

WE LEAD THE POWER



**NATIONAL POWER GRID COMPANY
TRANSELECTRICA SA
ANNUAL REPORT
2013**

ANNUAL REPORT
On the separate financial statements of the
NPG Co. TRANSELECTRICA SA

Executed in accordance with Order 1286/2012 of the Minister of Public Finance, with later amendments and additions, and elaborated according to article 227 of Law 297/2004 on the capital market and to Annex 32 from Regulation 1/2006 issued by the National Securities Commission,

For the financial year ended on 31 December 2013

| | |
|---|--|
| Date of the report: | 25 March 2014 |
| Name of issuer: | National Power Grid Company TRANSELECTRICA SA, company managed under two-tier system |
| Headquarters: | Bucharest 1, Blvd. Gen. Gheorghe Magheru no. 33, postal code 010325 |
| Working locations: | Bucharest 3, Str. Olteni no. 2 - 4, postal code 030786 |
| Phone / fax numbers: | 004021 303 5611 / 004021 303 5610 |
| Single (fiscal) registration code: | 13328043 |
| Number in the Commercial Register: | J40/8060/2000 |
| Date of Company establishment | 31.07.2000 / GEO 627 |
| Share capital: | 733,031,420 Lei, subscribed and paid |
| Regulated market where the issued securities are transacted: | Bucharest Stock Exchange, I class |
| Main characteristics of the issued securities: | 73,303,142 shares of 10 Lei / share nominal value dematerialised, nominative, ordinary, indivisible shares freely transacted from 29.08.2006 onward under the symbol TEL |
| Total market value: | 1,157,456,612 Lei (15.79 Lei / share on 31.12.2013) |
| Accounting standard applied: | International financial reporting standards |
| Auditing: | The separate financial statements have been audited |

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REPORT OF GOVERNING STRUCTURES

Consiliul de Supraveghere

Conform OG 109/2011 privind guvernanta corporativa a companiilor aflate in patrimoniul statului



Transelectrica®
Societate Administrată în Sistem Dualist

Ion - Toni Teau
Presedinte



Expertiza
Contabilitate/Taxe

Functia actuala
Presedinte /Camera
Consultantilor Fiscali
din Romania

**Carmen
Neagu**
Membru



Expertiza
Energie
(Electricitate si Gaz)

Functia actuala
GE Region Executive
SEE

**Ovidiu
Artopolescu**
Membru



Expertiza
IT&C

Functia actuala
General Manager /
Microsoft Romania

**Radu
Bugica**
Membru



Expertiza
Fonduri de Investitii
Management Privat

Functia actuala
General Manager
Romania Sigambleyzer
Investment Group LLC

**Andrei
Pogonaru**
Membru



Expertiza
Piata de Capital
Investitii Financiare

Functia actuala
Partner / Central
European Financial
Services

**Dragos
Andrei**
Membru



Expertiza
Financiar Bancara

Functia actuala
Consilier al Primului Ministru

**Remus
Vulpescu**
Membru



Expertiza
Avocat

Message of the Supervisory Board



Dear shareholders and investors,

We have the honour to present the Company's financial results in the Directorate Report for 2013.

In the context of such deep financial crisis the Supervisory Board ('SB') of Transelectrica applied its general policy relying on corporate governance principles and provided responsible professional ethical attitudes towards the main interested parties. Starting from the strategic analysis of the Company and from the premises of its operational environment the Supervisory Board planned the development of the Company's performance, providing rigorous formulation for objectives and proposing permanent valuation of the set strategy.

In 2013 the professional team of the Supervisory Board appointed by cumulative vote by the Shareholders' General Assembly ('AGA') on 31.05.2013 in accordance with the provisions of Governmental Emergency Ordinance (GEO) 109/2011 *on corporate governance of public enterprises* elaborated the 'Management Plan of the National Company (NC) Transelectrica SA for 2013-2017', document of particular relevance for the administration strategy during the mandate, approved by the Shareholders' General Assembly of Transelectrica on 30 September 2013. Such plan determines the development lines providing all-inclusive vision over the financial and operational financial structure.

The negative forecast on the transmitted amount of power is no benefit to the Company, as the cap revenue is determined regardless of consumption based on the level of investments and of operational expenses acknowledged by the regulatory authority. Against such difficult background Transelectrica continues doing actively in professional manner its attributions and obligations assigned by the European and national legislations in its capacity of transmission and system operator (TSO). The development and modernisation of the electricity transmission grid (ETG), increased interconnection capacity with neighbouring countries and active participation to the interconnection of markets from central and eastern Europe are only several of the strategic lines that Transelectrica promotes actively.

The development strategy of the electricity transmission system elaborated by a specialist team of high expertise sets in motion investments meant to achieve the main development objectives- providing good operational conditions for the electricity market; providing interconnection conditions with west European electric power systems, as well as increased efficiency of Company operations.

Consolidating the electricity transmission infrastructure and the electric power systems has been and will always be an essential pre-requisite for the efficient development of electricity markets. This is the reason why Transelectrica upgrades rapidly its transmission and system assets relying on the latest technologies and know-how in the domain, while maintaining an affordable tariff for provided services and diversifying its activities.

The financial objective of the Supervisory Board is to significantly improve the Company profitability. During the 4 years' mandate the Company forecasts investments over 2.2 billion Lei, investment level 50% higher than that achieved in 2009-2012.

In 2013 we could consolidate our financial basis by successfully placing an inaugural emission of corporate bonds amounting to 200,000,000 Lei within the 900 million Lei ceiling for 2013-2017, approved by shareholders on 30.09.2013. Thus the bond offer of Transelectrica has become a benchmark for similar issuers.

The increased interest from local and international investors is proof of the balanced mix between the capability of the issuer, the efficiency, the liquidity and the possible diversification of the portfolio by means of local instruments of fixed revenue.

2013 REPORT OF THE SUPERVISORY BOARD

The Company's message towards the Romanian society is precisely its medium and long term commitment to carry out its public service mission in exemplary responsible manner relying on modern efficient transmission infrastructure of a Company with sustainable activities in the sense of social liability to community and environmental protection.

With highest consideration,

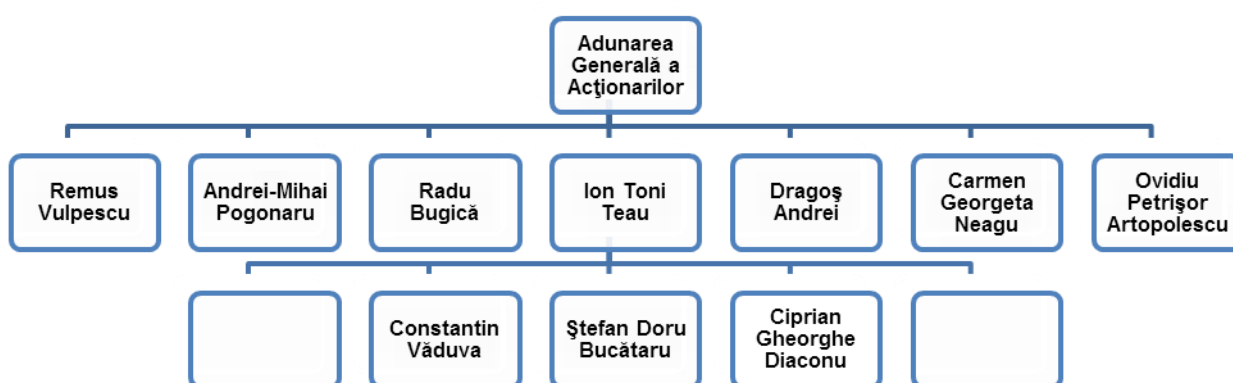
Chairman of the Supervisory Board of Transelectrica,

Ion Toni TEAU

Supervisory Board

The National Power Grid Company Transelectrica SA ('NPG Co. Transelectrica SA', 'Transelectrica' or the 'Company') is a joint-stock company organised and functioning in accordance with Romania's laws, being managed under two-tier system by a Directorate (5 members) monitored by the Supervisory Board (7 members) according to the decision of the Shareholders' General Extraordinary Assembly of 18 July 2012.

FIGURE 1 ORGANISATIONAL STRUCTURE



Supervisory Board

On the date of this report the membership in the Supervisory Board of Transelectrica is as follows:

- **Ion-Toni Teau - Chairman of the Supervisory Board**, with more than 21 years' professional experience besides his capacity of member in the Supervisory Board of Transelectrica, at present holding the positions of Chairman of the Fiscal Consultants' Chamber in Romania and Director General and Administrator of the companies Sanex SA, Cluj-Napoca and Lasselberger SA, Bucharest.

Previously he was Prime vice-president (and provisional chairman) of the Fiscal Consultants' Chamber in Romania (May 2012 – February 2013) and Vice-president of the Superior Board, Member of the Permanent Bureau of the Fiscal Consultants' Chamber in Romania (April 2007 – April 2012);

- **Ovidiu Petrișor Artopolescu - Member of the Supervisory Board**, with more than 32 years' professional experience. Besides his membership in the Company's Supervisory Board he provides consulting activities for the business strategy of the companies that make application software for system integrators (beginning with March 2009).

Previously he has been State Secretary in the Ministry of Communications and of the Informational Society (May-September 2012);

- **Radu Bugica - Supervisory Board member**, with over 23 years of professional experience. Besides his capacity of member in the Supervisory Board of Transelectrica, at present he is Board of Administration member of Conpet SA (since October 2013), BA Chairman / representative of the BA Chairman of Covalact SA and Lactate Harghita SA, companies controlled by the investment fund SigmaBleyzer Southeast Europe Fund IV (since June 2007, respectively June 2008);
- **Andrei-Mihai Pogonaru - Supervisory Board member**, with more than 7 years' professional experience. Besides his capacity of member in the Supervisory Board of Transelectrica, at present he is partner in Central European Financial Services SA (since September 2007);
- **Carmen Georgeta Neagu - Supervisory Board member**, with over 31 years of professional experience. Besides her capacity of member in the Supervisory Board of Transelectrica, at present she is independent consultant for business development and Partner & Director General of Peria Capital Ltd. (since January 2014).

Previously she was Executive Director – Regional SEE (September 2010 – December 2012) in General Electric / GE Energy and Executive Director for Romania, Bulgaria & Moldova (September 2005 – September 2010) in General Electric / GE Infrastructure Energy;

- **Dragos Andrei - Supervisory Board provisional member**, with more than 28 years' professional experience. Besides his capacity of member in the Supervisory Board of Transelectrica, at present he is State counsellor in the Chancellery of the Prime-minister (since January 2013).

Previously he was Chairman Director General with Company Valsa Consulting SA (September 2011 – January 2013) and Counsellor Minister with Romania's Permanent Representation Office in the European Union, Brussels (August 2007 – August 2011);

- **Remus Vulpescu - Supervisory Board provisional member**, with over 20 years of professional experience. Besides his capacity of member in the Supervisory Board of Transelectrica, at present he is BA member with Transgaz SA.

Previously he was insolvency practitioner (2009-2012), Director of the Conduct and Professional Discipline Division with the Fiscal Consultants' Chamber in Romania (2012), Director General with the Control Group of the Prime-minister (2012), Head of the Office of State Participation in Industry (2012), Counsellor of the minister of economy (2013) and Cabinet Director in the Ministry of Public Finance.

Supervisory Board members are elected in the Shareholders' General Assembly, lawfully constituted according to legal provisions by quorum and majority of votes. On the date of this Report Transelectrica is not aware of agreements, conventions or family ties of the Supervisory Board members and other persons due to which they were appointed administrators.

There are five consultative committees in the Supervisory Board- a nomination and remuneration committee; an audit committee; a financial and development committee; an energy security committee, and a committee liaising with the regulatory and strategy authorities.

Consultative committees of the Supervisory Board

Audit committee

Ion-Toni Teau, Radu Bugica and Andrei-Mihai Pogonaru are members of this committee.

The audit committee has among its attributions- monitoring the internal control systems, the internal audit and risk management systems of Transelectrica, checking and monitoring the independence of external auditors, checking and monitoring the annual financial statements and the proposals of external auditors while also coordinating their activities together with internal auditors.

The audit committee is also monitoring the financial and management reporting process as well as the financial plan, the elaboration of annual financial statements and of the annual consolidated financial statements.

The audit committee plays an important role in checking the efficiency of the system monitoring the compliance with the laws and regulations applicable to Company activities and of the results from managerial investigations in case such are not observed.

Nomination and remuneration committee

Remus Vulpescu, Ion-Toni Teau, Ovidiu-Petrisor Artopolescu and Andrei-Mihai Pogonaru are members of this committee.

As far as the nomination area is concerned the Nomination and remuneration committee coordinates the appointment of Directorate members and makes recommendations both for Directory member positions and for the vacancies in the Supervisory Board.

The Nomination and remuneration committee determines the requirements for the holder of a certain position within Company administration and permanently updates the professional competencies of Directorate members. This Committee is also validating the Company's organisational chart.

As regards the remuneration range the Nomination and remuneration committee elaborates the remuneration policy for Directorate and Supervisory Board members and submits it for the Shareholders' General Assembly's approval.

The nomination and remuneration committee provides the annual report with the total amount of the direct and indirect remuneration of Directorate and Supervisory Board members, while observing its proportionality with the responsibility and the time they dedicated to position assignments.

Financial and development committee

Radu Bugica, Andrei-Mihai Pogonaru, Ion-Toni Teau and Carmen-Georgeta Neagu are members in this committee.

The financial and development committee assists the Supervisory Board in achieving its surveillance and supervision over the elaboration and upgrading of the Company's general development strategy; it examines the opportunities identified in order to develop Company activities and issues recommendations to the Supervisory Board with potential impact on the Administration and Management Plans of the Company.

The financial and development committee together with the Audit committee make recommendations to the Supervisory Board with respect to the accounting policies of the Company. The Committee also makes recommendations to the Supervisory Board in terms of financing structures and Company resources, financial reporting; monitoring the achieved performance indicators of the transmission system and of the economical-financial performance of the Company, as well as the financial & management reporting and the Company's financial plan.

Energy security committee

Dragos Andrei, Ovidiu-Petrisor Artopolescu, Radu Bugica and Carmen-Georgeta Neagu are members in this committee.

The Energy security committee monitors and counsels the Supervisory Board, the Directorate and the specific compartments of the Company with respect to implementing the administration strategy and the Management Plan, the strategic objectives of the system operator and energy security within the entire

Romanian Power System (RPS), of the electricity transmission grid (ETG) as well as the protection of the critical infrastructure.

Committee liaising with regulatory and strategy authorities

Carmen-Georgeta Neagu, Remus Vulpescu and Dragos Andrei are members in this committee.

The Committee liaising with the regulatory and strategic authorities supports the Company in its negotiations with the National Regulatory Authority in the Energy domain ('ANRE') about the tariffs applicable to Transelectrica activities and the approval of the Company's 10 Development plan and the 2014-2017 investments. The Committee also counsels the Directorate when updating the Management Plan.

CHANGES IN THE SUPERVISORY BOARD

| 31.12.2013 | 30.05.2013 | 14.03.2013 | 31.12.2012 |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Ion-Toni TEAU | Ovidiu-Petrisor ARTOPOLESCU | Dumitru PIRVULESCU | Dan VOICULESCU |
| Dragos ANDREI | Ciprian-Gheorghe DIACONU | Adrian-Gheorghe COSTIN | Adrian-Gheorghe COSTIN |
| Ovidiu-Petrisor ARTOPOLESCU | Ion-Toni TEAU | Ovidiu-Petrisor ARTOPOLESCU | Ovidiu-Petrisor ARTOPOLESCU |
| Radu BUGICA | Radu BUGICA | Radu BUGICA | Radu BUGICA |
| Carmen-Georgeta NEAGU | Stefan-Doru BUCATARU | Andrei-Petrisor MAIOREANU | Dumitru PIRVULESCU |
| Andrei-Mihai POGONARU | Andrei-Mihai POGONARU | Andrei-Mihai POGONARU | Gheorghe-Gabriel GHEORGHE |
| Danut-Leonard SANDU | Danut-Leonard SANDU | Radu-Ionel PUCHIU | Lucian ISAR |

- **14 March 2013** – AGA reunion when the new Supervisory Board membership was voted until AGA elected the SB members according to the provisions of GEO 109/2011 on corporate governance of public enterprises, and Mr. Dumitru PIRVULESCU was elected on 15 March 2013 as SB chairman.
- **30 May 2013** – in accordance with the provisions of GEO 109/2011 on corporate governance of public enterprises a new Supervisory Board was elected during the AGA by cumulative vote, with four years' mandate.
- **03 June 2013** – the Supervisory Board elected Mr. Ovidiu-Petrisor ARTOPOLESCU as SB chairman and agreed on the membership in the five consultative committees- nomination and remuneration; audit; financial and development; energy security, and committee liaising with regulatory and strategic authorities.
- **25 June 2013** – Mr. Ovidiu-Petrisor ARTOPOLESCU gave up his chairmanship of the SB and Mr. Ion-Toni TEAU was elected as SB chairman.
- **28 June 2013** – SB members proposed appointing Mrs. Carmen-Georgeta NEAGU as provisional administrator, and she took the vacant seat on 25 June 2013 while Mr. Stefan-Doru BUCATARU was appointed Directorate chairman.

- **29 November 2013** – Mr. Andrei Dragos was appointed as provisional administrator and Supervisory Board member. Mr. Andrei Dragos takes up the vacancy brought about on 17.09.2013 when Mr. Ciprian Gheorghe Diaconu was appointed Directorate member until the reunion of the Shareholders' General Assembly.
- **14 February 2014** – Mr. Dumitru-Remus VULPESCU was appointed Supervisory Board member. Mr. Remus Vulpescu takes up the vacancy brought about by Mr. Danut Leonard Sandu's renunciation to the capacity of SB member.

On the date of this Report the Supervisory Board membership with 4 years' mandate, namely by 30.05.2017, is as follows:

- Ion-Toni TEAU, SB chairman;
- Ovidiu-Petrisor ARTOPOLESCU, SB member;
- Radu BUGICA, SB member;
- Andrei-Mihai POGONARU, SB member;
- Carmen-Georgeta NEAGU, SB member;
- Dragos ANDREI, provisional member designated on 29.11.2013 until the next AGA reunion for a term equal to the remaining time until expiry of this predecessor's mandate;
- Dumitru-Remus VULPESCU, provisional member designated on 14.02.2014 until the next AGA reunion for a term equal to the remaining time until expiry of this predecessor's mandate;

ADMINISTRATION PLAN IN 2013 - 2017

In accordance with the Governmental Emergency Ordinance (GEO) 109/ 2011, in September 2013 the Supervisory Board submitted the Administration plan to the Shareholders' General Assembly's approval. This mirrors the SB general policy relying on the corporate governance principles, which institute the Company's responsible professional ethical attitude towards the main stakeholders.

Main Assumptions of the Administration Plan

The deep economic crisis still confronting Romanian society has led to uninterrupted decrease in the domestic electricity consumption, this being the third year in a row when Transelectrica is facing diminished amounts of electricity where the transmission tariff is applied.

The available macro-economic data (GDP forecast of the National Prognosis Commission for 2013-2016) in conjunction with the decreasing trend of the electricity demand were the main items which constituted the reducing estimation of the domestic electricity consumption by 4% in 2014 – 2017.

As regards the development of tariffs for transmission and functional system services 7.0% increase per year was taken into consideration during the entire forecast period to compensate the projected decrease of the domestic energy consumption, while also targeting to acknowledge most operational expenses and investments into the tariff.

Starting from the global diagnostic analysis of the Company's recent performance and financial position the 2013-2017 Administration plan includes two strategic action lines with a view to achieve the set performance objectives:

1. *Expediting investments*

The operational strategy of the SB relies on expediting the investment plan with a view to upgrade and retrofit the ETG in order to constantly reduce operational expenses (especially for maintenance and repair).

Such strategy will have positive impact over the regulated asset base (RAB) leading to a halt and reversal of the decreasing trend of these last years. The higher investment effort will bear effect only in the second half of the time interval because of the great execution term of investment projects.

During the forecast period (2013-2017) the Company presumes investments over 2.2 billion Lei, investment level 50% higher than that achieved in 2009-2012, which has positive consequences for the financial performance. The operational profit before interest rates, taxes and depreciation (EBITDA) is forecasted to grow 7.5% per year in the average during the studied period.

TABLE 1 INVESTMENT PLAN FOR 2013-2017

| Million Lei ¹ | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|--------------------------|------|------|------|------|------|--------------|
| Investment projects | 330 | 495 | 523 | 575 | 622 | 2,545 |
| Commissioning | 300 | 180 | 421 | 521 | 722 | 2,144 |

2. *Restructuring the financing mix by introducing the obligatory loan in Lei*

The introduction of corporate bonds in Lei into the financing mix aims at:

- The predictability of financing costs;
- Optimising the capital structure;
- Stable cash flows in the prospect of increased average maturity of financing sources;
- Reducing the volatility risk of exchange rates;
- Reducing the volatility risk of the interest rate in view of increasing financial stability and enhancing the financing sources with beneficial impact over the Company's rating;

The administration strategy of the Supervisory Board targets the permanent growth of added value to shareholders by increasing the value of shares, dividends and by maximising the efficiency of invested capitals.

In spite of the difficult economic and energy environment but nevertheless tailored to the requirements of European legislative strategy, the Supervisory Board finds solutions for progress and increased financial performance of the Company comparable with similar representative TSO-s of the European Union.

The Supervisory Board acknowledges the Administration plan is a dynamic document where updates / general changes can occur generated by the very implementation process or changes in the environment where the Company operates.

¹ Figures according to the Administration plan that AGA approved on 30.09.2013

Supervisory Board Report with respect to the separate financial statements executed in accordance with the International Financial Reporting Standards

Supervisory Board relies on the corporate governance principles which institute the Company's responsible professional ethic attitude towards the main stakeholders. The Board examines the Company's strategy and the premises of the environment it operates in with a view to plan the development of Transelectrica and its performance, thus providing rigorous expression of objectives. Within the Supervisory Board the Company's Directorate provided detailed information on the 2013 separate financial statements, the management plan, the maintenance schedule and the planned investments. We have valued the significant transactions for Transelectrica during plenary meetings based on the Directorate reports.

Co. KPMG Audit Ltd has audited the 2013 separate financial statements, has reviewed the compliance of the Directorate's Annual Report with the separate financial statements. Consequently it has issued a reserved audit opinion indicating as exception the failure to comply with certain financial indicators on 31 December 2012, stipulated in the long term loan contract 20864 concluded with the European Investment Bank.

The separate financial statements and the audit report were submitted to the Supervisory Board's examination. At the common reunion to approve the 2013 financial statements the Audit Committee submitted a report to the Supervisory Board with respect to reviewing the financial results of 2013 and recommended the Supervisory to endorse the separate financial statements executed in accordance with Order 1286/2012 of the Ministry of Public Finance.

At the same time the Annual Report of the Directorate elaborated in accordance with the capital market legislation was reviewed by the Supervisory Board members. The Directorate report provides the accurate truthful image of the Company's separate results for 2013 as financial year.

The Audit Committee assists the Supervisory Board in carrying out its own responsibilities to supervise the financial reporting, management reports, the internal control system, audit process as well as monitoring the compliance with the laws, regulations and conduct codes.

The separate financial statements of Transelectrica executed in accordance with the IFRS were endorsed on the 25.03.2014 meeting of the Supervisory Board according to the recommendations of the Audit Committee, and they were submitted for approval to the Shareholders' Ordinary Assembly convened for first assembly on 29 April 2014.

Chairman of the Supervisory Board

Ion-Toni TEAU

Directorat

Conform OG 109/2011 privind guvernanta corporativa a companiilor aflate in patrimoniul statului



Transelectrica®
Societate Administrată în Sistem Dualist

**Stefan
Bucataru**
Presedinte



Expertiza
Capital privat
Management
Energie

Experienta
Functii top management
in diferite companii
nationale sau internationale

**Constantin
Vaduva**
Membru



Expertiza
Contabilitate
Audit

Experienta
Functii top management
in diferite companii de
contabilitate si finante

**Ciprian
Diaconu**
Membru



Expertiza
Energie

Experienta
Managementul Executiv
Transelectrica

Directorate message



At present Transelectrica has stepped into a new managerial cycle of performance. In this stage the Company targets expediting the investment plans and increasing financial performance with a view to provide diversified financing sources, especially by addressing unsecured instruments specific to the capital market and those provided by international financial institutions to a limited number of companies whose performance qualifies them for such instruments.

Transelectrica makes long term investments both in terms of execution term and of investment recovery into the Romanian Transmission System, respectively in order to upgrade substations and networks and to increase the interconnection capacity with neighbouring countries. The solid financial performance and the independence level towards the constraints and limitations of the banking environment are 'guarantees' for the capacity of Transelectrica to carry out its mission of providing good operation of the Romanian Power System under safe conditions both to domestic users and to the partners of neighbouring countries; the Company is fully integrated within the European Network of Transmission and System Operators in the Energy domain (ENTSO-E).

As regards its relation to the users, the increased interconnection capacity and the participation to the projects of great European power transmission hubs are only a few of the action plans of Transelectrica to cope with the challenges. The development and upgrade of the electricity transmission grid (ETG), the increased interconnection capacity with neighbouring countries and its active participation to the energy markets coupling in central and eastern Europe are measures meant to turn Transelectrica into a flexible operator of the electricity grid, able to manage in the new European context where electricity markets are developing.

As regards its relation to investors, our strategy aims at uninterrupted growth of the added value for shareholders by increasing the share and dividend values and maximising the invested capital. Transelectrica makes sustained efforts to promote its development strategy either by meeting potential investors in New York, London and Bucharest or by direct communication with the Energy Commissioner of the European Union. Company efforts have been mirrored in the report of the rating company Moody's Investors Service that reiterated the rating of Transelectrica at Ba2 and improved the outlook from 'negative' to 'stable'.

In 2013 the TEL share price increased 24.4%, in line with the BET index of the Bucharest Stock Exchange (BSE) that grew 26.1%.

At the same time in 2013 the Company recorded significant operational profitability growth due to its reduced operational costs (12%), but also to successful negotiations with the regulator that accepted the justified increase of regulated tariffs compared to the previous year (12.7% for transmission services and 6.5% for functional system services).

The profitability of activities with allowed profit was substantially improved both in absolute values- EBITDA higher by 43% and EBIT by 161%- and as margin in operational revenues, namely the EBITDA margin of 46.5% having grown from 34.7%, and the EBIT margin of 20.3% having increased from 8.3%, while the net loss registered to zero-profit activities was reduced from -16 million to -9 million Lei.

In January this year a corporate bond emission amounting to 200 million Lei and 5 years' maturity began being transacted in order to sustain investments financing. This loan is meant for long term investments, namely to upgrade the electric substations and the transmission networks, as well as to increase the

interconnection capacity with neighbouring countries. The bond emission raised particular interest, thus proving the investors' confidence in the Company's solid business model and development plans.

The fore mentioned long term projects including aspects of permanent value increase for shareholders, the development plans by means of large-scale investments and the vision of the Company's financial performance are well grounded arguments used in the financing decision. The Company's target is optimising direct costs, reducing the exposure to the exchange rate, and improving the cash flows that have positive impact over the financial performance.

There have been many occasions in 2013 when I expressed my appreciation for the employees' devotion to the good operation of the Romanian Power System and implicitly for the interests of our clients. This is why I am confident Transelectrica personnel will further make our Company stronger, more efficient and increasingly adapt to the current European reality.

Stefan-Doru BUCATARU

Executive Director General

Directorate Chairman

Directorate

On the date of this report the Directorate membership of Transelectrica is as follows:

- **Stefan-Doru Bucataru – Executive Director General and Directorate Chairman**, with over 26 years' professional experience. At present he has no significant activities outside the Company. Mr. Bucataru has managed public and private companies, both in the country and abroad, and has coordinated many restructuring, merger, procurement processes and private capital investments. Besides his capacity of Directorate member in Transelectrica, at present he is member in the Canadian Association Management Consultants (having been certified in managerial consultancy) and in the Restructuring Managers' Association. Previously (in the last 5 years) he did not carry out significant activities for the Company.
- **Constantin Vaduva – Directorate Member**, with over 32 years' professional experience. Besides his membership in the Directorate of Transelectrica, at present he is Secretary General of the Fiscal Consultants' Chamber in Romania. Previously he was Supervisory Board member in the Energy Complex Oltenia (September – November 2012) and Director General – Administrator, BA chairman of the National Company PLAFAR SA (September 2012 – March 2013);
- **Ciprian Gheorghe Diaconu – Directorate Member**, with over 27 years' professional experience. Besides his membership in the Directorate of Transelectrica, at present he is Chairman of the CNR – CIGRE Association (National Romanian Committee - International Council of Large Electricity Networks) and BA member in the Electricity Distribution Company Transylvania Nord - Cluj. Previously he was Supervisory Board member of Transelectrica (June – September 2013), Directorate member (March – May 2013), Deputy Director General for Technical Management (2011 – 2013), Director, Technical Coordination and Engineering Division (2010 – 2012).

Changes in the Directorate of Transelectrica:

- **14 February 2013** – Mr. Andrei-Gabriel BENGHEA-MALAIES was recalled from his executive director general position and replaced with Mr. Stefan GHEORGHE.
- **28 February 2013** – the SB decided changing the Directorate number of members from three to five; also Mr. Octavian LOHAN was recalled from his position of Directorate member and Messrs. Ioan DIACONU, Ciprian-Gheorghe DIACONU and Adrian-Constantin RUSU were appointed Directorate members.
- **25 June 2013** – Mr. Stefan-Doru BUCATARU replaced Mr. Stefan GHEORGHE in the position of Directorate Chairman, alternatively called Executive Director General or Chief Executive Officer – CEO;
- **16 September 2013** – at its meeting of 16 September 2013, having finished the recruitment and selection according to GEO 109/2011 on corporate governance of public enterprises, with later amendments and additions, the SB decided appointing the following Directorate members for 4 years beginning with 17 September 2013:
 - Mr. Stefan-Doru BUCATARU, Directorate Chairman;
 - Mr. Gabriel MUSTEA;
 - Mr. Constantin VADUVA;
 - Mr. Ciprian Gheorghe DIACONU;
 - Mr. Florin-Mihaita BOANGIU;

On the same occasion Mr. Ioan DIACONU and Mr. Adrian-Constantin RUSU were recalled from their positions of Directorate members.
- **14 February 2014** – Mr. Florin-Mihaita BOANGIU was recalled from his Directorate member position.
- **23 March 2014** – the mandate contract of Mr. Gabriel MUSTEA ended upon both parties' agreement.

Statement of responsible persons

To the best of our knowledge the separate financial-accounting statements of 31 December 2013, executed in accordance with applicable accounting standards (International Financial Reporting Standards as they are approved by the European Union), provide accurate truthful image of the assets, liabilities, financial position, profit and loss account of the National Power Grid (NPG) Company Transelectrica SA and the Directorate Report includes accurate truthful information with respect to the Company's development and performance, as well as the description of the main risks and uncertainties specific to activities.

Directorate

Stefan-Doru BUCATARU

Constantin VADUVA

Ciprian DIACONU

Executive Director General

Directorate Member

Directorate Member

Directorate Chairman



SHAREHOLDERS' STRUCTURE

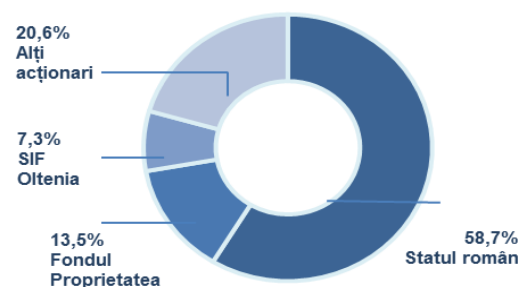
1. SHAREHOLDERS' STRUCTURE

On 31 December 2013 the shareholders structure was as follows:

TABLE 2 SHAREHOLDERS' STRUCTURE (NO. OF SHARES)

| Shareholder | Shares | |
|----------------------------------|-------------------|-------------------|
| | 31.12.2013 | 31.12.2012 |
| Romanian State | 43,020,309 | 43,020,309 |
| Ownership Fund | 9,895,212 | 9,895,212 |
| SIF Oltenia | 5,320,582 | 4,653,602 |
| Other shareholders (below 5%) | 15,067,039 | 15,734,019 |
| TOTAL | 73,303,142 | 73,303,142 |

FIGURE 2 SHAREHOLDERS' STRUCTURE (%)



In 2013 there were no significant changes in the shareholders' structure. As regards shareholders holding more or precisely 5% of the stock, the shareholders dynamic was as follows- Romanian State (58.7%) and Ownership Fund (13.5%) maintained their shares and SIF Oltenia consolidated the stock it held (7.3% from 6.3%).

Directive EC/72/2009 of the European Parliament and Council regarding the common norms for the internal electricity market requires clear separation principles between the shareholder capacity to companies carrying out electricity and natural gas generation and supply on the one hand and the capacity of shareholder to companies transmitting electricity and transporting natural gas on the other.

Such principles have been transposed in the national legislation under GEO 18/ 2013, which designates the public entity that exercises the capacity of Transelectrica shareholder on behalf of the State, namely transfers the state owned shares from the administration of the Ministry of Economy into that of the Ministry of Public Finance.

On the date of this annual report the public entity exercising the capacity of Company shareholder on behalf of the State is the Government's Secretariat General under GEO 6/ 2014, published in Romania's Official Gazette no. 113/ 2014 regarding the exercise of rights and achievement of obligations ensuing from the State capacity of shareholder to the NPG Co. Transelectrica SA and to the National Natural Gas Transport Co. Transgaz SA Medias, as well as the amendment of other norms.



BUSINESS MODEL

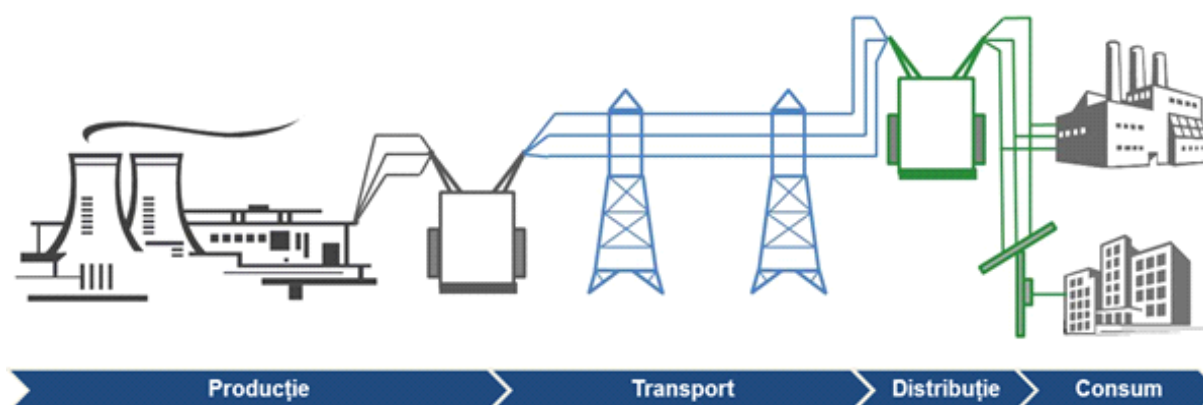
2. BUSINESS MODEL

2.1. Position on the electricity market

Transelectrica's business model is regulated natural monopoly in the electrical power domain.

In the value chain of electricity activities Transelectrica holds the central position of transmission and system operator, natural monopoly activities, placed in-between generators and suppliers, which constitute the main players of the competitive electricity market. Transelectrica is not the only natural monopoly in the value chain of electrical power as the network distribution activity being also natural monopoly.

FIGURE 3 VALUE CHAIN OF ELECTRICITY



Transelectrica has got the mission to provide public electricity transmission services while simultaneously maintaining the safe operation of the national power system under non-discriminating access conditions for all users; it is also meant to actively participate to the sustainable development of the national power system by developing the infrastructure of the electricity transmission grid and to support and facilitate the operation and integration of power markets.

The key role of Transelectrica is that of transmission and system operator (TSO), to which are added the balancing market operator part, metering operator and also operator allocating the capacity along interconnection lines.

Basic activities relate to infrastructures of strategic significance in the electricity sector, comprising multiple critical infrastructure elements. Thus transmission services rely on the electricity transmission network while dispatch activities, including balancing, are supported by the dispatch and metering infrastructure.

Primary legislation is regulating the activities of Transelectrica (Law 123/ 2012 is the national framework and the European one is Directive EC/72/2009 and Regulation 714/ 2009) as well as the secondary legislation issued by ANRE - meaning licences, establishment authorisations, tariff setting methodologies (cap revenue type for transmission and cost plus for system operation, tariffs, framework contracts, procedures and others).

Business profitability comes from the efficiency of the regulated asset base, which depends on the regulated rate of efficiency and the regulated asset base ('RAB').

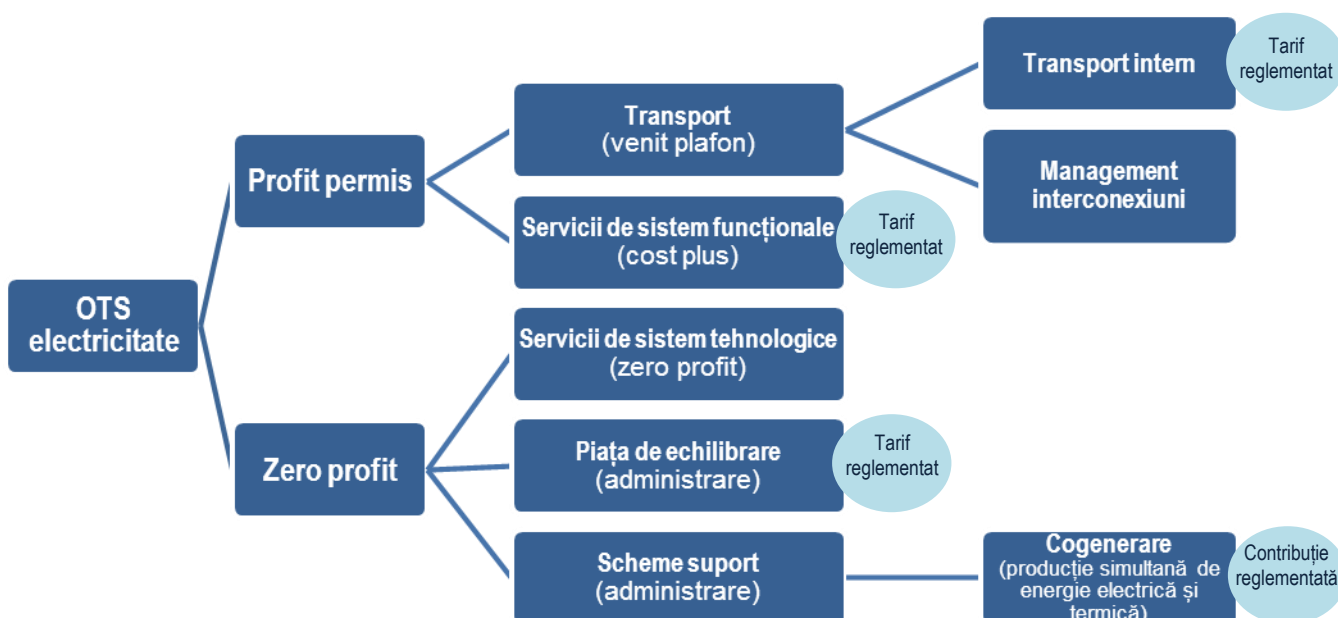
The business model corresponds to the standard profile of a TSO, which has been designed uniformly at European level in the European energy strategy and legislation and is applied in all community countries, transposed as such in the national legal framework.

TSO companies are undergoing certification at European level, which includes mainly three possible models- ownership unbundling- OU, independent system operator- ISO, namely independent transmission operator- ITO). Transelectrica has been certified as transmission and system operator of the national electric power system and is operating according to the ISO model.

2.2. Portfolio of activities and tariff model

The portfolio of Transelectrica includes activities with allowed profit (transmission services plus functional system services) and activities without profit (technical system services, balancing services and support schemes), all these activities being subject to ANRE regulations.

FIGURE 4 PORTFOLIOS OF ACTIVITIES



The activities provided in the above graph in the 'zero profit' class are devised on neutral bases against the Company profile according to the applicable regulatory framework.

The revenues related to technical system services are estimated through the tariff dedicated to fully covering the costs associated to activities. The same way, cash flows related to the administration of the support scheme to promote high efficiency co-generation rely on some contribution determined by ANRE estimated with a view to fully cover the administrative costs of the support scheme.

In case annual non-null, positive or negative results are reported from technical system service activities determined by differences between the forecasted values used in the calculation of tariffs and the actual values, the neutrality of such activity to the Company's profit is re-established within multi-annual terms by incorporating proper adjustments into the tariffs.

Activities with zero profit

Technical system services

- Activity regulated by ANRE;
- Planning and procurement operations from generators or disconnectable consumers for the power reserves needed in order to provide permanent balance between generation and consumption with a view to have safe operation of the RPS;
- ANRE determines each year in advance the tariff of technical system services using a zero-profit model („pass-through’) designed to fully recover the costs for procurement of system reserves with the possible ETGainment of a part of possible savings obtained when procuring power reserves from the competitive

Balancing market

- Administration of the market where the real time balancing between generation and consumption takes place;
- Procurement operations of the control power from dispatchable generating units and full recovery of costs associated to balancing from the balancing responsible parties;
- Costs are recovered based on zero-profit bases:

Support scheme

Cogenerare

- Administration of the support scheme to promote high efficient co-generation; this support scheme aims at promoting electricity generation systems under high efficient co-generation with the benefit of power production with low pollutant emissions;
- Transelectrica under the support scheme is collecting the contribution from the suppliers of electricity consumers and is paying the bonus to the qualified generators of electricity and heat under co-generation;
- Costs are recovered under zero-profit bases;

Activities with allowed profit

Transmission

Transintern

- Activity regulated by ANRE;
- The tariff is annually reviewed and updated;
- The transmission tariff is determined based on preset settings for multi-annual periods (usually 5 years) using a stimulating model of revenue cap type;
- The revenue cap model allows recovering the operational and investment expenses and obtaining some financial efficiency meant for the proper remuneration of financiers, in accordance with the general risk of regulated activities of Transelectrica;
- Certain cost components included in the tariff calculation are capped to pre-set levels by ANRE (according to operational efficiency requirements), the higher efficiencies obtained by Transelectrică being partially ETGained by the Company by means of a mechanism distributing the additional profit with the users of transmission services.

Management interconexiuni

- The allocation of available cross-border electricity transfer capacities along interconnection lines with the electric power systems of neighbouring countries;
- The allocation mechanism relies on a competitive system using the price that the energy market participants offered for the available cross-border transmission capacity, applicable in case the capacity demand exceeds the available level offered on the market.

Functional system services

- Activity regulated by ANRE;
- Dispatch operation of the Romanian Power System (RPS) to maintain its safe operation (maintaining the stable system balance between generation and consumption, maintaining the system parameters within the pre-set margins that provide safe and stable RPS operation, operationally scheduling the consumption coverage) using the operational technical management infrastructure of the RPS which is the EMS-SCADA system as well as the telecommunication, tele-management, protection and control systems;
- ANRE determines in advance the tariff of functional system services based on some cost-plus model that allows recovering the operational costs and the investment expenses as well as getting some financial efficiency meant to adequately remunerate the financiers in accordance with the general risk of regulated activities performed by Transelectrica;



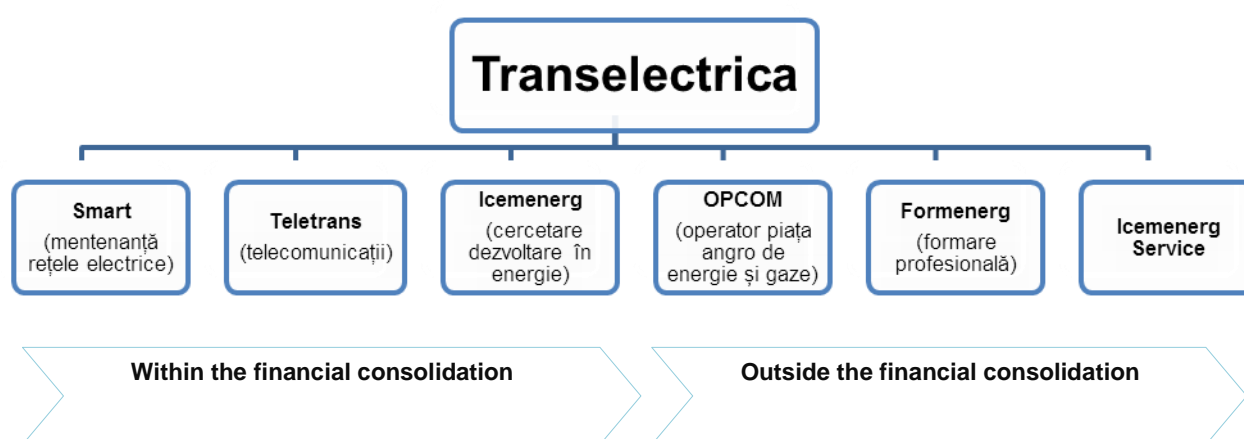
STRUCTURE OF THE GROUP

3. STRUCTURE OF THE GROUP

Transelectrica has got six subsidiaries, Romanian legal persons organised as joint stock companies with a single shareholder, namely- OPCOM, Smart, Formenerg, Teletrans, Icemenerg and Icemenerg Service. Such companies carry out activities adjacent to the Company's.

The relations between Transelectrica and these subsidiaries take place under market conditions according to the provisions of the Trading companies law 31/1990, their governing teams being independent in operational terms.

FIGURE 5 STRUCTURE OF THE GROUP

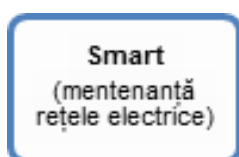


Smart and Teletrans carry out activities closely connected to the business of Transelectrica, their main revenue source (about 80% at present) being the contracts concluded with Transelectrica.

According to GEO 6/ 2014, the Governmental Secretariat General is authorised to initiate and approve all the necessary operations and measures to transfer the shares held in OPCOM and Formenerg into the private property of the Romanian State and in the administration of the Department for Energy.

In accordance with Governmental Decision (GD) 185/ 2013 subsidiary Icemenerg will be reorganised under direct control of the Ministry of National Education, thus coming out of Transelectrica's control. Such governmental decision has not been applied until the date of this Report.

Brief description of Transelectrica subsidiaries and of their activities



Smart provides mainly maintenance services for the transmission-dispatcher system, thus making revisions and repairs to primary and secondary equipment of electricity networks, including preventive measurements, remedial of incidents in electrical installations, energy services, micro-production of electrical equipment for market participants for the safe operation of the RPS.

Smart was set up in 2001 under GD 710/ 2001 on establishing the trading company for maintenance services in the transmission grid Smart SA by reorganising certain activities of Transelectrica.

Teletrans
(telecomunicații)

Teletrans manages the optical fibre backbone network of Transelectrica, about 5,000 km long covering the entire Romanian territory.

The subsidiary provides process information, especially for the power domain, as well as managerial information services (consultancy, design, implementation, maintenance, technical assistance and training, software applications, databases, communication equipment, structured cabling and internet).

Teletrans was established on 4 December 2002 and its main business is providing specific telecommunication and information technology services to electricity transmission grids, being the provider of specific telecommunication and IT services to the Company.

Icemenerg
(cercetare dezvoltare în energie)

Icemenerg provides services in the domain of thermal power plants, electrical substations and networks and its main business consists in research-development activities in physical & natural sciences as well as process engineering and equipment for electricity and heat transmission, distribution and utilisation, innovation, studies, development strategies, development activities, urbanism, technological engineering and other technical services, and research & consulting services.

GD 1065/ 2003 regarding the reorganisation of Transelectrica and of Icemenerg SA by merger and absorption approved reorganising Icemenerg as subsidiary of Transelectrica, fully held by it.

GD 185/ 2013 on the reorganisation and running of the Ministry of National Education, Icemenerg and other national research and development institutes passed under the coordination of the minister delegated for research. Until the date of this report GD 185/ 2013 on the reorganisation and running of the Ministry of National Education has not been applied.

OPCOM
(operator piața angro de energie și gaze)

OPCOM carries out the following main activities- organisation, administration and surveillance of the centralised electricity markets; the organisation, administration and supervision of the centralised markets from the natural gas sector.

Transelectrica has got no effective direct control on the decision making mechanisms of OPCOM, which is managed in accordance with the regulations established by ANRE. In accordance with the previous paragraph and with GEO 6 / 2014, OPCOM will pass under the administration of the Department for Energy.

OPCOM was established under GD 627/ 2000 on the reorganisation of the National Electricity Company SA as subsidiary whose single shareholder is Transelectrica.

Formenerg
(formare profesională)

Formenerg has as main business the professional initial and continuous training of personnel from the energy sector, with attributions in the power domain in all sectors of the national economy and of other beneficiaries. According to this Formenerg is going to pass under direct subordination to the Department of Energy.

Formenerg began operating on 21 March 2002 as subsidiary 100% held by Transelectrica.



Icemenerg-Service has got as main business the manufacture of apparatuses for electricity distribution and the control of power equipment. The subsidiary has got the purpose to devise, manufacture, implement, repair, modernise and market apparatuses and instrumentation for electrical power distribution and the control of energy equipment, specific equipment and installations, products based on elastomers and consumers' goods, as well as providing the related consultancy, intermediation, specific technical assistance services, installation and commissioning, expertise tests and metrological calibration, and environmental monitoring.

Icemenerg Service was established in 2004 under the reorganisation of another Icemenerg subsidiary.

Only companies Smart, Teletrans and Icemenerg of the Company's subsidiaries are included in the financial consolidation of the Group. Formenerg and Icemenerg-Service are not included in the consolidation because according to the applicable accounting legislation the volume of their activities is insignificant for consolidation, while OPCOM observes the rules of ANRE and is independent on the energy market; consequently Transelectrica has no control over it.

Transelectrica holds the main share of the revenues, results, financial positions and liquidity flows at group level. The three subsidiaries included in the financial consolidation have got marginal contribution to the group figures. Annex 4 provides the list of persons affiliated to Transelectrica



TRANSELECTRICA IN KEY FIGURES

4 TRANSELECTRICA IN KEY FIGURES

4.1. Position on the financial markets

4.1.1. Development of the share price

Transelectrica has been included in the local stock indexes (BET, BET-XT, BET-NG, BET-C, ROTX) and in the international ones- DowJones Wilshire Global Indexes (Dow Jones Wilshire Global Total Market Index SM; Dow Jones Wilshire Romania Index SM; Dow Jones Wilshire Electricity Index SM).

The price of Transelectrica shares grew by 24.4% in 2013, in line with the BET index (the best transacted ten companies listed with the Bucharest Stock Exchange), which increased by 26.1%. The development of Transelectrica shares (TEL - Transelectrica symbol with the BSE) registered higher growth than that of the sector index BET-NG (companies in the energy sector and utilities), which only registered some slight 6.1% increase during the year.

The 24.4% increase of the Company share price with the Bucharest Stock Exchange ('BSE') was substantiated in the second half of the year, after the first half when the Transelectrica share followed the orientation of the main stock indexes against the background of 9 months' financial results significantly better than those of the previous year.

The stock exchange capitalisation of Transelectrica was of 1.15 billion Lei at the end of 2013.

TABLE 3 - STOCK EXCHANGE INFORMATION ON 31.12.2013

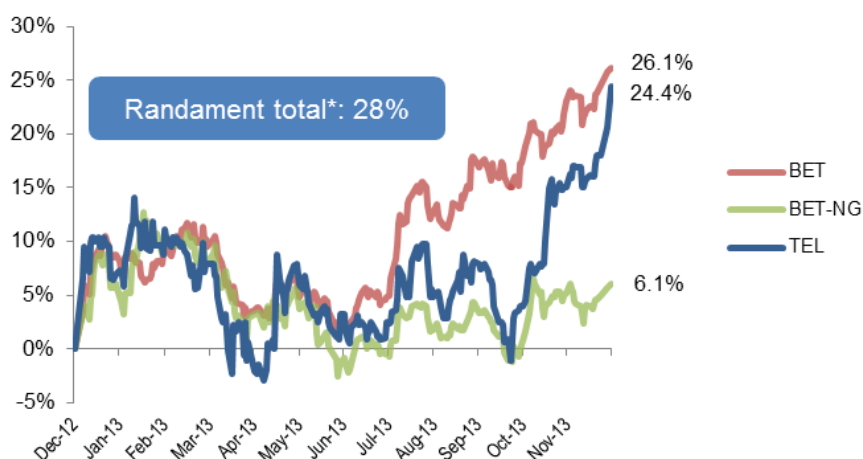
Shares

| | | |
|---|-----------|-------|
| Share value at the end of the year | Lei | 15.79 |
| Share value at the end of the previous year | Lei | 12.69 |
| Dividend per share paid (in 2012) | Lei | 0.404 |
| Total efficiency ² | % | 28% |
| Stock exchange capitalisation (31 Dec) | Mill. Lei | 1,157 |

Share identification data: ISIN **ROTSELACNOR9**; Bloomberg **TEL RO**, Reuters **ROTEL.BX**

² Total efficiency = increase of the share value + dividend paid

FIGURE 6 DEVELOPMENT OF THE SHARE PRICE



4.1.2. Development of the credit rating

The outlook of the credit rating improved in comparison with 2012, being determined to Ba2 stable³ by Moody's Investor Service in February 2014.

During 2012 the rating of Transelectrica was downgraded by Moody's Investors Service by two notches, from Baa3 to Ba2. Such downgrade occurred after two successive rating operations, each one of the rating downgrade relying on specific determining factors that led to downgrades of one notch further.

Hidroelectrica's becoming insolvent in 2012 determined reevaluating the risk of governmental support, implicitly leading to downgrading the rating of Transelectrica by one notch. The rating agency's opinion with respect to certain deficiencies found in the financing mix of Transelectrica, corroborated with the limited liquidity horizon determined downgrading the rating Transelectrica by another notch. Thus the two rating operations of 2012 increased to two notches the difference between Romania's (Baa3) and Transelectrica rating (Ba2) after a long time interval when Transelectrica was at the level of the sovereign rating.

Such deficiencies were addressed by initiating in 2013 the restructuring of the financial mix by approving the multi-annual financing plan by means of bonds and the successful testing of the local capital market by the inaugural bond emission at the end of the year.

Thus the improved liquidity horizon, the extended visibility of financing sources and diversified financing channels constituted the ground for rating outlook improvement in February 2014. On the issuance date of this report the rating of Transelectrica is two notches below Romania's sovereign one (reconfirmed at Baa3 negative outlook by Moody's Investors Service at the beginning of 2014).

TABLE 4 - CREDIT RATING

| | 2013 | 2014 |
|---------------------------|--------------|--------------|
| Moody's Investors Service | Ba2 negative | ⊕ Ba2 stable |

³ https://www.moodys.com/research/Moodys-affirms-Transelectrică-s-Ba2-rating-stable-outlook--PR_291982

4.2. Operational and financial performance

4.2.1. Select data

TABLE 5 KEY FIGURES

| | | 2013 | 2012 | 2011 |
|---|-----------|-------------------|--------|-------|
| Transmitted power | TWh | 40.90 | 43.63 | 43.55 |
| Transmission losses | % | 2.52 | 2.33 | 2.48 |
| Energy non-delivered | MWh | 29.39 | 137.44 | 98.80 |
| Average disconnection time | min/year | 0.33 | 1.53 | 1.14 |
| Tariffed energy ⁴ | TWh | 51.85 | 53.93 | 56.06 |
| Operational revenues | Mill. Lei | 2,472 | 2,768 | 3,132 |
| EBITDA | Mill. Lei | 584 | 398 | 473 |
| EBIT | Mill. Lei | 249 | 83 | 176 |
| Net profit | Mill. Lei | 201 | 34 | 110 |
| Net profit per share | Lei | 2.74 | 0.47 | 1.50 |
| Dividend allocated per share | Lei | 2.23 ⁵ | 0.40 | 1.10 |
| Dividend efficiency | % | 14.1 | 3.2 | 6.3 |
| RORA ⁶ | % | 9.5 | 3.0 | 6.0 |
| ROE | % | 7.7 | 1.4 | 4.5 |
| ROCE | % | 5.5 | 1.9 | 4.1 |
| Capital borrowed / Equity | | 0.45 | 0.47 | 0.47 |
| Net financial debt / fixed assets | | 0.16 | 0.23 | 0.23 |
| Net financial debt / EBITDA ⁷ | X | 0.99 | 2.16 | 1.78 |
| EBIT ⁸ / expense with interest rates | X | 9.34 | 2.64 | 4.92 |

The financial figures provided in tables using the unit of one million Lei rely on the amounts from the attached financial statements using the Leu unit. In case of discrepancies between the values of certain

⁴ According to the applicable regulatory framework, the tariff basis (amount of electricity to which the transmission tariff is applied) is different from the amount of electricity carried in the electricity transmission grid. The tariff base is defined by the amount of electricity extracted from electrical networks of public interest (the transmission grid and the distribution networks), thus having a wider scale than the amount of energy carried in the transmission grid.

⁵ Proposed value

⁶ **RORA** = ETGurn On Regulated Assets
Formula: EBIT / accounting value of the assets introduced into the RAB

ROE = ETGurn On Equity
Formula: Net profit / equities

ROCE = ETGurn On Capital Employed
Formula: EBIT x [1-profit tax rate] / equities + borrowed capitals

Indicators are calculated using the average annual balances of assets, equities and employed capitals

⁷ Operational profit before amortisement

⁸ Operational profit after amortisement

positions and the values of spread-out positions in the tables using the million units among the values, the accurate figures are available in the attached financial statements.

Dividend policy

The Company's accounting profit remaining after deduction of the profit tax is distributed in accordance with:

- GEO 64/ 2001 regarding profit distribution in national companies, national societies and trading companies with full or majority state capital;
- The Company's Revenue and expense budget approved under GD 250/ 2013, which provides a quantum of 85% for dividends owed to shareholders, similar to the 2012 quota, in the chapter of accounting profit distribution by destinations as remaining after deduction of the (budgeted) profit tax. In 2011 and 2010 the dividends distribution quota was 90%.

The following table provides the distribution of the Company's accounting profit as dividends in 2011 - 2013:

TABLE 6 - PROFIT DISTRIBUTION

| Indicator | | 2013 | 2012 | 2011 |
|--------------------------|-----------|--------------------|-------|------|
| Net profit | Mill. Lei | 201.0 | 34.5 | 91.0 |
| Dividend distributed | Mill. Lei | 163.3 ⁹ | 29.6 | 80.6 |
| Actual distribution rate | % | 81* | 85 | 87 |
| Gross dividend per share | Lei | 2.228 | 0.404 | 1.10 |

* The actual distribution rate takes also into account the amounts allocated to legal reserves.

Transelectrica pays dividends from the net profit of the previous financial year only when the annual financial statements have been approved by AGA.

Dividends are paid to shareholders at the net taxation value in accordance with the provisions of Romania's Fiscal Code. The tax is withheld and paid to the state budget by Transelectrica.

Transelectrica halted paying the dividends owed and not claimed for the financial years 2006 – 2009, as a result of the writing off term being reached according to AGA that approved registering them under the 'Other revenues' entry.

4.2.2. Investments, expenses and objectives commissioning

The main investments initiated by Transelectrica in 2013 are as follows:

- **ETG refurbishment:**
 - Bradu substation;
 - The 220/110 kV substation Campia Turzii;
 - Replacing the 10 kV equipment in Bucharest South substation;
 - Replacing the autotransformers and transformers in electric substations;
 - Modernising substation Suceava;
 - Modernising the control system;
 - Protections within substations Vetis, Tihau, Cluj East, and Munteni;
- **Integration of renewable sources:**
 - Extending the 400 kV substation Medgidia;
 - Extending the 400 kV substation Cernavoda;

⁹ Proposed value

- Converting the 220 kV overhead lines (OHL) Brazi Vest – Teleajen - Stalpu to 400 kV.
- **Consumption continuity:** Installing optical fibre along the 220 kV OHL Fundeni - Brazi Vest.
- **Interconnection**, 2 common interest projects (defined according to EU legislation):
 - Converting the Iron Gates – Resita – Timisoara – Sacalaz – Arad axis to 400 kV;
 - The 400 kV OHL Resita – Pancevo;

Reduced investment expenses compared to the budget approved for 2013 (197 million Lei in comparison with 330 million forecasted for total Company investments, about 60%) were mainly owed to completing most bids under significantly reduced values compared to the estimated ones. This resulted from enhanced strictness in the procurement programmes and from decreased prices to the main equipment purchased by Transelectrica.

TABLE 7 INVESTMENT EXPENSES

| Investment expenses (mill. Lei) ¹⁰ | 2013 | 2012 | 2011 |
|---|------------|------------|------------|
| ETG refurbishment | 135 | 165 | 138 |
| Integration of renewable sources | 1 | 0 | 10 |
| Increased interconnection capacity | 1 | 1 | 1 |
| Protection of critical infrastructure | 53 | 98 | 54 |
| Continuity of consumption / output discharge | 2 | 0 | 0 |
| Other investments | 4 | 0 | 84 |
| TOTAL | 197 | 265 | 288 |

In 2013 investment objectives in total amount of 533 million Lei were commissioned, of which 454 million Lei relating to the projects financed from the Company's own sources.

The most important investment objectives commissioned in 2013, summing up about 359.5 million Lei, are as follows:

- Refurbishing substations Lacu Sarat, Mintia and Brasov for a total amount of 206 million Lei;
- Installing one 250 MVA transformer in substation Oradea Sud amounting to 1.4 million Lei;
- Organising and running the tele-management system of ETG installations against 3.1 million Lei;
- The interconnection line Falciu – Gotesti amounting to 2 million Lei;
- Objectives of critical infrastructure amounting to 147 million Lei;

The difference up to 454 million comes from smaller scale investments.

TABLE 8 COMMISSIONING

| Commissioning (mill. Lei) | 2013 | 2012 | 2011 |
|--|------|------|------|
| ETG refurbishment | 243 | 49 | 168 |
| Integration of renewable sources | 0 | 0 | 0 |
| Increased interconnection capacity | 0 | 0 | 0 |
| Protection of critical infrastructure | 147 | 53 | 65 |
| Continuity of consumption / output discharge | 2 | 22 | 0 |

¹⁰ The above values do not include the ETG connection of the installations of new network users (generators and consumers)

| | | | |
|-------------------|------------|------------|------------|
| Other investments | 63 | 18 | 68 |
| TOTAL | 454 | 142 | 301 |

4.2.3. Network configuration

Electricity transmission takes place through the Electricity Transmission Grid ('ETG') of national strategic interest. This interconnects the generators, distribution networks, neighbouring electric power systems and the consumers directly connected to the grid.

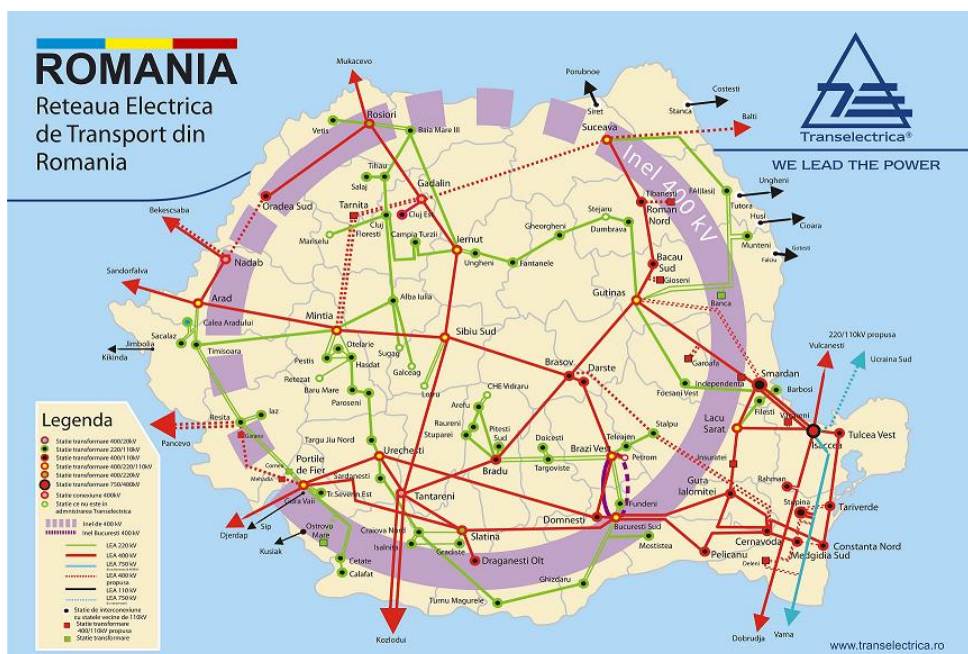
At the end of 2013 the ETG elements operated by Transelectrica were as follows:

TABLE 9 - NETWORK CONFIGURATION

| Voltage (kV) | Transformer substations | | | OHL depending on constructive voltage (km) |
|--------------|-------------------------|-------------------------|---------------------|--|
| | Substations (no.) | Transformer units (no.) | Nominal power (MVA) | |
| 750 | 1 | 2 | 1,250 | 155 |
| 400 | 38 | 2 | 500 | 4,707 |
| | | 20 | 400 | |
| 220 | 42 | 30 | 250 | 3,859 |
| | | 2 | 400 | |
| | | 81 | 200 | |
| 110 | - | 1 | 100 | 37,998 |
| | | 2 | 63 | |
| | | 7 | 40 | |
| | | 26 | 25 | |
| | | 1 | 20 | |
| | | 33 | 16 | |
| Total | 81 | 216 | 37,794 | 8,759 |

In schematic terms the ETG items were laid on Romania's territory as can be seen in the figure below.

FIGURE 7 NETWORK CONFIGURATION (MĂP)



Most overhead lines ('OHL') and electric substations constituting the ETG were built in the 1960-s – 1970-s at the technical level of that time. Based on its transmission and system operator licence Transelectrica carries out wide investment and maintenance plans so as to provide operational safety of all installations.

In 2013 about 50% in the average of primary equipment is almost 12 years' old and benefits of modern technologies with respect to the insulation, driving, protection, monitoring / surveillance etc. systems. Metering transformers and arresters are replaced to a great extent while almost half of the most important primary equipment (circuit breakers and power transformer units) are still over 25 years.

Quality of provided services

In accordance with the Performance standard for transmission and system services in electricity, approved under order 17/2007 of ANRE, the information about transmission services, ETG management and operation, service continuity are reported and quantified using AIT (Average Interruption Time) performance indicators as well as the average time (total, accidental and planned) unavailability of OHL-s and of the transformers & autotransformers.

The energy non-delivered to consumers is of 29.39 MWh as a result of incidents occurred in 2013 in the ETG, and the AIT (Average Interruption Time) indicator of 2013 is 0.33 min/year, calculated according to the provisions of the Performance standard for electricity transmission and system services.

The information illustrating the quality of services and the fore-mentioned performance indicators are provided in the table below.

TABLE 10 STANDARD INDICATORS OF TRANSMISSION SERVICES

| Indicator | 2013 | 2012 | 2011 |
|--|--------|--------|--------|
| Average time unavailability of OHL and transformers / AT | | | |
| ▪ OHL – INDLIN [h / year] TOTAL | 114.52 | 203.30 | 205.27 |

| | | | | |
|--|-----------------------------|--------|--------|--------|
| | Unscheduled (accidental) | 11.44 | 24.72 | 14.98 |
| | Scheduled | 103.08 | 178.58 | 190.29 |
| ▪ Transformers / AT – INDTRA [h/year] | TOTAL | 171.58 | 190.35 | 252.06 |
| | Unscheduled (accidental) | 3.27 | 9.00 | 44.11 |
| | Scheduled | 168.31 | 181.35 | 207.95 |
| Number of incidents | | 473 | 609 | 605 |
| Energy non delivered to consumers after incidents occurred in the ETG [MWh] | | 29.39 | 137.44 | 98.80 |
| Number of incidents accompanied by energy non delivered | | 11 | 21 | 15 |
| Average disconnection time | [min/year] | 0.33 | 1.53 | 1.14 |

One can find out that in 2013 both the accidental unavailability's of OHL-s, transformers / AT and the energy unsupplied to consumers (ENS) are substantially lower than in 2012, against the reduction of the total number of incidents (473 in 2013 against 609 in 2012). Among others, this is due to the renewed park of primary equipment, the maintenance strategy relying on the technical condition of equipment, the live work technologies etc.

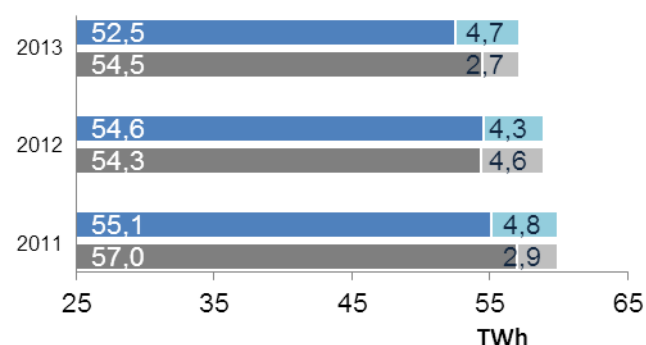
4.2.4. Select operational data

Energy balance of the RPS

TABLE 11 ENERGY BALANCE

| TWh | 2013 | 2012 | 2011 |
|------------------|------|------|------|
| Net output* | 54.5 | 54.3 | 57.0 |
| Import | 2.7 | 4.6 | 2.9 |
| Export | 4.7 | 4.3 | 4.8 |
| Net consumption* | 52.5 | 54.6 | 55.1 |

FIGURE 8 ENERGY BALANCE



* The values do not include the consumption of auxiliary services from electricity generating plants; the value of the net consumption includes the losses from the transmission and distribution networks

■ Net consumption* ■ Net output*
■ Export ■ Import

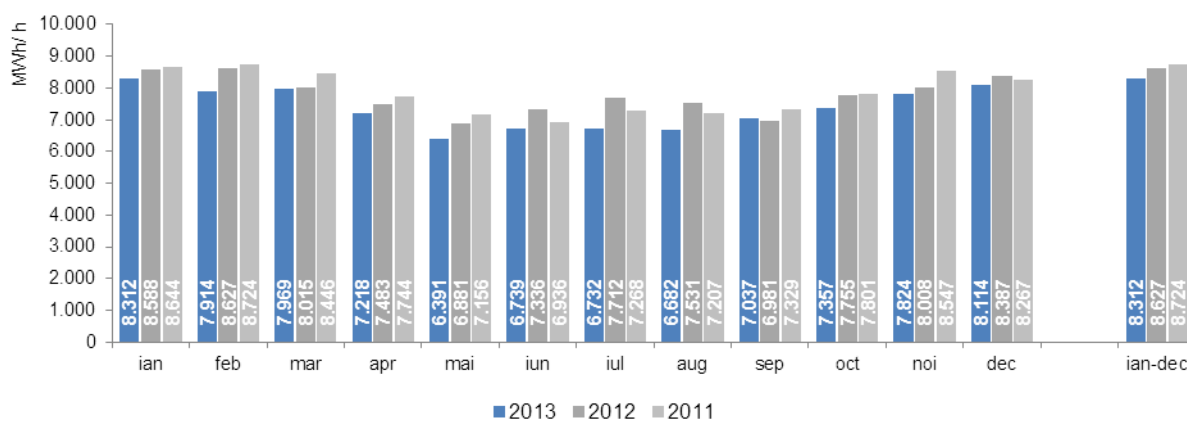
The total electricity sources recorded a decreasing trend these last years.

The net power generation of 2013 was maintained to a similar level with the 2012 amount after the significant reduction of 2012 compared to 2011.

The balance of cross-border physical exchanges against export was about 2.0 TWh in 2013 as against 2012 when Romania registered 0.3 TWh imports. The following factors determined it- the higher hydraulic level of 2013 vs. 2012 as well as a greater output of wind and PV power parks resulting in a higher amount of energy put on the market at lower prices in 2013 vs. 2012.

Consumption peaks* registered at the level of the national electric power system

FIGURE 9 - MAXIMUM MONTHLY NET CONSUMPTION

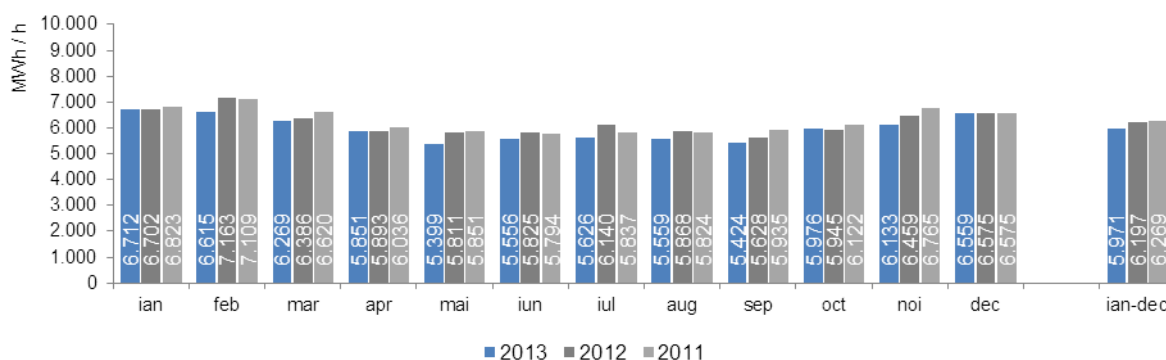


* The values do not include the consumption of auxiliary services from electricity generation plants

In 2013 the maximum hourly net consumption was registered on 14 January from 18:00 to 19:00 h. In the last three years the maximum consumption values were registered in January or February, as the environmental temperature was the determining factor.

Average consumption registered at the level of the national electric power system

FIGURE 10 NET AVERAGE CONSUMPTION



The monthly average net consumption of electricity of 2013 registered a decreasing trend compared to the previous year.

Mix of electricity generation

Once the installed capacity in wind parks has increased their share in the generation mix implicitly grew, thus reaching to more than 8% of the total generation in 2013.

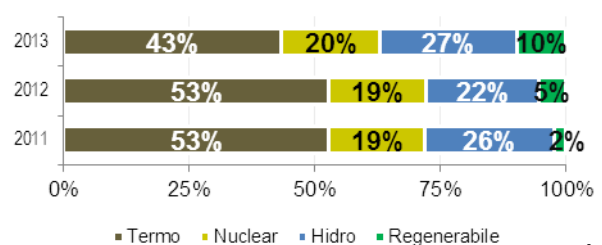
The hydrocarbon output is also higher mostly due to the combined cycle condensation plant Petrom Brazi, as well as to the output of hydropower plants (the hydrological regime significantly improved in 2013 as compared to the previous year when, given the extended drought Co. Hidroelectrica SA was compelled to act the force majeure clause, which led to diminished contracts to suppliers).

Important variations occurred in the system from the power generated by wind parks, with increasing and decreasing rates up to 1000 MW in one hour both day and night as a consequence of wind parks connection to the Romanian Power System and of their increased installed capacity to 2604 MW (on 31 December 2013). There are occurrences when certain thermal power units need to be disconnected because of the instantaneous power increase generated by wind parks, and their taking out of the market implicitly leads to an unavailable SCB (secondary control band) they provide.

TABLE 12 MIX OF NET ELECTRICITY OUTPUT

| TWh | 2013 | 2012 | 2011 |
|-------------------------|------|------|------|
| Thermal ¹¹ | 23.6 | 28.6 | 30.1 |
| Nuclear | 10.7 | 10.5 | 10.8 |
| Hydro | 14.9 | 12.2 | 14.7 |
| Renewable ¹² | 5.3 | 3.0 | 1.4 |
| Total | 54.5 | 54.3 | 57.0 |

FIGURE 11 MIX OF GENERATION



TWh

¹¹ Hydrocarbons and coal

¹² Wind, solar, biomass

National electrical power generating park

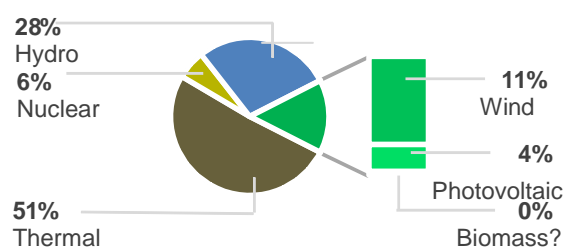
The installed capacity in power plants using coal as primary source decreased progressively from 2011 to 2013. The installed capacity of hydropower plants registered some slight increase in the studied time interval.

Renewable sources also registered increase of the installed capacity, but significantly higher than previous years. On 31.12.2013 the installed capacity of wind parks reached 2,607 MW. Mention can be also made of the PV parks development from 1 MW installed in 2011 to 860 MW on 31.12.2013, as well of the biomass parks from 26 MW installed in 2011 to 96 MW at the end of 2013.

TABLE 13 INSTALLED CAPACITY (GROSS VALUES)

| MW | 2013 | 2012 |
|--------------|---------------|---------------|
| Thermal | 12.079 | 12.454 |
| Nuclear | 1.413 | 1,413 |
| Hydro | 6.648 | 6.563 |
| Renewable | 3.563 | 2.008 |
| Total | 23,703 | 22.438 |

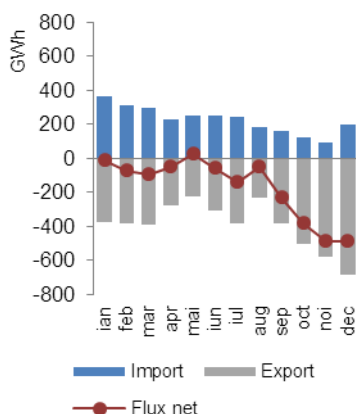
FIGURE 12 INSTALLED CAPACITY IN 2013



Cross-border electricity flows

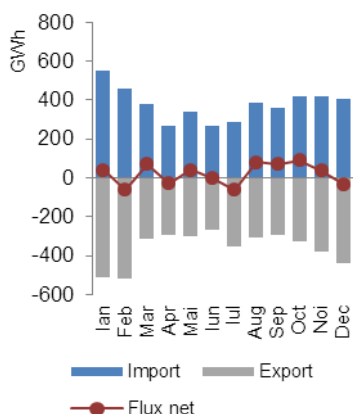
Commercial exchanges with neighbouring countries are mainly influenced by the development of prices on the European electricity market, but also by the availability of generation capacities and by the value of net cross-border exchange capacities. In 2013 Romania registered net electricity export as a result of decreased electricity price to the amounts transacted on Romanian wholesale markets, against the background of increased wind parks output (introduced at minimum prices on the market) and hydraulicity returned to normal levels. In 2012 Romania registered net electricity import, which was mainly determined by the meteorological regime characterised by extended drought, which resulted in low hydraulicity. 2011 was a year of net export against the background of a normal year in terms of hydraulicity.

FIGURE 13 CROSS-BORDER PHYSICAL FLOWS IN 2013



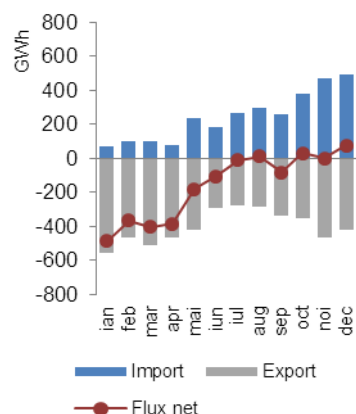
Net export: 1.9 TWh

FIGURE 14 CROSS-BORDER PHYSICAL FLOWS IN 2012



Net import: 0.2 TWh

FIGURE 15 CROSS-BORDER PHYSICAL FLOWS IN 2011



Net export: 2.0 TWh

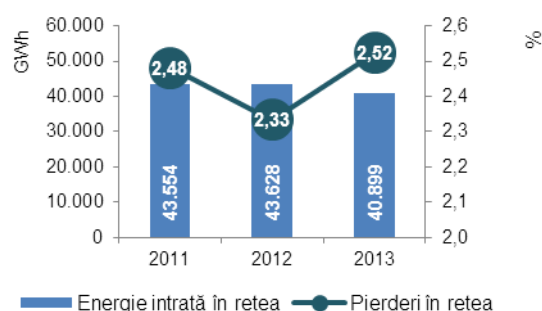
Development of technical losses registered in the electricity transmission grid

Technical losses within the ETG are influenced by several factors, which are independent of Transelectrica’s activities, such as- meteorological conditions, generation structure vs. consumption location, physical import / export flows along the RPS borders. The smallest values (compared to the energy injected in the grid outline) are registered during droughty years (low hydraulicity determines favourable output distribution and corona losses are reduced).

TABLE 14 - 2011-2013 DEVELOPMENT OF LOSSES

| | | 2013 | 2012 | 2011 |
|-----------------------------|-----|--------|--------|--------|
| Energy injected in the grid | GWh | 40,899 | 43,628 | 43,554 |
| Losses | GWh | 1,032 | 1,018 | 1,081 |
| Technical losses | % | 2.52 | 2.33 | 2.48 |

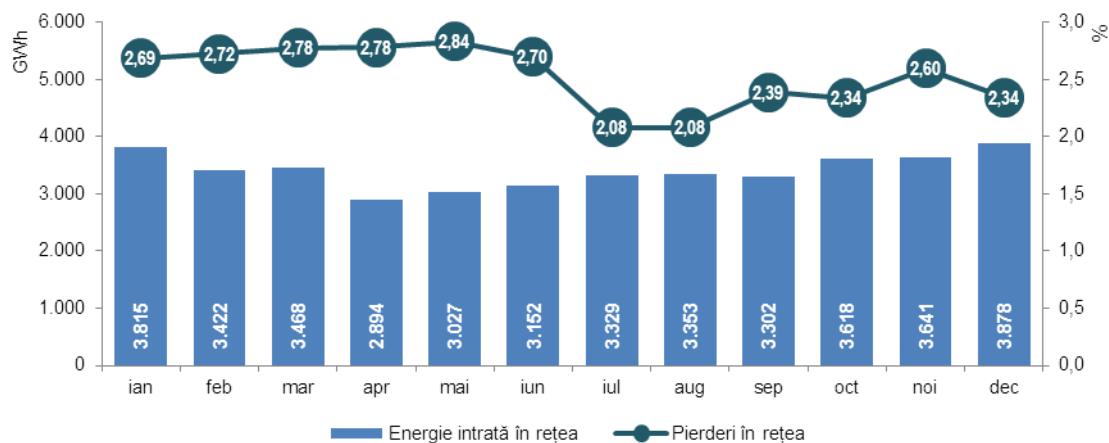
FIGURE 16 - 2011-2013 DEVELOPMENT OF LOSSES



Factors that determined maintaining the (%) losses of 2013 to a level comparable to previous year

- Unfavourable power flows → increased Joule losses
 - Generation centres are far from consumption ones
 - High output from renewable sources from a high excess area (S-E)
 - Unfavourable cross-border transits along north-south
- Bad meteorological conditions → corona losses (high humidity, high precipitation, fog, hoar frost)
- Decreasing consumption → decreased energy amount carried within the ETG → the percentage of technical losses increases as determined by idle operation (corona) losses and the iron losses of large transformer units; the component determined by load losses decreases;

FIGURE 17 MONTHLY DEVELOPMENT OF LOSSES ÎN 2013



In the second half of the year losses decreased as a result of increased output in the power plants that have positive influence on this parameter situated in deficit areas- TPP Iernut (disconnected in the first half year), CCCP Petrom Brazi (from March to June it operated with smaller output than in the remaining interval), TPP Mintia (about 70% output increase), all the hydropower plants with storage lakes, and they increased in the power plants of Oltenia region. In November increased technical losses were favoured by bad meteorological conditions, while precipitation determined increased corona losses.

Prospects of technical losses development

The most likely development scenario for losses in the transmission grid estimated using some of the forecasted determining factors is as follows:

- The increased installed capacity of renewable sources will lead to higher technical losses in absolute values as a consequence of wind power transmission, prevailingly generated in south-eastern Romania (Dobrogea region), to the deficit areas of the RPS and to the interconnection lines of north-western Romania;
- The increased output of photovoltaic parks, installed in the distribution network close to consumers, will determine reduced energy amounts carried in the transmission grid and determining the percentage increase of technical losses (reduced energy carried in the transmission grid will determine only reduced load losses, while the idle operation component – corona losses and idle run losses from transformer units – remaining relatively constant regardless of the volume transmitted through the network);
- The development of the single energy market at European level will determine additional energy flows through the RPS, which will lead to increased technical losses in the ETG in several situations (especially when they are oriented north and north-west from the south).

Utilisation of cross-border interconnection capacities

During 2013 utilisation degree of interconnection capacities along borders maintained below 50% of the net transfer capacity and registered the following occurrences:

- In exportation terms increases were registered along the Bulgarian and Hungarian borders and decrease along the Serbian border, while in importation terms increase was registered along the Serbian border and reductions on the Bulgarian, Moldovan and Ukrainian borders.

In 2013 the commercial congestions, as determined by the time intervals when the demands for transmission capacity allocation along interconnection lines exceeded the available capacity and by the level of competitive voltage during congestion hours, were reduced compared to the previous year.

Consequently the revenues from the allocation of cross-border interconnection capacities dropped 53% in 2013 compared to the previous year.

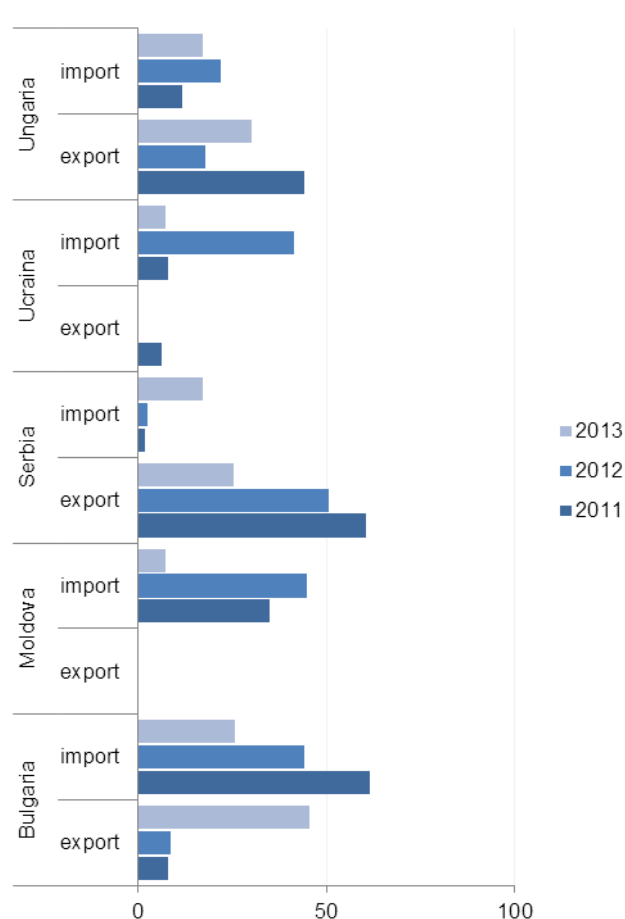
TABLE 15 CROSS-BORDER INTERCONNECTIONS

| Border | Direction | 2011 [%] | 2012 [%] | 2013 [%] |
|----------|-----------|-------------|-------------|-------------|
| Bulgaria | export | 8.1 | 8.6 | 45.5 |
| | import | 61.6 | 44.1 | 25.9 |
| Moldova | export | 0.0 | 0.0 | 0.0 |
| | import | 35.0 | 44.9 | 7.4 |
| Serbia | export | 60.6 | 50.7 | 25.4 |
| | import | 2.0 | 2.7 | 17.2 |
| Ukraine | export | 6.2 | 0.0 | 0.0 |
| | import | 8.1 | 41.4 | 7.6 |
| Hungary | export | 44.3 | 18.0 | 30.3 |
| | import | 11.9 | 22.2 | 17.3 |

Table values represent annual averages calculated as simple arithmetical means of the average monthly values

In 2011, 2012, and 2013 there was no export under the passive island diagram in the Republic of Moldova. Beginning with March 2013, there was no more import from the Republic of Moldova under the passive island diagram within the RPS.

FIGURE 18 CROSS-BORDER INTERCONNECTIONS



The integration of the national electricity markets that began at regional level as intermediary stage of the single internal market at European level will lead to intensified cross-border electricity transactions. Thus estimations are the current utilisation level of Romania's cross-border interconnection capacity will increase with the energy markets coupling in central-eastern Europe (Czech Republic, Slovakia, Hungary, and Romania), the coupling project being estimated to end in the fourth quarter of 2014.

4.2.5. Research and development activities

The Company participation as member in organisations / associations such as the European Network of Transmission and System Operators of Electricity (ENTSO-E) and CIGRE provides:

- Through the ENTSO-E: information framework and set of rules for Transelectrica's operation in accordance with European policies to the level of all working structures (task forces, regional groups, committees). ENTSO-E enables harmonising the ten year national development plan (TYNDP), the database for the interconnected development and operation of European TSO-s, the elaboration of European standards (such as network and operation codes), the participation to research activities as required in order to provide new technologies in the TSO activity, the market models etc.
- Through the CIGRE: a knowledge framework for the technical solutions validated by the international experience and latest information about technologies that can be disseminated inside Transelectrica. Such active participation of CIGRE representatives in CIGRE structures (task forces, study committees by topical areas in the electricity domain) provides information with respect to the

experience and implementation of new equipment and technologies; solutions to maintain in operation the existing equipment in order to implement the best international practice in the activities of Transelectrica;

The participation to such organisations also leads to increased expertise of Transelectrica specialists in their own domain of activity.

In 2013 a series of 17 studies and research studies were procured. The ETG Technical code, Company licences, and ANRE regulations were prevailingly taken into account when selecting the studies, as well as the chapters provided in the annual Studies and research plan:

Structure of the Annual Studies and Research Plan:

- Studies regarding the electricity strategies;
- Studies with respect to reducing losses, congestions etc;
- Support studies for the Company's Prospective plan;
- Studies regarding renewable sources and the smart grid implementation;
- Studies with respect to valuating new equipment and technologies;
- Studies to stimulate the efficient electricity consumption;

In comparison with 2013 when registered expenses amounted to 1,283,246 Lei, in 2014 the funds needed to contract and achieve the Annual studies and research plan were budgeted to 4,126,000 Lei. The total funds necessary for the 2014 Annual studies and research plan represent about 0.115% of the Company's turnover in the previous year.



2013 SEPARATE FINANCIAL RESULTS

5. 2013 SEPARATE FINANCIAL RESULTS

5.1. Separate profit and loss account

TABLE 16 - PROFIT AND LOSS ACCOUNT

| Million Lei | 2013 | 2012 | 2011 | 13/12 | 12/11 |
|---|---------------|---------------|---------------|--------|-------|
| Tariffed energy amount (TWh) | 51.85 | 53.9 | 56.06 | | ▼ 4% |
| ACTIVITIES WITH ALLOWED PROFIT | | | | | |
| Operational revenues | 1,275 | 1,192 | 1,223 | ▲ 7% | ▼ 2% |
| Transmission | 1,156 | 1,080 | 1,115 | | |
| Functional system services | 64 | 64 | 65 | | |
| Other revenues | 55 | 48 | 43 | | |
| Operational expenses | -682 | -779 | -788 | ▼ 12% | ▼ 1% |
| System operation costs | -267 | -311 | -290 | | |
| Maintenance and repairs | -108 | -138 | -184 | | |
| Personnel | -172 | -170 | -156 | | |
| Other expenses | -135 | -160 | -157 | | |
| EBITDA | 593 | 414 | 435 | ▲ 43% | ▼ 5% |
| Amortisement | -335 | -315 | -298 | | |
| EBIT | 258 | 99 | 137 | ▲ 161% | ▼ 28% |
| ZERO PROFIT ACTIVITIES | | | | | |
| Operational revenues | 1,197 | 1,575 | 1,909 | ▼ 24% | ▼ 17% |
| Technical system services | 565 | 507 | 719 | | |
| Balancing market | 632 | 1,068 | 1,189 | | |
| Operational expenses | -1,206 | -1,591 | -1,871 | ▼ 24% | ▼ 15% |
| Technical system services | -574 | -523 | -681 | | |
| Balancing market | -632 | -1,068 | -1,189 | | |
| EBIT | -9 | -16 | 38 | ▼ 42% | - |
| ALL ACTIVITIES (WITH ALLOWED PROFIT AND ZERO-PROFIT) | | | | | |
| Operational revenues | 2,472 | 2,768 | 3,132 | ▼ 11% | ▼ 12% |
| Operational expenses | -1,888 | -2,370 | -2,658 | ▼ 20% | ▼ 11% |
| EBITDA | 584 | 398 | 473 | ▲ 47% | ▼ 16% |
| Amortisement | -335 | -315 | -298 | | |
| EBIT | 249 | 83 | 176 | ▲ 200% | ▼ 53% |
| Financial result | -9 | -36 | -32 | | |
| EBT | 240 | 47 | 143 | ▲ 410% | ▼ 67% |
| Profit tax | -39 | -13 | -33 | | |
| Net profit | 201 | 34 | 110 | ▲ 483% | ▼ 69% |
| Net profit per share | 2.74 | 0.47 | 1.50 | ▲ 483% | ▼ 69% |

Revenues from operational activities

Activities with allowed profit are mainly represented by **electricity transmission** and **functional system services**. The regulatory framework applicable to such activities sets the premises for financial profitability of the invested capital into the assets of these two activities by including certain components in the tariffs meant to remunerate the financiers, calculated by applying some regulatory profitability rate to the regulated asset base.

Technical system services are power reserves that Transelectrica procures from generators in order to maintain the safe operational level of the RPS as well as the quality of transmitted power at parameters set in the applicable legislation. Transelectrica is re-invoicing the entire value of system services procured from generators (except for the active energy component to cover ETG losses) to licensed electricity suppliers. Technical system services represent neutral activities in terms of the difference between revenues and expenses. In case differences are registered between revenues and expenses within the annual horizon, neutrality is restored during multi-annual time intervals by tariff adjustments. ANRE Order 89/ 2013 enabled withholding 20% from the efficiency gain in case the procurement prices obtained by Transelectrica from system service providers under competitive regimes are lower than the estimated prices used by ANRE when calculating the regulated tariff whereby Transelectrica recovers such costs.

Balancing market- The purpose of the balancing market is enabling a balance between the electricity generation and consumption in real time using the resources provided by the competitive system. Generation is balanced with the consumption by means of the dispatchable units, mainly electricity generators. The balancing market was introduced and began operating in Romania in July 2005.

Transelectrica plays the administration part on the balancing market, respectively based on the procedures and regulations approved by ANRE, meant to approve all the participants on the balancing market, the gathering, verification and processing of all offers as well as the settlement procedures. Balancing market administration is neutral in terms of the difference between revenues and expenses.

FIGURE 19 - 2013 REVENUES FROM OPERATIONAL ACTIVITIES

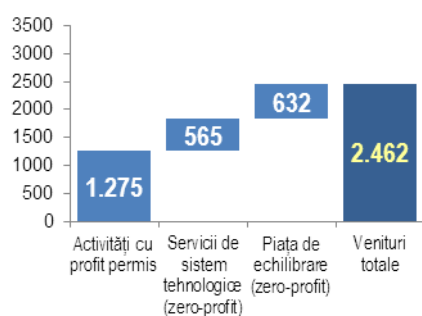


FIGURE 20 - 2012 REVENUES FROM OPERATIONAL ACTIVITIES

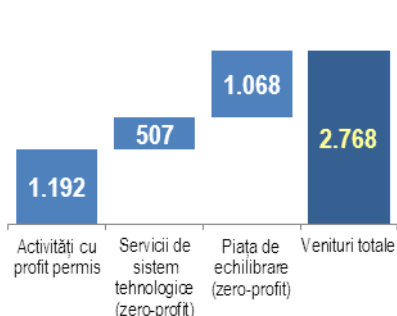
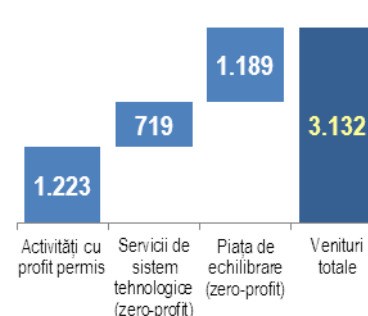


FIGURE 21 - 2011 REVENUES FROM OPERATIONAL ACTIVITIES



Revenues from transmission tariffs

In 2013 the revenues obtained from transmission tariffs as against the regulated revenue set by ANRE were influenced by the differences between the assumptions used when calculating the transmission tariff and actual values as follows:

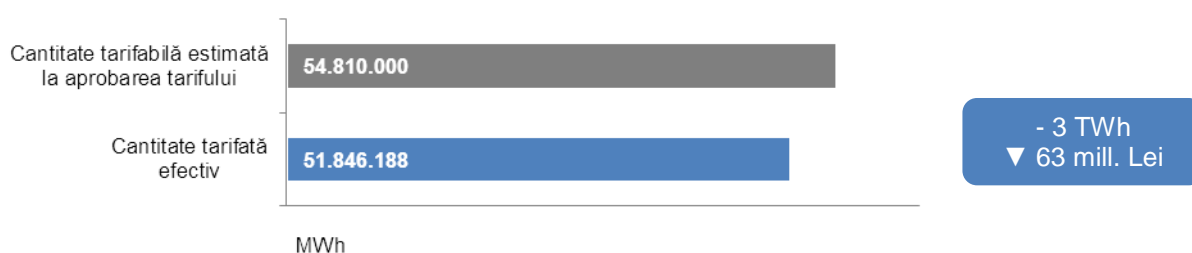
- Significant negative difference (about 3 TWh) between the quantity estimated to be invoiced and considered in the calculation of the approved tariff (54.81 TWh) and the actually invoiced amount (51.85 TWh)
- Positive difference between the average tariff achieved (21.75 Lei/MWh) and the approved average tariff (21.16 Lei/MWh)

TABLE 17 - REVENUES FROM THE TRANSMISSION TARIFF

| Variable | Approved by ANRE | Actually achieved | Value impact |
|----------------------------|------------------|-------------------|--------------------|
| ▼ Tariffed quantity (TWh) | 54.81 | 51.85 | -63 million Lei |
| ▲ Average tariff (Lei/MWh) | 21.16 | 21.75 | +31 million Lei |
| ▼ Cumulated effect | | | -32 million |

The quantitative difference was mainly determined by the reduced energy consumption compared to the forecast on the tariff approval date, as well as by the reconfigured tariff base on 1-August-2013, date of which the network extraction component (T_L) was no longer applied to the exported quantity. The fore-mentioned quantitative difference generated a revenue deficit of about 63 million Lei.

FIGURE 22 - QUANTITY OF TARIFFABLE ENERGY (FORECASTED VS. INVOICED)



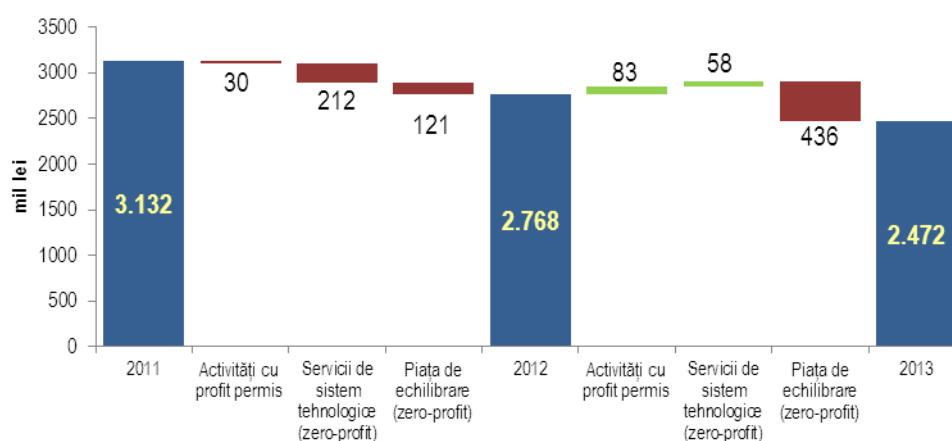
The revenue deficit owed to quantitative differences (approved versus effective) was partially compensated by the positive difference of the actually invoiced average tariff (21.75 Lei/MWh) compared to the approved average tariff (21.16 Lei/MWh). This difference was determined by the forecast errors of the zone energy traffic within networks, respectively by the differences existing between the actually invoiced volumes and the volumes estimated to be invoiced for injection / extraction into / from networks in the tariff zones defined according to ANRE regulations. The impact of the difference between the average approved tariff and the average tariff actually invoiced constituted a revenue surplus of 31 million Lei.

FIGURE 23 AVERAGE TRANSMISSION TARIFF (APPROVED VS. INVOICED)



The net effect over the transmission tariff revenue, generated by the differences between the values forecasted when the tariff was approved and the actual values (tariffed quantity and average tariff), was a revenue deficit of about 32 million Lei. Such deficit was included in the tariff approved for 2014 through the annual adjustment mechanism.

FIGURE 24 - DEVELOPMENT OF 2011-2013 OPERATIONAL REVENUES



The graph shows the annual development of total revenues, pointing out the total difference broken down to components (activities with allowed profit, technical system services, balancing market)

Revenues from allowed profit activities

TABLE 18 - REVENUES FROM ACTIVITIES WITH ALLOWED PROFIT

| Million Lei | 2013 | 2012 | 2011 | 13/12 | 12/11 |
|--|--------------|--------------|--------------|--------------|--------------|
| Operational revenues | 1,275 | 1,192 | 1,223 | ▲ 7% | ▼ 2% |
| Transmission | 1,156 | 1,080 | 1,115 | ▲ 7% | ▼ 3% |
| Revenues from transmission tariff | 1,128 | 1,025 | 1,056 | ▲ 10% | ▼ 3% |
| Revenues from allocation of interconnection capacity | 23 | 50 | 54 | ▼ 53% | ▼ 7% |
| Revenues from reactive energy | 5 | 4 | 5 | ▲ 28% | ▼ 20% |
| Revenues from Inter TSO Compensation (ITC) | 0 | 1 | 0 | ▼ 64% | ▲ 363% |
| Functional system services | 64 | 64 | 65 | ▲ 0% | ▼ 2% |
| Revenues from functional system service tariffs | 59 | 58 | 60 | ▲ 2% | ▼ 4% |
| Revenues with unplanned exchanges on the DAM | 5 | 6 | 5 | ▼ 19% | ▲ 26% |
| Other revenues | 55 | 48 | 43 | ▲ 13% | ▲ 13% |

2013/ 2012

Total revenues registered substantial growth (+7%) mainly determined by the significant increase of the average tariff approved for transmission (12.7%) and of the average tariff approved for functional system services (6.5%), increase that compensated the reduction of the tariffed energy quantity (-3.9%). The tariff base amendment according to Order 54/2013 of ANRE whereby the extraction component of the transmission tariff was no longer applied to the exported quantity of energy beginning with 1 August 2013 contributed to reducing the total quantity of tariffed energy in 2013. Under conditions comparable to 2012, the energy amount taken from networks in 2013 was 52.56 MWh (1.4% higher than the tariffed quantity of 51.85 MWh).

Revenues from the allocation of cross-border interconnection capacity decreased 53% because trade congestions were reduced against the background of increased cross-border electricity traffic (export, import, transit) compared to that of the previous year. Although commercial flows (import + export + transit) were 25% higher in 2013 compared to 2012 (6.3 TWh - 5.0 TWh), revenues decreased because of reduced trade congestions as the allocation of interconnection capacities brings smaller revenues. Other revenues related to transmission services (reactive energy, international transit) were maintained to

levels close to those registered in the previous year.

FIGURE 25 - 2013 REVENUES FROM ACTIVITIES WITH ALLOWED PROFIT

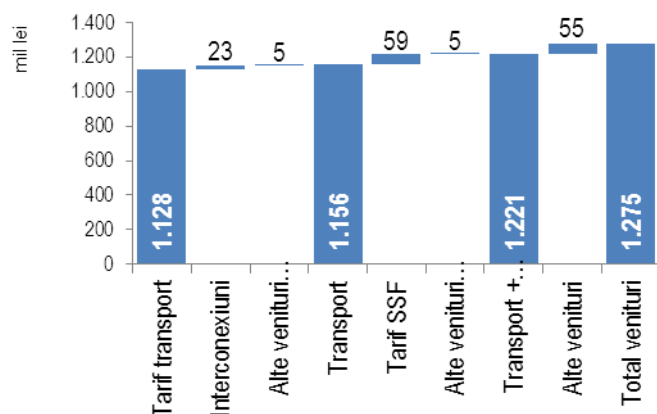


FIGURE 26 - 2012 REVENUES FROM ACTIVITIES WITH ALLOWED PROFIT

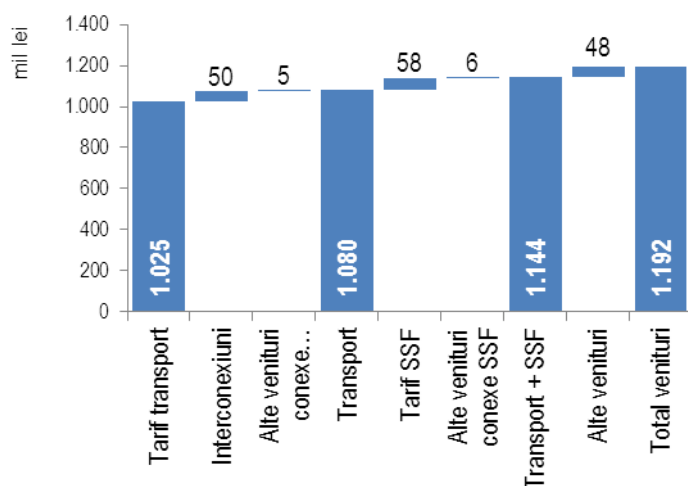
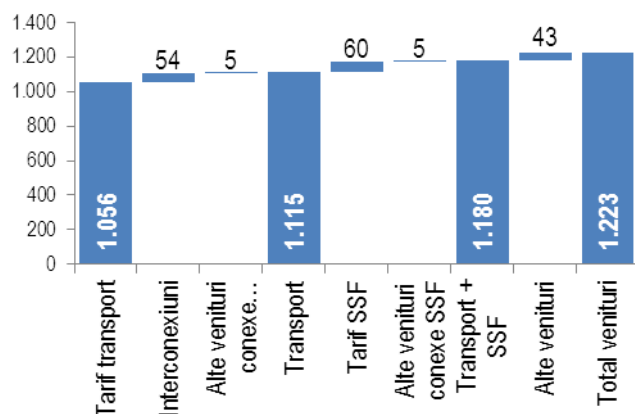


FIGURE 27 - 2011 REVENUES FROM ACTIVITIES WITH ALLOWED PROFIT



Interconnections: allocation of the cross-border interconnection capacity

Other revenues relating to transmission: revenues from reactive energy and revenues from international transit (ITC mechanism)

SSF: functional system services

Revenues from zero-profit activities

TABLE 19 - REVENUES FROM ZERO-PROFIT ACTIVITIES

| Million Lei | 2013 | 2012 | 2011 | 13/12 | 12/11 |
|-----------------------------|--------------|--------------|--------------|-------|-------|
| Operational revenues | 1,197 | 1,575 | 1,909 | ▼ 24% | ▼ 17% |
| Technical system services | 565 | 507 | 719 | ▲ 11% | ▼ 30% |
| Balancing market | 632 | 1,068 | 1,189 | ▼ 41% | ▼ 10% |

2013/ 2012

Total revenues registered significant decreased determined by the substantial reduction of revenues from balancing market administration, higher reduction than the increased registered with revenues from technical system services, thus leading to 24% decrease of total revenues from zero-profit activities.

The massive reduction of revenues from balancing market administration relied on two factors: (i) Co. Hidroelectrica coming back on the balancing services market (the company was out of the force majeure clause caused by the prolonged drought of 2012), which led to reduced price to the balancing energy, and (ii) reconfiguration of certain BRP (balancing responsible parties) allowed more accurate forecasts and notifications of generation and consumption.

Increased revenues from technical system services were determined by the tariff growth in two stages, namely on 1 January 2013 (6.9%) and on 1 August 2013 (25.7%). The second tariff increase was granted in order to compensate the cumulated effect of:

- (i) Increased procurement cost of power reserves determined by ANRE decisions 1096/ 2013 and 1097/ 2013, in accordance with GD 138/ 2013 determining the procurement of power reserves form thermal power generators Energy Complex Oltenia and Energy Complex Hunedoara
- (ii) Amended tariff base beginning with 1 August 2013 according to ANRE Order 54 / 2013 (the tariff for technical system services is no longer applied to the amount of exported energy)

The non-recovery degree of the expenses with technical system services using the tariff for technical system services was reduced to -9 mill. Lei in 2013 (2012: - 16 mill. Lei).

FIGURE 28 - 2013 REVENUES FROM ZERO-PROFIT ACTIVITIES

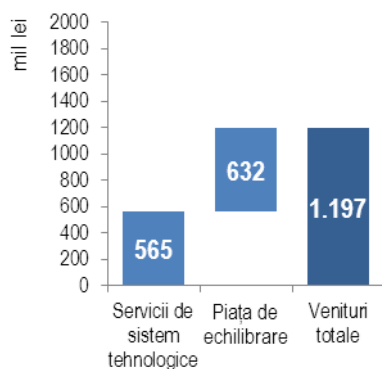


FIGURE 29 - 2012 REVENUES FROM ZERO-PROFIT ACTIVITIES

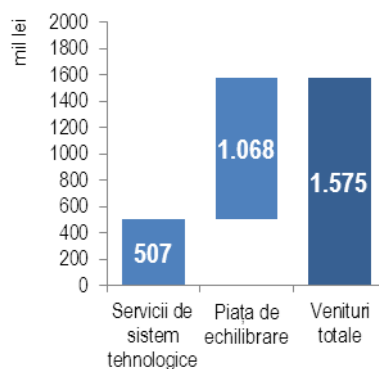
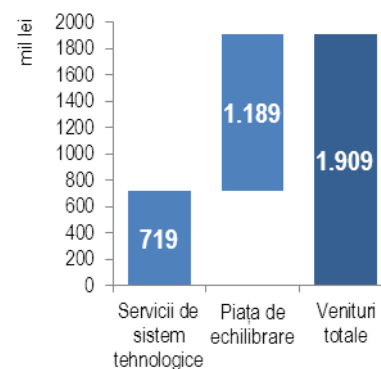


FIGURE 30 - 2011 REVENUES FROM ZERO-PROFIT ACTIVITIES



Costs of operational activities

Although the procured electricity decreased 3.6%, in the overall the costs of the electricity consumption covering the auxiliary services in Transelectrica installations and those of the distribution service increased because the electricity price rose as well as the tariffs that ANRE regulates for distribution.

Costs of activities with allowed profit

TABLE 20 - COSTS OF ACTIVITIES WITH ALLOWED PROFIT

| Million Lei | 2013 | 2012 | 2011 | 13/12 | 12/11 |
|--|--------------|--------------|--------------|-------|--------|
| Operational expenses | 682 | 779 | 788 | ▼ 12% | ▼ 1% |
| System operation expenses | 267 | 311 | 290 | ▼ 14% | ▲ 7% |
| Expenses regarding technical losses | 222 | 252 | 252 | ▼ 12% | ▲ 0% |
| Expenses with congestions | 3 | 6 | 1 | ▼ 51% | ▲ 802% |
| Expenses regarding the electricity consumption of the ETG substations | 20 | 17 | 15 | ▲ 15% | ▲ 13% |
| Expenses regarding functional system services | 14 | 22 | 13 | ▼ 35% | ▲ 70% |
| ITC (Inter TSO Compensation) expenses | 9 | 13 | 10 | ▼ 35% | ▲ 33% |
| Maintenance and repairs | 108 | 138 | 184 | ▼ 22% | ▼ 25% |
| Personnel | 171 | 170 | 156 | ▲ 1% | ▲ 9% |
| Other expenses | 136 | 160 | 157 | ▼ 16% | ▲ 2% |
| Other expenses with services from third parties | 50 | 55 | 59 | ▼ 10% | ▼ 6% |
| Other expenses (rents, postal and telecommunication expenses, taxes etc) | 85 | 104 | 98 | ▼ 18% | ▲ 6% |
| Amortisement | 335 | 315 | 298 | ▲ 6% | ▲ 6% |
| Operational costs including amortisement | 1.017 | 1.094 | 1.085 | ▼ 7% | ▲ 1% |

FIGURE 31 - 2013 EXPENSES FROM ACTIVITIES WITH ALLOWED PROFIT

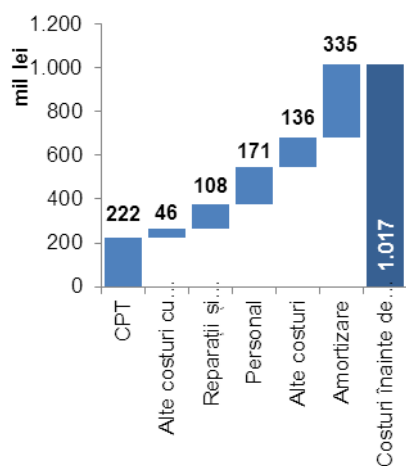


FIGURE 32 - 2012 EXPENSES FROM ACTIVITIES WITH ALLOWED PROFIT

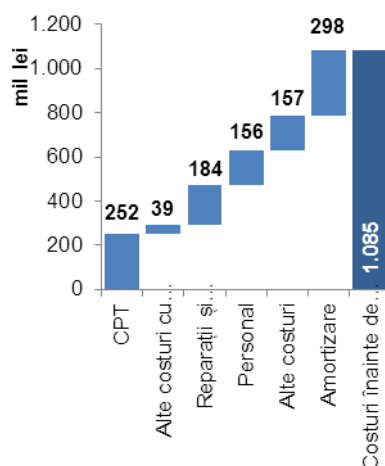
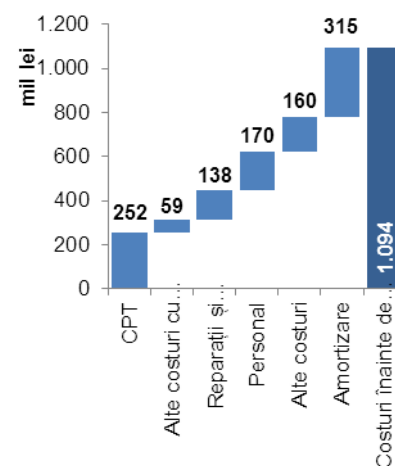


FIGURE 33 - 2011 EXPENSES FROM ACTIVITIES WITH ALLOWED PROFIT



Technical losses

TABLE 21 - TECHNICAL LOSSES

| Year | Energy going in the ETG [GWh] | Losses [%] | Total cost [mill. Lei] | Market | Quantitative mix of procurement | Average unit cost [Lei/MWh] | Value procurement mix |
|------|-------------------------------|------------|------------------------|-------------------|---------------------------------|-----------------------------|-----------------------|
| 2013 | 40,899 | 2.52% | 222 | Term contracts | 56% | 229 | 79% |
| | | | | DAM ¹³ | 33% | 162 | 5% |
| | | | | BM ¹⁴ | 11% | 303 | 16% |
| | | | | Total | 100% | 215 | 100% |
| 2012 | 43,628 | 2.33% | 252 | Term contracts | 72% | 241 | 70% |
| | | | | DAM | 13% | 197 | 10% |
| | | | | BM | 15% | 324 | 20% |
| | | | | Total | 100% | 248 | 100% |
| 2011 | 43,554 | 2.48% | 252 | Term contracts | 82% | 224 | 59% |
| | | | | DAM | 6% | 194 | 25% |
| | | | | BM | 13% | 306 | 15% |
| | | | | Total | 100% | 233 | 100% |

The total cost of electricity procurement as required to cover technical losses dropped 12% in 2013 compared to 2012, having stagnated in 2012 compared to 2011. The total cost reduction of 2013 was determined by the decreased average unit cost of electricity procurement transactions on the markets.

In quantitative terms the energy volume carried in the network in 2013 dropped 6% compared to 2012; the amount of technical losses registered slight increase (from 1018 GWh to 1032 GWh in absolute magnitude from 2.33% in 2012 to 2.52% in 2013 compared to the energy entering the network), mainly against the background of intensifie power circulation generated in Dobrogea region towards the consumption zones uncovered by the local electricity generation.

The average costs at which Transelectrica procured energy for technical losses registered the following reductions in 2013 compared to 2012: the Centralised Bilateral Contracts Market - 5% upon deadline; the day ahead spot market 18%, and the balancing market - 6%. In the first quarter of 2012 the Company procured energy with a view to cover the tehcnical losses under regulated regime at higher prices from the suppliers determined by ANRE.

In 2013 the generation mix was optimised in correlation with the development of prices on the energy markets. Thus the share of energy procured on the spot market (DAM) in the procurement mix was significantly increased, such decision being determined by the anticipated great decrease of energy prices on the spot market.

¹³ Day Ahead Market (spot market)

¹⁴ Balancing market (balancing generation and consumption in real time)

FIGURE 34 - PROCUREMENT MIX DEPENDING ON THE AMOUNTS PURCHASED FROM THE MARKETS

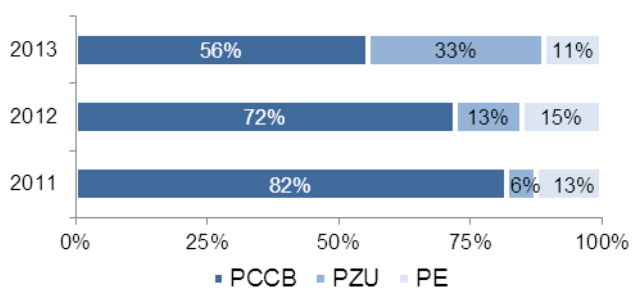
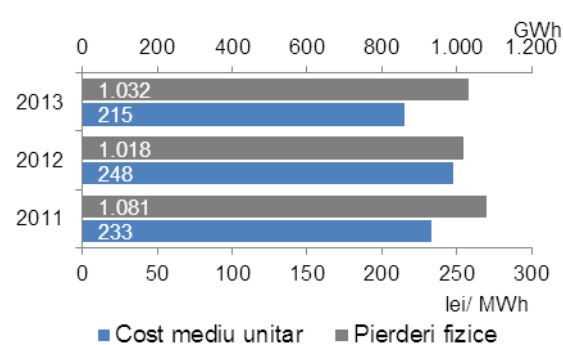


FIGURE 35 - ENERGY PROCURED AT AVERAGE UNIT COST VS. QUANTITY



Congestions

Congestions (network restrictions) mean operational circumstances when energy transmission between two nodes or system zones leads to non observance of operational safety of the RPS and therefore deviation is needed from the operational schedule of generating units resulting from physical notifications.

Congestion management is achieved by amending the network topology and, in the last resort, by re-dispatching the electricity generation. Generation re-dispatching results in the failure to maintain the merit order resulting from the balancing market, thus additional costs are borne by Transelectrica. This is a measure used by Transelectrica only in circumstances when the operational safety of the transmission system has to be maintained.

Congestion expenses dropped in 2013 compared to 2012 due to a favourable generation structure in deficit areas during withdrawals and due to the efficient management of congestions within the Electricity Transmission Grid (ETG) in terms of operational scheduling and re-scheduling the withdrawals from operation.

Expenses regarding functional system services

Expenses regarding functional system services represent the un-contracted international electricity exchanges with neighbouring countries and the expenses with unscheduled exchanges on the day-ahead market (DAM).

Reduced expenses regarding functional system services by 7.5 million Lei were determined by some smaller unscheduled exchanges than the agreed schedule, meaning export, generated by wind power producers. In 2012 wind parks operated at maximum capacity because there were no rules to reduce them on the market and they were not yet recorded on the Balancing market owing to absent regulations. ANRE Order 33 / 30.08.2012, applicable from November 2012, regulated this issue.

Maintenance and repairs

Taking into account the financial objective of the NPG Co. Transelectrica SA (reduced volatility of the financial performance while providing the financing sources required for operational activities and investment plans with a view to upgrade, refurbish and develop the ETG) in 2013 maintenance expenses were reduced by 21.7% (from 138 mill. Lei in 2012 to 108 mill. Lei), in parallel with expediting investment expenses.

Maintenance of substations and transformers

The documentations for several work portions under the 'electric substations' project were updated: *Capital repair and modernisation of the 220/ 110/ 20 kV electric transformer substation Arefu, Capital repair and modernisation of the transformer electric substation 220/110/20kV Raureni, Capital repair and modernisation of the 220/110 kV substation Dumbrava, Major maintenance in the 400/110/10 kV substation Cluj Est.* In 2014 the execution stage of such work will be put to auction.

Capital repair was carried out under the transformers projects to the transformer units Munteni (16 MVA transformer 2) and Focsani Vest (25 MVA transformer 1), their acceptance being planned in 2014 (second quarter).

OHL maintenance

In 2013 maintenance was performed to the 220 kV d.c. OHL Iron Gates - Cetate, Calafat, the 400 kV OHL Brazi Vest - Domnesti, landmark 10, the 400 kV OHL Pelicanu - Cernavoda, the 400 kV OHL Gura Ialomitei - Cernavoda, circuit 2, the 400 kV OHL Isaccea - Dobrudja, the 400 kV OHL Isaccea - Tulcea Vest, the 400 kV OHL Gura Ialomitei - CNE1, the 400 kV OHL Lacu Sarat - Gura Ialomitei.

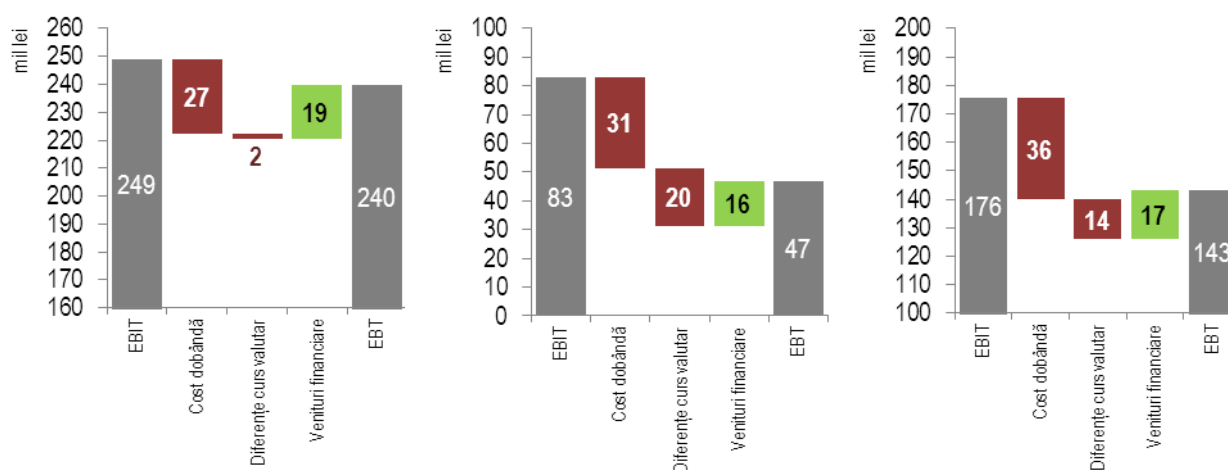
Non-conformities found in these OHL-s (constructive elements stolen or their parameters outside the specifications from norms) were removed or the problems endangering towers stability (the 400 kV OHL Brazi Vest-Domnesti, landmark 10) were remedied.

Personnel expenses

In comparison with 2012 personnel expenses registered some minor 1.2% increase, which value is below the annual average inflation, which has led to an average personnel expense of 79.1 thousand Lei / year, 2% increase compared to the previous year.

Financial result

FIGURE 36 - 2013 FINANCIAL RESULT FIGURE 37 - 2012 FINANCIAL RESULT FIGURE 38 - 2011 FINANCIAL RESULT



Expenses with interest rates

Decreased expenses with interest rates were determined by:

- Reduced average amount of interest carrying debts by making principal payments conform according to the reimbursement plans agreed with creditor banks, and
- The decreasing trend of the 6 months' Euribor inter-bank index;

Differences of exchange rates

The net loss from differences of exchange rates was mainly determined by the development of the hard currency exchange rate of the national currency against foreign currencies in which Transelectrica has contracted bank loans to finance its investment plan.

TABLE 22 - DEVELOPMENT OF HARD CURRENCY EXCHANGE RATE DIFFERENCES

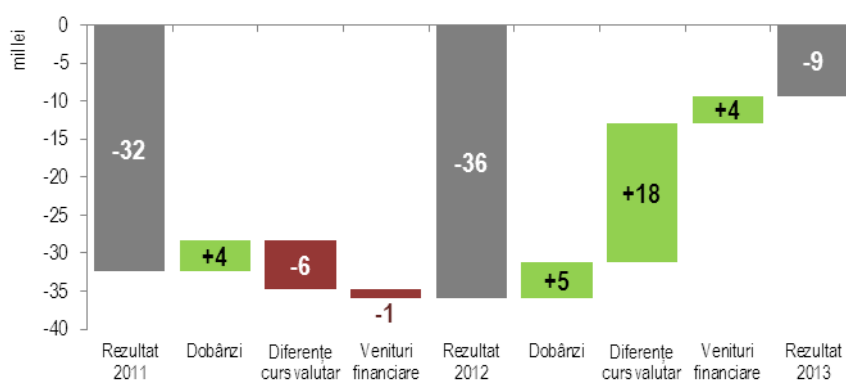
| Lei | 31-Dec-13 | 31-Dec-12 | 31-Dec-11 | 13/12 | 12/11 |
|---------|-----------|-----------|-----------|-------|-------|
| 1 EUR | 4.4847 | 4.4287 | 4.3197 | ▲ 1% | ▲ 3% |
| 1 USD | 3.2551 | 3.3575 | 3.3393 | ▼ 3% | ▲ 1% |
| 100 JPY | 3.0997 | 3.8994 | 4.3178 | ▼ 21% | ▼ 10% |

The reduced balance of loans in foreign currency was an additional factor that contributed to the significant reduction of the net loss of hard currency differences registered in 2013. The share of loans in foreign currency dropped to 80% (31 Dec 2013) from 96% (31 Dec 2012), thus reducing the exposure of the Company's results to the volatility of the exchange rate.

Financial revenues

Financial revenues are represented by interest rates to bank deposits and to dividends from Company subsidiaries.

FIGURE 39 - DEVELOPMENT OF THE 2011-2013 FINANCIAL RESULT



Synthesis of results – from the operational profit before amortisement (EBITDA) to the gross profit (EBT)

FIGURE 40 - 2013 SYNTHESIS OF RESULTS

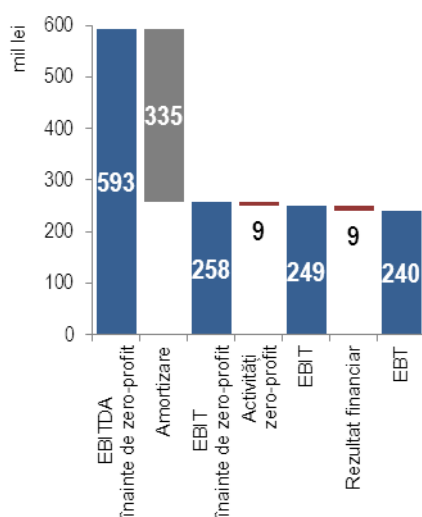


FIGURE 41 - 2012 SYNTHESIS OF RESULTS

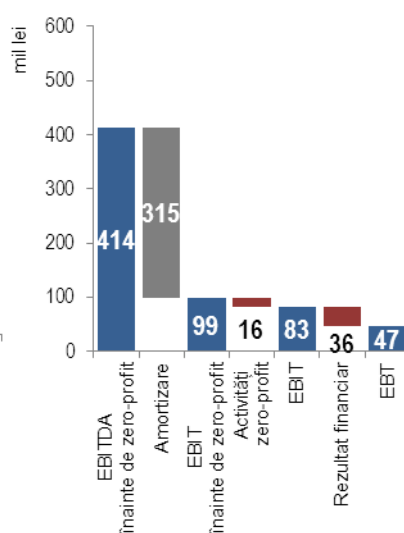


FIGURE 41 - 2011 SYNTHESIS OF RESULTS

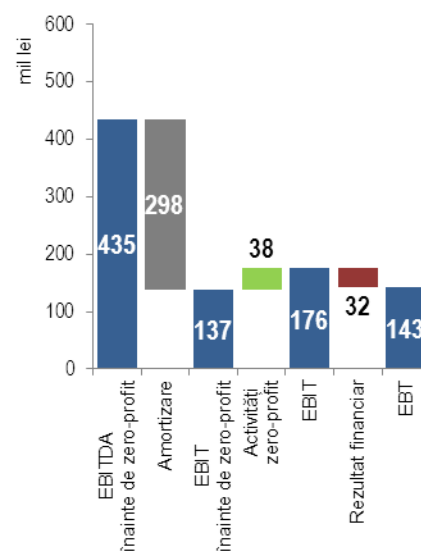


TABLE 23 - PROFITABILITY

| Profitability | 2013 | 2012 | 2011 |
|---|--------|-------|-------|
| Margin¹⁵ | | | |
| EBITDA | 46.5% | 34.7% | 35.6% |
| EBIT | 20.3% | 8.3% | 11.2% |
| EBT | 16.4% | 4.0% | 6.4% |
| Efficiency¹⁶ | | | |
| RORA (EBIT/ fixed assets) | 9.5% | 3.0% | 6.0% |
| ROE (net profit / equity) | 7.7% | 1.4% | 4.5% |
| ROCE (NOPAT ¹⁷ / employed capital) | 5.5% | 1.9% | 4.1% |
| Indicators per share | | | |
| Net profit per share (Lei) | 2.741 | 0.470 | 1.500 |
| Dividend per share (Lei) | 2.228* | 0.404 | 1.100 |

Synthesis comment

2013 has marked a significant increase of operational profitability (EBITDA ▲47% from 398 million Lei in 2012 to 584 million Lei).

The factors that determined such improvement were:

¹⁵ Margins are exclusively calculated based on the results and revenues from activities with allowed profit (by removing the influence of zero-profit activities)

¹⁶ Profitability indicators are calculated calculați based on the year end balances of fixed assets and of the equities and employed capitals

¹⁷ NOPAT = EBIT x (1 - taxation quota of profit)

- **Increased operational revenues** from activities with allowed profit, sustained by the substantial growth of regulated tariffs approved by ANRE (+12.7% for transmission services and +6.5% for functional system services) that compensated both the reduced tariffed energy volume (-3.9%) and the diminished revenues obtained from the allocation of interconnection capacity.
- **Reduced operational costs** (-12% excluding amortisement, -7% including amortisement), the most important reductions being registered when procuring energy to cover losses (-12%), grid maintenance and repairs (-22%), other operational expenses, especially services provided by third parties (-18%); amortisement expense increased 6% given the important value of commissioned equipment.

Thus EBITDA from activities with allowed profit grew ▲43% from 414 million Lei to 593 million Lei.

In addition the loss from zero-profit activities generated from technical system services was improved in 2013 compared to 2012 (-9 million Lei from -16 million Lei).

The financial loss was diminished (from -36 million Lei to -9 million Lei).

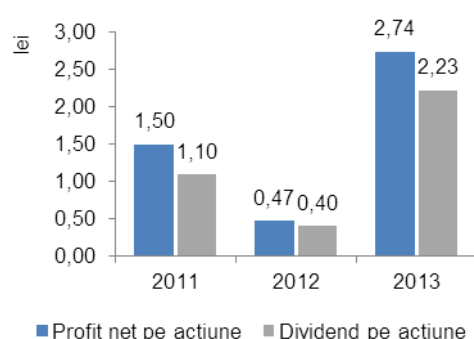
The factors that determined such a development were:

- **Reduced loss from differences of exchange rates**, determined by the cumulated effect of the less steep depreciation of the Leu against the Euro, on the one hand, and by the reduced hard currency exposure of the Company's financial debt as the due instalments were paid to the hard currency loans, on the other hand.
- **Reduced expenses with interest rates**, determined by the diminishing average amount of credits in 2013 since credit instalments were paid, on the one hand, and by the decrease of the inter-bank index Euribor used in calculating the interest rates for an important part of the loans, on the other hand.

Thus EBT grew about 5 times from 47 million Lei to 240 million Lei. Such increase was sustained in the first place by the substantial improvement of the operational profit while a secondary contribution came from the diminished financial loss.

Efficiency indicators registered important growth as they were triggered by the substantially improved operational results.

FIGURE 42 - EFFICIENCY INDICATORS



Indicators per share registered significant increased after their modest values of 2012.

5.2. Balance sheet – financial position

TABLE 24 - BALANCE SHEET

| Million Lei | 2013 | 2012 | 2011 | 13/12 | 12/11 |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Fixed assets | | | | | |
| Tangible assets | 3.573 | 3.683 | 3.552 | ▼ 3% | ▲ 4% |
| Intangible assets | 45 | 51 | 51 | ▼ 11% | ▼ 1% |
| Financial assets | 52 | 52 | 52 | ▼ 0% | ▼ 0% |
| Total | 3.671 | 3.787 | 3.656 | ▼ 3% | ▲ 4% |
| Floating assets | | | | | |
| Stocks | 37 | 40 | 42 | ▼ 8% | ▼ 4% |
| Clients and assimilated accounts | 844 | 823 | 1,171 | ▲ 3% | ▼ 30% |
| Cash and cash equivalents | 601 | 295 | 305 | ▲ 103% | ▼ 3% |
| Profit tax to recover | 0 | 0 | 7 | | |
| Total | 1.482 | 1.158 | 1.525 | ▲ 28% | ▼ 24% |
| TOTALE ASSETS | 5.153 | 4.945 | 5.181 | ▲ 4% | ▼ 5% |
| Long term debts | | | | | |
| Loans | 951 | 955 | 943 | ▲ 3% | ▲ 1% |
| Other debts | 596 | 603 | 414 | ▼ 1% | ▲ 46% |
| Total | 1.547 | 1.558 | 1.358 | ▲ 1% | ▲ 15% |
| Short term debts | | | | | |
| Loans | 226 | 199 | 202 | ▼ 2% | ▼ 2% |
| Other debts | 766 | 758 | 1,196 | ▲ 1% | ▼ 37% |
| Total | 992 | 957 | 1.399 | ▲ 0% | ▼ 32% |
| Total debts | 2.539 | 2.514 | 2.757 | ▲ 1% | ▼ 9% |
| Equities | 2.614 | 2.431 | 2.424 | ▲ 8% | ▲ 0% |
| EQUITIES AND DEBTS | 5.153 | 4.945 | 5.181 | ▲ 4% | ▼ 5% |

Assets

Fixed assets slightly decreased in 2013 against the background of reduced investments, lower than the annual amortisement of fixed assets.

Floating assets significantly increased in 2013 in terms of cash due to the substantial improvement of the cash flow from operational activities and to the liquidity input by selling the bond emission at the end of the year.

Debts and equities

Long term debts slightly decreased in 2013. The reimbursement of outstanding instalments was compensated by the bond emission at the end of the year. On the other hand on 31 December 2013 the Company re-classified the long term portion of the IEB loan 20864 amounting to 32,683,839 within the

long term debts from current debts, thus reducing the balance at the end of the year. Such re-classification occurred as a consequence of the un-complied level requested under a bank covenant.

Short term debts slightly increased in 2013 as a result of the above mentioned re-classification.

Equities increased in 2013, which was mainly determined by the significant profit of the financial year, credited into the result carried forward.

Restructuring the financing mix – impact over the financial debt position

2013 has meant elaborating an articulated plan to restructure the financial debts in accordance with the framework orientation established under the 2014-2017 administration plans. During this process a bond financing plan was approved capped at the cumulated amount of 900 million Lei for the 2014-2017 intervals. Also in 2013 Transelectrica executed the first major financing transaction on the capital market by means of credit instruments (the unsecured bond emission amounting to 200 million Lei with stable interest rate and five years' maturity).

The introduction of bonds into the financing mix brought about beneficial effects that will be capitalised in the mid- and long-term included, thus diversifying financing options and reducing the risk of restricted credit by traditional channels (for instance by reaching the maximum credit allocation in case of the related banks).

The comfortable liquidity position, diversified financing mix and increased visibility of the medium term financing sources have constituted the main support that stabilised the outlook of Company's credit rating from the agency Moody's Investors Service (from Ba2 negative to Ba2 stable).

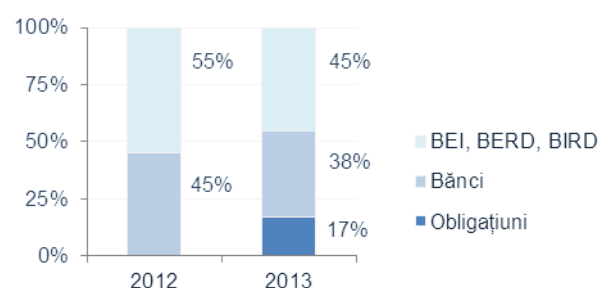
At the same time the flexibility provided in the utilisation of drawn funds by means of bonds allows the dynamic restructuring of the financial debt depending on the anticipated development of interest rates and of the exchange rate course.

Effects of the bonds emission over the financial debt structure

- **Diversification of financing sources**

The introduction of bonds into the structure of financing channels reduces the financing risk determined by the possible credit restriction along traditional bank channels (reaching the maximum credit allocations by the key related banks)

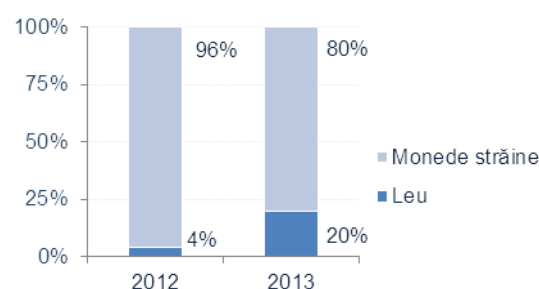
FIGURE 43 - INSTRUMENT



- **Reduction of exposure to the hard currency risk**

The provided financing in Lei has diminished the mismatch between the financing currency and the Company's dominant operational currency, thus improving the predictability of financial costs and reducing the risk of spoiling the results and the operational cash flows against the background of unfavourable developments on the hard currency market.

FIGURE 44 - CURRENCY



The bond emission of December 2013 contributed to increased share of the operational currency in the structure of financial debts from 4% at the end

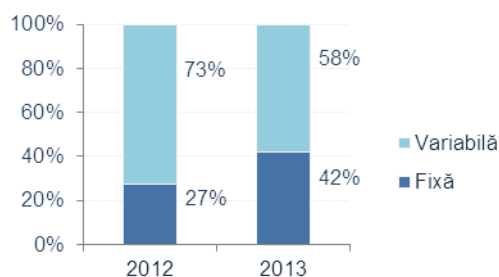
of 2012 to 20% at the end of 2013

- **Reduced exposure to the interest rate risk**

Providing financing at stable interest rates improves the predictability of financial costs, thus reducing the exposure of results and of operational cash flows to the risk of unfavourable developments on inter-bank markets.

The bond emission of December 2013 contributed to increasing the share of stable interest rates in the financial debts structure from 36% at the end of 2012 to 47% at the end of 2013

FIGURE 45 - INTEREST RATE

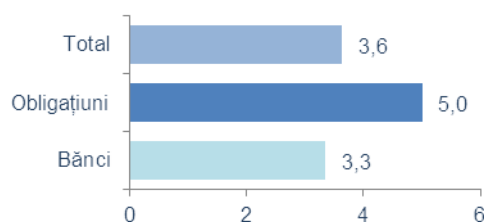


- **Increased average maturity**

Providing financing with extended reimbursement terms reduces the short term pressure over liquidities and diminishes the associated re-financing risk.

The increase of the average maturity contributes to balancing the reimbursement profile with the capability of Company assets to generate revenues.

FIGURE 46 - AVERAGE MATURITY¹⁸ (YEARS)



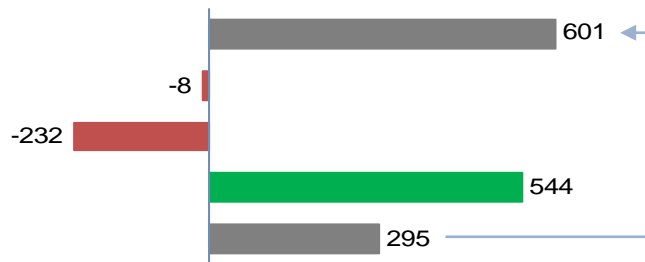
¹⁸ Average maturity is calculated as medium reimbursement term of loans (average mean of the time intervals until the reimbursement date for each principal payment according to the reimbursement schedules agreed with the creditors)

5.3. Cash flow

TABLE 25 - CASH FLOW

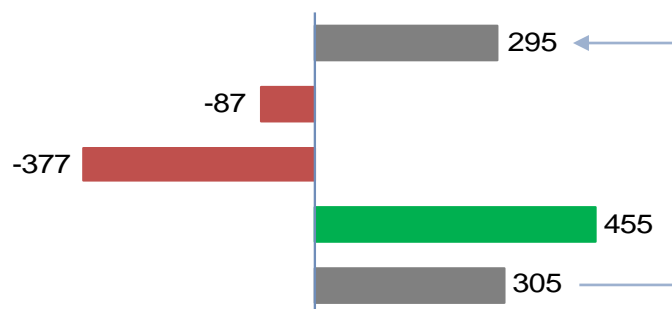
| Million Lei | 2013 | 2012 | 2011 | 13/12 | 12/11 |
|---|-------------|-------------|-------------|----------------|---------------|
| Operational activities | | | | | |
| Cash flow before the changes in the floating capital | 599 | 429 | 489 | ▲ 39% | ▼ 12% |
| Changes of the floating capital | 15 | 69 | 110 | ▼ 79% | ▼ 37% |
| Interest rates and taxes paid | -69 | -44 | -63 | ▲ 56% | ▼ 30% |
| Net cash from operational activities | 544 | 455 | 536 | ▲ 20% | ▼ 15% |
| Investments | | | | | |
| Procurement of tangible and intangible assets | -251 | -393 | -357 | ▼ 36% | ▲ 10% |
| Proceeds from investments | 19 | 16 | 20 | ▲ 20% | ▼ 20% |
| Net cash from investments | -232 | -377 | -337 | ▼ 39% | ▲ 12% |
| Financing activities | | | | | |
| Drawings from loans | 11 | 190 | 135 | ▼ 94% | ▲ 41% |
| Proceeds from the bond emission | 200 | 0 | 0 | - | - |
| Reimbursements of loans | -189 | -197 | -165 | ▼ 4% | ▲ 20% |
| Dividends paid | -30 | -80 | -8 | ▼ 63% | ▲ 843% |
| Net cash from financing activities | -8 | -87 | -38 | ▼ 91% | ▲ 130% |
| Net growth of cash and equivalents | 305 | -9 | 162 | ▼ 3388% | ▼ 106% |
| Cash and equivalents on 1 January | 295 | 305 | 143 | ▼ 3% | ▲ 113% |
| Cash and cash equivalents at the end of the year | 601 | 295 | 305 | ▲ 103% | ▼ 3% |

FIGURE 47 - 2013 CASH FLOW



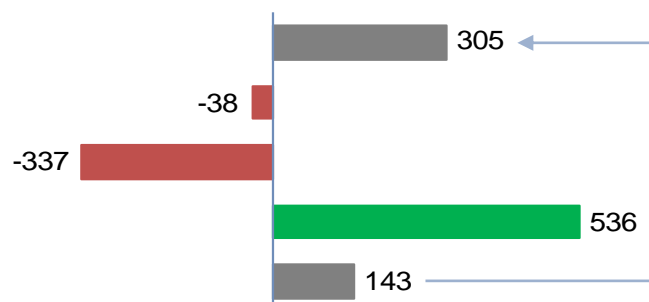
The significant cash increase was determined by the substantial flow of liquidities generated by the operational activities, which was sustained by increased tariffs that compensated the diminished tariffed volume, the reduced operational costs and the reduced investments.

FIGURE 48 - 2012 CASH FLOW



The slight cash decrease was determined by contracted liquidity flow generated in the operational activities, against the background of reduced tariffed volume and tariffs maintained at the previous year's level, as well as the slightly increased investments.

FIGURE 49 - 2011 CASH FLOW



Cash increase was determined by the significant liquidity flow generated in the operational activities, sustained by the increased tariffed volume and increased tariffs.



SIGNIFICANT EVENTS

6. SIGNIFICANT EVENTS

6.1. Romania in the European context

6.1.1. Projects of common interest

Romania – part of the European priority corridor north-south for electricity

Romania is part of the priority corridor no. 3 for electricity: **“North-south electricity interconnections in Central and South-Eastern Europe”** (*NSI East Electricity*): interconnections and northward - southward as well as eastward - westward internal lines in order to complete the internal market and also to integrate the output from renewable sources. The involved member states are: Bulgaria, Czech Republic, Germany, Greece, Croatia¹⁹, Italy, Cyprus, Hungary, Austria, Poland, Romania, Slovenia, and Slovakia.

Projects of common interest at European level

EU Regulation 347/ 2013 facilitates the prompt implementation of common interest projects by smoothing, closely coordinating and expediting the authorisation procedures, as well as by improved public participation; it provides norms and guidelines for the cross-border allocation of costs and incentives relating to risks for the projects of common interest; it also determines the eligibility conditions for common interest projects that will benefit of financial assistance from the EU.

Projects of common interest included in the EU list where Transelectrica is involved

North-south European priority corridor

for electricity from Central and South-Eastern Europe
(NSI East Electricity)

- **Romania-Serbia** group of projects
 - Interconnection line Resita (Romania) – Pancevo (Serbia)
 - Internal line Iron Gates – Resita
 - Internal line Resita - Timisoara
 - Internal line Timisoara - Arad
- **Romania-Bulgaria** group of projects
 - Internal line Cernavoda - Stalpu
 - Internal line Gutinas - Smardan
 - Internal line Gadalin - Suceava

The projects are provided in the EU delegated Regulation no. 1391/ 2013

FIGURE 50 - PROJECTS OF COMMON INTEREST



¹⁹ Depending on the adhesion date of Croatia

TABLE 26 - FACILITIES INTRODUCED FOR THE COMMON INTEREST PROJECTS AT NATIONAL LEVEL

| | |
|---|--|
| Smoothing the endorsing process / permits issued at national level | The Department for Energy was designated as National Competent Authority responsible to facilitate and coordinate the authorisation procedure for common interest projects according to Regulation no. 374 / 2013 under the Memorandum approved at the Governmental meeting of 30 October 2013 |
| Stimulation by means of regulatory mechanisms | The projects of common interest (CIP) benefit of additional 0.5% over the regulated rate of profitability of assets (Order no. 53/2013 of ANRE) |

In accordance with Regulation no. 347/ 2013, such projects are eligible to get financial assistance from the Union as grants for studies and as financial instruments. These projects can also be eligible for financial assistance from the Union as grants for work in case they simultaneously fulfill the criteria below:

- a) The cost-benefit analysis of the project gives evidence about **significant positive externalities** such as safe energy supply, solidarity or innovation;
- b) The project has received a decision for **cross-border costs allocation**;
- c) The project **is not viable in commercial terms**, according to the business plan and other assessments made, especially by potential investors or creditors or by the national regulatory authority;

6.1.2. Regional projects to integrate the national energy markets

The RO-HU-SK-CZ electricity markets coupling project and to implement the implicit allocation of cross-border transmission capacity in the day-ahead time horizon

The European Union Council (4 February 2011) and the Council for Transmission, Telecommunications and Energy (28 February 2011) has determined tasks for ACER (Agency for the Cooperation of Energy Regulatory authorities), for national regulators as well as for the European transmission and system operators with respect to 2014 as deadline to achieve the fully functional energy market at pan-European level.

The target model relying on the principle of regions coupling by means of price (*Price Coupling of Regions - PCR*) utilises a singular algorithm that correlates the offers and determines the price, which was implemented as a pilot in the central-north-western European region, following which the spreading area of the mechanism will extend to other regions.

As far as the electrical power market is concerned, Romania has been included within Region 8 – South and Eastern Europe (EU Regulation no. 714 / 2009 and the Memorandum of the Energy Community of south-eastern Europe), a region of heterogeneous structure both in legislative terms (EU member states UE as well as states that are not yet EU members and therefore they are not obliged to implement the community legislative framework) and in terms of the implementation stage for market mechanisms in the energy domain. The implementation term of a regional market within the region was agreed for 2015 - 2016.

Under such circumstances and in order to avoid triggering the infringement procedure all the involved entities (MECMA, ANRE, Transelectrica and OPCOM) have initiated a consultative process with the interconnection partners from the central and east European region (Hungary, Czech Republic and Slovakia), a region which has been operating as a coupled market since September 2012.

The steadfast commitment at Governmental level for Romania's participation into this project was manifest when the Memorandum was signed in October 2012 with respect to affiliating Romania to the electricity markets coupling project in the Czech Republic, Hungary and Slovakia.

Based on this Memorandum Transelectrica, OPCOM and ANRE signed in July 2013 the Memorandum of cooperation with the other three countries with a view to initiate the negotiations for their participation into this regional project.

The target model of the future regional market provides a medium term vision for gradual implementation of the European market framework with a view to efficiently allocate the interconnection capacities and to manage congestions using market mechanisms.

The characteristics of this solution are as follows:

- It uses a singular algorithm correlating the offers and determining the price;
- It provides a single price if interconnections allow achieving the commercial plans established under the market mechanisms;
- It determines different price zones each time some congestion occurs;
- It determines an optimum efficiency / costs ratio;
- The implicit allocation is provided only for the day-ahead time horizon (annual, monthly and intra-day allocations stay explicit, according to current applicable principles);
- Existing mechanisms on national markets are maintained (offering, settlement and clearing);
- There is no capacity reserved for implicit allocation – what is left from the annual and monthly allocation is allocated;
- The mode of calculation of NTC/ATC is maintained, and the capacity is allocated using the ATC (flow based will be some subsequent stage in the project development);
- In case of some emergency circumstances that do not enable coupling the markets, these will be decoupled and explicit allocation will be resorted to according to the mechanisms implemented in Romania at this moment;

In 2013 the High level market design and the implementation calendar were completed and agreed; the completion of the project and the commercial operation of the coupled market between Romania, Hungary, Slovakia and the Czech Republic is scheduled for 11 November 2014.

Beginning with 2015 a new stage will be initiated in the implementation process of the single European electricity market, namely the coupling with the other countries in the central-eastern region, then coupling with the north-central-western region.

6.2. Promotion system for green energy

Romania sustains the investments into the energy output with reduced environmental impact by means of a system promoting electricity generation from renewable energy sources (E - RES). This system has been implemented in order to carry out the targets established under the Directive of the European Parliament and Council no. 2001 / 77 with respect to electricity generation from renewable energy sources.

The European legislation does not impose member states to implement a certain system sustaining green energy. Romania has opted for the green certificates system in conjunction with compulsory annual quotas for suppliers, as promotion system for green energy.

Mode of operation of the system promoting energy generated from renewable sources

The system provides green certificates to the E-SRE generators, which are subsequently sold by means of competitive mechanisms to the electricity suppliers that are subjected to the obligation to procure a certain number of green certificates depending on the quantity of electrical power they have supplied to end consumers.

In the end the green certificates price is borne by the electricity consumers.

Legislative framework

For the power plants that ANRE has licensed by 31 Dec 2013 (GEO 57/2013)

| | |
|------------------------------------|---|
| Wind | 2 GC / MWh until 2017 and 1 GC / MWh beginning with 2018 (1 GC postponed until 31 March 2017) |
| Photovoltaic | 6 GC / MWh (2 GC postponed until 31 March 2017) (1 GC postponed until 31 March 2017) |
| Micro-hydro ²⁰ (new) | 3 GC / MWh (1 GC postponed until 31 March 2017) |

Law 23/2014 for the power plants licensed by ANRE after 14.03.2014 (publishing date in the Official Gazette):

| | |
|--------------|---|
| Wind | 0.5 GC / MWh until 2017 and 0.25 GC / MWh beginning with 2018 |
| Photovoltaic | 3 GC / MWh |
| Micro-hydro | 0.7 GC / MWh |

ANRE report regarding the over-compensation of green energy generators

In March 2013 ANRE published an analysis report with respect to the over-compensation under the system promoting the E-RES generators by means of green certificates in 2012. The conclusions of this report establish the number of green certificates granted to E-RES generators should be reduced in order to avoid such over-compensation.

Postponing a certain number of green certificates

GEO no. 57/2013 has postponed granting a number of green certificates beginning with 1-July-2013 (applicable to generators from renewable sources licensed by ANRE for the support scheme until 31-Dec-2013), as follows:

| | |
|--------------|--|
| Wind | Postponing the grant of 1 GC / MWh (by 1-Jan-2018) |
| Photovoltaic | Postponing the grant of 2 GC / MWh (by 1-Apr-2017) |
| Micro-hydro | Postponing the grant of 1 GC / MWh (by 1-Apr-2017) |

Decree no. 270/2014 has promulgated the Law approving GEO no. 57/2013 regarding amendment and addition to Law no. 220/2008 determining the promotion system for energy generation from renewable sources.

Reducing the number of green certificates

GD no. 994/2013 has reduced the number of green certificates granted to E-RES generators (reduction applicable to the generators licensed by ANRE for the support scheme beginning with 1-Jan-2014):

| | |
|------|--|
| Wind | 0.5 GC / MWh (from licensing until 2017) |
|------|--|

²⁰ Micro-hydro- hydropower plants of installed capacity up to 10 MW at the most

0.25 GC / MWh (beginning with 2018)

Photovoltaic 3 GC / MWh (from licensing)

Micro-hydro* 0.7 GC / MWh (from licensing)

Partial exemption of industrial consumers from energy intensive sectors from the obligation to sustain green energy

Romanian authorities consider, within the limits imposed by the European legislation about competition, the partial relief of large industrial consumers from the obligation to pay for green certificates as an option with a view to maintain the competitiveness level of companies from energy intensive industries on foreign markets, but also in order to further sustain green energy by avoiding the significant reduction of the range of industrial consumers that contribute nowadays to sustaining the promotion system for renewable energy.

Impact of the installation of significant generating capacities from renewable sources over the operations of Transelectrica

- Increased level of technical losses (there is a deeper geographical asymmetry between generation centres and the consumption areas determined mainly by the massive concentration of wind power parks within Dobrogea region)
- Increased requirement of system reserves in order to compensate the intermittent generation from renewable sources with a view to provide safe operation of the RPS
- Enhancing the transmission network in order to eliminate structural congestions by extending the network and / or increasing the transmission capacity along existing lines in the areas of high congestion potential (circumstances mainly caused by the massive concentration of wind power parks within Dobrogea region)

6.3. Certification as Transmission and System Operator

The European legislation institutes a series of rules aiming at providing free competition, intensifying competition, increasing competitiveness as well as enhancing the choice capacity granted to the end consumers under the set of regulations adopted at European Union level in 2009 with respect to the common electricity and natural gas market known under the title 'Third legislative package for energy'²¹.

To this effect measures were established aiming at eliminating the potential conflicts of interests within the sector, which might generate negative impact over free competition. More precisely, the measures provide independence for the transmission and transport operators of any commercial interests in the competitive area of the energy sector (generation and supply) with a view to secure the non-discriminating free access to the transmission networks of all participants on the energy market.

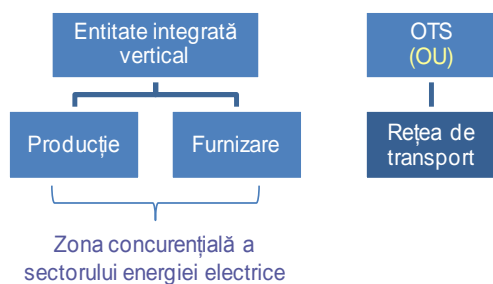
The clear separation rules between operational control and network access and the commercial interests in the generation and supply domains eliminate the risk of abusing one's monopoly position as held by transmission network operators with a view to facilitate business for the generation / supply companies affiliated to them, by blocking the competitors' access on the market in arbitrary / discriminating manner.

²¹ Directive 2009/72/EC, Regulation 2009/714/EC (electricity)

Directive 2009/73/EC, Regulation 2009/715/EC (natural gas)

Regulation 2009/713/EC (electricity and natural gas)

FIGURE 51 - OWNERSHIP UNBUNDLING

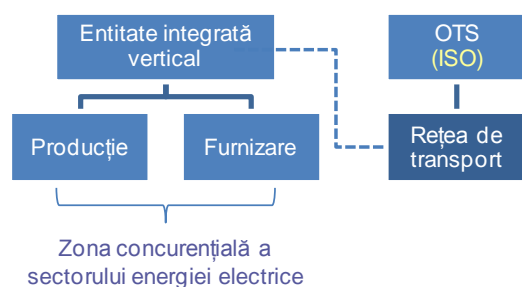


Ownership Unbundling

System operator separated from the competitive area of the sector in terms of network ownership

- The transmission network is directly owned by the transmission operator;
- The operational control over the transmission network belongs to the network operator that carries out the current network operations, licenses the access of new users to the network and plans the development of the transmission infrastructure;
- The main stockholders of the transmission network operator do not hold significant share packages in the companies that do business in the competitive area of the sector (generation and supply);

FIGURE 52 - ISO

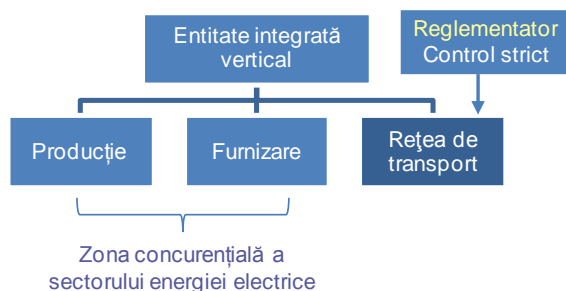


Independent System Operator

System operator independent from the competitive area of the sector

- The transmission network remains in the ownership of the vertically integrated entity;
- The operational control over the transmission network is assigned to an independent operator (ISO) that carries out the current network operations, licenses the access of new network users and plans the development of the transmission infrastructure;
- The main stockholders of the transmission network operator do not hold significant share packages in the companies that do business in the competitive area of the sector (generation and supply);

FIGURE 53 - ITO



Independent Transmission Operator

Independent transmission operator

- The transmission network remains in the ownership of the vertically integrated entity;
- The operational control over the transmission network is maintained within the vertically integrated entity that carries out the current network operations, licenses the access of new network users and plans the development of the transmission infrastructure;
- The same shareholders hold majority share packages both with the transmission network operator and with the companies that do business in the competitive area of the sector (generation and supply);
- The supervision and control level is higher in order to prevent the dominant position abuse;

The patrimonial and legal separation of the transmission network operator is common characteristic of the three models (the operator of the transmission network has got legal personality).

OU (ownership unbundling) is the basic model proposed under Directive 72/2009/EC, representing the option credited by the European Commission with the highest chances to reach the target of the unbundling process because of its superior structural characteristics than the other two models.

ISO (independent system operator) and ITO are determined by particular organisational and proprietary situations in the sector. At EU level the TSO-s certification is in advanced stage but not entirely finished. ISO is a transition model to the target model (ownership unbundling), destined to the entities that were vertically integrated in 2009.

Transelectrica has obtained certification based on the ISO model (Order 90/ 2013 of ANRE).

In accordance with article 31 paragraph (3) of the *Energy and natural gas law no. 123/ 2012* and of the *Governmental Emergency Ordinance no. 18/ 2013 designating the public entity that exercises on behalf of the State the capacity of shareholder in the National Power Grid Company Transelectrica SA and in the National Natural Gas Transport Company Transgaz SA Medias*, as well as with the community legislation in the electricity domain (EC Regulation no. 714 / 2009 and EC Directive no. 72 / 2009), Transelectrica has carried out the activities relating to the certification procedure for the Transmission and System Operator.

Under such circumstances the Company has submitted the **certification request** no. 11032/ 05.04.2013, registered under no. 18175/ 09.04.2013 as well as the justifying documents for certification to the National Regulatory Authority in the Energy domain, in accordance with the provisions of applicable legislation. Having examined the submitted justifying documents the chairman of ANRE issued the preliminary certification decision of Transelectrica as transmission and system operator (Decision 2213 / 02.08.2013), followed by the final Company certification transmission and system operator, in accordance with applicable legal provisions.

Certification was granted under **Order no. 90 / 11.12.2013 of ANRE approving the certification of the National Power Grid Company Transelectrica SA as transmission and system operator of the national electric power system**, published together with the EC endorsement no. C (2013) 6891 of 14.10.2013 in the Official Gazette no. 793 / 17.12.2013. In accordance with such ANRE Order, the final certification of Transelectrica as transmission and system operator of the RPS was approved, provided the measures specified in the fore-mentioned norm are fulfilled within 6 months.

6.4. Significant changes in the regulatory framework

6.4.1. Methodology determining transmission tariffs

The fundamental elements of the methodology have remained unchanged (model RPI-X²² based on revenue capping, multi-annual regulatory cycles with annual revision of tariffs, cost structure acknowledged in the tariff, annual compensation mechanism for forecast errors, energy used as exclusive invoicing base, zone tariff system applied for power injection / extraction into / from networks).

TABLE 27 - MAIN AMENDMENTS IN THE LEGISLATION INTRODUCED UNDER ORDER 53 2013 OF ANRE

| New methodology (Order 53 / 2013 of ANRE) | Old methodology (Order 60 / 2007 ANRE) | Effect |
|---|---|--|
| Tariffs are reviewed on 1 July (third regulatory period will begin) | Tariffs were reviewed on 1 January | Positive: Compensating within the year the estimation / forecast errors |

²² RPI – X: expression used in order to describe two main characteristics of the tariff regulatory model: indexing the acknowledged costs with inflation (*ETGail Price Index*) and limiting the operational costs by applying a pre-set efficiency factor (X)

| New methodology (Order 53 / 2013 of ANRE) | Old methodology (Order 60 / 2007 ANRE) | Effect |
|---|---|--|
| on 1 July 2014) | | recognised in the tariff of the first half year by including the tariff corrections when it is reviewed on 1 July. The benefit of temporary forecast errors corrections means decreasing the potential significant differences between the revenue actually obtained and the regulated revenue. |
| Possible recovery of invoiced amounts turned uncollectable in the tariff (the 'uncontrollable cost' category includes an additional item regarding the acknowledgment of costs with losses from liabilities settled under judge decisions) | The possible recover of uncollectable liabilities was not provided | Positive: The Company is allowed to include the losses from uncollectable liabilities in the tariff when all the legal stages of debtors' recovery have been exhausted (entering the creditors' list and instituting law suits for non-paying clients within the legal debt writing-off term). |
| Subsequent reporting and recovery of revenues that determine exceeding the maximum threshold of annual tariff increase | There is no possible recovery of revenues that determined exceeding the maximum threshold of annual tariff increase | Positive: The Company is allowed to subsequently recover the revenues in case the annual corrections lead to exceeding the maximum threshold of annual tariff increase. |
| The revenues obtained from the allocation of transmission capacities along interconnection lines are used prevalingly to finance investments to maintain and/or increase the cross-border interconnection capacity | The revenues obtained from transmission capacity allocation along interconnection lines were considered in full when calculating the regulated revenues from tariffs (meaning that the regulated revenue was reduced with these revenues) | Neutral: Although the revenues from bids of the interconnection capacity are used for investments to maintain and/or increase the interconnection capacity and have the following direct effects: (i) They provide additional financing source for investments in the cross-border interconnection capacity (ii) They take these revenues out of the calculations of regulated revenues (thus revenues from interconnections do no longer reduce the regulated revenue) Since resulting investments are not included into the RAB the above-mentioned effects are neutralised in |

²³ The revenues that are not used for the above mentioned purposes are included in revenues obtained from other activities, which use the recognised resources to carry out transmission activities up to a maximum amount approved by ANRE, which amount is determined as a difference between revenues from allocation of forecasted interconnection capacities and the planned investments for increased interconnection capacity, which is in the investment plan approved by ANRE. Transelectrica places the remaining revenues into a separate internal account until they can be spent for investments meant to increase the interconnection capacity with neighbouring systems.

| New methodology (Order 53 / 2013 of ANRE) | Old methodology (Order 60 / 2007 ANRE) | Effect |
|---|---|--|
| Assets whose financing sources are the revenues obtained from the allocation of interconnection capacity used in order to finance investments to increase the interconnection capacity are not included into the RAB. | | terms of financial profitability. |
| <p data-bbox="151 555 539 757">Calculating the average procurement price of energy needed to cover technical losses of transmission using the prices constitute on the free market</p> <p data-bbox="151 786 539 1167">(the average procurement price of electricity to cover technical losses recognised by ANRE for one tariff period is the weighted average price calculated taking into account 80% of the average price set on the bilateral contracts market and 20% the price set on the DAM spot market achieved during such tariff period)</p> | It is ANRE that determines the average procurement price for the energy required in order to cover technical losses | Neutral: Transelectrica buys the electricity needed to compensate losses on the free market. Thus, even if in historical terms there have been differences both between the average market price and the average purchase price of Transelectrica's transactions on the bilateral contracts market and on the spot DAM, as well as in the shares of the two markets in the procurement mix against the shares used in the calculation of the regulated average price, the new methodological provision provides a reasonable correlation between the price recognised in the tariff and the prices paid by Transelectrica on the two markets. |
| <p data-bbox="151 1211 539 1518">Volume differences smaller than ±3% are not included in the corrections (the deviations between the tariffable energy volume used in determining the tariff and the actual volume used in correlating tariffs are not included in the ex-post corrections)</p> | Volume differences were fully compensated by means of annual ex-post corrections | Negative: It induces additional volatility at revenue level (risk of not fully recovering the regulated revenue in case the tariffed volume undergoes an unforeseen decrease). |
| <p data-bbox="151 1563 539 1765">Possible 0.5% increase of the regulated profitability for the common interest projects at European level (projects defined according to the EU Regulation no. 347/2013)</p> | There is no possibility to provide an increase of the regulated profitability | Positive: It provides premises for increased operational profitability. |

6.4.2. Methodology determining the system service tariffs

TABLE 28 - MAIN AMENDMENTS OF THE LEGISLATION INTRODUCED UNDER ORDER 87/ 2013 OF ANRE

| New methodology Order 87/2013 of ANRE | Old methodology Order 20/2007 of ANRE | Effect |
|---|---|--|
| <p>Functional system services</p> <p>Changing to the 'cost plus' type tariff setting model by eliminating the efficiency factor applied to the controllable operation and maintenance costs</p> | <p>Cap revenue model</p> <p>The controllable operation and maintenance costs recognised in the tariff were capped by an efficiency factor pre-set by ANRE</p> | <p>Positive: The full recovery of the operation and maintenance costs is provided</p> |
| <p>Technical system services</p> <p>It is possible to gain profit and retain some profit percentage through the efficiency gains of Transelectrica when procuring technical system services under competitive regimes at lower prices than those included in tariff calculations (80% of the gain is allocated to the users by means of some gain distribution mechanism)</p> | <p>There was no possibility to obtain some profit nor to retain any part thereof</p> | <p>Positive: The efficient management of technical system services procurement from generators can generate profit.</p> |
| <p>ANRE recognises the following additional costs when determining the regulated revenue, as requested by Transelectrica:</p> <ul style="list-style-type: none"> • The costs of power plants integration within the RPS (renewable sources, small distributed plants); • The costs of RPS dispatcher management, including dispatch of renewable power parks; • The developing costs for energy markets, the costs of capacity enhancing and of the technical system services administered by the TSO; • The costs relating to the compliance with the ENTSO-E standards; | | <p>Positive: A better coverage of costs with positive impact over the Company profitability</p> |

6.4.3. The framework contract for electricity transmission services

Order 54 / 2013 of ANRE was cancelled by Order 89 / 2013 of ANRE approving the framework Contract between the National Power Grid Company Transelectrica SA and the beneficiary for the provision of electricity transmission services and of the system services. The amendments brought about by Order

54/2013 of ANRE in the reconfiguration of the tariff setting base have remained un-amended and have been taken over in Order 89/2013 of ANRE (the latter one has introduced financial securities in the framework contract and has eliminated the OPCOM tariff from the contracts providing electricity transmission services and system services).

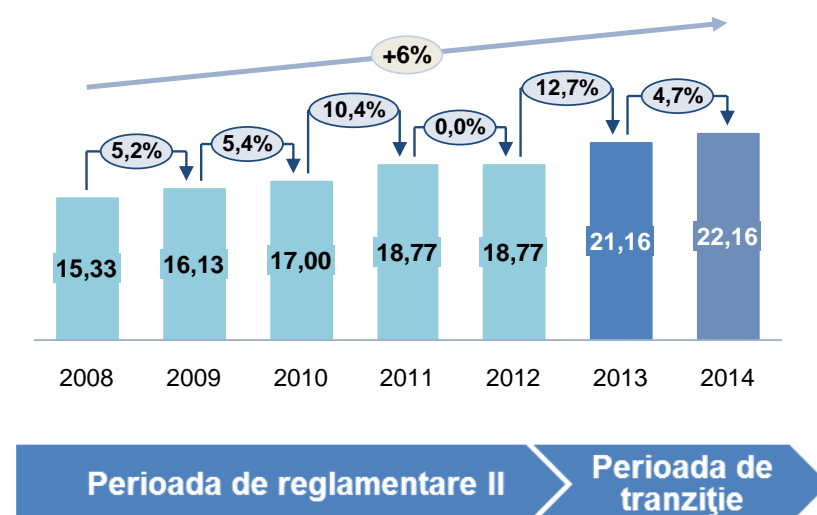
TABLE 29 - CHANGES MADE IN THE TARIFF BASE²⁴

| Change | Effect |
|--|--|
| The imported / exported volumes of energy (introduced / extracted into / from electricity networks along interconnection lines) have been taken out of the tariff setting base for the injection / extraction tariff | Reducing the tariff setting base The effect over revenues is neutral (the impact is compensated by tariff adjustment). |
| The minimum threshold of the installed capacity in the power plants that deliver electricity into networks where the component is applied with the transmission tariff was reduced from 10 MW to 5 MW | Increasing the tariff setting base The effect over revenues is neutral (the impact is compensated by tariff adjustment). |

6.5. 2014 tariffs

The quantity of tariffable energy that was taken into calculation when determining the regulated tariffs for electricity transmission services as well as for technical and functional system services in 2014 was of **51,100,000 MWh** (inferior by 6.8% to the tariffable quantity that was taken into calculation when determining the regulated tariffs of 2013, respectively 54,810,000 MWh).

FIGURE 54 - LEVEL OF TRANSMISSION TARIFFS



2013 has represented a transition year between the second regulatory period and the third and last regulatory period.

²⁴ The quantitative base to which the transmission tariff and the system service tariffs are applied

2014/2013 The 4.7% increase of the average tariff approved by ANRE for transmission services in 2014 compared to the previous year was mainly determined by the reduced quantity forecasted to be tariffed in comparison with the forecasted quantity used in the calculations of the 2013 tariff.

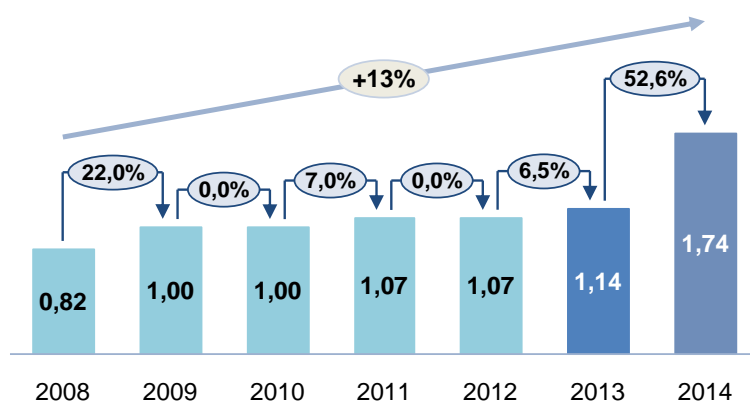
The value of the regulated asset base determined by ANRE for 2013 relies on an amount of 3189 million Lei at the beginning of the year, new transmission assets amounting to 260 million Lei, regulated amortisement of 230 million Lei and an estimated value of 2 million Lei for the assets taken out of operation.

In 2014 the value of the regulated asset base determined by ANRE relies on an amount of 3079 million Lei at the beginning of the year, new transmission assets amounting to 200 million Lei and regulated amortisement of 228 million Lei.

The difference between the RAB value at the end of 2013 (3217 mill. Lei), calculated as a sum between the value at the beginning of the year and the estimated value of new assets of which the regulated value of assets amortisement is deducted, and the value determined by ANRE for the beginning of 2014 comes from the RAB re-setting that ANRE performed using the commissioning operations estimated for 2013.

The RAB correction for 2008-2012 and 2013 will be performed by ANRE at the beginning of the third regulatory period (on 1 July 2014). The regulated rate of assets profitability was maintained at 8.52%.

FIGURE 55 - LEVEL OF FUNCTIONAL SYSTEM TARIFFS (LEI / MWH)



2014/2013 The 52.6% increase of the average tariff approved by ANRE for transmission services in 2014 compared to the previous year was determined by the reduced quantity forecasted to be tariffed against the forecasted quantity used in the calculation of the 2013 tariff but also by the increased value of certain recognised cost items. In accordance with the provisions of Order no. 89/2013 of ANRE, the regulatory system for the revenues related to functional system service activities relies on the 'cost plus' model (the previous model used was the 'capped revenue' imposing an efficiency factor at the level of controllable operation and maintenance costs).

The regulated rate of assets profitability was maintained at 8.52%.

6.6. Other events

Implementing the management system

The Company's Supervisory Board and Directorate approved on 20.05.2013 the Reorganisation plan as well as the changed organisational and functional structure of the Company.

On 01.06.2013 this new organisation chart came in force. The map of the main processes performed by the Company was taken into account in order to define the new organisational chart, while also aiming at obtaining a new organisational and functional structure that is coherent and does not fragment the core processes, allowing uniform definitions along each axis and organisational entity, thus enabling optimised core activities.

Approval of the 2013-2017 Administration Plan

The Shareholders' General Ordinary Assembly of the National Power Grid Company Transelectrica SA ('AGOA') of 30 September 2013 approved the Company's Administration Plan, which was elaborated by the Supervisory Board.

The Administration Plan includes the administrative strategy during the mandate of Supervisory Board members and contributes to achieving the Company's mission, being elaborated using the vision, values and strategic guidelines of the Company; its primordial target is reaching the contracted objectives and performance criteria.

Transelectrica has engaged obtaining professional excellence by means of responsible approach to community and compliance with the business environment it operates in; it aims at reaching operational excellence, providing value to shareholders through current activities and finding new opportunities of sustainable growth.

Approving the multi-annual financing plan by bonds

The ceiling up to 900 million Lei of the bond emissions of Transelectrica in 2013-2017, which can be denominated both in Lei and other currencies, was approved by the Shareholders' General Assembly on 30 September 2013.

The Supervisory Board addressed in the Administration Plan, approved on the same date in the AGOA, some optimised financing in order to improve the financial performance and to extend and enhance the ETG. To this effect the Supervisory Board proposed grounding such financial structure improvement on corporate bonds, among others.

The funds obtained from the bonds emission will be mainly used as financing source for the investments made in order to extend and enhance the ETG.

Bonds emission

On 30 September 2013 shareholders approved launching an inaugural emission of corporate bonds. To this effect an intermediation contract was concluded with the Romanian Commercial Bank SA, whose object was "providing financial intermediation services with a view to issue, sale and admit for transaction on the Bucharest Stock Exchange the obligations that were issued by TEL under primary public offer on the internal capital market, as well as intermediating the payment of the interest rates and the principal".

The Financial Supervision Authority (FSA), Sector of Financial Instruments and Investments, approved the prospect admitting the Company issued bonds for transaction under Decision A – 657/10 December 2013, exclusively addressed to qualified investors. The Financial Supervision Authority issued Decision A – 664 of 16 December 2013 and approved the prospectus amendment determining the final interest rate at 6.1% per annum.

The offer took place from 11.12.2013 to 18.12.2013, with possible anticipated closure. On 17.12.2013 sale offer exclusively addressed to qualified investors was closed in anticipation because of the over subscription.

Following the endorsement of the Bucharest Stock Exchange Council the corporate TEL bonds have been transacted on the Bucharest Stock Exchange (BSE) since 16.01.2014 in the Credit Titles sector, 3rd category of corporate bonds under the symbol TEL18.

The main characteristics of the bonds issued by Transelectrica are as follows:

- Symbol: TEL18;
- Type: nominative dematerialised unsecured bonds;
- Number of bonds: 20,000;
- Nominal value: 10,000 Lei;
- Total bond value: 200,000,000 Lei;
- Interest rate: 6.1%;
- Interest rate payment: each year;
- Payment dates of interest rate: 19.12.2014; 21.12.2015; 19.12.2016; 19.12.2017; 19.12.2018;
- Maturity: 19.12.2018.

The bond offer of Transelectrica has become benchmark for similar issuers. The high interest from local and international investors is the proof of the balanced mix between the issuer quality, efficiency, liquidity and the possible diversification of the portfolio by local instruments of fixed revenue.

Such successful emission is only the beginning of a series of such instruments, notified as intention at 900 million Lei, which however does not exclude launching programmes denominated in other currencies as well.

The introduction of corporate bonds in the mix of financing sources for the Company's operational activities and investment plans represents the beginning of higher independence towards the limitations and constraints of the banking environment and constitutes a 'securing' item of Transelectrica's capability to successfully achieve its mission of maintaining the safe operation of the Romanian Power System.



HUMAN RESOURCES

7. HUMAN RESOURCES

7.1. Structure of personnel

The structure of personnel maintained stable in the last three years in terms of the average number of employees, providing only a slight 0.9% decrease. According to its operational licence Transelectrica does not habitually use temporary employees. At present the electrical substations of the ETG are run only using operative / operational personnel under permanent shifts; the same is done for RPS dispatch services.

TABLE 30 - AVERAGE NUMBER OF EMPLOYEES UNDER INDIVIDUAL LABOUR CONTRACT FOR NON-DETERMINED TERM

| Year / indicator | 2013 | 2012 | 2011 |
|-----------------------------|-------|-------|-------|
| Average number of employees | 2,180 | 2,198 | 2,200 |

Source: Transelectrica

In parallel the share of employees with university studies increased by 2%. By its specific activities the Company has got highly qualified labour both at operative / operational level and within the central structures.

Thus 57.11% of the Company personnel have got superior studies, and 42.57% represent personnel that studied in foremen / vocational (electric power in general) / high schools.

TABLE 31 - STRUCTURE OF PERSONNEL BY THEIR LEVEL OF STUDY

| Level of study | 2013 | 2012 | 2011 |
|----------------|--------------|--------------|--------------|
| Superior | 1,245 | 1,244 | 1,201 |
| Medium | 928 | 947 | 985 |
| Elementary | 7 | 7 | 14 |
| TOTAL | 2,180 | 2,198 | 2,200 |

Source: Transelectrica

The age group analysis of the personnel structure shows in 2013 the average age was 46 within the Company. Also during the same time interval the percentage of employees aged 18-35 increased from 23.25% to 23.80%, which mirrors one of the Company's main strategic objectives in the human resources domain, namely to hire personnel prevalingly from the ranks of fresh graduates.

TABLE 32 - STRUCTURE OF EMPLOYEES DEPENDING ON AGE GROUPS

| Age [years] | 2013 | 2012 | 2011 |
|--------------|--------------|--------------|--------------|
| 18-35 | 519 | 511 | 506 |
| 36-40 | 452 | 467 | 483 |
| 41-50 | 563 | 585 | 581 |
| 51-60 | 565 | 580 | 598 |
| >60 | 81 | 55 | 32 |
| TOTAL | 2,180 | 2,198 | 2,200 |

Source: Transelectrica

In terms of work seniority more than 29% of the Company personnel have worked for 21-30 years. This proves the employees' attachment to the Company, influenced to some extent by their satisfaction.

TABLE 33 - STRUCTURE OF EMPLOYEES BY WORK SENIORITY

| Work seniority [years] | 2013 | 2012 | 2011 |
|------------------------|--------------|--------------|--------------|
| 0-10 | 482 | 470 | 453 |
| 11-20 | 446 | 465 | 554 |
| 21-30 | 635 | 637 | 593 |
| 31-40 | 526 | 538 | 541 |
| >40 | 91 | 88 | 59 |
| TOTAL | 2,180 | 2,198 | 2,200 |

Source: Transelectrica

The greatest share among the categories of personnel represents the operational employees, high concentration of being in the substations organisation, monitoring and operation areas. As far as support activities and executive management are concerned, they take up only 20% of the total number of employees.

TABLE 34 - STRUCTURE OF TRANSELECTRICA EMPLOYEES BY PERSONNEL CATEGORIES IN 2013

| Categories of personnel | Number of employees |
|--|---------------------|
| Operative and operational (rated labour), of whom: | 1,738 |
| National Power Dispatcher | 190 |
| Operational personnel of transformer substations, tele-management and operational centres | 971 |
| Admission - reception personnel | 119 |
| OMEPA personnel directly involved in productive activities – operational centres, solving non-conformities, tele-metering systems, liaising with market participants | 38 |
| Personnel directly involved in the organisation and monitoring of operational activities within substations | 420 |
| Personnel for support activities and executive management | 442 |
| TOTAL | 2,180 |

Source: Transelectrica

In June 2013 a chart with 5 distinct axes (correlated with the Directorate structure) was launched, which coherently defines the Company's main activities under the direct coordination of the five Directorate members whose responsibility levels have been clearly defined:

- Flattening the organisational chart by reducing the number of decisional making levels, thus achieving better visibility in each responsibility area of every Directorate member, while also determining increased quality of decision taking in the Company. The decision making levels were reduced from 7 to 5 by cancelling certain managerial positions;
- Simplifying the structure meaning cancellation / reduction of the number of divisions and departments as well as the number of personnel at director level; thus the current number of 18 directorial positions is reduced to 8 under the new structure;
- Eliminating certain overlapping areas, which leads to improved activities and determines reduced additional costs of personnel and the response times;

7.2. Employees' revenues

Each employee is entitled to salary for his/her activity carried out under the individual labour contract; salaries are paid before any other monetary obligations of the employer.

Working relations are developed and managed in such a way such as to provide and secure equal opportunities and to promote the environment beneficial for the personal development of each employee. There is no discrimination for reasons of sex, sexual orientation, genetic characteristics, age, nationality, race, colour, ethnic group, religion, political option, social origin, handicap, family circumstances or responsibilities, trade union affiliation or activity.

Employees' remuneration includes the basic salary, emoluments, permanent and temporary increases, as well as other additions paid from the wage fund under the terms of the collective labour contract.

The salary is determined under individual negotiation between employer and employee. The attributions and requirements included in the job description, the employee's performance on the job, and salary categories are taken into account when the salary is determined, as well as the limits provided for such job in the Classified List of positions and trades attached to the collective labour contract.

Gross monthly basic salaries provided in the Company's salary matrix are differentiated by classes and steps, and the hierarchy coefficient is determined depending on each one's qualification, type of activity, degree of responsibility and labour conditions.

An annual bonus fund can be constituted with a view to stimulate employees that obtain particular results; the quantum of such fund, its utilisation and distribution are determined under protocol concluded between the Company and the Trade Union Federation while observing the compliance with the salary fund provided in the approved Revenue and expense budget.

Company employees benefit of some fund from the net profit determined under legal terms and approved by governing bodies. The differentiation, reduction or cancellation terms of profit participation are determined under protocol by the joint employer / trade unions Commission. The collective labour contract and the bonus regulation are negotiated with the social partner.

Material benefits

Company employees enjoy benefits in kind consisting in settlements of some quotas of their electricity bills within a quantum set under the collective labour contract, which exclude the payment of the radio & TV subscription.

An individual meal allocation is added, granted as meal tickets within law-provided values at the offering time, fully supported by the Company. The Company also bears the expenses of the canteen. It also provides the Trade union federation with existing space and equipment for such activities, for free, to the employees' benefit.

In particular cases when employees need medical intervention recommended by specific institutions which cannot be performed in the country or are very expensive the Company bears the transport and / or treatment abroad expenses for employees and/or their family members (spouse, children) upon the request of the Trade union federation, with the endorsement of the joint Commission and the approval of the Company Directorate.

In case of employee death or of a member of his/her family (spouse, child, and parent) the Company provides some material aid whose quantum is determined under the collective labour contract.

The Company cherishes and defends its employees' health and working security. There are annual campaigns assessing the health of employees- general examinations, laboratory tests, flue and hepatic shots, preventive investigations for cardiovascular illnesses, as well as investigations to prevent

invalidating illnesses. There is an optional voluntary health insurance where employees participate to the financial costs, while the Company bears the expenses of such voluntary health insurance within the fiscally deductible quantum provided in the norms.

Permanent training and qualification

Transelectrica provides professional training and qualification of its own personnel by elaborating professional training, qualification and improvement plans in accordance with the *Personnel professional training plan*, attached to the Company's collective labour contract and with the *Annual employees' professional training and qualification programme*.

TABLE 35 - PARTICIPANTS TO THE PROFESSIONAL TRAINING PROGRAMMES FOR EMPLOYEES

| | 2013 | 2012 | 2011 |
|-------------------------------------|---------|-----------|-----------|
| Total number of participants | 1,101 | 1,696 | 1,424 |
| TOTAL COSTS | 659,343 | 1,341,270 | 1,079,347 |

Source: Transelectrica

7.3. Trade union representation

Company employees are affiliated to the Trade union of Transelectrica, which belongs to the National Federation of Electricity Trade Unions UNIVERS. At present about 90% of the total number of employees are trade union members. A collective labour contract is concluded between Transelectrica and its employees, valid until 31.12.2014; it regulates the individual and collective labour relations as well as the parties' rights and obligations with respect to:

- Concluding, executing, amending, suspending and terminating the contract;
- Working time and resting time;
- Salary remuneration;
- Labour health and security, working conditions;
- Professional training;
- Social protection of employees and other rights;
- Rights and obligations ensuing from work relations;
- Mutual recognition, employer's and trade unions' rights and obligations;

The parties have agreed to meet every time there is need under the joint employer / trade union Commission in order to solve the problems that might occur in the implementation of the applicable collective labour contract, to avoid labour conflicts and to prepare the negotiations for the future collective contract.



MID TERM PROSPECTS

8. MID TERM PROSPECTS

8.1. Significant events after the 2013 balance sheet

8.1.1. Credit rating by Moody's Investors Service

In February 2014 Moody's Investors Service changed the rating outlook of Transelectrica (Ba2) from negative to stable.

The international rating agency has used criteria that took into account the diversification of financing sources and the improvement of Company liquidity, but also the optimisation of the financial performance during 2013.

The Company has taken a first step to this effect by launching a bond emission at the end of last year, which was acknowledged not only by the market players (brokers, investors and shareholders) as real success but also by the rating agency Moody's, and constituted the decisive argument for stabilising the rating outlook.

The flexibility of funds utilisation enables the Company to observe the investment plans and re-finance some balance sheet financial obligations with a view to optimise its financing structure and mitigate risks related to cost fluctuations and national currency volatility.

8.1.2. Transfer of Transelectrica shares to the Secretariat General of the Government

On 14 February 2014 GEO 6/2014 was issued and published in the Official Gazette no. 113/14.02.2014, with respect to the exercise of rights and fulfilment of obligations ensuing from the State capacity of shareholder in the National Power Grid Company Transelectrica SA and into the National Natural Gas Transport Company Transgaz SA Medias, while also amending some norms.

Thus the State representatives in the Shareholders' General Assembly will be appointed and recalled by order from the Governmental Secretariat General upon proposal of the head in the Chancellery of the Prime-minister. When exercising its rights and fulfilling its obligations ensuing from the State capacity of shareholder in the NPG Co. Transelectrica SA the Secretariat General of the Government by consultation with the Chancellery of the Prime-minister will take action according to the policies and strategy in the energy and natural gas domains elaborated by the specific ministry in accordance with the provisions of the Electricity and natural gas law 123/2012, with later amendments.

Governmental Emergency Ordinance 6/2014 authorises the Secretariat General of the Government to initiate and approve, as the case may be, all the operations and steps necessary in order to transfer the shares held by the NPG Co. Transelectrica SA in the Electricity and Natural Gas Market Operator Company OPCOM SA and in the Training Company for Electric Power Engineering Specialists in Romania FORMENERG SA into the private State property and under the administration of the Department for Energy.

On 14.02.2014 Governmental Emergency Ordinance 18/2013 designating the public entity that exercises on behalf of the State the capacity of shareholder in the National Power Grid Company Transelectrica SA and in the National Natural Gas Transport Company Transgaz SA Medias, published in Romania's Official Gazette, Part I, no. 176 of 1 April 2013, is cancelled.

Company executive and non-executive administrators will support the necessary steps in order to transpose the legislative amendments into the statutory domain while observing the national and European legal provisions with respect to the Company's certification according to Order 90/2013 of ANRE.

8.1.3. Result of the OPCOM investigation

Transelectrica has been involved, in its capacity of shareholder having 100% of the share capital of OPCOM, in the investigative procedure launched by the European Commission with respect to the commercial practice of OPCOM on the centralised day ahead market and on the intra-day market, which consisted of its request addressed to the participants on these markets to be registered in Romania for VAT purposes.

The European Commission stated the energy market operator is discriminating the trading companies for reasons of nationality / settlement place, thus infringing the EU's anti-trust norms, namely article 102 of the Treaty regarding the functioning of the European Union (TFUE) and article 54 from the Agreement on the European Economic Space.

On 5 March 2014 the European Commission notified its decision to the Company, which stated that Transelectrica and its subsidiary OPCOM „have provided uniform continuous infringement of article 102 from the Treaty from 30 June 2008 to at least 16 September 2013, in the form of discrimination because they asked to Union traders desiring to participate on the day ahead and intra-day markets of Romania to be registered in Romania for VAT purposes”.

For such infringement the European Commission requested companies Transelectrica and OPCOM „a fine of 1,031,000 EUR, being jointly responsible for the payment of the entire amount” which, according to article 2 of the Decision, should be paid within 3 months from the receipt of the notification.

The pecuniary sanction of 05 March 2014 has been set at a level whose quantum is at the inferior limit of fines applicable in such circumstances, especially if one takes into account the initial communication of the objections statement where the European Commission estimated a fine quantum of 70 million euro. The General Directorate Competition motivated the involvement of the NPG Co. Transelectrica SA next to OPCOM SA was that the parent company and the daughter company are jointly bound to pay the fines in the anti-trust files.

Transelectrica has notified the European Commission that, although it holds 100% of the share capital of OPCOM, it has not influenced nor has it ever taken action which might determine the alleged abuse of dominant position by OPCOM. The Company invoked its failure to nominate representatives in the Shareholders' General Assembly or in the Board of Administration of OPCOM since its establishment until the investigation date; therefore it has not been involved in the alleged dominant position abuse that the European Commission has investigated.

Company administrators examine the appeal routes available, taking also into account that the alleged discrimination could have been held only on behalf of OPCOM SA in its capacity of single operator of the two electricity markets.

8.2. Third regulatory period

Determining the framework coordinates for the third regulatory period (July 2014 – June 2019)

In terms of the principles and method determining the allowed revenues for electricity transmission activities, the regulatory system operates under multi-annual cycles, usually of 5 years. Such framework conventions are determined by ANRE and they establish the major coordinates of investment costs relating to transmission activities during the time interval of the regulatory cycle. The main elements of the multi-annual configuration of regulated revenues include- efficiency required at the level of operational and maintenance costs; the tariffable energy volume; the accepted level of losses in the transmission grid; the planned investments, and the regulated financial efficiency.

2013 has been a transitional year from the second regulatory period (1 January 2008 – 31 December 2012) to the following one (1 July 2014 – 30 June 2019).

ANRE has initiated an analysis of investments made by Transelectrica and the efficiency of its operational and maintenance costs during the second regulatory period, with a view to ANRE's setting of the parameters for the third regulatory period. At the same time ANRE is carrying out consultations with Transelectrica in view of forecasting the costs and the investments for the third regulatory period.

Binomial tariff – new system of revenues collection

At present the transmission service tariffs approved by ANRE are the monomial type, respectively they utilise exclusively the energy circulated within networks as collection base for the regulated revenues. The binomial tariff system utilises both the energy circulated within networks and the grid capacity as collection base of regulated revenues. ANRE intends implementing the binomial tariff system within the medium term horizon (the draft regulatory programme of 2014 provides for December "reviewing the regulatory framework needed for the implementation of binomial type tariffs for electricity transmission services").

Benefits of the binomial tariff

The permanent availability of transmission services, in terms of transmission capacity placed at the users' disposal represents in itself a determining factor for the quality of transmission services. Thus the energy circulated in the networks within a certain time interval does not represent the single determining factor for the quality of transmission services or for the service cost, since the cost structure of the transmission service is in a closer correlation with the installed capacity in the network than with the volume of energy actually circulated within the network. The binomial tariff system uses both determining factors of the transmission service cost as sources of revenue collection- namely the energy circulated and the transmission capacity, thus providing correlation between cost generators and the invoicing bases of the tariff.

The associated costs of providing permanent availability of the transmission service and of the network configuration tailoring to the future output and consumption development by maintaining the technical condition of the infrastructure, extending and developing the grid, the general enterprise costs, the cost of capital invested into network assets are prevailingly independent of the potential short term fluctuations (within the annual time horizon) in the circulated volume of energy. Such fixed costs have got majority share in the structure of total costs related to transmission services, while the unanticipated reductions in the quantity of tariffed energy have got negative temporary impact over the operator's capability to recover costs.

The major benefit of the binomial tariff system is the increased predictability of revenues, respectively the reduced Company exposure to the risk of only partial recovery of regulated costs against the background of unanticipated reductions in the tariffable energy volume compared to the amount taken into account when the tariff level was determined ex-ante. Also the implementation of such binomial tariff will enable avoiding over-sizing the network by imposing some capacity cost independent from the transmitted amounts of energy.

8.3. CEE markets coupling project

On 4 February 2014 the electricity markets of 15 European states - Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Great Britain, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland and Sweden - were coupled. Portugal and Spain will join in the following months, while Italy and Slovenia at the end of 2014. Beginning with 2015 such coupling will extend to the central-eastern (Czech Republic, Slovakia, Hungary and **Romania**), while the south-eastern European region will be coupled after 2016.

Markets coupling in the central-north-western European region representing 75% of the European energy market was initiated by ENTSO-E in 2010 and approved by the European Forum of regulatory authorities in the electricity sector, as pilot project to implement the single pan-European day ahead market, the greatest such market worldwide.

8.4. Investment plan and financing sources

European Union Directives targeting the fight against climate changes and the promotion of renewable energy sources aim at reducing 20% the greenhouse gas emissions compared to 1990, increasing efficiency 20% and providing 20% energy output from renewable sources in the total energy consumption at EU level by 2020.

The Government-elaborated National action plan for renewable energy the reference value taken into account for 2020 is of 4000 MW installed in wind power parks. As a consequence of incentives provided by applicable legislation a significant number of wind power parks submitted network connection demands to Transelectrica and their generation capacity exceeds twice the country's consumption.

The need to develop the ETG

The prospective analysis of the ETG operational regimes identified the need to enhance it, development which requires technical support in three main categories.

The generation park of Dobrogea region has registered lately uninterrupted increase in the number of wind and photovoltaic power parks. Two nuclear units are also planned in the NPP Cenavoda. When a maximum output threshold assessed at 3,000 MW is reached, the need occurs to enhance the network capacity to discharge such power in Dobrogea (regardless of the primary source used). The technical solutions taken into consideration should allow removing congestions on the main directions of power flows between the generation power plants from the eastern part of the country and the consumption and storage centres found in the west and north points of the area.

The development of generation capacities relying on renewable sources leads to intensified **cross-border exchanges at the country's western and eastern borders**. The experience of these last years and the forecast for the near future indicate the need to increase the exchange capacity between the RPS and power systems of Serbia and Hungary as well as in view of the national grid transits. Projects increasing the interconnection capacity with the Republic of Moldova are under study, so as to enable enlarging the currently very limited volume to significantly higher values, thus facilitating the export of energy generated in excess of the domestic demand.

The insufficient generation in the supply sections of north-western Transylvania and Moldova reveals a high risk of operation near the maximum admissible power in the mid and long run. To this effect it is beneficial enhancing the electricity transmission grid by competing the 400 kV ring between the north-eastern and north-western part of the RPS in terms of increasing the static steady-state reserves.

Major investment projects

The plan includes projects required in order to properly size the network transmitting the electricity forecasted to be generated, imported, exported and transited, while observing the applicable technical norms. Two categories of investments will be carried out:

- ETG extension by building new lines, increasing the capacity of existing lines, extending the substations and increasing their transformer capacity;
- Refurbishing the existing substations;

Such projects comply with the identified needs and in a broader sense can be integrated in the harmonised effort of all European transmission and system operators to develop trans-European networks and provide their inter-operability.

The main prospective investments:

- Increasing the interconnection capacity at the western and south-western borders of Romania by network consolidations along the Iron Gates – Resita – Timisoara – Arad corridor, which the European Commission included in the first list with projects of common interest (PCI) consisting together the ‘Romania-Serbia Group between Resita and Pancevo’;
 - Allowing the integration in the RPS of the wind parks output from the south-western part of the country (Banat) and from the existing hydropower complex Iron Gates;
- Asynchronous interconnection by means of back-to-back conversion substations in order to increase the exchange capacity at the border with the Republic of Moldova, project which is under study (developing the 400 kV OHL Suceava (RO) – Balti (RM) is planned);
- Increasing the interconnection capacity with Bulgaria by enhancing the infrastructure that will sustain the transmission of power flows between the Black Sea coast and the coast of the North Sea / Atlantic Ocean, project included in the first PCI list ‘Bulgaria-Romania Group, increasing the capacity’;
- Completing the refurbishment projects underway (Bucharest South, Brasov, Barbosi, and Tulcea Vest) as well as replacing the transformers and auto-transformers in substations;
- Initiating new projects provided for the first period of the ten years’ plan (among others in Domnesti, Bradu, Suceava, Smardan, Ungheni, Medgidia etc), modernising the control systems within the 220 / 110 kV substations Arefu, Raureni, Hasdat, replacing the shunt reactors of the (750) / 400 kV Isaccea in order to remove some bottlenecks;



CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

9. CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

9.1. Corporate governance

Corporate governance substantiates the responsible corporate management system devised in order to add value in time and to consolidate the trust of interested parties.

The poles of this approach rely on efficient cooperation between the Company's administrative management bodies, on the promotion and compliance with shareholders' rights and interests, as well as on open transparent communication.

Corporate governance statement 'apply or explain'

(model in accordance with the BSE Code of corporate governance, filled in taking into account the specific two tier management system)

TABLE 36 - CORPORATE GOVERNANCE STATEMENT 'APPLY OR EXPLAIN'

| Principle | Rec. | Question | YES | NO | If NO, then I EXPLAIN |
|--|------|---|-----|----|---|
| P19 | | Is the issuer managed under a two tier system? | YES | | According to AGA decision of 18.07.2012, Transelectrica is managed under two tier system by a Directorate under supervision of the Supervisory Board. |
| P1 | R1 | Has the issuer elaborated some Statute / Regulation of corporate governance describing the main aspects of corporate governance? | YES | | |
| | | Has the Statute / Regulation of corporate governance been posted on the Company's website also indicating the date of its latest update? | YES | | The updated Regulation of corporate governance will be submitted to approval by AGA. |
| | R2 | Does the Statute / Regulation of corporate governance define the corporate governance structures, the positions, competencies and responsibilities of the Supervisory Board (SB) and of the executive management? | YES | | |
| | R3 | Does the Annual Report of the issuer provide a chapter dedicated to corporate governance and describing all the relevant events related to corporate governance, registered during the previous financial year? | | NO | The relevant events relating to corporate governance are described in the Annual Report of Transelectrica in distinct chapters. |
| Is the issuer disseminating information on the Company's website with respect to its corporate governance policy: a) describing its corporate governance structures? b) the updated articles of association? | | YES | | | |

| Principle | Rec. | Question | YES | NO | If NO, then I EXPLAIN | |
|---|--|---|---|-----|---|--|
| | | c) the internal functioning regulation / its essential aspects for each specific commission / committee? | | NO | The consultative committees members of the new Supervisory Board are working on finishing the committees' regulations | |
| | | d) the 'apply or explain' statement? | YES | | It is included in the Directorate Report | |
| | | e) the list of SB members specifying those who are independent and/or non-executive, the members of the executive management and those of the specific committees / commissions? | YES | | All SB members are non-executive. | |
| | | f) a short resume variant for each SB member and of the executive management? | YES | | The resumes of SB members have been published with the materials of the AGA they were elected at. | |
| P2 | | Does the issuer comply with the rights of the holders of the financial instruments it has issued, providing them with fair treatment and submitting any change of the conferred rights to approval in the special assemblies of such holders? | YES | | | |
| P3 | R4 | Does the issuer publish in a dedicated section of its website details about the proceedings of the Shareholders' General Assembly (AGA): | YES | | | |
| | | a) the convening notice for AGA? | | | | |
| | | b) the materials / documents of the agenda as well as any other information about the agenda items? | YES | | | |
| | | | c) the special power of attorney forms? | YES | | |
| | R6 | Did the issuer elaborate for and propose to AGA the procedures for the orderly efficient function of AGA proceedings, without prejudicing however any shareholder's right to freely express his/her opinion about the issues submitted to debate? | YES | | | |
| | R8 | Does the issuer disseminate in a dedicated section of its website the shareholders' rights, as well as the rules and procedures for AGA attendance? | YES | | These are submitted in the convening notice of each AGA, in order to facilitate compliance. | |
| | | Does the issuer provide information in due time (immediately after the AGA reunion) of all the shareholders by means of the dedicated section of its own website: | YES | | | |
| | | a) about the decisions taken by AGA? | | | | |
| b) about the detailed result of the vote? | | YES | | | | |
| | Do the issuers disseminate by means of a special section of its own easily identified and accessible web page: | YES | | | | |
| | a) current reports / communiqués? | | | | | |

| Principle | Rec. | Question | YES | NO | If NO, then I EXPLAIN |
|-----------|------|---|-----|----|---|
| | | b) the financial calendar, annual, half yearly and quarterly reports? | YES | | |
| | R9 | Is there in the Company a dedicated department / person specifically for the relationships with investors? | YES | | |
| P4, P5 | R10 | Is the SB meeting at least once every quarter to monitor the development of the issuer's activities? | YES | | |
| | R12 | Does the issuer have a set of rules regarding the behaviour and obligations to report the share transactions or with other financial instruments issued by the Company (the Company's securities) performed in their own name by administrators and other natural persons involved? | YES | | Such rules are provided in the internal regulations of the issuer |
| | | Has any SB member of the executive management or another involved person achieved in his/her own name some transaction with the Company's titles, and then has such transaction been disseminated through the own website according to the associated rules? | YES | | |
| P6 | | Does the Supervisory Board structure of the issuer provide balance between the executive and non-executive members (and particularly the independent non-executive administrators) so as no person or small group can dominate in general the decision taking process of the SB? | YES | | SB members are non-executive |
| P7 | | Does the issuer's Supervisory Board structure provide a sufficient number of independent members? | YES | | The independence of SB members is assessed according to the criteria provided in Law 31/1990 |
| P8 | R15 | Are the SB activities receiving support from consultative committees / commissions in order to examine specific topics selected by the SB, as well as to advise the SB with respect to such subjects? | YES | | |
| | | Do the consultative committees / commissions submit activity reports to the SB with respect to the assignments entrusted to them? | YES | | |
| | R16 | Does the Supervisory Board use the valuation criteria provided in Recommendation 16 to valuate the independence of its non-executive members? | YES | | The independence of SB members is assessed in accordance with the criteria provided in Law 31/1990. |
| | R17 | Do Directorate members improve permanently their knowledge by means of training in the corporate governance domain? | YES | | |

| Principle | Rec. | Question | YES | NO | If NO, then I EXPLAIN |
|-----------|------|--|-----|----|---|
| P9 | | Are the Supervisory Board members selected using transparent procedures (objective criteria regarding the personal / professional qualification etc.)? | YES | | SB members are nominated by shareholders and their selection is made using the resumes submitted to shareholders and published on the web page of Transelectrica. |
| P10 | | Is there a Nomination Committee within the Company? | YES | | |
| P11 | R21 | Does the Supervisory Board examine at least once a year the need to establish a remuneration committee / remuneration policy for administrators and the members of the executive management? | YES | | There is a nomination and remuneration committee. |
| | | Has the remuneration policy been approved by AGA? | YES | | It is the AGA that determines the remuneration of Supervisory Board members. |
| | R22 | Is there a Remuneration committee consisting exclusively of non-executive members? | YES | | SB members are non-executive. |
| | R24 | Has the Company's remuneration policy been presented in the Statutes / Corporate governance regulation? | | NO | There is no remuneration policy approved by AGA. |
| P12, P13 | R25 | Does the issuer disseminate in English the information that represents the subject of reporting requirements: a) periodical information (periodical provision of information)? | YES | | |
| | | b) continuous information (uninterrupted provision of information)? | YES | | |
| | | Does the issuer prepare and disseminate the financial report as well in accordance with the International Financial Reporting Standards (IFRS)? | YES | | |
| | R26 | Is the issuer promoting at least once a year the meetings with financial analysts, brokers, rating agencies and other market specialists with a view to submit the financial elements relevant for the investment decisions? | YES | | |
| | R27 | Is there an Audit committee within the Company? | YES | | |
| | R28 | Does the SB or the Audit committee, as the case may be, examine regularly the efficiency of financial reporting, of the internal control and of the risk management system of the Company? | YES | | |
| | R29 | Is the Audit committee exclusively consisting of non-executive administrators and does it have a sufficient number of independent administrators? | YES | | |
| | R30 | Does the Audit committee meet at least twice a year to execute and disseminate | YES | | |

| Principle | Rec. | Question | YES | NO | If NO, then I EXPLAIN |
|-----------|----------|---|-----|----|--|
| | | the half-yearly and annual results to the shareholders and the general public? | | | |
| | R32 | Does the Audit committee make recommendations to the SB with respect to selecting, appointing, re-appointing and replacing the financial auditor, as well as the terms and conditions for his/her remuneration? | YES | | |
| P14 | | Did the issuer adopt a procedure to identify and properly solve the conflicts of interests? | | NO | The applicable legal provisions are directly used. |
| P15 | R33 | Do Supervisory Board members inform the SB about the conflicts of interests as they occur and do they refrain from the debates and votes on the respective issues in accordance with applicable legal provisions? | YES | | |
| P16 | R34, R35 | Did the issuer adopt specific procedures to provide procedural fairness (criteria identifying transactions of significant impact, transparent, objective, non-competitive criteria etc.) for detecting the transactions with involved parties? | | NO | The applicable legal provisions are directly used. |
| P17 | R36 | Has the issuer adopted a procedure on the internal circuit and third party disclosure of the documents and information regarding the issuer, paying particular attention to the information that can impact market price of the securities it has issued? | YES | | |
| P18 | R37, R38 | Does the issuer carry out activities of the Company's social and environmental responsibility? | YES | | |

Corporate governance regulation

In its capacity of issuer listed with the Bucharest Stock Exchange the Company has promoted and approved the *Corporate Governance Regulation of Transelectrica* in the Shareholders' General Assembly of 17.12.2009.

This document represents the Company's voluntary assuming of corporate governance principles taking into account its characteristics and specific activities in accordance with the principles provided in the Corporate governance code of the Bucharest Stock Exchange.

This regulation is a public document and can be found on the website www.transelectrica.ro.

The *Corporate Governance Regulation of Transelectrica* comprises the changes required by the two tier management system that will be submitted to the Shareholders' General Assembly's approval this year.

Other applicable documents

The Company complies with the provisions of the primary legislation regarding the capital market, while also observing and applying all the provisions of the secondary legislation, namely the regulations of the

National Securities Commission and of the BSE, as well as other regulations, including the internal ones relevant for the domain. Mention should be made of these:

- The Corporate governance code of the BSE;
- GEO 109 / 2011, document that introduces the corporate governance principles to autonomous regies and to state-owned companies, providing the terms for private managers selection in public enterprises;
- The Professional ethical code, compulsory for all organisational structures, which provides the ethical conduct norms setting and regulating corporate values, responsibilities, obligations as well as the business conduct based on which the organisational has developed, published on www.transelectrica.ro;
- The Primary Public Offer providing the rights of the holders of such shares issued by the Company, public on the website www.transelectrica.ro;
- The listing commitment whereby Transelectrica committed to observe the rights of securities holders and to provide equal treatment to all holders of securities of the same type and class under the Initial Public Offer (in 2006), public on the website www.transelectrica.ro;
- The Company's Articles of Association updated on 30.09.2013 and approved under decision 7/30.09.2013 of the Shareholders' General Extraordinary Assembly, public on www.transelectrica.ro;
- The Corporate governance code and the Anti-corruption principles elaborated by AmCham Romania, which represent the international reference standards in view of instituting healthy business environment;

9.2. Corporate responsibility

Corporate social responsibility is the management process whereby Transelectrica intends to contribute to the development of the sustainable performing Romanian society.

In accordance with the Corporate social responsibility policy of Transelectrica the Company gets involved in settling the social problems of the community it operates in.

Corporate social responsibility to community is as important as business success.

Transelectrica takes into consideration the interests of the society and gets responsible towards employees, shareholders, community and environment with a view to provide wealth, jobs and sustainability of a sound enterprise in financial terms.

Transelectrica's CSR vision aims at promoting national values such as innovation, team spirit, respect for diversity and commitment. They are the ground values of the Company's performance.

Transelectrica got involved in certain domains such as *art and culture, education, humanitarian aid, environment, community development, responsibility to employees and corporate volunteering.*

Transelectrica participates to the community life both by sponsorships, financial and humanitarian aids and by the initiated corporate social responsibility projects.

In 2013 the Company Directorate decided the following percentage distribution of the fund allocated to sponsorships, Maecenas acts, corporate social responsibility and stipends:

1. Art and culture 20%

Diversity and creativity are values we cherish and promote in the artistic and cultural domain

- We cooperate into organising theatre and classical music festivals, events of pupils' and students' associations or of the cultural associations and foundations, we contribute to producing artistic products etc.

2. Education 20%

Young people are the most important asset for Romania's future. We are active in the academic environment under partnerships with students' associations and other initiatives as well.

- We provide aid to young generations by getting involved in their professional development both in financial and social terms (stipends);
- We cooperate with the Polytechnic University of Bucharest by equipping the research laboratories of the Energy College;
- We procure books for the libraries of educational institutions;

3. Humanitarian aid 35%

People are the focus of our concerns and we always attempt to help the wanting categories.

- The associations protecting the retired people from the energy sector, the foundations and associations for disabled children are among those benefitting of our support;
- Every time there is need we also get involved in assistance activities in order to help stricken persons and localities after natural calamities;

4. Community development 5%

Transelectrica provides financial support to the construction and restoration of schools and cult monuments, with priority provided to the areas where Transelectrica has its transmission branches.

5. Responsibility to employees 20%

Employees are the main development resource of Transelectrica, therefore its care for personnel is primordial.

Company personnel benefit of:

- Stable jobs and secure working conditions;
- Development opportunities;
- Career opportunities by means of internal promotions;
- Training and development opportunities by means of the Annual professional training and qualification programme for employees so that people might arrive at the position they desire in the Company;
- The Company cherishes and protects the labour health and security of its employees. There are annual campaigns assessing the employees' health- general investigations; laboratory tests; flue and hepatic shots; investigations preventing cardiovascular illnesses; investigations preventing the invalidating illnesses;
- Employees benefit optionally of voluntary health insurance, because financing requires the employee's financial participation;
- In case of serious conditions Transelectrica provides financial support to employees for special medical treatments, flexible or partial working hours during the time interval recommended by the doctor;

In 2013 Transelectrica granted financial aids to employees and their relatives for serious medical conditions, contributing by about 100,000 Lei to assist 13 employees suffering of various illnesses.

The values of Transelectrica are stronger because they represent ourselves as human beings and not only Company employees. Thus the Company makes sure it can act up to the corporate social responsibility level by means of programmes generating both long term results, but also the right attitude.

9.3. Environmental responsibility

The Company's managerial team has determined the environmental protection policy as integral part of the general policy; the objectives are- maintaining the performing environmental management, preventing

and mitigating pollution, complying with the national and European legislative requirements, and sustainable development.

To carry out such objectives the Company took measures in view of reducing the environmental impact both in its operations and in the maintenance and investment activities, which meant construction-installation work and therefore in 2013 there were no reports of particular environmental incidents.

ETG environmental impact

The high voltage electrical installations consist mainly of overhead electric lines and transformer & connection substations and provide significant environmental impact because of their technical complexity and of the land taken, while also considering the length of tens or even hundred km, usually covering several counties.

The main impacts of the electricity transmission activities in 2013 are given below.

| Impact | Description | | | | | | | | | | | | | | |
|---|--|-----------|---------------------------------------|-------------|------------------------------------|--|-------------|-----|------------|-----|----------------------|-----------|-----------|-----------|-------------|
| Land coverage | Under normal operational conditions of the ETG the land is covered by OHL-s and by substations. In case of constructions lands are taken up by site organisation, storage areas included. | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th rowspan="2">Branch</th> <th colspan="2">With no safety area [m²]</th> <th colspan="2">With safety area [m²]</th> </tr> <tr> <th>Substations</th> <th>OHL</th> <th>Substation</th> <th>OHL</th> </tr> </thead> <tbody> <tr> <td>Total Transelectrica</td> <td>3,939,774</td> <td>3,373,075</td> <td>7,049,295</td> <td>549,555,991</td> </tr> </tbody> </table> | Branch | With no safety area [m ²] | | With safety area [m ²] | | Substations | OHL | Substation | OHL | Total Transelectrica | 3,939,774 | 3,373,075 | 7,049,295 | 549,555,991 |
| Branch | With no safety area [m ²] | | With safety area [m ²] | | | | | | | | | | | | |
| | Substations | OHL | Substation | OHL | | | | | | | | | | | |
| Total Transelectrica | 3,939,774 | 3,373,075 | 7,049,295 | 549,555,991 | | | | | | | | | | | |
| Soil, underground and ground water pollution | <p>During the ETG construction stages the soil is impacted by building new access roads, topsoil removal and excavations.</p> <p>During the normal operation of the ETG no noxious substances are discharged on soil, into underground or terrestrial waters. Accidental pollution can occur because of non-tight / break-up of equipment containing dangerous substances or electro-insulating oil, or because of defects in the oil regeneration / supply / discharge installations into / from equipment;</p> <p>Oil / car fuel leaks can also occur from outfits and means of transportation during construction and maintenance work (the oil spilled in the environment was contained with the help of absorbent biodegradable material).</p> | | | | | | | | | | | | | | |
| Air pollution | <p><i>Direct emissions</i></p> <p>During the normal construction, maintenance and operation of the ETG installations no significant amounts of pollutants are discharged in the atmosphere. Small amounts can be emitted in the atmosphere of the following pollutants- suspended powders during construction; flue gas from cars, electric generating sets and thermal power plants; ozone in negligible amounts (corona effect); sulphur hexafluoride from non-tight equipment or improper gas handling.</p> <p>Flue gas (CO_x, SO_x, NO_x, COV, suspended powders etc.) can result from fires or explosions.</p> <p>High voltage OHL-s generate atmospheric pollution by ozone and nitrogen oxides as a result of corona discharges that occur around active conductors, especially during rainfalls. The additional contribution of such pollutant substances to the existing fund is not major and cannot lead to exceeding the threshold values for legal notification, beyond which they are hazardous for human health.</p> <p>The environmental tax amounting to 0.000049 mill. Lei for emissions from stationary sources were paid to the environmental fund.</p> <p><i>Indirect emissions</i></p> <p>Indirect emissions of greenhouse effect gases are determined by the technical losses within the ETG. In 2013 indirect emissions of greenhouse effect gases amounted to about</p> | | | | | | | | | | | | | | |

| Impact | Description | | | | | | | | | | |
|---|--|----------------|-------------------|---|--------------|---|--------|--------|--------|-------|--------|
| | 1,101,089 tons of CO ₂ , calculated for the electricity generated in lignite-fired thermal power plants, according to ANRE regulations. | | | | | | | | | | |
| Water pollution | <p>Electricity transmission activities do not produce technically used water. Used water generated on the location of ETG installations is as follows:</p> <ul style="list-style-type: none"> - Domestic used water from human activities - it is directly discharged in the town sewage network, removed and transported to some treatment station for urban used water or it is locally cleaned in cleaning micro-stations and is discharged on soil or into terrestrial waters; - Rainwater collected in the equipment oil tanks and in the manholes of concreted platforms storing waste and equipment (it can contain oil leaks); such water is mechanically cleaned in the water/oil separators and discharged to the city sewage network, removed and transported to a treatment station of urban used water or it is disposed on soil or in terrestrial water while observing the maximum admissible limits of pollutants discharged in the environment; | | | | | | | | | | |
| Waste generation | <p>No direct waste is produced during the electricity transmission activities. Waste is generated from the construction, maintenance and other human activities. The amounts of waste differ from one year to another, depending on the scale of investment projects and maintenance operations.</p> <p>The generated waste has been managed according to legal provisions, being disposed of / capitalised with the help of specific companies.</p> <table border="1"> <thead> <tr> <th>Produced waste</th> <th>Capitalised waste</th> <th>Disposed waste</th> <th>Stored waste</th> <th>Degree of waste disposal / capitalisation</th> </tr> </thead> <tbody> <tr> <td>6629 t</td> <td>1669 t</td> <td>4474 t</td> <td>486 t</td> <td>92.67%</td> </tr> </tbody> </table> <p>The legal objectives to capitalise/recycle the imported oil and most waste from packages of imported equipment were reached, except for wood (the 60% legal objective was achieved 55%, failing 5% – 11,133 kg). A fee of 0.022266 mill. Lei were paid to the environmental fund for the failed percentage.</p> | Produced waste | Capitalised waste | Disposed waste | Stored waste | Degree of waste disposal / capitalisation | 6629 t | 1669 t | 4474 t | 486 t | 92.67% |
| Produced waste | Capitalised waste | Disposed waste | Stored waste | Degree of waste disposal / capitalisation | | | | | | | |
| 6629 t | 1669 t | 4474 t | 486 t | 92.67% | | | | | | | |
| ETG installations generating the electromagnetic field | <p>The 220 kV and 400 kV transformer / connection substations and overhead lines have a relatively limited impact over their adjacent areas, which is found only around the ETG installations. A great part of the disturbing effects come from electric induction (in ungrounded metallic objects or structures). Constructive solutions for high voltage lines and substations provide proper protection against the effects of living creatures' exposure to the electromagnetic field and reduce the environmental impact of such installations.</p> <p>In accordance with the studies conducted by specific institutions nearby the 220 kV and 400 kV overhead lines, the intensity of the electric field decreases with distance, therefore the field intensity is zero at about 25-30 m of the line axis.</p> | | | | | | | | | | |
| Acoustic pollution | <p>During the construction period noise can be generated because of work execution and the operation of equipment and cars. Acoustic pollution during operation comes from the noise generated when ETG installations operate because they vibrate, or from the corona discharges in the area around active conductors.</p> <p>The noise level of the corona effect ranges between 53 dB when it rains and 33 dB during fair time at 25 m from the active conductor.</p> | | | | | | | | | | |
| Impacting the fauna | <p>The impact over fauna can be significant, especially over birds as their habitat is fragmented and they collide with or are electrocuted by ETG installations in the migration corridors or protected areas.</p> <p>The main migratory corridors of various types of birds have been identified in Banat, Dobrogea and Danube Delta regions. In accordance with the studies made by specific institutions within such corridors, no birds were found to have been impacted by the OHL.</p> | | | | | | | | | | |
| Impacting the vegetation | <p>The impact over vegetation is determined by the final or temporary coverage of lands and by vegetation removal that exceeds a certain height (by means of systematic deforestation) from the safety area of the ETG installations with a view to prevent fires. Such impact can be significant only in the protected areas. In 2013 there were no</p> | | | | | | | | | | |

| Impact | Description |
|------------------------|---|
| | significant impacts over the vegetation from the maintenance operations along the OHL corridors. |
| Social-economic | <p>Impact over population means:</p> <ul style="list-style-type: none"> • Disturbing certain social activities, including moving people when new objectives are built; • Fear generated by the proximity and visual & acoustic effects of the ETG (corona effect of high voltage installations); • Consequences of the electromagnetic field over creatures when they stand in the protection and safety areas of the ETG; • Disturbances of the radio and TV systems generated by the electromagnetic field; <p>In 2013 there was no significant impact over the population and no need to move individuals in order to carry out investments.</p> |

Measures taken in 2013 to prevent and/or limit the environmental impact

In 2013 expenses amounted to 6.697 mil. Lei (about 1.485 million Euros) for activities meant to prevent and/or mitigate the ETG environmental impact.

FIGURE 56 - EXPENSES FOR ENVIRONMENTAL PROTECTION

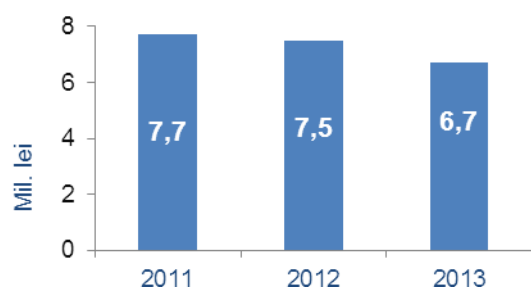
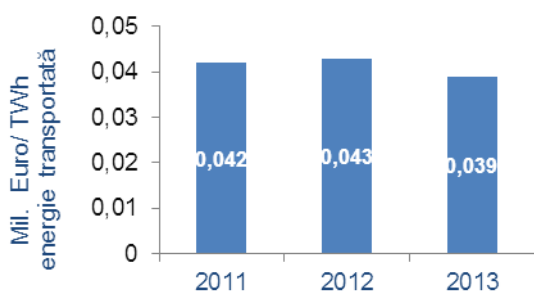


FIGURE 57 - SPECIFIC ENVIRONMENTAL EXPENSES



Environmental protection expenses are included in the operational, maintenance and investment expenses approved by the Company.

During 2013 in comparison with the previous year major maintenance expenses were achieved 33% and investments- 55.9%, which led to reduced environmental expenses by 11%.

TABLE 37 - MEASURES PREVENTING / MITIGATING THE ENVIRONMENTAL IMPACT

| Activity | Description |
|------------------|---|
| Executing | <ul style="list-style-type: none"> • Construction or maintenance of sewage networks for domestic and/or rainfall used water; |

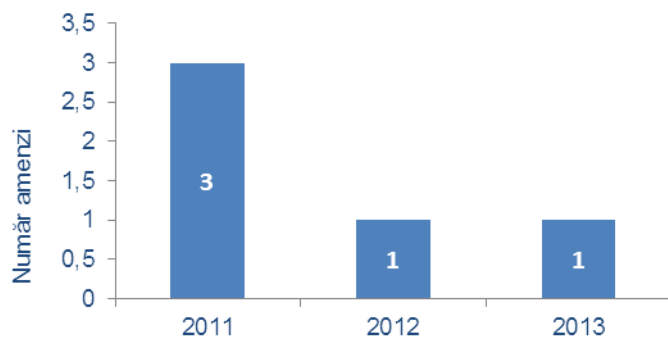
| | |
|--|---|
| <ul style="list-style-type: none"> • Installation of water - oil separators to the oil tanks of equipment and to the storage platforms; • Building concreted platforms for the temporary storage of the equipment and waste; • Maintenance to the equipment containing oil or SF₆ in order to avoid leaks; • Painting the towers of overhead lines (OHL) using colours fit for the landscape in order to reduce the visual impact; • Tree cutting / maintaining the safety corridors of OHL-s; • Land restoration / development in order to bring it to its initial condition (when work has been completed); | <ul style="list-style-type: none"> • The monitoring of used water quality in the Company's substations and headquarters and proposing solutions to reduce pollution in accordance with the requirements from environmental and water management permits; • Gathering, sorting, transporting and capitalisation / disposal of waste; |
|--|---|

| | |
|---------------------------------------|--|
| <p>Service procurement for</p> | <ul style="list-style-type: none"> • Drawing the personnel and involving all co-workers towards the environmental policy while reaching all Company's environmental objectives and all the requirements of the environmental management system by information and training; • Elaborating environmental management plans for the maintenance, refurbishment and modernisation projects; • Installing artificial nests onto the high voltage towers for the Danube hawk, endangered species, within the territories of Transmission Branches Constanta (12 nests) and Timisoara (2 nests) under the project 'Conservation of the Danube hawk in north-eastern Bulgaria, Hungary, Romania and Slovakia' financed under LIFE+, European Union financing line dedicated to nature conservation; |
|---------------------------------------|--|

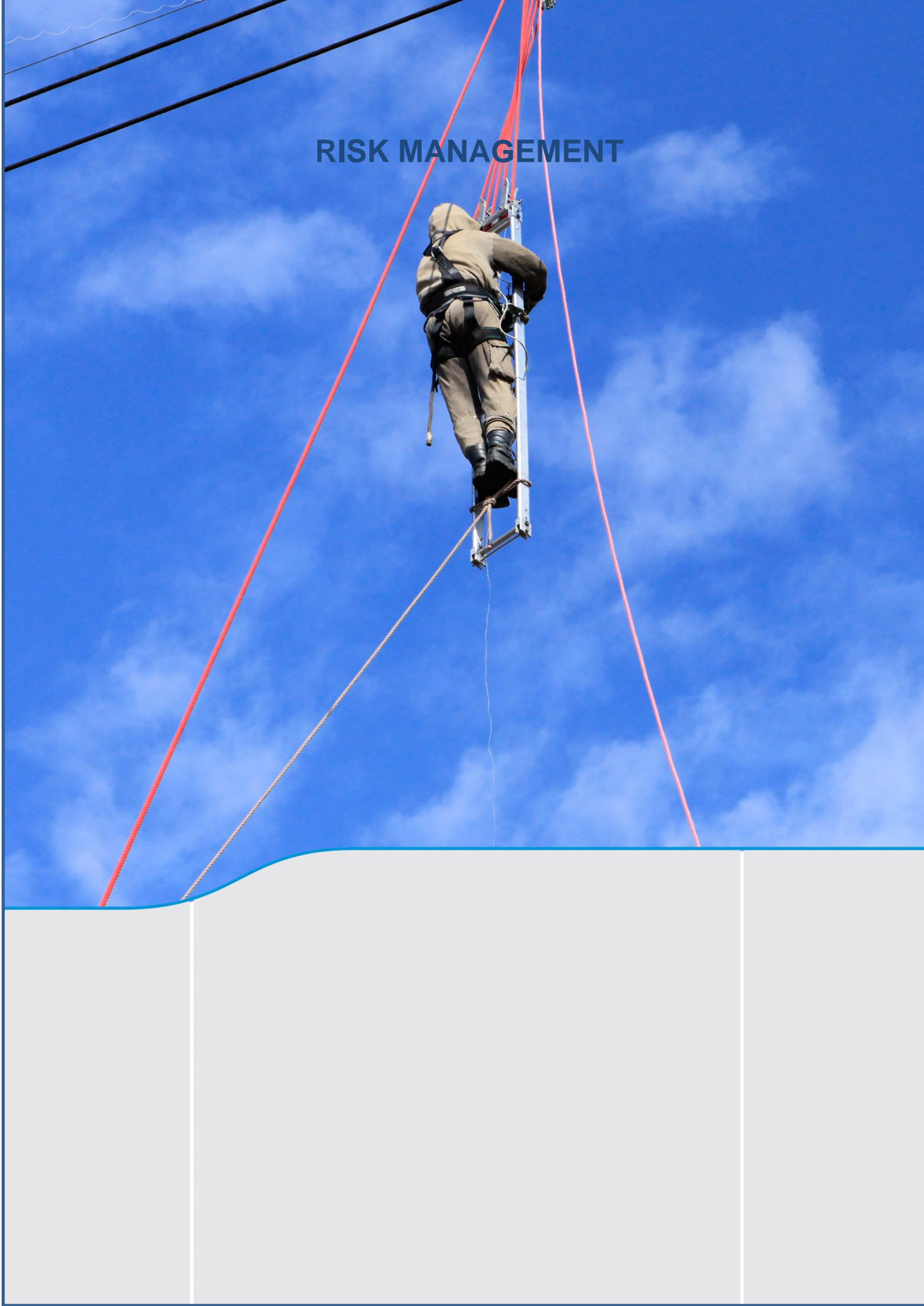
Compliance with legal requirements in 2013

- Company-managed objectives (262 objectives- transformer & connection substations, overhead lines, headquarters etc.) operate in accordance with legal requirements with respect to environmental protection, the authorisation being 100% (33 permits);
- There has been no accidental pollution of significant environmental impact;
- There have been no environmental complaints;
- One fine was registered with the Transmission Branch Timisoara (incorrect encoding of waste from oil contaminated ceramic insulators) and 0.0015 mill. Lei were paid;
- All the measures required by regulatory and control authorities in the environmental protection and water management domain have been complied with;
- All the environmental information has been reported accurately in due time according to legal and regulatory requirements, as well as that resulting from controls performed by the regulatory and control authorities;
- Environmental factors (air, water, soil, noise, electromagnetic field, and waste) have been monitored in accordance with the requirements of the environmental and water management authorities;
- Maintenance and investments have been executed according to legal and regulatory requirements (environmental endorsements and/or agreements and water management endorsements, as the case may be);
- The certification of the environmental management system was maintained according to SR EN ISO 14001/2005 with a view to comply with the electricity transmission and system services licence from ANRE;
- Access was provided to interested parties to the environmental information by publishing the environmental policy and report on the Company's website;

FIGURE 58 - SITUATION OF FINES



RISK MANAGEMENT



10. RISK MANAGEMENT

10.1. Risk assessment

Company activities are sensitive to the general economic conditions, which can influence the amount of electricity transmitted and implicitly the operational revenues and results. Moreover, the demand for electricity and its price depend on various factors which the Company has no control on such as:

- Global and regional economic and political circumstances;
- The demand of industrial customers;
- Climatic conditions;
- Existing laws and regulations;
- The tariffs regulated by ANRE for transmission and system services;

The Company's global management focuses on the unpredictability of the economic and financial environment and it attempts to minimise its potential negative effects on the financial performance. The risks the Company is exposed to when it performs its activities are provided below in a synthesis.

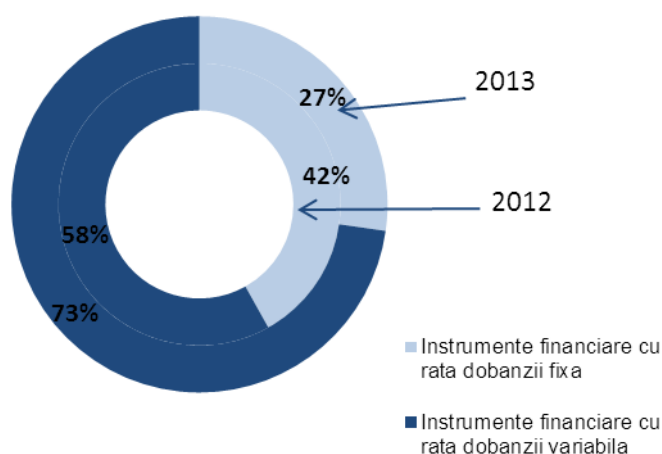
The Company has got no formal commitment to fight against financial risks. Nevertheless financial risks are monitored by the superior governance structures with emphasis on the Company's needs in order to efficiently compensate the opportunities and threats.

1. *The interest rate risk*

The fluctuations of interest rates can impact the Company's indebtedness, with consequences for the financial situation and results.

The Company's cash flows are influenced by variations of the interest rate, mainly because of the long term loans that have significant share.

FIGURE 59 - FLUCTUATIONS OF INTEREST RATES



On 31 December 2012 the share of financial instruments with variable interest rates significantly exceeded the share of financial instruments with stable interest rates, exposing the Company to a much higher interest rate risk.

On 31 December 2013 corporate bonds denominated in Lei at stable interest rates were included in the financing mix, so the exposure to the interest rate risk dropped significantly.

2. *Hard currency risk*

The Company's functional currency is the Romanian Leu. The Company can be exposed to the fluctuations of the hard currency exchange rates by cash and cash equivalents, long term loans or commercial debts in hard currency. Hard currency loans and debts (EUR, USD and JPY) are subsequently expressed in Lei, at the exchange rate of the balance sheet date notified by Romania's

National Bank. Resulting differences are included in the profit and loss account but they impact the cash flow only when the debt is liquidated.

The net exposure in the financial position of the Company to the hard currency risk expressed in Lei was:

TABLE 38 - NET EXPOSURE OF THE FINANCIAL POSITION

| Million Lei | Total | RON | EUR | USD | JPY |
|-------------------------|-------|-----|------|-----|-----|
| 31 December 2013 | -660 | 284 | -893 | 26 | 25 |
| 31 December 2012 | -985 | 93 | 987 | 50 | 41 |

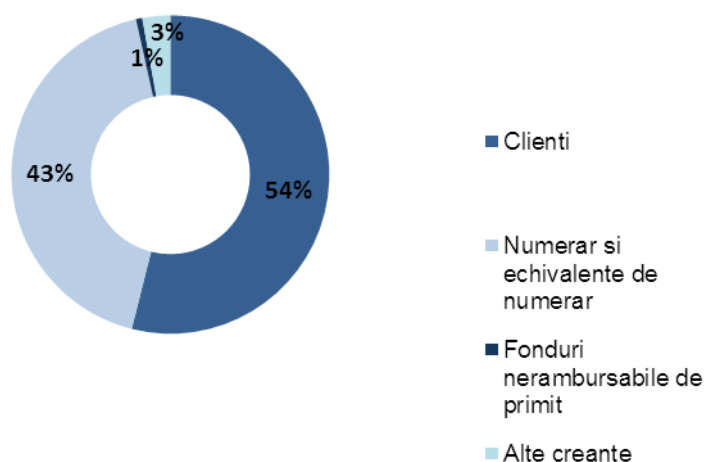
One can notice about 33% reduction compared to 2012, as a consequence of the diminished balance of hard currency debts contracted by the Company during previous years and of the Lei bonds introduced in the financing mix.

3. Credit risk

The credit risk means the risk of Transelectrica suffering financial loss as a result of one client's or counterpart's failure to comply with his/her obligations under a financial instrument, and this risk results mainly from the commercial liabilities and from cash and cash equivalents.

The counterparty risk comes from the default risk from the services provided on the electricity market and it could have negative impact over the Company's activities, operational results and financial situation.

FIGURE 60 - MAXIMUM EXPOSURE TO THE DEFAULT RISK ON 31.12.2013



Liabilities have the greatest share within the total assets. Nevertheless the default risk associated to them is limited because these are amounts mainly owed by state-owned companies.

Cash amounts are deposited to financial institutions considered of minimum risk. Deposits are placed with the Romanian Commercial Bank, BRD – Groupe Societe Generale, Alpha Bank, Raiffeisen Bank and CITI Bank.

The counterparty risk can be treated by means of external factors such as restructuring and liberalisation of the electricity market, privatisation of certain subsidiaries of Co. Electrica SA and by internal acts improving the activity of the market operator, diversifying the portfolio of clients and the number of services provided.

4. Liquidity risk

The liquidity risk means the Company can be faced with difficulties in observing its obligations associated to the financial debts settled in cash or by transfer of another financial asset.

The provisions from the Company's financing agreements can limit its financial and operational flexibility.

A prudential policy managing the liquidity risk involves maintaining sufficient liquid resources in order to be able to cover obligations when they reach maturity, as well as available financing by means of proper credit facilities.

The liquidity risk is mitigated by introducing unsecured instruments (such as corporate bonds and unsecured loans provided by international financial institutions) into the Company's financing mix, and such instruments significantly reduce the dependency on the limitations and constraints of the banking environment as well as the need to secure commercial credits with decreasing commercial liabilities.

Getting more independence, diversifying the financing sources and improving the Company liquidity have determined Moody's to change the outlook of the Transelectrica 2014 rating into stable, while the sovereign rating outlook stayed negative. At the same time the Company's external financial auditors removed the qualification of unachieved liquidity indicators from their report on the 2013 financial statements.

5. *Tariff (price) risk associated to the regulatory framework*

Taking into account the capacity of regulated natural monopoly, the risk associated to the regulatory framework is an important factor that can impact Company activities with negative consequences over the operational results, financial situation and the Company's prospects.

The price risk has got a structural dimension originating in the rigid tariff mechanism when the full rapid recovery of current costs is concerned (real inflation being higher than the forecasted one), or of the acknowledged technical losses (both in terms of quantity and of price), in the impossible adjustment of the cost of capital during one regulatory period depending on the development of financial markets, the failure to recover the costs of capital of the time interval from the capital utilisation until the recognition of the resulting asset in the RAB etc., as well as a shortage dimension from the faulty running of the actual regulatory act exercised by ANRE, as there was no transparency in the tariff setting decisions of the past, and both such components contribute to reduced predictability of the financial results.

6. *Volume risk*

The diminution of the tariffable energy volume might have negative impact over the financial situation and prospects of the Company.

Taking into account the cost structure is dominated by its fixed component, such disturbances are passed through into profits. The binomial tariff system that will be implemented in 2014-2017 (with one power and one energy component) can protect the revenues by means of some stability provided by the fixed component (power).

7. *Other risks identified, which might impact the Company's activities, operational results and financial situation are as follows:*

- Failure to execute or the delayed achievement of the Company's investment projects;
- The Company might be required to spend important amounts to maintain its infrastructure;
- Discontinuities in the operation of the electricity transmission system;
- Deterioration of the Company's rating;
- The impossible hiring, training or retaining of a sufficient number of highly qualified employees;
- The disputes underway with uncertain outcomes;
- Strikes or other forms of activity discontinuity;
- The limited control over one's own subsidiaries, which makes difficult the implementation of uniform corporate policies;
- The uncertain juridical regime of the shares issued by OPCOM and Formenerg held by the Company;

10.2. **Company policies and objectives**

Transelectrica takes into account managing risks under an integrated risk management system while complying with the legal requirements of the regulator and with other requirements associated to its

capacity of issuer listed with the Bucharest Stock Exchange, rating agencies, auditors, to have proper risk control capabilities for the Company's risk profile as regards detection, quantification, prioritisation, treatment, reporting and monitoring of risks.

Managing Company risks consists in establishing two sets of risk treatment solutions and in determining their best structure:

- *Financial solutions*, which include insurance, derivatives and other instruments offered on the capital and insurance markets as well as on other financial markets. In 2013 insurance was procured as required by responsible people for the risk generating activities in order to cover certain possible material damages since the following contracts were underway- voluntary health insurance for employees, RCA and CASCO insurance for the car park, insurance for buildings, assets and equipment, insurance of professional liability for the Supervisory Board;
- *Organisational solutions*, which diminish risks by means of activities organisation / design / planning / structuring, of communication plans and by business continuity measures when some risks has occurred, as well as risk management using procedures and enhanced labour security and safety;

The strategic requirements of security and continued operation have determined the Company approach risk management in pro-active manner in order to detect and remedy potential losses before occurrence of generating events by preparing beforehand the specific technical, operational and financial solutions in order to counter such possible losses.



ANNEXES

11. ANNEXES

Annex 1. Financial report

**National Company Transelectrica SA
Company managed under two tier system**

Separate financial statements of
And for the financial year ended on
31 December 2013

Elaborated in accordance with the
International Financial Reporting Standards
adopted by the European Union and approved under
Order 1286/2012 of the Minister of Public Finance with later amendments

– Excerpt –

National Company Transelectrica SA

Separate statement of the financial position of 31 December 2013

(All amounts are expressed in LEI, if not specified otherwise)

| | 31 December 2013 | 31 December 2012 |
|---|-------------------------|-------------------------|
| Assets | | |
| Fixed assets | | |
| Tangible assets | 3,572,863,990 | 3,683,211,822 |
| Intangible assets | 45,333,746 | 50,860,668 |
| Financial assets | 52,475,750 | 52,475,750 |
| Total fixed assets | 3,670,673,486 | 3,786,548,240 |
| Floating assets | | |
| Stocks | 36,978,575 | 40,076,069 |
| Commercial liabilities and others | 844,352,983 | 822,931,591 |
| Cash and cash equivalents | 600,698,763 | 295,481,379 |
| Total floating assets | 1,482,030,321 | 1,158,489,039 |
| Total assets | 5,152,703,807 | 4,945,037,279 |
| Equities and debts | | |
| Equities | | |
| Share capital, of which: | 1,091,525,913 | 1,091,525,913 |
| <i>Subscribed share capital</i> | <i>733,031,420</i> | <i>733,031,420</i> |
| <i>Share capital adjustment for inflation</i> | <i>358,494,493</i> | <i>358,494,493</i> |
| Emission premium | 49,842,552 | 49,842,552 |
| Legal reserves | 57,703,302 | 46,491,027 |
| Reserves from revaluation | 669,257,305 | 729,711,592 |
| Other reserves | 18,340,125 | 3,845,195 |
| Result carried forward | 727,227,938 | 509,341,993 |
| Total equities | 2,613,897,135 | 2,430,758,272 |
| Long term debts | | |
| Long term advance revenues | 535,841,112 | 538,850,734 |
| Loans | 951,063,278 | 954,626,559 |
| Debts regarding deferred taxes | 33,638,050 | 40,862,872 |
| Obligations of employees' benefits | 26,274,710 | 23,236,640 |
| Total long term debts | 1,546,817,150 | 1,557,576,805 |
| Current debts | | |
| Commercial and other debts | 712,171,280 | 737,820,637 |
| Other taxes and liabilities of social insurance | 8,149,276 | 15,415,260 |
| Loans | 226,384,521 | 198,661,228 |
| Short term advance revenues | 35,472,072 | 4,481,204 |
| Payable profit tax | 9,812,373 | 323,873 |
| Total current debts | 991,989,522 | 956,702,202 |
| Total debts | 2,538,806,672 | 2,514,279,007 |
| Total equities and debts | 5,152,703,807 | 4,945,037,279 |

National CompanyTranselectrica SA

Separate profit and loss account for the year ended on 31 December 2013

(All amounts are expressed in LEI, if not specified otherwise)

| | 2013 | 2012 |
|---|------------------------|------------------------|
| Revenues | | |
| Revenues from transmission services | 1,156,483,064 | 1,080,214,070 |
| Revenues from system services | 629,318,221 | 570,760,099 |
| Revenues regarding the balancing market | 631,847,110 | 1,068,220,860 |
| Other revenues | 54,667,366 | 48,491,681 |
| Total revenues | 2,472,315,761 | 2,767,686,710 |
| Operational expenses | | |
| Expenses for system operation | (267,281,170) | (310,978,670) |
| Expenses regarding the balancing market | (631,847,110) | (1,068,220,860) |
| Expenses regarding technical system services | (574,489,089) | (522,875,917) |
| Amortisement | (335,141,949) | (314,844,392) |
| Personnel expenses | (170,643,076) | (170,361,104) |
| Repairs and maintenance | (107,511,735) | (137,938,176) |
| Expenses with materials and consumables | (10,608,290) | (9,109,986) |
| Other operational expenses | (125,770,970) | (150,410,771) |
| Total operational expenses | (2,223,293,389) | (2,684,739,876) |
| Operational profit | 249,022,372 | 82,946,834 |
| Financial revenues | 87,815,164 | 93,169,734 |
| Financial expense | (97,085,765) | (129,072,568) |
| Net financial result | (9,270,601) | (35,902,834) |
| Profit before profit tax | 239,751,771 | 47,044,000 |
| Profit tax | (38,823,909) | (12,556,032) |
| Profit of the year | 200,927,862 | 34,487,968 |
| Basic result and diluted per share (Lei/share) | 2.74 | 0.47 |

National Company Tranelectrica SA

Separate statement of the global result of the year ended on 31 December 2013

(All amounts are expressed in LEI, if not specified otherwise)

| | 2013 | 2012 |
|---|--------------------|-------------------|
| Profit of the year | 200,927,862 | 34,487,968 |
| Other elements of the global result | | |
| Surplus from tangible assets revaluation | - | 60,802,099 |
| Taxation effect associated to the revaluation reserve | - | (11,914,824) |
| Actuarial (loss) / gain associated to the determined plan of benefits | (2,669,460) | 4,318,540 |
| Other elements of the global result (OEGR) | (2,669,460) | 53,205,815 |
| Total global result | 198,258,402 | 87,693,783 |

National Company Transelectrica SA

Separate statement of changes in equities for the financial year ended on 31 December 2013

(All amounts are expressed in LEI, if not specified otherwise)

| | Share capital | Emission premiums | Legal reserves | Reserve from revaluation | Other reserves | Result carried forward | Total |
|--|----------------------|-------------------|-------------------|--------------------------|-------------------|------------------------|----------------------|
| Balance on 1 January 2012 | 1,091,525,913 | 49,842,552 | 44,416,075 | 749,763,730 | 4,186,691 | 484,341,081 | 2,424,076,042 |
| Global result of the time interval | | | | | | | |
| Profit of the year | - | - | - | - | - | 34,487,968 | 34,487,968 |
| Other elements of the global result, of which | | | | | | | |
| Surplus from revaluation of tangible assets | - | - | - | 60,802,099 | - | - | 60,802,099 |
| Taxation effect associated to the evaluation reserve | - | - | - | (11,914,824) | - | - | (11,914,824) |
| Recognition of actuarial gains associated to the determined plan of benefits | - | - | - | - | - | 4,318,540 | 4,318,540 |
| Total other elements of the global result of the period | - | - | - | 48,887,275 | - | 4,318,540 | 53,205,815 |
| Total global result of the period | - | - | - | 48,887,275 | - | 38,806,508 | 87,693,783 |
| Transfer of revaluation reserves into the result carried forward | - | - | - | (68,902,812) | - | 68,902,812 | - |
| Increasing the legal reserve | - | - | 2,074,952 | - | - | (2,074,952) | - |
| Other elements | - | - | - | (36,601) | 2,993 | - | (33,608) |
| Total other changes | - | - | 2,074,952 | (68,939,413) | 2,993 | 66,827,860 | (33,608) |
| Contributions from and distributions to shareholders | | | | | | | |
| Distribution of dividends | - | - | - | - | - | (80,633,456) | (80,633,456) |
| Derecognising assets of public patrimony nature (see Note 3 (b)) | - | - | - | - | (344,489) | - | (344,489) |
| Total contributions from and distributions to shareholders | - | - | - | - | (344,489) | (80,633,456) | (80,977,945) |
| Balance on 31 December 2012 | 1,091,525,913 | 49,842,552 | 46,491,027 | 729,711,592 | 3,845,195 | 509,341,993 | 2,430,758,272 |
| Balance on 1 January 2013 | 1,091,525,913 | 49,842,552 | 46,491,027 | 729,711,592 | 3,845,195 | 509,341,993 | 2,430,758,272 |
| Global result of the time interval | | | | | | | |
| Profit of the year | - | - | - | - | - | 200,927,862 | 200,927,862 |
| Other elements of the global result, of which | | | | | | | |
| Recognition of actuarial losses associated to the determined plan of benefits | - | - | - | - | - | (2,669,460) | (2,669,460) |
| Total other elements of the global result | - | - | - | - | - | (2,669,460) | (2,669,460) |
| Total global result of the period | - | - | - | - | - | 198,258,402 | 198,258,402 |
| Other elements | | | | | | | |
| Transfer of revaluation reserves into the result carried forward | - | - | - | (60,454,287) | - | 60,454,287 | - |
| Increasing the legal reserve | - | - | 11,212,275 | - | - | (11,212,275) | - |
| Other elements | - | - | - | - | 13,000 | - | 13,000 |
| Total other changes | - | - | 11,212,275 | (60,454,287) | 13,000 | 49,242,012 | 13,000 |
| Contributions from and distributions to shareholders | | | | | | | |
| Derecognising of assets of public patrimony nature (see Note 3 (b)) | - | - | - | - | (702,313) | - | (702,313) |
| Structural funds associated to assets of public patrimony nature (see Note 11) | - | - | - | - | 15,184,243 | - | 15,184,243 |
| Distribution of dividends | - | - | - | - | - | (29,614,469) | (29,614,469) |
| Total contributions from and distributions to shareholders | - | - | - | - | 14,481,930 | (29,614,469) | (15,132,539) |
| Balance on 31 December 2013 | 1,091,525,913 | 49,842,552 | 57,703,302 | 669,257,305 | 18,340,125 | 727,227,938 | 2,613,897,135 |

National Company Transelectrică SA

Separate statement of treasury flows in the financial year ended on 31 December 2013

(All amounts are expressed in LEI, if not specified otherwise)

| | 2013 | 2012 |
|---|----------------------|----------------------|
| Treasury flows from operational activities | | |
| Profit of the time interval | 200,927,862 | 34,487,968 |
| Adjustments for: | | |
| Expense with the profit tax | 38,823,909 | 12,556,032 |
| Expenses with amortisement | 335,141,949 | 314,844,392 |
| Expenses with provisions to depreciate commercial and other liabilities | 21,515,974 | 33,665,515 |
| Revenues from reversing the provisions to depreciate commercial and other debts | (7,467,553) | (618,335) |
| Loss from the sale of tangible assets, net | 1,123,837 | 3,100,116 |
| Reversing the value adjustments regarding tangible assets | (702,313) | (335,847) |
| Expenses of interest rates, revenues from interest rates and unachieved revenues from differences of exchange rates | 9,653,623 | 31,795,593 |
| | 599,017,288 | 429,495,434 |
| Changes in: | | |
| Commercial and other liabilities | (35,460,849) | 322,029,087 |
| Stocks | 3,097,494 | 1,647,388 |
| Commercial in other debts | 11,085,370 | (441,977,707) |
| Other taxes and liabilities of social insurance | (7,265,984) | 9,492,387 |
| Advance revenues | 43,165,490 | 178,139,232 |
| Treasury flows from operational activities | 613,638,809 | 498,825,821 |
| Interest rates paid | (32,659,993) | (34,757,021) |
| Profit tax paid | (36,561,076) | (9,500,000) |
| Net cash from operational activities | 544,417,740 | 454,568,800 |
| Treasury flows used in investments | | |
| Procuring tangible and intangible assets | (250,815,403) | (392,642,466) |
| Proceeds from the sale of tangible assets | 133,192 | 1,930 |
| Interest rates collected | 6,165,251 | 6,243,988 |
| Dividends collected | 12,962,032 | 9,755,944 |
| Net cash used in investments | (231,554,928) | (376,640,604) |
| Treasury flows used in financing activities | | |
| Drawings from long term loans | 11,163,250 | 189,807,558 |
| Reimbursements of long term loans | (189,175,406) | (185,765,526) |
| Reimbursements of short term loans | - | (11,571,742) |
| Proceeds from bonds emission | 200,000,000 | - |
| Dividends paid | (29,633,272) | (79,680,484) |
| Net cash used in financing activities | (7,645,428) | (87,210,194) |
| Net increase / (decrease) of cash and cash equivalents | 305,217,384 | (9,281,998) |
| Cash and cash equivalents on 1 January | 295,481,379 | 304,763,377 |
| Cash and cash equivalents at the end of the period | 600,698,763 | 295,481,379 |

Annex 2. Economic-financial indicators

The development of financial indicators is provided below:

| Indicator [Lei] | Calculation formula | 2013 | 2012 | '13/'12 [%] |
|-------------------------------------|---|--------|------|----------------|
| Profitability indicators | | | | |
| a) EBITDA in total sales | <u>EBITDA</u> Turnover | 0.24 | 0.14 | 71.43 |
| b) EBITDA in equities | <u>EBITDA</u> Equities | 0.22 | 0.16 | 37.50 |
| c) Rate of gross profit | <u>Gross profit</u> Turnover | 0.10 | 0.03 | 233.33 |
| d) Rate of capital profitability | <u>Net profit</u> Equities | 0.08 | 0.01 | 700.00 |
| Liquidity indicators | | | | |
| a) Indicator of current liquidity | <u>Floating assets</u> Short term debts | 1.49 | 1.21 | 23.14 |
| b) Indicator of immediate liquidity | <u>Floating assets-Stocks</u> Short term debts | 1.46 | 1.17 | 24.79 |
| Risk indicators | | | | |
| a) Indicator of indebtedness | <u>Borrowed capital</u> Equities | 0.36 | 0.64 | -43.75 |
| b) Interest rate coverage | <u>EBIT</u> Interest expenses | 9.34 | 2.64 | 253.79 |
| Activity indicators | | | | |
| a) Debts – clients turnover | <u>Aver. clients balance x 365</u> Turnover | 123.14 | 125 | -1.49 |
| b) Credits – suppliers turnover | <u>Av. suppliers balance x365</u> Turnover | 102.35 | 118 | -13.26 |

Source: Transelectrica

Annex 3. Appointment / recall documents executed in 2013

Directorate

- SB decision 2/14.02.2013:
 - Mr. BENGHEA-MALAIES Andrei-Gabriel is recalled from his position of Executive Director General of the Directorate;
 - Mr. GHEORGHE Stefan is appointed Executive Director General of the Directorate;
- SB decision 3/14.02.2013:
 - The content of article 1 of the SB Decision 2/14.02.2013 is added the express mention that Mr. GHEORGHE Stefan is appointed Directorate chairman (alternatively called Executive Director General or Chief Executive Officer – CEO – of the Company).
- SB decision 5/28.02.2013:
 - Mr. Octavian LOHAN is recalled from his Directorate member position;
 - Changing the number of Directorate members from 3 (three) to 5 (five) is approved;
 - The following Directorate members are appointed- Messrs. Ioan DIACONU, Adrian-Constantin RUSU and Ciprian-Gheorghe DIACONU until Directorate members are selected according to the provisions of GEO 109/2011 regarding corporate governance of public enterprises;
- SB decision 22/25.06.2013:
 - Mr. Stefan GHEORGHE is recalled from his position of Directorate Chairman, having been provisionally appointed in this capacity until Directorate members are selected according to the provisions of GEO 109/2011 regarding corporate governance of public enterprises;
 - Mr. Stefan-Doru BUCATARU is appointed Directorate Chairman until Directorate members are appointed under SB Decision based on the selection made by the consortium which the service contract C145/21.06.2013 has been signed with;
- SB decision 30/16.09.2013:
 - Beginning with 17.09.2013 Messrs. Ioan DIACONU and Adrian-Constantin RUSU are recalled from their positions of Directorate members;
 - Beginning with 17.09.2013 Directorate members are appointed Messrs. Stefan-Doru BUCATARU as Directorate Chairman, Gabriel MUSTEA as member, Ciprian-Gheorghe DIACONU– member, Constantin VADUVA– member, Florin-Mihaita BOANGIU– member in accordance with the provisions of GEO 109/2011 regarding corporate governance of public enterprises with later amendments and additions, after the selection and recruitment procedure for the candidates proposed by the consortium constituted from the association of Co. Quest Advisors Ltd and Co. Transearch International Ltd;

Supervisory Board

- AGOA decision 1/14.03.2013:
 - The recall of certain SB members is rejected;
 - SB members are appointed Messrs. Andrei-Mihai POGONARU, Andrei-Petrisor MAIOREANU, Ovidiu-Petrisor ARTOPOLESCU, Dumitru PIRVULESCU, Adrian-Gheorghe COSTIN, Radu-Ionel PUCHIU, and Radu BUGICA;

- SB decision 8/15.03.2013:
 - Mr. Dumitru PIRVULESCU is elected SB chairman;
 - The following membership of consultative committees set up with the SB is approved:
 - Nomination and remuneration committee: Adrian-Gheorghe COSTIN, Andrei-Petrisor MAIOREANU, Radu-Ionel PUCHIU and Dumitru PIRVULESCU;
 - Audit committee: Radu BUGICA and Ovidiu-Petrisor ARTOPOLESCU;
 - Financial committee: Dumitru PIRVULESCU and Radu BUGICA;
 - Critical infrastructure committee: Andrei-Petrisor MAIOREANU, Adrian-Gheorghe COSTIN, Radu-Ionel PUCHIU and Ovidiu-Petrisor ARTOPOLESCU;

- SB decision 9/25.03.2013:
 - The supplement of consultative committees membership of the SB is approved as follows:
 - Audit committee: Andrei-Mihai POGONARU, Radu BUGICA and Ovidiu-Petrisor ARTOPOLESCU;
 - Financial committee: Andrei-Mihai POGONARU, Radu BUGICA and Dumitru PIRVULESCU;

- AGOA decision 4/30.05.2013:
 - Messrs. Andrei-Mihai POGONARU, Ovidiu-Petrisor ARTOPOLESCU, Ion-Toni TEAU, Ciprian-Gheorghe DIACONU, Stefan-Doru BUCATARU, Danut-Leonard SANDU, and Radu BUGICA are appointed SB members by cumulative vote in accordance with the provisions of GEO 109/2011 regarding corporate governance of public enterprises;
 - Messrs. Dumitru PIRVULESCU, Adrian-Gheorghe COSTIN, Andrei-Petrisor MAIOREANU, and Radu-Ionel PUCHIU are recalled from their positions of SB members;

- SB decision 16/03.06.2013:
 - Mr. Ovidiu-Petrisor ARTOPOLESCU is elected SB chairman;
 - The following membership of consultative committees set up with the SB is approved:
 - Nomination and remuneration committee: Ovidiu-Petrisor ARTOPOLESCU, Danut-Leonard SANDU and Andrei-Mihai POGONARU;
 - Audit committee: Ion-Toni TEAU, Andrei-Mihai POGONARU and Radu BUGICA;
 - Financial and development committee: Andrei-Mihai POGONARU, Radu BUGICA, Stefan-Doru BUCATARU and Ion-Toni TEAU;
 - Energy security committee: Ciprian-Gheorghe DIACONU, Ovidiu-Petrisor ARTOPOLESCU and Radu BUGICA;
 - Committee liaising with regulatory and strategy authorities: Ciprian-Gheorghe DIACONU, Stefan-Doru BUCATARU and Danut-Leonard SANDU;

- SB decision 19/17.06.2013:
 - Approving the addition of Mr. Ion-Toni TEAU into the membership of the Nomination and remuneration committee;
 - The chairmen of consultative committees established under the SB are designated as follows:
 - Mr. Danut-Leonard SANDU for the Nomination and remuneration committee;
 - Mr. Ion-Toni TEAU for the Audit committee;
 - Mr. Ion-Toni TEAU for the Financial and development committee;
 - Mr. Ciprian-Gheorghe DIACONU for the Energy security committee;
 - Mr. Ciprian-Gheorghe DIACONU for the Committee liaising with regulatory and strategy authorities;
- SB decision 21/25.06.2013:
 - Taking notice of the request from Mr. Ovidiu-Petrisor ARTOPOLESCU to end his capacity of SB chairman;
 - Mr. Ion-Toni TEAU is elected SB chairman;
- SB decision 23/28.06.2013:
 - Following the resignation of Mr. Stefan-Doru BUCATARU from his capacity of SB member Mrs. Carmen-Georgeta NEAGU is appointed provisional SB member until the AGA reunion;
- SB decision 24/05.07.2013:
 - Approving the replacement of Mr. Stefan-Doru BUCATARU with Mrs. Carmen-Georgeta NEAGU in the Financial and development committee and in the Committee liaising with regulatory and strategy authorities, and the addition of Mrs. Carmen-Georgeta NEAGU in the membership of the Energy security committee;
- SB decision 25/15.07.2013:
 - Mr. Radu BUGICA is designated chairman of the Financial and development committee replacing Mr. Ion-Toni TEAU;
- SB decision 31/16.09.2013:
 - Taking note of the lawful end of Mr. Ciprian-Gheorghe DIACONU's capacity of SB member;
- AGOA decision 6/30.09.2013:
 - Mrs. Carmen-Georgeta NEAGU is elected by majority vote as SB member;
- SB decision 42/06.11.2013:
 - Mrs. Carmen-Georgeta NEAGU is designated chairman of the Energy security committee and of the Committee liaising with regulatory and strategy authorities;
- SB decision 49/29.11.2013:
 - Mr. Dragos ANDREI is appointed provisional SB member until the AGA reunion;
 - Mr. Dragos ANDREI is designated member in the Energy security committee and in the Committee liaising with regulatory and strategy authorities;

Annex 4. List of Transelectrica subsidiaries

- Trading company Electricity Market Operator OPCOM SA – J40/7542/2000 Bucharest 3, Blvd. Hristo Botev no. 16-18, postal code 030236, www.opcom.ro;
- Trading company for Maintenance Services of the Electricity Transmission Grid SMART SA – J40/8613/2001, Bucharest 1, Blvd. General Gheorghe Magheru no. 33, postal code 010325, www.smart-sa.ro;
- Trading company for Telecommunication and Information Technology Services in Electricity Transmission Grids TELETRANS SA – J40/12511/2002, Bucharest 3, Blvd. Hristo Botev no. 16-18, postal code 030236, www.teletrans.ro;
- Trading company of Power Engineers Training in Romania FORMENERG SA – J40/2265/2002, Bucharest 4, Blvd. Gheorghe Sincai no. 3, postal code 040311, www.formenerg.ro;
- Trading company subsidiary Energy Research and Modernising Institute ICEMENERG SA – J40/7306/2004, Bucharest 3, Blvd. Energeticienilor no. 8, postal code 032092, www.icemenerg.ro;
- Trading company subsidiary ICEMENERG SERVICE SA – J40/11414/2003, Bucharest 3, Blvd. Energeticienilor no. 8, postal code 032092.

List of persons affiliated to the trading company

1. Company subsidiaries:
 - OPCOM;
 - TELETRANS;
 - SMART;
 - FORMENERG;
 - ICEMENERG;
 - ICEMENERG-SERVICE.
2. All the companies with majority state capital which Company concludes regulated contracts with on the power market.

All the contracts concluded with the affiliated persons amounting to more than 50,000 euro have been notified under Current reports according to legal provisions.

Annex 5. Articles of association amended in 2013

- Articles of association no. 11 updated on 30.05.2013 under decision nr. 5 / 30.05.2013 of the Extraordinary AGA;
- Articles of association no. 12 updated on 30.09.2013 under decision nr. 7 / 30.09.2013 of the Extraordinary AGA;

Annex 6. Important contracts that the Company concluded in 2013

| Contract provided in current report of: | Number and date of the document | Concluded with: |
|---|---|---|
| 14.02.2013 | Procurement contracts for technical system services | |
| | A5 / 05.01.13 to C3 / 05.01.12 | Electrocentrale Bucharest |
| | A58 / 05.01.13 to C333 / 23.12.09 | Hidroelectrica SA |
| | A3 / 05.01.13 to C5 / 05.01.12 | Electrocentrale Galati |
| | A1 / 05.01.13 to C217 / 01.07.12 | EC Oltenia |
| C536 / 18.12.12 | EC Hunedoara | |
| 14.02.2013 | Electricity transmission contracts | |
| | A1 / 12.12.12 to C248 / 31.07.12 | EC Oltenia |
| | A5 / 06.12.12 to C334 / 21.12.07 | CHPP Arad SA |
| | A5 / 06.11.12 to C309 / 18.12.07 | CHPP Bacau SA |
| | A7 / 07.12.12 to C214 / 28.09.07 | CHPP Govora SA |
| | A7 / 13.12.12 to C351 / 28.12.06 | Electrocentrale Bucharest SA |
| | C331 / 05.11.12 | EC Hunedoara |
| | A5 / 07.11.12 to C315 / 19.12.07 | Electrocentrale Galati SA |
| | A5 / 13.12.12 to C330 / 21.12.07 | Nuclearelectrica |
| | A5 / 14.11.12 to C314 / 18.12.07 | Termica SA Suceava |
| | A5 / 13.12.12 to C335 / 21.12.07 | FDEE Electrica Distribution Muntenia Nord |
| | A6 / 13.12.12 to C215 / 28.09.07 | FDEE Electrica Distribution Transylvania Nord |
| | A6 / 13.12.12 to C216 / 28.09.07 | FDEE Electrica Distribution Transylvania Sud |
| | A2 / 17.12.12 to C746 / 21.12.11 | Electrica Supply SA |
| | A5 / 07.11.12 to C316 / 19.12.07 | Electrocentrale Oradea |
| A8 / 16.11.12 to C262 / 29.12.04 | Hidroelectrica | |
| A14 / 16.11.12 to C318 / 29.12.04 | Hidroelectrica | |
| A5 / 05.12.12 to C331 / 21.12.07 | RAAN Dr. Tr. Severin | |
| C325 / 30.10.12 | UAT Iasi City | |
| 14.02.2013 | Electricity procurement contracts for losses from the PCCB | |
| | C399 / 15.11.12 | Hidroelectrica |

| Contract provided in current report of: | Number and date of the document | Concluded with: |
|--|---|---------------------------|
| | C401 / 15.11.12 | Hidroelectrica |
| | C437 / 29.11.12 | Electrocentrale Galati |
| | C438 / 29.11.12 | Electrocentrale Galati |
| | C322 / 30.10.12 | Nuclearelectrica |
| 14.02.2013 | Contract for administration services on the wholesale electricity market | |
| | A16 / 17.12.12 to C1 / 01.02.2002 | OPCOM |
| 04.03.2013 | C 58 / 25.02.2013 | ICEMENERG SA |
| | Procurement contracts for technical system services | |
| 16.05.2013 | C49 / 22.02.2013 | Romgaz SA |
| | C50 / 22.02.2013 | Electrocentrale Group SA |
| 16.05.2013 | Electricity transmission contracts | |
| | C57 / 22.02.2013 | Romgaz SA |
| | Agreements for participation to system balancing on the balancing market (BRP) | |
| 16.05.2013 | C61 / 27.02.2013 | Electrocentrale Group SA |
| | C70 / 28.02.2013 | Romgaz SA |
| | C214 / 29.06.2012 | EC Oltenia |
| | C428 / 26.11.2012 | EC Hunedoara |
| | Agreements for participation to system balancing on the balancing market (BPP) | |
| 16.05.2013 | C64 / 27.02.2013 | Romgaz SA |
| | C62 / 27.02.2013 | Electrocentrale Group SA |
| | C215 / 29.06.2012 | EC Oltenia |
| | C426 / 26.11.2012 | EC Hunedoara |
| 09.07.2013 | A6 / 27.05.2013 to C243 / 2010 | TELETRANS SA |
| 29.07.2013 | A1 / 22.04.2013 to C3T / 06.07.2012 | Ministry of Economy |
| | Procurement contracts for technical system services | |
| 29.07.2013 | A4 / 29.04.2013 to C536 / 18.12.2012 | EC Hunedoara |
| | A5 / 30.04.2013 to C536 / 18.12.2012 | EC Hunedoara |
| | A6/ 30.04.2013 la C217 / 01.07.2012 | EC Oltenia |
| | A58 / 19.12.2012 to C333 / 23.12.2009 | Hidroelectrica SA |
| | A3 / 19.12.2012 to C5 / 05.01.2012 | Electrocentrale Galati |
| | A5 / 19.12.2012 to C3 / 05.01.2012 | Electrocentrale Bucharest |
| | C 536 / 18.12.2012 | EC Hunedoara |

| Contract provided in current report of: | Number and date of the document | Concluded with: |
|--|---|---|
| | A1 / 19.12.2012 to C217 / 01.07.2012 | EC Oltenia |
| 29.07.2013 | Electricity transmission contracts | |
| | A6 / 14.12.2012 to C394 / 28.12.2006 | Electrica SA |
| | A6 / 13.12.2012 to C350 / 28.12.2006 | Termoelectrica SA |
| | A5 / 06.12.2012 to C311 / 18.12.2007 | District heating Braila |
| 13.08.2013 | C 39 / 22.07.2013 | SMART SA |
| 28.08.2013 | Electricity procurement contracts for losses from the PCCB | |
| | C183 / 12.08.2013 | Romgaz SA |
| | C184 / 12.08.2013 | Romgaz SA |
| | C185 / 12.08.2013 | Romgaz SA |
| | C196 / 26.08.2013 | CHPP SA Bacau |
| | C197 / 26.08.2013 | CHPP SA Bacau |
| 25.09.2013 | A8 / 21.09.2013 to C243 / 2010 | TELETRANS SA |
| 24.10.2013 | Electricity procurement contracts for losses from the PCCB | |
| | C297 / 25.09.2013 | Romgaz SA |
| 08.01.2014 | Electricity procurement contracts for losses from the PCCB | |
| | C366 / 11.12.2013 | SC Hidroelectrica SA |
| | C367 / 11.12.2013 | Autonomous Regie for Nuclear Activities |
| | C368 / 11.12.2013 | Autonomous Regie for Nuclear Activities |
| 24.01.2014 | C62 / 13.11.2013 | SC Smart SA |
| 24.01.2014 | Electricity transmission contracts | |
| | C313 / 10.10.2013 | CHPP Govora |
| 12.02.2014 | C 42 / 03.02.2014 | SMART SA |

Annex 7. Ownership right over the tangible assets of Transelectrica

Specifying the potential problems related to the ownership right over the tangible assets of Transelectrica

- The 820 m² ground situated in Cluj Napoca City stands as this- Hidroelectrica as majority co-owner of the building has obtained the endorsement of the Local Council Cluj, according to Decision 257 / 24.05.2012 of the Local Council whereby the topographic & land documentation received favourable endorsement and vicinity minutes were signed;
- The topographic-land documentation has been submitted to endorsement to the County Council Cluj, after which the Certificate of the ownership right for the land will be requested. The documentation to dismantle the ownership right within the quotas held by co-owners will be executed when such Certificate of the ownership right for the entire land has been obtained, and the space where the Territorial Dispatcher Cluj operates falls in this category;
- In case of the test stand Semenec belonging to Transmission Branch Timisoara- the topographic-land documentation for the 3,132 m² ground was resumed with a view to sign the vicinity minutes with Valiug Municipality and initiate the signature of Technical endorsements for such documentation in view of obtaining the Certificate of the ownership right;

Annex 8. Disputes

The situation of disputes on 31.12.2013 where the NPG Co. Transelectrica SA is a party

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|----|--------------------|---|---|---|-----------------|--|
| 1. | 7161 / 62 / 2013 | Brasov Tribunal | Debtor: ICCO Electric Ltd Brasov Creditor: Transelectrica | Insolvency procedure | 12,501.40 Lei | Term: 11.02.2014 |
| 2. | 6473 / 111 / 2013 | Bihor Tribunal | Debtor: Co. Electrocentrale Oradea Creditor: Transelectrica | Insolvency procedure | 641,673.13 Lei | Term: 12.03.2014 |
| 3. | 7206 / 40 / 2010 | Botosani Tribunal | Debtor: Co. Termica SA Botosani Creditor: Transelectrica | Insolvency procedure | 98,288.08 Lei | Term: 13.02.2014 |
| 4. | 17338 / 109 / 2012 | Arges Tribunal Appeal Court Pitesti | Claimant: Nita, Bica Plaintiff: Transelectrica | Labour dispute Granting labour class | | Denies the plea of the suit inadmissibility invoked by plaintiff Transelectrica as groundless. Admits the action partially. Compels plaintiff Transelectrica to issue a certificate to the claimant according to Annex 14 of GD 257/2011, specifying 100% for the time interval when he worked under 1 st labour class identified as per the civil judgment 989/CM/1-07-2010 pronounced by Arges Tribunal, final under the civil judgment 290/R-CM/16-02-2011 of the Appeal Court Pitesti. Appeal in 10 days from notification. Pronounced today, 25.03.2013 in public assembly. Document: Judgment 4695/25.03.2013 |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|----|-------------------|---|--|--|------------------|---|
| | | | | | | Term: 13.02.2014 |
| 5. | 44859 / 3 / 2011 | Bucharest Tribunal Appeal Court Bucharest ICCJ | Creditor : Transelectrica Debtor: National Co. Nuclearelectrica SA | Claims | 1,620,834.10 Lei | Admits the request as specified. Compels the defendant to pay the claimant 1,600,607.27 Lei representing delay penalties. Compels the defendant to pay 20122 Lei to the claimant as law suit expenses. Appeal right within 15 days from notification. Pronounced today, 24.05.2012 in public sitting. Denies the appeal as groundless. Appeal right within 15 days from notification. Document: Judgment 494/2012 26.11.2012 Term: 13.02.2014 |
| 6. | 1846 / 63 / 2012 | Dolj Tribunal Appeal Court Craiova Dolj Tribunal | Claimant: Nastasie Dorel Defendant: Transelectrica | Labour dispute Granting labour class | | Term: 14.02.2014 |
| 7. | 4503 / 105 / 2010 | Prahova Tribunal | Claimant: Transelectrica Defendant: Co. Enelmed Tour SA | Claims - re-judgment | 407,596.08 Lei | Term: 17.02.2014 |
| 8. | 4419 / 111 / 2007 | Bihor Tribunal Appeal Court Oradea ICCJ A. C. Oradea | Claimant: Transelectrica Defendant: Ban Adrian | Appeal; Expropriation under Law 33/1994 | 312,973.50 euro | Term: 18.02.2014 |
| 9. | 2727 225 / 2013 | Law Court Drobeta Turnu Severin | Claimant: Gingir Anca Defendant Transelectrica | Claims – annual rent | 112,000 Lei | Term: 18.02.2014 |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|---|--|--|--|---|------------------------------|
| 10. | 5302 / 2 / 2013 | Appeal Court Bucharest | Claimant: Conaid Company Defendant: Transelectrica, ANRE | Administrative dispute Ascertains the unjustified refusal to conclude and sign ETG connection addendum and/or contract, compels the signature of ETG connection addendum and/or contract, | Compels payment of 722,756,000 Euro representing profit not obtained according to business plan and of 17,419,508.07 Lei – actual expenses recorded in accounting books | Term: 18.03.2014 |
| 11. | 2177 / 99 / 2012 | Iasi Tribunal | Debtor: CFPP SA Iasi Creditor: Transelectrica | Insolvency procedure | 1,935,308.24 Lei | Term: 18.02.2014 |
| 12. | 5640 / 204 / 2010 41215 / 299 / 2011 | Law Court Campina Law Court Bucharest 1 | Claimant: Lungu Cristian Ovidiu Defendant: Transelectrica | Obligation to do – claims | | Term: 19.02.2014 |
| 13. | 13424 / 306 / 2010 | Law Court Sibiu Sibiu Tribunal | Claimant: Gurean Gheorghe Defendant: Transelectrica | Substance – claims | 114,824.32 Lei | Term: 20.02.2014 |
| 14. | 3988 / 117 / 2013 | Cluj Tribunal | Claimant: Gherman Nelu Defendant: Transelectrica | Labour dispute Granting labour class | | Term: 20.02.2014 |
| 15. | 8207 / 62 / 2011 | Brasov Tribunal | Debtor: CHPP SA Brasov Creditor: Transelectrica | Insolvency procedure | 4,303,741.44 Lei | Term: 20.02.2014 |
| 16. | 1287 / 115 / 2013 | Caras Severin Tribunal | Claimant: Chiliban Marin Defendant: Transelectrica | Labour dispute Granting labour class | | Term: 21.02.2014 |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|--|---|---|---|-------------------|--|
| 17. | 4634 / 111 / 2007 | Bihor Tribunal Appeal Court Oradea Bihor Tribunal | Claimant: Transelectrica Defendant: Dragoiu a.o. | Appeal Expropriation under Law 33/1994 | | Term: 24.02.2014 |
| 18. | 6221 / 30 / 2009 | Brasov Tribunal | Debtor: Co. ATON Transilvania SA Creditor: Transelectrica | Insolvency procedure | 193,125.24 Lei | Term: 24.02.2014 |
| 19. | 7083 / 3 / 2013 | Bucharest Tribunal | Claimant: Saftescu Ana Magda Defendant: Transelectrica | Labour disputes | | Term: 25.02.2014 |
| 20. | 47478 / 3 / 2012 170 / 3 / 2014 | Bucharest Tribunal | Debtor: PETPROD Ltd Creditor: Transelectrica | Insolvency procedure | 24,013,312.82 Lei | Written in the creditors' list of debtor Co. PETPROD Ltd with 24,013,312.82 Lei of which 11,595,501.88 Lei as 'amount admitted under condition', specifying the 'amount admitted under condition is disputed in file 49.134/3/2012, on the docket of Bucharest Tribunal' Term: 25.02.2014 |
| 21. | 14540 / 215 / 2012 | Law Court Craiova | Claimant: Baleanu Aura Defendant: Transelectrica | Claims | | Term: 26.02.2014 |
| 22. | 1867 / 90 / 2010 | Valcea Tribunal | Debtor: Total Electric Oltenia SA Creditor: Transelectrica | Insolvency procedure | 14,085,415.27 | Term: 26.02.2014 |
| 23. | 60406 / 299 / 2012 | Law Court Bucharest 1 | Claimant: Transelectrica Defendant: Co. Statkraft Markets Gmbh | Claims | 245,202.76 Lei | Term: 27.02.2014 |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|---|---|--|---|-----------------|--|
| 24. | 1877 / 110 / 2011 | Bacau Tribunal Appeal Court Bacau Appeal Court Pitesti Valcea Tribunal | Claimant: Mazilu Elena Defendant: Transelectrica | Appeal Ascertaining action | | Term: 28.02.2014 |
| 25. | 22003 / 301 / 2012 3607 / 299 / 2013 | Law Court Bucharest 3 Law Court Bucharest 1 Bucharest Tribunal | Claimant: Transelectrica Defendant: ANRE | Offence complaint | | Settlement: Admits the plea of the territorial incompetence invoked ex officio. Declines the settlement competence of the cause in favour of Law Court Bucharest 1. No attack. Pronounced today, 13.11.2012 in public sitting. Term: 31.06.2013 Rejects the offence complaint as groundless. Appeal right within 15 days from notification. Document: Judgment 13823/2013 14.06.2013 Term: 03.03.2014 |
| 26. | 5783 / 3 / 2011 | Bucharest Tribunal Bacau Tribunal | Claimant: Transelectrica Defendant: Technical Assist Botosani | Dispute regarding public procurement | | Term: 03.03.2014 |
| 27. | 7816 / 111 / 2006 64 / 35 / 2011 | Appeal Court Oradea ICCJ Appeal Court Oradea ICCJ Appeal Court Oradea | Claimant: Transelectrica Defendant: Pop Lucia | Appeal Expropriation under Law 33/1994 | | On 29.10.2012 ICCJ: Decision 6555: Admits the appeals declared by claimant Transelectrica. Bucharest by Transelectrica, Transmission Branch Cluj and defendant Pop Lucia against the civil decision 219/2011-A of 22 November 2011 of the Appeal Court Oradea, I Civil Section. Annuls the complained decision and sends the cause to re-judgment to the same law court. Irrevocable – Term: 05.03.2014 |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|--------------------|------------------------|--|--|------------------|------------------------------|
| 28. | 10221 / 3 / 2012 | Bucharest Tribunal | Claimant: Mirea Ioan Defendant: Transelectrica | Labour disputes | | Term: 06.03.2014 |
| 29. | 2183 / 115 / 2010 | Caras Severin Tribunal | Debtor: CHPP ENERGO TERM Resita SA Creditor: Transelectrica | Insolvency procedure | 1,516,714.71 Lei | Term: 06.03.2014 |
| 30. | 6657 / 2 / 2012 | Appeal Court Bucharest | Claimant: Transelectrica Defendant: ANAF- General Division of Large Taxpayers ANAF – General Division of Complaints Settlement | Administrative and fiscal dispute | 43,487,408 Lei | Term: 07.03.2014 |
| 31. | 262 / 62 / 2013 | Law Court Brasov | Claimant: Zoldi Elva Maria Defendant: Transelectrica | Complaint against land registry conclusion | | Term: 10.03.2014 |
| 32. | 10304 / 180 / 2013 | Law Court Bacau | Claimant: Transelectrica Defendant: Teletrans SA | Claims | 10,850 Lei | Term: 10.03.2014 |
| 33. | 18499 / 3 / 2013 | Bucharest Tribunal | Claimant: Popescu Mina Defendant: Transelectrica | Claims | 1,500,000 Lei | Term: 11.03.2014 |
| 34. | 2712 / 113 / 2013 | Braila Tribunal | Debtor: CHPP SA Braila Creditor: Transelectrica | Insolvency procedure | 11,810.45 Lei | Term: 11.03.2014 |
| 35. | 34425 / 301 / 2013 | Law Court Bucharest 3 | Claimant: ICPE Electrocond Defendant: Transelectrica | Contesting the execution | | Term: 11.03.2014 |
| 36. | 9089 / 101 / | Mehedinti Tribunal | Debtor: RAAN | Insolvency procedure – | 2,162,138.86 Lei | Term: 13.03.2014 |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|---------------------------------------|---|---|--|-------------------|---|
| | 2013 | | Creditor: Transelectrica | at the debtor's request | | |
| 37. | 4328 / 110 / 2013 | Bacau Tribunal | Debtor: CHPP SA Bacau Creditor: Transelectrica | Insolvency procedure | 1,484,636.78 Lei | Term: 13.03.2014 |
| 38. | 26497 / 3 / 2013 | Bucharest Tribunal | Creditor: Co. Electrocentrale Bucharest SA Debtor: Transelectrica | Claims | 222,700.43 Lei | Term: 14.03.2014 |
| 39. | 35455 / 3 / 2013 | Bucharest Tribunal | Claimant: Transelectrica Defendant: Nuclearelectrica | Substance – claims | 646,270.87 Lei | Term: 18.03.2014 |
| 40. | 11009 / 97 / 2012 | Hunedoara Tribunal Appeal Court Alba Iulia | Claimant: Transelectrica Defendant: Co. Energy Complex Hunedoara SA | Claims | 5,321,170 Lei | Admits the request Settlement in brief ADMITS THE ACTION Document: Judgment 3717/13.06.2013 Term: 19.03.2014 |
| 41. | 6263 / 299 / 2013 32169 / 3 / 2013 | Law Court Bucharest 1 Bucharest Tribunal | Claimant: Mache Gheorghita Defendant: Transelectrica | Labour disputes | | Settlement in brief: admits the plea of material incompetence; declines the competence of cause settlement in favour of Bucharest Tribunal Document: Judgment 13235 / 2013 10.06.2013. Term: 21.03.2014 |
| 42. | 7238 / 120 / 2012 | Dambovita Tribunal | Debtor: Co. ECO Energy Ltd Creditor: Transelectrica | Insolvency procedure – joint stock companies – at the debtor's request | 24,736,065.84 Lei | Term: 31.03.2014 |
| 43. | 26 / 46 / 2012 | Appeal Court Pitesti | Claimant: Transelectrica Defendant: Audit Court | Administrative dispute Audit Court disputes | | Term: 01.04.2014 |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|----------------------|--------------------|--|--|-----------------|--|
| | | | | (Law 94/1992) | | |
| 44. | 12726 / 3 2012 | Bucharest Tribunal | Claimant: Iorgulescu Monica Defendant: Transelectrica | Administrative dispute Cancelling the administrative document | | 30/05/2013 Declines the settlement of the cause Settlement in brief: Admits the plea of the material incompetence. Declines the competence of cause settlement to Law Court Bucharest 3, Civil Sectopm, for competent settlement. Irrevocable. Pronounced under public sitting. Document: Judgment 3110/2013 30.05.2013 Admits the plea of material incompetence and consequently- Declines the competence to settle the cause pertaining to labour dispute in favour of Bucharest Tribunal. Ascertains the occurrence of negative competence conflict. Sends the file to the Appeal Court Bucharest in view of settling the competence conflict by means of the competence regulator. No attack. Document: Judgment 12232/2013 14.10.2013 Declines the competence of case settlement pertaining to labour dispute in favour of Bucharest Tribunal. Term: 01.04.2014 |
| | 266 / 3 / 2014 | Bucharest Tribunal | | | | |
| 45. | 5365 / 121 / 2011 | Galati Tribunal | Claimant: Transelectrica Defendant: Arcelormittal Galati | Substance - claims | | Judgment 547/2013 07.06.2013 Admits the request of claimant Transelectrica, contradicting defendant Co. ArcelorMittal Galati Compels the defendant to pay 7,184,544.17 Lei to the claimant as the value of electricity transmission services and delay penalties. Based on article 274 of the Civil procedural code compels the defendant to pay 75,961.44 Lei, as law suit expenses. Appeal right within 15 days from notification. Pronounced today, 07.06.2013 in public sitting. On 21.06.2013 |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|-------------------------|--|--|--|------------------|---|
| | | Appeal Court Galati | | | | ARCELOR MITTAL instituted appeal. Term: 02.04.2014 |
| 46. | 910 / 111 / 2007 | Appeal Court Oradea | Claimant: Blaga Danut Paul, Blaga Ramona Mariana | Expropriation | 2124 Euro | 22.01.2013 Decision 148: Admits the appeals instituted by the Public Ministry- Prosecutor's Office of the Appeal Court Oradea and claimant Transelectrica against decision 195 of 12 October 2011 of the Appeal Court Oradea - I Civil Section. Annuls the decision contested and sends the cause for re-judgment to the same appeal court. Rejects as groundless the appeals of defendants Blaga Ramona Mariana, Blaga Danut Paul, Luncan Alexandru, Luncan Rozalia, Tibuleac Maria, Ilea Silvia, Cozac Mariana, Sandor Maria, Public Ministry- Prosecutor's Office of the Appeal Court Oradea |
| | | High Court of Cassation and Justice (ICCJ) | Claimant-Defendant: Buda Florea, Cozac Mariana, Ilea Silvia, Luncan Alexandru, Luncan Rozalia, Onea Dorin Dumitru, Sandor Maria, Tibuleac Maria, Public Ministry- Prosecutor's Office of the Appeal Court Oradea | | | |
| | 910 / 111 / 2007 | Appeal Court Oradea | Claimant-Claimant: Transelectrica | | | |
| 47. | 3327 /128 / 2011 | Cluj Commercial Tribunal | Debtor: Co. GEVCO Ltd Creditor: Co ENERGY COMPLEX TURCENI SA | Insolvency procedure – limited liability companies | 90,029.31 Lei | 11.01.2013 Settlement: Admits the appeal of Transelectrica against the civil sentence 3779 of 16.10.2012 pronounced under file 3327/1285/2011 of the Specialised Cluj Tribunal which it modifies, meaning it admits the request to place back the term for liabilities admission demands expressed by creditor Transelectrica. Sends the case to the same law court in order to settle the request to admit the liability expressed by the creditor. The decision is irrevocable. Term: 29.04.2014 |
| | 3327 / 1285 / 2011 / a1 | Appeal Court Cluj | Creditor: Transelectrica | Bankruptcy | | |
| 48. | 873 / 1259 / 2008 | Arges Tribunal | Debtor: Co. Termoficare 2000 Pitesti SA | Insolvency procedure | 3,903,604.27 Lei | Term: 06.05.2014 |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|---------------------|--|--|--|------------------------------------|--|
| | | | Creditor: DGFP, Transelectrica | | | |
| 49. | 7590 / 3 / 2012 | Bucharest Tribunal Appeal Court Bucharest ICCJ | Claimant: Eco Energy Defendant: Transelectrica | Nullity of juridical document | 21,023,814.86 Lei | Admits the plea of the insufficient stamp. Cancels as insufficient stamped the request. Appeal right within 15 days from notification. Pronounced today, 21.02.2013 in public sitting. Document: Judgment 1404/2013 21.02.2013 Rejects the appeal as groundless. Appeal right Document: Judgment 263/2013 25.06.2013 Term : 07.05.2014 |
| 50. | 911 / 111 / 2007 | Bihor Tribunal Appeal Court Oradea ICCJ Appeal Court Oradea ICCJ | Claimanat: Transelectrica Defendant: Neagota Florian | Appeal Expropriation under Law 33/1994 | Expropriation under Law 33/1994 | Rejects the appeal as groundless. With law suit expenses Document: Judgment 51/2013 01.10.2013 Instituted appeal; expect summons Term : 13.05.2014 |
| 51. | 10870 / 2 / 2011 | Appeal Court Bucharest | Claimant: Eolica Dobrogea Defendant: Transelectrica | Administrative dispute Cancelling administrative document | | 01.02.2013 postpones pronouncing for 08.02.2013 Settlement: Rejects the pleas of absence of interest and absence of object invoked by defendant Transelectrica. Rejects the plea of the absent passive proceedings quality of ANRE. Cancels letter 37650/16.12.2011 issued by defendant Transelectrica. Ascertaines the refusal of ANRE to settle the request registered under no. 54068/21.12.2011 at its offices. Ascertaines the unjustified refusal of defendant Transelectrica to solve the claimant's request to conclude minutes confirming the 'suspense conditions were fulfilled according to article 5.3 of the Connection contract, |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|------------------|---|--|---------------------------------------|------------------|---|
| | | ICCJ | | | | retaining the exclusive guilt of defendant Transelectrica. Ascertains the fulfilment of suspense conditions within the contractual term as provided in article 5.1 of the Connection contract. Compels defendant Transelectrica to execute the Connection contract C63/18.02.2011. Admits the intervention request of intervenient Co. Rokura SRL. Rejects the accessory intervention requests expressed by intervenient Co. Eolica Dobrogea (SCHWEIZ) AG and Iberdrola Renovables Energia SA as groundless. Appeal right within 15 days from notification. Term: 15.05.2014 |
| 52. | 42410 / 3 / 2011 | Bucharest Tribunal Appeal Court Bucharest ICCJ | Creditor: Co. Electrocentrale Bucharest SA Debtor: Transelectrica | Commercial | 483,126.83 Lei | 02.09.2013 Rejects the appeal as groundless. Appeal right within 15 days from notification. Instituted appeal Term: 22.05.2014 |
| 53. | 2534 / 2 / 2012 | Appeal Court Bucharest ICCJ | Claimant: Transelectrica Defendant: Audit Court | Audit Court disputes (Law 94/1992) | | Settlement in brief: Rejects the action as groundless. Appeal right within 15 days from notification. Pronounced today, 10.04.2013 in public sitting. Term: 10.02.2015 |
| 54. | 53186 / 3 / 2011 | Bucharest Tribunal | Debtor: ALSO ENERG Creditor: Transelectrica | Insolvency procedure | 7,177,245.74 Lei | |
| 55. | 24021 / 3 / 2008 | Bucharest Tribunal | Debtor: Co. IMOBILIAR CONSTRUCT Creditor: Transelectrica | Insolvency procedure | 938,299.30 Lei | |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|--------------------|---|---|--|-------------------|---|
| 56. | 2616 / 110 / 2013 | Bacau Tribunal | Claimant: Mititelu Ghe Defendant: Transelectrica | Labour conflict | | 10.02.2014 Settlement in brief- Rejects the action as it was expressed. Takes note of the renunciation of the request regarding payment of moral damage. |
| 57. | 30860 / 3 / 2013 | Bucharest Tribunal | Claimant: Eco Energy Defendant: Transelectrica | Nullity of juridical document | 21,023,814.86 Lei | 11.02.2014 Settlement in brief: Based on article 96 indicative 2 of the ROI sends the cause to C 24 substance. No attack. |
| 58. | 14063 / 63 / 2009 | Dolj Tribunal Appeal Court Craiova | Claimant: Co. CEZ Distribution Defendant: Transelectrica | Substance – other requests – ascertaining the nullity of certificates confirming the construction of buildings | | Admits the plea of the passive proceedings quality of OCPI. Rejects the action. Rejects the pleas of the absence of active, passive proceedings quality and the absence of proceedings exercise capacity. Appeal right within 15 days from notification. Document: Judgment 7729/2013 26.09.2013 11.02.2014 Settlement in brief: Admits the appeal. Annuls the sentence and sends the cause to the same law court for re-judgment. Irrevocable. |
| 59. | 1803 / 244 / 2012 | Law Court Vaslui Vaslui Tribunal | Claimant: Co. PID-CONF Ltd Defendant: Transelectrica | Conclusion of land registry | | <u>12.06.2013</u> Rejects the appeal Settlement in brief: Rejects the appeal |
| 60. | 14389 / 190 / 2012 | Law Court Bistrita | Claimant: Transelectrica Defendant: Co. Ilexim SA | Claims | 10,139.58 Lei | <u>26.03.2013</u> Settlement in brief: suspended based on article 36 of Law 85/2006 |
| 61. | 2033 / 111 / 2007 | Bihor Tribunal | Claimant: Transelectrica by Romanian State + | Appeal Expropriation under | | 21.10.2013 Decision 4622: Admits the appeals of claimant |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|---------------------|--|--|--------------|-----------------------------|--|
| | | Appeal Court Oradea High Court of Cassation and Justice | Transelectrica by Branch Cluj Defendant-intervient: Mihes Cristian Radu, Mihes Marius-Tudor, Popa Florica Loredana, Corb Erika, Luca Ionut-Bogdan, Luca Viorica Claimant Defendants: Mester Lavinia Eugenia, Mester Traian Claimant: Prosecutor's Office of the Appeal Court Oradea | Law 33/1994 | Damages 275,310 EURO | Transelectrica, defendants Mester Traian, Mester Lavinia Eugenia and Prosecutor's Office of the Appeal Court Oradea against the civil decision 223 of 29 November 2011 pronounced by the Appeal Court Oradea, I Civil Section. Annuls the complained decision and sends the cause for re-judgment to the same appeal court. Irrevocable. |
| | 1224 / 88 2012 | Tulcea Tribunal Appeal Court Constanta | | | | <u>04.04.2013</u> ; Admits the appeal Settlement in brief: Civil decision 37. Admits the appeal. Annuls the attacked decision and sends the cause for re-judgment to the first instance. Final; appeal right within 15 days from notification. Document: Judgment 37/2013 04.04.2013 |
| 62. | | | Claimant: Administrative territorial unit Isaccea Defendant: Transelectrica | Claims | 4,503,830 Lei | Settlement in brief: Rejects the plea of non-stamping as groundless. Admits the plea of write-off of the right to action for the amount associated to the following pay orders- 756/18.05.2006; 757/18.05.2006; 803/09.06.2006; 804/09.06.2006. Rejects as written-off the right to action for the claims associated to such pay orders. Admits partially the action regarding the remaining claims associated to the pay orders executed beginning with 01.06.2007. Compels the defendant to pay 17,000 Lei as law suit expenses consisting in lawyer's fee to claimant. Appeal right within 15 |
| | 1224 / 88 / 2012 | Tulcea Tribunal | | | | |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|---------------------------------------|--|--|---|-------------------|---|
| | | | | | | days from notification. Pronounced on 20 December 2013 in public sitting. |
| 63. | 138 / 290 / 2011 | Caras Severin Tribunal Law Court Resita Law Court Resita | Claimant: Dinulescu Vasile Defendant: Transelectrica | Offence liability | 60,000 Lei | Settlement of Resita Tribunal- Sending for re-judgment Settlement in brief: Admits the appeal. Sends the cause for re-judgment Document: Judgment 183/2013 25.04.2013 Admits partially the action. Admits the plea of absence of passive proceedings quality of defendants Mora Gheorghe and Haios Ludovic. Document: Judgment 2292/2013 18.10.2013 |
| 64. | 23738 / 215 / 2009 | Law Court Craiova | Claimant: Co. CEZ Distribution Defendant: Transelectrica | Substance – complaint against conclusion of land registry | | Maintains the suspension based on art. 244 CPC |
| 65. | 5595 / 120 / 2010 | Dambovita Tribunal | Debtor: Co. Eco Energy Creditor: Transelectrica | Claims | 16,604,203.24 Lei | 13.03.2012 Suspends the request judgment until the irrevocable settlement of file 25561/3/2010 |
| 66. | 6235 / 299 / 2011 | Law Court Bucharest 1 | Claimant: Anton Marius, Oproiu Carmen Defendant: Transelectrica | Claims | | 15.10.2012 Settlement: Maintains the suspension of cause re-judgment. Appeal right during the entire suspension of cause re-judgment. Both parties are entitled to request resuming on the docket |
| 67. | 9806 / 94 / 2010 9938 / 299 / 2011 | Law Court: Buftea Law Court: Bucharest 1 | Claimant: Ciobanu Mircea Defendant: Transelectrica | Substance – claims | | Rejects the specified action as groundless. Rejects the request to show the holder the right as inadmissible. Appeal right within 15 days from notification. Pronounced today, 31.10.2013 in public sitting. |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|---|-----------------------|---|--|-----------------|---|
| 68. | 23585 / 299 / 2012 | Law Court Bucharest 1 | Claimant: Energy Holding Ltd Defendant: Transelectrica | Claims | 234,819.24 Lei | Settlement in brief: Admits the action. Compels the defendant to pay 234,819.24 Lei representing the green certificates for the electricity that the claimant supplied based on the electricity supply contract 43/15.12.2010, as well as 0.04% delay penalties per day of delay calculated from the maturity date until actual payment date. Compels the defendant to pay 47,771.59 Lei as law suit expenses. Appeal right within 15 days from notification. Pronounced today, 15.11.2013 in public sitting. |
| 69. | 11824 / 215 / 2010 | Law Court Craiova | Claimant: Babeanu Maria Defendant: Transelectrica | Substance – claims | | Settlement in brief: Ascertains the action as obsolete. Compels the claimant to pay law suit expenses as 500 Lei lawyer's fee. Appeal right. Pronounced today, 27.11.2013 in public sitting. |
| 70. | 11972 / 302 / 2012 | Law Court Bucharest 5 | Claimant: MFP – OPC – PHARE Defendant: Transelectrica | Claims | | 09/10/2012; 155/1 c.pr.civ Settlement- Suspends the cause based on article 155 indicative. 1 C.p.c. Appeal right. |
| 71. | 6309 / 63 / 2012 | Dolj Tribunal | Claimant: Fulasu Constantin a.o. Defendant: Transelectrica | Labours dispute Granting labour class | | Suspended as per the provisions of article 155 indicative. 1 Civil procedural code. Appeal right during the entire suspension term. Pronounced in public sitting of 22.10.2013. |
| 72. | 3667 / 105 / 2012 59272 / 3 / 2011 | Prahova Tribunal | Claimant: Diaconu Ioan a.o. Defendant: Transelectrica | Labour dispute Granting labour class | | 14.11.2012 Settlement: admits the plea of <i>lis pendens</i> . Sends the cause to Bucharest Tribunal - VIII Civil Section of Labour Conflicts and Social Insurance for settlement together with the cause under this file and the cause no. 59272/3/2011 of Bucharest Tribunal. Suspends the cause judgment based on article 242 pct.2 Cpr.civ. Appeal right during the entire |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|--|-----------------------|--|---|-----------------|--|
| | | Bucharest Tribunal | | | | suspension. Pronounced today, 11.09.2012 in public sitting |
| | 21304 / 301 / 2012 | Law Court Bucharest 3 | | | | 21/11/2012; Admits partially the complaint; Settlement- admits partially the complaint. Cancels the offence minutes 27782/07.06.2012. Rejects complaint against the check-up report 27503/07.06.2012. Appeal right within 15 from notification. Pronounced today, 21.11.2012 in public sitting |
| 73. | | Bucharest Tribunal | Claimant: Transelectrica Defendant: ANRE | Offence complaint | | Admits the appeal. Annuls the complained sentence and sends the cause for re-judgment to the same law court. Irrevocable; Pronounced today, 29.04.2013 in public sitting. Document: Judgment 1018/2013 29.04.2013 |
| | 40048 / 301 / 2013 | Law Court Bucharest 3 | | | | Settlement in brief: Rejects the complaint as groundless, takes note the parties did not request law suit expenses. Appeal right; Pronounced today, 31.10.2013 in public sitting. |
| 74. | 1297 / 338 / 2012 corr. with 517 / 338 / 2012 | Law Court Zarnesti | Claimant: Staicu Ana Defendant: Transelectrica | Complaint against conclusion of land registry | | Settlement in brief: Rejects the invoked pleas. Rejects the pleas Document: Judgment 1676/2013 18.12.2013 |
| 75. | 22846 / 301 / 2012 | Law Court Bucharest 3 | Claimant: Petprod Ltd Defendant: Transelectrica | Claims – 11,328,252.77 Lei | | Declines the cause settlement 06/12/2012 Settlement: Admits the plea of material incompetence of the instance. Declines the cause settlement competence in favour of Bucharest Tribunal. Irrevocable. Pronounced today, 06.12.2012 in public sitting. |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|-------------------|---------------------------------------|---|---------------------|-----------------|---|
| | 49134 / 3 / 2012 | Bucharest Tribunal | | | | <p>Rejects the inadmissibility plea as groundless. Admits the plea of pre-maturity of the main request. Grants term on 7.11.2013, parties to be summoned. Appeal right together with the main issue. Document: Sitting conclusion of 26.09.2013</p> <p>Settlement in brief: Rejects the main request as prematurely expressed. Admits partially the re-conventional request. Compels the defendant claimant Petprod to pay the defendant claimant Transelectrica 21,701,281.92 Lei. Compels the claimant defendant to pay defendant claimant Transelectrica 221,128.82 Lei as law suit expenses. Appeal right within 15 days from notification. Document: Judgment 6799/2013 28.11.2013</p> |
| 76. | 8314 / 111 / 2010 | Bihor Tribunal Appeal Court Oradea | Claimant: Transelectrica Defendant: Paul Traian | Expropriation | | <p>Admits the action of the claimant. Ascertains the building is impacted by the electrical line construction. Ascertains all legal conditions are met for expropriation. Determines the quantum of damages to 990 Euro as total amount. Orders the expropriated person's putting in possession over the land, provided the full preliminary payment of damages to the owner. Appeal right within 15 days from notification. Document: Judgment 105/2013 08.04.2013</p> <p>Settlement in brief: Rejects the appeals as groundless. No law suit expenses Document: Judgment 143/2013 17.12.2013</p> |
| 77. | 9022 / 101 / 2013 | Mehedinti Tribunal | Claimant: Dragut Gheorge Defendant: Transelectrica | Ascertaining action | | <p>Settlement in brief: Admits the defendant's invoked plea of the authority of judged object. Rejects the action. Appeal right</p> |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|--------------------|---------------------------------|---|---|-----------------|---|
| | | | | | | Document: Judgment 5577/2013 04.12.2013 |
| 78. | 11513 / 111 / 2011 | Law Court Beius | Claimant: Sala Aurel Defendant: Transelectrica, Ministry of Environment and Forests, National Forestry Regie Romsilva, FDEE Electrica Distribution Transylvania Nord – SDEE Oradea | Ascertaining action | | Rejects the specified completed action Document: Judgment 840/2013 05.06.2013 |
| 79. | 4254 / 111 / 2013 | Bihor Tribunal | Claimant: Transelectrica Defendant: Paul Traian | Expropriation | | Admits the request. Document: Judgment Final conclusion (des-investment) 20/CC/2013 14.10.2013 |
| 80. | 1136 / 192 / 2013 | Law Court Bolintin Vale | Claimant: Dascalu Ana Cristina Defendant: Transelectrica | Complaint against conclusion of land registry | | Settlement in brief: Rejects the plea of absence of passive proceedings quality of defendant Transelectrica. Rejects the request as groundless. Document: Judgment 1635/2013 13.11.2013 |
| 81. | 6668 / 225 / 2013 | Law Court Drobeta Turnu Severin | Claimant: RAAN Attached third party: Transelectrica | Contesting the execution | | Ascertains as lawful suspension of execution under file 61/E/2013 of BEJ Purcaru Florentin Claudiu, based on article 36 of Law 85/2006. Rejects the pleas of absence of passive proceedings quality of ANRE and Romania's Export Bank Eximbank. Admits partially the request of contester RAAN- Branch ROMAG-TERMO, contradicting Co Professional Muntenia Ltd, Garanti Bank, Trezoreria Drobeta Tunru Severin, SN Nuclearelectrica SA Bucharest, E.On Energie Romania, SN Nuclear Electrica SA Cernavoda Branch, Co. Enel Energie SA |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|----|-------------|-----------|--------------------------------------|--------------|-----------------|---|
| | | | | | | <p>Bucharest, CN Transelectrica SA, Opcom SA Bucharest, National Regulatory Authority in Energy, Romania's Export Bank Eximbank, Cec Bank SA Bucharest, Romanian Commercial Bank SA Bucharest, Bank Post SA – Operational Banking Operations, Attachments Department, Bank Transylvania, Nuclear Fuel Factory Pitesti. Cancels partially the conclusion determining execution expenses elaborated by BEJ Purcaru Florentin Claudiu on 30.04.2013 under file 61/E/2013, meaning the executory fee is reduced from 23,900 Lei to 15,000 Lei, the execution expenses amounting to 15,299 Lei and will maintain the other conclusion provisions. Cancels partially the letters instituting the attachment to the attached third parties Garanti Bank, Drobeta Turnu Severin Treasury, SN Nuclearelectrica SA Bucharest, E.On Energie Romania, SN Nuclear Electrica SA Cernavoda Branch, Co. Enel Energie SA Bucharest, CN Transelectrica, Opcom SA Bucharest, National Regulatory Authority in Energy, Romania's Export Bank Eximbank, Cec Bank SA Bucharest, Romanian Commercial Bank SA Bucharest, Bank Post SA - Operational Banking Operations, Attachments Department, Bank Transylvania, Nuclear Fuel Factory Pitesti under file 61/E/2013, meaning it reduces the executory fee from 23,900 Lei to 15,000 Lei, execution expenses amounting to 15,299 Lei and will maintain the other provisions of the letters instituting the attachments. Appeal right within 30 days from notification to be submitted to the offices of Dr-Tr. Severin Law Court. Pronounced today, 22.10.2013 at the offices of Drobeta Turnu Severin Law Court.</p> |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|--------------------|---------------------------------|---|--------------------------|-----------------|---|
| | | | | | | Document: Judgment 3883/2013 22.10.2013 |
| 82. | 6669 / 225 / 2013 | Law Court Drobeta Turnu Severin | Claimant: RAAN Attached third party: Transelectrica | Contesting the execution | | Settlement in brief: File 6669/225/2013 CONCLUSION of 11 December 2013 Suspends lawfully the judgment of the cause as per the provisions of article 36 of Law 85/2006. Appeal right during the entire suspension, which will be submitted to Dr. Tr. Severin Law Court. Pronounced in public sitting on 11 December 2013. CHAIRMAN, Document: Conclusion - Suspension 11.12.2013 |
| 83. | 11214 / 271 / 2013 | Law Court Oradea | Claimant: Unicom Tranzit - Creditor Debtor: Electrocentrale Oradea Attached third party: Transelectrica | Own validation | | Settlement in brief: suspension art. 36 of Law 85/2006 Document: Conclusion - Suspension 29.11.2013 |
| 84. | 1142 / 271 / 2013 | Law Court Oradea | Claimant: Unicom Tranzit - Creditor Debtor: Electrocentrale Oradea Attached third party: Transelectrica | Own validation | | Correlating the cause Settlement in brief: correlated to file 11214/271/2013 Document: Final conclusion (des-investment) 04.10.2013 |
| 85. | 11430 / 271 / 2013 | Law Court Oradea | Claimant: Unicom Tranzit - Creditor Debtor: Electrocentrale Oradea Attached third party: | Own validation | | Suspended under art. 36 of Law 85/2006 Document: Conclusion - Suspension 14.10.2013 |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|-------------------|-------------------|--|----------------|-----------------|---|
| | | | Transelectrica | | | |
| 86. | 5166 / 314 / 2013 | Law Court Suceava | <p>Claimant: Unicom Holding - Creditor</p> <p>Debtor: Electrocentrale Oradea</p> <p>Attached third party: Transelectrica</p> | Own validation | | <p>Based on article 36 of Law 85/2006 suspends the cause judgment pertaining to 'own validation' expressed by creditor Unicom Holding SA, contradicting the attached third person Transelectrica and debtor Co. Termica SA by judiciary administrator MGA Insolvency SPRL, Management Reorganisation Liquidation Iasi SPRL and Accer IPURL. Separate appeal right during the entire suspension. Pronounced today, 13.09.2013 in public sitting.</p> <p>Document: Conclusion - Suspension 13.09.2013</p> |
| 87. | 5566 / 314 / 2013 | Law Court Suceava | <p>Claimant: Unicom Holding - Creditor</p> <p>Debtor: Electrocentrale Oradea</p> <p>Attached third party: Transelectrica</p> | Own validation | | <p>Based on article 36 of Law 85/2006 suspends the cause judgment pertaining to 'own validation' expressed by creditor Unicom Holding SA, contradicting the attached third person Transelectrica and debtor Co. Termica SA by judiciary administrator MGA Insolvency SPRL, Management Reorganisation Liquidation Iasi SPRL and Accer IPURL. Separate appeal right during the entire suspension. Pronounced today, 15.10.2013 in public sitting.</p> <p>Document: Conclusion - Suspension 15.10.2013</p> |
| 88. | 5567 / 314 / 2013 | Law Court Suceava | <p>Claimant: Unicom Holding - Creditor</p> <p>Debtor: Electrocentrale Oradea</p> <p>Attached third party: Transelectrica</p> | Own validation | | <p>Suspends the cause judgment based on art. 36 of Law 85/2006. Separate appeal right during the entire suspension, which will be submitted to Law Court Suceava. Pronounced today, 15.10.2013 in public sitting.</p> <p>Document: Conclusion - Suspension 15.10.2013</p> |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|------------------|----------------------|--|-----------------------|-----------------|---|
| 89. | 1246 / 95 / 2013 | Gorj Tribunal | Claimant: Iacobescu Ion and Ticleanu Matei | Labour dispute | | Rejects the plea of action inadmissibility invoked by the defendants. Rejects the action as groundless. Appeal within 10 days from notification. Pronounced today 12.03.2013, in public sitting at Gorj Tribunal. |
| | | Appeal Court Craiova | Defendant: Transelectrica | Granting labour class | | Settlement in brief: Decision 6613 Admits the appeal. Cancels the sentence and sends the cause to re-judgment to the same instance. Irrevocable. Document: Judgment 6613/2013 14.06.2013 Settlement in brief: Admits the civil action. Ascertains claimant Iacobescu Ion worked from 11.03.1983 to 31.03.2001 and claimant Ticleanu Matei in 15.08.1979-07.01.1983, 07.09.1984-31.03.2011 under 1 st labour class 100% of the normal working time and compels defendant National Power Grid Co. Transelectrica SA Bucharest to issue certificates in this respect. Compels the defendant to pay 1,200 Lei as law suit expenses to the claimants. Pronounced today 14.11.2013, in public sitting at Gorj Tribunal. Appeal was instituted. |
| | 1246 / 95 / 2013 | Gorj Tribunal | | | | Settlement in brief: Admits the request. Orders the correction of the material error occurrence in sentence 4852/14.11.2013 pronounced by Gorj Tribunal under file 1246/95/2013, as regards claimant Ticleanu Matei, meaning that instead of the period 15.08.1979 - 07.01.1983 and period 07.09.1984 - 31.03.2011, it will be written that claimant Ticleanu Matei worked 100% in the 1 st labour class in the periods 15.08.1979 - 07.01.1983 and 07.09.1984 - 31.03.2001 and the defendant will be compelled to pay 1,900 Lei law suit expenses as lawyer and expert fees, instead |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|--|--|---|---|-----------------|--|
| | | | | | | of 1,200 Lei. Final; Pronounced in public sitting of 19.12.2013 at Gorj Tribunal. |
| 90. | 289 / IB / 2012 | International Arbitration Court of Romania's Commerce and Industry Chamber | Claimant: Transelectrica Defendant: Degi Millennium | Claims | | 05.12.2013 Admits partially the arbitral action. Orders defendant to pay 620,938.12 Lei as prejudice, 113,943.79 Lei interest rates calculated until 30.06.2013 and arbitration expenses 832.30 Lei – registration charge, 40,593.7 Lei – arbitration fee and 14,742 Lei expenses with experts. |
| 91. | 727 / 338 / 2013 Corr. with 517 / 338 / 2012 | Law Court Zarnesti | Claimant: Staicu Ana Defendant: Transelectrica | Complaint against conclusion of land registry | | Settlement in brief: Correlates the cause to file 517/338/2012 Document: Final conclusion (des-investment) 13.11.2013 |
| 92. | 7329 / 105 / 2012 | Prahova Tribunal Appeal Court Ploiesti | Claimant: Vladuca Stelian a.o. Dobre Vasile Defendant: Transelectrica | Labour disputes Ascertaining action | | Admits the action. Ascertain the claimants benefit 100% of the 1 st labour class for the mentioned periods expressly for each claimant in the Negulescu Camelia expertise report (Annex 1). Compels the defendant to issue certificates to the claimants in this respect. Appeal right within 10 days from notification. Document: Judgment 2137/2013 09.09.2013. Instituted appeal 14.01.2014 Settlement in brief: As more time is needed in view of studying the file documents and materials it defers pronouncement to 21.01.2014. Pronounced in public sitting today 14.01.2014. |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|-----|---|--|--|---|-----------------|--|
| 93. | 12343 / 118 / 2012 | Constanta Tribunal Appeal Court Constanta | Claimant: ALDEA NICOLAE Defendant: Transelectrica | Labour disputes Obligation to do | | Rejects the request Settlement in brief: Rejects the request as groundless. Final; Appeal right within 10 days from notification. Document: Judgment 3069/2013 17.07.2013 Settlement in brief: Decision 1166/CM/02.12.2013 - Rejects the defendant's appeal. Admits the claimants' appeal. Changes the sentence totally. Admits the action. Compels the defendant to classify the claimants' activities of 01.04.2001 - 26.10.2012 under special labour conditions according to the time intervals they worked in. Judgment written by AR(RD) |
| 94. | 13523 / 55 / 2012 11970 / 299 / 2013 | Law Court Arad Law Court Bucharest 1 | Creditor: Luchianov Lilia Debtor: Transelectrica Transmission Branch Timisoara Defendant: Rus Sebastian Pascu | Claims | 1,152,000 euro | 11/02/2013 Declines in favour of Law Court Bucharest 1. 24.10.2013 Admits the plea of territorial incompetence of Law Court Bucharest 1. Declines the request settlement competence in favour of Law Court Arad. Ascertains occurrence of the negative conflict of competence. Sends the file to the High Court of Cassation and Justice to settle the conflict of competence. Irrevocable. Pronounced today, 24.10.2013 in public sitting. |
| 95. | 20253 / 211 / 2012 | Law Court Cluj-Napoca | Claimant: Transelectrica, by Trans. Branch Cuj Defendant: National Company of Highways and National Roads by Regional Division of Roads and Bridges Cluj | Obligation to do | | Suspended Settlement in brief: Document: Conclusion - Suspension 13.05.2013 |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|------|--------------------|-----------------------|--|---|----------------------------------|--|
| 96. | 43885 / 299 / 2012 | Law Court Bucharest 1 | Claimant: Co. PETPROD Ltd. Defendant: Transelectrica | Obligation to do | | Rejects the request Settlement in brief: Rejects the pleas of absence of active proceedings quality, absence of proof for the representative capacity as groundless. Rejects the action as groundless as it was specified. No law suit expenses |
| 97. | 59953 / 299 / 2012 | Law Court Bucharest 1 | Claimant: Transelectrica Defendant: Co. KOROHL INVEST AS | Claims | 42,755.35 Euro and 70,352 Lei | Admits the suspension request. Suspends the judgment of the action - Insolvency Document: Conclusion - Suspension 13.12.2013 |
| 98. | 3446 / 63 / 2013 | Dolj Tribunal | Claimant: Enculescu Mihai and Vladu Ion Defendant: Transelectrica | Labour dispute Granting labour class | | Settlement in brief: Rejects the plea of absence of object. Admits the action. Ascertains the claimants' activities, when hired under the 1 st labour class according to the civil sentence 2033/26.03.2009 of Gorj Tribunal under file 16105/95/2008 rendered irrevocable by decision 5714/26.X.2009 of the Appeal Court Craiova, were 100% performed during the normal working hours. Compels the defendant to issue certificates to the defendants in this respect. Final and enforceable, appeal right within 10 days from notification. Document: Judgment 7560/2013 28.11.2013 |
| 99. | 13398 / 318 / 2013 | Law Court Targu Jiu | Claimant: Ghera Ion Defendant: Transelectrica | Claims | 200 Lei | Settlement in brief: Admits the plea of inadmissibility invoked by the defendant, rejects the action as inadmissible Document: Judgment 23/2014 10.01.2014 |
| 100. | 6127 / 256 / 2013 | Law Court Medgidia | Claimant: Transelectrica Defendant: Ivan Florin | Articles 208 and 209 of the Criminal code | 816,120.3 Lei | Finally condemning the accused Ivan Florin to 6 years 8 months imprisonment, punishment to be executed as pronounced. Deduces from the punishment the period of his apprehension and preventive arrest from 16.07.2013 to date. |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|------|--------------------|---------------------------|--|-----------------|-----------------|---|
| | | Appeal Court Constanta | | | | <p>Maintains the preventive arrest of accused Ivan Florin. Admits the civil action and compels the accused to pay the civil party Transelectrica SA. 816,120.38 Lei representing material damage. Document: Judgment 2496/2013 02.10.2013</p> <p>16.01.2014 Settlement in brief: AP 17.01.2014, CRIMINAL DECISION 14/P- Based on article 38515 pct.1 let. B of the Criminal procedural code rejects as groundless the appeal of accused IVAN FLORIN born 24.04.1994, against the criminal sentence 2496 of 02.10.2013, issued by Law Court Medgidia under the criminal file 6157/256/2013. Based on article 38516 par. 2 vs. article 381 of the Criminal procedural code and on article 88 of the Criminal code, deduces also the preventive arrest period from the accused person's punishment from 02.10.2013 to date. According to article 192 par. 2 of the Criminal procedural code, compels the accused to pay 500 Lei as judiciary expenses to the state in appeal. Based on article 189 of the Criminal procedural code, the fee of 200 Lei for the defence counsel ex officio is paid from the funds of the Ministry of Justice to the Bar Constanta, for lawyer Curca Dorin Corneliu. Based on article 309 last paragraph of the Criminal procedural code the minutes were executed in 2 copies - Final</p> |
| 101. | 15689 / 325 / 2013 | Timis Tribunal | Claimant: Moza Ovidiu Samuil : Defendant: Transelectrica | Labour disputes | | <p>16.01.2014</p> <p>Pronounced 30.01.2014 Settlement in brief: Admits partially the completed action. Rejects the re-conventional request</p> |
| 102. | 9351 / 95 / | Gorj Tribunal | Claimant: Enescu Iustina | Labour disputes | | |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|------|-------------------|------------------------|---|--|-----------------|--|
| | 2013 | | Defendant: Transelectrica | 1st labour class | | |
| 103. | 25740 / 3 / 2013 | Bucharest Tribunal | Claimant: Popentiu Marius Defendant: Transelectrica | Labour disputes Contesting the dismissal decision | | |
| 104. | 24151 / 3 / 2013 | Bucharest Tribunal | Claimant: Gheorghe Jean, Bulborea Ion, Gheorghe Mircea Defendant: Transelectrica | Labour disputes Contesting the dismissal decision | | |
| 105. | 24207 / 3 / 2013 | Bucharest Tribunal | Claimant: Romanescu Dan Defendant: Transelectrica | Labour disputes Contesting the dismissal decision | | |
| 106. | 41331 / 3 / 2013 | Bucharest Tribunal | Claimant: Vilt Calin Radu Defendant: Transelectrica | Labour disputes Obligation to do | | |
| 107. | 27763 / 3 / 2013 | Bucharest Tribunal | Claimant: Zamfir Mariana Daniela Defendant: Transelectrica | Labour disputes Contesting the dismissal decision | | |
| 108. | 1667 / 54 / 2013 | Appeal Court Craiova | Claimant: Popescu Valeriu Defendant: Transelectrica | Labour disputes Ascertaining action – cancelling complaint – appeal | | Settlement in brief: decision 9536. Rejects the cancelling complaint as groundless. Irrevocable. Document: Judgment 9536/2013 25.11.2013 |
| 109. | 8425 / 2 / 2013 | Appeal Court Bucharest | Defendant: Siemens Contester: Transelectrica | Appeal – public procurement dispute | | |
| 110. | 8307 / 121 / 2013 | Galati Tribunal | Claimant: Transelectrica Defendant: Arcelormittal | Substance – claims | | |

| No | File number | Law court | Disputing parties and their capacity | File subject | Disputed amount | Current stage of the dispute |
|------|--------------------|--------------------------|---|---|-----------------|------------------------------|
| | | | Galati | | | |
| 111. | 11829 / 288 / 2013 | Law Court Ramnicu Valcea | Claimant: Craciunescu Dumitru Defendant: Transelectrica | Complaint against conclusion of land registry | | |
| 112. | 9045 / 95 / 2013 | Gorj Tribunal | Claimant: Transelectrica Defendant: Energy Complex Oltenia | Substance – claims | | |
| 113. | 22984 / 3 / 2013 | Bucharest Tribunal | Claimant: Dan Vasilica Defendant: Transelectrica | Labour disputes Contesting the decision of one-sided amendment of the individual labour contract | | |
| 114. | 11660 / 3 / 2013 | Bucharest Tribunal | Claimant: Transelectrica Defendant: General Directorate of Local Taxes and Charges Bucharest 1 | Opposing the administrative fiscal document | | |

Annex 9. Addendum

In accordance with the capital market legislation, respectively article 108, paragraph (2) from Regulation 1/2006 of CNVM, Transelectrica informs the capital market institutions and the interested persons that all information has been included in the 2013 Directorate's Annual report as required in order to provide full accurate description of each content item specified in annex 32 of the same Regulation.

The below aspects are not applied in Transelectrica:

| | |
|---|------|
| Describing any merger or significant reorganisation of the trading company, its subsidiaries or of the controlled companies during the financial year; | None |
| Describing the asset procurements and / or alienations; | None |
| New products / services intended for which a substantial amount of assets will be distributed in the future financial year as well as their development stages | None |
| Describing the competitive situation in one's business, the market share of the trading company's products or services and of the main competitors | None |
| The Company's significant dependence on one client or on a group of clients whose loss would have negative impact over the Company's revenues | None |
| Describing any activity of the trading company attempting to procure its own shares | None |
| In case the trading company has got subsidiaries, specifying the number and nominal value of shares issued by the parent company held by the subsidiaries | None |
| In case the trading company has issued bonds and/or other liability titles, describing the manner in which the trading company pays its debts and obligations to the holders of such securities | None |

Annex 10. Main secondary legislation norms

The main secondary legislation norms issued in 2013 that impact the activities of Transelectrica:

| No. | Legislative norm | Issues addressed by the norm | Implications |
|-----|--------------------------------|---|--|
| 1. | Order 60 / 02.08.2013 of ANRE | Approving some rules on the balancing market | Changes in the processes applied on the operating platform of the Balancing Market (BM) and new rules for its operation. Changes are made by the platform provider against payment. |
| 2. | Order 112 / 18.12.2013 of ANRE | Amending the annex to Order 60/02.08.2013 of ANRE approving some rules on the balancing market | Extending the validity of the offering mode (price / quantity) of dispatchable units on the BM operation platform from Order 60/ 2.08.2013 of ANRE |
| 3. | Order 32 / 22.05.2013 of ANRE | Approving the Regulation scheduling the generating units and dispatching consumers | Changing some operative procedures and elaborating new procedures sent to ANRE for endorsement; Changes in the dispatcher management of the RPS Changes in the processes applied on the operation platform of the Balancing Market (BM) and new rules for its operation. The changes are made by the platform provider against payment. |
| 4. | Order 73 / 10.10.2013 of ANRE | Approving the Regulation for the operation of the intra-day electricity market | Setting new processes on the BM platform by the BM platform provider and determining new connection functions between the operation platforms of DEN – OPCOM to transmit data between the two energy markets (Balancing and Intra-day Markets) |
| 5. | Order 74 / 27.10.2013 of ANRE | Approving the Procedure to energise for testing periods and to certificate the technical compliance of wind and solar power parks | Additional activities for DEN to commission the new wind and solar power parks (analysis of technical documentation, studies, modelling in the database of DEN, regime calculations, determining the protection settings, elaborating test plans, integrating the parks in the EMS-SCADA, licensing the dispatcher centres, training sessions, changing the dispatcher management, testing the compliance with technical norms, certification, registration on the BM, elaborating procedures and guidelines |

| No. | Legislative norm | Issues addressed by the norm | Implications |
|-----|---|---|--|
| | | | etc.) |
| 6. | Order 97 / 18.12.2013 of ANRE | Approving the rules of electricity procurement to cover technical losses in electrical networks | Network operators purchase electricity in the mid and long run on the PCCB and are entitled to make sale-purchase operations on the Day Ahead and Intra-day Markets. |
| 7. | Order 53 / 19.07.2013 of ANRE | Approving the methodology determining tariffs for electricity transmission services | The main changes in the document attached hereto |
| 8. | Order 58 / 02.08.2013 of ANRE | Amending Order 52/2012 of ANRE approving the average tariff for transmission services, the tariff for system services, the tariff of the electricity market operator and the zone tariffs for transmission services applied by economic operators in the electricity sector | Changing the tariff of system services as per GD 138/ 2013 passing measures for safe electricity supply and Decisions 1096 / 26.04.2013 and 1097 / 26.04.2013 of ANRE for procurement of technical system services supplied by Co. Energy Complex Hunedoara SA and Co. Energy Complex Oltenia SA |
| 9. | Order 96 / 18.12.2013 of ANRE | Approving the average tariff of transmission services, the tariff of system services, the zone tariffs for transmission services and the tariffs for reactive electricity charged by economic operators in the electricity sector | Enforced on 01.01.2014 Eliminating the regulated tariff charged by OPCOM, which falls under Order 88/ 11.12.2013 of ANRE |
| 10. | Order 87 / 04.12.2013 of ANRE | Approving the methodology determining system service tariffs | The main changes in the document attached hereto |
| 11. | Order 88 / 11.12.2013 of ANRE | Approving the regulated tariff practiced by the electricity market operator | It concerns OPCOM; the order is correlated with removing the tariff of OPCOM from orders 96/18.12.2013 and 89/11.12.2013 of ANRE. |
| 12. | Order 89 / 11.12.2013 of ANRE | Approving the Framework contract for provision of electricity transmission services and system services between the National Power Grid Company Transelectrica SA and the beneficiary | Main changes: <ul style="list-style-type: none"> • Instituting financial guarantees in the contracts for provision of electricity transmission services and system services; • Removing the tariff charged by the electricity market operator (OPCOM) from the contracts for provision of electricity transmission services and system services; |
| 13. | Order 59 / 02.08.2013 of ANRE The Regulation was | Approving the Regulation regarding connection of users to electrical networks of public interest | Changing the delimiting points under regulation approved by Order 59/2013 of ANRE leads to inter-dependence of risks in terms of safe RPS operation |

| No. | Legislative norm | Issues addressed by the norm | Implications |
|-----|---|--|---|
| | effective on the date when GD 1028/ 2013 cancelling GD 90/ 2008 was published in the Official Gazette, Part I no. 799 / 18.12.2013 | | <p>and TSO bearing some additional costs with respect to:</p> <ul style="list-style-type: none"> • The need to provide the safety principle N-1 • Providing compliance of installations to be managed by the TSO with the internal technical norms • Recognising the increase of technical losses of the ETG in the transmission tariff • Recognising the increase of operational, maintenance and personnel expenses in the transmission tariff, through the increase of volume and typology of installations managed, respectively by increased expenses of personnel and utilities • Problems caused by the take-over of lands where connection installations are located <p>Applying Order 59/2013 of ANRE NPG Co. Transelectrica sent proposals and remarks on the following documents submitted to public debate by ANRE:</p> <ul style="list-style-type: none"> • <i>Methodology determining connection tariffs of users to the public interest networks</i> • <i>Framework connection certificates</i> |
| | Order 48 / 28.06.2013 of ANRE | | |
| 14. | The Regulation became effective when GD 713/ 2013 cancelling GD 540/2004 was published in the Official Gazette Part I, no. 595 / 24.09.2013 | Approving the Regulation granting licences and permits in the electricity sector | ANRE will issue a document regarding the conditions associated to the Licence |
| 15. | Order 90 / 11.12.2013 – on the approval of NPG Co. Transelectrica SA as transmission and system operator of the national power system | Approving the final certification of the NPG Co. Transelectrica as transmission and system operator of the RPS as per the independent system operator (ISO) model according to article 31 of Law 123 / 2012 on | In 6 months from publication in the Official Gazette (17.12.2013) Transelectrica should prove it complies with the provisions of articles 2 and 5 of the order; failure to do so or the partial compliance with the measures from the above articles |

| No. | Legislative norm | Issues addressed by the norm | Implications |
|-----|------------------|------------------------------|---|
| | | electricity and natural gas | entails the full nullity of the order and consequently it ceases its effects both for the past and for the future |

Annex 11. Glossary

| | |
|------------------------------|---|
| ACER | Agency for Cooperation of Regulatory Authorities in Energy |
| AGA | Shareholders' General Assembly of the Company |
| AGOA | Shareholders' General Ordinary Assembly of the Company |
| ANRE | National Regulatory Authority in the Energy domain |
| BAR | Regulated asset base (RAB) |
| BVB | Bucharest Stock Exchange (BSE), operator of the regulated market where the shares are transacted |
| BVC | Revenues and expense budget |
| CCM | Collective labour contract concluded at Company level |
| EEC | European Economic Community |
| CIGRE | International Council of Great Electricity Grids |
| CNR - CIGRE | Association of the National Romanian Committee - International Council of Great Electricity Grids |
| CPT | Technical losses |
| SB | Supervisory Board |
| DEN | National Power Dispatcher |
| EBIT | Operational profit before interest rates and profit tax |
| EBITDA | Operational profit before interest rates, profit tax and amortisement |
| EBT | Operational profit before profit tax |
| EMS-SCADA | Main dispatching infrastructure (Energy Management System – Supervisory Collection And Data Acquisition) |
| ENTSO-E | European Network of Transmission and System Operators for Electricity |
| Euribor, Libor, Robor | Inter-bank interest rates |
| Formenerg | Trading company training power engineers in Romania FORMENERG SA |
| Group | The Company and its subsidiaries |
| GD 627 / 2000 | Governmental Decision 627/2000 on reorganising the National Electricity Company SA, published in the Official Gazette no. 357 of 31 July 2000 |
| GD | Governmental decision |
| Icemenerg Service | Trading company subsidiary ICEMENERG-SERVICE Bucharest, subsidiary of the National Power Grid Company Transelectrica SA |
| Icemenerg | Subsidiary Energy Research and Modernising Institute ICEMENERG SA |
| IFRS | International Financial Reporting Standards |
| ISO | Independent system operator |
| ITO | Independent transmission operator |
| JPY | Japanese Yen, official currency of Japan |
| OHL | Overhead electric lines |
| Leu or Lei | Romania's official currency |
| LST | Live work technologies |

| | |
|--------------------------|---|
| ME or MECMA | Ministry of Economy, Commerce and Business Environment |
| MFP | Ministry of Public Finance |
| NFM | Classified list of jobs and trades |
| GO | Governmental ordinance |
| OPCOM | Operator of Romania's Electricity Market OPCOM SA |
| TSO | Transmission and system operator |
| GEO | Governmental emergency ordinance |
| pa | Per annum |
| PAI | Annual investment plan |
| PASC | Annual studies and research programme |
| PCCB | Centralised bilateral contracts market |
| PCR | Price Coupling of Regions agreed for the future model of the single European electricity market |
| PE | Balancing market (BM) |
| GDB | Gross domestic product |
| PIF | Commissioning |
| PCI | Projects of common interest |
| PZU | Day ahead market (DAM) |
| ETG | Electricity transmission grid, network of national and strategic interest with nominal line voltage higher than 110 kV |
| RPS | Romanian Power System |
| Smart | Trading company for maintenance services in the electricity transmission grid SMART SA |
| TEL | Stock exchange indicator of Transelectrica |
| Teletrans | Trading company for telecommunications and information technology services to electricity transmission grids TELETRANS SA |
| TYNDP | ENTSO-E's ten years' national development plan |
| EU | European Union |
| USD or US dollars | American dollar, official currency of the United States of America |