

**To: The Bucharest Stock Exchange, Regulated Markets Issuers Operations Department
The Financial Supervisory Authority - Directorate-General Supervision - Directorate Issuers**

Date of release: **27 October 2017**

Name of the issuing entity: **National Power Grid Company TRANSELECTRICA SA, Two-Tier Company**

Registered office: Bucharest, No. 33 Gen. Gheorghe Magheru Blvd., 1st district

Operational office: Bucharest, No. 2 - 4, Olteni Street, 3rd district

Telephone / fax: 021 30 35 611/021 30 35 610

Unique registration code: 13328043

Serial number in the Commercial Register: J40/8060/2000

Subscribed and Paid-up Share Capital: 733,031,420 Lei

Trading regulated market for the issued securities: Bucharest Stock Exchange

Communique

The National Power Grid Company "Transelectrica" SA informs the interested public regarding the company's financial losses generated by the ancillary services activity of the year 2017:

- The Chief Executive Officer of the National Power Grid Company Transelectrica SA, Ms. Georgeta – Corina POPESCU, has been publicly audited on Thursday, 26 October 2017, concerning the activity of ANRE, by the Parliamentary Investigation Committee of the Chamber of Deputies and the Senate, a Committee constituted by Decision no. 68 of the Joint Parliamentary Meeting from 27 September 2017, published in the Official Journal no. 776 / 29 September 2017, and has answered the punctual questions of its members pertaining to the ancillary services, their price and influence on the Company's activity.
- In Transelectrica's activity, the ancillary services are equal to the operational safety of the national power system and represent an operating segment that functions based on a tariff established on the grounds of a regulatory model which generates no profit or loss for the Company. However, given that the tariff is established based on a forecast process, Transelectrica may temporarily register profit or loss, which shall be further regulated via tariff adjustments in the following periods. In the event of recorded profits, a situation occurred as a result of the Company's efficient management of the procurement process for such services, the majority of the profit (80%) is returned to the end consumer by reducing the tariff in the following periods. As of 1 July 2017, the regulated tariff for ancillary services has been reduced by 20%. The amplitude of the tariff reduction has led to the occurrence of some important financial losses in a very short period of time, against the background of a strong growth in prices for such services, purchased by Transelectrica from the market. The level and rhythm of the financial losses accumulation by Transelectrica have exceeded the limits forecasted by ANRE when approving the tariff. The regulatory framework for the ancillary services activity includes tariff adjustment mechanisms after a minimum of six months from the approval of the tariff, created to ensure the full and timely recovery of the costs incurred by the Company in purchasing such services. Transelectrica shall ask the regulatory authority to enforce such mechanisms as of 1 January 2018.
- The estimations regarding the financial losses generated from the ancillary services activity, namely negative 53 million lei for the 3rd quarter, possibly reaching negative 100 million by the end of the 4th quarter if the trend holds, is based on the data available in the monthly statements regarding ancillary services published on Transelectrica's website.

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Transelectrica®
Company with a Dualist Management System

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- We highlight the fact that Transelectrica has the capacity to finance all basic operations as transmission system operator in the following period, so that operational safety of the national power system is maintained. We note however that maintaining the existing unbalance between the income generated by the ancillary services regulated tariff and the costs needed to ensure such services, wears down this capacity.

Georgeta – Corina POPESCU

**Chief Executive Officer
Directorate Chairman**

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