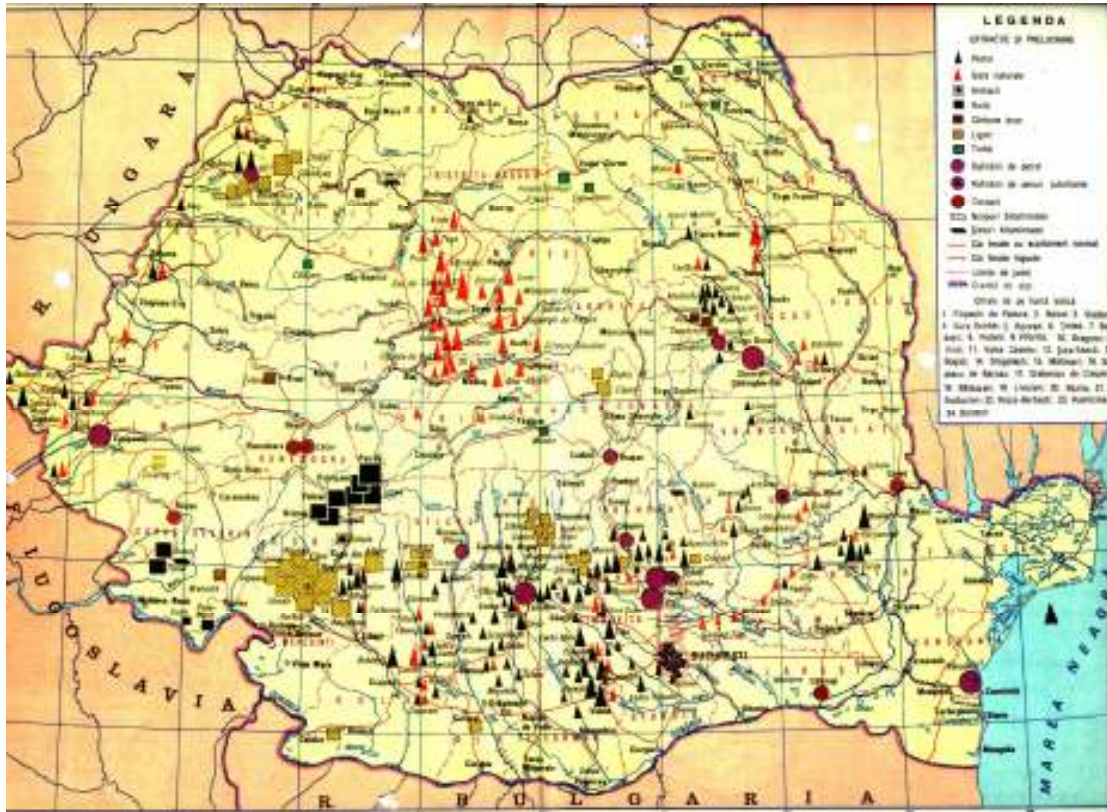
SECTOR BRIEF - DEMO

THE ROMANIAN MINING SECTOR
2014

by
FRD Center

ROMANIAN MINING SECTOR

The mining industry is an important industrial sector in Romania. It actively supports the country's economic development by providing a variety of mineral products. Romania has deposits of lignite, pit coal, brown coal, anthracite, gold and silver ore, poly-metallic ore, copper, salt and non-metallic substances.



At present, Romania has in operation four pit coal underground mines and two lignite underground mines.

Romania has exploitable pit coal mineral resources of approximately 600 million tonnes and exploitable lignite mineral resources of approximately 3.3 billion tonnes.

The main authorities regulating the Romanian mining sector are the Ministry of Economy - General Directorate for Mineral Resources and the National Agency for Mineral Resources.

The Ministry of Economy is part of the Romanian Government. The Ministry has been involved in various major projects such as: Closure of Mines Projects that target to reduce the social



impact of the mining activities, Environmental Management Plans for various mines in Romania etc.

The National Agency for Mineral Resources is organised and operates as a specialised body of the central public administration, according to the Government Decision 1419/2009. The Agency is the authority in charge to apply the Mining Law in Romania. It is subordinated to the Romanian Government.

The Mining Law no. 85/2003 regulates the mining activities in Romania. The Law regulates the exploration, exploitation, processing, closure, environmental rehabilitation and post – closure activities.

At present, a new Mining Law is under approval process in Romania.

During the past years, some 550 mines of coal, pit coal, lignite or gold have been closed in Romania, due to their economic inefficiency and the old technologies. The mine closing procedure involves: the technical plan of mine closure, the mine conservation, the post-closure monitoring, the rehabilitation of the areas affected by the mining activity.

According to the representatives of the General Directorate for Mineral Resources within the Ministry of Economy, many of the Romanian underground resources are stationed in closed mines. The closed mines that still have rich resources should be reopened. This could be possible after the approval of the new Mining Law as this is expected to regulate also the re-opening of closed mines. The re-opening is possible due to the modern technologies that are available on the market.

According to sources within the Ministry of Economy, many investors have expressed their interest to invest in the mining sector in Romania.

ROMANIAN PIT COAL SECTOR

Romania has exploitable pit coal mineral resources of approximately 600 million tonnes.

The pit coal sector in Romania is characterised by:

- the essential contribution to the national energy security in crisis situations of other resources
- the territorial concentration of the mines
- the existence of qualified personnel, with tradition in the mining activity



- the difficult geological and mining exploitation conditions (high mining depth, tectonics, stratigraphy, variability)
- the lack of modern and efficient equipment

According to the National Agency for Mineral Resources, Romania has 54 pit coal perimeters, out of which 34 perimeters in Petrosani Mining Basin (Hunedoara county) and 20 perimeters in Lupac-Anina Mining Basin (Caras Severin county).

At present, the only producer of pit coal in Romania is CE Hunedoara (Hunedoara Energy Complex). It exploits four underground pit coal mines in the Petrosani Mining Basin: Lupeni Mine, Vulcan Mine, Livezeni Mine and Lonea Mine.

CE Hunedoara was established through the Government Decision 1023/2011, following the merger of Societatea Nationala a Huilei (Pit Coal National Company), Electrocentrale Deva and Electrocentrale Paroseni. The main shareholder of CE Hunedoara is the Ministry of Economy.

CE Hunedoara is specialised in the pit coal extraction and the production of electricity based on pit coal. The company has the average production capacity of over 1.5 million tonnes of pit coal per year. It has six power units with the installed capacity of 1,225 MW.

In 2013, CE Hunedoara has recorded the net turnover of 190 million EUR. The company has approximately 7,000 employees, out of which some 5,200 are involved in the mining activity and some 1,800 in the energy activity.

According to the Mining Strategy for the period 2012 - 2035, some of the priority objectives for the pit coal sector in Romania are:

- the restructuring of the exploiting activity
- the modernisation of viable mines in order to perform efficient extraction activities
- the legislative improvements

ROMANIAN LIGNITE SECTOR

Romania has been extracting and exploiting lignite since 1957. The country has exploitable lignite mineral resources of approximately 3.3 billion tonnes.

The lignite sector in Romania has an essential contribution to the national energy security. The sector is characterised by:

- implementation of new projects in order to modernise and develop new efficient production capacities



- adequate infrastructure for the extraction and for the transport to power plants
- qualified employees, with tradition in the mining activity
- operations with strong impact on the environment

According to the National Agency for Mineral Resources, Romania has 197 lignite perimeters. At present, exploiting activities take place in only 44 perimeters, the activity in 153 perimeters being stopped. The main lignite perimeters are located in the Oltenia Mining Basin.

Lignite is currently exploited in Romania in quarries (95%) and underground mines (5%).

CE Oltenia (Oltenia Energy Complex) is the leader on the Romanian lignite market. The company ensures 95% of the lignite production in Romania.

CE Oltenia was established through the Government Decision 1024/2011. It was set up following the merger of Societatea Nationala a Lignitului Oltenia (Oltenia National Lignite Company), CE Turceni (Turceni Energy Complex), CE Rovinari (Rovinari Energy Complex) and CE Craiova (Craiova Energy Complex). The main shareholder of CE Oltenia is the Ministry of Economy.

CE Oltenia is specialised in the lignite extraction and the production of electricity and heat based on lignite. The company has recorded a lignite production of approximately 23 million tonnes in 2013. It has 13 power units with an installed capacity of 3,900 MW.

At present, the Mining Division of CE Oltenia has in exploitation 17 surface mining perimeters with continuous flow extraction technologies and two underground perimeters with long front working.

CE Oltenia has recorded in 2013 the net turnover of 600 million EUR, up by 20% compared to 2012. The company has approximately 18,800 employees, out of which some 13,000 involved in the mining activity and some 5,800 in energy activity.

In the latest three years, CE Oltenia has made environmental investments of some 307 million EUR.

According to the Mining Strategy for the period 2012 - 2035, some of the priority objectives for the lignite sector in Romania are:

- concentration of the activity in the mining areas with potential for economic efficiency



- expansion of the existing perimeters for an efficient exploitation in accordance with the national lignite demand
- opening of new perimeters taking into account the economic efficiency
- continuation of the technological rehabilitation and modernization programmes
- attracting of funding sources

MODERNISATION OF MINING PRODUCTION CAPACITIES

The first modern excavation and transport technological line in Romania was put into operation at the Cicani Quarry in the Rovinari Coal Basin in 1967. It consisted of an excavator, conveyor belts and an abzeter. The company Takraf delivered most of the equipment.

CE Oltenia, the largest lignite extraction company in Romania, currently has 170 high capacity mining equipment and over 280 km of conveyors that can ensure a production of over 34 million tonnes of lignite per year. It has 27 modernised rotor excavators and the company intends to continue the investments in order to modernise approximately four excavators per year.

For the next period, the strategy of CE Oltenia includes:

- mechanical and electrical modernisation of 4 rotor excavators in the Rovinari Est, Pinoasa, Tismana I and Tismana II Quarries
- rehabilitation and modernization of integrated technological line in Jilt Sud Quarry

The objectives of mining players in Romania are:

- increase the production capacities' usage rate
- extending the normal functioning period of the technological equipment
- decrease maintenance costs
- decrease specific consumption of electricity
- decrease noise level and dust emissions

Acquisition of mining equipment and services in Romania is done through public tenders. The mining players acquire equipment both from local producers and importer-distributors.

Some examples of public tenders that have taken place during the last years in Romania are:

- Tender organised by CE Oltenia in February 2014 for the acquisition of Komatsu mining equipment. The winner of the tender was the Romanian importer and distributor Marcom R.M.C. 94.



- Tender organised by CE Oltenia in February 2014 for auto-crane repair and maintenance services at the Husnicioara Mine. The winner of the tender was the Romanian service provider Load Sys Group.
- Tender organised by CE Hunedoara in January 2014 for the acquisition of mining chain. The winner of the tender was the Romanian producer Lant Minier.
- Tender organised by CE Oltenia in September 2013 for the acquisition of spare parts for mining mechanised equipment. The winner of the tender was the Romanian importer and distributor Petrostar Com.
- Tender organised by Pit Coal National Company in August 2010 for the acquisition of rollers for underground belt conveyors. The winner of the tender was the Romanian producer Axa Company.

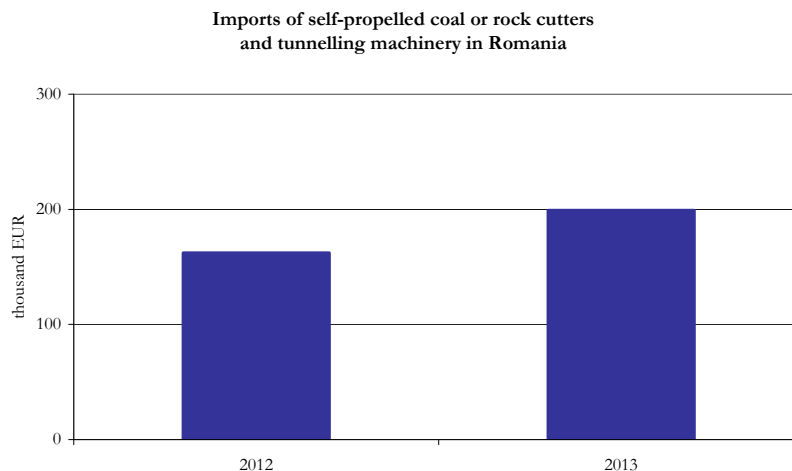
One of the main importer and distributor of mining equipment in Romania is *Marcom R.M.C. 94*. The company imports and distributes the following brands of mining, industrial and construction equipment: Komatsu, Potain, Grove, Indeco or Mantovanibenne.

The firm has the headquarters in Ilfov county and distributes its products across the entire country. With approximately 80 employees, Marcom R.M.C. 94 has recorded a net turnover of almost 13 million EUR in 2013.

Some of the company's main clients are: CE Oltenia, Apa Nova Bucuresti, Romgaz etc.

IMPORTS OF MINING EQUIPMENT

The imports of the self-propelled coal or rock cutters and tunnelling machinery in Romania have recorded approximately 200 thousand EUR in 2013, up by 23% compared to 2012.



Source: National Institute of Statistics



The Romanian imports of other coal or rock cutters and tunnelling machinery have registered some 9 million EUR in 2012.

In 2013, imports of other self-propelled boring or sinking machinery into Romania have recorded over 2.5 million EUR, while the imports of other boring or sinking machinery have reached approximately 4 million EUR.

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