



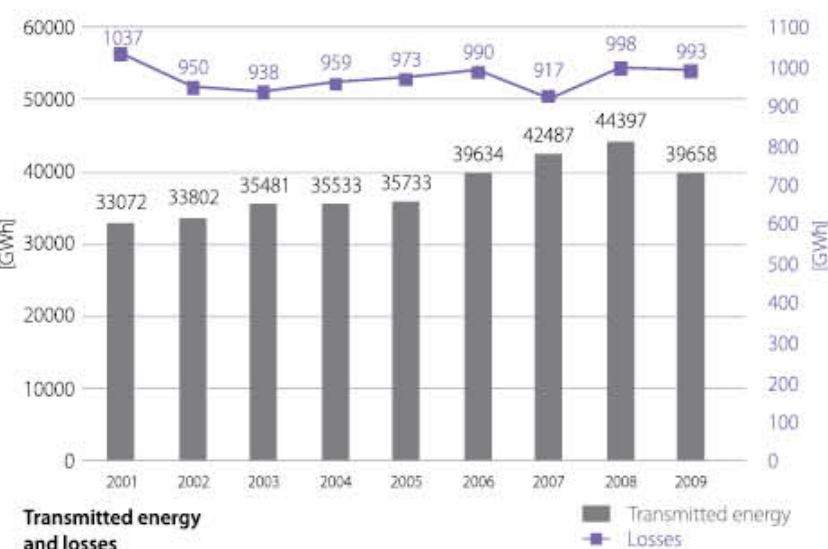
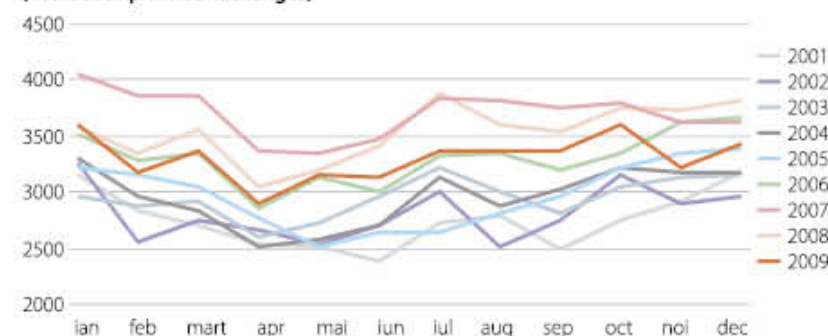
WE LEAD THE POWER

Annual Report 2009



Transmitted energy (including commercial and unplanned exchanges) increased yearly in 2001-2009. The losses in the transmission grid registered a slight decrease in 2009.

Evolution of transmitted energy (without unplanned exchanges)



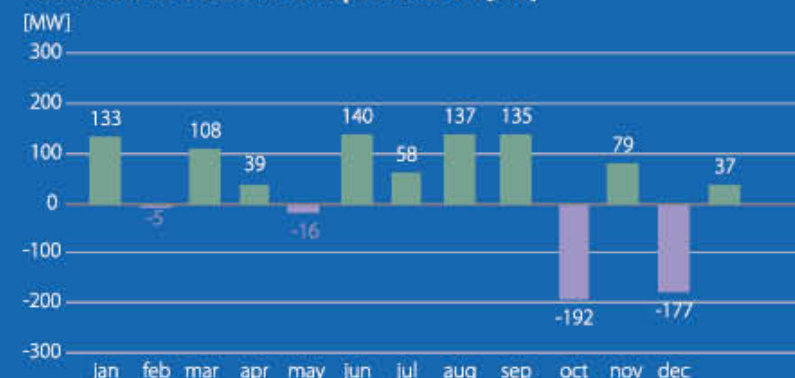
Tariff

The main part of Transelectrica's revenues comes from regulated tariffs applied to suppliers and generators for the use of electricity transmission system. The tariff mechanism is based on a revenue-cap methodology. Tariffs are approved by the Energy Regulatory Authority according to the principle of justified costs plus a reasonable level of profitability, with adjustment to yearly inflation and an imposed efficiency gain. Set up on annual basis (tariff period) within a five-year framework (regulatory period), the tariff covers total network costs, including maintenance and development and is based on forecast calculation of operational costs, interest expenses and CAPEX submitted by Transelectrica. In order to decrease the risk of consumption energy drop, Translectrica proposes to the Regulatory Authority that a binominal tariff be applied in the regulatory period, which has an energy component and power one independent of energy transmitted.

Imbalance Volumes

Significant differences were registered in 2009 between physical notifications and real consumption values due to hydro flows and to the contracted energy less / more than necessary

Notifications UD + balance - consumption achieved [MW]



Operational Security

In 2009 the Romanian Power System operated at normal quality parameters, in compliance with the technical grid code requirements. However, due to the harsh weather conditions, a severe event occurred in December 20th, in the Eastern part of the country, namely in Dobrogea area (Constanta and Tulcea). Further to the failure of four 400 kV electric lines and of some 110 kV lines, Dobrogea area was separated by the power system and was in blackout for 2,5 hours. The restoration of the Dobrogea power grid was based on Nuclear Power Unit No. 1 of Cernavoda Nuclear Power Plant (house load operation). The islanding operation of the Dobrogea area run for about 17 hours, until the first 400 kV electric lines fail back and until the area was synchronized to the power system.

Completion of the rehabilitation works within the Bucuresti Sud and Fundeni substations resulted in cutting down the

expenses for congestion management in Bucharest area in 2009 vs. 2008.

Commissioning the third 400/110 kV transformer in Domnesti substation (May 2009) and also the unit on combined cycle TA3 + TA4 at Bucuresti Vest substation (June 2009) meant production growth and elimination of the origin of congestions in the area.

In order to meet the safety conditions, in 2009 selections for the congestions were conducted for the following months:

- March:** following the dismantling the 400 kV interconnection electric line Rosiori-Mukacevo due to maintenance works reasons
- May and November:** for rehabilitation of the 220 kV Isalnita Substation
- December:** the power of the two nuclear units had to be reduced in order to maintain their steady-state due to severe meteorological conditions leading to repeated tripping of the lines discharging the power from the NPP Cernavoda



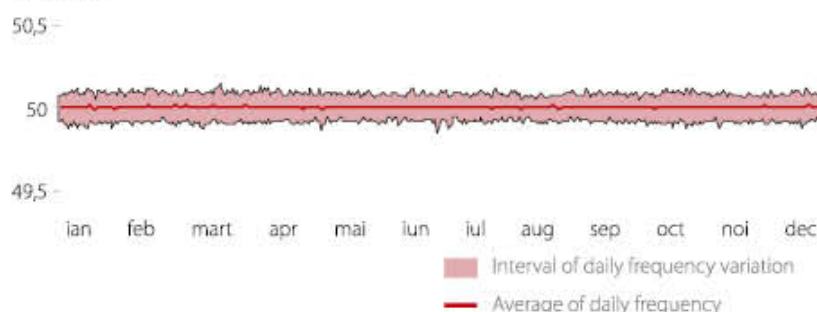
Meeting the interconnected operation with the ENTSO – E System

The frequency-power control was maintained at the high performing level of previous years, ranging within 49.95÷50.05 Hz. That is 96.42% compared to the 96.41% in 2008. The balance deviation control with the frequency correction observed the limits of ± 20 MWh/h at 94.8%. The performance of secondary control remained to a relatively constant level, being 0.8% below the 2008 value, when the compliance with the ± 20 MWh/h range was of 95.7%.

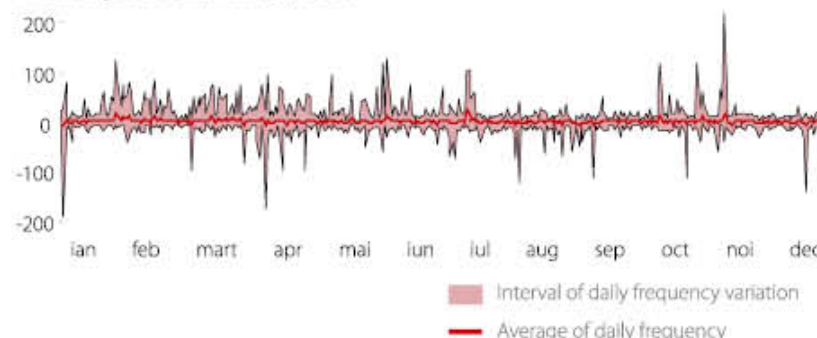
In 2009 the technical qualitative parameters of energy (frequency and voltage) complied with the requirements from the Technical Code of the power transmission grid:

- Frequency ranged 49.5-50.5 Hz for 100% of the year (a better percentage than the norm of 99.5% provided by the ETG Technical Code);
- Voltage in the monitored control points – Isaccea, Cernavoda, Portile de Fier – has monthly and annually ranged 380-420 kV, respectively 198-242 kV (Form TSO 07);
- The National Dispatching Center has been constantly concerned to observe the qualitative parameters of voltage curves and has permanently and provisionally monitored an important number of substations from the transmission grid to which disturbing consumers are connected. Although the quality of the voltage curve falls within the required limits in most substations, a constant large exceeding has been found for the parameter long-term voltage fluctuation with the consumers Donasid, Otelariile Hunedoara and Resita.

Daily fluctuation of frequency [Hz] anul 2009

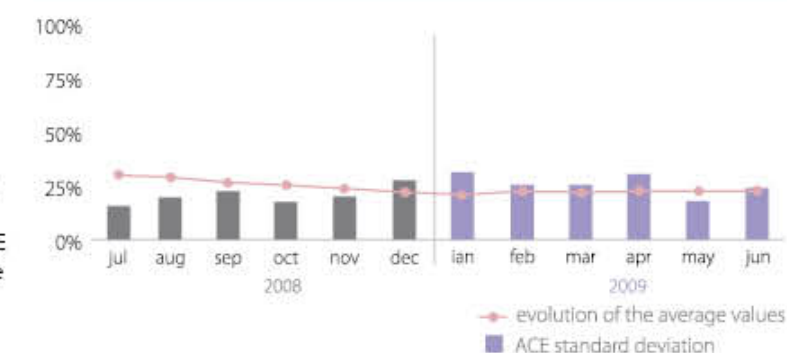


Daily variation of the balance deviation with frequency correction [MWh/h] in 2009



Providing the required conditions in order to keep the uninterrupted consumer supply is an ever-targeted objective of the dispatching management team of the Romanian power system and thus no important disconnections were recorded. On December 20, 2009 from 01:57 to 19:44 h, a part of Dobrogea was islanded from the Romanian power system and between 03:20 - 19:44 h the consumers from the island were supplied from unit # 1 in NPP Cernavoda, which maintained its frequency within rated parameters. During this time, the response of the system that remained interconnected to ENTSO – E – CE was very good, taking into account that the power loss was higher than the reference value considered when calculating the reserve (1000 MW against the 700 MW scheduled). The UCTE review published in the "Regular Report of the Performance of the Primary and Secondary Load-Frequency Control" shows that the secondary control performance was maintained compared to 2008. Thus the analysis of the balance deviation with the frequency correction by classes of ± 20 MWh/h shows that the controlled values were maintained within a small dispersion range.

The standard deviation of the hourly values of ACE (control deviation also called balance deviation with the frequency correction whose mathematical expression is $ACE = P_{\text{measured}} - P_{\text{programme}} + k(f_{\text{measured}} - f_{\text{set}})$ remained constant compared to 2008:



In terms of dispersion of the values controlled by the secondary regulator, a better evolution is ascertained.



Critical Infrastructure Protection

Critical infrastructure represents the physical facilities, supply chains, information technologies and communication networks which, if destroyed, degraded or rendered unavailable for an extended period, would significantly impact the social or economic well-being of the nation, or affect Romania's ability to conduct national defense and ensure national security.

As an operator of critical infrastructure, Transelectrica jointly works with the Government to find out all the interdependencies and apply appropriate strategies to reduce risk where possible. Critical infrastructure can be damaged, destroyed or disrupted by natural disasters, negligence, accidents or by deliberate acts of terrorism, computer hacking, criminal activity and malicious damage. That is the ground for Transelectrica to protect the electricity critical infrastructure against threats and hazards presenting a risk to the continuity of service.

Power transmission grids are too large to fence or guard. By risk management techniques, attention can be focused on areas of greatest risk, with due consideration of threats, relative criticality, protective security level and effectiveness of available mitigation strategies for business continuity. Critical infrastructure protection is not a new

discipline, but is a coordinated blending of existing specialties, including: law enforcement and crime prevention; counter terrorism; national security and defense; emergency management, including the dissemination of information; business continuity planning; protective security (physical, personnel and procedural); e-Security; natural disaster planning and preparedness; risk management; professional networking; market regulation, planning and infrastructure development.

Critical infrastructure protection in Transelectrica brings together several strategies, plans and procedures on prevention, preparedness, response and recovery arrangements for disasters and emergencies. The Company is committed to provide adequate security of its assets, actively apply risk management techniques to their planning processes, conduct regular reviews of risk management assessments and plans, report any incidents or suspicious activity to State authorities, develop and regularly review business continuity plans and participate in any exercises to test plans conducted by government authorities. Identification of critical infrastructure is an ongoing process and regular review will be required to keep abreast of changes, both physical and logical (both process related and IT), the ever increasing dependency of the community and interdependencies between infrastructures.

The goal of critical infrastructure protection is to ensure that there are adequate levels of protective security on critical infrastructure, minimal single points of failure and rapid, tested recovery arrangements. Operational reliability and continuity strategic requirements

Operational reliability and continuity strategic requirements makes Transelectrica

approach the risk management in a proactive manner, in order to determine and consider the potential losses prior to their occurrence and by having prepared technical, operational and financial solutions meant to specifically overcome these possible losses.

The activities related to risk management developed by Transelectrica in 2009 were focused on: risk transfer by insurance, in order to protect the company's assets against severe loss, mitigate risks and costs by means of insurance services; monitoring and updating risk assessment and the company's risk profile while supervising the implementation of the Action Plan.

"The Business Continuity Plan" is an important risk management tool, providing overall guidance to Transelectrica management board in responding to any significant incident interrupting business operations. The Continuity Plan provides a roadmap for a quick start in continuing operations, possibly at alternative premises, pending reinstatement of normal operations.

In 2008 we continued to implement the plan within all Transelectrica's branches, as it is Transelectrica's policy, either directly or through subsidiaries, to conduct its operations with the highest regard for the safety and health of its employees and the public and for the protection and preservation of property and the environment. Continuity of supply to our customers and a safe and cost effective operation of the Romanian Power System must be maintained even under the most adverse circumstances.



1 Mr. Adrian Baicusi
CEO Transelectrica

2 Mr. Octavian Lohan
Deputy Director General

3 Mrs. Maria Ionescu
Economic Director

4 Mrs. Mihaela Maciuceanu
HR Manager

5 Mr. Dan Romanescu
Commercial Director

6 Mr. Nicolae Opris
Regional Market Director

7 Mrs. Elena Ratcu
PR & Communication Manager

III. LIBERALISED ELECTRICITY MARKET

For the power system safe operation, electricity markets development is a must for Transelectrica. Balancing Market, Ancillary Services Market, Capacity Allocation Market (under the TSO's responsibility) and Bilateral Contracts Market, Day Ahead Market, Green Certificates Market (through its subsidiary OPCOM) are the current Romanian electricity markets.

During 2009 Transelectrica kept on developing the new IT Platform Market that will manage Balancing Market, Capacity Allocation Market and Ancillary Services Market on a common platform and will include special modules for performing explicit daily and intra-day auctions.

In September 2009 a Memorandum related to common auction rules was signed between Transelectrica (Romanian TSO) and MAVIR (Hungarian TSO). According to this Memorandum, yearly and monthly allocations will be held by Transelectrica and the daily allocation by MAVIR for 100% of NTC value calculated on the border.

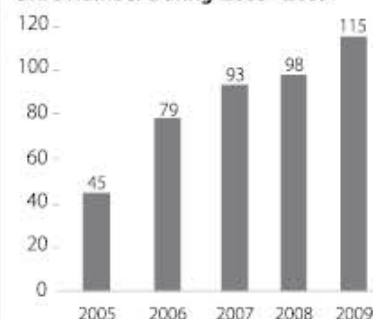
Transelectrica will be the Auction Office for the common yearly and monthly allocation with MAVIR, and the same status is applied to MAVIR for the daily allocation auctions. Similar Memoranda are currently in progress with Serbian and Bulgarian TSOs.

The first common auctions with MAVIR were held for monthly capacity of December 2009. Daily allocation on Romanian - Hungarian border started with the 1st of December, where the non-allocated capacity in previous auctions, the non-nominated capacity freed by the application of the use-it-or-lose-it rule and the capacity freed by netting were available for auction, on an hourly basis.

Market Players

The number of balancing responsible parties (BRPs) increased in 2009, reaching a maximum of 115 BRPs in December. In December, 19 market participants, holding 137 dispatchable units were operating on Balancing Market.

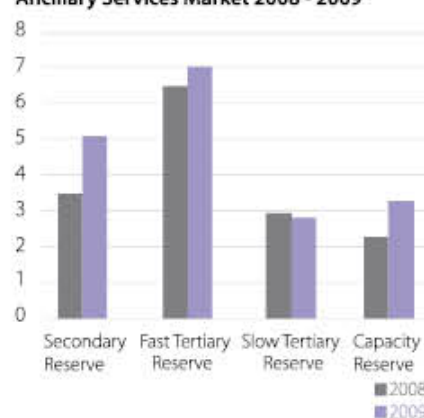
BRPs Number During 2005 - 2009



Ancillary Services Market

Although the number of participants increased in 2009 vs. 2008, it is still reduced, leading to a highly concentrated market with a reduced competition level, especially for the secondary and fast tertiary reserves.

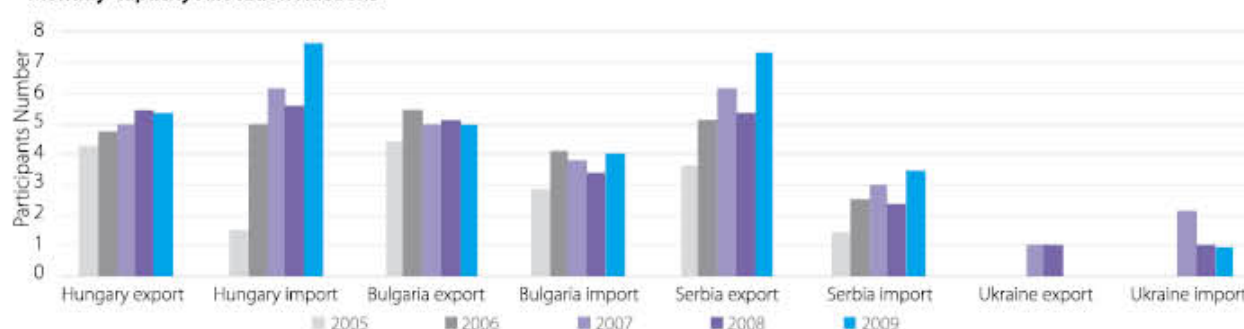
Average Number of Participants at Ancillary Services Market 2008 - 2009



Capacity Allocation Market

Similar to past years, the number of participants remained reduced on every border and direction (export / import). It can be noticed that on the Hungarian border for import and Serbian border for export the average number of participants at monthly auctions has increased.

Average Number of Participants at Monthly Capacity Allocation Auctions



Balance Management

In 2009 the market share of Balancing Market was 5.77 % from the total gross consumption, 0.12 % less than in 2008. There were 3.21 TWh traded on the balancing market (with an average power of 365.95 MWh/h), from which the energy used for congestion management was less than

0.01 TWh (with an average power of 0.58 MWh/h).

In January, following the gas crisis and the complete shutdown of gas imports the production of power plant that uses gas as fuel had to be reduced. September and October were difficult months in terms of operation, with reduced power reserves due to very low rivers flows. On the other hand, during December the extreme weather conditions from Southern region

of the country caused important outages and severe conditions for power system operation.

The analysis of market structure / concentration indicators (Herfindahl - Hirschman Index, S1 - market share of the largest market participant (%)) shows that the market is still highly concentrated and competition level reduced, especially for secondary upward and downward regulation and fast tertiary upward regulation.

Ancillary Services

In 2009 reserves were ensured by regulated contracts and monthly auctions. The economic crisis caused severe consequences on the availability of reserves, especially in April and May. Therefore, the auctions for the slow tertiary reserve and for the capacity reserve were organized only during January-July. In order to cover as much as possible the necessary volume of reserves in the hourly intervals with an increased level of demand, the quantities contracted were different on peak / base hours, starting with august 2009.

Capacity Allocation at Borders

The transfer capacity allocation market allows performing explicit yearly and monthly auctions for import / export on each border for 50% of the total NTC. The rest of 50% are allocated by the neighboring TSOs, according to the existent operational agreements between Parties. Starting with the auction for monthly capacity of December 2009, Transelectrica held the auction for 100% of the NTC value

calculated on the border, according with the Memorandum signed with MAVIR. Since 1st of December it was started daily the allocation on Hungarian border. The common auction was held by MAVIR, as the Auction Office, for 100% of NTC value calculated on the border.

The market monitoring results show that the market is still highly concentrated and with a low level of competition on each border. Compared with 2008, the 2009 market indicators show a higher concentration for export, while for import, especially on the Hungarian border the level of concentration is lower.

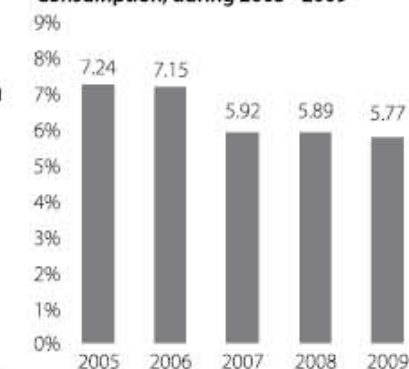


Trading Volumes

Trading volumes in the balancing market

The annual share of traded balancing energy from the total gross consumption decreased continuously since the beginning of Balancing Market operation, this being a step forward in reaching the initial goal of this market: real time generation - consumption balance.

Share of Balancing Energy Trading Volumes from Internal Gross Consumption, during 2005 - 2009



Trading volumes in the ancillary services market

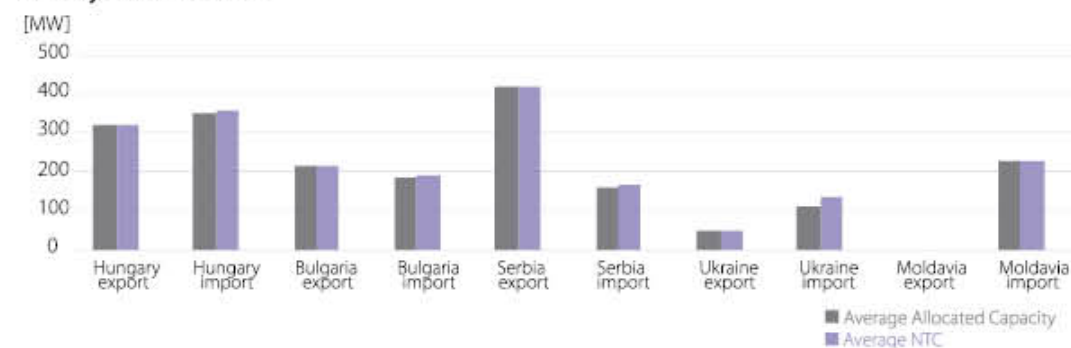
The total contracted quantities in 2009 covered 72.9% from TSO's necessary volume.

Ancillary Services 2009	Volumes [hMW]				Percentage of Contracted versus		Percentage of Realized versus	
	Necessary	Regulated	Contracted	Realized	Necessary	Regulated	Necessary	Contracted
Secondary Regulation Band	3542200	3542200	3418580	3287629	96.51%	100.00%	92.81%	96.17%
Fast Tertiary Reserve	7008000	3418580	5209885	5115077	74.34%	48.78%	72.99%	98.18%
Slow Tertiary Reserve	6132000	2571450	4101556	4090826	66.89%	41.93%	66.71%	99.74%
Capacity Reserve	3504000	0	1987304	1987304	56.72%	0.00%	56.72%	100.00%

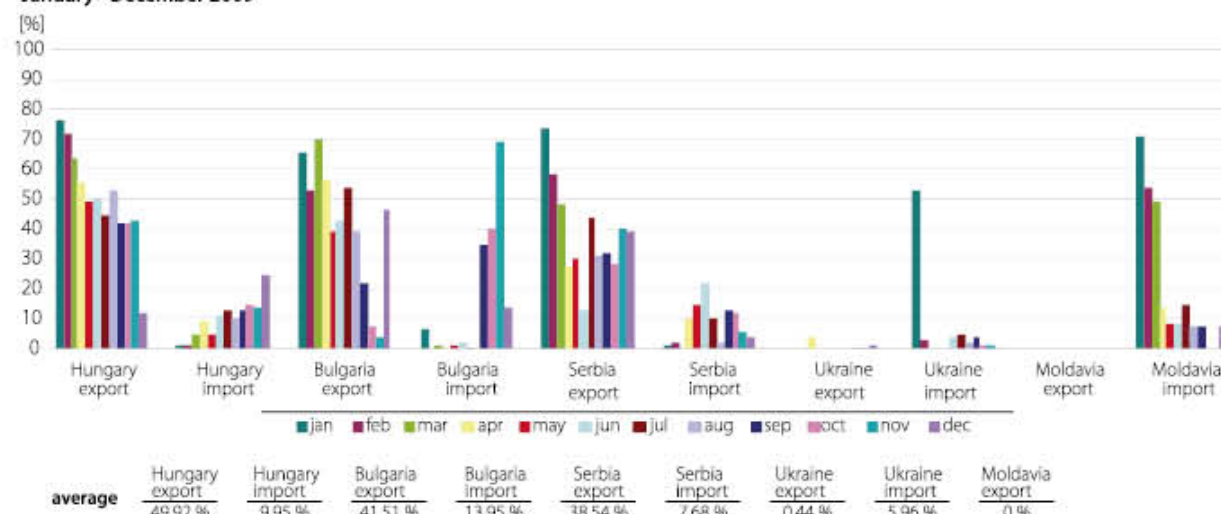
Trading volumes in the capacity allocation market

The figure below shows that almost the entire value of NTC was allocated in auctions. The capacity demand is usually much higher than the offered capacity and therefore, the frequency of congestion occurrence on interconnections is very high.

Average values of NTC and Allocated Capacity January - December 2009



Allocated Capacity Usage
January - December 2009



The average level of usage for export allocated capacity was around 40-50 % on every border, excepting the border with Ukraine where the value was 0.44 %. The values are significantly lower for import. As shown below, the level of usage for export is significantly lower as compared to 2008. An explanation could be the economic world crisis, which led to lower exports from Romania to other countries in the region and higher usage of internal resources. The allocated capacity level of usage on one border and direction represents the percentage ratio between the energy related to the commercial transactions, notified during a month, and the energy related to the allocated capacity by the Romanian and by the neighboring side, to all participants, no matter if they have

counterparties on the other side of the border or not.

The low level of usage of capacity allocated to the market participants correlated with a high frequency of congestion occurrence proves that new methods for an efficient usage of the existent capacity are mandatory.

Daily and intra-day capacity auctions will offer an effective way of using the interconnection in order to meet the intraday needs of the participants.

Market facilitator –green certificates (GCs)

Based on primary & secondary European legislations and internal laws (HG. 443/2003), Romania adopted in 2004 the green certificates schemes to support electricity generation from renewable energy sources (RES). According to Government and ANRE (the regulator) decisions, Transselectrica was appointed as the Issuing Body for Green Certificates (GCs) to electricity generators from renewables. In the support scheme there are also included small hydro energy produced in power stations commissioned or modernised since 2004, with an installed capacity equal or lower to 10 MW (wind, solar, geothermal and tide energy, biomass, hydrogen produced from RES).

1 (one) GC represents 1 MWh (one megawatt-hour) of renewable power delivered to the transmission or distribution grid. Transselectrica is monthly issuing GCs for the renewable electricity produced in the previous month, based on the declarations made by renewable power producers for each power unit and confirmed by the electricity distributor. After issuing the GCs, the producers may sell the certificates in the GC market (bilateral or through OPCOM platform) to suppliers in order to meet the yearly GCs target. According to the regulations, 1 GC trading price is set

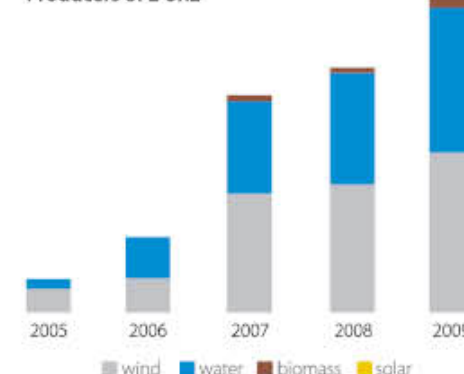
in-between 24-42 €/GC as an incentive to promote electricity generation from RES.

At the beginning of each year, ANRE calculates and publishes the suppliers list which failed to meet the GCs target based on the volumes of electricity supplied to their customers. The suppliers that did not meet the GCs target have to buy the GCs unpaid for at a price of 1,5 x 42 €/GC to Transselectrica. The lump sum is shared among the network operators as an additional incentive to promote investment in RET/RES.

As of December, 2009, 31 RES producers

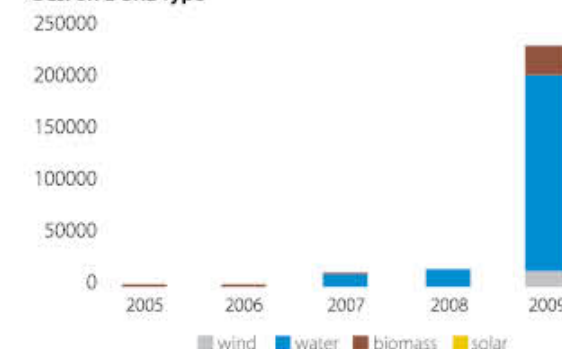
where registered in the Annual Register of RES producers: 15 wind electricity and 14 hydro power producers for which Transselectrica issued 241,520.00 GCs, out of which 13,577.00 GCs for wind, 197,751.00 GCs for hydro and 30,192.00 GCs for biomass. As compared with the previous years (2005, 2006, 2007, and 2008) the total number of GCs increased as of December, 2009 about 5 times for wind and about 9 times for water. This means that the investments in RES network power units are growing faster in Romania leading to the climate change reduction as well as the importing fuel sources dependency.

Producers of E-SRE



Producers of E SRE	2005	2006	2007	2008	2009
wind	2	3	11	12	15
water	1	4	9	11	14
Biomass	0	0	0	0	1
Solar	0	0	0	0	1
Total	3	7	20	23	31

GCs. on E-SRE Type



Nr. GCs.	2005	2006	2007	2008	2009
wind	71	87	869	1,615	13,577
water	578	667	9,239	12,057	197,751
Biomass	0	0	0	0	30,192
Solar	0	0	0	0	0
Total	649	754	10,108	13,672	241,520

IV. OPERATION AND MAINTENANCE



Major Investment and Commissioning

In order to meet its mission, Transelectrica is continuously involved in an extensive development and modernisation program of its electric substations, transmission lines and interconnection capacities, meant to also support the new digital dispatching and market infrastructure. Implementation of latest state-of-the-art technologies and IT&C solutions aims at increasing transmission reliability, decreasing power losses as well as at allowing remote control of substations

The volume of investments in 2009, around 372 milion lei (milion € 87.9), was mainly directed to the major projects of substations rehabilitation and construction of new interconnection lines. Major investment projects commissioned in 2009, based on "turn key" contracts:

Project	Contractor	Financier	Benefits
110 kV Gutinas substation from the modernising project of the 400/220/110 kV Gutinas substation	ABB Power Systems	Nordic Investment Bank + Transelectrica	- enables power supply to the N-E part of the country and the connection of the power units with the thermal power plant of Borzesti - increases operation safety
Upgrading the Gutinas - Bacau - Roman Nord - Suceava axis to 400 kV Last stage : 400/220 kV Suceava substations	AREVA- Germany, Electromontaj - Bucharest Consortium	World Bank + Transelectrica	- increases supply reliability in the Eastern region of the country (part of a larger program to close the 400 kV ring of Romania) - increases transmission capacity and reduces power losses. - creates conditions for the future connection with the grid of R. Moldova (Suceava - Balti 400 kV OHL)
Rehabilitation of 400/220/110 kV Bucuresti Sud substation- 110 kV substation	Consortium Siemens - Austria, Siemens-Germany, Siemes - Romania	KfW Bank + Transelectrica	- increases supply safety to Bucharest city - cuts down maintenance and operation costs
Modernization of 400 kV Cernavoda substation -final stage	IGE Energy Services UK / Elcomex SA	Transelectrica	- enables reliable connection of NPP Cernavoda - increases reliability - cuts down maintenance and operation costs
Modernisation of primary circuits within 220/110 kV Isalnita - 2nd stage-	ABB SRL Romania & Energomontaj Romania	Transelectrica	- replaces obsolete equipment to increase reliability
Modernisation of command-control- protection system in 11 substations 220/110 kV - partial stage	AREVA Lattes France	Transelectrica	- increases safety and reliability of operations - facilitates remote control
Security systems in electrical substations - partial stage	UTI, HELENIK POLISTART	Transelectrica	Ensures functionality, continuity and integrity of critical infrastructure (determines, mitigates and neutralizes threat, risk or vulnerability)



Besides the investment projects already started or under various decision stages, Transelectrica aims at launching new rehabilitation projects of existing substations, building new transmission capacities, integrating the renewable resources – mainly wind power – and Units 3 and 4 of NPP into the Romanian power system and building a 400 kV ring for reliable supply of Bucharest.

◀ **Adrian VIDEANU** - Minister of Economy and Commerce in Romanian Government visiting Gutinas Substation after commissioning in 2009 beside **Adrian Baicusi** - CEO Transelectrica

Major investment projects contracted in 2009:

- Rehabilitation of 220/110 kV Mintia substation – contractors SIEMENS (Austria), SIEMENS (RO) and SMART
- Rehabilitation of 110 kV Brazi Vest substation – contractors AREVAT&D & ELECTROMONATJ
- Modernisation of 400/220/110 Gutinas substation -110 kV cables – contractors EMSENS PROD
- Replacement of transformer units in electrical substations – contractors KONCAR (Croatia), EFACEC (Portugal) & RETRASIB SA (Romania)
- Modernisation of 20 kV FAI substation – contractor ELECTROALFA

Documentations approved for the following major investment projects:

- Rehabilitation of 400/110 kV Brasov substation
- Rehabilitation of 400/110/20 kV Tulcea Vest substation

Prospects for 2010

Ongoing works for:

- rehabilitation of substations : Gutinas, Brazi-vest, Bucuresti Sud 10 kV, Sibiu Sud 20 kV, Isalnita, Gura Ialomitei, Gadalini, Lacu Sarat, Mintia
- modernization of command-control-protection-metering in 11 substations
- replacement of transformer units in electrical substations
- security systems in electrical substations

Prospects for 2010 and further on to 2012

In order to meet the requirements of the electricity market, Transelectrica is to develop several major investments over the next two years regarding the strengthening its international interconnection lines and electric substations.

• Development of international interconnections:

- 400 kV Gadalini (RO) – Suceava (RO) – Balti (MD) OHL
- 400 kV Romania – Serbia OHL related to 400 kV axis Portile de Fier I – resuita – Timisoara – Arad
- HVDC link 400 kV undersea cable between Romania and Turkey

• Rehabilitation of the following substations:

- 400/110 kV Brasov
- 400/110/20 kV Tulcea Vest
- 400/110 /20 kV Barbosi
- 220/110 kV Mintia, Turnu Severin Est, Dumbrava, Campia Turzii, Filesti, Sardanesti
- 220 kV Cetate, Ostrovu Mare
- 110/20 kV Suceava

• Development of National Power Grid and reinforcement of the grid in order to facilitate integration of renewables and of U3 and U4 of NPP Cernavoda:

- 220 kV Ostrovu Mare – Power Grid OHL
- 400 kV Smandan-Gutinas OHL
- 4090 kV OHL Cernavoda-Gura Ialomitei- Stalpu-Teleajen –Brazi Vest
- Connection of 400 kV Isdacea0 Varna OHL and Isdacea-Dobrudja OHL in Medgidia Sud substation

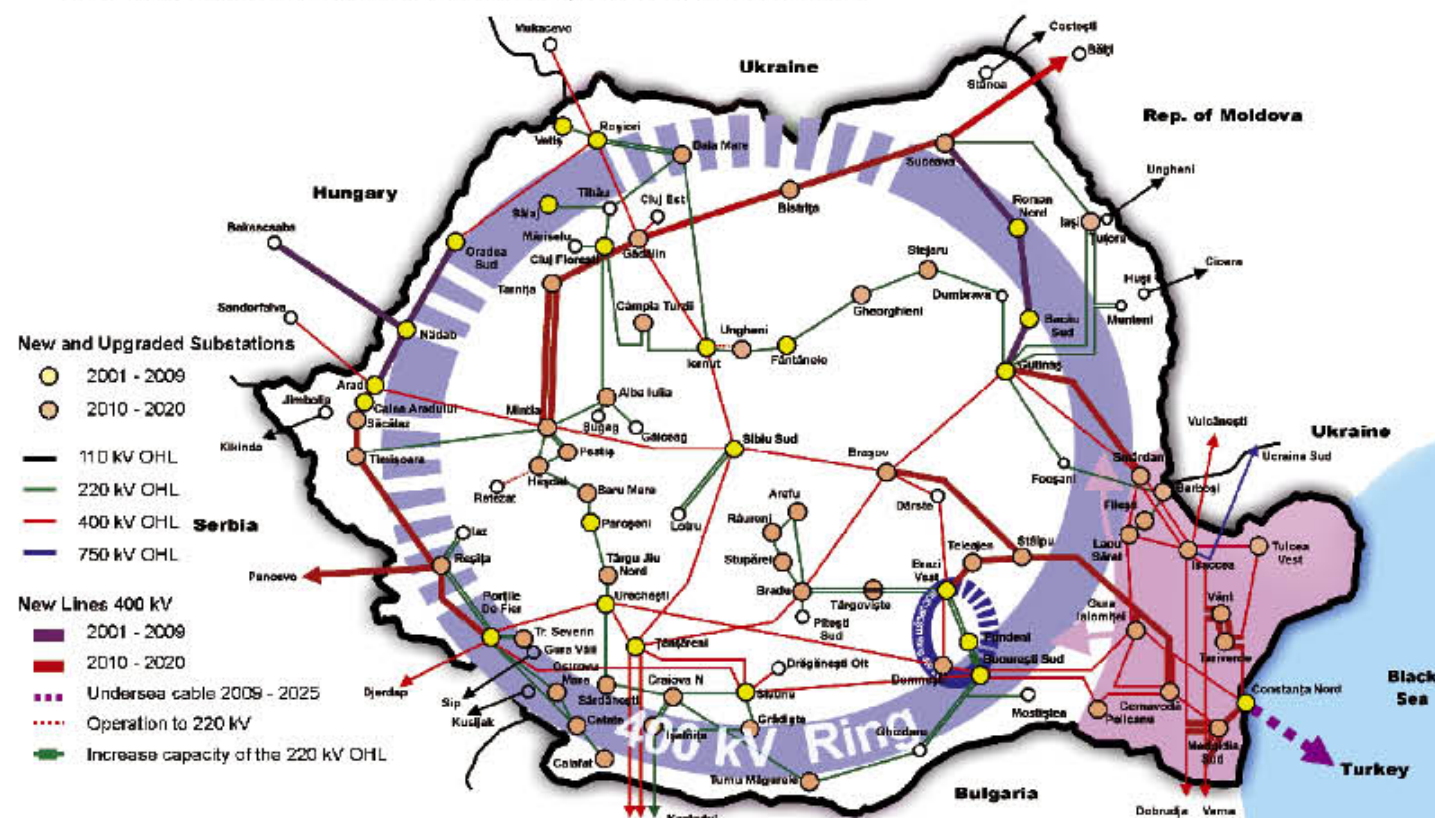
Planning the Romanian Transmission Grid

Electricity transmission grid development should be in line with Romanian Power System development. Its purpose is to cover electricity consumption at least cost, under safe conditions and in compliance with the Romanian Energy Policy.

Transelectrica responds for Romanian transmission grid planning in cost effective conditions and by informing all the interested license holders in the electricity sectors. Every two years Transelectrica revises the Prospective Plan of the Transmission Grid for the following ten years. The Plan is a comprehensive survey of the operating characteristics and performances of the electricity transmission grid and is based on the best assessment of the main financial and economic evolutions, electricity production and consumption included. Upon getting authorisation from ANRE and approval from the Ministry of Economy, the 10 years Prospective Plan becomes a public document. The Prospective Plan of the Transmission Grid for 2008-2012 with an outlook for 2017 was already carried out.

In 2009 Transelectrica carried out 9 works to connect new customers to the power grid, completed 5 works to connect major objectives to the grid and performed 2 release site – works (for new motorways and the construction of road town motorway by-pass). The most important maintenance project was the completion of 400 (220) kV Calea Aradului Substation (2 x 125 MV- second stage) and its grid connection.

Transelectrica - The Romanian Electricity Transmission Network



Electricity transmission grid

Voltage (kV)	Length (km)	number of substations
750	155	1
400	4740	35
220	4096	42
110 (only interconnection lines)	38	

Grid Maintenance

As a Transmission Operator, Transelectrica manages the electricity transmission grid by keeping the balance between performance/operation, costs (maintenance, rehabilitation, modernization, refurbishment) and risks (ageing, failure, criticality, impact). Transelectrica operates 78 substations, 212 transformers (36343 MVA) and manages 9028 km of Overhead Electric Lines (OHLs) at voltages ranging from 110 kV to 750 kV.

Maintenance activity

Transelectrica develops the maintenance activity based on the company's Maintenance Assurance Program (MAP). Transelectrica has drawn up the MAP used for its maintenance activity, according to the regulations of the National Regulatory Authority in the energy field (ANRE). The Program applies to all maintenance components (technical, financial, relational and organizational) performed on Transelectrica's assets, complying to the technical norms and operational procedures. The results of the maintenance activity are permanently monitored.

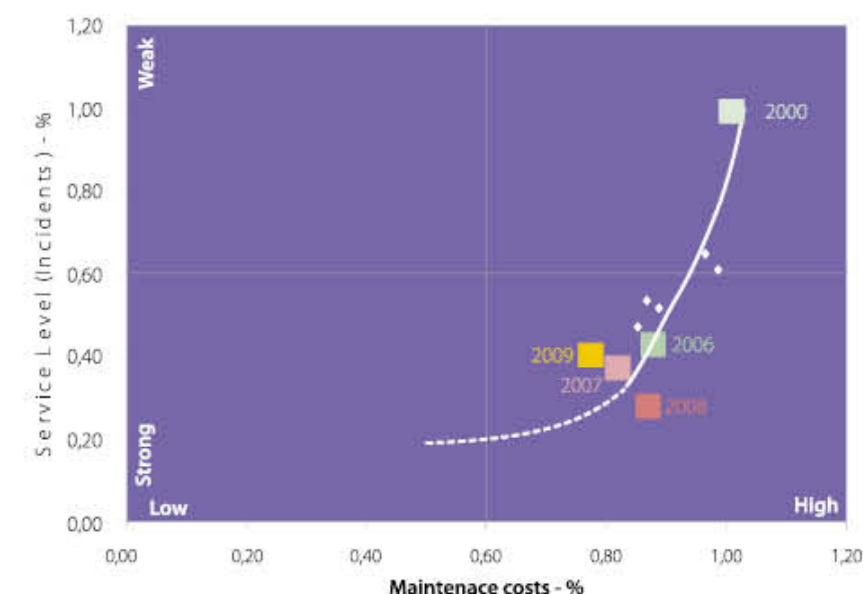
This Programme is targeted towards:

- Complying with ANRE's requirements for license holders on the maintenance activity, which are regulated under the "Regulation to manage and organise the maintenance"

- Determining the strategy, mid- and long-term objectives, responsibilities, requirements and their performance regarding the maintenance activity within Transelectrica
- Describing the performance criteria in the maintenance field and identifying costs
- Gathering all data and information needed to comply with the reporting requirements to ANRE, as determined under the 'Procedure to draw up the financial report', respectively in the 'Procedure to draw up the annual report'
- Drawing up, issuing and updating the regulations, procedures, instructions, programmes, technical sheets specific to activities and/or fields of power grid maintenance
- Determining the specific conditions to be included in the contracts with entities providing maintenance services.

Several maintenance works were conducted in 2009 at substations and overhead electric lines in order to increase the efficiency of the inspection and overhauls, rationally use the funds and comply with the norms. In 2009, network overhauls projects were carried out for 220 kV Craiova Nord-Turnu Magurele, 220 kV Pestis-Mintia, 220 kV Urechesti-Sardanesti, 220 kV Sardanesti-Craiova Nord, 220 kV FAI – Suceava OHLs as well as services for overhead lines multispectral inspection. A multicriterial - based strengthening program was carried out for the towers under damage. Overhauls were developed within the 220/110 kV substations of Stupareii, Baia Mare 3, FAI, Turnu Magurele, Pestis, Gheorghieni. Further to analysing the failure rates and maintenance costs, we found out that Transelectrica has recorded a significant improving trend since 2002, due to an efficient maintenance program.

Service level vs. Maintenance costs evolution



Planned maintenance works for 2010

For 2009 Transelectrica envisaged the following maintenance program: Ongoing overhauls works are to be conducted for the overhead electric lines of 220 kV Portile de Fier-Cetate, 220 kV Portile de Fier-Calafat, 220 kV Bucuresti Sud - Ghizdaru, 220 kV Baia Mare 3 - Iernut, 220 kV Lotru-Sibiu and for strengthening the 220 kV Gutinas-Dumbrava, 220 kV Bazi Vest - Fundeni, 400 kV Urechesi-Domnesti electric lines. Completing the air-borne multi-spectral inspections and the night-time light beaconing of line towers will be also considered. Overhauls for 220/110 kV substations of Gheorghie, FAI, Baia Mare 3 and Pestis are to be also carried out in 2010.

The rehabilitation programme will continue by replacing the equipment to which systematic faults have been recorded that produced a great number of accidental events (replacements of circuit breakers with the related driving mechanisms). A new concept is being designed in order to improve the maintenance activities that will be implemented in 2011.

Failures reduction

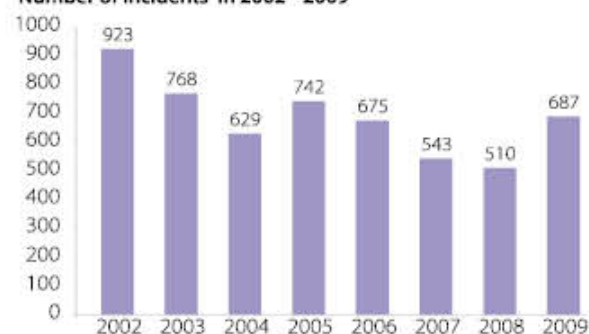
Safe operation of the Romanian transmission grid requires the permanent observance of the reduction in failures' number. The number of failures is shown in the figure below:

Mention should be made that lately we have increasingly faced particular severe meteorological phenomena, exceeding the dimensioning conditions initially taken into account (e.g. in December in the Dobrogea region); therefore measures will be soon taken together with our consultant in order to enhance those lines

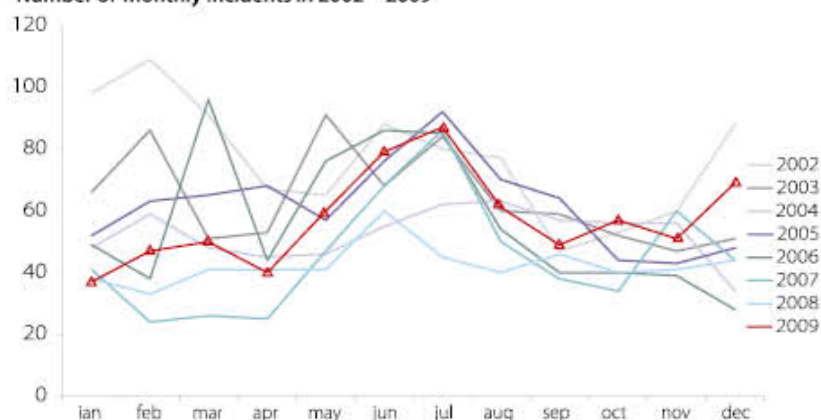
New technologies

Transelectrica aims at providing a high technical level in the equipment, operation and development field for the transmission grid by implementing state-of-the-art technical solutions for new equipment, diagrams and techniques used for maintenance. Diagnosis is arrived at by using thermography, live work and live inspection of OHL from helicopter and registered systems in the visible, UV and infrared spectres etc.

Number of incidents in 2002 - 2009



Number of monthly incidents in 2002 - 2009



▲ EVEREST
The highest point in the World
8848 m

Our success was only....
....the beginning



V. WE RESPECT THE PEOPLE, ENVIRONMENT AND SOCIETY

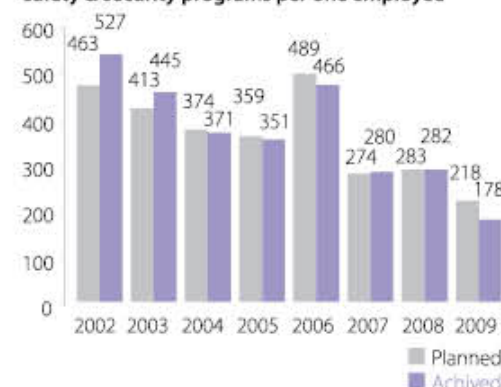
Respect for our people

Employee safety and security

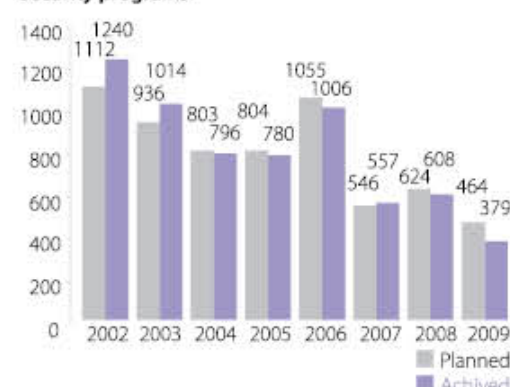
The safety and security of our employees, contractors and collaborators is a top priority for Transelectrica

In 2009 Transelectrica's safety and security programme was achieved 81.6%. During 2008 we kept on improving our facilities and raising people awareness on specific risks given by the high voltage environment. Steady efforts are also made by the company to improve the safety culture by providing a safe working environment and facilities in order to reduce accidents, occupational risks and professional illnesses and assess the risk level of professional illness and accidents for all power transmission branches of the company. People's health is continuously monitored and the employees are instructed on the risks of possible accidents while developing their specific activities.

Funds allotted through annual labour safety & security programs per one employee



Expenses with in the safety and security programs



By observing the safety and security norms, the number labour accidents steadily decreased and since 2004 no labour accident took place.

Risks were permanently analysed and the safety of facilities, procedures and working methods are constantly improved. However, two traffic incidents occurred in 2009 which resulted in temporary labor incapacity.

Average qualitative and quantitative indicators in Transelectrica



Our people – our value

Transelectrica's success is undoubtedly obtained thanks to the quality and performance of its people.

On December 31, 2009 Transelectrica employed 2,200 people, out of which 258 in Transelectrica's main offices, and 1,942 at the national dispatching center and its 9 subsidiaries. The operational activity is carried out by 1,738 employees) and the support activities together with the executive management are developed by 462 employees.

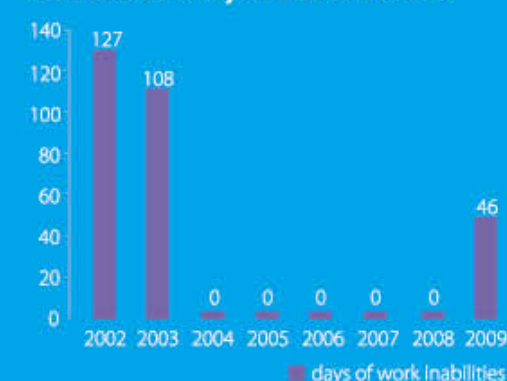
In order to comply with the UCTE rules for the safe and reliable grid operation, starting with 2008 the remote control system are being implemented within Transelectrica's electric substations. Further to the process completion, the substations will operate with no personnel.

Transelectrica's staff composition on December 31, 2009 according to the educational level:

High level	1,162
Secondary level	1,012
Primary level	26
Total	2,200

Operating the electricity network is one of Transelectrica's main businesses and our employees have developed the networking attitude in order to increase their performance and promote knowledge exchanges. Transelectrica's main concern with regard to its staff is to continuously encourage and stimulate innovation and creativity, improve the training level and provide an appropriate incentive program. As people are the most valuable asset of Transelectrica, we have initiated and implemented a package of measures meant to improve professional skills, reduce the employees migration to other entities, and stimulate the employees by soft and strong incentives. Measures were also taken to also balance the age pyramid.

We shall further on do our best to maintain the same excellent safety level for 2010 as well.





Recruitment

Major efforts were made in 2009 in order to attract the best employees. Thus, partnerships with the Politehnica University are concluded according to which the best final-year students from the University Politehnica are assisted by Transselectrica and are granted scholarships for the final years, provided that they are to become Transselectrica's future employees.

In 2009 Transselectrica recruited a number of 138 employees and the recruitment of new and qualified employees is ongoing

Company visits and educational practice

In 2009 Transselectrica organised educational practices was organised for teachers and technical school students in Transselectrica's electric substations. The students had the opportunity to learn and gain experience about the operation of the power system and be acquainted with the operational activities developed by the company.

Training

Transselectrica's training programs are meant to improve the expertise and skills of our employees.

In 2009 training programmes in the country and abroad were organised for our executives and the staff involved in accounts and finances, labour safety, audit, environment, quality, management, communication, purchasing, electricity development market, capital market, development of the power system. We wish our people be acquainted with the best practices in order to face all the challenges ahead.

When new and young employees are hired, they are given all the necessary information on the company's organisational culture and special training sessions are organised either within the company or through our subsidiary – The Vocational Center "Formener", one of our subsidiaries. Thus, our employees can attend a large variety of training courses, from technical to IT, PR or foreign languages ones.

During 2009 the study on 'Evaluation and measures identifying and making efficient the managerial performance within Transselectrica SA' has been continued. For 2009 the study placed the emphasis mainly on:

- a. Detecting the elite employees with true leader abilities and their getting loyal by creating several long-term career paths, as it is known that the added value of an organisation comes from its human capital
- b. Devising recruitment, selection and development system for managers and employees, grounded both on the individual's ability to develop one's strong points, talent, relationship capability, communication and team work and on one's professional competence
- c. Improving the organisational culture (initiating a process of organisational change) - the human resources issues -, since the study's comparative results of 2007-2008 have revealed an unchanged organisational culture.

Respect for environment and society

Sustainable development – electricity generation from renewables

Transelectrica has also to face the new and major challenge brought about by the current change of the generation mix and wind farm penetration, particularly. The Company has to ensure renewable energy resources for the new greenfield projects, and also the adequate connection to the transmission grid.

The requirements to connect all the declared project in the pipeline, 14,000 MW in wind farms, will have a major impact in reshaping the electricity transmission grid, providing the adequate system services and in planning power system development. In 2009 a number of 15 wind generators of 2.5 MW were installed in the southern part of the country (Tariverde substation) which are to be commissioned early in 2010.

Transelectrica aims at creating a strong and reliable infrastructure grid to facilitate a sustainable growth, willing to integrate the renewable resources into the Romanian power system in order to make it meet the EU legislation and national strategy.

The Romanian energy market is still providing excellent opportunities for companies in the sector. The establishment of green power markets and the recent attention to national energy security are contributing to recent achievements in renewable energy. Trusting in the present and future of "green energy", we have to do

the hard business talk with the Government and the Regulatory Authority to find and apply the optimum package solutions including decent, but healthy raise of the transmissions tariffs to correspondingly develop the transmission network. Transelectrica is, nevertheless, aware that its support to the "green energy" is essential.

Environmentally friendly solutions

Transelectrica's environmental policy is based on the sustainable development principle by mitigating and monitoring the pollutants and by the reasonable use of the natural resources.

One of Transelectrica's main challenges is to develop and strengthen its power transmission infrastructure and make it compatible with preserving and protecting the natural environment in respect for the environment, nature and society.

As power lines have an effect upon people's residential and local environments, Transelectrica has been conducting long-

term efforts to reduce the environmental impact of its operations.

In 2009 the main goals of Transelectrica's environmental policy considered the implementation and continuous improvement of a modern environmental management system, according to ISO 14001:2004, and the mitigation of the environmental grid impact on the environment and health (people, air, soil, water, flora and fauna), within national and European norms. In order to conform to the environmental legislation we kept on getting the environment certification for non certified electric lines and substations and to get the environment agreement for construction-mountage projects. The licensing rate in 2009 was 98.8%.

The modernisation and rehabilitation works carried out by Transelectrica are based on the latest state-of-the-art technologies which prevent pollution and mitigate the adverse environmental impact.

Downsizing the number of facilities using oil as a dielectric means, implementing water-oil separators in the rain drainage system, sealing the retention tanks of the autotransformers, constructing concrete platforms able to take over the oil leakage

lead to mitigation of the environmental oil contamination risk

Monitoring the SF6 leakage at equipment and replacing the obsolete back-up Diesel units with new ones of Euro 3-4 type are measures taken to contribute to air and climate protection. In 2009 Transelectrica continued to take measures to improve its environmental performances by assigning concrete tasks, by carefully managing the wastes resulted from the retrofitting and maintenance activities and by periodically monitoring the environmental factors. Special attention is given by Transelectrica to bio-diversity protection and conservation by finding out friendly solutions and taking the appropriate measures to mitigate power grid impact upon natural fauna and flora. Reducing and/or eliminating the magnetic and electric field effect on the population/ neighbours, by observing the national and European legal provisions (5 kV/m and 1.0 mT respectively) is another concern of Transelectrica in order to protect human safety and health.

Environmental Impact Studies and Environmental Management Plans within the rehabilitation/modernisation projects of electric lines and substations were developed with due consideration of environmental impact mitigation, by monitoring the environmental factors and related costs.

In 2009 the expenses for the environmental protection amounted to Lei 8,432,388 (about € 2 M.)

Quality management

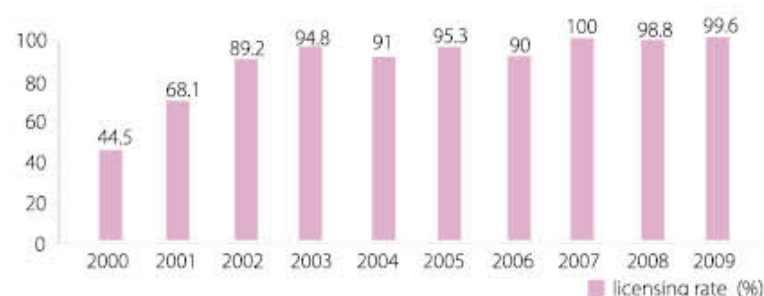
Harmonization of the national regulations to the European and international ones is a must for Transelectrica. The specific processes of the company are continuously monitored and audited by specialised the personnel and by protection and automation systems. Non-compliances identified during the equipment operation are registered and promptly solved, further to the analysis of their causes. Whenever necessary, corrective actions are provided in order to prevent their reiteration. The documentation and policy on the integrated management system-quality, environment, health and vocational security are annually reviewed and concrete targets are set for the organisational units. In 2008, based on the re-certifying audit, the certification authority SRAC renewed the certificates confirming the compliance of the integrated management system – quality, environment, health and vocational security with the requirements in the international standards SR EN ISO 9001:2001 (ISO 9001:2000), SR EN ISO 14001:2005 (ISO 14001:2004) and OHSAS 18001:2008 (OHSAS 18001:2008) declared as applicable.

Respect for society

Giving full consideration to the development of a responsible and sustainable society, the Company gets involved in solving the social problems of the community and pay attention to the society's interests, getting responsible towards its employees, shareholders, community and environment with a view to provide financial sustainability to a sound enterprise. The Company's vision in this respect aims at promoting the national values as well as the innovation, team spirit, the respect of

diversity and commitment. The Company's choice was to involve in art and culture, education, humanitarian aid and society development. A success story has been "Transelectrica invests into the future", which constituted a true challenge for the Company.

Sustaining the educational process has also been a priority for Transelectrica in the last three years. Keeping on the same line, in 2009 Transelectrica offered financial support to refurbish the electrical and automation part in the Laboratory of the Power Engineering Faculty from the University Politehnica of Bucharest, the place where our future power experts will come from. Our attention went also to children in rural areas, who learn in schools with limited financial resources. In this respect we modernised, rehabilitated and properly endowed the schools in- village Folea (Timis county), village Vartop (Dolj county), village Vidra (Ilfov county), Educational Group of Dumbraveni (Suceava county). Repairs and painting operations were carried out for the classrooms, furniture, air conditioning facilities and IT equipment was provided. The beginning of the school year has brought children happiness in these schools, but also a great satisfaction to all those involved in the project.



VI. INTERNATIONAL COOPERATION

TSO – The European Dimension

2009 was extremely important for the TSO cooperation within Europe, considering that the new professional association – European Network of Transmission System Operators for Electricity (ENTSO-E) entered into force. ENTSO-E aims at enhancing European electricity market integration, while ensuring the operation security and reliability and the integration of the renewable energy resources. The major EU legal event was represented by the Third Legislative Package adoption (Directive 72 and Regulation 713 and 714).

Transelectrica, as a member of the new set up association ENTSO-E, was actively involved not only in the process development, having appointed representatives in the five Work Streams created to prepare the Article of Association and the internal regulation of the new body ENTSO-E, but it is also represented in the ENTSO-E General Assembly, Board of Directors and the Three Committees (SDC, SOC and MC). Within this general framework, Transelectrica received very important responsibilities within the Regional Group – East Europe (SEE) considering the nomination of the Convener of SEE, operating under the Market Committee.

A very important project developed by ENTSO-E (SOC – Continental Europe) is the synchronous interconnection of Ukraine and Republic of Moldova to Continental Europe. The project is coordinated by Transelectrica, whose team made important efforts to prepare and ensure all the necessary documents in order to conclude the Consortium Agreement, the Collaboration Agreement and the Service Contract.

Transelectrica is honoured to be the leader of other eight European TSOs Consortium (encompassing ELIA – Belgium, CEPS – Czech Republic, AMPRION – Germany, TRANSPOWER – Germany, MAVIR-Hungary, TERNA-Italy, PSE Operator-Poland, JP EMS-Serbia) in order to achieve this study.

Cooperation with European TSOs

Transelectrica keeps on developing the cooperation activities, experience and know-how, exchange technical assistance with traditional European TSO partners such as TERNA -Italy, RTE-France and VERBUD APG-Austria.

Regional cooperation

In 2009 Transelectrica's international cooperation was also focused on enlarging the bilateral cooperation with the neighbouring TSOs, as follows as:

- Transelectrica and MAVIR-Hungary signed the Agreement for bilateral Coordinated Allocation of Interconnection Capacities which was enforced starting with November 2009
- Transelectrica and ESO-EAD- Bulgaria signed the Agreement for Bilateral Coordinated Allocation of the Interconnection Capacities, enforced starting with April the 1st, 2010
- Transelectrica and ELECTROMREZA SRBIE-Serbia prepared all the documents and necessary framework for the signature of the Agreement for Bilateral Coordinated Allocation of Interconnection Capacities.

Cooperation with Republic of Moldova

- Transelectrica continues to support Moldelectrica's efforts to join the ENTSO-E power transmission system

- The Feasibility Study for 400 kV OHL Suceava-Balti has been concluded
- Transelectrica delivers technical assistance and know-how to Moldelectrica

Cooperation with TEIAS-Turkey

In 2009 Transelectrica and VPC-Vattenfall (Sweden) signed the Feasibility Study Contract for the HVDC Undersea Link Romania – Turkey. The Feasibility Study is in progress, being scheduled to be complete on the first half of 2010.

Cooperation with Russia

Within the general cooperation framework launched by the Ministry of Economy, Transelectrica initiated and held bilateral discussions with INTER RAO-UES Russia in order to identify and develop new areas of mutual interest.

International affiliation

To enhance the global dimensions, Transelectrica plays an active role within the international organisations and

professional associations it is affiliated to, namely: CIGRE, Edison Electric Institute, LST, WEC.

CIGRE (International Council on Large Electric Systems) is one of the leading worldwide organizations on electric power systems, covering technical, economic, environmental, organizational and regulatory aspects. Transelectrica has a great number of experienced CIGRE members who are involved in facilitating and developing the exchange of engineering knowledge and information. They are also meant to add value to the knowledge and information exchanged by synthesizing state-of-the-art and world practices, making the managers, decision makers and regulators aware of the synthesis of CIGRE's work in the area of electric power. Transelectrica's specialists contributed to the development issues

on Power system planning and operation, design, construction, maintenance, telecommunication equipment and information systems.

A concrete contribution of Transelectrica's specialists consist in their readiness to participate with eight scientific papers in CIGRE Session to be held in August 2010.



VII SHARES and SHAREHOLDERS

Transelectrica's Shares

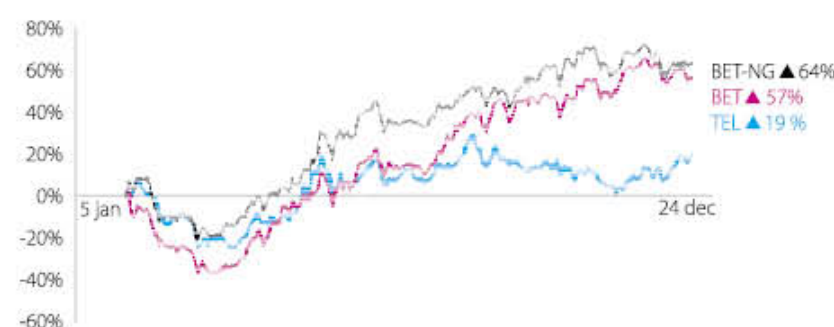
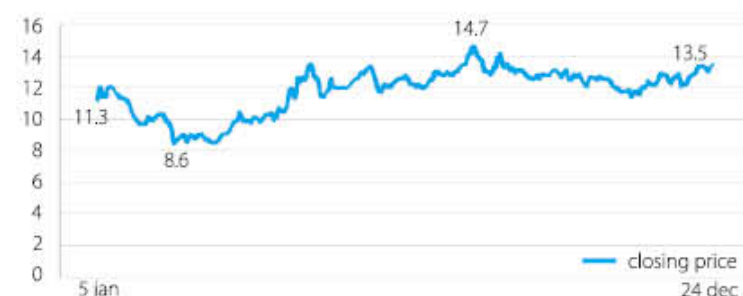
Similar to 2008, the overall development of the companies listed on the Bucharest Stock Exchange was determined by the foreign capital markets and the international financial crisis. Thus the recovery of global markets generated positive outputs for BSE as well, and compared to the drops of 2008, in 2009 the Romanian capital market registered an important come-back, however without fully recovering the previous losses.

The stock exchange capitalisation of the companies listed grew

by 75% in 2009 to 80,074 mill. Lei, while the transacted amount dropped by 26% to 5,083 mill. Lei.

In agreement with the market, in 2009 the development of Transelectrica's share was increasing; the value of TEL slightly increased from 11.3 Lei (Jan. 5th) to 13.5 Lei (Dec. 24th) by 19.5% (24 dec/5 Jan); at the same time however, the BSE indexes appreciated more significantly- by 57.2% the BET and respectively by 64.0% the BET-NG for utilities.

Source: BSE, Transelectrica processed data



Year	Closing price [Lei/share]/date				Annual amount [transacted shares]	Capitalisation/ (last day) [mill. Lei]
	First day	Last day	Minimum	Maximum		
2006	22.80/22.08	33.80/19.12	22.80/22.08	34.50/10.10	5,447,909	2,477.65
2007	36.00/03.01	40.00/21.12	30.30/23.11	49.30/07.05	7,404,361	2,932.13
2008	38.60/03.01	11.00/23.12	10.90/27.10	39.30/04.01	6,997,259	806.33
2009	11.30/05.01	13.50/24.12	8.55/17.02	14.70/11.08	4,979,748	989.59

Relationship with the investors and analysts

In 2009 Transelectrica's web-site was restructured and the page related to "Relationship with the Investors and Financial Reports" was improved such as to become a useful intuitive instrument and provide targeted information to the interested persons.

According to the Financial Communication calendar of 2009, notified at the beginning of the year to the Bucharest Stock Exchange, Transelectrica has complied with its notified obligations of periodical reporting. Besides the two scheduled meetings with the financial analysts, brokers and investors, on March 27th and September 4th, to submit the 2008 annual results and respectively

the semi-annual ones for 2009, there have also been reunions with analysts and investors upon their request, as well as participations to investors' conferences in view of introducing the Company, its results and projects.

The Company's evolution on the capital market was systematically monitored in 2009 as well by a series of 11 Companies, whose analysts provided their own clients with complex analysis reports or they provided recommendations to investors about the investments in Transelectrica's shares.

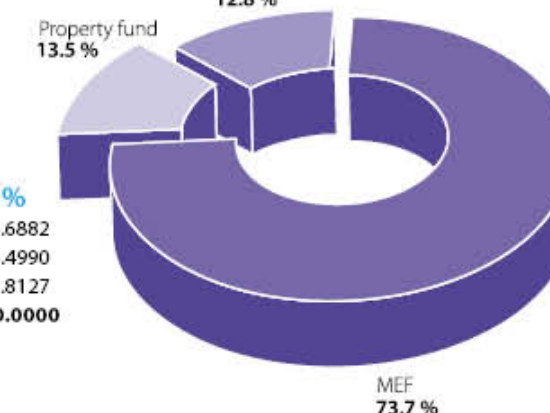
Company	Analyst	Contact
Alpha Finance Romania	Daniela Mandru – Senior Financial Analyst	dmandru@alphabank.ro
Banca Comerciala Romana	Mihai Iulian Caruntu – Head of Capital Market Research Department	mihaiiulian.caruntu@bcr.ro
BRD-Groupe Societe Generale	Florin Hantila – Equity Analyst, Research Department	florin.hantila@brd.ro
EFG Eurobank Securities SA	Simona Crutu – CFA, Financial Analyst	scrutu@efgsec.ro
ING Bank – Equity Markets	Florin Ilie – Director, Capital Markets Nicoleta Hurduc – Financial Analyst	florin.ilie@ing.ro nicoleta.hurduc@ing.ro
Intercapital Invest	Andreea Gheorghe – Director, Analysis Department	andreea.gheorghe@intercapital.ro
KBC Securities Romania	Lucian Albulescu – CFA, Equity Analyst	lucian.albulescu@kbcsecurities.ro
Piraeus Bank	Camil Apostol – CFA	camil.apostol@piraeusbank.ro
Raiffeisen Capital&Investment	Iuliana Mocanu – Analyst	iuliana-simona.mocanu@rzb.ro
Unicredit CAIB Securities	Carmen Arsene – Senior Analyst	carmen.arsene@caib.unicreditgroup.eu
WOOD & Company	Ovidiu Fer – Equity Analyst	ovidiu.fer@wood.cz

ETEBA Romania initiated the monitoring of Transelectrica in March 2010.

SHAREHOLDERS

In 2009 there no change occurred in the shareholders' synthetic structure and none of the shareholders became a significant one, namely the 5% threshold was not exceeded.

Shareholder	01.01.2009	31.12.2009	%
Romanian state	54,045,781	54,015,781	73.6882
"Proprietatea" Fund	9,895,212	9,895,212	13.4990
Others (below 5%)	9,392,149	9,392,149	12.8127
TOTAL	73,303,142	73,303,142	100.0000



MEF
73.7 %

Source: Transelectrica
Others
12.8 %

DIVIDEND POLICY

The distribution of the Company's accounting profit remaining after the profit tax is done in accordance with GO no. 64/2001 regarding the profit distribution within national and trading companies with full or majority state capital; with the OMFP no. 128/2005 regarding certain accounting regulations applicable to economic agents, and with OMFP no. 144/2005 regarding approval of the Specifications for the determination of amounts included in the profit distribution according to GO no. 64/2001 regarding the profit distribution within national and trading companies with full or majority state capital, as well as to autonomous regions, approved with amendments under Law no. 769/2001, with later

amendments and additions.

Transelectrica pays dividends from the net profit to be distributed for the previous financial year only when the annual financial results have been approved by the General Meeting of Shareholders.

	2007	2008	2009
Net profit (Lei)	52,043,832	41,943,077	6,769,439
Dividend distributed (Lei)	26,389,131	21,990,943	3,665,157*
Effective distribution rate	51 %	52 %	54 %*
Dividend per share (Lei)	0.36	0.30	0.05*

*proposed for SGA approval

The history of dividends paid by Transelectrica is as follows:

Year	Dividend per share [Lei, gross]	Registration date	Date of ex-dividend	Payment date
2008	0.30	May 18th, 2009	May 14th, 2009	Aug 17th, 2009
2007	0.36	May 15th, 2008	May 13th, 2008	Jun 25th, 2008
2006	1.47	May 14th, 2007	May 10th, 2007	Aug 25th, 2007

In accordance with the Decision of the General Meeting of Shareholders of 29.04.2009, during 2009 the payment of dividends for 2008 and of the historical ones unpaid was achieved by means of a payment agent (BancPost).

On 31.12.2009 the status of dividend payment was as follows:



PROCUREMENT OF OWN SHARES

In 2009 Transelectrica made no transaction with its own shares. At the end of 2009 the Company held none of its own shares and none of Company's subsidiaries held shares in the Company.

ANNEX

FINANCIAL COMMUNICATION CALENDAR 2010

Event	Date
► Annual financial results preliminary for 2009 RAS – individual, non-audited	February 12th, 2010 (Friday)
► Publication of annual financial results for 2009 RAS – individual and IFRS – consolidated, non-audited	March 26th, 2010 (Friday)
► Meeting with financial analysts, placement consultants, brokers and investors to submit the 2009 annual financial results	March 29th, 2010 (Monday)
► Shareholders' General Assembly to approve the 2009 annual financial results	April 29th, 2010 (Thursday)
► Annual financial results for 2009, approved RAS – individual and IFRS – consolidated, audited	April 29th, 2010 (Thursday)
► Financial results for the 1st quarter of 2010 RAS – individual, non-audited	May 14th, 2010 (Friday)
► Financial results for the 1st half year, 2010 RAS – individual, non-audited	August 13th, 2010 (Friday)
► Financial results for the 1st half year, 2010 IFRS – consolidated, audited (limited revision)	September 7th, 2010 (Tuesday)
► Meeting with financial analysts, placement consultants, brokers and investors to submit the financial results for the first half-year 2010	September 9th, 2010 (Thursday)
► Financial results for the 3rd quarter of 2010 RAS – individual, non-audited	November 11th, 2010 (Thursday)

Source: Transelectrica - Financial Calendar 2010

RAS - Romanian Accounting Standards
IFRS - International Financial Reporting Standards

Corporate Governance

During the difficult times we are now passing through, Transelectrica has realised that, besides its two major roles - the technical one (Romanian power system safe and reliable operation at quality standards) and the economic one (providing profit for shareholders), it is high time it should assume a new and more visible role, focused on responsibility and ethics, towards a better positive impact upon community.

The Company considers that reinforcement of its business environment can be done appealing to strategic activities on energy policy at national and European level, and by assuming sound and sustainable values. These objectives to better approach the responsible attitude met also the decision of the Bucharest Stock Exchange, which in January 2009 approved the "Code of Corporate Governance for the trading companies whose financial instruments are transacted on the regulated market operated by the BSE". In December 2009 "Transelectrica's Regulation of Corporate Governance" was issued and approved by the General Meeting of Shareholders. The document shows how the Company understands to adopt and apply the best corporate governance principles and the BSE Code recommendations. The regulation is a public one and is published on Transelectrica's web-site www.transelectrica.ro. As we are aware that one of the main rights of shareholders is that of being kept informed in an equal and fair way, Transelectrica has created an easily accessible section entitled "Relationships with the Investors and Financial Reports" on its web page in order to offer relevant information in real time to its shareholders.

The page provides all the information required by security holders related to: the activity of the General Meeting of Shareholders; financial calendar; periodical and current reports; meetings with investors; rating; dividends; corporate governance; recommendations or analyses of financial analysts; stock exchange data about the evolution of TEL shares (uploaded late from the BSE site) etc. Transselectrica has got internal structures specialised in the relations to investors and its shareholders. It has also specialists designated to interact with the capital market institutions,

the investors and shareholders who are periodically trained in this respect. With a view to facilitate the shareholders' participation to the General Assembly Meetings and fully exercising their rights, Transselectrica enabled them to vote in absentia using the special power of attorney and to vote remotely by post. The mode of operation is posted on the site www.transselectrica.ro, Investor Relations and Financial Reports. Absolutely all documents for GSA meetings are published in the proper area of the site within the legal time interval.

The Company approved and implemented the Procedure of continuous reporting (last update in November 2009) regarding the internal circuit and third party disclosure of documents and information about the issuer, especially with respect to the 'privileged information', respectively the information that can influence the market price of TEL shares. Although the 'Apply or Explain' statement is not compulsory for the current annual reporting, the Company has nevertheless decided to publish it in respect for its shareholders and investors.

Consultative Committees

Three consultative committees operate under the direct guidance of the Board, each of them having three members appointed from among the Board members. The Committees' Regulations are published on the site www.transselectrica.ro – Relationship with the Investors and Financial Reports / Corporate Governance. During 2009 the Audit Committee met three times, notifying the Board thereof, while the Remuneration Committee and the Consultative one for energy security and protection of critical infrastructure met six times and notified the Board accordingly.

Board of Directors

In 2009 Transselectrica's Board of Administration was made up of 7 members, who met 12 times, one meeting per month. The meetings are chaired by Mr. Adrian Baicusi, director general of Transselectrica and chairman of the Board. The Board structure is grounded on diversity, capabilities, qualities, experience and complementary professional knowledge. Members have been selected in transparent manner, with observance of legal provisions in force. The Board members permanently improve their expertise by training courses in corporate governance and capital markets.

When they are notified to the Company in accordance with the applicable legal provisions, the transactions of involved persons are published on the web site www.transselectrica.ro – Relationship with the Investors and Financial Reports / Corporate Governance.

Participation in Board meetings according to the number of reunions from the total number of attended meetings and the eligible ones, as well as the changes occurred in the 2009 structure are shown next:

No.	Name	Changes in 2009		Attendance to BA meetings
		Appointment	Revocation	
1.	Adrian Baicusi (chairman)	February	-	11/11
2.	Alexandru Sandulescu	-	-	12/12
3.	Alice Cezarina Bitu	-	April	4/4
4.	Dumitru Cosea	-	April	4/4
5.	Stelian Alexandru Gal	-	January	1/1
6.	Adriana Suta	-	April	4/4
7.	Cristian Ene-Corbeanu	April	-	8/8
8.	Carmen Boagiu	April	May	1/1
9.	Mircea-Ionut Costea	April	August*	4/4
10.	Elena Ianda	April	September*	5/5
11.	Florin Marza	May	-	7/7
12.	Gheorghe Seculici	May	-	7/7

Mr. Mircea-Ionut Costea and Mrs. Elena Ianda have resigned from their position in August, respectively in September.



Executive management

Mr. Adrian Baicusi was appointed as director general of Transelectrica on January 16, 2009 and Chairman of the Board as of January 21, 2009.

Beginning with April 1st, 2009, the Company adopted a new organisational structure that took into account simplifying items and merging certain compartments, including elements to improve the performance contracts.

Mr. Octavian Lohan, Deputy Director General, has been working for more than 33 in the power sector, especially in the dispatching domain, and his portfolio includes the following departments:

- Operational Unit – National Power Dispatcher;
- Investment Projects Management Division;
- Network Operation Division;
- Network Planning and System studies Compartment;
- Administrative Office;

Mrs. Maria Ionescu, Economic Director, has acquired more than 28 years experience in various positions from the Romanian power sector, and her portfolio includes the following departments:

- Budget, Finance, Accounting Division;
- Financial Transactions Compartment;
- Patrimony Office;

Mr. Dan Romanescu, Commercial Director, has acquired over 15 years experience in the private trading domain and his portfolio includes the following departments:

- Commercial Management of the Transmission Grid Division;
- Procurement Compartment;

1. **Marian Florea** – Director Grid Operation
2. **Dan Preoteșcu** – Manager NTG Development Planning
3. **Octavian Lohan** – Deputy Director General
4. **Dan Romanescu** – Commercial Director
5. **Veronica Crișu** – Director Financial, Budget Accounting
6. **Ștefan Marin** – Chief Inspector
7. **Florin Balașu** – Director Protection and Automation
8. **Florentina Răducanu** – Deputy Director Management Investment Projects
9. **Marius Stanciu** – Chief Inspector
10. **Răzvan Purdilă** – Director Strategy, Capital Markets and International Cooperation

11. **George Vișan** – Director Management Investment Projects
12. **Marian Cernat** – Director Operational Division
13. **Ioan Diaconu** – Director National Dispatching Center
14. **Camelia Stroe** – Secretary General
15. **Sorin Pispiris** – Director NTG Commercial Management
16. **Nicolae Opreș** – Director Regional Markets
17. **Răducu Fediuc** – Acquisition Manager
18. **Adrian Vilciu** – General Manager
19. **Alin Vlădulescu** – Head of Legal Department
20. **Elena Ratcu** – Manager External Relations and Communication
21. **Maria Ionescu** – Financial Director
22. **Mihaela Măciuceanu** – Manager Human Resources



Transelectrica's subsidiaries

Transelectrica has six branches whose sole shareholder it is. They are created as independent commercial companies:

SMART Transmission grid maintenance services	TELETRANS IT and communication services	OPCOM Commercial Market Operator	FORMENERG	ICEMENERG	ICEMENERG SERVICE
<ul style="list-style-type: none"> - provides maintenance services for the electricity transmission network and for electricity distribution grids, preventive measurements included - renders consultancy, design and production of various items specific to the electric equipment 	<ul style="list-style-type: none"> - provides IT and telecom services for the parent company and sector-specific services for the domestic liberalized telecom market 	<ul style="list-style-type: none"> - services in regional market SEE-CEE - provides market administration according to the provisions of the electricity market commercial code - establishes the unconstrained merit order of the dispatchable generating units by ordering them on levels of power depending on the bidded price - establishes the payment rights and liabilities for the market participants in compliance with the accomplished transactions 	<ul style="list-style-type: none"> - provides professional training for the power sector personnel 	<ul style="list-style-type: none"> - provides business research and technical assistance services to thermal power plants, electric power substations and electricity networks 	<ul style="list-style-type: none"> - provides services in the field of electricity distribution equipment and control devices for energy equipment.

Transelectrica's branches

Transelectrica is organised in 8 Transmission Regional Branches covering the whole Romanian territory. According to the map below, Transelectrica's branches are located in Bacau, Bucharest, Cluj, Constanta, Craiova, Pitesti, Sibiu, Timisoara. Their mission is to operate, modernise, maintain, plan and develop the power transmission grid in the region they belong to.

Location of the 8 Transmission branches on Romania's map



Transelectrica also owns the electricity metering branch, OMEPA. Taking into account the dynamics of power transactions in a liberalised market system, the real time tele-metering of transited energy with high accuracy has become a strong prerequisite. These activities are developed by Transelectrica through OMEPA, the Metering Operator for the electricity transited on the wholesale market.

Transelectrica's Transmission Branches

Bacau Transmission Branch

Director: Ștefan Țibuliac
41 Oituz str., Bacau, cod 600266
Phone: 0234/207 120; Fax: 0234/517 456

Bucuresti Transmission Branch

Director: Dorin Voicu
1A Stefan cel Mare av, sector 1 Bucuresti, cod 01173
Phone: 021/201 62 15; Fax: 021/317 23 00

Cluj Transmission Branch

Director: Rares Rusu
27 Memorandumului str. Cluj, cod 400114
Phone: 0264/405 505; Fax: 0264/405500

Constanta Transmission Branch

Director: Teodor Stoenescu
195 A Alexandru Lapusneanu blvd., bloc LAV 1, Constanta, Cod 900472
Phone: 0241/607 505; Fax: 0241/607 550

Craiova Transmission Branch

Director: Ion Merfu
5 Brestel str., Craiova, cod 200581
Phone: 0251/307 100; Fax: 0251/307 108

Pitesti Transmission Branch

Director: Mihai Budan
25B Fratii Golesti str., Pitesti, cod 110174
Phone: 0248/607 200; Fax: 048/607 209

Sibiu Transmission Branch

Director: Stelian Alexandru Gal
3 Corneliu Coposu str., Sibiu, cod 550245
Phone: 0269/207 111; Fax: 0269/207 101

Timisoara Transmission Branch

Director: Nicolae Chiosa
11 Piata Romanilor str., Timisoara, cod 300100
Phone: 0256/294 550; Fax: 0256/219 963

OMEPA Branch

Director: Adrian Rusu
13-15 Hristo Botev str, Bucharest
Phone 021/3035771; Fax: 021/3035756



- 1 Elena Andreescu - TRANSELECTRICA
- 2 Adrian Ciuca - TRANSELECTRICA
- 3 Tudor Adascalitei - TRANSELECTRICA
- 4 Cristina Stroe - TRANSELECTRICA
- 5 Margareta Popescu - TRANSELECTRICA
- 6 Adrian Suta - TRANSELECTRICA

INTRODUCTION

Company profile

Transelectrica is the Romanian Transmission and System Operator (TSO). It manages and operates the electricity power system and transmission grid, providing transmission services for electricity transactions among Central and South – Eastern countries. It ensures electricity transmission from generators to the large consumers connected to the grid, manages power system and wholesale electricity market operation, grid and market infrastructure development and guarantees a regulated third party access to the Romanian electricity transmission network under transparent, non-discriminatory and fair conditions to all market players.

Transelectrica's main processes are adequacy of the transmission grid, power system

reliable and safe operation, support of open liberalised electricity markets.

The Company operates according to the Electricity Law and under the licences awarded by the Government, i.e: transmission and system operator licences, electricity transmission grid code, electricity wholesale metering commercial code, commercial code.

Transelectrica develops its activities in accordance with its strategic documents: *Ten Years Business Plan, Ten Years Prospective Plan of the Romanian transmission grid.*

Transelectrica comprises 6 legal subsidiaries (Opcom, Teletrans, Smart, Icemenerg, Icemenerg service, Formenerg), 8 transmission branches in Bucharest, Bacau, Cluj, Constanta, Craiova, Pitesti, Sibiu, Timisoara and one metering branch, Omepa. The Company, which employs 2.200 people together with its 9 branches, has been listed to the Bucharest Stock Exchange since August 2006.

Transelectrica – a responsible company

Responsibility for operational safety

Transelectrica is responsible for the technical and operational management of the Romanian power system and ensures its safe and stable operation. One of its main tasks is to guarantee electricity safe transmission and dispatching throughout the country, 24 hours from 24 hours, 365 days/ year. It continuously monitors the balance of production and import vs. consumptions and exports within its control area. As electricity cannot be stored, electricity demand should be instantly met by electricity generation injected into the grid. Transelectrica manages power flows through the grid, guarantees continuity and security of electricity supply in Romania and maintains grid reliability.

Responsibility for electricity transmission

Transelectrica responds for electricity transmission between two or more network points, with due observance of continuity, safety and quality norms. This service is done on medium, high and extra high voltage power grid over its 9028 km of overhead electric lines and through its 78 electric substations, at voltages of 110, 200, 400 and 750 kV. The electricity amount for which transmission services are provided is the one introduced into/taken from network nodes by the end-user of transmission services.

Responsibility for the environment

One of Transelectrica's main challenges is to develop and strengthen its power transmission infrastructure and make it compatible with preserving and protecting the natural environment. In respect for the environment and the sustainable development, Transelectrica is permanently concerned to minimize the impact of its facilities upon the environment and develops projects for the integration of wind energy sources at the national level.

Responsibility for grid infrastructure development

Transelectrica manages the reinforcement and expansion of the transmission infrastructure, with the latest technologies in the field, in order to increase its operational reliability and transmission capacity, while also observing the environmental requirements. The already completed investment projects in the power transmission grid and those in progress are focused on components and subsystems of an intelligent power infrastructure.

Among the projects completed since Transelectrica was set up in the year 2000, there are 17 rehabilitated and modernized electric substations, 1 international interconnection electric line between Romania and Hungary (Arad - Nadab – Oradea) – Beckescsaba), 1 internal electric line (Gutinas-Bacau Sud-Roman Nord-Suceava), 7 substations of 220/110 kV within the project for modernizing the command-control-protection system for 11 substations and also a great number of facilities belonging to the investment project for rehabilitation and modernization of the transmission – dispatching system (EMS-SCADA, optic fiber, metering components).

Responsibility for market operation

Transelectrica is responsible for and coordinates the proper operation of the power system and wholesale electricity market. It is the unique operator that provides electricity transmission, power system operation and electricity market services (through its subsidiary OPCOM). These activities are performed according to the Regulator issued licenses, applying regulated tariffs that allows non-discriminating and fair access of all market participants to the network, with no other additional revenues. The main revenue-producing activities of Transelectrica are:

- electricity transmission service
- system service (operational management service for the Romanian power system)
- market administration service (through OPCOM)

Responsibility for people

People are Transelectrica's more valuable asset. The team of 2200 employees, motivated by professionalism, passion and dedication, fully aware of the social value of their work, are continuously striving to create more added value to the Company. People are generating tangible values which can be measured by economical and financial performance to the direct benefit of our shareholders, as well as intangible values, measured by the ethical commitment and better practices of corporate governance to the benefit of ours stakeholders.


Responsibility for society

Transelectrica makes its contribution to the development of a sustainable society and is involved in the social problems of the community. Transelectrica gives full consideration to the social interests and is responsible for its employees and shareholders, as well as for community and environment.

Key Figures

	2009		2008	
	thou lei	thou euro	thou lei	thou euro *)
Operations income	2,551,649	603,484	2,988,066	749,791
EBIT	98,616	23,323	217,178	54,496
Total revenues	2,574,946	608,993	3,029,275	760,131
Total expenses	2,562,833	606,129	2,966,667	744,421
Gross profit	12,113	2,865	62,608	15,710
Basic and diluted earnings per share	0.25	0.06	0.69	0.17
Number of employees 31.12.09	2,200		2,198	
Geographical length of network in km			9,028 (in 31.12.2008)	
*) Lei/Euro rate exchange :	4,2282		3,9852	

Our success is only....
...the beginning

 **The Moon**
the farthest point touched by humankind
357 000 km





KPMG Audit SRL
Victoria Business Park
DN1, Soseaua Bucuresti-Ploiesti nr. 69-71
Sector 1

P.O. Box 18-191
Bucharest 013685
Romania

Tel: +40 (21) 201 22 22
+40 (741) 800 800
Fax: +40 (21) 201 22 11
+40 (741) 800 700
www.kpmg.ro



Independent Auditors' Report (free translation¹)

To the Shareholders of
C.N.T.E.E. Transelectrica S.A.

Report on the consolidated financial statements

- 1 We have audited the accompanying consolidated financial statements of C.N.T.E.E. Transelectrica S.A. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

- 2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

- 3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatements.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

¹ TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

Basis for Qualified Opinion

- 6 As described in Note 11 to the accompanying consolidated financial statements, as at 31 December 2009, the Group has ongoing long-term loans from the European Bank for Reconstruction and Development, the European Investment Bank and International Bank for Reconstruction and Development. The Group did not comply with two financial indicators stipulated in the loan agreements. The financing institutions, may request, by written notification the acceleration of repayment of these loans, after a period of time in which the Group has the opportunity to remedy the matter. Therefore long term liabilities of Lei 498,630 thousand should be presented in the consolidated balance sheet as short term liabilities in accordance with IAS 1 "Presentation of Financial Statements". The management of the Group considers the non-compliance of the financial indicators as not significant and the probability of such requirements as being unlikely.

Qualified Opinion

- 7 In our opinion, except for the effect on the consolidated financial statements of the matters referred to in paragraph 6, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Other Matters

- 8 This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Report on conformity of the Administrators' Report with the Consolidated Financial Statements

In accordance with Romanian regulations (Order of the Minister of Public Finance no 1752/2005, article no. 107, we have read the Administrators' Report attached to the consolidated financial statements. The Administrators' Report is not a part of the consolidated financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements.

Refer to the original signed
Romanian version

For and on behalf of KPMG Audit SRL:

Razvan Mihai

registered with the Chamber of Financial
Auditors of Romania under no 2561/2008

Bucharest, 09 April 2010

KPMG Audit SRL

registered with the Chamber of Financial
Auditors of Romania under no 9/2001

CN Transelectrica SA

Consolidated Statement of Financial Position as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

	Note	31 Dec. 2009	31 Dec. 2008
Assets			
Non-current assets			
Property, plant and equipment	3	2,969,585	2,866,106
Intangible assets	4	30,428	33,143
Financial investments	5	5,729	5,729
Total non-current assets		3,005,742	2,904,978
Current assets			
Inventories	6	41,508	42,900
Trade and other receivables	7	633,883	848,321
Cash and cash equivalents	8	163,610	224,219
Total current assets		839,001	1,115,440
Total assets		3,844,743	4,020,418
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		1,091,526	1,091,526
Share premium		49,843	49,843
Legal reserves		37,630	37,226
Revaluation reserves		276,201	303,077
Other reserves		922	53
Retained earnings		448,705	452,847
Total shareholders' equity	9	1,904,827	1,934,572
Non-current liabilities			
Long term deferred income	10	230,912	152,795
Long term borrowings	11	947,211	1,011,271
Deferred tax liability	14	14,262	-
Employee benefits obligations	12	22,283	20,258
Total non-current liabilities		1,214,668	1,184,324
Current liabilities			
Trade and other liabilities	13	510,650	717,859
Other tax and social security liabilities	16	8,459	9,495
Short term borrowings	11	202,994	165,660
Short term deferred income	10	3,145	8,508
Total current liabilities		725,248	901,522
Total liabilities		1,939,916	2,085,846
Total shareholder's equity and liabilities		3,844,743	4,020,418

The accompanying notes are an integral part of these consolidated financial statements.

Adrian Baicusi
General Manager

Maria Ionescu
Economic Director

Veronica Crisu
DBFC Director

CN Transelectrica SA

Consolidated Income Statement for the Year Ended 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

	Note	2009	2008
Operating revenues			
Transmission revenues		939,764	1,045,734
Ancillary services revenues		1,076,100	1,090,344
Balancing market revenues		443,887	754,424
Other revenues		91,898	97,564
Total operating revenues	18	2,551,649	2,988,066
Operating expenses			
System operating expenses	19	(1,307,906)	(1,295,216)
Balancing market expenses	19	(443,887)	(754,424)
Depreciation and amortization		(257,123)	(240,556)
Personnel expenses		(202,523)	(214,261)
Repairs and maintenance expenses		(74,831)	(85,754)
Other operating expenses		(125,486)	(129,479)
Consumables		(41,277)	(51,198)
Total operating expenses		(2,453,033)	(2,770,888)
Operating profit		98,616	217,178
Financial revenues		23,297	41,209
Financial expenses		(109,800)	(195,779)
Financial result	20	(86,503)	(154,570)
Profit before income tax		12,113	62,608
Income tax	14	6,140	(12,241)
Profit for the year		18,253	50,367
Basic and diluted earnings per share (lei/share)	15	0.25	0.69

	Note	2009	2008
Profit for the period		18,253	50,367
Other comprehensive income			
Deferred tax liability on revaluation reserve	14	(26,876)	-
Land for which title deeds were obtained		869	-
Public patrimony assets	2 (e)	1,162	130
Derecognition of public patrimony assets	2 (e)	(1,162)	(130)
Other comprehensive loss for the period, net of tax		(26,007)	-
Total other comprehensive (loss)/income for the year		(7,754)	50,367

The accompanying notes are an integral part of these consolidated financial statements.

CN Transelectrica SA

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

	Share capital	Share premium	Public patrimony	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Total
Balance as at 1 Jan. 2008	1,091,526	49,843	-	34,692	303,077	53	431,404	1,910,595
Comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	50,367	50,367
Other comprehensive income/ (loss) out of which								
Legal reserve	-	-	-	2,534	-	-	(2,534)	-
Public patrimony assets (see Note 2(e))	-	-	130	-	-	-	-	130
Derecognition of public patrimony assets (see Note 2(e))	-	-	(130)	-	-	-	-	(130)
Total other comprehensive income	-	-	-	2,534	-	-	(2,534)	-
Total comprehensive income for the period	-	-	-	2,534	-	-	47,833	50,367
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners out of which								
Dividends distributed	-	-	-	-	-	-	(26,390)	(26,390)
Total contributions by and distributions to owners	-	-	-	-	-	-	(26,390)	(26,390)
Total transactions with owners	-	-	-	-	-	-	(26,390)	(26,390)
Balance as at 31 Dec. 2008	1,091,526	49,843	-	37,226	303,077	53	452,847	1,934,572
Comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	18,253	18,253
Other comprehensive income/(loss) out of which								
Legal reserve	-	-	-	404	-	-	(404)	-
Deferred tax liability on revaluation reserve (see Note 14)	-	-	-	-	(26,876)	-	-	(26,876)
Land for which title deeds were obtained (see Note 9)	-	-	-	-	-	869	-	869
Public patrimony assets (see Note 2(e))	-	-	1,162	-	-	-	-	1,162
Derecognition of public patrimony assets (see Note 2(e))	-	-	(1,162)	-	-	-	-	(1,162)
Total other comprehensive income	-	-	-	404	(26,876)	869	(404)	(26,007)
Total comprehensive loss for the period	-	-	-	404	(26,876)	869	17,849	(7,754)
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners out of which								
Dividends distributed	-	-	-	-	-	-	(21,991)	(21,991)
Total contributions by and distributions to owners	-	-	-	-	-	-	(21,991)	(21,991)
Total transactions with owners	-	-	-	-	-	-	(21,991)	(21,991)
Balance as at 31 Dec. 2009	1,091,526	49,843	-	37,630	276,201	922	448,705	1,904,827

The accompanying notes are an integral part of these consolidated financial statements.

CN Transelectrica SA

Consolidated Statement of Cash Flow for the Year Ended 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

	2009	2008
Cash flows from operating activities		
Profit for the year	18,253	50,367
Adjustments for non-cash items		
Income tax	(6,140)	12,241
Depreciation and amortization	257,123	240,556
Release of deferred income	(16,270)	(16,368)
Losses / (Gains) from disposal of property, plant and equipment	3,610	(128)
Interest expense	42,464	60,189
Interest revenue	(17,348)	(30,640)
Dividends revenue	(1,269)	-
Unrealized foreign exchange losses	54,762	119,637
Operating cash flows before working capital changes	335,185	435,854
Accounts receivable	205,422	(148,655)
Inventories	1,390	(3,162)
Accounts payable and other liabilities	(202,286)	223,351
Changes in working capital	4,526	71,534
Interest paid	(53,591)	(56,636)
Income tax paid	(7,115)	(33,095)
Net cash from operating activities	279,005	417,657
Cash flows used in investing activities		
Purchase of tangible and intangible assets	(364,101)	(400,324)
Proceeds from sale of tangible fixed assets	3,473	4,685
Interest received	19,465	29,901
Dividends received	2,269	-
Net cash used in investing activities	(338,894)	(365,738)
Cash flows used in financing activities		
Subsidies received	94,387	41,098
Proceeds from long term borrowings	38,290	86,861
Repayments of long term borrowings	(136,923)	(126,250)
Dividends paid	(24,592)	(27,495)
Net cash used in financing activities	(28,838)	(25,786)
Net (decrease) / increase in cash and cash equivalents	(88,727)	26,133
Cash and cash equivalents as at 1 Jan. (see Note 8)	212,161	186,028
Cash and cash equivalents as at 31 Dec. (see Note 8)	123,434	212,161

The accompanying notes are an integral part of these consolidated financial statements.

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

1. BACKGROUND AND GENERAL INFORMATION

The main activity of CN Transelectrica SA ("the Company") and its subsidiaries (named together with the Company, "the Group") is: electricity transmission services; management of the National Energy System ("NES"); administration of the electricity market; the balancing market operator, being responsible for issuing green certificates on the energy market to the energy producers from regenerative energy source and settling the obligations derived from green certificate trade, repairs and maintenance of the transmission equipment; information technology and telecommunication services and research in energy sector. CN Transelectrica SA, the parent company, was incorporated in 2000 as a joint stock company established under the laws of Romania.

The address of its registered office is no. 33, General Gheorghe Magheru Blvd., Bucharest, sector 1. Currently, the executive activity is carried on in new working points established in Bucharest, No.33 Magheru Blvd., sector 1, No. 16 – 18, Hristo Botev Blvd., sector 3 and No. 4-6, Olteni Road, sector 3.

CN Transelectrica consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") are available at the Company's working point located in 4-6, Olteni Road, sector 3, Bucharest.

Incorporation of the Company

In accordance with Government Decision ("GD") no. 627 regarding the reorganisation of the National Electricity Company (the "Predecessor Entity") issued on 31 July 2000 by the Government of Romania, the National Electricity Company – a state corporation – was split into four newly created legal entities ("Successor Entities"). The sole shareholder of the Successor Entities was the Romanian State, through the Ministry of Economy ("ME"). Transelectrica was established as a result of this reorganization as a joint stock company which has as main activity object the electricity transmission, management and administration of the electricity market.

As described in note 9, as at 31 December 2009, the shareholders of the Company are: the Ministry of Economy ("ME") which holds 54,015,781

shares, representing 73.69% of the share capital, Fondul Proprietatea, which holds 9,895,212 shares, representing 13.5% of the share capital and other shareholders which hold 9,392,149 shares, representing 12.81% of the share capital.

The mission of the Company

The Mission of the Company refers to the secure and stable functioning of the National Energy System ("NES") by observing quality standards, developing the infrastructure of the national electricity market and guaranteeing the regulated access of third parties to the electricity transmission network, ensuring transparency, non-discrimination and fairness for all participants in the market.

Other information relating to the Company's activity

Transelectrica became member of the Union for the Coordination of Transmission of Electricity ("UCTE") in October, 2004, and from November, 2004 became member of the European Electricity Systems Operators Association ("ETSO"). As of July 2009, the work of ETSO, UCTE and other four European Transmission System Operators ("TSO") associations have been fully integrated into European Network of Transmission System Operators for Electricity ("ENTSO-E"), centralizing 42 TSOs from 34 countries.

The Group is responsible for the secure, reliable and efficient functioning of NES, by carrying out the provisions of EU Directive no. 54/2003, art. 9.

Moody's Investor Service, the financial rating agency, has modified on September 4, 2009, the Company's rating from Baa3 with stable future expectations to Baa3 with negative future expectations.

Regulatory environment

The activity in the electricity sector is regulated by the National Agency for Electricity Sector Regulation ("ANRE") – established as an autonomous public institution by Government Ordinance No. 29/1998, modified by Law 99/2000 – which has, among others, the following responsibilities:

- application of the compulsory national regulating system for the energy sector, with the aim to guarantee efficiency, competition, transparency and consumer protection;
- issue or cancel the operating licenses of the entities involved in the energy sector, which already exist or will appear in the future, following the opening of the electricity and thermal energy market;
- set up the methodologies and criteria for tariff calculation in the energy sector and the framework contracts for selling, purchasing and delivering electricity and thermal energy to final consumers.
- ANRE establishes the tariffs for electricity transmission. Consequently, the Group's activity is fundamentally impacted by the decisions made by ANRE.

The operating activity of the Company has been performed according to set-up licence No. 161/2000 regarding electricity transmission and system services, revision 3/2009 issued by ANRE, valid until 2025.

Tariffs for energy transmission and ancillary services

The energy transmission is a natural monopoly activity. The tariffs used by the Company for transmission and ancillary services were established by ANRE based on the costs incurred and recorded during a period of 12 months.

Starting with 2005, the tariff for energy transmission is set based on the revenue cap methodology. Using this methodology, ANRE sets initial target revenue that increases according to the annual increase of the consumer price index and reduces as efficiency increases, such revenue being the basis of the regulated income. The carrying value of fixed assets is linked to this, so any significant change in the tariff mechanism or rates could impact these carrying values. Based on current tariff levels no indications of impairment were identified.

Regulated assets base ("RAB")

The transmission tariffs are set, among others, based on the regulated asset base. The regulated asset base includes the net book value of the tangible and intangible fixed assets considered by ANRE and used solely for providing the regulated service of electricity transmission.

Starting with the second regulated period 2008 – 2012, an adjustment of revenue was introduced for the not achieving, during regulated

periods p-1 and p-2, the tangible and intangible assets afferent to the investments approved/estimated by ANRE. This adjustment would be made during the last year of regulated period.

The regulated asset base for the second period does not include the working capital. The assets resulted from additional investments approved by ANRE compared to the initial approved investment program would be included in regulated assets base in the following regulated period.

Local and international stock exchange indexes

Starting 6 March 2007, CN Transelectrica SA is part of BET index managed by the Bucharest Stock Exchange, with a share of 15.30%, at a stock exchange capitalization amounting to 989,592 as at 31 December 2009. The BET index (Bucharest Exchange Trading) is a selective index that reflects the evolution of the 10 most liquid shares listed on BVB, except the Financial Investments Societies (SIF).

Starting 2 January 2007, CN Transelectrica SA is part of Dow Jones Wilshire Global Indexes – a group of indexes that intend to offer the widest available measure of global markets. CN Transelectrica is part of:

- Dow Jones Wilshire Global Total Market Index SM;
- Dow Jones Wilshire Romania Index SM;
- Dow Jones Wilshire Electricity Index SM.

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

2. Accounting policies

(a) Statement of compliance

These consolidated financial statements ("financial statements") are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union.

(b) Basis of presentation

The attached financial statements are presented in Romanian Lei ("LEI" or "RON"), rounded to the nearest thousand. The financial statements have been prepared under the historical cost convention, modified to reflect the revaluation of tangible assets and adjusted as required by IAS 29 ("Financial Reporting in Hyperinflationary Economies") up to 31 December 2003. The accounting policies have been consistently applied by Group entities and are consistent with those used in the previous year.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Basis of consolidation

A subsidiary is an entity that is controlled by another entity, known as a parent, as defined in IAS 27 "Consolidated financial statements and accounting for investments in subsidiaries". According to IAS 27, control is presumed to exist when a parent owns more than one half of the voting power of an entity unless, in exceptional circumstances,

it can be clearly demonstrated that such ownership does not constitute control. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Intra-group balances and transactions and any unrealised gains and losses arising from intra-group transactions, are eliminated when preparing the consolidated financial statements.

(d) Property, plant and equipment

Owned assets

Tangible fixed assets, except for other tangible fixed assets and construction in progress, are stated at their revalued amount, less any accumulated depreciation and accumulated impairment losses. Other tangible fixed assets and construction in progress are stated at cost, except for assets acquired before 31 December 2003 which include adjustments for the effects of hyperinflation, less any accumulated depreciation and accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

The information maintained by the Company allows only the identification of historical values after the 1994 revaluation. Consequently, the restated cost of property, plant and equipment acquired before 30 June 1994 has been determined by restating the revalued gross book value according to Government Decisions No. 26/1992 and No. 500/1994 with the consumer price index from 30 June 1994 up to 31 December 2003. The restated cost of property, plant and equipment acquired after 30 June 1994 has been determined by restating the initial cost with the consumer price index from the date of acquisition up to 31 December 2003.

The tangible assets were revalued at fair value as at 31 December 2007, based on the assessment report prepared by an independent assessor, SC JPA Audit & Consultanta SRL, as follows:

- in setting up the value of tangible assets, the assessor considered the official EUR/Leu exchange rate index, the items usability, actual condition and the market price;
- revaluation did not refer to other tangible fixed assets and construction in progress.

Thus, the fair value of tangible assets, except for other tangible fixed assets and construction in progress, was estimated in accordance with the provisions of IAS 16 "Property, plant and equipment" as their

market value; in circumstances when an active market does not exist/is inactive due to the specialized nature of the revalued asset, fair value may differ from market value (net replacement cost or discounted cash flow method).

The difference between the carrying amount and the fair value established in the assessors' report as at 31 December 2007 was recognized as revaluation reserve in equity.

Beginning with May 1, 2009, statutory reserves from the revaluation of fixed assets, including land, recorded after January 1, 2004, which are deducted when calculating taxable income through tax depreciation expenses or assets transferred and/or ceased expenses, is taxed simultaneous with the tax depreciation deduction, or when the assets are disposed, as appropriate.

Statutory reserves from the revaluation of fixed assets, including land, recorded after December 31, 2003 plus the portion of the revaluation performed after January 1, 2004 relating to the period before April 30, 2009 will not be taxed when transferred to reserves representing realized revaluation reserve surplus.

Statutory revaluation reserves of fixed assets are transferred to reserves representing realized revaluation reserve surplus when the revalued assets are disposed, while in the consolidated financial statements the transfer will be reflected in retained earnings.

Statutory realized reserves are taxable in the future, in case of changing the destination of reserves in any form, in case of liquidation, merger and including using the reserves for covering the Company's losses, except for the transfer of revaluation reserves after May 1, 2009, when the revaluation was performed after January 1, 2004.

The tangible assets include also the net book value of assets, whose carrying value remains unchanged, qualifying as State's public patrimony in accordance with GD no. 164/2005. The main aspects regarding this amount are as follows:

- GD no. 164/2005 approved the recognition in the Company's accounting records of the net book value of the assets representing in kind contribution to share capital of the Company, by reducing the value of State's public patrimony.
- GD no. 164/2005 approved the recovery of net book value by including it in the operating expenses throughout the remaining useful life; the operational expense to recover this amount is included in the tariffs;
- The legal status of the tangible assets mentioned in this government decision has not changed and these assets are included in the Concession Agreement no. 1/2004 with the depreciated amount until the GD no. 2060/2004 was adopted.

An allowance for the idle or obsolete tangible assets is recorded in the consolidated financial statements, when these elements are

identified.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent maintenance expenses

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Property, plant and equipment items are depreciated using the straight-line method over their useful lives. The estimated useful lives (in years) used for property, plant and equipment are as follows:

	Useful lives (years)
Buildings and special installations	40-50
Machinery and equipment	15-40
Control devices	7-12
Vehicles	5-8
Other tangible assets	3-5

The useful lives, residual values and depreciation methods are reassessed annually.

(e) Public patrimony assets

As stipulated by Law 213/1998, electricity transmission gridlines are public patrimony items.

The Government Decision No. 627/2000 establishes in the annex No. 8 the public patrimony fixed assets which are under the Group's administration, and which are to be subject to inventory count and confirmation, whenever necessary (GD No. 1045/2000, GD No. 1326/2001, GD No. 45/2003, GD No. 15/2004, GD No. 2060/2004 and GD No. 1705/2006).

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

Prior to signing the concession agreement described below in this note, public patrimony assets were treated as assets contributed to the Group by the Romanian state through its representative MEF, since the Group was not required to pay any fee for the use of these assets and expected to have right of use of the assets for the majority of their useful lives. The public patrimony reserve was transferred to retained earnings in line with the depreciation of the corresponding fixed assets. Such transfer to retained earnings was not recorded through the income statement. The public patrimony fixed assets financed from subsidies were included in the public patrimony equity account when these assets were put into use.

In November 1998, Law No. 213/1998 was issued, which regulated the status of public patrimony. The law stipulates that the State or local authorities have ownership of the public patrimony and that they can rent or grant use of it. According to the provisions of Law no 213/1998 and Law no 219/1998, MEF has signed in the name of State a concession contract in respect of the energy transmission grid (high voltage electric power lines and electric stations) and the land on which they are built. The concession contract No. 1 has been concluded as at 29 June 2004 between MEF and the Group for all the public patrimony fixed assets in balance as at 31 December 2003 and is in effect for 49 years.

Because of the change in the nature of relationship with the Romanian state through its representative MEF, arising from the signing of the concession contract, the Group derecognized all public patrimony assets at 29 June 2004 with the change recorded directly to the public patrimony reserve within equity. Following the signing of the concession agreement the Group now treats the public patrimony assets to which it has right of use, as assets under operating lease. Payments under the concession agreement (royalty) are recognized as an expense in the income statement based on the revenues recorded by the Group during the year.

During 2005 - 2007, 3 addendums to the concession contract were signed. As a result, the public patrimony assets obtained after 29 June 2004, using the development funds were derecognized.

The main terms of the concession agreement are as follows:

- MEF has legal title to the leased assets;
- The Group has been granted right of use of these assets for a period of 49 years from 1 June 2004 until 31 May 2053;
- The annual charge under the form of royalty for use of the assets is determined by the Government and represents 1/1000 of the total revenue from electricity transmission services, based on quantities transmitted;

- The leased assets will be returned to MEF upon termination or expiration of the agreement; the agreement can be terminated unilaterally by either party;
- The Group has the obligation to use the assets according to the destination specified in the concession agreement and to the operating license.

The amount that the Group paid under the concession agreement for the period 1 January - 31 December 2009 is significantly less than the amount of the depreciation that the Group would have recorded on the comparable public patrimony assets had the concession agreement not been signed. However, the Group has not recorded any amount related to the possible benefit ensuing from the signing of the concession agreement because the Group is unable to determine the amount that a third party would pay for the use of the assets in an arm's length transaction.

Investments made by the Group regarding the assets from the concession agreement are capitalized and depreciated over the remaining useful life of that asset and increase the value of the public patrimony assets after they have been fully depreciated.

(f) Intangible assets

The intangible assets of the Group are stated at their cost less any accumulated amortization and accumulated impairment losses. The amortization is recognized in the income statement based on a straight-line basis over the estimated useful life of the intangible asset. Intangible assets consist mainly of intangibles in progress and customized software, which are amortized on a straight-line basis over 3-5 years.

(g) Financial investments

The Group classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short term is defined as 3 months. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-

current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortized cost using the effective yield method. Realized and unrealized gains and losses arising from changes in the fair value of trading and available-for-sale investments are included in the statement of income in the period in which they arise. The fair value of investments is based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment. When securities classified as available-for-sale are sold or impaired the accumulated fair value adjustments are included in the statement of income as gains and losses from investment securities.

(h) Foreign currency transactions

Transactions in foreign currencies are translated to LEI by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are translated to LEI at the exchange rates prevailing on that date. Exchange gains and losses, realised or unrealised, are included in the income statement for that year. The exchange rates at 31 December 2009 and 31 December 2008 are as follows:

Currency	31 Dec. 2009	31 Dec. 2008
1 EUR	4.2282	3.9852
1 USD	2.9361	2.8342
100 JPY	3.1778	3.1419

(i) Receivables

Receivables include invoices issued and not cashed at 31 December 2009 in nominal terms which relate to the services rendered during the six month period ended 31 December 2009. Receivables are stated at amortised cost less impairment losses. The amortised cost approximates the nominal value. Ultimate losses may vary from the current estimates.

(j) Inventories

Inventories consist of consumables, spare parts, buffer stock and other inventories necessary for the activity of the Group. These materials are recorded as inventories when purchased and then expensed or capitalised, as appropriate, when consumed.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion, if any, and selling expenses.

(k) Cash and cash equivalents

Cash includes cash on hand, in current accounts and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

The Group's policy is to book a provision of 100% for bankrupted clients and of 50% from the trade receivables due for more than 270 days, except for clients with whom the Group concluded reschedule agreements.

(i) Computation of recoverable amount

The recoverable amount of held to maturity investments and receivables carried at amortized cost is computed as the present value of estimated future cash flows, discounted with the original effective interest rate related to these assets. The short-term receivables are not discounted. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment loss

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Share capital

The Group recognizes the changes in share capital in accordance with the legislation in force and only after their approval in the General

Extraordinary Shareholders Meeting and their authorisation by the Trade Registry Office.

(n) Dividends

Dividends are recognized as a liability in the period in which their distribution is approved.

(o) Accounts and other payables

Trade accounts payable and other payables are stated at amortized cost and include invoices for deliveries, contracted work and services.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(q) Financial instruments

Financial assets and financial liabilities include cash and cash equivalents, trade and other accounts receivables, investments, trade and other payables, and borrowings. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income as incurred. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

(r) Tax on profit

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in

respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The impact of tax rates changes on deferred tax is recognized in the consolidated income statement, except when it refers to previous positions directly recognized in the equity.

(s) Related parties

Parties are considered related when one controls directly or indirectly, or is in the position to exert significant influence on another party, through ownership, contractual rights, and family relationship or otherwise.

(t) Employee benefits

The Group, in the normal course of business, makes payments to the pension funds on behalf of its employees. All employees of the Group are members of the Romanian State pension plan.

According to Government Decisions No. 1041/2003 and No. 1461/2003, the Company provides benefits in kind in the form of free electricity to the employees who retired from the Predecessor Entity.

According to the Collective Labour Contract, the Company provides both loyalty and seniority bonuses to employees and also retirement benefits to former employees.

The benefits provided by the Company consist of:

- loyalty bonuses in the range of 5% to 25% of monthly gross basis salary;
- seniority bonuses in the range of 1% to 10% of monthly gross basis salary;
- retirement prizes which range from 1 to 5 monthly gross basis salaries based on the employment period within the Company at the retirement date;
- jubilee premiums in range of 1 to 5 monthly gross basis salary depending on the employment period within the Group.

- free energy provided after retirement, as follows:

- kWh 1.800 per year according to the Collective Labour Contract;
- kWh 1.200 per year according to the Government Decisions No. 1041/2003 and No. 1461/2003.

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations relating to employee benefits were determined by Mr. Silviu Matei, authorised actuary (authorisation no. 1342/12.04.2007) following the provisions of contract no. 8/23 January 2008 concluded with the Company based on the applicable public acquisition regulations.

(u) Revenue

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the associated costs can be estimated reliably. Revenues comprise mainly the value of electricity transmission services and ancillary services computed based on volume of energy traded. Revenues include also the transactions on the balancing market as described in Note 1.

The State, through the ANRE, regulates the prices that the Company may charge for services related to transmission of electricity and market and network administration services. The State has a number of roles to fulfil, apart from the shareholder one, and thus may have broader goals and objectives than an investor whose key concern is return on investments.

(v) Development tax and special destination fund for the energy sector

In accordance with the requirements of Government Ordinance No.

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

26/1999 a development tax was included in the tariffs of the electricity delivered to the eligible consumers which is collected by relevant distributors in the electricity sector and paid to MEF together with related penalties, if any.

Until 31 December 2004, MEF allocated the development tax which has been collected to the companies which are within the electricity sector (including the Group), in order to be used for the development of the electricity system, on an investment project basis. Development tax allocated to the Company is accounted for as described in Note 2 (x).

Starting with 1 January 2005, according to Government Emergency Ordinance ("OUG") No. 89/2004 approved by Law No. 529/2004, the development tax is no longer transferred to the State Budget. The Company will record reserves up to the limit of 6% of revenues from transmission of energy, not greater than the accounting profit, deductible for fiscal purposes. These reserves are used for financing in-house investments regarding modernization and developments of energy objectives according to the requirements stipulated by OUG No. 89/2004. These requirements are in force until 31 December 2006.

(w) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, except borrowings costs capitalized to qualifying assets, interest receivable on funds invested, dividend income, foreign exchange gains and losses, commitment fees and risk commissions.

In accordance with revised IAS 23, the Group capitalizes the borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale that started after 1 January 2009.

Interest income is recognised in the income statement as it Group's accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

(x) Subsidies

Initially, subsidies are accounted for in the balance sheet as deferred income when there is reasonable assurance that they will be received and the Group will comply with the conditions attaching to it, if any, and recognized as income at the moment of recognition of the related costs (i.e. depreciation of the fixed asset to which the subsidy relates or consumption of inventories to which the subsidy relates).

(y) Subsequent events

The accompanying financial statements reflect post-year-end events

that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events). Post-year-end events that are not adjusting events are disclosed in the notes when they are considered to be material.

(z) Provisions

A provision is recognized when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event; it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; a reliable estimate for the value of the obligation can be made. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(aa) Earnings per share

Pursuant to IAS 33, earnings per share ("EPS") are calculated by dividing the profit or loss allocated to the shareholders of the Group by the weighted average number of shares outstanding during the fiscal period.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions. The objective of diluted earnings per share is consistent with that of basic earnings per share, namely to provide a measure of the interest of each ordinary share in the performance of an entity.

(bb) Contingencies

Contingent liabilities are not recognized in the accompanying financial statements. They are disclosed only when the possibility of an outflow of resources embodying economic benefits is possible but not probable.

A contingent asset is not recognized in the accompanying financial statements but disclosed when an inflow of economic benefits is probable.

(cc) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The activities are taking place in different parts of Romania with each location being involved in both transmission and dispatch activities. The management of the Group considers all activities together, as "a single segment".

(dd) Comparatives

The financial statements for the year ended 31 December 2009 are comparable to the financial statements for the year ended 31 December 2008. Where necessary, comparative figures have been reclassified in order to match the changes in the presentation of the current year financial statements.

(ee) Implication of new IFRSs

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but which the Group has not early adopted. Management considered the following new standards, amendments and interpretations to existing standards:

- IFRIC 12 ("Service Concession Arrangements") effective for first annual reporting period beginning on or after 1 April 2009. The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. The Group has not yet completed its analysis of the impact of the new interpretation.
- IFRIC 16 ("Hedges of a Net Investment in a Foreign Operation") effective for annual periods beginning on or after 1 July 2009. The Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation. IFRIC 16 is not relevant to the Group's financial statements as the Group does not have any investments in a foreign operation.
- Revised IFRS 3 ("Business Combinations") effective for annual periods beginning on or after 1 July 2009. The scope of the revised Standard has been amended and the definition of a business has

been expanded. The revised Standard also includes a number of other potentially significant changes including: all items of consideration transferred by the acquirer are recognised and measured at fair value as of the acquisition date, including contingent consideration; transaction costs are not included in the acquisition accounting; the acquirer can elect to measure any non-controlling interest at fair value at the acquisition date, or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquirer; acquisitions of additional non-controlling equity interests after the business combination must be accounted for as equity transactions. The Group considers that this standard does not have a significant impact over the financial statements.

- Revised IAS 27 ("Consolidated and Separate Financial Statements") effective for annual periods beginning on or after 1 July 2009. In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The Group has not yet completed its analysis of the impact of the revised Standard.
- Amendment to IAS 39 ("Financial Instruments: Recognition and Measurement") effective for annual periods beginning on or after 1 July 2009. The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances. The amendments to IAS 39 are not relevant to the Group's operations as the Group does not apply hedge accounting.
- IFRIC 15 ("Agreements for the Construction of Real Estate") effective annual periods beginning on or after 1 January 2010. The Interpretation clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity. The Group considers that this interpretation does not have a significant impact over the financial statements.
- IFRIC 17 ("Distributions of Non-cash Assets to Owners") effective annual periods beginning on or after 1 November 2009. The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed.

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

The carrying amount of the dividend payable shall be re-measured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss. The Group considers that this standard does not have a significant impact over the financial statements.

- IFRIC 18 ("Transfers of Assets from Customers") effective annual periods beginning on or after 1 November 2009. The Interpretation applies to the accounting by entities that receive contributions of property, plant and equipment from their customers. The interpretation requires an entity that receives a contribution in the scope of the interpretation to recognize the item as an asset at its fair value if the contributed item meets the criteria for property, plant and equipment in IAS 16 "Property, Plant and Equipment". The Interpretation also requires the entity to recognize the amount as revenue; the timing of the revenue recognition will depend on the facts and circumstances of particular agreement. The Group has not yet completed its analysis of the impact of the revised Standard.
- Amendment to IAS 32 ("Financial Instruments: Presentation – Classification of Rights Issues") effective for annual period beginning on or after 1 February 2010. The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency, are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendments are not relevant to the Group's financial statements.

New standards, amendments and interpretations not yet approved by the European Union

Certain new standards, amendments and interpretations to existing standards have been published, but have not yet been approved by the European Union. Management considered the following new standards, amendments and interpretations to existing standards:

- Amendments to IFRS 2 ("Share-based Payment – Group Cash-settled Share based Payment Transactions"). The amendments to the Standard require that an entity receiving goods or services in a share-based payment transaction that is settled by any other entity in the group or any shareholder of such an entity in cash or other assets to recognise the goods or services received in its financial statements. Previously group cash-settled share-based

payment transactions were not addressed directly in IFRS 2. The amendments to IFRS 2 are not relevant to the Group's financial statements as the Group does not have any share-based compensation plans.

- IFRS for Small and Medium-sized Entities. The IFRS for SMEs does not contain an effective date; instead, it will take effect from a date determined by the national regulator in each jurisdiction. The IFRS for SMEs is intended to facilitate financial reporting by small and medium-sized entities (SMEs) that want to use international standards by providing an accounting standard suitable for them. It is a simplified and slimmed-down version of full IFRSs and is available for entities that do not have public accountability. It will be up to the national regulators and legislators to decide who is permitted or required to IFRS for SMEs in each jurisdiction. These standards are not relevant to the Group as the Group is not a small and medium sized entity.
- IFRS 9 ("Financial Instruments"). This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.
- Financial assets will be classified into one of two categories on initial recognition:
 - financial assets measured at amortized cost; or
 - financial assets measured at fair value.
- A financial asset is measured at amortized cost if the following two conditions are met: the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.
- Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date. The Group has not yet completed its analysis of the impact of the revised Standard.
- Revised IAS 24 ("Related party disclosures"). The revised Standard adds new relationships to the definition of a related party and addresses disclosure exemptions for the government-related entities. The Group has not yet completed its analysis of the impact of the revised Standard.
- Amendment to IFRIC 14 IAS 19 ("The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"). The amendment of IFRIC 14 addresses the accounting treatment

for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset. The Group has not yet completed its analysis of the impact of the revised Standard.

- IFRIC 19 ("Extinguishing Financial Liabilities with Equity Instruments"). The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41. The Group did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Group's financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

(ff) Adoption of standards effective from 1 January 2009

As of 1 January 2009, the Company adopted the IFRSs below, after they have been approved by European Union. The financial statements have been amended as required, in accordance with the relevant requirements.

- IFRS 8 ("Operating Segments") effective from 1 January 2009. The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. The Group considers that the new standard does not have an impact over the financial statements, because the management of the Group considers all activities together, as "a single segment".
- Revised IAS 1 ("Presentation of Financial Statements") effective from 1 January 2009. The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group decided to present two separate statements.
- Revised IAS 23 ("Borrowing Costs") effective from 1 January 2009. The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Group applies the revised IAS 23 starting with 1 January 2009.

- Amendments to IAS 27 ("Consolidated and Separate Financial Statements") effective for annual periods beginning on or after 1 January 2009. The amendments remove the definition of "cost method" currently set out in IAS 27, and instead require all dividends from a subsidiary, jointly controlled entity or associate to be recognised as income in the separate financial statements of the investor when the right to receive the dividend is established. In addition, the amendments provide guidance when the receipt of dividend income is deemed to be an indicator of impairment. Amendments to IAS 27 are not relevant as these are the consolidated financial statements of the Group.
- Amendments to IAS 32 ("Financial Instruments: Presentation") and IAS 1 ("Presentation of Financial Statements") effective for annual periods beginning on or after 1 January 2009. The amendments introduce an exemption to the principle otherwise applied in IAS 32 for the classification of instruments as equity; the amendments allow certain puttable instruments issued by an entity that would normally be classified as liabilities to be classified as equity if and only if they meet certain conditions. The amendments are not relevant to the Group's financial statements.

The adoption of the new or amended standards did not have a significant impact on the Group's consolidated financial statements.

CONTENTS

2	I. INTRODUCTION
	Profile
	Key figures 2008/2009
	Message from the CEO
	2009 in brief

10	II. MANAGEMENT OF THE ELECTRIC POWER SYSTEM
	Consumption
	Imports/exports
	Tariff
	Imbalance volumes
	Operational security
	Meeting the interconnected operation with the UCTE power system
	Critical infrastructure protection

22	III. LIBERALISED ELECTRICITY MARKET
	Market players
	Balance management
	Ancillary services
	Capacity allocation at borders
	Trading volumes
	Market facilitator-green certificates

28	IV. OPERATION AND MAINTENANCE
	Major investments and commissioning
	Planning Romanian electricity transmission grid
	Grid maintenance

36	V. RESPECT FOR PEOPLE, ENVIRONMENT AND SOCIETY
	Respect for our people
	Respect for environment and society

42	VI. INTERNATIONAL COOPERATION
----	-------------------------------

44	VII. MANAGEMENT AND SHAREHOLDERS
	Information for shareholders
	Corporate governance
	Risk management
	Corporate structure and strategy

58	VIII. CONSOLIDATED FINANCIAL STATEMENTS - IFRS
----	--

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

3. Property, plant and equipment

The movements of property, plant and equipment from 1 January 2007 to 31 December 2009 are as follows:

	Land and land improvements	Buildings and special installations	Machinery and equipment	Control devices	Vehicles	Other fixed assets	Construction in progress	Total
COST								
Balance as at 1 Jan. 2007	10,280	2,345,087	1,805,519	213,794	54,812	24,137	570,462	5,024,091
Additions	625	2,139	1,925	1,061	1,824	529	251,210	259,313
Transfers from construction in progress	-	30,254	266,015	48,444	2,073	1,966	(348,752)	-
Disposals	-	(16,242)	(39,946)	(4,361)	(1,196)	(357)	-	(62,102)
Balance as at 31 Dec. 2007	10,905	2,361,238	2,033,513	258,938	57,513	26,275	472,920	5,221,302
Additions	3,277	2,421	1,107	1,267	2,020	2,133	382,931	395,156
Transfers from construction in progress	9	133,045	286,868	28,826	385	6,326	(455,459)	-
Disposals	(6)	(3,146)	(29,145)	(2,330)	(884)	(355)	-	(35,866)
Balance as at 31 Dec. 2008	14,185	2,493,558	2,292,343	286,701	59,034	34,379	400,392	5,580,592
Additions	870	239	393	5,267	1,898	598	350,309	359,574
Transfers from construction in progress	54	23,637	136,999	28,445	234	20,060	(209,429)	-
Disposals	(2)	(8,822)	(18,504)	(8,177)	(8,822)	(321)	-	(44,648)
Balance as at 31 Dec. 2009	15,107	2,508,612	2,411,231	312,236	52,344	54,716	541,272	5,895,518
ACCUMULATED DEPRECIATION								
Balance as at 1 Jan. 2007	-	1,357,542	1,122,145	140,352	49,833	18,499	-	2,688,371
Depreciation expense	-	69,227	101,134	7,211	2,797	2,457	-	182,826
Accumulated depreciation of disposals	-	(9,508)	(39,315)	(4,168)	(1,294)	(289)	-	(54,574)
Balance as at 31 Dec. 2007	-	1,417,261	1,183,964	143,395	51,336	20,667	-	2,816,623
Depreciation expense	-	85,477	118,827	22,126	3,093	2,743	-	232,266
Accumulated depreciation of disposals	-	(2,000)	(25,928)	(2,259)	(802)	(337)	-	(31,326)
Balance as at 31 Dec. 2008	-	1,500,738	1,276,863	163,262	53,627	23,073	-	3,017,563
Depreciation expense	-	87,019	130,478	23,997	3,209	4,404	-	249,087
Accumulated depreciation of disposals	-	(5,945)	(15,237)	(7,726)	(8,565)	(167)	-	(37,640)
Balance as at 31 Dec. 2009	-	1,581,812	1,392,104	179,513	48,271	27,310	-	3,229,010

	Land and land improvements	Buildings and special installations	Machinery and equipment	Control devices	Vehicles	Other fixed assets	Construction in progress	Total
REVALUATION RESERVES								
Balance as at 1 Jan. 2007	-	-	-	-	-	-	-	-
Increase in revaluation reserve	57,378	227,293	15,216	3,034	156	-	-	303,077
Release of revaluation surplus	-	-	-	-	-	-	-	-
Balance as at 31 Dec. 2007	57,378	227,293	15,216	3,034	156	-	-	303,077
Increase in revaluation reserve	-	-	-	-	-	-	-	-
Release of revaluation surplus	-	-	-	-	-	-	-	-
Balance as at 31 Dec. 2008	57,378	227,293	15,216	3,034	156	-	-	303,077
Increase in revaluation reserve	-	-	-	-	-	-	-	-
Release of revaluation surplus	-	-	-	-	-	-	-	-
Balance as at 31 Dec. 2009	57,378	227,293	15,216	3,034	156	-	-	303,077
CARRYING VALUE								
Balance as at 1 Jan. 2007	10,280	987,545	683,374	73,442	4,979	5,638	570,462	2,335,720
Balance as at 31 Dec. 2007	68,283	1,171,270	864,765	118,577	6,333	5,608	472,920	2,707,756
Balance as at 31 Dec. 2008	71,563	1,220,113	1,030,696	126,473	5,563	11,306	400,392	2,866,106
Balance as at 31 Dec. 2009	72,485	1,154,093	1,034,343	135,757	4,229	27,406	541,272	2,969,585

The additions of property, plant and equipment include also transfers of construction in progress. Construction in progress is represented mainly by modernization works for electric lines, stations and advances to suppliers of fixed assets. During 2009, the major transfers from construction in progress to fixed assets were represented by:

- Improve safety related to installations of Bucuresti Sud substation;
- Modernization of the Cernavoda station;
- Modernization of 400/220/110 kV Gutina substation;
- Modernization of the main circuits from 220/110 kV Isalnita station;

Building and special installations are represented mainly by transformation stations and high voltage power gridlines. Machinery and equipment are represented mainly by transformers, measurement equipment and means of communications relating to the electric power network of 110 kV, 220 kV, 400 kV and 750 kV.

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

4. Intangible assets

The movements in intangible assets from 1 January 2007 to 31 December 2009 are the following:

	Licences and patents	Other intangible assets	Intangible assets in progress	Total
COST				
Balance as at 1 Jan. 2007	2,444	18,377	22,040	42,861
Additions	859	3,236	6,118	10,213
Transfers from intangible assets in progress	-	4,112	(4,112)	-
Disposals	(328)	(67)	-	(395)
Balance as at 31 December 2007	2,975	25,658	24,046	52,679
Additions	110	793	4,265	5,168
Transfers from intangible assets in progress	372	1,553	(1,925)	-
Disposals	-	(28)	-	(28)
Balance as at 31 December 2008	3,457	27,976	26,386	57,819
Additions	19	300	5,077	5,396
Transfers from intangible assets in progress	542	7,720	(8,262)	-
Disposals	(95)	(263)	-	(358)
Balance as at 31 December 2009	3,923	35,733	23,201	62,857
Accumulated amortisation				
Balance as at 1 January 2007	2,220	7,989	-	10,209
Amortisation expense	324	6,166	-	6,490
Accumulated amortisation of disposals	(247)	(55)	-	(302)
Disposals for no consideration	-	-	-	-
Balance as at 31 December 2007	2,297	14,100	-	16,397
Amortisation expense	745	7,545	-	8,290
Accumulated amortisation of disposals	-	(11)	-	(11)
Balance as at 31 December 2008	3,042	21,634	-	24,676
Amortisation expense	509	7,527	-	8,036
Accumulated amortisation of disposals	(95)	(188)	-	(283)
Balance as at 31 December 2009	3,456	28,973	-	32,429
Carrying value				
Balance as at 1 January 2007	224	10,388	22,040	32,652
Balance as at 31 December 2007	678	11,558	24,046	36,282
Balance as at 31 December 2008	415	6,342	26,386	33,143
Balance as at 31 December 2009	467	6,760	23,201	30,428

Intangible assets in progress are represented mainly by software related to Electricity Exchange and electricity balancing market.

5. Financial investments

As at 31 December 2009 and 31 December 2008, all available for sale securities are carried at cost because they are not publicly traded and management of the Group is not able to measure reliably their fair value.

6. Inventories

As at 31 December 2009 and 31 December 2008 inventories are as follows:

	31 Dec. 2009	31 Dec. 2008
Spare parts, consumables and other materials	35,266	31,309
Auxiliary materials	3,385	4,915
Other inventories	2,857	6,676
Total	41,508	42,900

7. Trade and other receivables

As at 31 December 2009 and 31 December 2008 trade and other receivables are as follows:

	31 Dec. 2009	31 Dec. 2008
Trade receivables	582,849	781,092
Other receivables	27,636	35,383
VAT receivable	5,564	8,201
Income tax receivable	25,425	24,784
Allowance for doubtful receivables	(7,591)	(1,139)
Total	633,883	848,321

Other receivables in amount of 27,636 include late payment interest with a value of 15,330 (the highest amount was invoiced to Total Electric Oltenia SA in amount of 2,140).

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

As at 31 December 2009 and 31 December 2008 trade receivables are as follows:

	31 Dec. 2009	31 Dec. 2008
Clients – energy market	570,283	765,484
Other clients	12,566	15,608
Total	582,849	781,092

The most important clients from energy market are: SC Electrica SA, SC Enel Energie Muntenia Sud SA, SC E-ON Moldova Furnizare SA, SC Societatea Nationala Nuclearelectrica SA, SC Complexul Energetic Craiova SA, SC Enel Energie SA, SC Electrica Furnizare Muntenia Nord

SA, SC Electrica Furnizare Transilvania Sud SA, SC Hidroelectrica SA and SC CEZ Vanzare SA. As at 31 December 2009 and 31 December 2008, these clients represent 56% and 59%, respectively from the total clients from the energy market.

8. Cash and cash equivalents

As at 31 December 2009 and 31 December 2008 cash and cash equivalents are as follows:

	31 Dec. 2009	31 Dec. 2008
Cash and cash equivalents	162,906	223,318
Petty cash	150	136
Other cash equivalents	554	765
Total	163,610	224,219

For the purpose of the consolidated cash flow statement, cash and cash equivalents as at 31 December 2009 and 31 December 2008 are as follows:

	31 Dec. 2009	31 Dec. 2008
Cash and cash equivalents	163,610	224,219
Short term loans (credit lines) (see Note 11)	(40,176)	(12,058)
Total	123,434	212,161

9. Shareholders' equity

Share capital

As at 31 December 2009, the authorised issued and fully paid up share capital of the Company consists of 73,303,142 ordinary shares with a nominal value of 10 LEI/share.

As at 31 December 2009, the shareholding structure is as follows:

Shareholder	Number of shares	Nominal value	% from share capital
Romanian State through MEF	54,015,781	540,158	73.69%
Fondul Proprietatea	9,895,212	98,952	13.5%
Private investors	9,329,149	93,921	12.81%
Total	73,303,142	733,031	100%

As at 31 December 2009, the share capital in amount of 1,091,526 includes the effect of restatements relating to prior periods, required by the application IAS 29 "Financial Reporting in Hyperinflationary Economies", as described in Note 2 (b). The reconciliation of share capital is as follows:

Share capital (nominal value)	733,031
Restatement difference in accordance with IAS 29	358,495
Restated share capital balance	1,091,526

The holders of shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Share premium

All shares issued within the capital increase by initial primary public offer from 2006 were subscribed and wholly paid against the issue price. The share premium amounting to 49,843, namely the difference between the issue price and the nominal value, was recorded in the Company's reserve account.

Legal reserves

Legal reserves in the amount of 37,630 as at 31 December 2009 and 37,226 as at 31 December 2008, respectively, represent legal reserves according to the statutory financial statements and cannot be distributed. Legal reserves include the effect of restatements relating to prior periods, required by the application IAS 29 "Financial Reporting in Hyperinflationary Economies". The reconciliation of legal reserves is as follows:

Legal reserves (statutory amount)	37,438
Restatement difference in accordance with IAS 29	192
Restated legal reserves balance	37,630

Revaluation reserves

The revaluation reserve is in amount of 276,201 as at 31 December

2009 and 303,077 respectively as at 31 December 2008. The revaluation reserve is transferred to the retained earnings in line with the disposal of the corresponding tangible assets. The decrease in the revaluation reserve is the effect of amendments made to the Fiscal Code beginning with 1 May 2009 (see Note 14 and 22v)).

Other reserves

As at 31 December 2009, other reserves are in amount of 922, representing land for which the title deeds were obtained.

As described in Note 22, land for which the title deeds are obtained is first recognized in other reserves and followed by an increase in share capital after it is recorded at the Romanian Trade Register Office.

Retained earnings

Retained earnings represent the accumulated results of the Group. The retained earnings are distributable based on the statutory non-consolidated financial statements.

The value of dividends approved for distribution from 2008 profit was 21,991. The value of unpaid dividends as at 31 December 2009 and as at 31 December 2008 is 1,567 and 1,267 respectively.

10. Deferred income

Deferred income includes mainly the special fund for development of the energy system received from the Ministry of Economy and Finance, connection fees, the allocation of interconnection capacity and other subsidies. During 2009, the Group received subsidies in amount of 94,387, mainly represented by the connection fees in amount of 88,247 and investments financed through non refundable Phare loans in amount of 3,110.

The movement of long term deferred income for 31 December 2009 and for 31 December 2008 is as follows:

	31 Dec. 2009	31 Dec. 2008
Opening balance	152,795	128,065
Subsidies received	94,387	41,098
Release of deferred income	(16,270)	(16,368)
Total	230,912	152,795

The movement of short term deferred income for 31 December 2009 and for 31 December 2008 is as follows:

	31 Dec. 2009	31 Dec. 2008
Opening balance	8,508	18,544
Revenues in advance related to interconnection capacity	88,071	135,540
Revenues from consumption of the interconnection capacity	(93,434)	(145,576)
Total	3,145	8,508

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

11. Borrowings

Long term loans

As at 31 December 2008 and 31 December 2007 long term loans are as follows:

Description	31 Dec. 2009	31 Dec. 2008
EBRD 906 (a)	60,451	72,941
EIB 20.864 (b)	184,887	203,305
KfW 9787 (c)	13,920	19,007
West LB (d)	17,634	22,161
NIB PIL No 02/18 (e)	43,833	47,290
IBRD 7181 (f)	282,404	278,777
NIB PIL No 03/5 (g)	87,524	91,660
NIB PIL No 02/37 (h)	46,853	49,067
KfW 10431 (i)	73,942	78,454
BCR – World Trade Centre 398 (j)	20,000	25,000
Calyon (k)	12,583	16,195
KfW 11300 (l)	103,385	110,159
JBIC (m)	58,306	65,883
Raiffeisen Austria (n)	16,905	19,121
EBRD 33354 (o)	44,683	49,162
Alpha Bank (p)	37,000	-
Less: Current amount of the long term loans	(157,099)	(136,911)
Total long term loans, net of current amounts	947,211	1,011,271

Long term loans are detailed as follows:

(a) Loan from EBRD No. 906

The purpose of the loan was to finance the Rehabilitation of Transmission – Dispatch System. The total amount outstanding is as at 31 December 2009 USD 20,588,800. The loan bears six months LIBOR plus 1% interest rate. Repayment is scheduled over 10 years from 2004 to 2013.

The loan agreement includes certain financial covenants: (i) a Debt Service Cover Ratio of not less than 1.3; (ii) a ratio of Long Term Debt to Equity of not more than 2.3; (iii) a ratio of Current Assets to Current

Liabilities, of not less than 1.2; (iv) a ratio of Total Operating Revenues to total Operating Expenses of not less than 1.3 and (v) maintain during the 30 day period preceding each interest payment date, in a Debt Service Account, a minimum balance equal to 100% of the amount of principal, interest and other amounts scheduled to become due and payable to the bank at the next interest payment date.

(b) Loan from EIB No. 20.864

The total amount outstanding as at 31 December 2009 under the loan agreement, which was concluded in 2000, is EUR 43,727,124. The loan bears a variable interest rate, being the interest rate applicable at the date of the disbursement notice. Repayment is scheduled over 10 years in 20 instalments from 2006 to 2015. The purpose of the loan is to finance the Rehabilitation of Transmission – Dispatch System.

The loan agreement includes certain financial covenants: (i) a Debt Service Cover Ratio of not less than 1.3; (ii) a ratio of Long Term Debt to Equity of not more than 2.3; (iii) a ratio of Current Assets to Current Liabilities, of not less than 1.2; and (iv) a ratio of Total Operating Revenues to total Operating Expenses of not less than 1.3.

(c) Loan from KfW No. 9787

The loan from KfW was granted on 18 September, 2001. The total amount outstanding as at 31 December 2009 is EUR 3,292,181. The purpose of the loan is to finance the Rehabilitation of the 400/110 kV Constanta Nord Switching Station. The loan bears a variable interest rate of six months EURIBOR plus 0.725% margin. Repayment is scheduled over 9 years in 17 instalments from 2004 to 2012.

(d) Loan from West LB

The loan from West LB was granted on 5 February 2002. The total amount outstanding as at 31 December 2009 is EUR 4,170,686. The purpose of the loan is to finance the Rehabilitation of 400/110 kV Oradea Sud Station. The loan bears a variable interest rate, which is the interest rate of six months EURIBOR plus 0.5%. Repayment is scheduled over 9 years in 17 instalments from 2004 to 2012.

(e) Loan from NIB PIL No. 02/18

The loan from NIB was granted in 2003. The total amount outstanding as at 31 December 2009 is USD 14,928,983. The purpose of loan is to finance the rehabilitation of Switching Station 400/210 kV Slatina. The loan bears a variable interest rate of six months LIBOR plus 0.9% margin. Repayment is scheduled over 10 years in 20 instalments from 2008 to 2018.

(f) Loan from IBRD No 7181

The loan from IBRD was granted in 2003 for the objective "Electricity Market". The total amount outstanding as at 31 December 2009 is EUR 66,790,676. The loan bears a variable interest rate which, being the cost of qualified loans granted by IBRD on the financial market. The repayment is performed biannually, starting 15 July 2008, the last instalment being scheduled on 15 January 2020.

The loan agreement includes certain financial covenants: (i) a Debt Service Cover Ratio of not less than 1.3; (ii) a ratio of Current Assets to Current Liabilities, of not less than 1.2.

(g) Loan from NIB PIL No. 03/5

The loan from NIB was granted at 12 November 2004 for the rehabilitation of 400/220/110 kV Gutinas Station. The amount outstanding as at 31 December 2009 is EUR 20,700,000. The interest rate is six months EURIBOR plus 0.85%. Repayment is performed biannually, in equal instalments starting 15 March 2009, the last instalment being scheduled on 15 September 2018.

(h) Loan from NIB PIL No. 02/37

The loan was granted by NIB on 25 February 2004 for the rehabilitation of Rosiori Station. The amount outstanding as at 31 December 2009 is EUR 11,081,095. Interest rate is six months EURIBOR plus 0.90%, repayment is performed biannually in equal instalments starting 15 September 2008, the last instalment being scheduled on 15 September 2018.

(i) Loan from KfW No. 10431

The loan has been granted by KfW on 12 August 2004 for the objective of the rehabilitation of 400/220/110 kV Sibiu Sud Station. The amount outstanding as at 31 December 2009 is EUR 17,487,709. The interest rate is six months EURIBOR plus 0.60%, the repayment being performed biannually, in equal instalments

starting with 31 January 2008, the last instalment being scheduled on 31 July 2017.

(j) Loan from BCR No. 398

The loan was granted by BCR on 7 October 2004 representing advance financing of the modernization of Bucuresti Sud and Sibiu Sud Stations. The amount outstanding as at 31 December 2009 is RON 20,000,000. Interest rate is six months BUBOR plus 0.5%, the repayment is performed biannually, in equal instalments starting with 15 April 2007, the last instalment being scheduled on 13 October 2013.

(k) Loan from Calyon

The loan was granted by Calyon on 12 March 2003 for financing of the rehabilitation of Switching Station 400/220 kV Slatina. The amount outstanding as at 31 December 2009 is USD 4,285,714. Interest rate is six months LIBOR plus 0.7%, the non-utilization commission being 0.3%. Repayment is performed biannually in 14 equal instalments, starting with 30 June 2006 until 30 December 2012.

(l) Loan from KfW No. 11300

The loan has been granted by KfW on 12 August 2004 for the rehabilitation and modernization of Bucuresti Sud Station. The amount outstanding as at 31 December 2009 is EUR 24,451,251. The interest rate is six months EURIBOR plus 0.60%, the repayment being performed biannually, in equal instalments starting with 31 January 2008, the last instalment being scheduled on 31 July 2017.

(m) Loan from JBIC

The loan has been granted by JBIC on 25 June 2004 for the rehabilitation of Brazi Station. The amount outstanding as at 31 December 2009 is JPY 1,834,797,000. The interest rate is 3.10%, the repayment being performed biannually, in equal instalments starting with 15 March 2007, the last instalment being scheduled on 15 September 2016.

(n) Loan from Raiffeisen Zentralbank Osterreich AG

The loan was granted by Raiffeisen Austria on 14 March 2006 for the rehabilitation of 11 stations. The amount outstanding as at 31 December 2009 is EUR 3,998,246. The interest rate is six months

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

EURIBOR plus 0.50%, the repayment being performed biannually, in 12 equal instalments starting with 10 May 2009, the last instalment being scheduled on November 2014. This loan is guaranteed by Coface. According to addendum from 22 December 2008, the loan was reduced from EUR 5,458,646 to EUR 4,797,895.

(o) Loan from EBRD No. 33354

The loan has two components: A Loan granted by EBRD in an amount not to exceed EUR 18,200,000 and B Loan in an amount not to exceed EUR 5,000,000. The loan has been reduced in 14 April 2007 up to EUR 16,326,155 (A loan EUR 12,807,587 + B loan EUR 3,518,568). The amount outstanding as at 31 December 2009 is EUR 8,482,661 for A loan and EUR 2,085,126 for B loan. The interest rate is six months EURIBOR plus 3.00% for A Loan and six months EURIBOR plus 2.75% for B Loan, the repayment being performed biannually, for A Loan in 18, respectively the B Loan in 14 equal instalments starting with 25 November 2007, the last instalments being scheduled on November 2016 for A Loan and May 2014 for B Loan.

The loan agreement includes certain financial covenants: (i) a Debt

Service Cover Ratio of not less than 1.5, (ii) a ratio of Long Term Debt to Equity of not more than 2, (iii) a ratio of Current Assets to Current Liabilities, of not less than 1.2.

(p) Loan from Alpha Bank

The loan was granted by Alpha Bank in July 2009 for the rehabilitation of Gutinas, Bucuresti Sud, Isalnita, Gura Ialomisei and Gadalini stations. The amount outstanding as at 31 December 2009 is RON 37,000,000. The loan bears a variable interest rate of six months ROBOR plus 2% margin. Repayment is scheduled over 5 years in 10 instalments from 2010 to 2014.

Long term loans are repayable as follows:

	31 Dec. 2009	31 Dec. 2008
Between 1 and 2 years	162,663	142,291
Between 2 and 5 years	447,969	433,022
Over 5 years	336,579	435,958
Total	947,211	1,011,271

and the related interests, the maturity being in accordance with the repayment schedule agreed with the foreign banks.

The loans EBRD 33354 is guaranteed by Transelectrica with assignment of receivables from transmission contracts concluded with SC FDFEE Electrica Transilvania Nord SA, while the loan BCR 398 is guaranteed with assignment of receivables from contract concluded with Complexul Energetic Rovinari SA, with the promissory notes issued by the Company in the favour of the Romanian Commercial Bank, equalling the loan instalments payable.

The loan Alpha Bank is guaranteed by assignment of receivables from SN Nuclearelectrica SA and other third parties acceptable for the Bank and a real movable security over all accounts opened with the Bank.

As at 31 December 2009, the Group's pre-tax working ratio and current ratio did not vary significantly compared to the covenants stipulated in the loan agreements. The respective loan agreements are: EBRD 906, EIB 20.864, EBRD 33354 and IBRD 7181.

If covenants are breached and the matter is not remedied to the satisfaction of the credit institutions within a reasonable period of time from the written notification by the credit institutions, the credit institutions may require the acceleration of maturity of the loans drawn and not reimbursed.

The management of the Group believes that the long term liabilities

in amount of 498,630 should not be classified as current liabilities due to the following:

- the covenant breach is not substantial;
- the Group has the capacity and intends to make all loan repayments in accordance with the loan agreements;
- the contractual clauses stipulate that the credit institutions have to grant the Group a reasonable period of time so that it could take the necessary actions in order to comply with the financial covenants;
- the loans are guaranteed by the Romanian State. For all these loans, the Group settled its obligations regarding the risk commissions.

No early reimbursement notification has been received by the Group so far, neither for breach of covenants nor for breach of any other contractual issues in the loan agreements.

Short term loans

As at 31 December 2009 and 31 December 2008 the short term loans are as follows:

	31 Dec. 2009	31 Dec. 2008
Current portion of the long term loans	157,099	136,911
Short term loans (credit lines)	40,176	12,058
Interest related to long and short term loans	5,719	16,691
Total short term borrowings	202,994	165,660

Therefore, the Group considers it is appropriate to classify the respective loans as long-term borrowings in the consolidated financial statements as at 31 December 2009.

The Group concluded a loan agreement in amount of 33,000,000 Lei in February 2010 (see Note 27).

The financial ratios not complied with as at 31 December 2009 are:

Ratio	The value of the ratio according to contracts' provisions	Loan agreement	Realized value
Pre-tax working ratio	Minimum 1.3	EBRD 906 EIB 20.864	1.16 1.13
Current ratio	Minimum 1.2	EBRD 906 IBRD 7181 EBRD 33354 EIB 20.864	1.16 1.16 1.16 1.15

The Group has three revolving credit lines, one contracted by Transelectrica with ING Bank N.V. Bucharest Branch, of 35,000 and two through Smart subsidiary contracted with ING Bank N.V. Bucharest Branch of 16,000 and with BRD Groupe Societe Generale of 1,500. During 2009, these credit lines have increased the financing sources used in the operating activities. As at 31 December 2009, the balance of credit line contracted by Transelectrica with ING Bank N.V. Bucharest Branch is 26,459 and for the lines contracted through Smart subsidiary with ING Bank N.V. Bucharest Branch is 12,285 and with BRD Groupe Societe Generale is 1,432. These credit lines have guarantees attached (see Note 22 (vi)).

12. Employee benefits obligations

As at 31 December 2009 and 31 December 2008 the Group has an obligation regarding the employee benefits, as described in Note 2(t), in the amount of 22,283 and respectively in amount of 20,258.

The estimation regarding these obligations has taken into consideration the followings:

- Interest rate as at 31 December 2009 communicated by the National Bank of Romania ("NBR") and interest rates estimated by the Group for future periods;
- Inflation rate as at 31 December 2009 communicated by the National Statistics Institute ("NSI") and inflation rates estimated

by the Group for future periods;

- Electricity price as at 31 December 2009 and the price estimated by the Group for future periods;
- Salary as at 31 December 2009 and the salaries estimated by the Group for future periods;
- Number of employees as of 31 December 2009 and the number of employees estimated annually by the Group based on employee turnover and life expectancy information provided by NSI.

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

13. Trade and other liabilities

As at 31 December 2009 and 31 December 2008 trade and other liabilities are as follows:

	31 Dec. 2009	31 Dec. 2008
Electricity suppliers	373,328	588,045
Suppliers of fixed assets	111,639	95,859
Liabilities towards employees	6,084	11,599
Other liabilities	19,599	22,356
Total	510,650	717,859

The most important electricity suppliers are: SC Hidroelectrica SA, SC Complexul Energetic Turceni SA, SC Electrocentrale Bucuresti SA, SC Termoelectrica SA, SC Electrocentrale Deva SA and SC Complexul Energetic Craiova SA. As at 31 December 2009 and 31 December 2008, these suppliers represent 66% and 72%, respectively from the total energy suppliers.

Other liabilities in amount of 19,599 include mainly guarantees for works executed by the suppliers in amount of 5,997.

14. Income tax

The Group's current income tax for year ended 31 December 2009 and 31 December 2008 is determined at a statutory tax rate of 16%, being in force during financial year 2009.

As at 31 December 2009 and 31 December 2008 the income tax expense consists of current income tax expense as follows:

	2009	2008
Income tax	6,474	12,241
Deferred income tax	(12,614)	-
Total	(6,140)	12,241

Numerical reconciliation between income tax expense and the product between accounting result and the applicable profit tax rate are as follows:

	2009	2008
Profit before income tax	12,113	62,608
Income tax at statutory rate of 16%	1,938	10,017
Effect of non-deductible expenses	4,256	29,925
Effect of non-taxable income	(2,292)	(9,249)
Effect of timing difference not recognized at 16%	(10,042)	(18,452)
Income tax	(6,140)	12,241

As at 31 December 2009 and 31 December 2008 the net potential deferred tax asset and deferred tax liability are as follows:

	31 Dec. 2009		31 Dec. 2008	
	Cumulative temporary differences	Deferred tax (asset) / liability	Cumulative temporary differences	Deferred tax (asset) / liability
Property, plant and equipment	(43,838)	(7,014)	(44,416)	(7,107)
Subsidies	(12,717)	(2,035)	(13,978)	(2,236)
Retirement benefits	(22,283)	(3,565)	(20,258)	(3,241)
Revaluation reserves	167,977	26,876	-	-
Subtotal	89,139	14,262	(78,652)	(12,584)
Net deferred tax asset not recognized	-	-	-	12,584
Total	89,139	14,262	(78,652)	-

Starting with 1 May 2009, according to the changes in the fiscal treatment of revaluation reserves, in compliance with Government Emergency Ordinance no. 34/2009, amending the Fiscal Code, the revaluations performed by the Group after 1 January 2004 and booked on statutory financial statements, will be taxed simultaneously with the deduction of the fiscal depreciation, respectively when the assets are disposed, as appropriate. The Group recognized deferred tax liability in amount of 26,876 directly

in equity. In the same time, the Group recognized deferred tax asset of 12,614 for the items mentioned in the above table.

Income tax recognized directly in equity	2009	2008
Impact on deferred tax of fixed assets revaluation performed after 1 January 2004	(26,876)	-
Total income tax recognised directly in equity	(26,876)	-

15. Earnings per share

As at 31 December 2009 and 31 December 2008, the earnings per share were as follows:

	2009	2008
Consolidated net profit	18,253	50,367
Number of ordinary shares at the beginning of the year	73,303,142	73,303,142
Time weighting factor – months	12	12
Basic and diluted earnings per share (LEI/share)	0.25	0.69

16. Other tax and social security liabilities

As at 31 December 2009 and 31 December 2008 the other tax and social security liabilities are as follows:

	31 Dec. 2009	31 Dec. 2008
Contribution to social security fund	5,926	6,453
Tax on salaries	1,894	2,330
Other tax payable	639	712
Total	8,459	9,495

17. Number of employees

The number of employees as at 31 December 2009 and as at 31 December 2008 was 3,430 and 3,590 respectively.

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

18. Operating revenues

Revenues have been computed using the average tariffs approved through ANRE Orders No. 132/29 December 2008 and No. 79/15 September 2009. Balancing market revenues are the result of the transactions on the balancing market, as described in Note 1.

The revenues for the years ended 31 December 2009 and 31 December 2008 are as follows:

	2009	2008
Electricity transmission	846,330	899,630
Interconnection capacity	93,434	146,104
Revenues from electricity transmission	939,764	1,045,734
Ancillary services	1,073,072	1,076,905
Reactive energy	3,028	13,439
Revenues from ancillary services	1,076,100	1,090,344
Balancing market	443,887	754,424
Other operating revenues	91,898	97,564
Total operating revenues	2,551,649	2,988,066

During the years ended 31 December 2009 and 31 December 2008, the quantity of energy transmitted was as follows:

- MWh 52,263,191 and MWh 58,857,677, respectively for transmission services;
- MWh 52,263,191 and MWh 58,857,677, respectively for ancillary services.

19. System operating expenses and balancing market expenses

	2009	2008
Technological losses	243,890	215,141
Ancillary services	499,268	534,991
Cogeneration	509,396	483,330
Other operating expenses	55,352	61,754
Operating expenses	1,307,906	1,295,216
Balancing market expenses	443,887	754,424
Total	1,751,793	2,049,640

Balancing market expenses are the result of the transactions on the balancing market, as described in Note 1.

20. Financial result

	2009	2008
Interest revenues	17,348	30,640
Interest expenses	(42,464)	(60,189)
Net foreign exchange losses	(62,697)	(126,203)
Other financial gains, net	1,310	1,182
Financial result	(86,503)	(154,570)

22. Commitments and contingencies

(i) Commitments

As at 31 December 2009 and 31 December 2008, the Group had commitments given amounting 660,708 and 661,943 respectively, representing ongoing contracts related to the investment program for the modernization and refurbishment of the transmission grid.

(ii) Land used by the Group

According to the Group policy, the financial statements include only the value of land for which title deeds were obtained as at the date of these financial statements.

According to Law No. 99/1999, in case the Company obtains the title of deeds to land after the privatisation, the land will be considered as contribution in kind of the State. In this respect, the Company will increase the share capital in line with the value of the land, and the beneficiary of this increase will be the State.

(iii) Commitments in accordance with Law 10/2001 and Law 247/2005

According to Law no 10/2001 modified, the Romanian State

21. Fiscal environment

The legal and fiscal environment in Romania and its implementation into practice changes regularly and is subject to different interpretations by various Ministries of the Government. Income tax returns are subject to review and correction by the tax authorities for a period generally of five years subsequent to their filing. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements; however, the risk remains that tax authorities could take differing positions with regards to the interpretation of these issues. Their impact cannot be estimated at this time.

decided to grant compensation in shares for those whose buildings were abusively expropriated. These shares could be submitted by their owners to the Ministry of Economy together with the option for the national companies in which the Romanian State had participation, including the Company. The shares were allocated from the Romanian State participation to the share capital of the Company.

The weighted average price of the shares given to issued to former owners who haven't been compensated in kind was communicated by BSE as being 31.5425848 lei.

As at 9 July 2007, the first shareholder certificates were issued to those who were expropriated by the Romanian State and then their rights were reinstated under Law 10/2001 and who choose to subscribe to become shareholders of the companies from the portfolio of the Ministry of Economy, during April 2004 – July 2005.

The allocation procedure ended as at 29 November 2007, according to the Notice no XIV/116530/31.03.2009 received from the Ministry of Economy, Commission for reviewing the applications submitted by the persons eligible for shares allocation to companies from the Ministry of Economy portfolio. According to the above document, 483 shareholders certificates were issued, which means 2,062,726 shares with a value of 65,063,709.7741648 lei.

Until 31 December 2009, there were recorded transfers to the Shareholder's Registry administrated by the Central Depository representing 2,062,362 shares, respectively 2.8% from the total shares issued by the Company.

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

As at 31 December 2009, this allocation procedure wasn't registered to the Trade Registry Office.

(iv) Litigation in process

As of the date of these consolidated financial statements, the Group was involved in a number of 201 litigations in process. In 82 of them the Group acts as a plaintiff or a challenging party, while in 119 of them the Group is a defendant. The management analyses the status of the litigation in process regularly and after consultation with its legal representatives considers the appropriateness of providing for or disclosing the amounts involved in the consolidated financial statements.

The management of the Group considers that, the consolidated financial statements of the Group contain adequate provisions for the circumstances when settlement of litigation in process will result in an outflow of resources. Based on the information available, the management considers that there is no significant litigation in process which should be provided. In addition, there are no litigation cases which either by nature or by amount involved could result in significant contingent assets or liabilities for the Group's activity.

(v) Statutory revaluation reserves as at 31 December 2009

As at 31 December 2009, Group statutory revaluation reserves are in amount of 1,279,875 and according to the provisions of the Fiscal Code the next two categories are distinguished:

- Beginning with May 1, 2009, statutory reserves from the revaluation of fixed assets, including land, recorded after January 1, 2004, which are deducted when calculating taxable income through tax depreciation expenses or assets transferred and/or ceased, is taxed simultaneously with the fiscal depreciation deduction, or when the assets are disposed, as appropriate. Statutory revaluation reserves of fixed assets are transferred to reserves representing realized revaluation reserve surplus when the revalued assets are disposed, while in the consolidated financial statements the transfer will be reflected in retained earnings. As at 31 December 2009, these reserves are in amount of 205,531.
- Statutory reserves from the revaluation of fixed assets, including land, recorded until December 31, 2003 plus the portion of the revaluation performed after January 1, 2004 relating to the period before April 30, 2009 and plus the revaluation reserve taxed during 1 May – 31 December 2009, are in amount of 1,074,344. Realized reserves are taxable in the future, in case of changing the destination of reserves in any form, in case of liquidation, merger and including using the reserves for covering the Company's losses, except for the revaluation reserve taxed after 1 May 2009. As at 31 December 2009,

the statutory realized revaluation reserves are in amount of 27,493.

(vi) Guarantees

The credit lines mentioned above in Note 11 are contracted by Transelectrica and by Smart SA, Company's subsidiary. As at 31 December 2009, the guarantee of Transelectrica for the credit line from ING Bank N.V. Bucharest Branch is represented by assignment of receivables from contract no. C385/28.12.2006 concluded with S.C. F.F.E.E. "Electrica Furnizare Muntenia Nord". The guarantee of Smart SA for the credit line from BRD Groupe Societe Generale is represented by a first ranking mortgage over a building and land located in Sibiu, 3 Corneliu Coposu Street, Sibiu County, while for credit line from ING Bank N.V. Bucharest Branch the guarantees are:

- assignment of receivables from maintenance contracts, mainly concluded with the Company;
- real moveable security over all Smart SA's accounts opened with ING Bank N.V. Bucharest Branch;
- first ranking mortgage over an industrial complex, located in Craiova, 25 Prelungirea Targului Street, Dolj county;

In accordance with the license no. 161/2000 regarding electricity transmission and system services, the Company has to maintain a financial guarantee in amount of 1% of the turnover generated by activities authorized by this license. This protects the Company from risks arising from these activities and covers any potential liabilities that may be incurred according to the license contractual clauses. In order to comply with this obligation, the Company concluded a guarantee agreement with BCR-WTC, the value of the guarantee letter being 24,546 as of 31 December 2009.

(vii) Operating environment

Although Romania is a member of the European Union starting with 1 January 2007, the Romanian economy has the characteristics of an emergent market, such as a high current account deficit, a financial market relatively undeveloped and variances of the exchange rates. Currently, the international financial markets feel the effects of the global financial crisis from 2008. Those effects were felt by the Romania financial market, in the form of fall in prices and liquidity on the capital markets and through an increase in the medium term financing interest rates due to the global crisis of liquidity. The significant losses experienced in the global financial market could affect the ability of the Company to obtain new borrowings at terms and conditions similar to those applied to earlier transactions.

The analysis of the compliance with the loan agreements covenants and the valuation of the significant uncertainties, including uncertainties associated with the Group's ability to continue as a going concern for a reasonable period of time, represent the permanent concern of the Company's management.

The financial statements do not include any adjustments related to the

recoverability and classification of asset carrying amounts or related to the classification of liabilities that might result in case the Group is unable to continue as a going concern, because is applicable the going concern principle.

The management considers that the going concern assumption used in the preparation of the accompanying consolidated financial statements is appropriate, given the strategic importance and the natural monopoly position of the Company within the national energy system.

The financial position of the Company depends on the future politics regarding the tariff adjustments, and/or on the continuous sustainability from the Romanian Government.

23. Group structure

The Group companies and the percentage of ownership exercised by the Company are as follows:

Entity	Country of Origin	31 Dec. 2009 % of total shares	31 Dec. 2008 % of total shares
SMART SA	Romania	100	100
TELETRANS SA	Romania	100	100
ICEMENERG SA	Romania	100	100
OPCOM SA	Romania	100	100
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA	Romania	100	100

SCSMARTSA

SC SMART SA, with registered offices in no. 33 Magheru Boulevard, sector 1, Bucharest has as main activities the provision of maintenance services for the transmission – dispatcher system. It was set up by Romanian Government Decision no. 710/19 July 2001 at 1 November 2001. The share capital as of 31 December 2009 was in amount of 38,529, subscribed and fully paid.

SCTELETRANS SA

SC TELETRANS SA, with registered offices in no. 16 - 18 Hristo-Botev Boulevard, sector 3, Bucharest has as main activities telephony, telegraphy and transmission of data. It was set up as per Shareholders Meeting no. 3/2002. The share capital as of 31 December 2009 was in amount of 3,955 subscribed and fully paid.

SCICEMENERG SA

SC "Filiala Institutul de Cercetari si Modernizari Energetice" –

ICEMENERG SA, with registered offices in no. 8 Electricienilor Boulevard, sector 3, Bucharest has as main activities research and development in physical and natural sciences, innovation, studies, development strategies, design, city planning, engineering and other technical services. It was set up as per Government Decision no. 1065/4 September 2003. The share capital as of 31 December 2009 subscribed and fully paid by the Company was in amount of 1,085.

SCOPCOMSA

SC OPCOM SA, with registered offices in no. 16 - 18 Hristo-Botev Boulevard, sector 3, Bucharest and with a share capital subscribed and fully paid as of 31 December 2009 in amount of 3,547 has as main activity the energy market administration.

SCFORMENERG SA

SC FORMENERG SA, with registered offices in no. 3 Gh. Sincai Boulevard, sector 4, Bucharest has as main activity the personnel professional training in all energy areas. It was set up as per Shareholders Meeting no. 33/2001. The share capital subscribed and fully paid as of 31 December 2009 was in amount of 1,500.

SCICEMENERG SERVICE SA

SC ICEMENERG SERVICE SA, with registered offices in no. 8 Energeticienilor Boulevard, sector 3, Bucharest, has as main activity the production of equipments for the distribution and control of energy. It was set up as per Government Decision no. 2294/9 December 2004 published in Official Gazette no. 32/11 January 2005. The share capital subscribed and fully paid as of 31 December 2009 was in amount of 493.

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

24. Transactions with other state owned companies

The Group's transactions relating to the electricity transmission and other activities performed as market and system operator are generally carried out with other companies owned by the Romanian state based on contracts.

The transactions with other state owned companies for the years ended 31 December 2009 and 31 December 2008 are detailed below:

	2009	2008
Sales	1,228,129	1,989,249
Purchases	1,512,331	1,917,075

The balances with other state owned companies as at 31 December 2009 and 31 December 2008 are detailed below:

	31 Dec. 2009	31 Dec. 2008
Trade receivables	280,069	521,819
Trade payables	307,524	484,802

25. Management salaries

During the years ended 31 December 2009 and 31 December 2008, the management's salaries were in an amount of 4,705 and 4,335 respectively.

26. Financial instruments and risk management

Financial instruments

The management of the treasury was aimed at optimizing the usage of liquidity by:

- placing its cash and cash equivalents in different banks;
- setting up hard currency deposits based on estimation of exchange rates and negotiation of exchange rates and interest rates;
- paying its debts in due time in order to avoid penalties for late payments;
- setting up short term deposits for the cash and cash equivalents in bank accounts.

Risk management

The Company manages the risk using a risk management system. The strategic requirements for operation safety and continuity demand that the Company proactively approaches risk management in order to identify and address any potential loss before the events causing it could occur, preparing in advance the technical, operational and financial solutions to overcome such potential loss.

The Company is considering managing the risk using an integrated risk management system in order to fulfill the legal requirements (OMFP 946/2005, OMFP 1389/2006) and other requirements related to BSE (Corporate Governance Code).

The Company's risk management procedure involves the set-up of two sets of solutions to deal with risks and to determine its optimal structure:

- Financial solutions - including insurance, offers of shares, derivatives and other instruments on the capital markets, insurance and other financial markets.
- Organizational solutions - reducing the risks through the organization/design/planning/structure of activities, communication plans and actions taken for business continuity after a risk is produced.

During the period 2003 - 2004, together with the specialized consultant Marsh Romania, the Company designed and implemented a Risk Management Program with the following goals: operation continuity and the protection of the Company's values, anticipation and prevention of

any major negative operational events, provision of financial resources for operational expenditures, for payment of debts and strategic investments. The business risk was audited, the patrimony risk was assessed and the "Plan of basic measures regarding dealing with risks" was prepared.

Part of the Risk Management Program, the business continuity plan of CN Transelectrica for emergency situations, crisis management and activity settlement initially started in 2005, was realized in 2007 and tested in 2008 for different scenarios of emergency situations. The plan is concentrated on safeguarding the Company values, by administrating the crisis situations and the public statements and also by preparing some redressing strategies for maintaining the income flow, a positive public image, its market value and for improving the transparency of decision making process.

During the period 2005 - 2008, the specialized consultant of the Company was SC AON Romania Assurance Broker SRL. The Company's objectives included: identification, evaluation and risk control and reducing the Company's risk related expenses by determining the optimal risk solution structure, proposing the financing structure for addressing risks and establishing a risk control policy.

In 2008, the Company's risk management policy, the system and operational procedures regarding risk management were elaborated and the management was trained in risk management and internal control.

Interest rate risk

The Company's operating cash flows are impacted by the changes in

interest rates, mainly due to the foreign long term debts the Company contracted.

The interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Company has significant long-term loans incurring interest at fixed and variable rates that expose the Company to significant cash flow risk.

Foreign exchange risk

The Company may be exposed to the changes in the foreign exchange rates due to its long term borrowings and commercial debts denominated in foreign currencies.

The Company's functional currency is LEI. The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily EUR, USD and Japanese Yen (JPY). The long-term loans are denominated in foreign currencies, which are retranslated at the prevailing exchange rate at each balance sheet date, as communicated by Romanian National Bank. The resulting differences are charged or credited to the income statement, but do not affect cash flows until the settlement of the amount.

During 2009, the inflation rate was 4.74 %. Inflation rate and the volatility of exchange rates may impact upon the Group's liquidity.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	LEI	EUR	USD	JPY
31 December 2009 - Monetary assets				
Advances to suppliers of fixed assets	34,106,696	5,881,537	-	-
Monetary liabilities				
Suppliers of fixed assets	(72,981,271)	(9,142,834)	-	-
Borrowings	(97,175,228)	(206,266,754)	(39,803,497)	(1,834,797,000)
Gross balance sheet exposure	(136,049,803)	(209,528,051)	(39,803,497)	(1,834,797,000)
31 Dec. 2008 - Monetary assets				
Advances to suppliers of fixed assets	28,795,081	6,638,339	-	-
Monetary liabilities				
Suppliers of fixed assets	(83,786,500)	(3,029,326)	-	-
Borrowings	(37,057,994)	(231,073,120)	(48,135,619)	(2,096,913,000)
Gross balance sheet exposure	(92,049,414)	(227,464,107)	(48,135,619)	(2,096,913,000)

The following significant exchange rates were used:

	Average rate		Reporting date spot rate	
	2009	2008	31 Dec. 2009	31 Dec. 2008
RON/ EURO	4.2376	3.6815	4.2282	3.9852
RON/ USD	3.0469	2.5180	2.9361	2.8342
RON/ 100 JPY	3.2587	2.4529	3.1778	3.1419

CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

Sensitivity analysis

A 10 percent strengthening of the RON against the following currencies at 31 December 2009 and 31 December 2008 would have increased profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit (thousand lei) 2009	Profit (thousand lei) 2008
EUR	88,593	90,649
USD	11,687	13,643
JPY	5,831	6,588
Total	106,111	110,880

A 10 percent weakening of the RON against the following currencies at 31 December 2009 and 31 December 2008 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

	Loss (thousand lei) 2009	Loss (thousand lei) 2008
EUR	(88,593)	(90,649)
USD	(11,687)	(13,643)
JPY	(5,831)	(6,588)
Total	(106,111)	(110,880)

Counterparty risk

The treatment of counterparty risk is based on internal and external success factors. The external success factors which contribute to the decrease of the risk in a systematic way are reorganisation of the energy market, privatisation of some of SC Electrica SA subsidiaries, liberalisation of the energy market and improving the market operation activity. The internal factors of success in managing the counterparty risk include diversifying of the clients' portfolio and diversifying the services portfolio.

Financial assets, which potentially subject this Group to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales of services are made to customers with an

appropriate credit history. The carrying amount of accounts receivable, net of impairment adjustment, represents the maximum amount exposed to credit risk.

Credit risk with respect to these receivables is limited, since these amounts are primarily due from state owned companies.

The maximum exposure to credit risk at the reporting date was:

	Carrying amount (thousand lei)	
	31 Dec. 2009	31 Dec. 2008
Financial assets		
Trade receivables	575,258	779,953

The ageing of trade receivables at the reporting date was:

	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Between 0 – 30 days	558,417	-	716,684	-
Between 30 – 90 days	5,263	-	58,946	-
Between 90 – 180 days	1,657	-	2,672	-
Between 180 – 270 days	3,674	-	991	-
Between 270 – 365 days	9,322	4,864	104	-
More than one year	4,516	2,727	1,695	1,139
Total	582,849	7,591	781,092	1,139

Liquidity risk

	31 Dec. 2009 (thousand lei)	31 Dec. 2008 (thousand lei)
Assets		
Monetary assets in RON	814,006	1,101,335
Monetary assets in foreign currency	42,462	26,455
	856,468	1,127,790

	31 Dec. 2009 (thousand lei)	31 Dec. 2008 (thousand lei)
Liabilities		
Monetary liabilities in RON	(817,403)	(756,166)
Monetary liabilities in foreign currency	(1,085,968)	(1,135,254)
	(1,903,371)	(1,891,420)

Net monetary position in RON	(3,397)	345,169
Net monetary position in foreign currency	(1,043,506)	(1,108,799)

The Group's policy on liquidity is to maintain sufficient liquid resources to meet the obligations as they fall due.

The following are the contractual maturities of financial liabilities, including interest payments:

	Carrying amount	Contractual amount	12 months or less	1 – 2 years	2 – 5 years	> 5 years
31 Dec. 2009						
Financial liabilities						
Trade payables	(484,967)	(484,967)	(484,967)	-	-	-
Borrowings	(1,150,205)	(1,150,205)	(202,994)	(162,663)	(447,969)	(336,579)
Total	(1,635,172)	(1,635,172)	(687,961)	(162,663)	(447,969)	(336,579)
31 December 2008						
Financial liabilities						
Trade payables	(683,903)	(683,903)	(683,903)	-	-	-
Borrowings	(1,176,931)	(1,176,931)	(165,660)	(142,291)	(433,022)	(435,958)
Total	(1,860,834)	(1,860,834)	(849,563)	(142,291)	(433,022)	(435,958)

Fair value of financial instruments

The fair value is the amount at which the financial instrument can be exchanged in a current transaction by willing parties in an arm's length transaction, other than determined through liquidation or forced sale. The fair values are obtained from quoted market prices or through cash flows models, as appropriate. Management is not able to estimate a reliable fair value for available-for-sale investments. As at 31 December 2009, cash and cash equivalents, trade and other short term receivables, trade payables and other short term liabilities are close to their fair value due to their short due date. Management believes that the estimated fair values of these instruments approximate to their carrying amounts. All the long term loans bear a variable interest rate, except for the loan from JBIC, and consequently, the accounting value of the long term loans is an approximation of its fair value.

Personnel risk and the salary scheme

As at 31 December 2009, the average age of the Group's personnel is quite high. It is likely that in the nearest future, the Group will face a lack

of personnel due to natural causes. The Group could also face the risk that highly qualified employees leave for private companies which may offer salary packages more attractive than those offered by the Group. The salary policy imposed by the State on companies in which it is the majority shareholder may lead to a major fluctuation within the specialized work force.

Price risk related to the regulatory framework of NES

The Group's operations and revenues are regulated by ANRE. The most important risks arising from this are:

- The regulatory framework is relatively new and prone to different changes, which may affect the Group's performances;
- ANRE decisions regarding future tariffs may affect the Group's operations;
- Assets disposal may reduce the regulated assets base, which may consequently lead to a decrease in the tariff approved by ANRE and to a decrease in the Group's profitability.
- Balancing market - Through Notice no. 2705/2009, ANRE approved the



Message from the Chairman of the Board

2009 was an extremely challenging year for each and every area of activity, as companies all over the world had to cope with the financial and economic crisis. The impact of the global economic recession urged for several tough measures to be made at all decision levels.

As the worldwide economic recession had an major impact upon the economy of our country as well, in 2009 we mainly focused on cost reduction and a better administration of all available resources, while also developing the proposed investment projects, keeping the operation of the Romanian power system at normal quality and safety parameters and running on all activities started a year ago, wind energy projects included.

Given to a sensible and rigorous set of measures, we managed to successfully overpass the critical economic situation. A first set of organisational measures was adopted early in 2009 in order to prepare the Company face the economic disturbance and a strict cost cutting plan was applied to maintain the Transelectrica's economic-financial balance. Our plan did work well and, at the end of the year, the Company managed to deal with the existing financial blockage.

Another objective we paid attention to in 2009 was to maintain the investment plan as initially scheduled. Thus, we developed all investment projects we had proposed ourselves for 2009 in order to develop

electricity supply capacities. Our strategic approach has been applied in four directions:

- Further developing the 400 kV interconnection line Suceava (RO) – Balti (MD) and the 400 kV interconnection line between Romania and Serbia, and also launching the feasibility study for the 400 kV submarine cable between Romania and Turkey
- Sustaining the investments to integrate the renewable source projects into the transmission grid and the forecasts providing wind farms to be commissioned in our country by 2011 with an installed capacity of almost 600 MW against the 11 MW currently installed
- Completing the national 400 kV ring by building the new 400 kV line Gadalin-Suceava in Northern Romania and converting to 400 kV the Banat axis (Portile de Fier, Resita, Timisoara, Arad) in the West side of the country
- Ongoing modernisation of electric substations within the power transmission grid.

2009 meant also the successful development of our grid maintenance programmes and continued surveys & research studies that targeted the critical aspects of system- losses, safety and impact of new connected sources.

During the past year, the Romanian Power System run safely within normal electricity qualitative parameters and no particular events were registered, but for December when the harsh meteorological conditions have led to islanding the Dobrogea region in Southern-Eastern part of the country.

The steadfast efforts of our experts assisted us in achieving the coordinated allocation of interconnection capacities during all time intervals- annually, monthly, daily and intra-daily (in preparation for 2010). Such diligence brought about successful results with Hungary, Bulgaria and Serbia and constitutes a critical step towards developing regional markets. Transelectrica and MAVR (Hungary) have already initiated the transparent bidding procedure for the allocation of interconnection capacities and on November 11th, 2009 Transelectrica organised the tender for the available capacity of December 2009 on the Romania-Hungary interconnection lines.

Our Company plays an active part in the European Central and South-Eastern region by means of Romanian experts' participation into the working structures of the new organisation ENTSO-E and by coordinating the task force for the UCTE integration of the Republic of Moldova and Ukraine.

I have pointed out just a few of the 2009 year achievements. However there have been many others, equally significant.

There is plenty to do for us in the year to come. Our Company's modernisation process will keep on going and we are determined to invest important funds both in our investment domain for equipment maintenance and also in human resources. Personnel training, assessment of capabilities and promotion of talents will acquire particular importance. We need to start preparing the new generations that are going to replace us.

Even if the next period will still lay under the recession shadow, Transelectrica looks ahead with confidence and is committed to continue developing its projects which can create more add value to the company. I refer here to the tangible values which can be measured by economical and financial performance to the direct benefit of our shareholders and also to the intangible values, measured by the ethical commitment and better practices of corporative governance for the benefit of all the stakeholders. It is for sure that, thanks to the excellence, professionalism, awareness and dedication of our employees we shall overcome all the challenging targets staying ahead to the benefit of our customers and the community.

Adrian Baicusi
Director General and
Chairman of the Board



CN Transelectrica SA

Notes to the Consolidated Financial Statements as at 31 December 2009

(All amounts are in thousand LEI, unless stated otherwise)

operational procedure „Setting up, updating and utilisation of financial guarantees for balancing responsible parties“. These guarantees are issued in Company's favour in order to avoid non payment cases on balancing market.

- Balancing market - Through Notice no. 2705/2009, ANRE approved the operational procedure „Setting up, updating and utilisation of financial guarantees for balancing responsible parties“. These guarantees are issued in Company's favour in order to avoid non payment cases on balancing market.

27.Subsequent events

BRD loan

In February 2010, the Company concluded a loan agreement for 33,000,000 Lei with BRD – Groupe Societe Generale SA. The purpose of the loan is to finance the Rehabilitation of Gura Ialomitei, Lacu Sarat, Isalnita and Gutinas stations and to support other investments from the 2009 – 2010 investments programs. The loan bears a variable interest rate of six months ROBOR plus 1.25% margin. Repayment is scheduled over 5 years in 10 instalments from 2012 to 2016.

The facility is guaranteed by assignment of receivables from SC CEZ VANZARE SA and other third parties acceptable for the Bank and a real movable security over all accounts opened with the Bank.

Orders and decisions ANRE

Starting 1 January 2010, ANRE modified the average tariff for transmission services, the tariffs for system services, market administration services and zoning tariffs for transmission services through Decision no 101 from 23 December 2009.

Through ANRE Decision no 2970 from 23 December 2009, S.C. Termoelectrica SA became the energy supplier for covering the technological losses for the periods 1 January 2010 – 31 July 2010 and 29 November 2010 – 31 December 2010. The regulated price established is 249.9 RON/MWh.

Through ANRE Decision no 2963 from 23 December 2009, SC Electrocentrale Deva SA became the energy supplier for covering the technological losses for the period 1 August 2010 – 29 November 2010. The regulated price established is 225.7 RON/MWh.

Transelectrica SA
2-4 Olteni str., postal code 030786, Bucharest 3, Romania
phone + 4021 3035 611; fax: + 4021 3035 610
e-mail: office@transelectrica.ro
elena.ratcu@transelectrica.ro

Design by





Annual Report 2009



2009 IN BRIEF

With a proposed CAPEX program of Euro 600 M by 2012, in 2009 Transelectrica kept on developing several major international interconnection projects to be completed with neighbouring power systems. Interconnection electric lines between the Romanian power system and the power systems of Serbia, Republic of Moldova and the HVDC link 400 kV undersea cable with Turkey are under various development stages.

June 2, 2009

Transelectrica and Vattenfall Power Consultant (Sweden) signed the Service Contract for developing the Feasibility Study including the Environment Study and the terms of References for the new project „Submarine cable Romania – Turkey (HVDC Link)“.

June 23, 2009

Transelectrica, Areva Energie Technik (Germany) and Electromontaj (Romania) completed the Conversion to 400 kV of the Moldova axis including the retrofitting of electric substations Gutinas, Bacau Sud, Roman Nord and Suceava. This will result in increased operational safety for the power system, improved power transit and reduced operational costs.

Year 2009

Due to the 2009 crisis, a slight consumption drop was recorded in between 3,5%-14% as compared to 2008.

Due 2009

In 2009 Transelectrica had to face the new and major challenge brought about by the current change of the generation mix and wind farm penetration, particularly. The requirements to connect 14,000 MW in wind farms will have a major impact in reshaping the electricity transmission grid, providing the adequate system services and in planning the power system development.



Transelectrica 2009 in Europe

Transelectrica played an active international role in the neighbouring EU regions SEE and CEE, and is also involved in enlarging the West European synchronous power system towards the Eastern part of the continent. In 2009 Transelectrica coordinated, jointly with other partners, the project enabling the Republic of Moldova and Ukraine to join the UCTE system now ENTSO –E

On September 29, 2009

The series of conferences related to restructuring the electricity generation sector concluded with the Conference on “The impact of the electricity sector restructuring upon the Romanian Power System” jointly organized by Transelectrica, Electrica and the Energy Complexes of Turceni, Rovinari and Craiova under the auspices of the Ministry of Economy.

During November, 2009

Transelectrica was deeply involved in the process of creation ENTSO-E SEE Regional groups. The Company took the role of convener for the regional Group South East Europe under the Market Committee and is also actively represented in the activity of regional Group East Europe under the System Development Committee, as well as in the regional Group Continental Europe under the System Operation Committee

2009 cooperation

In 2009 Transelectrica actively collaborated with the TSOs from the SEE region interested in the creation of the Coordinated Auction Office (CAO) for South East European region.



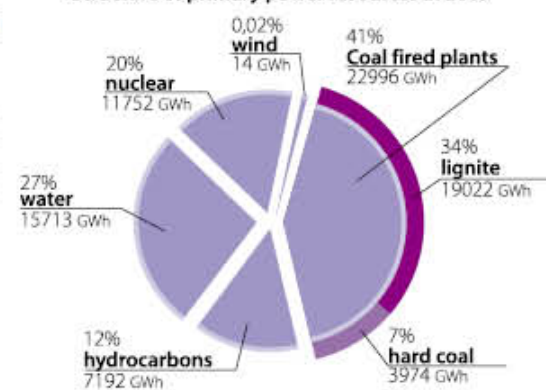
II. MANAGEMENT OF THE ELECTRIC POWER SYSTEM

Consumption

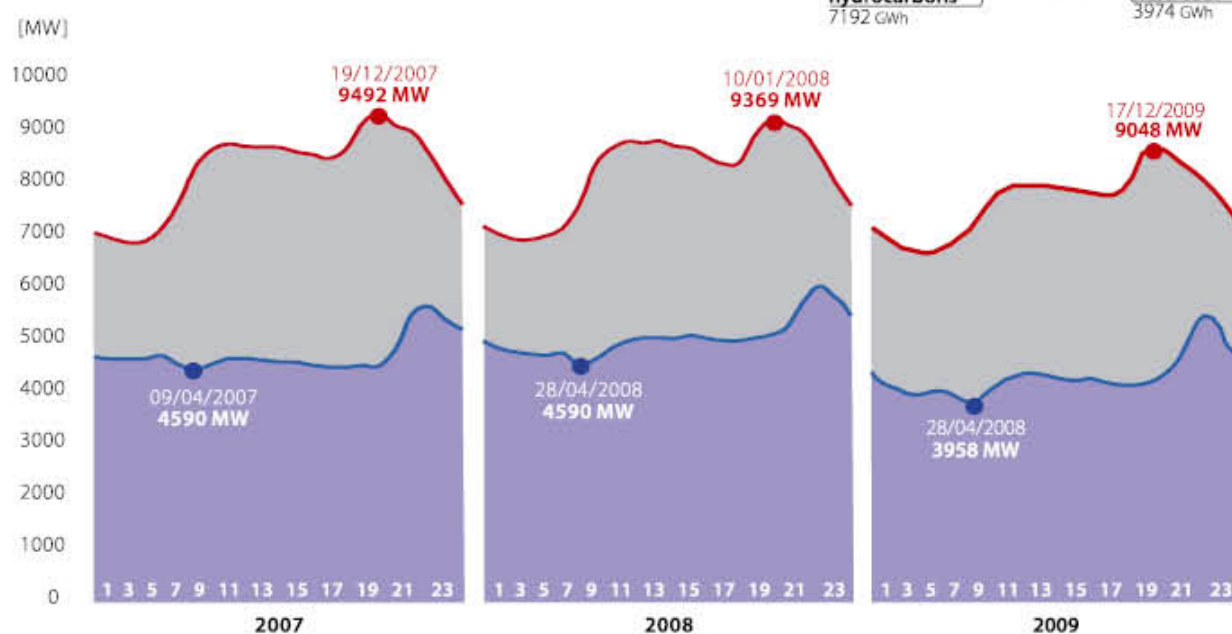
Referring to electricity generation, Romania's sources of domestic primary energy are oil and natural gas (hydrocarbons), hard coal, lignite, hydro, nuclear and renewables (hydro and wind). In 2009, the renewable output was of 211 GWh (wind was 13.6 GWh, raising with 23.6% as compared to 2008) for which the issued green certificates reached 0.24% of total electricity output.

Structure of power generation	2009			2008		
	[GWh]	[MW]	[%]	[GWh]	[MW]	[%]
TOTAL generation, of which:	57667	6584	100,0	61397	7011	100,0
Coal fired plants, of which:	22996	2625	41,00	26711	3051	43,51
lignite	19022	2171	34,00	21207	2422	34,54
hard coal - huila	3974	454	6,89	5504	629	8,96
hydrocarbons	7192	821	12,47	11054	1264	18,00
water	15713	1794	27,25	15916	1817	25,92
nuclear	11752	1342	20,38	7709	878	12,56
wind	14	2	0,02	7	1	0,01

Structure of primary power resources in 2009

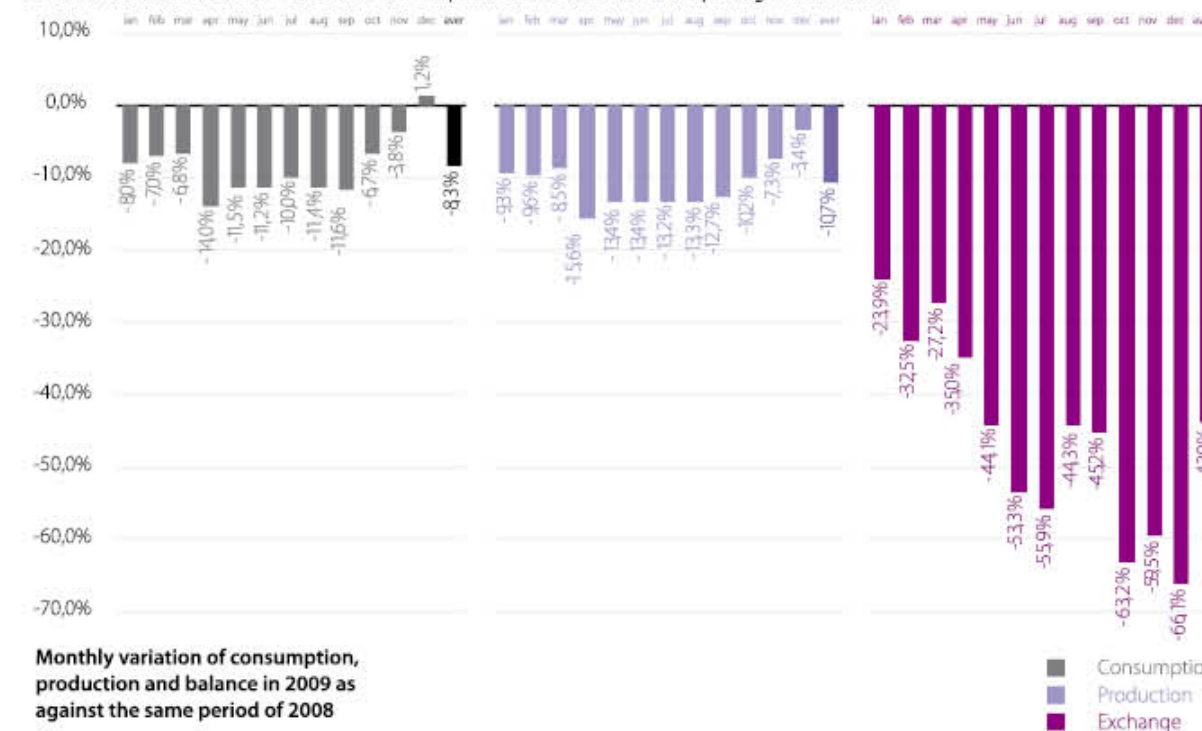


In 2009 the gross electricity consumption fell with 8.3% vs. 2008.



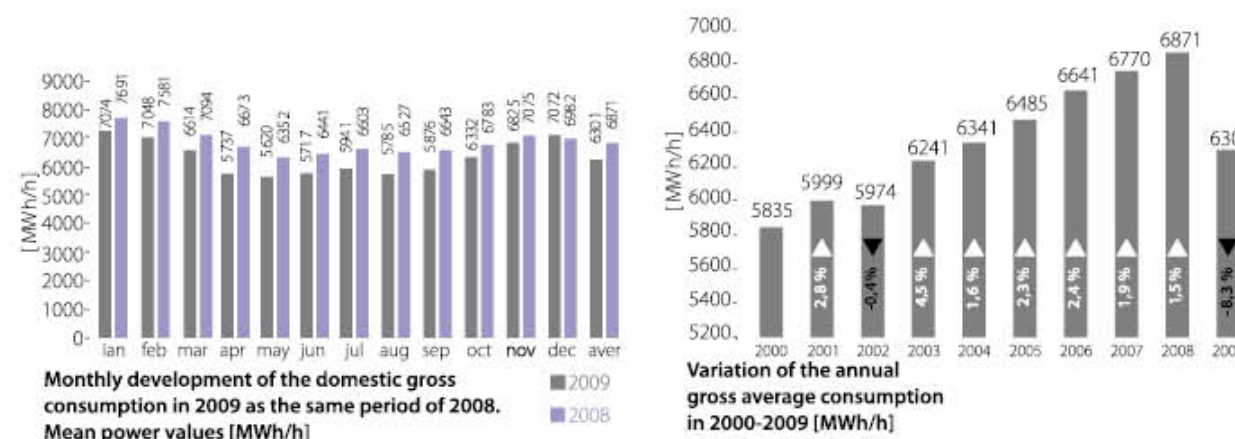
Maximum and minimum daily consumption 2007-2008 (gross values)

In 2009 the gross domestic consumption fell each month with 3.5%+14.0%, as compared to the same month of the year 2008. During October -November the decrease slowed down, while in December consumption grew with 1.2%.



Monthly variation of consumption, production and balance in 2009 as against the same period of 2008

During 2000-2009, except for 2002 and 2009, the gross domestic consumption steadily increased with 0.42+4.47% annually.



Monthly development of the domestic gross consumption in 2009 as the same period of 2008. Mean power values [MWh/h]

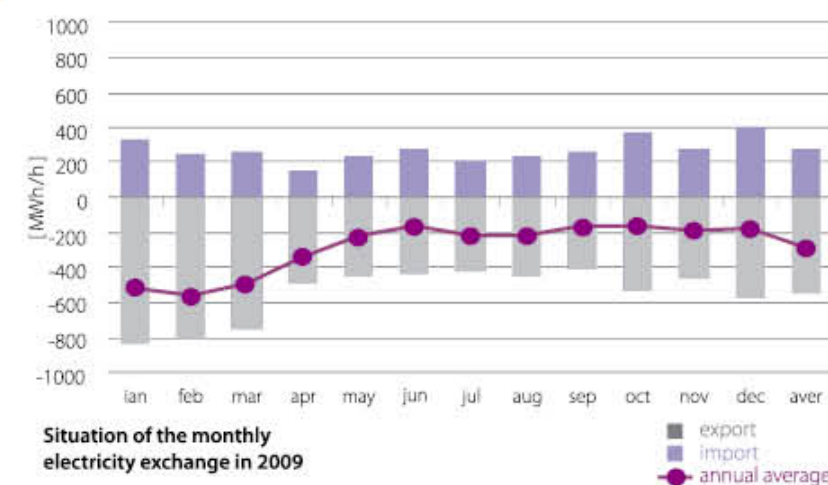
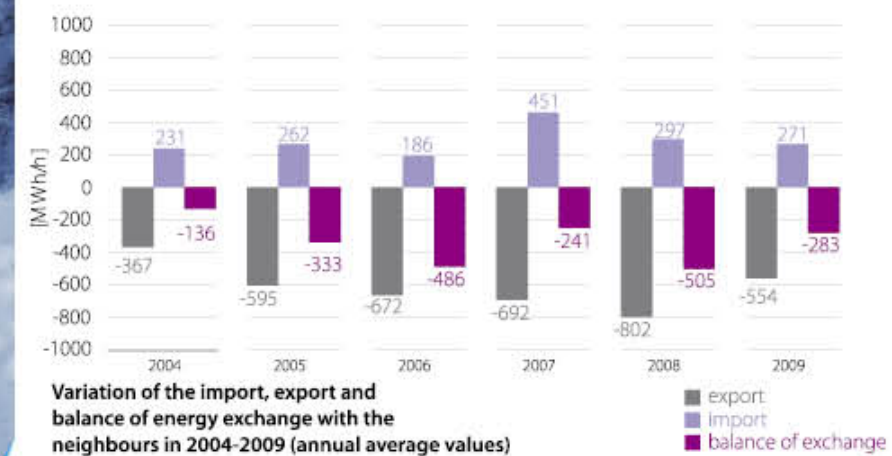
Variation of the annual gross average consumption in 2000-2009 [MWh/h]

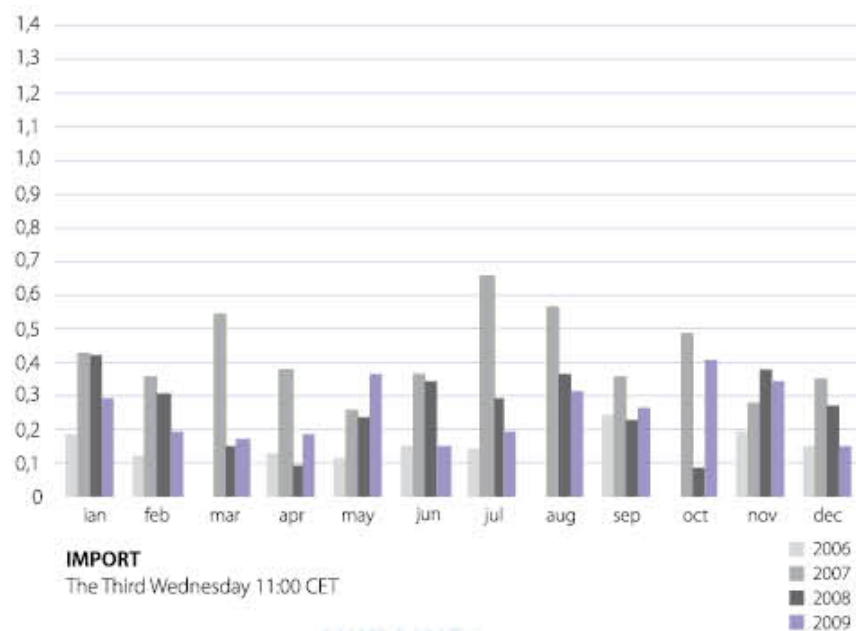


Import / Export

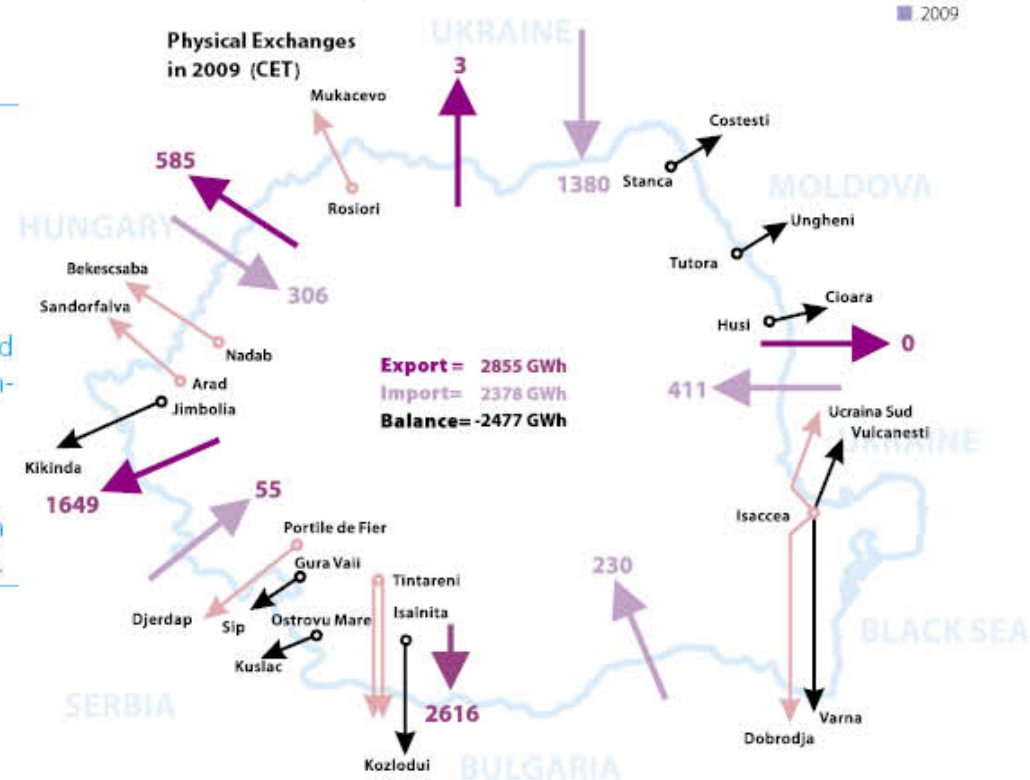
Electricity export and export balance decreased in 2009 vs. the previous past 4 years and the import decreased as compared to 2007 and 2008.

Physical power exchanges with the other neighbouring systems in 2009 represented an export balance of 2,477 GWh (average capacity 283 MW).

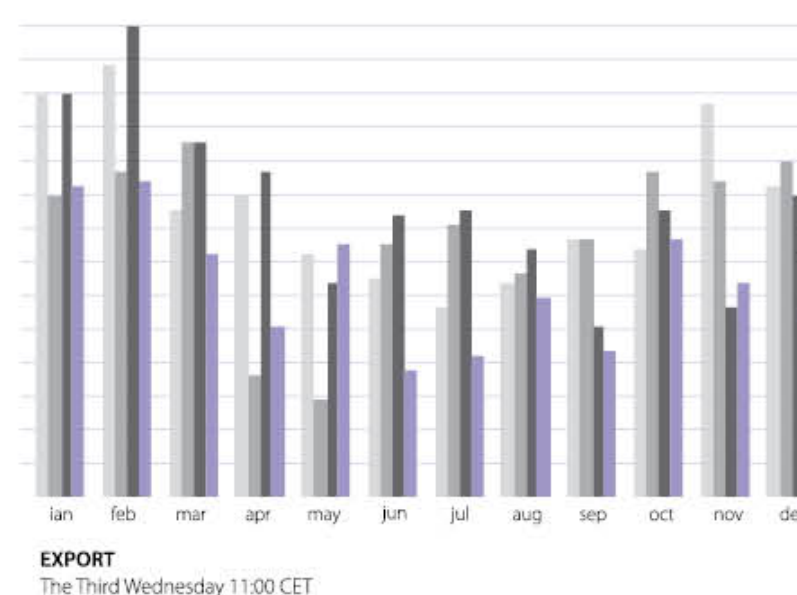




Physical Exchanges in 2009 (CET)



Romania is mostly an exporting country. Electricity exchanges (import/export/transit) with the interconnection partners are conducted based on competition-gained contracts between licensed suppliers in the Romanian market with their external partners.



Electricity trade on the Romanian borders is made within the available transfer capacities of the Romanian interconnection lines with the neighbouring systems. Export/import net transfer capacities on interconnection lines are calculated in compliance with ENTSO-E procedures, based on technical and economical criteria, according to a non-discriminatory and transparent procedure. Coordinated NTC values are monthly calculated for market purposes, taking into account maintenance programs and considering also post-event dispatching measures of generation in those areas that are influenced by the maintenance programs in order to maximize the cross-border capacities. Coordinated NTC values on borders can be used simultaneously. Since December, the 1st, 2009 border common auctions were implemented and daily auctions were organized on the HU-RO border, in order to maximize the usage rate for monthly NTC values. Transelectrica manages the yearly and monthly auctions and MAVIR (Hungarian TSO) manages the daily auctions.

