

THIS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE PROSPECTUS, THE ORIGINAL OF WHICH WAS DRAFTED AND APPROVED IN ROMANIAN. THIS ENGLISH VERSION HAS BEEN PROVIDED ONLY FOR CONVENIENCE AND NEITHER THE ISSUER NOR THE MANAGERS GUARANTEE THE ACCURACY OR COMPLETENESS OF THE TRANSLATION. IN CASE OF INCONSISTENCIES, THE ROMANIAN VERSION SHALL PREVAIL.



C.N.T.E.E. TRANSELECTRICA S.A.

a joint stock company registered in Romania under no. J40/8060/2000

OFFERING PROSPECTUS

regarding the Initial Primary Public Offering for the Sale of Shares of
C.N.T.E.E. TRANSELECTRICA S.A.
at the offering price of RON 16.80 for each Share (nominal value of RON 10.0)

OFFERING PERIOD 14.06 - 28.06. 2006

APPROVED BY THE NATIONAL SECURITIES COMMISSION
ACCORDING TO DECISION NO. 1273 OF 01.06.2006

<i>Lead Manager</i>	
ALPHA FINANCE ROMÂNIA 	
<i>Manager</i>	<i>Manager</i>
RAIFFEISEN CAPITAL & INVESTMENT  Raiffeisen CAPITAL&INVESTMENT	BRD SECURITIES GROUPE SOCIETE GENERALE  BRD Securities
<i>Legal Advisor</i>	
BOSTINA & ASOCIATII  BOSTINA & Associates LAWYERS	

THE AUTHORIZATION ENDORSEMENT ON THE PUBLIC OFFERING PROSPECTUS SHALL NOT BE CONSTRUED AS A GUARANTEE NOR DOES IT REPRESENT ANY OTHER FORM OF APPRECIATION BY THE N.S.C. WITH RESPECT TO THE OPPORTUNITY, ADVANTAGES OR DISADVANTAGES, THE PROFIT OR THE RISKS THAT MAY BE IMPLIED BY THE TRANSACTIONS TO BE CONCLUDED BY ACCEPTING THE PUBLIC OFFERING SUBJECT TO THE AUTHORIZATION DECISION; THE AUTHORIZATION DECISION CERTIFIES ONLY TO THE COMPLIANCE OF THE OFFERING WITH THE LEGAL REQUIREMENTS AND THE NORMS ADOPTED FOR THE APPLICATION THEREOF.

TABLE OF CONTENTS

TABLE OF CONTENTS

NOTE TO INVESTORS

SUMMARY OF THE PROSPECTUS

DEFINITIONS

CHAPTER I RISK FACTORS

COUNTRY RISK

FACTORS THAT MAY AFFECT THE ISSUER'S ACTIVITY

CHAPTER II OFFER TERMS AND CONDITIONS

CHAPTER III INFORMATION ON THE ISSUES

3.1 General Information

3.2 Setting up of the Issuer. History

3.3 Issuer's Special Legal Regime

3.4 Significant legislative events in the Issuer's evolutions and development

3.5 Issuer's Branches and Subsidiaries

3.6 Other Participations of the Issuer

CHAPTER IV THE ISSUER'S MANAGEMENT, OTHER RELEVANT DATA ON THE ISSUER

4.1 Organizational Structure of the Issuer

4.2. Professional experience of the members of administrative, management and supervisory bodies

4.3. Share capital

4.4. Significant shareholders

4.5. Issuer's Instruments of Incorporation

4.6 Transactions with Affiliated Parties

4.7 Issuer's Employees

4.8 Professional Training

CHAPTER V DESCRIPTION OF THE ISSUER'S ACTIVITY

5.1 Main activities

5.2 Market and regulations

5.3 Electricity transmission and transit and management of the Romanian power system

5.4. Investment policy

5.5 Research and development policy. Licenses, patents, trademarks.

5.6. Information stating if the Issuer is dependent relative to patents and licenses and financial, commercial or industrial contracts or new production processes

5.7. Grounds of any statement made by the Issuer regarding its competitive position

5.8 The environmental impact on the electricity transmission grid

CHAPTER VI OVERVIEW OF THE ISSUER'S FINANCIAL STATUS AND OPERATIONAL ACTIVITY

Unconsolidated financial statements, prepared according to the Order of the Ministry of Public Finance no. 94/2001

Consolidated financial statements

Chapter VII. REAL ESTATE PROPERTIES, EQUIPMENT AND INSTALLATIONS. IMPORTANT CONTRACTS, LITIGATION

7.1 Information concerning non-current assets, the existing assets or those planned to be purchased, including properties purchased in leasing system and any mortgages/charges on such assets

7.2. Important contracts

7.3 Litigation

CHAPTER VIII. ADDITIONAL INFORMATION

Information on third parties and any expert's statements or any interest statements.

Documents made available to the investors

CHAPTER IX. FEATURES OF THE ISSUER'S SHARES

9. 1. Persons in Charge

9.2 Risk factors

9.3. Key Information

9.4. Information on the securities offered or proposed for listing on a regulated market

9.5 . Tax- Related Aspects

9.6 . Offer Terms nad Conditions

9.7 Listing on a Regulated Market

9.8 Oferror

9.9. Offer- Related Expenses.

9.10 Dilution of Stock Held.

9.11 Additional information

CHAPTER X SUBSCRIPTION AND ALLOTMENT PROCEDURES

APPENDICES TO THE OFFER PROSPECTUS

NOTICE TO INVESTORS

This offering prospectus (the “Offering Prospectus”) contains information relating to the share capital increase by means of an initial public offering for sale of shares initiated in Romania by C.N.T.E.E. Transelectrica S.A. (“Transelectrica” or the “Issuer”), a joint stock company registered at the Register of Commerce under no. J40/8060/2000, having a share capital of RON 659,680,790 divided in 65,968,079 ordinary shares, evidenced by book-entries, each having a nominal value of RON 10.0, (the “Offered Shares”). The Offered Shares will be the object of an initial primary public offering for sale on the Romanian capital market (the “Offering”). It is estimated that the funds to be received by the Issuer following this Offering, in case all the Shares are fully subscribed, will be of RON 123,140,421.60, out of which the intermediaries’ fee will be of 2.25 %.

The information within this prospectus was provided by the Issuer or originates from other sources indicated in the Prospectus; the sources and information were chosen by the Agency Syndicate and the Legal Advisor.

The Issuer made all the necessary efforts in order to make sure that the information contained in the present Prospectus are true and correct and not misleading in any material respect. After having checked the present Prospectus the Issuer assumes the liability for its content and confirms the truthfulness, correctness and accuracy of the information contained herein.

The Agency Syndicate and the Legal Advisor have made all the necessary efforts within the due diligence procedures in order to make sure that, according to the documents and information provided by the Issuer, the information included in the Prospectus is true and does not contain omissions that may significantly influence the content of the Prospectus. The Agency Syndicate and the Legal Advisor do not assume any liability regarding the Issuer’s future performance. Nothing in this Prospectus shall be construed as a recommendation to invest, as an opinion of the Agency Syndicate or the Legal Advisor on the Issuer’s status, or as legal advice.

Each potential investor should perform, through its own means, an independent assessment of the Issuer and of the Offering terms that should not be based only on the information contained in this Prospectus. The Issuer, the Agency Syndicate and the Legal Advisor recommend to potential Investors to consult with their own advisors with respect to the legal, fiscal, commercial or financial aspects before making a decision to invest in the Offered Shares.

No person is authorized by the Issuer or the Agency Syndicate to give any information or to make any representation or assessment not contained in this Prospectus. The disclosure of such information, representation or assessment not contained in this Prospectus should be considered as being made without the authorization of the Issuer or the Agency Syndicate, which assume no liability in this respect. At the same time, it should be taken into account that the Issuer’s status, as well as the data and information included herein, may be subject to changes after NSC has given its approval for this Offering Prospectus.

The Prospectus will be available at the headquarters of Alpha Finance Romania S.A. (“Alpha Finance” or the “Lead Manager”), Raiffeisen Capital & Investment S.A. (“RCI” or the “Member of the Agency Syndicate”) and BRD Securities - Groupe Societe Generale S.A. (“BRD Securities” or “Member of the Agency Syndicate”), at the locations of the Distribution Group, as well as at the Issuer’s headquarters. Any person intending to subscribe for the Offered Shares should make their own analysis and assessment of the information contained in the present Prospectus, as well as of the opportunity to invest in the Offered Shares.

The Issuer and the Agency Syndicate will not be liable for not executing subscriptions received in accordance with this Offering Prospectus in cases of force majeure (cases of force majeure mean

unforeseen and unavoidable events or, in any case, events beyond the control of a party, including but not limited to wars, riots, rebellions, civil turmoil, acts of god, fire, flood, storms, strikes or any other general disturbances in the work process).

The distribution of this Prospectus and the offering and subscription of the Offered Shares in certain states may be restricted by the laws of the respective state. The persons into whose possession this Offering Prospectus comes are required by the Agency Syndicate to inform themselves about and to observe any such restrictions and limitations.

Except for Romania, the Issuer has not taken any measure that would allow the present public offering for the sale of Shares, the possession or distribution of the details regarding the Offering or any other offering, advertising material or form regarding the Shares in a jurisdiction in which the authorization or approval of any authority or court of law is necessary prior to being allowed to take such actions. This document does not represent an offering or an invitation to acquire the Offered Shares in jurisdictions in which this offering or invitation is not legal, including in jurisdictions in which an authorization or an approval is necessary and was not obtained. By subscribing Shares, non-residents assume any liability derived from the fact that such a subscription may be considered illegal according to the laws of the residence country. The shares have not been and will not be registered according to the securities law of the United States of America from 1933. The Shares cannot be offered, sold or delivered in the United States of America or to American citizens or nationals.

The NSC has authorized this Offering Prospectus through authorization Decision No. 1273 issued on 01.06.2006. The public announcement regarding this Prospectus was published in “Ziarul Financiar” and “Adevarul” of 02.06.2006. The authorization granted by the NSC does not constitute a guarantee or any kind of assessment by the NSC with regard to the opportunity, the advantages or disadvantages, the profit or risks that may be implied by the transactions to be concluded by accepting the public offering subject to the authorization decision; the authorization certifies only the compliance of the offering with the legal requirements and the rules adopted for the enforcement thereof.

In this Notice to Investors the words the initials of which are capital letters have the meaning ascribed to them in the Chapter “Definitions” included in this Prospectus.

FORWARD LOOKING STATEMENTS

This Prospectus contains, among other things, statements containing the expectations of the Issuer’s management regarding business opportunities, development plans and, in general, the Issuer’s perspectives. Where possible, expressions such as: “anticipates”, “expects”, “believes”, “considers”, “intends”, “has in mind”, “tries”, “estimates”, “it is possible that” as well as other similar expressions were used to identify forward looking statement. This type of statements implies a series of risks, predictable and unpredictable, a certain uncertainty degree as well as other factors that, in the future, may essentially influence the effective results, being possible that certain predictions, perspectives, projections or other forward looking statements will not be complied with. The factors that may lead to such changes include, but are not limited to the aspects presented in the Chapter “Risk Factors”.

Considering the above, the investors are cautioned not to rely exclusively on such forward looking statements. The issuer expressly disclaims any liability to update such forward looking statements in this Prospectus to reflect any change in the Issuer’s expectations or any change in the status, conditions or circumstances on which such statements are based.

SUMMARY OF THE PROSPECTUS

The following summary is meant to be exclusively used as an introduction to the present Prospectus, being based only on the information contained herein and does not purport to present complete information regarding the Issuer and its activities. Moreover, this summary is based on and should be corroborated with the more detailed information and the financial statements contained elsewhere in the present Prospectus. Certain terms used in this Summary are defined under other chapters included in this Offering Prospectus.

Each potential investor should take an investment decision based on the detailed information and financial statements contained in the Prospectus, considered in its entirety.

Presentation of the Issuer

Transelectrica is the national transmission and system operator, according to the *Electricity Law*, providing the electricity transmission service, the technical management of the Romanian Power System and the administration of the electricity market, through its subsidiary **S.C. Opcom S.A.**, having legal persona.

The **Issuer's Mission** is to provide safe and stable RPS operation while meeting the quality standards, providing the infrastructure of the national electricity market and guaranteeing the transparent, non-discriminating and equal regulated access to the transmission network of all market participants.

The **Issuer's Vision** is to be the technical and operational authority of RPS and to become the major operator for electricity transmission in South-Eastern Europe, under UCTE (Union for the Coordination of Transmission of Electricity) and providing electricity transit on the regional market.

Transelectrica became a full member of UCTE on 8 May 2003. On 10 October 2004, RPS was simultaneously interconnected to the entire UCTE system following the successful finalization of the tests, the adjustment of the technical regulations and the investments made, confirming the standards met in managing the Romanian electricity system. This will lead to increased commercial opportunities on the domestic and international (import/export) electricity market.

On 9 November 2004, **Transelectrica** was accepted as member of ETSO (European Transmission System Operators) – the Association of the Transmission and System Operators from the European Union.

The functions carried out by **Transelectrica** on the electricity market, directly or through its subsidiaries or branches, are:

- Transmission and System operator of the Romanian Power System;
- Balancing market operator of the Romanian Power System;
- Commercial operator of the electricity market, through the subsidiary OPCOM S.A.;
- Metering operator of the wholesale electricity market, through the metering branch “OMEPA”.

The Issuer is allowed to make transactions with electricity only for: covering its own technical need of electricity for the electricity network, eliminating the internal or inter-connection system restrictions and for balancing the gap between the real values and the forecasted plans of production and electricity consumed in RPS, or for the exchange of electricity with the neighbouring countries, in terms of support.

The Company's *main objectives* are:

- to issue and promote the technical regulations needed for the safe operation of RPS;
- to balance the generation and the consumption in real time, as well as to provide the technical management of RPS using market specific mechanisms;
- to provide transmission services while observing the quality and operational safety standards, accordingly with to Conditions attached to the License no.161 for the electricity transmission and system services;
- to provide its own competitive services wherever possible and at minimum costs;
- to lay the basis of the service rates according to the tariff-setting principles for electricity, as provided in ANRE orders regarding the tariffs for the electricity transmission services and system services, and
- to obtain proper revenues from these objectives taking into account the existing risks.

The long term objective is to develop the electricity market, thus ensuring Romania's long term development.

Transelectrica is made up of 9 subsidiaries: 8 electricity transmission subsidiaries and the metering operator on the wholesale market – “Omepa”.

Transelectrica also comprises, as an Operational Unit, the National Power Dispatcher.

The Company's operating activity is carried out by the Operational Unit - National Power Dispatcher and the 8 local transmission subsidiaries.

The Issuer plans to enter on the telecommunication market using the optical fibre capacity available at this moment.

The Issuer has 100% ownership in six subsidiaries. Out of these, Opcom was incorporated and registered as subsidiary of the Issuer based on the Government Decision 627/ 2000. After that, Smart, TELETRANS and FORMENERG became subsidiaries of the Issuer, by outsourcing part of its activities, and ICEMENERG was registered as a subsidiary based on the Government Decision 1065/2003. The Government Decision 2294/2004 decided upon the transfer to Transelectrica of the shares owned by ICEMENERG in ICEMENERG Service. ICEMENERG Service became this way the subsidiary of Transelectrica. Currently, ICEMENERG Service is directly owned by the Issuer. Among all the subsidiaries of C.N.Transelectrica – S.A., only S.C OPCOM S.A. operates based on a licence granted by ANRE.

The subsidiaries' management and their board members are named by the General Shareholders Meeting of C.N.Transelectrica – S.A. based on an order issued by the Ministry of Economy and Commerce.

Accordingly with the GD no. 184/09.03.2005 regarding „The strategy for speeding up the privatization process and for attracting investments for the companies from the Ministry of Economy and Commerce portfolio – Office of State Ownership and Privatization in Industry for the year 2005 and some of the measures for its appliance” the Issuer will initiate the privatization of its subsidiaries.

As a first step, FORMENERG, ICEMENERG and ICEMENERG Service will be privatized, their activity being not much connected with Transelectrica's activity. MEC-OPSPI expressed its intention for privatize FORMENERG and ICEMENERG by publishing an announcement in this respect into the Romanian newspapers on May, 3, 2006.

Identity of the members of the Issuer’s management bodies, advisors and financial auditors.

The current structure of the Issuer’s Board of Directors is the following:

Name	Position
Răcășanu Georgeta Felicia	President of the Board of Directors;
Stelian Iuliu Alexandru Gal	Member, General Manager;
Lefter Ioan Silviu	Member;
Bitu Alice Cezarina	Member;
Badea Florin Cornel	Member.

The Issuer’s financial auditor for the financial year 2005 is KPMG. KPMG was also selected as financial auditor of the Issuer for the years 2006-2007.

The Issuer’s legal advisor is the Law Firm “Popovici si Asociatii”.

Statistic data regarding the public offering and its period.

Characteristics of the Offering	The Issuer will issue 7,329,787 new shares. These shares are evidenced by book-entries. All the shares have an equal value and grant equal rights to the owners.
Offering Price	The Offering (selling) Price is RON 16.80 per share. In case all the shares are sold, the total value of the offering will be RON 123,140,421.60 The nominal value of each share is RON 10.
Subscription	<p>During the Offering Period the subscriptions will be made at the headquarters of the Offering Managers, as well as at the locations of the Distribution Group, between 9:00 and 15:00 hours, Romania time and between 9:00 and 13:00 hours in the last day of the Offering. The deadline for subscriptions is 28.06. 2006. After the deadline expires no subscriptions from the investors will be accepted.</p> <p>The Public Offering will be carried out between 14.06.2006 and 28.06.2006, inclusive.</p> <p>The Offering Managers will register all the subscriptions received if these comply with the validity terms, using the BSE primary market electronic system (POF market – “Public Offerings”). The subscriptions are opposable to the Issuer starting with the registration of the subscription in the Primary Market Register. The deadline for registering the subscriptions in the Primary Market Register is 29.06.2006. The Offering Managers are obliged to make sure that, for each order introduced on the primary market, the funds corresponding to the subscriptions were paid to the account of the Offering Managers or will be settled by a custodian bank.</p>
Persons who can subscribe shares	<p>Any resident or non-resident individual or legal entity may request to buy shares offered as part of the Public Offering, as follows:</p> <ul style="list-style-type: none"> – 40% of the Offering, meaning 2,931,915 shares, is allotted to the “Small Subscriptions Tranche”. The investors who opt for this tranche may subscribe no less than RON 2,000 and up to RON 500,000. – 60% of the Offering, meaning 4,397,872 shares, is allotted to the “Large Subscriptions Tranche”. The investors who opt for this tranche may subscribe no less than RON 500,000, inclusively. <p>If, at the end of the subscription period, one of the tranches is oversubscribed and the other not fully subscribed, then a number of shares from the incompletely subscribed tranche (equal to the maximum number of unsubscribed shares in the incompletely subscribed tranche) is transferred to the oversubscribed tranche.</p> <p>Each subscription will be made by filling in a subscription form that will be available at the headquarters of the Offering Managers, as well as the locations of the Distribution Group, provided all the required accompanying documents are made available. The amount to be paid for the subscription of shares must be paid in upon the same date as the share subscription form.</p> <p>Payment for the shares will made through payment order; the payment may also be justified by showing a payment document stamped by the bank where</p>

	the payment has been made. The subscriptions in the offering are unconditional and irrevocable. The investors that subscribe in cash through the local network of the Distribution Group shall be opened a bank account, free of charge, by the Distribution Group.
Allotment criteria in case of oversubscription	<p>The allotment will be made „pro-rata” for both the Small Subscriptions Tranche and for the Large Subscriptions Tranche.</p> <p>In case the number of subscribed Offered Shares is lower than the number of Offered Shares, the unsubscribed Offered Shares will be annulled. In the event that, following the allotment on a “pro-rata” basis, fractions of shares should be allotted; the number of shares will be rounded downwards to the immediately inferior integer. From the total number of shares corresponding to the decimal fractions, one share shall be allotted to each subscriber, in the chronological sequence of subscriptions, separately for each tranche.</p>

Selected financial information

The Issuer’s consolidated financial statements represent the Issuer’s financial statements prepared according to International Financial Reporting Standards for the financial years ended on 31 December 2003, 2004 and 2005.

The present Prospectus contains, exclusively for the information of its recipients, the EUR equivalent of certain amounts in RON. The figures in EUR are not audited and they represent a Convenience Translation. The financial information (Balance sheet as of 31 December 2005, 2004 and 2003, income statement for the periods ended on 31 December 2005, 2004 and 2003 and the cash flows for the periods ended on 31 December 2005, 2004 and 2003) in the tables below and contained in the present Prospectus (unless specified otherwise) were extracted from the Issuer’s Consolidated Financial Statements, included in Annex 13 to the present Prospectus. The financial statements were adjusted according to IAS 29, “Financial Reporting in Hyper-Inflationary Economies”, until 31 December 2003. Starting 2004, the Romanian economy is no longer considered inflationary; as a result, the Issuer no longer applied IAS 29 starting January 2004.

For the purpose of comparison, the conversions from RON to EUR were made using the Official Exchange Rate at the end of each financial year (1 EUR = 36,771 ROL/3.6771 RON as of 31 December 2005, 1 EUR = 39,663 ROL/ 3.9663 RON la 31 December 2004, and, respectively 1 EUR = 41,117 ROL/ 4.1117 RON as of 31 December 2003) except for the information included in the income statement and cash flows for the years ended on 31 December 2005 and 31 December 2004, which was translated using the average rate for each year: 1 EUR=36.234 ROL/3.6234 RON for 2005, and 1 EUR = 40,532 ROL/ 4.0532 RON for 2004.

For consolidation purposes, the Issuer applied the requirements of IAS 27, “Consolidated financial statements and investment in subsidiaries accounting”. Accordingly to IAS 27 control is presumed to exist when a parent owns more than one half of the voting power of an enterprise 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 enterprise 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. The Issuer consolidated in its financial statements Smart S.A., TELETRANS S.A. and ICEMENERG S.A. As of 31 December 2004 the Issuer did not consolidate SC OPCOM S.A., because did not control the Company’s operations and SC FORMENERG S.A., considered insignificant for consolidation purposes. As of 31 December 2005, the Issuer did not consolidate S.C. OPCOM S.A., SC FORMENERG S.A. and S.C. ICEMENERG Service S.A., considered insignificant for consolidation purposes.

Intra-group balances and transactions, as any unrealized profits or losses obtained from intra-group transactions are eliminated in order to prepare consolidated financial statements.

Selected financial information

	Consolidated income statement for the period			Consolidated income statement for the period		
	12 months	12 months	12 months	12 months	12 months	12 months
	2003	2004	2005	2003	2004	2005
	(audited)	(audited)	(audited)			
	(RON '000)	(RON '000)	(RON '000)	(EUR '000)	(EUR '000)	(EUR '000)
Total income	819,446	1,060,808	1,765,602	199,296	261,721	487,278
Total operating expenses	(837,519)	(915,621)	(1,572,568)	(203,691)	(225,900)	(434,004)
Operating Profit / (Loss)	(18,073)	145,187	193,034	(4,395)	35,821	53,274
Financial income	2,277	895	2,109	554	221	582
Financial expenses	(28,994)	(63,301)	(49,197)	(7,052)	(15,618)	(13,578)
Net foreign exchange loss	(26,181)	29,125	(379)	(6,368)	7,186	(105)
Net income/ (loss) from monetary position	22,883	-	-	5,565	-	-
Profit / (Loss) before tax (EBT)	(48,088)	111,906	145,567	(11,696)	27,610	40,173
Profit tax expense	216,281	(25,323)	(18,759)	52,602	(6,248)	(5,177)
Net Profit/(Loss)	168,193	86,583	126,808	40,906	21,362	34,996
Earning before tax (EBT)	(48,088)	111,906	145,567	(11,696)	27,610	40,173
Interest and fees expenses	(26,717)	(62,406)	(47,088)	(6,498)	(15,397)	(12,996)
Depreciation	(167,088)	(134,863)	(147,443)	(40,637)	(33,273)	(40,692)
EBITDA*	145,717	309,175	340,098	35,439	76,280	93,861

Source: Consolidated financial statements. Computations made by the Issuer based on Consolidated financial statements. These are summarized information selected from the Consolidated Financial Statements.

The amounts in EUR represent a convenience translation and they are not audited.

* EBITDA was not audited for any of the analyzed periods. It was computed by the Issuer based on the information included in the Consolidated Financial Statements.

	Consolidated balance sheet as of			Consolidated balance sheet as of		
	31 December	31 December	31 December	31 December	31 December	31 December
	2003	2004	2005	2003	2004	2005
	(audited)	(audited)	(audited)			
	(RON '000)	(RON '000)	(RON '000)	(EUR '000)	(EUR '000)	(EUR '000)
Assets						
Tangible assets, net	2,397,838	1,724,277	2,127,600	583,174	434,731	578,608
Intangible assets	13,521	34,190	28,362	3,288	8,620	7,713
Financial investments	2,176	4,450	4,216	529	1,122	1,147
Other non-current assets	109,444	-	-	26,618	-	-
Total non-current assets	2,522,979	1,762,917	2,160,178	613,609	444,473	587,468
Cash and cash equivalents	47,807	55,503	65,048	11,627	13,994	17,690
Total current assets	385,752	379,766	922,803	93,820	95,748	250,960
Total assets	2,956,538	2,198,186	3,148,029	719,056	554,215	856,118
Shareholders' equity and debts						
Short term loans	52,567	51,731	87,177	12,785	13,043	23,709
Commercial debts	159,152	95,445	591,700	38,707	24,064	160,916
Other current debts	175,628	209,561	247,024	42,715	52,834	67,178
Long term debts	433,229	705,240	968,061	105,365	177,808	263,267
Total Debts	820,576	1,061,977	1,893,962	199,572	267,749	515,070
Shareholders' equity						
Share capital	987,989	1,018,064	1,018,175	240,287	256,679	276,896
Accumulated reserves/ (deficit)	104,491	118,145	235,892	25,413	29,787	64,152
Public patrimony	1,043,482	-	-	253,784	-	-
Total Shareholders' equity	2,135,962	1,136,209	1,254,067	519,484	286,466	341,048
Total Debts and Shareholders' Equity	2,956,538	2,198,186	3,148,029	719,056	554,215	856,118

Source: Consolidated financial statements. These are summarized information selected from the Consolidated Financial Statements. The amounts in EUR represent a convenience translation and they are not audited.

RATIO	CALCULATION FORMULA	12 months 2003	12 months 2004	12 months 2005
<i>Profitability</i>				
EBITDA to sales	EBITDA/Sales	17.8%	29.1%	19.3%
Operating profit margin	Operating Profit/Sales	n/a	13.7%	10.9%
Pre-tax profit margin	Pre-tax Profit/Sales	n/a	10.5%	8.2%
Net profit margin	Net Profit / Sales	20.5%	8.2%	7.2%
Adjusted net profit margin *	Net Profit * / Sales	7.0%	8.2%	7.2%
Return on assets	Net profit/average assets	1.5%	0.8%	1.2%
Return on assets (adjusted*)	Net profit*/average assets *	0.5%	0.9%	1.2%
Return on equity	Net profit/equity	7.9%	7.6%	10.1%
Return on equity (adjusted**)	Net profit/equity **	5.9%	7.6%	10.1%
EBITDA to equity	EBITDA/equity	6.8%	27.2%	27.1%
EBITDA to adjusted equity **	EBITDA/equity **	14.8%	27.2%	27.1%
<i>Liquidity</i>				
Current ratio	Current assets/Short term liabilities	1.12	1.22	1.07
Quick Ratio (Acid test ratio)	(Current assets *-Inventories)/Current liabilities	1.01	1.14	1.03
<i>Indebtedness</i>				
Debt-to-Equity Ratio	Total Debt / Equity	0.18	0.54	0.69
Debt-to-Equity Ratio (adjusted**)	Total Debt / Equity **	0.39	0.54	0.69
Interest coverage ratio	EBIT/Interest paid	n/a	9.15	6.26
<i>Activity ratios</i>				
Days Receivable (days)	Receivables x Period (1) / Turnover	153	121	185
Days payable (days)	Payables x Period (1) / Cost of Sales***	135	72	230
Days payable to suppliers of non-current assets (days)	Payables to suppliers of non-current assets x Period(1)/Non-current asset purchases	45	60	95

Source: Computation made by the Issuer based on Consolidated Financial Statements

* Adjustments made to evidence the fundamental errors identified by the Company during the following financial year

** Adjustments made to evidence the fundamental errors identified by the Company during the following financial year and the influences generated by the registration of the public patrimony assets to reserves in 2003

*** Due to the fact that the Company's financial statements do not contain an allocation of the suppliers' costs, the cost of sales results from adding up the expenses related to system services and repair and maintenance, which could influence the days payable

(1) The reference period used for calculating the ratios is 365 days

Information regarding the Issuer.

The Issuer is a Romanian legal entity constituted as a joint stock company, having the following identification data:

<i>Name</i>	Compania Națională de Transport al Energiei Electrice "Transelectrica" S.A.
<i>Headquarters</i>	Romania, Bucharest, 33 G-ral. Gheorghe Magheru Blvd., sector 1, zip code 010325
<i>Registration no. at the Register of Commerce</i>	J40/8060/05.09.2000
<i>Unique registration code</i>	13328043 from 05.09.2000
<i>Fiscal attribute</i>	R from 01.09.2000
<i>Telephone</i>	(40)-21- 30 35 611
<i>Fax</i>	(40)-21- 30 35 610
<i>E-mail</i>	office@transelectrica.ro
<i>Website</i>	www.transelectrica.ro

DEFINITIONS

“Articles of Association”	The articles of association of Transelectrica as approved by Government Decision no. 627/13.07.2000 regarding the reorganization of Compania Nationale de Electricitate S.A. (the National Electricity Company), published in the Romanian Official Gazette no. 357/31.07.2000 as amended and completed according to subsequent addendums
“Existing Shares”	All the Shares issued by the Issuer as of the date of approval of the present Prospectus, representing 65,968,079 shares with a face value of 10.0 RON.
“Offered Shares”	The shares issued by Transelectrica in the initial primary public offering referred in the present Prospectus, representing 7,329,787 shares with a face value of 10.0 RON. In the current Prospectus, both “Existing Shares” and “Offered Shares” can be referred as “Shares”.
“Alpha Bank”	A credit institution authorized by the National Bank of Romania according to authorization no. B/000013 of 01.07.1994, with headquarters in Bucharest, 237 B Calea Dorobanților, sector 1, unique registration code 5062063, registration number at the Register of Commerce Office J40/28415/1993
“Alpha Finance” or “Lead Manager”	Alpha Finance Romania S.A., a financial investment services company authorized by the NSC according to authorization no. 2666 of 2003, with headquarters in Romania, 237 B Calea Dorobanților, 2nd floor, sector 1, Bucharest, registered at the Register of Commerce of Bucharest Court hall under code 6641837 and no. J40/20269/1994
“ANRE”	Romanian Energy Regulatory Authority
“BRD – Groupe Societe Generale”	BRD – Groupe Societe Generale S.A., a credit institution authorized by the National Bank of Romania according to authorization no. A/000001 of 01.07.1994, with headquarters in Bucharest, 1-7 Ion Mihalache Blvd., unique registration code 361579, registration number at the Register of Commerce Office J40/608/1991
“Custodian Banks”	Commercial banks authorized by the National Bank of Romania to operate in Romania and by the NSC to carry out securities custody services according to the applicable legislation in force
“NBR”	National Bank of Romania
“BRD Securities” or “Manager”	BRD Securities Groupe Societe Generale S.A., a financial investment services company authorized by the NSC according to authorization no. 2871 of 21.08.2003, with headquarters in Bucharest, 1-7 Ion Mihalache Blvd., 6th floor, unique registration code 8653560, registered at the Register of Commerce Office under no. J40/6068/1996
“BSE”	Bucharest Stock Exchange
“NSC”	National Securities Commission
“The Commercial Code of the wholesale energy market”	The document approved by the order of ANRE, regulating the participation and commercial relations on the <i>wholesale electricity market</i>

“The Technical Code of the transmission network”	The document approved by the order of the competent Authority, regulating the activities of the transmission and system operator (planning, development, operation, administration and maintenance of the electricity transmission grid) and of the dispatcher centres, applied on a non-discriminating basis to the users of the electricity transmission grid.
“Management by dispatcher”	The technical activity specific to the electricity sector carried out by specialized units that have authority over the electricity market participants for the purpose of coordinated operation of the installations and equipment part of the Romanian Power System that need a unitary command
“Board of Directors”	The Issuer’s Board of Directors.
“Agency Agreement”	The agreement concluded between the Issuer and the Consortium for the management of the Offering.
“Collection Accounts”	The accounts opened by the Lead Manager and the Managers for the purpose of collecting the subscription amounts within the Offering, as identified in the Chapter “Terms and Conditions of the Offering”.
“Allotment Date”	The Business day on which the allotment of subscriptions is performed.
“Reference Date”	The date used for identifying the Shareholders registered in the Shareholders’ Register that will have the right to participate to the General Meeting of Shareholders and will have the right to vote in the respective meeting.
“Transaction Date”	The Business Day on which the transactions are executed on BSE electronic system
“Settlement Date”	The Business Day immediately following the three Business days after the Transaction Date on which the settlement process for the Shares subscribed within the Offering is finalized
“NPD”	National Power Dispatcher
“EBIT”	Earnings Before Interest and Taxes
“EBITDA”	Earnings Before Interest, Taxes, Depreciation and Amortization
“Issuer”	C.N.T.E.E. Transelectrica S.A, with headquarters in Bucharest, 33 G-ral. Gheorghe Magheru Blvd., sector 1, registered at the Register of Commerce under no. J40/8060/2000, unique registration code 13328043, fiscal attribute R.
“Euro” or “EUR”	The currency of the EU member states that adopted it as official currency according to the European Union legislation.
“Distribution Group”	The network of branches and agencies belonging to Alpha Bank, BRD - Groupe Societe Generale and Raiffeisen Bank assisting the Agency Syndicate in distributing the Shares according to the Distribution Agreement.
“Government”	The Romanian Government.
“IAS”	The International Accounting Standard as defined by the IASC (International Accounting Standards Committee), included in the International Financial Reporting Standards.

“IFRS”	International Financial Reporting Standards.
“KPMG”	KPMG Audit SRL, a company registered and organized according to Romanian law, with headquarters at 133 Calea Serban Voda, sector 4, Bucharest, Romania, unique registration code 12997279, registered at the Register of Commerce under no. J40/1829/1995. KPMG Romania SRL is the auditor of the Company’s financial statements prepared in accordance with IFRS.
“OEL”	Overhead electricity lines.
“Electricity Law”	The Electricity Law no. 318 of 8 July 2003, published in the Official Gazette no.511 of 16 July 2003.
“Capital Market Law”	Law no. 297 of 28 June 2004 regarding the capital market, published in the Official Gazette no. 571 of 29 June 2004, as subsequently amended and completed.
“Companies Law”	Law no. 31/1990, republished in the Official Gazette no. 1066 of 17 November 2004, as subsequently amended and completed.
Law 10/2001	Law no. 10/2001 regarding the legal status of some buildings taken over by the State during the period 6 March 1945-22 December 1989, republished in the Romanian Official Gazette no. 798 of 2 September 2005, as subsequently amended and completed.
“The law of Fondul Proprietatea”	Law no.247/2005 regarding the reform in property and legal domain, as well as additional measures taken – Title VII The establishment and payment regime for compensations for the damages related to the confiscated houses, published in the Official Gazette no.653/22.07.2005.
“ROL”	Romania’s official currency until 1 July 2005.
“RON”	Romania’s official currency starting 1 July 2005.
“Lead Manager”	Alpha Finance Romania.
“Managers”	Raiffeisen Capital & Investment and BRD Securities.
“MEC”	Ministry of Economy and Commerce
“OPCOM”	Romanian Electricity Market Operator
“Balancing market operator”	Market operator in charge with the registration of the <i>balancing market</i> participants, as well as with the official checking of the <i>balancing market</i> offers
“OPSPI”	Office of State Ownership and Privatization in Industry
“Offering”	The present initial primary public offering for the sale of shares made by the Issuer accordingly with the description included in the “Terms and Conditions of the Offering”.
”Offering Period”	The Offering Period as described in the section with the same name of the Chapter “Terms and Conditions of the Offering”.
“Wholesale electricity market”	Organized market in which the electricity is acquired by suppliers from generators or from other suppliers for resale purposes or for own consumption, as well as by the network operators for covering their own technical

	consumption.
“Balancing market”	Centralized market organized and managed by the <i>transport and system</i> operator in order to collect the offers regarding the delivery of balancing power submitted by the <i>balancing market participants</i> and to use the same for assuring the production-consumption balance in the operation of the Romanian Power System, as well as to solve network restrictions.
“PWC”	PricewaterhouseCoopers Audit SRL, a company registered and organized according to Romanian law, with headquarters at 1-5 Costache Negri Str., sector 5, Bucharest, Romania, unique registration code 4282940, registered at the Register of Commerce under no. J40/17223/1993.
“Prospectus”	The present Prospectus regarding the initial primary public offering for the sale of the Issuer’s shares, approved by the NSC in order to carry out the Offering.
“Raiffeisen Bank”	Raiffeisen Bank SA, a credit institution authorized by the National Bank of Romania according to the authorization no. A/000003 of 01.07.1994, with headquarters in Bucharest, 15 Charles de Gaulle Square, 4th, 5th, 6th, 7th and 8th floor, sector 1, unique registration code 361820, registration number at the Register of Commerce Office J40/44/1991.
“RCI” or “Manager”	Raiffeisen Capital & Investment S.A., a financial investment services company authorized by the NSC according to the authorization no. 1990 of 30.06.2005, with headquarters in Bucharest, 15 Charles de Gaulle Square, sector 1, Bucharest, Romania, registered at the Register of Commerce of Bucharest Court hall under the code 10715860 and no. J40/6102/1998.
“Register of Commerce”	The Register of Commerce Office of Bucharest Court hall.
“DN”	Distribution Network.
“ETG”	Electricity Transmission Grid – electrical network of national and strategic interest with a nominal line voltage higher than 110 kV.
“RPS”	Romanian Power System.
“Agency Syndicate”	The Lead Manager and the Managers of the Agency Syndicate, forming the Intermediation Syndicate based on the Consortium Agreement.
“EMS-SCADA System”	<i>Energy Management System - Supervisory Control and Data Acquisition</i> – IT system assessing the status of the system for monitoring and managing a technical process or an installation.
“Dispatcher management systems”	All the installations and equipment used by the dispatcher centre for carrying out its tasks.
“Consolidated Financial Statements”	The Issuer’s audited consolidated financial statements for the financial years ended on 31 December 2005, 31 December 2004 and 31 December 2003, prepared according to IFRS, presented in Annex 13 to the Prospectus.
“Statutory Financial Statements”	The Issuer’s audited financial statements for the financial years ended on 31 December 2005, 31 December 2004 and 31 December 2003 prepared according to the Romanian Accounting Standards, presented in Annex 12 to the Prospectus.

“Romanian Accounting Standards” or “RAS”	The principles and norms provided by the Romanian legislation applicable to accounting matters (Order of the Ministry of Finance 94/2001, as subsequently amended and completed).
“ T_G”	Local tariff for the transmission service for the introduction of electricity in the grid T _G RON/MWh.
“ T_L”	Local tariff for the transmission service for the extraction of electricity from the grid T _L RON/MWh.
“Transelectrica”	NATIONAL ELECTRICITY TRANSMISSION COMPANY “TRANSELECTRICA” S.A..
“UCTE”	Union for the Coordination of Transmission of Electricity.
“EU”	European Union.
“UNO DEN”	Operational Unit – National Power Dispatcher.
“USD”	American dollar, the official currency in the United States of America.
“Business Day “	Any day on which both the Romanian inter-bank market and the BSE trading and clearing-settlement systems are opened for business.

Chapter I. RISK FACTORS

An investment in the shares offered by means of the present Offering implies a certain degree of risk. In order to evaluate correctly the investment in the shares issued by Transelectrica, the information regarding the Issuer as set out herein should be carefully analyzed. At the same time, investors should make the necessary efforts for their own assessment of the investment opportunity.

1.1 COUNTRY RISK

General issues

The investors in emerging markets, such as the Romanian market, should be aware that such markets pose a risk higher than the markets of the countries with well-developed economies and mature political and legal systems. Such a risk is determined by the need to adjust the legal framework so as to create instruments efficient both in legal and economic terms, in order to provide the framework necessary to a functional market economy. The reform of administration and justice, the elimination of corruption, the decentralization of public services and the strengthening of the local administrative and financial autonomy are priorities in terms of accession to the European Union, and the enforcement of some restructuring programs may generate a number of risks. Despite the efforts made for providing a stable investors' climate by removing legislative inconsistencies, by increasing the openness of the public administration towards the investors and citizens' needs and interests and by creating a competitive business environment, such endeavours are still dependent on a substantial structural reform of the legal system and the public administration. Therefore, when analyzing the opportunity to invest in the shares issued by a Romanian company, one must take into consideration the instability factors generated by a possible incapacity of the Romanian public administration to efficiently manage and use resources, such incapacity being mainly caused by the lack of qualified personnel, the existence of old bureaucratic structures, as well as by legislative inconsistencies. Taking into account the current level of development, the Romanian market can be considered an emerging market.

Accession to the European Union

Romania signed the Treaty of Accession to the European Union with a safeguard clause included, according to which the accession may be postponed for one more year in case the accession criteria regarding justice and internal affairs and competition are not complied with. Thus, although Romania is considered to meet the criteria for being considered a functional market economy, the enforcement of the structural reforms is a must. Romania reached an advanced level with respect to legislative framework alignment and it continued to progress. Romania should meet its EU member state obligations on its date set for adhesion provided will speed up efforts in a number of sectors and focus on consolidating its administrative ability.

According to the summary of the monitoring report of Romania issued by the European Union on May 16 2006, the number of sectors raising serious concerns for the preparation for joining the European Union decreased from 14 to 4 compared to October 2005. Apart from that, there is a series of other sectors on which Romania should intensify its efforts in order to become a EU member state.

At the same time, although progress has been made both regarding the free circulation of financial services and the regulations enforceable on companies and the protection of intellectual ownership rights, Romania should pay increased attention to the capital market development.

Failure by Romania to fulfill the duties agreed in the Treaty of Accession to the European Union could enable the “safeguard clause” entitling the EU Council of Ministers to postpone for one year Romania’s accession by a qualified majority vote. On the other hand, Romania’s accession to the European Union implies a number of risks associated to the economic, social and competitive pressure entailed by the free circulation of goods, services and capital.

Inflation and exchange rate

As of 2004, the restrictive monetary policy, the severe taxation policy and the measures designed to cut down the arrears and prevent the formation of new ones represented the main components of the economic policies mix that made possible the evolution - inflation rate to follow a track comparable to the 9% annual target.

The inflationary pressures were mainly determined by the offer, the major influencing factors being the deterioration of the unit cost with the industry labour force, the adjustment of the managed tariffs, as well as the effects of circumstantial factors and the high prices of wheat and oil on the international market.

Inflation remains a visible symptom of the structural weakness of the Romanian economy and of the macroeconomic imbalance generated by the difficulties in implementing a coherent wage policy and a more relaxed monetary policy for companies owned by the state.

As far as demand is concerned, the inflationary pressure resulted from the quick increase of consumption – as an effect of the increase of all the population revenue categories and the easy accessibility of bank loans – was limited by the consumers’ preference for imported commodities considering the positive evolution of the import prices and the relative stability of the exchange rate.

The exchange rate evolution has been marked by the surplus stepping up on the currency market as a result of the significant increase of the capital flows and the inputs of private current residents - non-residents transfers. In 2005 the inflation was 8.6%. Therefore, the relatively high level of inflation compared to that existing in the developed countries, as well as the increased volatility of the exchange rate may significantly impair the profitability of an investment in the Offered Shares.

Currency conditions

The NBR Currency Regulation no. 4/2005 allowed a liberalization of the current and capital currency operations in foreign currency and in national currency - RON, save for some limited operations which are still subject to NBR’s approval. The RON is convertible only on the domestic market and is not traded outside Romania.

For the currency operations liberalization, a factor of risk may be the NBR’s lawful right to take safeguard measures over a limited period not longer than 6 months. This can be in case significant short-term capital flows affect the currency market leading to serious disturbances in applying the monetary policy and the exchange rate and significant fluctuations of the domestic liquidity.

Reporting and public information obligations

Considering that the Issuer, after the completion of this Offering, intends to list the Shares at the Bucharest Stock Exchange, according to the Capital Market Law, the companies accepted for trading have reporting duties to the National Securities Commission and the regulated markets on which such securities are traded. Thus, the companies accepted for trading must forthwith report any legal deed concluded between the company and its directors, employees, majority shareholders, as well as the persons involved together with the same, the cumulated value of which equals at least the RON equivalent of EUR 50,000. On the other hand, the companies accepted for trading must inform the public and NSC without delay with respect to privileged information and must elaborate quarterly, half-yearly and yearly reports and make them available to the public, the NSC and the market operator. The reports must include any significant information, so that the investors may carry out a substantiated assessment regarding the corporate business, profit or loss, and point out any particular factor that influenced such business.

Nevertheless, although the legislative prerequisites have been set in this respect, in practice certain securities issuers display a degree of reluctance as to the duty of reporting and information.

Legal factors

In principle, the Romanian legislation is harmonized with the EU legislation, reflecting the imposed recommendations made and containing the guidelines and principles of the community *acquis*. Nevertheless, when it comes to the accession to the European Union, changes and completions to the current legislation may occur forcing the Issuer to rapidly adapt to the new demands, especially as the laws and the regulations in force are sometimes inconsistently enforced and, in certain cases, the legal remedies cannot be acquired in due time. At present, the Issuer deems that it is observing the legal provisions in force and that any possible violation thereof could not have any material negative effect on its activities, on the results of its financial operations or on its status.

Capital market and liquidity

After the completion of this offering, the Issuer will take the measures necessary to list the Shares on the BSE. BSE is a small stock exchange, trading the shares of only 64 companies as of December 2005. Therefore, BSE has features similar to those of other small stock exchanges in emerging economies in terms of fragility and volatility of the market and of the value of the listed securities, as the Shares evolution may also be influenced by such factors.

Risks associated to the framework regulating the Romanian Power System

The management of the Issuer's regulated business and operations, as well as its revenues is subject to the regulations of the Romanian Energy Regulatory Authority. The most important risks associated to this matter are:

- The regulatory framework is relatively recent and subject to changes that may impair the Company's performance;
- The decisions of the Romanian Energy Regulatory Authority regarding future tariffs may influence the Issuer's operations;
- The decommissioning of certain assets may cut down the volume of the Issuer's assets and may lead to the reduction of the regulated asset base and, therefore, to lower tariffs established by ANRE, which may impact the profitability of the Issuer.
- The expiry of the license in 2025 or the possibility that the license is not renewed upon expiry.

1.2 FACTORS THAT MAY AFFECT THE ISSUER’S ACTIVITY

Interruptions in the transmission system or in case of power outages

The electricity grid may be affected by the interruption of some components of the transmission system that may affect the activities of which the Issuer is in charge. These interruptions may have different causes like overload of the high voltage lines due to the circulation of unscheduled high power levels, accidents, power outages or interruptions of the transmission system. Other reasons may be human error, IT systems affected by viruses, interruptions in the functioning of the IT system, low efficiency and capacity levels or natural causes such as earthquakes, floods, storms, lightning or landslides. The circulation of unscheduled high power levels within Transelectrica’s grid represents an emergency situation in which the transport and system operator may take the measures considered necessary such as the interruption of electricity exports or the progressive reduction of consumption in the respective areas. The power outages or the interruptions of the transmission system may be caused by major imbalances. Such imbalances may result from shortages of the electric grid, the occurrence of special events in connection with the functioning of power producers or from the lack of sufficient production capacity in a certain geographical area. Still, considering the fact that Romania is a net electricity exporter, the last mentioned risk may be relatively low. The Issuer may face possible claims for damages or litigation that may affect the operating performances in case of interruptions of some components of the transmission system. This is why the Issuer, by assuring an adequate level of the transmission capacity, tries to limit the occurrence of such risks. At the same time, the Issuer is entitled to request ANRE to include in the transmission tariffs for the following years the costs caused by such events.

Risks due to possible interruptions in the functioning of IT systems

At present, the Issuer’s operations depend on the proper functioning of the IT&C system, the hardware and software as well as of its own optical fibre network. In order to prevent any unpredictable event, the Issuer has taken measures for enhancing the performances and safety of the IT&C system, hardware and software and installed an optical fibre network. Still, there is no guarantee regarding the possible occurrence of accidents, malfunctioning of the IT systems or electronic attacks over the IT system. In case of such incidents, the Issuer is ready to take controlled action to solve the incidents and re-establish the balance of the electricity grid.

Risks due to the occurrence of additional costs in connection with environmental protection or the compliance with new legal provisions regarding urban and regional development plans

The Issuer’s operations and assets are subject to the national and international regulations regarding environmental protection, as well as the ones regarding urban and regional development plans. In many cases these regulations are very complex and keep changing. The most important environmental issues refer to soil pollution, water contamination, wastes and electromagnetic fields. The most important regulations regarding the urban and regional development plans are the ones referring to town planning, construction and environmental authorizations, as well as to the ownership rights. The Issuer may incur additional costs due to the national and international regulations regarding environmental protection and the new or existing urban and regional plans, including costs related to the implementation of some restoring or preventive measures and for solving some claims for damages from third parties. The Issuer may be sued or may be subject to the local opposition with respect to some of its environmental protection actions or programs and to the urban or regional development

plans. In this case, the Issuer may incur additional costs that may be subject to a request addressed to ANRE to include such costs in the transmission tariffs for the following years.

Risks due to possible terrorism or sabotage acts that may cause outages in the electricity transmission grid or interruptions of the transmission system.

Due to its importance, the transmission grid and the Issuer's assets are exposed to possible sabotage or terrorism acts. Such acts that may affect the Issuer's electricity grid may lead to grid outages or to the interruption of the electricity system. This may have an unfavourable material effect on the Issuer's financial and operational performances in case of major damages caused by terrorism or sabotage acts. According to the laws and regulations in force, such cases are considered exceptional and the Issuer is entitled and authorized to take all the measures necessary to re-establish the grid's balance. For this reason, Transelectrica has a special program for ensuring the physical and systems security, meant to reduce the risk, for an acceptable cost, accordingly to the intensity of threats. The program included preventive measures and corrective actions necessary to re-establish the integrity and functionality of the grid. Also, the Issuer is entitled to request ANRE to include the damages caused by such events in the transmission tariffs for the following years.

Issuer's personnel and management

At present, the average age of the Issuer's personnel and employees is relatively high. Taking into account that part of the personnel is close to retirement, it is possible that, in certain cases, the Issuer faces lack of personnel due to the employees leaving Transelectrica for natural reasons. Another risk related to the Company's personnel and management is the fact that highly qualified personnel may leave to private companies operating in the energy field and in other fields which could provide salary packages and compensation above the current level provided by the Issuer.

Risk management

The Issuer manages risk using a risk management under a risk management system. It was audited by a specialized company and prepared a risk management policy.

The strategic demands in terms of operation safety and continuity require the Issuer to proactively approach risk management in order to identify and treat any potential loss before the events causing the same may occur, preparing in advance the technical, operational and financial solutions to counterweigh such potential loss.

During the period 2003-2004, the Issuer proceeded to the achievement and implementation of a Risk Management Program having the following goals: operation continuity and the protection of the Company's values, anticipation and prevention of any major negative operational events, provision of the financial resources for the operational expenditures, for the payment of debts and strategic investments. The business risk was audited and the patrimony risk was assessed and the 'Plan of basic measures regarding dealing with risks' was prepared. In 2005, the work called "Requirements regarding the business continuity plan" was elaborated. Concurrently, the risks have been transferred by means of the insurance system in order to protect the Company's assets against significant losses and to reduce risks.

For 2006 the goals are: establishing the best solutions to deal with risks; establishing a risk management policy, implementation of the risk monitoring system.

Chapter II TERMS AND CONDITIONS OF THE OFFERING

Conditions specific to the Offering

“Type of Offering”	Initial primary public offering of the shares of the Issuer with a fix number of securities offered.
“Securities subject to the Offering”	Shares evidenced by book-entries, ordinary, indivisible and freely negotiable as of the date they are accepted for trading on the BSE.
“Number of Shares offered”	7,329,787 shares.
“Nominal value of the shares offered”	RON 10.
“Price of the offered shares”	RON 16.80.
“ISIN Code”	The ISIN code of the Offered shares ROTSELACNOR9.
“Offering Period”	The Offering period is 15 Calendar Days between 14.06.2006, and 28.06.2006 (with the possibility of extending this period according to the regulations in force). Any change in the Offering period will be made upon the Issuer’s request, based on the NSC prior approval and will be made public by means of an announcement.
“Offering tranches”	<p>During the Offering Period subscriptions can be made within the following tranches:</p> <p>Large Subscriptions Tranche – subscriptions larger than RON 500,000 will be accepted within this tranche. It will represent 60% of the total number of the Offered Shares; and</p> <p>Small Subscriptions Tranche – subscriptions in amount of minimum RON 2,000 and maximum RON 500,000, exclusive, will be accepted within this tranche. It will represent 40% of the total number of the Offered Shares;</p> <p>The Shares offered within each of the tranches above belong to the same class, are subject to the same legal regulations and confer the same rights and obligations to their holders.</p>
“Subscriptions”	<p>During the entire Offering Period, the Investors’ subscription orders will be taken over at the headquarters of the Offering Managers and locations of the Distribution Group between 9:00 and 15:00 hours while in the last day subscription orders will be taken between 9:00 and 13:00 hours only. The deadline for subscriptions is 28.06.2006. After the deadline expires no subscriptions from the investors will be accepted.</p> <p>The Offering Managers will register all the subscriptions received if these comply with the validity terms, using the BSE primary market electronic system (POF market – “Public Offerings”).</p> <p>The subscriptions are opposable to the Issuer starting with the registration of the subscription in the Primary Market Register. The deadline for registering the subscriptions in the Primary Market Register is 29.06.2006.</p> <p>The Offering Managers are obliged to make sure that, for each order introduced on the primary market, the funds corresponding to the subscriptions</p>

“Allotment method”

were paid to the account of the Offering Managers or will be settled by a custodian bank.

In case of over subscriptions, Investors will be repaid the value of the un-allocated shares within a period of five Business days after the closing of the Offering.

The accounts to which the subscription amounts will be paid within the Distribution Group will be interest-bearing in favour of the Issuer.

The allotment will be made ”pro-rata” for both the Small Subscriptions Tranche and for the Large Subscriptions Tranche.

In case one of the tranches is not fully subscribed and the other one is oversubscribed, re-allotments between the tranches will be carried out after establishing the final number of available Offered Shares within each of the two tranches. The Offered Shares will be allotted to the subscribers who subscribed within the Large Subscriptions Tranche and the Small Subscriptions Tranche at the end of the Subscription Period.

In case the number of Offered Shares within the two tranches is higher or equal to the number of subscribed Offered Shares, each subscriber within one of the two tranches will receive the number of subscribed Offered Shares.

In case of oversubscription, the Offered Shares will be allotted to the subscribers within each tranche on a “pro-rata” basis.

In case the number of oversubscribed Offered Shares is lower than the number of Offered Shares, the Offered Shares that were not subscribed will be cancelled.

In the event that, following the allotment on a “pro-rata” basis, fractions of shares should be allotted; the number of shares will be rounded downwards to the immediately inferior integer.

From the total number of shares corresponding to the decimal fractions, one share shall be allotted to each subscriber, in the chronological sequence of subscriptions, separately for each tranche.

“Cancellation of subscription orders”

During the Offering period the subscription orders are irrevocable. In case the present Offering Prospectus is subject to an amendment, the subscriptions may be withdrawn within maximum three Business Days from the date on which the respective amendment to the present Prospectus is published. An investor may withdraw the subscription by filling in a Cancellation Form at the unit where the subscription was made.

“Method for paying the subscribed shares”

The subscriptions can be made at the headquarters of the Offering Managers, at the locations of the Distribution Group based on the payments made to the accounts:

RO12BUCU041017172511RO15, opened with Alpha Bank Romania S.A, Dorobanti branch, beneficiary Alpha Finance Romania – AFR Transelectrica A, for the subscription realised only at the headquarter of Alpha Finance Romania S.A;

RO82BUCU041017172511RO16 opened with Alpha Bank Romania S.A. Dorobanti branch, beneficiary Alpha Finance Romania – AFR Transelectrica

	<p>B, for subscriptions realised through intra-banking payment order at the local network of Alpha Bank Romania S.A within the Distribution Group; RO55BUCU041017172511RO17 opened with Alpha Bank Romania S.A. Dorobanti branch, beneficiary Alpha Finance Romania – AFR Transelectrica C, for subscriptions made through inter-banking payment order at the local network of Alpha Bank Romania S.A. within the Distribution Group; RO93RZBR0000060004592833 opened with Raiffeisen Bank Bucharest ranch, beneficiary Raiffeisen Capital & Investments S.A.;</p> <p>RO26BRDE422SV01156094220 opened with BRD Headquarters – Securities Department, beneficiary BRD Securities S.A., for subscriptions made at the local network of BRD within the Distribution Group;</p> <p>RO86BRDE450SV10908904500 opened with BRD SMC, beneficiary BRD Securities – IPO Transelectrica for the subscriptions made only at the headquarter of BRD Securities S.A.</p> <p>All subscriptions will be made only by payment order.</p>
“Successful closing of the Offering”	The Offering will be considered successfully closed if, on its closing date, minimum 70% of the shares were subscribed. In case this condition is not complied with, the subscriptions will be rejected and the amounts paid during the Subscription period will be returned to the Investors within 5 Business days from the offering closing date.
“Preference right”	Not applicable.
“Notice to Investors”	Notices regarding the volume of the shares allotted to each Investor will be available at the headquarters of the Offering Managers and the locations of the Distribution Group.
“Intermediaries of the Offering”	Alpha Finance Romania, Raiffeisen Capital & Investment and BRD Securities
“Execution Method”	Best Efforts Method.
“Guarantee of subscription”	The offering is not guaranteed. There is no commitment of the Offering Managers or of another entity to subscribe any part of the Offering in case it remains unsubscribed.
“Shareholders’ Register”	The Independent Register, which will deposit the shares according to the provisions of the register contract.
“Transaction Date”	The transaction date is 30.06.2006.
“Settlement of Subscriptions made within the Offering”	The settlement will be carried out through the BSE clearing-settlement system within three Business days from the Transaction Date.

Chapter III INFORMATION ON THE ISSUER

3.1. General Information

The issuer is a Romanian legal person, incorporated as a joint stock company and bears the following identification data:

<i>Name</i>	The National Electricity Transport Company "Transelectrica" S.A.
<i>Registered Office</i>	Romania, Bucharest, 33 G-ral. Gheorghe Magheru Bld., sector 1, postal code 010325
<i>Registration number at the Trade Register Office</i>	J40/8060/05.09.2000
<i>Sole Registration Code</i>	13328043 as of 05.09.2000
<i>Fiscal Attribute</i>	R ¹ as of 01.09.2000
<i>Telephone</i>	(40)-21- 30 35 611
<i>Fax</i>	(40)-21- 30 35 610
<i>E-mail</i>	office@transelectrica.ro
<i>WEB site</i>	www.transelectrica.ro

3.2. Setting up of the Issuer. History

The National Electricity Transport Company “Transelectrica” – S.A. was set up in 2000, by the **Government Decision 627/2000 concerning to the reorganization of Companiei Nationale de Electricitate – S.A. (National Electricity Company)**. This decision is issued in accordance with the **Government Decision no. 138/2000** concerning the restructuring of the energy domain. Thus, electricity transport and dispatch completely was separated from electricity generation, distribution and supply. The Government Decision no. 647/2001 concerning the approval of the short-term National Energy Development Strategy of Romania 2001-2004 reinforces and confirms this electric energy domain restructuring.

Transelectrica, a Romanian legal person, is organized and operates in accordance with the applicable legal provisions, that is, with the Company Law, Electricity Law, as well as with the provisions of the by-laws approved by **Government Decision no. 627/2000**.

In compliance with the Government Urgency Ordinance no. 88/2001, O.P.S.P.I carries out, on behalf of MEC, activities within the remit of its capacity as state shareholder of the national companies and corporations and of the other trading companies belonging to the state. Furthermore, OPSPI exercise, on behalf of MEC, its powers as a public institution involved in the privatization proceedings.

The landmarks in the development of the **energy sector during 1948 – 1989** are presented below:

- 10.07.1948 – the Electricity Industrial Centre within the Ministry of Industry is set up;
- 10.08.1948 – by the decision of the Ministry of Industry 7359/06.08.1948, and based on Decree no. 140 / 10.07.1948 the following are set up:
 - The General Electricity Company Bucharest;
 - The Regional Electricity Companies Brasov, Cluj, Timisoara, Craiova, Constanta, Galati, Iasi;
 - The Regional Electricity Plants Slanic Prahova and Targoviste;

¹ As per art. 9 of Law 359/2004 being granted the fiscal attribute R means that the company was registered with the fiscal authority as VAT payer

- 28.07.1949 – by the Decree of the Great National Assembly no. 316/23.07.1949 (Official Gazette 48/25.07.1949) the Ministry of Electricity and Electro Technical Industry is set up;
- 13.06.1955 - the National Energy Dispatch is set up;
- 01.06.1957 – the Ministry of Heavy Industry is set up;
- 01.03.1961 – the Ministry of Mines and Electricity is set up;
- 19.08.1965 – by the Decree no. 62/1965 the Ministry of Electricity is set up;
- 01.05.1969 – by the Council of Ministers’ Decision no. 583/1969 the Electricity Transport and Distribution Industrial Centre is set up within the Ministry of Electricity;
- 10.09.1977 – by Decree no. 334/1977 the Electric Network Industrial Centre is set up within the Ministry of Electricity.

The reorganization stages, after 1990, are the following:

- **02.02.1990** – by the Government Decision no. 452/1990 the Electric Networks Industrial Centre is wound up and the Electricity Transport and Distribution Department is set up within the Ministry of Electricity;
- **01.08.1990** – by the order of Ministry of Resources and Industry no. 610/1990, the Ministry of Electricity changes into the Electric and Thermal Power Department within the same Ministry;
- **12.11.1990** – by the Government Decision no. 1199/1990 the Electricity Public Company “RENEL” is set up – which covered the entire range of activities of the electric and thermal power field;
- **3.07.1998** – as part of the Romanian energy sector reorganization program, by the Government Decision no. 365/1998 concerning the reorganization of the Electricity Public Company “RENEL”, the following were set up:
 - Compania Nationala de Electricitate (The National Electricity Company) – S.A.
 - The National Company “Nuclearelectrica” – S.A.
 - The Nuclear Activity Public Company.

The scope of business of the National Company of Electricity – S.A. was electric power generation, transport, dispatch and sale, thermal power generation and sale, exploitation and development of the National Electro-energy System. The Company consisted of three subsidiaries, organized as joint stock companies, whose sole shareholder was:

- The subsidiary for electricity generation in hydroelectric power plants S.C.“Hidroelectrica” S.A.;
- The subsidiary for electric and thermal power generation in thermal power plants S.C.“Termoelectrica” S.A.;
- The Subsidiary for electricity distribution S.C. “Electrica “ S.A.

The structure of The National Electricity Company – S.A. comprised electricity transport and dispatch, and operated in offices that had the statute of subsidiary.

- **31.07. 2000**, by the Government Decision no. 627, the National Electricity Company was divided in four distinct entities:

This normative document provides the entire division of the National Electricity Company S.A. (“Conel”), a corporate action that resulted in the winding up of Conel and the setting up of four joint stock companies respectively:

- The National Electricity Transport Company "Transelectrica" - S.A., based in Bucharest, 33 G-ral Gheorghe Magheru Bld., sector 1;
- The Electric and Thermal Power Generation Company "Termoelectrica" - S.A., based in Bucharest, 16-18 Hristo Botev Bld., sector 3;
- The Electricity Generation Company "Hidroelectrica" - S.A., based in Bucharest, 3 Constantin Nacu, sector 2;
- The Electricity Distribution and Supply Company "Electrica" - S.A., based in Bucharest, 9 Grigore Alexandrescu, sector 1.

Upon incorporation, Transelectrica consisted of:

- 8 electricity Transport Subsidiaries;
- The subsidiary of energy sector professional training and development;
- The National Energy Dispatch – as an operational unit.

The subsidiaries do not have legal personality, their accounting operations reaching the trial balance under the Accounting Law no. 82/1991 and its subsequent amendments.

Within Transelectrica, the “**Electricity Market Operator**” - “**Opcom**” S.A., a subsidiary with legal personality, also operated. “Opcom” aims to administer the electricity market by ensuring the continuous, organized, efficient and transparent execution of transactions and commercial contracts under regulations, in connection with the protection of participants licensed in electricity generation and supply, as well as of eligible consumers.

Transelectrica became UCTE member at the UCTE’s Annual General Meeting of May 8, 2003, and ETSO member in November 2004. Thus, Transelectrica is the first company in Romania to have been integrated in an European structure, as a first step towards the European Union admission.

The national energy system was completely integrated in the European infrastructure on October 10, 2004, when the 2 UCTE synchronous areas were reconnected, as a result of a successful series of investments, tests and adjustments to technical regulations. The fact that Transelectrica operated at European standards was a powerful argument in favour of Romania’s efforts towards the European Union admission and institutional harmonization of the *acquis*.

The Issuer’s **vision** is to become SEN’ s technical and operative authority, as well as the main transport operator in South-Eastern Europe, as the same time acting as a pivot of the regional market. Transelectrica is the regional electricity market promoter in South-Eastern Europe aiming at capitalizing the experience so far gained in the field of domestic electricity market administration. Given such circumstances, the Romanian electricity generating companies will have the possibility to become significant electricity exporters to the neighboring countries, and the *Rețeaua Electrică de Transport (Electric Transport Network - RET)* is to ensure transits on the European electricity market.

The main activities of the Issuer are:

- The operative and technical management of SEN, ensuring its safety and stability
- Exploitation and maintenance of RET assets
- Planning SEN developing RET
- Market administration by means of its independent subsidiary OPCOM
- Administration of electricity interconnections and transits with the neighboring countries

Following the reorganization of Conel, the Issuer became an electricity transport system operator and SEN's system operator, performing its activity apart from that of electricity distribution and generation. This division of its main activities in the energy field laid the foundations for the development of a competitive market for electricity generation and supply.

Following such reorganization, the Issuer obtained the right to develop the electricity transport equipment based on its own planning in implementing the energy strategy of the sector and the conditions were created for the facilitation of efficient administration and maintenance of the electricity transport network and the costs of electricity transport were determined. It should be mentioned that assets belonging to the state public domain as designated in Appendix 8 of the Government Decision 627/2000 are included in the electricity transport network, and the Issuer, although exploiting and maintaining them, is not their owner but holds them under concession.

In consideration of the by-laws of the joint stock company and, implicitly, of the Company Law, the Issuer carried out the registration formalities at the Trade Register Office within the Bucharest Tribunal, being registered under no. J40/8060/05.09.2000. The Issuer will operate for an unlimited duration as from the registration date at the Trade Register Office.²

The Issuer is equally governed by the provisions of the Electricity Law and the regulations issued for its enforcement. In accordance with the normative document above, the Issuer's regulation authority is the National Energy Regulatory Authority (A.N.R.E.). A.N.R.E. is an autonomous public institution of national interest, having legal personality, whose main missions consist in elaborating, establishing and supervising the implementation of compulsory regulations ensemble at the national level necessary to the operation of the electricity sector and market under conditions of efficiency, competition, transparency and consumer protection. The Issuer operates based on the license granted by A.N.R.E.

In accordance with the normative framework upon its incorporation, the Issuer required and obtained from A.N.R.E., in 2000, an electricity transport license (license 161/22.12.2000) and an electricity dispatch license (license 162/22.12.2000), which were subject to a revision approved by A.N.R.E. in 2002. On September 27, 2005, in accordance with the Electricity Law (passed after the Issuer's incorporation) and with the specific regulations issued by A.N.R.E., the electricity transport license granted (license 161/22.12.2000) was modified so as to include, among other things, the extension of the licensed activity range to the system service by using its own dispatch systems (such activity had previously been subject to a distinct license, that is license 162/22.12.2000), so the previous electricity dispatch license (license 162/22.12.2000) was cancelled.

3.3. The Issuer's special legal regime

Incorporated as a joint stock company, the Issuer is subject to the requirements of the Company Law relating to the setting up, incorporation and operation of a joint stock company. Once the Shares are

² Art. 4 of the Issuer's Bylaws

listed on a regulated market, the Issuer will be equally governed by capital market legislation, of which we only mention the framework law – the Capital Market Law, which is a special law as compared to the Company Law, whose status is that of a general law.

One should emphasize that the Issuer's field of operation, that is the electricity sector, is one strictly regulated both by law and by detailed regulations issued to the enforcement and on the strength of the law. Therefore, the Issuer must also meet all the specific conditions and requirements imposed the legislation governing the energy domain. The Electricity Law, and the relevant framework law respectively, is accompanied by a series of secondary regulations issued either by the Ministry of Economy and Commerce, or by the National Energy Regulation Authority. Thus, the Ministry of Economy and Commerce approves technical norms and rules for the energy sector, whereas A.N.R.E has the competence to set forth regulations that are binding to the economic agents in the electricity sector.

The legislation specific to the energy sector covers an extremely wide range of issues pertaining to technical, operational, and commercial aspects, of which we would like to mention:

- (i) Regulations relating to the master contract of transport service, of system services and of the wholesale electricity market administration between the Issuer and its clients;
- (ii) Regulations relating to approving the methodology of fixing transport tariffs ;
- (iii) Regulations relating to the technical code of the transport network;
- (iv) Regulations relating to granting licenses and authorizations in the energy sector.
- (v) Regulations relating to the commercial code of the wholesale electricity market

The list of normative documents applying to the energy sector is presented in Appendix 1.

3.4. Significant legislative events in the Issuer's evolutions and development

Electricity Law - 2003

In 2003 the Electricity Law was passed, separately regulating the electricity transport, distribution, supply and generation, designating distinct operators for each such activity. An important rule instituted by the new law is that the Issuer, as transport and system operator, is not allowed to transact other electricity except that which is necessary for its own technological consumption from the transport networks. It is worth mentioning that the new Electricity Law abrogates the previous relevant legislation, represented by the Government Emergency Ordinance no. 63/1998 relating to electric and thermal power.

The Electricity Law also redefines the electricity transport network which, together with its lands, is the public property of the state. This provision is important as it engendered a reconsideration of the goods in the public domain inventory, approved by Government Decision 627/2000 that had a significant impact on the structure of the assets and liabilities of Transelectrica and important consequences including on such goods depreciation by the Issuer, taking into account that, as per Law, 15/1994 relating to the depreciation of fixed assets in tangible and intangible assets, the fixed assets owned by the state are considered to be tangible assets, but they are not subject to depreciation.

Upon drawing up the Prospectus, this situation was clarified by passing the Emergency Ordinance no. 164 of November 24, 2005, relating to reducing the value of the goods making up the state's public domain, with a view to recuperating the value that was not depreciated by the National Electricity Transport Company "Transelectrica" - S.A. The Ordinance sets forth that the value of the goods of the

state's public domain, which constituted, upon the incorporation of the National Electricity Transport Company "Transelectrica" - S.A., the initial contribution in kind to its share capital, will be reduced with the undepreciated value of the goods, and, by derogation from the provisions of art. 5 of Law no. 15/1994 relating to the depreciation of the share capital immobilized in tangible and intangible assets, republished, with its subsequent modifications and amendments, the undepreciated value of these goods will be recovered by including the operating costs, and, during the normal remaining usage period, it will be included in the inventory of the goods of the state's public domain, after recovery.

Depreciation regulations

The Order of the Minister of Finances 555/2003 provides that investments financed by the company's own funds in the state's public domain assets, given to be administered or attributed to Issuer, will be depreciated by the company during the normal use period or the duration of assignment/lease contracts of goods belonging to the state's patrimony. **The Emergency Ordinance 164/2005** provides that, by derogation from the depreciation law, the value not amortized of the state's goods brought as contribution to the share capital of the Issuer is recovered by its inclusion in the operating expenses, during the remaining normal use period.

The Technical Code of the Electricity Transport Network – August 2004

The Technical Code of the electric transport network sets forth and details the prerogatives, competences, and responsibilities of Transelectrica, and the principles, criteria and obligations which underlie the planning of the electric transport network development. The fact that it is RPS's technical manager through the agency of the National Energy Dispatch, as well as the necessities related to the implementation of the electricity market meant for the Issuer making an important series of investments necessary to the implementation of data monitoring, acquisition and data processing systems of which the most important is EMS / SCADA (Energy Management System / Supervisory Control and Data Acquisition).

The Law concerning the status of assignments – Law 219/1998

The Law concerning the status of assignments sets forth provisions pertaining to the assignment procedure, as well as the characteristics and content of the assignment contract. In accordance with this law, public activities and services of national or local interest, other services, as well as goods which are the public or private property of the state, town or village, may be subject to assignment.

Among the goods designated by the law that could be subject to assignment contracts are the electricity transport and distribution networks, as well as public property lands. At the same time, the law decides on banning the assignment of public goods, activities or services for which there are no regulatory authorities, and whose authorizations relating to prices or tariffs fixed by assignees are compulsory. This normative document represents one of the legal fundamentals based on which the Issuer was assigned the electricity transport network, as well as the lands on which it is located. (the concession contract no. 1/29.06.2004).

The Commercial Code of the Electricity Wholesale Market – October 2004

In October 2004, the new Commercial Code of the Electricity Wholesale Market was adopted. By this normative document, Transelectrica is vested with two other functions which are vital to the efficient operation of the electricity market: operator of the RPS operation equilibrating market and Issuer of green certificates necessary to promoting the electricity generated by renewable sources. It is

nevertheless stipulated that the first normative document which confers upon the Issuer the competence of issuing green certificates is the Government Decision 1892/2004, but it was the new commercial code of the electricity wholesale market that created the commercial framework necessary to their transaction.

Thus, within Transelectrica currently operates the equilibrating market operator, which is in charge of buying and selling regulating active electricity to the equilibrating market participants, in order to equilibrate in real time the consumption and the production of electric energy on the market and to resolve the system restrictions. The Commercial Code of the wholesale market states that on the equilibrating market the costs caused by the need to eliminate system restrictions should be included in the justified costs of the Issuer. To eliminate the network congestions Transelectrica pays the difference between the offered prices of the dispatchable unit used to eliminate the congestion and the price of the equilibrating energy in the respective hour.

Adjustment to the methodology of setting the transport and system tariffs - November 2004

The end of 2004 saw the adoption of the tariff transport regulation methodology which sets the evolution of the annual income necessary to covering the five-year transport activity. The income is adjusted each year pursuant to results recorded during the previous year for certain categories of elements which evolved rather differently as compared to the initial forecast. The regulated annual income (income ceiling) takes into consideration the evolution of the regulated basis of the assets, which reflects the impact of carrying out the Issuer's investment programs. The regulated annual income compared to the forecast transported energy results in the average regulated transport tariff which is published in the Official Gazette and annually revised. The average transport tariff is further structured in regional tariffs for energy injection in the system and energy recovery from the system. Using the regional transport tariffs (injection and recovery) economic signals are transmitted to various investors about the opportunity of building new generating capacities in regions where there are scarce and new consumption capacities in regions where they are in excess. At present, Romania's territory is divided into six injection regions and eight energy recovery regions. The regional tariffs are also published in the Official Gazette. The methodology started being implemented with a three-year regulation period as from 2005.

Based on its license no. 161/2000, the Issuer renders the system service which consists in running and maintaining the national electro-energy system in safe and operating conditions according to standardized electric energy quality parameters. The costs born by the company for rendering this service are covered by the regulated system service tariff.

Elements of critical infrastructure of the economy – December 2005

By the Order of the Ministry of the Economy and Commerce no. 660/2005 the Guidelines for the identification of the elements of critical infrastructure of the economy has been approved.

According to this normative deed, there are highly important categories of objectives in the national economy, regulated by the effective laws, such as (i) objectives that are highly important for national defense, (ii) objectives that are highly important for the state activity and (iii) objectives that are highly important for the economy. Another category of very important objectives for the economy is the category of critical infrastructure elements, which are to be set for every corporate entity, subject to observing the protection measures required by the law, based on the selection criteria provided for in the Guidelines for the identification of elements of critical infrastructure of the economy. The selection criteria of the elements of critical infrastructure of the economy define those operational economic entities which provide products/goods and services directed to the public benefit, vital for the company,

whose destruction, degradation or failure has major negative impacts on the population, environment and economic security at the national or regional level.

Therefore, among the selection criteria of the elements of critical infrastructure of the economy are:

- (i) Elements which, because of their failure, have a major impact on the population and the economy, such as organizational elements, such as the transport and telecommunication networks and systems, energy systems, supply systems, management systems;
- (ii) Vital structures which, due to the corporate entity impossibility to carry out its activities, cause discontinuities:
 - Energy distribution, transport, production systems;
 - Nuclear station and facilities;
 - Information and telecommunications systems;
 - Public values and utilities of interest for the economy, which ensure the sustainability of national security components.

The elements of critical infrastructure of the economy are expressly nominated in the Order of the Ministry of Economy and Commerce no. 660/2005 include among others:

- Energy-related facilities - stations, lines, points – whose failure causes system damages
- Electric stations and transformer points with installed powers higher than 100 MVA
- Stations and lines for the evacuation of installed power from the electric power stations of over 800 MVA
- Transformer stations and points supplying:
- Consumers /equipment/facilities which, if not fed with electric energy for a determined critical period may cause explosions, fires, destruction or major accidents with casualties;
- Air, maritime and rail traffic services which ensure traffic safety;
- Headquarters of central and local public administration;
- Units of the forces of the National Defense System.
- Energy safety and protection areas
- Energy passage /operating routes
- Energy objectives which participate in specific operations for the resumption of temporary interrupted activities and de restoration after special events – emergencies /crisis management, disasters, accidents, etc.

3.5 Issuer's Branches and Subsidiaries

The Issuer owns six subsidiaries in 100%. Among them, Opcom was set up and organized as a subsidiary of Transelectrica by virtue of the Gov. Decision 627/ 2000. Subsequently, Smart, TELETRANS and FORMENERG became subsidiaries of the Issuer following the outsourcing of some of its activities, and ICEMENERG was set up as a subsidiary of Transelectrica by virtue of the Gov. Decision 1065/2003. Subsequently, by the Gov. Decision 2294/2004 was approved the transfer of the interest held by ICEMENERG in ICEMENERG Service to Transelectrica, ICEMENERG Service thus becoming in its turn a subsidiary of Transelectrica. Currently ICEMENERG Service is directly held by the Issuer.

By the Order of the Ministry of Economy and Commerce no. 855/2004, a procedure of special administration and financial control was set at ICEMENERG Service, with a view to establishing a way of administration and management, as well as of the action to be taken to speed up the privatization of ICEMENERG Service. During the special administration and financial control of the privatization period, the special director's competences are set by the special mandate granted by order of the Ministry of Economy and Commerce. The special administration and financial control procedure during the privatization ceases upon transfer of the shares ownership, in case of the company's privatization, or on the date fixed by order of the Ministry of Economy and Commerce.

The Issuer's subsidiaries are Romanian legal persons, incorporated as joint stock companies whose activities are adjacent to Issuer's scope of business, that is:

- (i) S.C. OPCOM S.A. whose purpose is to ensure an organized framework of conducting commercial transactions with electricity;
- (ii) S.C. Smart S.A. which mainly renders maintenance services for the Electric Transport Network, carrying out revisions and repairs of the primary and secondary equipment of electric networks, energetic, micro- productions and electric equipment services, under SEN's safe operation.
- (iii) S.C. FORMENERG S.A. who operates in the field of professional training of the energy sector personnel;
- (iv) The Company for electric networks telecommunications and information technology "TELETRANS" S.A. which ensures telecommunications and IT services for the management of SEN by the dispatcher and for internal needs of Transelectrica;
- (v) S.C. ICEMENERG S.A. which renders services for thermo-electric power plants, stations and electric networks and whose scope of business is the scientific research, technical assistance and the above domains.
- (vi) S.C. ICEMENERG Service S.A. whose scope of activity is manufacturing electricity distribution equipment and energy equipment control devices.

Three of these subsidiaries, OPCOM SA, Smart SA and TELETRANS SA, operate in close relationship with the Issuer's scope of business.

The Issuer is a sole shareholder of each of the six subsidiaries, and therefore is the only holder of all rights to vote in the shareholders' general meetings.

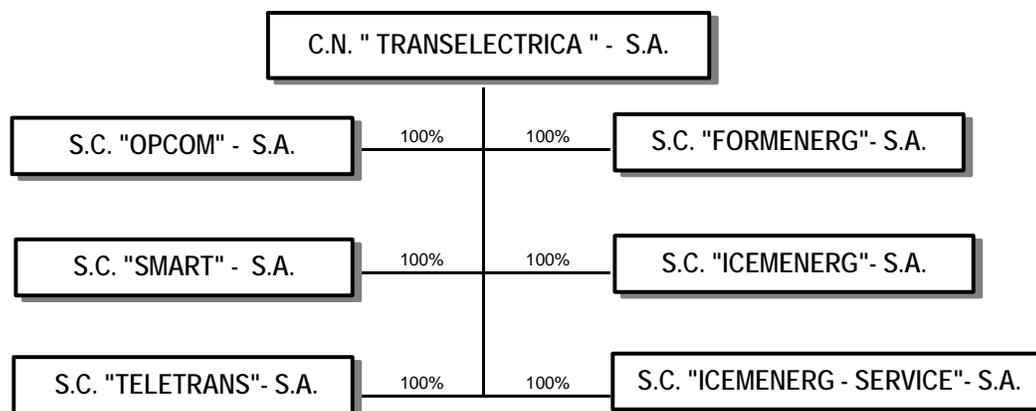
The main income source of the Issuer's subsidiaries (OPCOM, Smart and TELETRANS) is represented by carrying on the contracts concluded between Issuer and the Subsidiaries. Details of these contracts are presented in Chapter 4 – Section 4.6 Affiliated parties transactions.

Accordingly with the GD no. 184/09.03.2005 regarding „*The strategy for speeding up the privatization process and for attracting investments for the companies from the Ministry of Economy and Commerce portfolio – Office of State Ownership and Privatization in Industry for the year 2005 and some of the measures for its appliance*” the Issuer will initiate the privatization of its subsidiaries.

As a first step, FORMENERG, ICEMENERG and ICEMENERG Service will be privatized, their activity being not much connected with Transelectrica’s activity.

MEC-OPSPI expressed its intention for privatize FORMENERG and ICEMENERG by publishing an announcement in this respect into the Romanian newspapers on May, 3, 2006.

The structure of the group is presented in the flowchart below:



Source: the Issuer

The Issuer holds eight regional transport branches (Bacău, București, Cluj, Craiova, Timișoara, Constanța, Pitești, Sibiu), as well as a branch for measuring the energy on the electricity wholesale market – Omepa.

Detailed identification data of each of the Issuer’s branches are presented in Appendix 5.

3.6 Other Participations of the Issuer

Except for the holding shares of its own Branches (detailed in Chapter 7), the Issuer does not hold shares issued by other companies so as to have a significant impact on the evaluation of its own assets and liabilities, on the financial position or on the profits and losses. The Issuer’s sole participation, besides the participations held in its own Branches, is represented by the stock of 20 shares issued by S.C. Bursa Română de Mărfuri S.A. (The Romanian Commodities Exchange), each having a nominal value of 1,000 RON, as compared to a total share capital of the Romanian Stock Exchange amounting to 3,795,000 RON, represented by 3,795 shares, each having a nominal value of 1,000 RON.

Chapter IV. THE ISSUER’S MANAGEMENT, OTHER RELEVANT DATA ON THE ISSUER

4.1 Organizational Structure of the Issuer

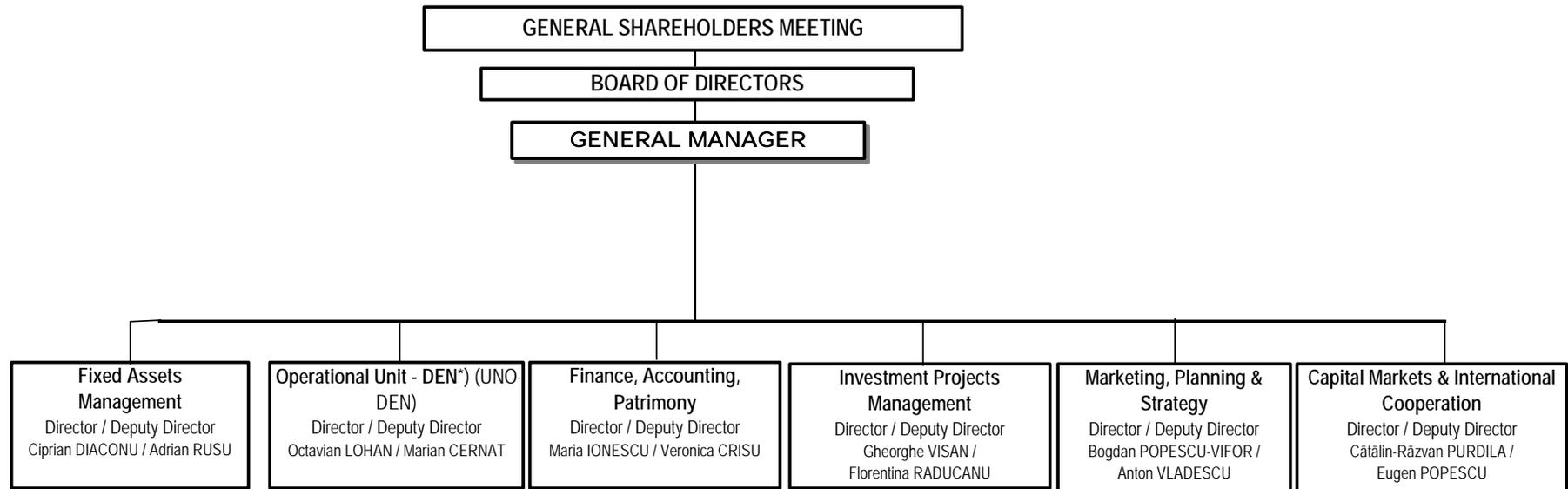
The Issuer’s organizational structure is presented in the flowchart on the following page.

The Shareholders’ General Meeting is a statutory management body of the Issuer. At present, taking into account that the Issuer has only two shareholders, namely Romanian State, by MEC-OPSPI and the Ownership Fund (Fondul Proprietatea), the Shareholders’s General Meeting includes the representatives of the state, appointed by the Order of the Ministry of Economy and Commerce, and the representatives of the Ownership Fund (Fondul Proprietatea). Once the Offer is finalized, together with the representatives of the State/Ownership Fund (Fondul Proprietatea), persons who acquired the capacity of shareholder within the Offer may also take part in the Shareholders’ General Meeting.

The present nominal membership of the Board of Directors of Transelectrica, as well as each member’s term of office are presented in the Table below:

No.	Name	Position	Appointment date	Term of office expiry date
1	Georgeta Felicia Răcășanu	Chairman of the Board of Directors	August 2, 2004	August 1, 2008
2	Stelian Iuliu Alexandru Gal	Member of the Board of Directors	November 14, 2005	November 14, 2009
3	Florin Cornel Badea	Member of the Board of Directors	June 3, 2005	June 3, 2009
4	Ioan Silviu Lefter	Member of the Board of Directors	January 26, 2006	January 26, 2010
5	Alice Cezarina Bitu	Member of the Board of Directors	January 26, 2006	January 26, 2010

The subsequent modifications in the membership of the Issuer’s Board of Directors from incorporation to the present are presented in Appendix 3.



Source: the Issuer

The executive management of the Issuer includes the following persons:

No.	Name	Position
1	Stelian Iuliu Alexandru Gal	Managing Director
2	Maria Ionescu	Manager, Financial, Accounting, Assets and Liabilities Department
3	Ciprian Gheorghe Diaconu	Manager, Assets Management Department
4	Octavian Lohan	Manager, Operational Unit – National Energy Dispatch
5	Gheorghe Vișan	Manager, Investment Projects Management
6	Bogdan Popescu-Vifor	Manager, Strategy, Planning, Marketing Department
7	Răzvan Cătălin Purdilă	Manager, International Cooperation and Capital Market Department

4.2. Professional experience of the members of administrative, management and supervisory bodies.

The Issuer's Board of Directors

FELICIA RACĂȘANU Chairman of the Board of Directors	
25.07.2004 - currently	Deputy Managing Director – Ministry of Economy and Commerce – Energy Strategy Department
1992 – 2004	Councilor – Ministry of Industry and Resources – Energy Department
1991 – 1992	Scientific researcher – Simultec SA Bucharesti
1985 – 1991	Scientific researcher – the National Institute for Scientific and Technical Creation „INCREST”
1984 – 1985	Trainee Engineer– „Electrotehnica” Plant
1983 – 1984	Trainee Engineer – IMSAT Bucharest

Mrs. Răcășanu is a holder of the scientific title of principal researcher and published a series of scientific papers, in Romania and abroad, which focus on the energy efficiency, renewable sources of energy, legislation specific to the energy sector, as well as the investments in the energy sector.

STELIAN IULIU ALEXANDRU GAL Member of the Board of Directors	
November 2005 – currently	Managing Director and Board member – C.N. Transelectrica S.A.
November 2002 – November 2005	Director – Sucursala de Transport Sibiu (Sibiu Transport Subsidiary) - C.N. „Transelectrica” – S.A.
2002-currently	Member of the Board of Directors – S.C. SMART S.A.
September 2000 – November 2002	Deputy Managing Director - C.N. „Transelectrica” S.A., Manager of Transport Networks Department
October 1998 – September 2000	Manager – Electric Energy Transport and Distribution – Sibiu Transport Subsidiary – the National Electricity Company - CONEL
April 1991 – September 1998	Technical Manager - Electric Energy Transport and Distribution – Sibiu Transport and Distribution Subsidiary – the National Electricity Public Corporation – RENEL

February 1990 – March 1991	Chief Engineer - Electric Energy Transport and Distribution – Sibiu Electric Networks Branch - the National Electricity Public Corporation – RENEL
May 1971 – February 1990	Head of the Department Protection through Measurement Devices and Networks - Electric Energy Transport and Distribution – Sibiu Electric Networks Plant - Ministry of Electric Energy

Mr. Gal is also the President of the Romania's Association for LST (Work Under Pressure) and member of CNR-CIGRE (Romanian National Committee - International Council on Large Electric Systems), as well as member of SIER (Society of Power Engineers in Romania).

IOAN SILVIU LEFTER Member of the Board of Directors	
August 2005 – currently	President of the Romanian Association for Energy Preservation;
1999 – 2005	Chairman of the Board of Directors S.C. TERMOSERVICE GRUP S.A. Bacău;
1996 – 1999	Prefect, Bacău County;
1995 – 1996	General Manager S.C. TERMO SERVICE S.A. Bacău;
1991 – 1995	Technical Manager S.C. MLDOTERM S.A. Bacău;
1990 – 1991	Head of the Industrial Production Department – S.C. MOLDOTERM S.A. Bacău;
1985 – 1990	Engineer, Antrepriza de Montaj și Reparații Centrale Termice Est Moldova Bacău;
1980 – 1985	Engineer S.C. MAȘINI – UNELTE S.A. Bacău

FLORIN CORNEL BADEA Member of the Board of Directors	
1998 – 2005	Investment Manager – Mega Company, Washington DC, Bucharest Branch;
1990 – 1998	Department head – manager - Forja Faur S.A., Bucharest;
1988 – 1990	Trainee Engineer – autoturisme Dacia, Pitesti;

ALICE CEZARINA BITU Member of the Board of Directors	
2006 – currently	Secretary of State, Ministry of Public Finance
February 2004 – currently	IIIrd Secretary, Romanian Mission to the European Union, Bruxelles, Ministry of Foreign Affairs
May 2003 – February 2004	Personal Councilor, Secretary of State Cabinet, Ministry of Public Finance
June 2000-March 2001	Member of the Steering Committee for rating agencies, Ministry of Public Finance
November 2000 – March 2001	Head of Compartment, General Department for International Organizations Financial Relations, Ministry of Public Finance
November 1998- March 2001	Expert for International Monetary Fund relation, General Department for International Organizations Financial Relations, Ministry of Public Finance

Executive Managers of the Issuer

CIPRIAN DIACONU Manager, Assets Management Department	
2005 – currently	Manager – C.N. Transelectrica S.A. - Assets Management Department;
2002 – 2005:	Deputy Manager – C.N. „Transelectrica”- SA – Assets Management Department;
2000 – 2002:	Head of Operation-Maintenance Service C.N. „Transelectrica” - S.A. – Transport Network Department
1998 – 2000:	Head of Operation-Maintenance Service - CONEL - – Transport Dispatch Division;
1994 – 1998:	Principal Specialist Engineer - RENEL – National Energy Public Company – Transport and Distribution Group – Operation Department;
1987 – 1994:	Engineer for High Voltage Section - RENEL – FDEB (Electricity Distribution Branch Bucharest)
1986 – 1987:	Trainee Engineer - RENEL- Electricity Distribution Branch Bucharest Exploitation Distribution Network Centre – Buftea

The participation in numerous national and international conferences, and the publication of articles in Romania and abroad, complete Mr. Diaconu’s professional experience. It is also worth mentioning that Mr. Diaconu is the President of the Technical Committee “Transport and Distribution Electric Networks” of IRE (the Romanian National Institute for the Study of Energy Sources Use) and Romania’s representative within the Networks Committee of Eurelectric.

OCTAVIAN LOHAN Manager, Operational Unit - NED	
Mai 2000 – currently	Manager of the Operative Department – NED and UNO-DEN – National Electricity Transport Company “Transelectrica” – S.A.;
1996 – 1999	Head of SPAF – C.N. “Transelectrica” S.A. DO –DEN;
1986 – 1996	Dispatch head of shift– NED – responsible for the operational command of SEN;
1977 – 1986	Energy Dispatch – NED - responsible for the operational command of SEN’ transport network;
1975 – 1977	Dispatch head of shift – Hydro Dispatcher Argeş within IEC Argeş ;
1972 – 1975	Trainee Engineer with the Plant Electric Power Station Curtea de Argeş;

BOGDAN POPESCU VIFOR Manager, Strategy Planning Marketing Department	
December 2001 – currently	Manager, Strategy Planning Marketing Department– C.N. Transelectrica SA ;
April 2002 –July 2004	Chairman of the Board of Directors – Energy Management Development Institute EMDI, Warsaw;

May 2001 – December 2001	Specialized Councilor – C.N. Transelectrica S.A.;
September 2000 – May 2001	Managing Director – Romania’s Electricity Market Operator OPCOM ;
1998 – September 2000	Reorganization Coordination Head – National Electricity Company – CONEL – Bucharest;
1997 – 1998	Specialized councilor – Strategy and Reform Committee - the Electricity Public Company RENEL – Bucharest ;
1996 – 1997	Carl Duisberg Scholarship for Management and Business Administration – Gesellschaft fur Reaktorsicherheit (GRS) mbH, Munchen – Germany;
1995 – 1996	Principal researcher rank 3 – Head of Technology laboratory for CNE – RENEL – ICEMENERG Bucharest;
1987 – 1995	Principal researcher rank 3– RENEL – ICEMENERG Bucharest;
1988 – 1989	Associate Professor – the Polytechnic University of Bucharest, Faculty of Energetics;
1985 – 1987	Engineer – RENEL – Nuclear Power Plant Cernavodă;

MARIA IONESCU Manager of Financial, Accounting, Assets and Liabilities Department	
July 2004 – currently	Manager - Finances, Accounting, Assets and Liabilities Department – National Electricity Transport Company “Transelectrica“ S.A.
November 2002 – July 2004	Manager – Fixed Assets Management Department - National Electricity Transport Company “Transelectrica“ S.A.
September 2000 – November 2002	Manager – Budget, Finances, Accounting Department - National Electricity Transport Company “ Transelectrica “ S.A.
July – September 2000	Deputy Managing Director – Financial Division of the National Electricity Company – S.A. CONEL
September 1998 –July 2000	Manager – Budget, Finances, Accounting Department – CONEL
July 1997 – September 1998	Deputy Manager – Finances, Assets and Liabilities Department – RENEL
November 1996 – July 1997	Head of Department – Electricity Transport and Distribution Group – RENEL
July 1995 – November 1996	Head of office – Electricity Transport and Distribution Group – RENEL
July 1994 – July 1995	Principal Economist – Electricity Transport and Distribution Group – RENEL
1991 –July 1994	Economic Manager – Electric Networks Branch Bucharest –RENEL
1990	Chief Accountant - Electric Networks Branch Bucharest
1980-1990	Economist – Electric Networks Branch Bucharest
1979 – 1980	Accountant – Electric Networks Plant Bucharest

1975 – 1979	Accountant – the Credit Branch of Bucharest
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GHEORGHE VISAN Manager, Investment Projects Management Department	
2005 – currently	C.N. “Transelectrica” S.A. – Manager - Investment Projects Management Department;
2003 – 2005	C.N. Transelectrica S.A. – Deputy Manager - Investment Projects Management Department;
2002 – 2003	C.N. “Transelectrica” S.A. Head of service maintenance and exploitation;
2001-2002	SC “Smart” S.A. – the maintenance branch of C.N. Transelectrica, Head of production service
2000-2001	CN Transelectrica - S.A. – Head of Investment Service
1998-2000	CONEL the National Electricity Company Head Investment Service
1996-1998	CONEL the National Electricity Company Regional Investment Coordinator
1990-1996	RENEL Thermal Power Plant Branch Craiova Engineer – Technical Department
1988-1990	Dacia Pitesti Plant Engineer – Technical Department

RAZVAN CĂTĂLIN PURDILĂ Manager, Strategy, International Cooperation and Capital Market Department	
December 2005 – currently	Manager, National Electricity Transport Company “Transelectrica” S.A. The International Cooperation and Capital market Department
April 2001 – December 2005	Manger “Transelectrica” S.A. - Project Management Unit and Investment Project Management Department
December 2000 – April 2001	Deputy Manager – Investment Development Department
August 2000 – November 2000	Councilor for the National Electricity Transport Company “Transelectrica” S.A
April 1999 – August 2000	Manager – Strategy Department
November 1998 – March 1999	Deputy Manager – Strategy and Reorganization Issues Department
1998 (October- November)	Commercial Inspector – CONEL
1998 (January - September)	Commercial Manager – RENEL-GTDEE (Electricity Transport and Distribution Group)
1997 – 1998	Deputy Managing Director – Strategy and Reform RENEL
1992 – 1997	Human Resources Manager – RENEL (Human Resources Management Department)
1991 – 1992	Deputy Manager RENEL (DMMPS)
1988 – 1991	Head of Export-Import Office – Electric Energy Ministry – Electric Networks Industrial Station

1987 – 1988	Head of Design Coordination and Construction-Installing Office -Electric Energy Ministry – Electric Networks Industrial Station
1984 – 1986	Export Engineer - Electric Energy Ministry – Electric Networks Industrial Station
1975 – 1983	Engineer Electric Energy Ministry – Electric Energy Distribution Plant, Bucharest

ȘTEFAN MARIN Head of Labor Protection Compartment	
September 2000	Head of Labor Protection Compartment – CN Transelectrica S.A. Bucharest;
1999 – 2000	Head of Labor safety and medicine Compartment – CONEL Bucharest;
1998 – 1999	Labor safety engineer – CONEL - Bucharest;
1994 – 1998	Head of Labor safety and medicine Compartment – Electricity Transport and Distribution Group - Bucharest;
1989 – 1994	Head of professional training service – EEM and RENEL – Bucharest;
1985 – 1989	Principal specialist engineer within the professional training service – EEM
1984 – 1985	Head of the household subscribers Centre – Electricity Distribution Plant – Bucharest;
1982 – 1984	Acting engineer – Electric Energy Distribution Plant, Bucharest;
1979 – 1982	Head of Works – Electromontaj Bucharest;

ADRIAN VÎLCIU Installations Safety Manager	
September 2002 – present	Installation safety Manager - National Electricity Transport Company "Transelectrica" - S.A. – Bucharest;
October 2001 – September 2002	Head of Maintenance Centre – SMART - "Transelectrica" -S.A. – Bucharest;
October 1998 – October 2001	Head of Electricity Transport Network Exploitation and Maintenance - SMART -"Transelectrica" - S.A. – Bucharest;
March 1992 – October 1998	Principal specialist maintenance engineer - SMART - "Transelectrica"-S.A. – Bucharest;

BOGDAN DUMITRIU Head of Legal Department	
January 2006 - present	Head of the Legal Department - National Electricity Transport Company "Transelectrica" S.A. – Bucharest;
July 2005 – January 2006	Senior Lawyer, Olt Bar;
February 2005-June 2005	Personal Assistant in the office of the Dignitary the Nuclear Agency President;
July 1999-February 2005	Senior Lawyer, Olt Bar;
May 1998-July 1999	Junior Lawyer, Olt Bar.

Transelectrica Subsidiaries Managers

ȘTEFAN ȚIBULIAC Bacău Transport Subsidiary Manager	
July 2005 – present	Bacău Transport Subsidiary Manager– „Transelectrica” - S.A.;
August 1984 – June 2005	Head of Electric Networks Plant Center – Electric Networks Branch, Botoșani - CONEL – S.C. Electrica S.A.;
1988 – 1989	Head of Education Organization Compartment;
1986 – 1988	Head of Labor Safety;

TRAIAN ENE Bucharest Transport Subsidiary Manager	
December 2005 - present	Bucharest Transport Subsidiary Manager
July 2004 – December 2005	Manager of the Assets Management Department CNTEE – “Transelectrica” - S.A.
2003 – 2004	Plant Revamping Project Manager – “Transelectrica”- S.A.
November 2001	Head of Service – Transport Branch, Bucharest
September 1998	Manager - STD Bucharest
August 1996	Exploitation Deputy Manager of the Electric Networks Plant, Bucharest
May 1996	Head of Exploitation Service of the Electric Networks Plant, Bucharest
April 1991	Manager of the Electric Networks Plant, Bucharest
February 1990	Chief Engineer of the Electric Networks Plant, Bucharest
February 1989	Manager of the Electric Networks Plant, Bucharest
April 1985	Head of Centre of the Electric Networks Plant, Bucharest
November 1983	Principal Engineer of the Electric Networks Plant, Bucharest SIT
December 1980	Head of High Voltage Center – the Electric Networks Plant, Bucharest
August 1974	Engineer – High Voltage Section - the Electric Networks Plant, Bucharest

CIPRIAN IULIAN BUD Cluj Transport Subsidiary Manager	
January 2005 – present	Manager –Cluj Transport Subsidiary Manager
September 2003 – December 2004	Head of exploitation service –Cluj Transport Subsidiary
November 2001 – September 2003	Head of Plant – Cluj Transport Subsidiary
December 2000 – November 2000	Head of High Voltage Center, Baia Mare – Cluj Transport Subsidiary
2001	Associate Professor of the Northern University of Baia Mare – Engineering Faculty – Electroenergetics Department;
1997 – 2003	Ph.D. in Electroenergetics – Polytechnic University of Timișoara;

TEODOR STOENESCU Constanța Transport Subsidiary Manager	
September 1998 – present	Constanța Transport Subsidiary Manager ;
1996 – 1998	High Voltage Exploitation Manager – Electric Networks Plant, Constanța – High Voltage Transport and Operation
1990 – 1996	Chief Engineer - High Voltage Exploitation – Electric Networks Plant, Constanța – High Voltage Transport and Operation
1987 – 1989	Deputy Head of High Voltage Section – Electric Networks Plant, Constanța – High Voltage Transport and Operation
1980 – 1987	Engineer – Electric Networks Plant, Constanța – High Voltage Transport and Operation
1976 – 1980	Head of Planning Development Office – Electric Networks Plant, Constanta Plan Office;

ION MERFU Craiova Transport Subsidiary Manager	
November 2005 - present	Craiova Transport Subsidiary Manager
2004 – November 2005	Managing Director, the National Electricity Transport Company “Transelectrica”- S.A
2000 - 2004	Craiova Transport Subsidiary Manager – C.N. Transelectrica S.A.
1999 - 2000	Deputy Managing Director, the Transport Dispatch Division within the National Electricity Company, CONEL
1998 - 1999	Craiova Transport Dispatch Subsidiary Manager – CONEL
1996 - 1998	Manager, Electricity Distribution and Transport Subsidiary Craiova – Electricity Transport and Distribution Group
1992 - 1996	Head of High Voltage Section – Electric Networks Subsidiary Craiova
1984 - 1992	Deputy Head of High Voltage Section – Electric Networks Subsidiary Craiova
1974 - 1984	Engineer at the High Voltage Centre Târgu Jiu and at the High Voltage Section of the Electric Networks Subsidiary Craiova

NECULAE POPESCU Manager of Pitești Transport Subsidiary	
January 2005 – present	Pitești Transport Subsidiary Manager
May 2003 – January 2005	Chief engineer - Transport Subsidiary Pitești
February 2002 – 2003	Head of Exploitation Service - Pitești Transport Subsidiary
2000 – February 2002	Head of High Voltage Section – Pitești Transport Subsidiary
1999	Head of High Voltage Section CONEL
1983	Head of Centre

FLORIN GRIGORE BALAȘIU Sibiu Transport Subsidiary Manager	
November 2005 – present	Manager – CN ”Transelectrica” S.A. – Sibiu Transport Subsidiary ;
October 2002 – November 2005	Chief Engineer - CN ”Transelectrica” - S.A. – Sibiu Transport Subsidiary;
September 2000 – October 2002	Manager – CN ”Transelectrica” S.A. Bucharest – Sibiu Transport Subsidiary;
October 1998 – September 2000	Technical Manager – CONEL – STEE Sibiu;
April 1991 – September 1998	Head of the PRAM Section –Electric Networks Plant – Sibiu;
February 1990 – March 1991	PRAM Principal Engineer - Electric Networks Plant – Sibiu;
1986 - 1990	PRAM Team Manager – Electric Networks Plant – Sibiu;
1979 - 1986	PRAM Engineer - Electric Networks Plant – Sibiu;

NICOLAE CHIOSA Timișoara Transport Subsidiary Manager	
November 2003 - present	Manager - C.N. Transelectrica - S.A
November 2002 – November 2003	(Delegate) Manger - C.N. Transelectrica S.A.
2001 – 2002	Chief engineer – C.N. “Transelectrica” S.A.
1999 – 2001	Deputy Manager – Exploitation Development C.N. Transelectrica S.A.
1998 – 1999	Head of the Measurement Devices and Networks Protection Department – C.N. “ Transelectrica “ S.A.
1993 – 1998	Head of Relay and Measurement Centre – CONEL, Electric Networks Subsidiary, Timișoara;

CRISTIAN SORIN PISPIRIS OMEPA Subsidiary Manager	
December 2004 – present	Manager - OMEPA
November 2000 – February 2003	Manager and Deputy Manager – C.N. „Transelectrica” – S.A. Investment Project Management Department;

Internal control structures

MARIUS ADRIAN STANCIU Head of Internal Audit Compartment	
July 2004 – present	Head of Internal Audit Compartment CN Transelectrica SA.
August 2000 – July 2004	Deputy Manager of Internal Audit Compartment, Quality Management and

	Environment;
January 2000 – August 2000	General Inspector – Control and Analysis Department – CONEL S.A.
1987 – 2000	Deputy Head of Staff and Head of Specialized Project – Energy Studies and Design Institute Bucharest ;
December 2005	Excellency Certificate from the Internal Public Audit Service within the Ministry of Economy and Commerce for the internal public auditing activity carried out in 2005;
July 2005	Certificate of Graduation from the Advance Course “System Audit Development and Performance”- Ministry of Economy and Commerce and the European Union
August 2004 – September 2005	Graduation Certificate, module I and II Internal Public Audit – the Ministry of Economy and Commerce – Central Unit of Internal Public Audit Harmonization – Ministry of Public Finance;
August 2004	Certificate - SAPI (the Internal Public Audit Service) – the Ministry of Economy and Commerce for the position of Internal audit Department Head

According to the information provided by the above members of the administrative, management and supervisory bodies of the Issuer:

- a) There are no family relationships among the members of the administrative, management and supervisory bodies;
- b) No member of the administrative, management and supervisory bodies has been sentenced for possible frauds committed over the last five years;
- c) No member of the administrative, management and supervisory bodies has acted in similar capacities within any companies that went bankrupt or was liquidated over the last five years;
- d) Over the last five years, no member of the administrative, management and supervisory bodies has been officially incriminated and / or punished by the regulation authorities or professional authorities, nor have they been disqualified by a law court to act as member of administrative, management and supervisory bodies of any issuer or to run the any issuer’s business;
- e) There is no potential conflict of interests between the private interests or any other obligations of the members of the Issuer’s administrative, management and supervisory bodies and their obligations towards the Issuer;
- f) Between the members of the Issuer’s administrative, management and supervisory bodies and the shareholder, the Issuer’s suppliers, and any other persons, there is no agreement on the strength of which such persons were elected as members of the administrative, management and supervisory bodies;
- g) None of the members of the Issuer’s administrative, management and supervisory bodies has accepted any restrictions, for a certain period of time, relative to a possible disposal of future securities ownership issued by the Issuer.

The applicable normative framework does not impose on Romanian companies organizing audit committees in their structure. Although companies may electively and voluntarily organize audit committees, by memoranda of association, there are hardly any such cases in the Romanian business practice. The Issuer’s organizational structure does not include an audit committee, but, the governing law imposing it, the Issuer will adequately meet such a requirement.

Currently, the Romanian legislative framework comprises scattered legal norms relative corporate governance, included both in the Company Law, and in the Capital Market Law and the secondary legislation issued to enforce the latter. Consequently, the Issuer complies with all the corporate governance requirements set forth in the Company Law. Nevertheless, once the Transelectrica shares are listed on an organized market, the Issuer will also meet the special and additional corporate governance requirements set forth in the capital market legislation.

Except for the compulsory legal contributions paid as per Law 19/2000 concerning the public pension system and other social security, the Issuer and its subsidiaries did not allot funds for ensuring pension funds and other similar benefits.

Remunerations and Benefits

The value of remunerations/salaries as well as in-kind earnings granted by the Issuer and its subsidiaries to the Issuer's managers, directors and members of control bodies for their services over the last tax year, i.e. in 2005, is reflected in the Table below.

Nr. Crt.	Name	Position	Value of remuneration/salary including in-kind earnings (RON)	Period	Comments
1	Georgeta Felicia Răcășanu	Chairman of the Board of Directors	15,017	January-December 2005	Monthly remuneration of Members of the Board of Directors in 2005 was RON 1,224, except for January when it was RON 1,100, November when it was RON 1,526 and December when it was RON 1,375
2	Stelian Iuliu Alexandru Gal	Member of the Board of Directors and General Manager	97,069	November-December 2005	Mr. Gal holds the position of General Manager and Member of the Board of Directors starting with November 2005: over this period he received a monthly remuneration in the amount of RON 1,375, plus the value of the monthly gross salary. At the same time, Mr. Gal earned the amount of RON 58,077 for the time when he held the position of Manager of the Sibiu Transport Branch, i.e. January – November 2005. As a member of the Board of Directors of SMART (Commercial Company for Power Transmission Grid

					Maintenance Services), Mr. Gal received remuneration in the amount of RON 16,515, while as representative of Transelectrica at the Icemerg Shareholders' General Meeting he received remuneration in the amount of RON 1,375.
3	Nicolae Ivan	Member of the Board of Directors	10,245	May–December 2005	Mr. Ivan was appointed Member of the Board of Directors starting with February 24th, 2005.
4	Florin Cornel Badea	Member of the Board of Directors	3,672	July-September 2005	Mr. Badea was appointed Member of the Board of Directors starting with June 3rd, 2005
5	Costel Simion	Member of the Board of Directors	6,573	August-September 2005	Mr. Simion was appointed Member of the Board of Directors starting with July 25th, 2005
6	Ciprian Diaconu	Manager, Assets Management Division	73,549	January-December 2005	
7	Octavian Lohan	Manager, Operational Unit–DEN	91,365	January-December 2005	As representative of Transelectrica at the Teletrans (Commercial Company for IT and Communication) Shareholders' General Meeting, Mr. Lohan received remuneration in the amount of RON 1,100.
8	Bogdan Popescu Vifor	Manager, Sales Division – Electricity Market	84,625	January-December 2005	
9	Maria Ionescu	Manager, Assets Finance and Accounting Division	92,085	January-December 2005	
10	Gheorghe Vișan	Manager, Management Investment Projects Division	74,170	January-December 2005	
11	Răzvan Cătălin Purdilă	Manager, Policy International Cooperation and Capital Market Division	89,553	January-December 2005	
12	Ștefan Marin	Head of Quality Integrated	57,407	January-December	

		Management, Environment, Labour Safety and Health Department		2005	
13	Paula Butnaru	Head of Legal Office	68,506	January- December 2005	
14	Ștefan Țibuliac	Head of Bacau	31,319	July- December 2005	From January to July 2005 the position of Manager of the Bacau Branch was held by Mr. Cătălin Lisman who received income in the amount of 33,465 for the said period as a result of his activity in this position.
15	Eugen Popescu	Manager of Bucharest Branch	61,575	January- December 2005	
16	Ciprian Iuliu Bud	Manager of Cluj Branch	55,527	January- December 2005	
17	Teodor Stoenescu	Manager of Constanta Branch	74,591	January- December 2005	
18	Ion Merfu	Manager of Craiova Branch	120,688	January- November 2005	From January to November, Mr. Merfu held the position of Member of the Board of Directors and General Manager. Mr. Merfu's income also includes income related to his position as branch manager, which he held from November to December 2005. From January to November 2005, management of Craiova Branch was provided by Mr. Ladislau Katona whose income earned in the said capacity amounted to RON 56,103. As Member of the SMART Board of Directors, Mr. Merfu received remuneration amounting to RON 16,515, while as representative of Transelectrica at the Icemerg Shareholders' General Meeting, he received remuneration in the amount of de RON 4,895.

19	Neculae Popescu	Manager of Pitesti Branch	70,784	January-December 2005	
20	Florin Grigore Balaşiu	Manager of Sibiu Branch	63,200	January–December 2005	
21	Nicolae Chiosa	Manager Timisoara Branch	69,446	January–December 2005	
22	Cristian Sorin Pişpiriş	Manager of Omepa Branch	63,996	January–December 2005	
23	Marius Adrian Stanciu	Head of Internal Audit Subdepartment	59,747	January–December 2005	

4.3. Share capital

As of the prospectus preparation date, the Issuer has a subscribed and paid up share capital of 659,680,790 RON, divided into 65,968,079 nominative Shares, each having a nominal value of 10.0 RON. The share capital is constituted by contribution in cash worth of 659,569,590 RON and contribution in kind worth of 111,200 RON, represented by the land for which ownership certificates were issued and that were subject to share capital increases. The Issuer did not issue any convertible movables.

The Issuer is bound to execute the documentation to obtain the ownership certificates for the lands, and after having obtained them, the share capital is to be increased with the value of these lands. This process is in progress, and will be completed until December 31, 2006. Ownership certificates have been obtained so far for lands of an aggregate area of 39,523 sqm, and action is to be taken so as to obtain ownership certificates for the remaining lands of an aggregate area of 39,435 sqm. The Issuer's share capital has been so far successfully increased by including the share capital of some lands of an aggregate area of 31,981 sqm, the united value of the two share capital increases amounting to 111,200 RON. It is estimated that the amount with which the share capital is to be increased following the inclusion of the other lands for which ownership certificates have been or are to be obtained will be of 161,710 RON.

The Issuer and / or its subsidiaries have not granted any options for the purchase of shares. Nor has the Issuer issued Shares that are not included in the share capital of convertible, exchange or warrant securities.

Moreover, it ought to be emphasized that the Issuer's Memorandum of Association does not comprise more restrictive provisions than those set forth by the law, concerning the modification of the share capital.

As of May 24, 2006, the shareholders structure is the following:

No.	Shareholder	No. of shares	Nominal Value	Share capital quota
1	MEC-OPSPI	56.072.867	560.728.670	85%
2	Ownership Fund (Fondul Proprietatea)	9.895.212	98.952.120	15%

The synthetic evolution in the modification of the Issuer's share capital since the setting up to present is rendered in Table below.

Crt . no.	Increase /Reduction	Initial amount of share capital (RON)	Increase/Reduction amount (RON)	Final amount of the share capital (RON)	Total no. of shares	Nominal value (RON)	Sole shareholder	Decision of the Extraordinary General Meeting	Entry registration application	Reason of modification
1	Share capital increase	495,982,200	163,512,720	659,494,920	65,949,492	10	MEC	7/09.04.2001	105.470/03.09.2001	Share capital increase out of internal resources, represented by favourable differences resulting from the reevaluation of tangible fixed assets (162,037,790 RON) and legal reserves constituted by allotting the profit recorded on 31.12.2000 (1,474,930 RON). Following the control of the Audit Office and finalized by the Decision no. 23/A.I./2004, the share capital increase in the amount of 1,474,930 RON was deemed illegal and it was ordered to adequately reduce the share capital until 31.12.2004. The aspect reported by the Audit Office was subject to redress by reducing the share capital based on the decision of the shareholders' extraordinary general meeting no. 47/02.08.2004 and registered at the Trade Register Office based on the entry registration application no. 304.195/08.11.2004
2	Share capital reduction	659,494,920	(-) 30,000,000	629,494,920	62,949,492	10	MEC	25/07.09.2001	116.502/26.09.2001	The reason of this reduction lies in the setting up the SMART subsidiary, having a share capital of 30,000,000 RON After the share capital reduction registration

Crt . no.	Increase /Reduction	Initial amount of share capital (RON)	Increase/Reduction amount (RON)	Final amount of the share capital (RON)	Total no. of shares	Nominal value (RON)	Sole shareholder	Decision of the Extraordinary General Meeting	Entry registration application	Reason of modification
										<p>at the Trade Register Office, it was found that the reduction was the result of erroneous interpretation of the governing legal provisions. Therefore, it was later followed by a share capital increase in the same amount, so as to eliminate the effects of the share capital reduction.</p> <p>The share capital was reduced based on the decision taken by the shareholders' extraordinary general meeting no. 48/02.08.2004, registered at the Trade Register Office by the entry registration application no. 342.041/21.12.2004.</p>
3	Share capital increase	629,494,920	1,549,608	631,044,520	63,104,452	10	MEC	44/17.12.2003	88.263/04.03.2004	<p>Following the merger by absorbing Icemenerg, on the strength of Government Ordinance HG 1065/2003. The decision of the Transelectrica shareholders' extraordinary general meeting 44/17.12.2003 was rectified by the Decision of the Shareholders' General Meeting no. 18/23.03.2004, so as to modify the amount with which the share capital was increased, by transferring the difference of 8 RON in the reserves fund.</p>

Crt . no.	Increase /Reduction	Initial amount of share capital (RON)	Increase/Reduction amount (RON)	Final amount of the share capital (RON)	Total no. of shares	Nominal value (RON)	Sole shareholder	Decision of the Extraordinary General Meeting	Entry registration application	Reason of modification
4	Share capital reduction	631,044,520	(-) 1,474,930	629,569,590	62,956,959	10	MEC	47/ 02.08.2004	304.195/ 08.11.2004	Explanations of the operation are provided in line 1 above.
5	Share capital increase	629,569,590	30,000,000	659,569,590	65,956,959	10	MEC	48/ 02.08.2004	342.041/ 21.12.2004	Explanations for the operation are given in line 2 above.
6	Share capital increase	659,569,590	80,620	659,650,210	65,965,021	10	MEC	6/ 09.02.2005	71.327/ 01.03.2005	Increase by incorporating the value of the lands for which ownership certificates were obtained.
7	Share capital increase	659,650,210	30,580	659,680,790	65,968,079	10	MEC	60/ 10.10.2005	699.041/ 25.10.2005	Increase by incorporating the value of the lands for which ownership certificates were obtained.

4.4. Significant shareholders

Taking into account that, at present, the Issuer is owned in proportion of 85% by the Romanian state, which acts by the agency of the Ministry of Economy and Commerce and in proportion of 15% by the Ownership Fund (Fondul Proprietatea), the Ownership Fund is the only significant shareholder of the Issuer.

Nevertheless, the applicable normative framework sets forth that, in the future, the following entities will become the Issuer's shareholders, besides the persons who will acquire such capacity as a result of subscription within the Offer, the persons persons entitled to compensation, who subscribed, as per Law 10/2001, within the available capital offer (before Law 247/2005 came into force) shall become shareholders by acquiring a stock representing 5% of the Issuer's total number of shares. The entitled persons are natural or legal persons holding securities. Mention should be made from the beginning that the entities referred to above will acquire shares of the Issuer from the interest held by MEC.

Ownership Fund “Fondul Proprietatea”

Law 247/2005 set forth the setting up of a collective security placement body named the “Ownership” Fund which was to provide the financial resources necessary to granting compensation by equivalent regulated by this law, as well as of a mechanism of granting such compensation. One should also emphasize that the ensemble of legal norms pertaining to the Ownership Fund regulates the financing sources, the amount and procedure of granting compensation of the premises that cannot be restituted in kind, resulting from enforcing Law no. 10/2001 concerning the legal status of some premises abusively taken over in the period of March 6, 1945 – December 22, 1989, republished, the Government Emergency Ordinance no. 94/2000 concerning the retrocession of property that belonged to the religious cults in Romania, with its subsequent modification and amendments, approved with modifications and amendments by Law no. 501/2002, the Government Emergency Ordinance no. 83/1999 concerning the restitution of property that belonged to communities of the national minorities of Romania, approved with modifications by Law no. 66/2004, and its subsequent modifications. Thus, the persons entitled to compensation, in accordance with the said legal norms, are entitled to receive shares issued by the Ownership Fund.

The initial portfolio of the Ownership Fund consists of a series of financial assets mentioned within Law 247/2005; these assets make up the basis on which the initial share capital of the Ownership Fund is constituted. Among such assets, there is a stock of shares representing 15% of the Transelectrica share capital. By the Government Decision no. 1481/2005, S.C. Fondul Proprietatea S.A., (the Ownership Fund) was created, as a collective placement body of the close financial investment company type. Initially, the Romanian state was the sole shareholder of the Ownership Fund, following the shares of the Ownership Fund to be transferred to persons entitled to compensation as per Law 247/2005. Until a company to administer the Ownership Fund is appointed, it shall be provisionally administered by the Ministry of Public Finances, by the agency of a supervisory council. The main scope of business of the Ownership Fund is portfolio administration and management with a view to granting compensation for the premises that cannot be restituted in kind, by free transfer of shares from the state to the entitled person.

Fondul Proprietatea S.A., (the Ownership Fund) was registered at the Register of Commerce of Bucharest Court hall as shareholder of the Issuer, holding 9,895,212 shares, representing 15% of the Issuer's share capital. According to the Companies Law, on May 24, 2006, the Ownership Fund (Fondul Proprietatea) has been registered in the Issuer's shareholder register with a quota of 15% of the Issuer share capital, by transferring this quota from MEC – OPSPI to the Ownership Fund (Fondul

Proprietatea). The Constitutive Act provisions related to the Romanians State as the sole shareholder shall be consequently amended in a future General Shareholders Meeting.

Persons entitled to compensation who subscribed within the available capital offer prior to the entry into force of Law 247/2005

The available capital offer represented the privatization offer by restitution. It was launched and partially or entirely run, to the date of coming into force of Law 247/2005, by any of the entities involved in privatization and exclusively intended to the persons entitled to take advantage of the redress of the prejudice created by shares of nominal value. Such redress was granted on the strength of Law no. 10/2001 concerning the legal status of the premises abusively taken over in the period of March 6, 1945 – December 22, 1989, republished.

On the strength of the governing legislation prior to the coming into force of Law 247/2005, the Ministry of Economy and Commerce launched an offer of available capital for a stock representing 5% of the shares held by the Issuer. Upon the coming into force of Law 247/2005, the available capital offer was closed.

According to the methodological norms issued for the enforcement of Law 247/2005³, the persons that subscribed shares within the available capital offer for 5% of the total number of shares held by Transelectrica, have the right to partially or entirely revoke the subscription within the offer. The subscription may be revoked until the start of the allotment of shares. In term of procedure, the subscription may be revoked by transferring from the entitled person to the Ministry of Economy and Commerce, as offer issuer, a subscription revocation application.

The allotment of shares held by Transelectrica to subscribers within the available capital offer will begin after completing the listing procedure of Transelectrica. Within 30 days from the listing of the shares held by Transelectrica, the Ministry of Economy and Commerce, will notify the subscribers as to the method of fixing the price of the shares to be allotted in exchange of registered securities or as to the decisions/dispositions/orders whereby they were granted equivalent redress as shares, as the case may be, concerning the method of allotment and the date to which they can revoke their subscription.

If, within the offer for privatization by restitution, the stock of shares held by Transelectrica, which is subject to the offer is insufficient, shares will be allotted in proportion with the value mentioned on each application that is to be taken into consideration.

The value of the shares to be allotted within the available capital offer for a stock of 5% of the total number of shares held by Transelectrica equals the highest of the market value and the nominal value. The market value of a share will be the weighted means trading price for the first 6 months of trading the shares, communicated by the market operator. The shares will be allotted after a 6-month term of trading the shares held by Transelectrica. It will be impossible to trade the allotted shares at the stock exchange or other regulated market until the expiry of a 6-month term, as from the date of issuing the shareholder certificate.

4.5. Issuer's Instruments of Incorporation

Shareholders General Meeting

Pursuant to Company Law, the shareholders hold general meetings, under the conditions set by such law and by the company's instruments of incorporation. The shareholders' interests are therefore protected through their direct participation in the making of decisions concerning the business and policy of the company they have invested in. The Shareholders General Meeting is the statutory

³ Government Decision no. 1095/2005, published in Romania's Official Gazette no. 956/27.10.2005

leadership body of Transelectrica, under its articles of incorporation, and it decides on such company's business and economic policy.

General Meetings may be ordinary or extraordinary, each such type having distinct and specific prerogatives which we shall analyze in detail herein below.

Ordinary General Meeting – Prerogatives

The Ordinary General Meeting, which, under the law in force and the Memorandum of Association is held at least once a year, within a maximum of 4 months as of the end of the financial year, aside from debating upon other matters on the agenda, has the following prerogatives:

- a) approves the proposals concerning the global strategy for the development, retrofitting, modernization and economic and financial restructuring of Transelectrica;
- b) assesses the directors' administrative activity;
- c) sets the level of the monthly salary due to the members of the board of directors;
- d) approves the income and expense budget and, depending on the case, the business plan for the following financial year;
- e) sets the level of the salary of the general manager of Transelectrica, as well as the bonuses to be granted to such manager;
- f) discusses, approves or amends the annual financial statements, based on the reports of the directors and of the financial auditors and sets the dividends;
- g) decides on the use of the dividends corresponding to business it administers for restructuring and development purposes;
- h) decides on contracting long term banking loans, including foreign ones; sets the competence of and the level at which domestic and foreign loans, commercial loans and guarantees, including by setting a pledge on the shares, may be contracted under the law;
- i) analyses the reports of the board of directors concerning the stage in and the perspectives of the profit and of the dividends, the technical level, quality, manpower, environment protection, customer relations;
- j) assesses the directors' administrative activity and the means of recovering the prejudice caused to Transelectrica by such directors;
- k) decides on the pledging or on the renting of assets or on the winding up of one of more of Transelectrica's units;
- l) approves the organization and operation regulations of the board of directors;
- m) approves the delegations of competence to the board of directors;
- n) carries out any other prerogatives it has under the law.

Extraordinary Shareholders Meeting - Prerogatives

The Extraordinary General Meeting is held whenever necessary in order to make decisions concerning:

- a) change of the corporate vehicle;
- b) change of company offices;
- c) change of company's business purpose;
- d) increase of the share capital as well as the decrease or restoration thereof by the issuing of new shares, under the law;
- e) merger with other trading companies or demerger;
- f) anticipated dissolution;
- g) issuing of bonds;
- h) change in the number of shares or the par value thereof;

- i) any other amendment to the memorandum of association or any other decision requiring the approval of the extraordinary shareholders meeting;
- j) conversion of shares from one category into another
- k) establishment or winding up of secondary offices: branches, agencies, representative offices or other such non- incorporated; merger, demerger, participation in the incorporation of new legal persons or association with new legal or natural persons, either Romanian or foreign.

Convening the General Meetings

The General Meeting shall be convened by the directors whenever necessary, in accordance with the provisions of the Memorandum of Association, at least 25 days prior to the date such meeting is to be held.

Ordinary General Meetings are obligatorily held at least once a year, at most 4 months as of the end of the financial year, in order to approve the annual financial statements and to set the business plan and the income and expense budget for the year in progress.

The convening notice shall contain the place and date the general shareholders meeting is to be held on, as well as the agenda, with an explicit indication of all problems to be subject to debate. If the agenda contains proposals for the amendment of the articles of association, the convening notice shall have to contain the entire text of such proposals.

The shareholders general meeting shall be held at the offices of Transelectrica or in any other location indicated in the convening announcement.

The directors are under the obligation of immediately convening the general meeting, upon request of the shareholders accounting for a tenth of the share capital if such request contains provisions pertaining to the competence of the said meeting. The general meeting shall be held within one month as of the submission of a request to this purpose. If the director fails to convene such meeting, the court within the jurisdiction of which the company is located may authorize, subject to summoning the directors and under art. 331 - 339 of the Code of Civil Procedure, that the general meeting be convened by the persons who meet the requirements related to the exerting of the right to such convening. By the same decision, the court in question shall set the reference date, the date the general meeting is to be held on and the shareholder who shall chair such meeting.

In addition to that, directors are under an obligation to immediately convene the extraordinary general meeting whenever they find that, pursuant to losses incurred, once the reserve fund has been used up, the net assets, determined as the balance between the total assets and the liabilities of the company, account for less than half of the share capital; the meeting convened thereupon shall decide on the restoration or cut-down to residual value of the share capital or on the dissolution of the company. In the event the necessary majority requirements are not met upon convening the meeting a second time either, the directors shall request the court within the jurisdiction of which the company offices are located, that an expert be appointed, who shall check the share capital loss. Based on such expert's opinion, the court shall ascertain the loss, it shall issue a decision whereby it shall authorize the directors to convene the general meeting who shall be able to decide to write the capital down to the remaining sum or to dissolve the company, irrespective of the number of shareholders attending such meeting.

Access to the General Meeting

As long as the state acts as a shareholder of Transelectrica, its interests shall be represented in the shareholders general meeting by the Ministry of Economy and Commerce. The representatives of the

said Ministry in the shareholders general meeting are appointed and revoked by means of an Order of the concerned Minister.

After the Transelectrica shares are listed on the Bucharest Stock Exchange, it shall also be possible for shareholders to be represented in the general meeting by non- shareholders as well, except for the directors and the employees of Transelectrica S.A., based on a special power- of –attorney, according to the regulations of the National Securities Commission.

The shareholders who are entitled to participate in the general meeting shall have access thereto, on the reference date, based on the mere proof of their identity served under the form of the ID, in the case of natural persons and, under the form or the power- of attorney granted to the representative of either natural or legal persons. Preventing a shareholder who meets the requirements under the law from participating in the shareholders general meeting shall entitle any concerned party to go to court in order to request the cancellation of the decision of the respective general shareholders meeting.

Quorum

The debates of the ordinary shareholders meeting shall only be valid subject to the holders of at least half of the share capital being present and the decisions thereof shall be adopted by the favourable vote of the shareholders accounting for the absolute majority of the share capital represented during that meeting. Unless the holders of half of the share capital are present upon the meeting being convened the first time, pursuant to Company Law, such meeting shall be convened a second time and it shall thereupon be able to decide on any matters entered on the agenda, by a majority of votes, irrespective of the share capital quota the attending shareholders represent.

The extraordinary general meeting shall pass valid decisions provided the following are met:

- a) upon convening the meeting the first time, the holders of at least three quarters of the share capital should be present and decisions pass by the vote of a number of shareholders accounting for at least half of the share capital;
- b) upon subsequently convening the meeting, the holders of at least half of the share capital should be present and decisions pass by the vote of the holders of at least a third of the share capital.

As a general rule, the decisions of the general meeting are adopted by a show of hands. Secret poll is compulsory upon electing and revoking the members of the board of directors and upon making decisions concerning directors' liability.

In order for the decisions of the shareholders general meeting to be binding upon third parties, they shall be submitted to the Trade Register, within 15 days, so as to be entered in the excerpt thereof and published in the Official Gazette of Romania, Part IV. Such decisions shall not be enforced prior to the carrying out of the above- mentioned formalities.

The decisions made by the shareholders general meetings under the law and the Memorandum of Association shall be binding even upon the shareholders not having attended such meetings or who voted against.

Board of Directors

Appointment

Transelectrica is administered by a board of directors made up of 5 members. The members of the board of directors are appointed by the ordinary general meeting, for a 4 year term of office and they are paid a monthly salary on account of holding such position.

Prerogatives

The board of directors has the following prerogatives:

- a) approves the organization diagram and the organization and operation regulation of Transelectrica;
- b) approves the level of and means of setting guarantees for the general manager, the executive managers of Transelectrica, the managers of branches and the persons acting as administrators;
- c) concludes deeds whereby the Issuer acquires, disposes of, rents out and exchanges or sets as guarantees assets owned by the company, the value of which exceeds half of the accounting value of the company's assets on the date the deed is concluded, subject only to the approval of the extraordinary general shareholders meeting;
- d) executes documents for the acquisition, disposal, exchanges of or setting of guarantees on fixed assets of the company the value of which exceeds, either individually or jointly, throughout one financial year, 20% of the total fixed assets, less the liabilities, only subject to the prior approval of the extraordinary general shareholders meeting;
- e) executes documents regarding the rental of tangible assets for more than a year to the same co-contractor, concerned parties or persons acting concertedly the individual or joint value of which exceeds 20% of the total value of fixed assets, less the receivables existing on the date the legal document is concluded, as well as associations over more than one year, which exceed the same value, only subject to the prior approval of the extraordinary general shareholders meeting.
- f) approves assignments of powers for the general manager and the management personnel of Transelectrica, with a view to such company's conducting its business;
- g) approves the competence of branches by business domains with a view to Transelectrica conducting its business;
- h) approves the competence of branches by business domains (economic, commercial, technical, administrative, financial, legal, etc.) with a view to Transelectrica conducting its business;
- i) approves the conclusion of any contracts for which it has not empowered the general manager of Transelectrica;
- j) submits on an annual basis, within a maximum of 4 months as of the end of the financial year, the report on the business of Transelectrica, the annual financial statements, the draft income and expense budget, as well as the business plan of Transelectrica for the following financial year;
- k) convenes both the ordinary and the extraordinary general meeting of the shareholders whenever necessary;
- l) approves the conclusion of import-export contracts, except for electricity, up to the maximum value set by the general shareholders meeting;
- m) sets the rights, obligations and responsibilities of the personnel of Transelectrica, according to the approved organization diagram;
- n) sets the competence for and level at which current banking loans and short and medium term loans are contracted, and it approves the release of guarantees;
- o) approves the number of positions available and the normative deed based on which functional and operational compartments are set up;
- p) approves production, research, development and investment programs;
- q) sets and approves policies concerning environmental safety, labor security, under the legal regulations in force;
- r) sets the marketing tactics and strategy;
- s) sets and approves the amendments to the structure of the income and expense budget, subject to the limits of thereof having been approved by the shareholders general meeting and to the competence assigned by the mandate it has been granted;
- t) negotiates the collective employment contract by empowering the general manager to this purpose and approves the statute of the personnel;
- u) solves any other matters set by the shareholders general meeting or under the legislation in force.

The prerogatives of the Board of Directors, as set forth in the memorandum of association, shall either be detailed or supplemented by a series of such other prerogatives as comprised by its own Organization and Operation Regulations⁴, although the majority of such prerogatives practically restate the ones included in the normative documents governing the activity of Transelectrica. Among these detailed prerogatives of the Board of Directors included in its own Organization and Operation Regulations, mention should be made of the following:

- a) it is in charge of the operation of the national electricity transport system under high quality, safety, economic efficiency and environmental safety conditions;
- b) it is in charge of the enforcement of the measures for the reorganization of Transelectrica, based on the decisions of the shareholders general meeting;
- c) submits to the approval of the Shareholders General Meeting proposals concerning strategies for the global development, retrofitting, modernization, and economic- financial restructuring of Transelectrica and it is in charge of enforcing such strategy;
- d) administers the assets and liabilities of Transelectrica and it is held liable for such administration;
- e) approves, in accordance with legal provisions, the depreciation calculation method the fixed, tangible and intangible, assets owned by Transelectrica;
- f) submits to the Shareholders General Meeting reports on the stage in and the perspectives on profit and dividends at technical, qualitative, manpower, environmental safety, customer relations level;
- g) submits to the approval of the Shareholders General Meeting the Organization and operation Regulation of the Board of Directors and updates of such documents;
- h) keeps and is liable for the existence of the registers under the law and for their correct use;
- i) it is in charge of drafting the income and expense budget at the level of Transelectrica;
- j) approves the technical- economic set of documents related to the self- financed investment objectives of Transelectrica, in accordance with the legal provisions;
- k) analyzes and confirms the necessity of acquiring products, services and works not having been set forth in the annual purchase program;
- l) approves the set of technical- economic documents corresponding to new investments which are financed from public funds, under the law, with a view to such projects being approved by the competent bodies;
- m) approves the technical- economic ratios corresponding to the investment and maintenance objectives not financed from public funds, under the legal regulations in force;
- n) appoints the acceptance commissions for machinery and technological equipment mounting and commissioning for investments financed by own funds or by non- guaranteed state loans;

Meetings of the Board of Directors

The Board of Directors meets on a monthly basis, at the offices of Transelectrica or whenever necessary, upon being convened by the president thereof, elected by the ordinary general meeting, or by a third of the members thereof. In order for the decisions of the board of directors to be valid, it is necessary that at least half of its members be present. The decisions of the Board of Directors shall be adopted by a simple majority of the attending members.

General Manager

⁴ The regulation was approved based on Decision no. 46 as of July 25, 2005 of the General Meeting of the Shareholders.

The General Manager represents Transelectrica before third parties, therefore acting as legal representative of such company. Mention should be made of the fact that, while Company Law allows the President of the Board of Directors to also act as General Manager, in the case of Transelectrica it is expressly forbidden that the two positions be held by the same person.

The General Manager has the following prerogatives set by the Board of Directors:

- a) enforces the development strategy and policies of Transelectrica, as set by the Board of Directors;
- b) appoints, suspends or revokes the executive managers, subject to the approval of the board of directors;
- c) hires, promotes and fires personnel, under the law;
- d) hires, suspends or revokes the executive managers and the managers of the branches;
- e) participates in the negotiation of the collective employment contract, which is negotiated and concluded under the law, subject to the limits of the mandate such manager is granted by the board of directors;
- f) negotiates individual employment contracts, under the law;
- g) concludes legal deeds, in the name and on behalf of Transelectrica, within the limits of the powers-of- attorney granted to such manager by the board of directors;
- h) sets the duties and responsibilities of the Transelectrica personnel;
- i) approves payments received and made in accordance with its legal competence and these articles of association;
- j) approves the sale and purchase of assets in accordance with its legal competence and these articles of association;
- k) empowers the executive managers, managers of the branches and any other person to exercise any prerogatives within the general manager's scope of competence;
- l) solves any matter the board of directors has assigned to it.

As mentioned in the list of prerogatives of the Board of Directors, such Board may assign some of the said prerogatives to the General Manager. Therefore, based on the appendix to the Organization and Operation Regulation, as approved by means of a Decision no. 46 of the General Meeting of the Shareholders of Transelectrica as of July 25, 2005, the following powers are assigned to the General Manager:

- a) to represent Transelectrica before third parties;
- b) to follow and account for the means of drawing up the approved income and expense budget of Transelectrica;
- c) to administer the assets and liabilities of the Company and be held accountable for such administration;
- d) to conclude public procurement contracts for products, services and works, under the law and the value limits set by the Board of Directors;
- e) to conclude contracts for the transport service, system services and the management of the wholesale electricity market, as well as any other documents concluded so that the Company may conduct its main activity under the best of conditions, in accordance with the regulations in force, subject to the Board of Directors being informed thereof;
- f) to approve the Organization and Operation Regulation of Transelectrica;
- g) to approve the technical and economic indicators corresponding to the investment and maintenance objectives not financed from public funds, up to the value limit set by the Board of Directors;
- h) to approve the number of positions available and the normative deed based on which the functional and operational compartments of Transelectrica are set up;
- i) to approve the organization structures and the detailed organization and operation regulations and to set the rights obligations and responsibilities of the executive managers and of the entire

- personnel of Transelectrica, based on the organizational and functional structure of the Company, as approved by the Board of Directors;
- j) to approve the assignment of powers to the Company’s management personnel, except for such powers which are expressly assigned by the Board of Directors;
 - k) to negotiate the Collective Employment Contract;
 - l) to appoint the commissions in charge of accepting the machinery, equipment and technological installation mounting works, the commissioning of production facilities (as per Government Decision no. 51/1996 concerning the approval of the Regulations for the acceptance of machinery, equipment and technological installation mounting works as well as commissioning of production facilities), of the related construction and installation works (as per Government Decision no. 273/1994 concerning the approval of the regulations for the acceptance of the related construction and installation works), including the commissions accepting the commissioning of subsequent servicing of the existing works – overhauls, consolidations, changes, extensions, retrofitting, etc.;
 - m) to appoint the purchase and inventorying commissions, the technical approval commission, the examination commissions and other commissions which need to be set up for a good administration of the company and of its assets, subject to the legislation in force;
 - n) to approve its subordinate personnel’ s business trips abroad, between two meetings of the Board of Directors, if the necessity of such trips arose subsequent to the approval of the date the Board of Directors is to meet that month, subject to the Board of Directors being informed thereof in the following meeting thereof.

Business Purpose

The Issuers’ business purpose is the provision of the public service to all users of the transport networks, allowing access thereto to any person that meets the legal requirements.

Pursuant to art. 6 of the articles of association, the Issuer’s main business purpose consists of the transport of electricity – CAEN Code 4012.

Furthermore, Transelectrica, may carry out, according to art. 6 of the Articles of Incorporation, a series of secondary activities, which are presented in the Table below.

Cod CAEN	Activity
2222	Printing n.e.c.
3120	Manufacture of electricity distribution and control apparatus
5187	Wholesale of other machinery for use in industry, trade and transportation
5190	Other wholesale
5510	Hotels
5523	Other provision of lodgings
5530	Restaurants
5551	Canteens
5552	Other food cooking units
6021	Other scheduled passenger land transport
6023	Other land passenger transport
6024	Freight transport by road
6420	Telecommunications
6522	Other crediting activities
7011	Real estate development (promotion)
7012	Buying and selling of own real estate
7020	Letting or sub-letting of own or rented property

7230	Data processing
7420	Architectural and engineering activities and related technical consultancy
7430	Technical testing and analysis
7460	Investigation and security activities
7486	Call centre activities
7487	Other services provided mainly to businesses
7512	Regulation of the activities of agencies that provide health care, education, cultural and other social activities, excluding social security
8042	Other education forms
9111	Activities of business and employers' organizations

4.6 Transactions with Affiliated Parties

The issuer has outsourced a series of its support activities, by concluding with its own subsidiaries master service contracts for the respective activities.

Therefore, from a strictly synthetic approach, the subject matter of the contracts Transelectrica has concluded with its branches is the following:

1. Contract with the Opcom subsidiary – administration of the wholesale electricity market;
2. Contract with the Icemenerg subsidiary – scientific research, innovation, studies, development strategies, design, engineering and other technical services;
3. Contract with the Smart subsidiary – maintenance of the electric transport network;
4. Contract with the Teletrans subsidiary – operation of the telecommunications and of the information technology system necessary in order to run the NES;
5. Contract with the Formenerg subsidiary – professional training activity.

You will find herein below a detailed presentation of the contracts between the Issuer and its subsidiaries, except for the contract concluded with Formenerg, the value of which is negligible:

Services Contract No. 275/2002 - Transelectrica-Teletrans	
Parties	Transelectrica - Beneficiary Teletrans – Provider
Concluded on	December 19, 2002
Subject Matter	Provision of telecommunications and IT services, maintenance and operation of the telecommunications and IT system P; software creation and development, technical assistance, set up and commissioning: <ul style="list-style-type: none"> • process IT services; • management IT services • consulting services, • technical assistance in the acquisition of IT and the implementing of services and • client support services.
Term	3 years as of the contract effective date
Value	The contract value represents 1.6% of the Issuer's turnover.

Effective as of	January 1, 2003, upon presentation of proof of opening of the Performance Guarantee account
Standards	The Provider is under the obligation of enforcing the quality management system according to the requirements of standard ISO 9001:2000, certified by an authorized body.
Patent	The Provider is under the obligation of paying damages on account of all complaints or court actions arising from the breaching of proprietary rights related to the software, equipment, materials, installations or machinery used for or in connection to the service provided; The transfer of the intellectual property from the Provider to the Beneficiary shall be provided for on a case by case basis; the intellectual property rights in products resulting from the service provision belong to the Beneficiary and the trading of such products shall only be done with the Beneficiary's consent.
Guarantees	The Provider is under the obligation of setting a Performance Guarantee; Such guarantee shall be provided by successive amounts retained from the payment due to the Provider for the invoices issued by such Provider and it shall represent 5% of the Contract Price; The Beneficiary is under the obligation of refunding the guarantee 14 days as of the completion of the Contract if no claims have been raised.
Assignment	Assignment and subcontracting shall only be possible subject to the obtainment of the Beneficiary's prior written consent; The provider shall be able to subcontract a maximum of 25% of the Contract value, subject to the obtainment of the Beneficiary's prior written consent;
Penalties	The Provider shall be bound to pay 0.15% of penalties per day for the value of the service not rendered. Should the Beneficiary fail to pay the invoice on time, it shall be bound to bear 0.15% of penalties per days The Provider shall be held accountable for services rendered by subcontractors
Termination	The contract termination request shall be made in writing, thirty days prior to the prospective termination date. In case the other Party makes no objections as to the termination request within 30 days, such request shall then be deemed as accepted

CONTRACT NO. C73/2004	
TRANSELECTRICA AND TELETRANS	
Parties	Transelectrica-Transelectrica Teletrans-Teletrans
Signed on	April 30, 2004
Scope	1.1. Execution by Teletrans of business contracts, in its own name, to the account of Transelectrica property, whereby telecommunications infrastructure capacities of Transelectrica are sold, as provided in Appendix 1, under the conditions hereof, consisting in: <ul style="list-style-type: none"> ▪ Lease of dark fiber; ▪ Capacities and flows available on transmission equipment of Transelectrica ▪ Capacities and flows available on transmission equipment of Transelectrica that will be supplemented with interfaces/modules purchased by Teletrans ▪ Capacities and flows recorded on new equipment and/or interfaces procured by Teletrans to this purpose, operating on different fibers

	<ul style="list-style-type: none"> ▪ Collocation and services facilities <p>1.2. Rendering by Teletrans of its own services associated to the main subject matter of the contract concluded with the end Customer provided under article 2.1.</p> <p>1.3. Using the telecommunications infrastructure and facilities and information technology of Teletrans to render services to clients is not subject to this contract unless the Transelectrica infrastructure is utilized in any way</p>
Term	May 01, 2004 – May 01, 2006. The term may be extended in an addendum signed by both contracting parties.
Price	<p>For each contract Teletrans will conclude with an end Customer, Teletrans shall pay to Transelectrica 85% of the respective contract value, and such contract may be amended in an addendum, as provided under article 4.2. The proportion of the value of the contracts executed with end Customers owned to Teletrans shall be updated upon the request of Teletrans, by increasing it if Teletrans performs works or makes investments in the telecommunications network that are necessary to accomplishing the business purpose provided under article 2.</p> <p>Teletrans may conclude barter contracts to the benefit of Transelectrica. The services rendered by the end Customer so as to ensure capacity exchange shall be compensated by the services rendered by Teletrans to ensure that exchange.</p>
Payment	<p>A tripartite agreement shall be executed between Transelectrica, Teletrans and a bank agreed by both parties, within 10 days as of signing hereof, with a view to opening an escrow account and establishing the payment instructions based on which the bank will make the payments without the prior consent of Teletrans.</p> <p>The amounts hereunder shall be received to an escrow account.</p> <p>Based on the provisions under article 5.3.7., Transelectrica shall invoice in favour of Teletrans, for the expired month, the equivalent of the percentage resulting from contracts concluded with end customers, within 5 Business days of the following month.</p>
Rights and obligations	When the value estimated to be negotiated with an end customer is over EUR 200,000, Transelectrica may delegate two representatives in the negotiation committee.
Penalties	In the event of non-performance of obligations under article 5.3.7., the parties shall be bound to pay 0.06% of penalties of the respective amount per each day of delay.
Assignment	<p>Teletrans is bound not to entirely or partially transfer the obligations assumed hereunder without the prior written consent of Transelectrica.</p> <p>The assignment shall not exempt Teletrans from accomplishing any of the responsibilities assumed hereunder.</p>
Termination	<p>Non-observance of the contract provisions by any of the parties entitles the injured party to request termination of the contract.</p> <p>The written request for contract termination (notification) shall be sent to the contracting party at least 60 days prior to the requested termination date. If the notified party does not have any objections on the termination reason invoked in the notification within 30 days as of receipt of notification, so that the contracting parties may initiate the amicable settlement of the termination reason, termination shall be deemed accepted and the contract shall be terminated as of the 61st day.</p> <p>Contract termination shall have no effect on already due obligations between the parties.</p>
Special provisions	Any change in the organizational structure of one of the parties shall not be a cause for termination of contracts concluded by Teletrans with end customers, and such contracts shall be taken over by the organizational structure determined to have the same business scope as the purpose hereof.

Services Contract C43 /2005 - Transelectrica – S.C. Smart S.A.	
Parties	Transelectrica- Beneficiary

	Smart- Provider
Concluded on	March 22, 2005
Subject Matter	<p>Maintenance work for all the installations indicated in the Job Specifications, consisting of:</p> <ul style="list-style-type: none"> • Technical Inspections • Technical Servicing • Current repair work resulting from the Technical servicing • Specific works and Incidental Interventions for the Electric Transport Network
Rates	<p>The contract value amounts to 4.7% of the Issuer's turnover.</p> <p>Unit rates by functional sets upon performing technical inspections and servicing include all expenses for: manual work, machinery, transport, materials, spare parts, including the legal quotas in force, indirect expense and profit, all of which are necessary to provide the relevant works/services.</p> <p>Over the first 12 months as of the effective date of the contract such rates and tariffs expressed in ROL are firm and not subject to review.</p> <p>The failure to keep the deadlines for the provision of works/ services scheduled within the first 12 months as of the contract effective date, by the exclusive fault of the provider shall not count as grounds for the reviewing of the rates of such services –works.</p>
Payment terms	<p>The Beneficiary is under the obligation of paying the Provider within 30 days as of the Beneficiary's registration of the relevant invoice.</p> <p>40 % of the invoice shall be paid by set-off against electricity.</p> <p>Current repair works arising entailed by technical servicing and accidental interventions upon demand shall be paid based on the related bill of quantities</p>
Term	5 years as of the effective date of the contract
Standards	<p>Technological descriptions, Normative Standards under the law, including the Beneficiary's procedures and manufacturers' specifications</p> <p>The Provider shall implement a quality management system in compliance with the requirements of standard ISO 9001: 2000</p>
Guarantees	<p>The contract Performance Guarantee shall be set in RON and it shall amount to 5% of the contract price, inclusive of VAT.</p> <p>The performance guarantee shall be set by means of the amounts successively retained from the sums paid on account of the monthly invoices. To this purpose, the Provider shall have the obligation of opening an account to be operated by the Beneficiary, with a bank agreed upon by both Parties, and of transferring sums into the respective account. The interest paid on account of the guarantee account shall be collected by the Provider. In the event of a change in the value of the contract set upon the signing date, the value of the guarantee shall be adequately amended.</p> <p>The performance guarantee set for current services/ works shall be released as follows:</p> <ul style="list-style-type: none"> • 70% of the value of such guarantee within 30 days as of the conclusion of the relevant acceptance report, provided that such report contains no indications as to remedies and completions to be performed by the Provider and that the Beneficiary has not raised any claims on such guarantee to that date and the risk of hidden faults is minimum. • 30% of the value of such guarantee upon expiry of the service guarantee period, based on the final acceptance report provided that such report contains no indications as to remedies and completions to be performed by the Provider and that the Beneficiary has not raised any claims on such guarantee to that date and the risk of hidden faults is minimum <p>The performance Guarantee set on account of other special services and works shall</p>

	<p>be refunded 100% within 30 as of service/ work completion.</p> <p>The guarantee against hidden faults of the current works carried out under the contract shall be granted over a 12 month period as of the date the acceptance report is concluded upon completion of the services/ works. No guarantee shall be granted for the other services/ works such as transport, technical assistance, chromatographic analysis consulting.</p>
Obligations	6 months as of the effective date of the contract, the Provider shall be forbidden from employing natural or legal persons having participated in the drafting of the set of documents for the drawing up and submission of the offer based on which the contract was signed or who were part of the assessment commission of such offer
Penalties	<p>In the event that the Provider fails to fulfil its obligations under the contract, due to its own fault, the Beneficiary shall be entitled to claim a late interest payment amounting to 0.15% of the price of service/ work per day of delay.</p> <p>Should the beneficiary fail to pay the invoices issued by the Provider within 30 days as of the set term, the Provider shall be entitled to claim a late interest payment amounting to 0.15% of the unpaid amount.</p>

Services Contract C-1/2002 - Transelectrica-Opcom	
Parties	Transelectrica -Beneficiary; Opcom -Provider
Concluded on	February 1, 2002
Subject Matter	This contract sets the Provider's duty to manage the wholesale electricity market and it regulates the relationship of the parties as regards their financial obligations and the means of paying for services rendered
Term	January 01, 2006 - December 31, 2006, extended in accordance with the addenda
Price	The contract value is of 0.7% of the Issuer's turnover
Provider's Obligations	To provide the service under the contract in compliance with the Commercial Code of the wholesale electricity market, insuring the establishment of a correct market relationship, unbiased and transparent for all participants to such market, the Beneficiary benefiting from the same treatment as the said participants;
Beneficiary's Obligations	<p>To set forth in the contracts for transport services, system services and the management of the wholesale electricity market concluded with the participants to the market, the sums corresponding to the services provided by the Beneficiary;</p> <p>To conclude contracts with one of the parties having freely concluded, by way of negotiation, bilateral agreements whereby the value of the services for the management of the wholesale electricity market rendered by the Provider is recovered.</p>
Termination	The Contract may only be terminated upon the coming into force of new laws and regulations, as well as upon the amendment of such laws and regulations.

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Services Contract C 242/2003 Transelectrica-Icemenerg	
Parties	Transelectrica –Beneficiary Icemenerg –Provider
Concluded on	December 23, 2003
Subject Matter	Research services- works In the addendum no. 1/2004, the works list Appendix 1 hereto attached was supplemented so as to include the work “Database of the main national energy indicators. The National Energy Observer” of 2,550,000,000 lei worth and a supplementary stage – “Harmonization of posts and positions within Transelectrica SA with the Job Classification in Romania” - were introduced in the work “Professional training strategy for Transelectrica SA employees”; Appendix 1, which is integral part of the contract, comprises the completion terms.
Term	As of the signing date, respectively effective date of the contract until completion of the research
Scope	Effective after the contract signing date, upon the setting of the bank letter of guarantee.
Price	The contract value amounts to 0.7% of the Issuer's turnover. The price is firm and it may not be increased or changed unless the Parties agree to supplement/ diminish the contract subject matter. The price- related provisions for the remaining research to be performed may only be changed upon occurrence of circumstances which are prejudicial to the Parties' commercial interests and which could not be foreseen at the time the contract was concluded.
Standards	The Standards presented by the Provider in the technical proposal and contained by the regulations in force shall be complied with.
Patent	The holder of the ownership right in works which are the subject matter of this contract is the Beneficiary.
Performance Guarantee	The Guarantee set by the provider, representing 5% of the contract value.

4.7 Issuer's Employees

On the incorporation of Transelectrica, in the year 2000, the Company took over from Compania Națională de Electricitate S.A. more than 3,700 employees. This number went down following the reorganization of “Transelectrica” - S.A. consisting in the set-up of the subsidiaries S.C. Smart S.A., in 2001, S.C. FORMENERG S.A. in 2002, S.C. TELETRANS S.A., in 2003, that took over, besides a part of the Company's patrimony, a number of employees according to their objects of activity: 1376 employees, 45 employees and 174 employees, respectively.

Normally, the Issuer, considering the nature of its activities conducted and according to the approved licenses, does not use temporarily hired employees, the total number of the employees presented below being persons employed based on individual labour contracts with unlimited duration. Currently, the operation of the stations of the electricity transmission grid and the dispatcher services are being performed by operative/operational personnel working in permanent shifts schedule.

The average number of personnel in Transelectrica has evolved as follows:

	2002	2003	2004	2005
Average number of personnel	2,346	2,140	2,142	2,156
Percentage of change during the period		-8.78%	0.09%	0.65%

Source: Issuer

As the reengineering and the remote control system have been implemented/ to the facilities owned by the Issuer, the number of employees is expected to reduce significantly due to the substations remote control systems.

In terms of activity sectors, the structure of personnel in Transelectrica is the following:

Personnel breakdown by activity performed:

Activity Sector	As of 31.12.2002	As of 31.12.2003	As of 31.12.2004	As of 31.12.2005
Electricity transmission	1,836	1,761	1,757	1,748
Dispatcher services	277	151	158	161
Electricity measurement	35	38	40	44
Central supervision	184	190	200	202
TOTAL	2,332	2,140	2,155	2,155

Source: Issuer

The foregoing table shows that the most of the Issuer's employees are used in connection with the electricity transmission activity.

Personnel breakdown by age brackets

Age (years)	As of 31.12.2002	As of 31.12.2003	As of 31.12.2004	As of 31.12.2005
> 60	21	40	37	21
51-60	503	485	484	472
41-50	733	635	645	631
31-40	671	634	633	653
18-30	404	346	356	378
TOTAL	2,332	2,140	2,155	2,155

Source: Issuer

According to the personnel structure in terms of age brackets, most of Transelectrica employees' age ranges between 31 and 40 years. Therefore, one of the Issuer's main strategic goals with respect to human resources is the recruitment of mainly young graduates for all categories of personnel.

In terms of seniority, more than half of the Issuer's personnel have a service term ranging between 18 - 30 years (in the year 2004 the average service term was 21 years).

Personnel structures in terms of seniority

Service term	As of 31.12.2002	As of 31.12.2003	As of 31.12.2004	As of 31.12.2005
0 – 10 years	451	404	396	402
11 - 20 years	695	614	624	632
21 - 30 years	690	601	609	615
31 - 40 years	464	484	489	493
> 40 years	32	37	37	13
TOTAL	2,332	2,140	2,155	2,155

Source: Issuer

As resulted from the analysis of the Issuer's employees in terms of personnel categories, one may notice that the operative/operational personnel working at the electric substations and providing system services has the biggest percentage in the total personnel number of approximately 54%, followed by the functional and administrative personnel with a percentage of approximately 32% in the total number of personnel and by the management personnel with a percentage of 14%, these percentages remaining relatively constant during 2002 - 2005.

Personnel structure in terms of personnel categories

Personnel category	As of 31.12.2002	As of 31.12.2003	As of 31.12.2004	As of 31.12.2005
Operative/operational personnel	1,244	1,158	1,155	1,148
Functional/administrative personnel	761	676	694	698
Management personnel	327	306	306	309
TOTAL	2,332	2,140	2,155	2,155

Source: Issuer

Due to the specific nature of its activity, Transelectrica has employees with a high level of education, both at an operative/operational level and at the central level. Thus, 45% of the Company's employees have a degree, and 54% of the employees are high school / vocational school/foremen school graduates (generally with a specialization in energy field).

Personnel structure in terms of educational background

Educational background	As of 31.12.2002	As of 31.12.2003	As of 31.12.2004	As of 31.12.2005
Higher education	984	932	955	974
Secondary education (high school/ vocational school /foremen school)	1,318	1,195	1,187	1,168
Elementary school	30	13	13	13
TOTAL	2,332	2,140	2,155	2,155

Source: Issuer

Transelectrica employees have been registered members of two trade unions: Unvers Federation (National Federation of Electricity Trade Unions) and Energia Mileniului III Federation (founded in June 2001). Currently, approximately 90% of all the Issuer's employees are registered trade union members.

There is a collective labour contract concluded between Transelectrica and its employees, represented by the two trade union Federations. The contract governs the individual and the collective labour relationships, as well as the parties' rights and duties with regard to:

- The execution, delivery, alteration, suspension and termination thereof;
- The working time and resting time;
- Salaries;
- Occupational health and safety, working conditions;
- Professional training;
- Social protection of the employees and other rights;
- Rights and duties arising from labour relationships;
- Mutual acknowledgments, the employer's and the trade unions' rights and duties.

4.8 Professional Training

In order to provide efficient activities and to keep the safe operation of the electricity transmission grid, the Issuer carries out a permanent review of the personnel structure and of the employees' professional standards.

The Issuer's main strategic goals on the short and medium term regarding personnel training and proficiency are the following:

- The implementation of distinct professional training and proficiency programs for the main categories of employees (operative/operational personnel, managerial support), including for the specialists in quality assurance, environment, labour health and safety, etc.
- Continuous training of Transelectrica personnel regarding the risks following the modernization and revamping of the equipment, as well as for prevention against occupational accidents and diseases;
- Training and improvement of the professional training of the personnel, with a focus on formation and specialization of young employees;
- The implementation of a career planning and management system.

The Issuer's personnel attend on a permanent basis training programs in various fields, held by both Transelectrica trainers and by external specialists, such as:

- Quality and environmental management;

- Occupational safety and medicine;
- Prevention and extinction of fire that may occur to the Transelectrica electric facilities;
- Internal audit;
- Management training/proficiency.

Chapter V. DESCRIPTION OF THE ISSUER'S ACTIVITY

5.1 Main activities

According to the Electricity Law, in Romania there is a single operator providing electricity transmission service and system service, the operational and technical management of the Romanian Power System (RPS). The electricity transmission activity is considered a natural monopoly, Transelectrica being the only company that holds a license for electricity transmission and provision of system service, according to the terms of License no. 161/2000, revision 2/2005, granted by ANRE.

Starting 01.07.2005, Transelectrica, through its subsidiary OPCOM, functions as an electricity exchange and, at the same time, handles the settlement of the balancing market and of the imbalances. According to the terms of License no. 161 granted by ANRE, Transelectrica also performs the specific tasks assumed as Metering Operator on the wholesale electricity market through its subsidiary OMEPA. The main beneficiaries of the transmission and system services are all the participants to the electricity wholesale market (producers, suppliers, eligible consumers).

As transport and system operator, Transelectrica assures:

- (1) Administration, operation, maintenance, modernization and development of:
 - a) the electricity transmission grid, including the RPS interconnection capacities with other neighbouring power systems,
 - b) dispatcher systems,
 - c) metering and measuring systems for the electricity transmission through the electricity transmission grid and at the interface with its users, according to the *Electricity metering code*,
 - d) the IT and telecommunication infrastructure necessary to carry out the activities subject to the License;
- (2) Regulation and coordination of the connection to the electricity transmission grid, analysis and approval of the compliance with the technical conditions of the connection by the users of the electricity grid;
- (3) Operational planning, operational programming and operational command within the RPS management by dispatcher aiming at managing the RPS integrated functioning for meeting the electricity consumption needs according to safety and quality conditions;
- (4) Establishment, contracting and management of technological system services;
- (5) Compliance with all the specific tasks resulting from its quality of:
 - a) balancing market operator,
 - b) metering operator on the wholesale electricity market,
 - c) operator of the centralized market for the allocation of the international interconnection capacities according to the provisions of the Technical Code of the Electricity Transmission Grid, Commercial Code of the wholesale electricity market and the Electricity metering code;
- (6) Coordination of the electricity import-export or transit operations and the allocation of the interconnection capacities according to the regulations in force.

Transelectrica is allowed to make transactions with electricity only for:

- a) covering the own technological consumption for the transmission grid (technical energy losses and internal services consumption from electric substations), through energy acquisition;
- b) removing the restrictions of internal system or of the interconnecting lines and for balancing the gap between real values and planned values of production and the energy consumption of RPS, through buy/sell of energy from/to *parties responsible of balancing activities*, according to the terms of the *Commercial Code for the wholesale energy market*.
- c) exchanges of energy with neighbouring countries (barter transactions), for support, by ensuring the acquisition/sale of respective quantities of energy from/to *centralised markets*.

The Romanian Power System was set up and commissioned in 1955 by interconnecting the local subsystems formed of local power plants nationalized in 1948. Until 1990 there were 42 electric grid plants and 38 electric and thermal power producers functioning in Romania, under the management of the Ministry of Electric Power. In 1990, the Romanian Electricity Authority Renel took over all the activities related to the production, transmission, supply and distribution of electric and thermal power.

In July 1998, within the restructuring process of the Romanian power system, the National Electricity Company CONEL was set up, as well as Nuclearelectrica, the national company for the production of electric power from nuclear power (Government Decision 365/1998).

The Issuer was set up in 2000, following the split of CONEL, as transmission and system operator in charge of the electricity transmission and management by dispatcher of the Romanian Power System.

The strategic documents regarding Transelectrica's operations was a business plan prepared by the consortium Fichtner/Mazars with Phare financing. This business plan established, back in 2001, the necessary development of the transmission tariff (4.2 USD/MWh during 2001 – 2004) for sustaining the investment program of USD 218 million financed by EBRD/EIB/Phare.

At present, the Issuer's strategic documents are the following:

- Outlook Plan regarding the Electricity Transmission Grid during the period 2004-2008 and possible 2014 and
- Business plan for the period 2004 – 2013.

Transelectrica is one of the first three Romanian companies that obtained ratings from two of the main international rating agencies – Moody's Investor Service and Standard & Poor's.

On 8 November 2002, Standard & Poor's granted the Issuer the rating B+ for the long term debt in foreign currency and the rating BB- for the one in local currency, with positive outlook on the long term. The ratings were equal to the sovereign ones based on the following criteria:

- Transparent tariff regulation allowing Transelectrica to recover costs,
- Issuer's importance for the development of the national power system,
- Major measures regarding reliability and
- Holding the monopoly regarding electricity transmission.

On 17 September 2003, the rating granted by Standard & Poor's for the long term debt in foreign currency was upgraded to BB-, equal to the one for the local currency, and on 22 October 2004 the rating for the long term debt in foreign currency was improved to BB, with stable outlook.

On 28 October 2005, the rating agency Standard & Poor's Ratings Services confirmed the rating of Transelectrica, as "BB" for the long term debt in foreign currency, with stable outlook, reflecting the reduction of the regulatory and market risks as well as the improved development and prospects of

financial performance. Standard & Poor's estimated that the improvement of macroeconomic stability, the economic reforms and Romania's future accession to the European Union in 2007 reduce the risks of some actions that may negatively impact the Issuer.

On 17 February 2003, Moody's Investor Service granted the Issuer the rating B2 for debts, being the closest rating to the sovereign ones held by a Romanian company on the assessment date.

On 4 October 2004, Moody's increased Transelectrica rating to B2 from Ba3, with stable outlook. The improvement was determined by a number of positive aspects out of which:

- increase of the period for which historical accounting information is available, considering that the company was set up in 2000;
- continuous strategic importance in the national economy and its key role in complying with EU accession criteria;
- positive expectations regarding the regulatory framework and signing of the concession contract regarding the Issuer's patrimony.

On 10 March 2005, the rating agency Moody's Investors Service improved by two notches the rating of CN "Transelectrica" SA, based on its financial and operational performance, from "Ba3" to "Ba1", with stable outlook (equal to the sovereign rating).

Starting June 2005, Moody's Investor Service, additional to the rating methodology for regulated electricity companies, applies the methodology: Joint Default Analysis JDA for quoted companies in which the state holds shares (Governmental Related Issuer GRI). By applying this new methodology, on 23 June 2005, the rating Ba1 was confirmed for Transelectrica meaning that, during the following 12 months, a possible increase of the sovereign rating will have a favourable impact on the Company's rating.

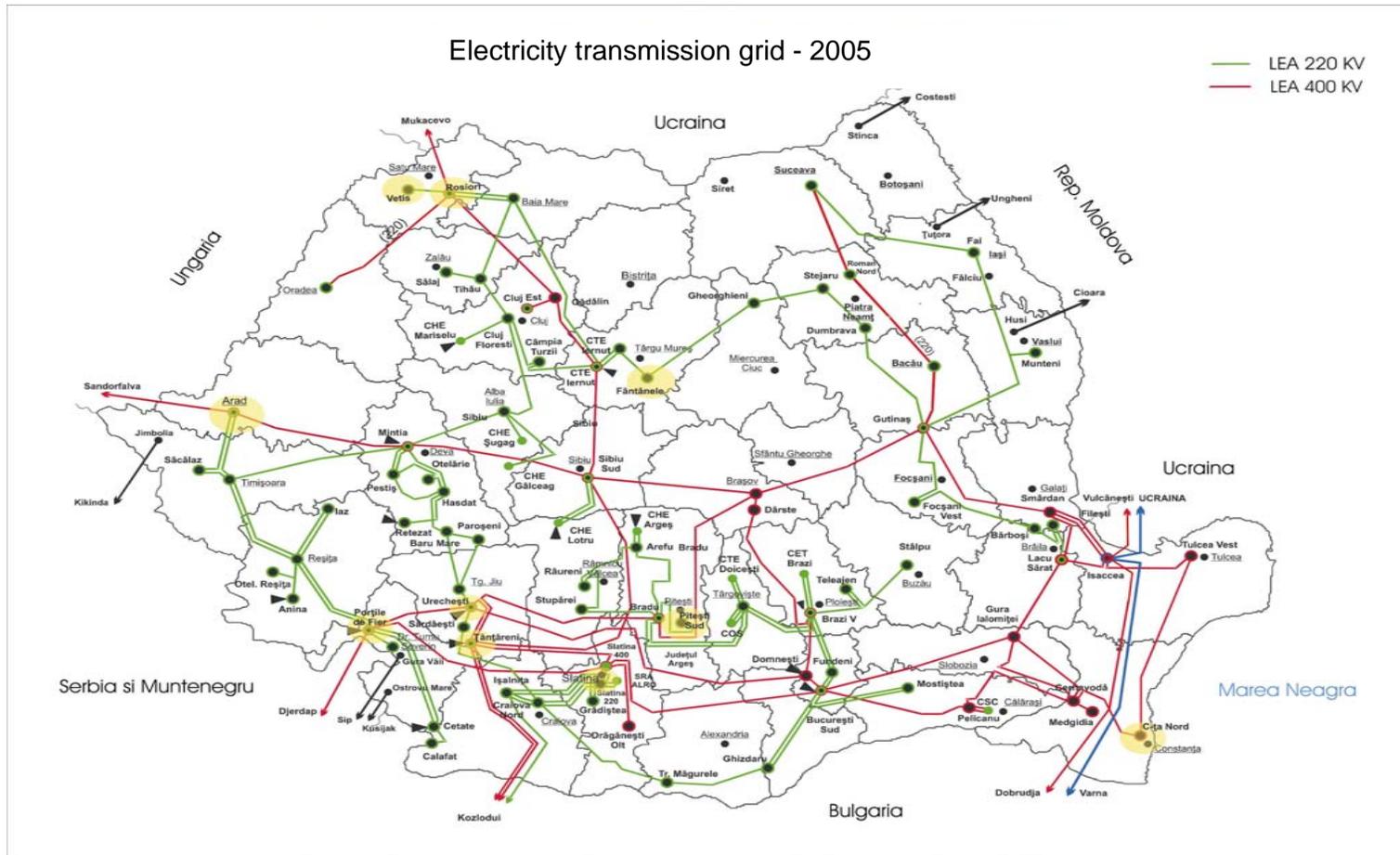
On 7 November 2005, Moody's Investors Service confirmed Transelectrica's Ba1 rating, with positive outlook; the rating was revised based on Transelectrica financial results for the year 2004.

Electricity transmission grid

The grid includes the overhead lines, including their support and protection elements, the substations and other interconnected power equipment.

The electricity transmission grid is the electrical grid of national and strategic interest with nominal line voltage higher than 110kV. The electricity transmission grid handles the interconnection of the producers with the distribution networks, large consumers and neighbouring power systems.

The technical services included in the Issuer's object of activity are based on the Technical Code of the Electricity Transmission Grid, approved by ANRE.



Source: Issuer

Overhead lines and substations that form the electricity transmission grid were mainly built during the period 1960 – 1980 and, at the date the Issuer was set up, they were at the limit of their useful life periods. The restoration works to the electricity transmission grid initiated and carried out in recent years were aimed at reducing the costs and increasing the safety of operating of the Romanian Power System. When developing the restoration schedule the following were considered:

- the company's maximum indebtedness capacity;
- the possibility to simultaneously carry out several works while assuring the corresponding degree of RPS safe operation.

The evolution of the length of the overhead lines managed by Transelectrica is presented below:

Length of overhead lines of various voltage levels		31	31	31	31
		December 2002	December 2003	December 2004	December 2005***
Length of 750 kV grid	km	155	155	155	155
Length of 400 kV grid	km	4,471	4,475	4,638	4,638
Length of 220 kV grid	km	4,131	4,132	4,102	4,102
Length of 110 kV*	km	38	38	41	41
Total length of ETG	km	8,795	8,801	8,935	8,935
out of which interconnection lines**	km	469	469	624	624

* interconnection lines

** including interconnection lines

*** preliminary information

Source: Transelectrica annual activity report issued by ANRE for the years 2002, 2003 and 2004; The Issuer, for preliminary information for 2005

The ETG overhead lines have a normal life period of 40 years (according to the Government Decision 964/1998 modified by the Government Decision 2139 /2004), almost two thirds of them already reaching the normal life period. It should be noted that the real technical status of the overhead lines is satisfactory due to the rigorous maintenance program carried out by the Issuer.

Overhead lines are accidentally decommissioned following some special meteorological events or isolated cases of vandalism.

The ETG includes 77 substations in which there are 135 high power transformers and auto-transformers of high voltage levels of 750, 400 or 220 kV, totaling a capacity of 36,206 MVA.

Number of transforming units*		31	31	31	31
		December 2002	December 2003	December 2004	December 2005**
AT 750/400 kV	No/MVA	2/1250	2/1250	2/1250	2/1250
AT 400/220 kV	No/MVA	22/400	21/400	20/400	20/400
	No/MVA	0	1/500	2/500	2/500
AT 220/110 kV	No/MVA	85/200	85/200	85/200	86/200
	No/MVA	2/100	2/100	2/100	2/100
	No/MVA			1/125	1/125
Transformers 400/110 kV	No/MVA	20/250	20/250	21/250	22/250

*Currently in use

** Preliminary information

Source: Transelectrica annual activity report issued by ANRE for the years 2002, 2003 and 2004; The Issuer, for preliminary information for 2005

The provision of telecommunication and IT services for the transmission grid and RPS management by dispatcher is carried out by Teletrans SA, a subsidiary of the Issuer. The IT and telecommunication equipment taken over by the Issuer upon its set up were inadequate for the communication needs of Transelectrica.

The Issuer finalized a program aimed at installing a private optical fiber telecommunication network in order to cope with the requests for data and information exchange for the dispatcher management of the RPS, RPS interconnection to the Union for the Coordination of Electricity Transmission, protection and quick automation, introduction of remote management of substations and protections, as well as the implementation of the wholesale energy market.

At the same time, the National Power Dispatcher uses an information system for real time operational management, SPIDER – commissioned in 2000 - 2001. In addition, Transelectrica renewed the computer network.

The Issuer's policy regarding the maintenance of the transmission grid (as an integral part of fixed assets management) is based on a careful analysis of the risks. The purpose of this approach is to assure the maximum availability and operational safety of the ETG and RPS as a whole, while minimizing costs.

The maintenance activity is part of Transelectrica's concept regarding fixed assets management and is included in its management policy according to international practices. While carrying out the maintenance activity, Transelectrica is subject to legal regulations and ANRE regulations.

Within Transelectrica, the maintenance activity is carried out by the Asset Management Directorate and is based on its own Maintenance Program elaborated based on specific regulations in force and ANRE provisions.

The program is the result of the asset management activity, a modern concept applied widely by electricity transmission companies and not only, a concept starting from the operation and maintenance of the existing installations, in order to minimize costs and maximize performance, and finishing with the activity management in order to increase medium and long term profitability, also assuring the service quality at the highest standards with acceptable risk conditions.

The Maintenance Program has the following purposes to be achieved by the activity performed by the Fixed Assets Directorate in the maintenance field:

- complying with ANRE requirements regarding the maintenance activities carried out by license holders, regulated by the "Regulation regarding the management and organization of the maintenance activity" approved by Order 35 of ANRE from 06.12.2002;
- setting the strategy, the medium and long term objectives, the responsibilities, requests and the execution methods in order to carry out the maintenance activity within Transelectrica;
- presentation of the performance criteria corresponding to the operating activity and cost identification;
- compliance with the regulation in force;
- elaboration, issue and update of the regulations, procedures, instructions, programs, technological slips specific to some activities and/or some domains specific to maintenance within the electricity transmission grid (ETG);
- setting the specific conditions that should be included in the contracts concluded with maintenance suppliers.

The Maintenance Program is updated, revised and completed when needed, comprising and keeping all the documents regarding the maintenance activity. Thus, the program assures the framework for the elaboration, revision, update of the maintenance documents, depending on the needs.

The company's maintenance program is structured on projects, project management being another modern management tool implemented by the Issuer. The maintenance projects are the following:

- maintenance of overhead lines;
- maintenance of transformer substations;
- maintenance of power transformers/autotransformers;
- maintenance of technological buildings and other power installations.

An important part of the maintenance works, namely the checks, technical revisions and the subsequent repairs, as well as following incidents, triggering significant technical abilities are carried out through SMART SA, a subsidiary entirely owned by the Issuer and especially created for this kind of services. Starting March 2005, SMART SA carries out these works based on a services agreement concluded with the Issuer following an auction.

The other major maintenance works are carried out by other service providers chosen based on competitive procedures.

The yearly maintenance program mainly comprises the following objectives:

- prioritizing the works leading to the increase of the installations' safety operational degree;
- completion of the works contracted in the previous year;
- correlation of the maintenance works with the revamping ones.

Some problems occurred in carrying out the maintenance works, leading to delays in completing some of the works triggering the decommissioning of some installations, were caused by:

- unfavourable meteorological conditions for working technologies and labor safety norms;
- difficulties in the correlation with other installations' managers (operators).

The yearly maintenance programs were achieved in a 97-99% proportion due to the flexibility of ETG functioning and operation, as well as to the new works financed out of the savings obtained from the works initially scheduled.

In terms of operational segments, Transelectrica provides three main services:

- electricity transmission;
- RPS management by dispatcher (technological system services and functional system services);
- administration of the electricity market.

The tariffs applied by the Issuer are periodically regulated and reviewed by ANRE.

1. Electricity transmission

The transmission activity is carried out through eight branches located in Bucharest, Bacău, Cluj-Napoca, Craiova, Constanța, Pitești, Sibiu and Timișoara. The transmission services mainly consist in assuring the electricity transmission between two or more points of the ETG in compliance with the continuity, safety and quality norms. The Issuer assures the transparent, non-discriminatory and equal access of all market participants.

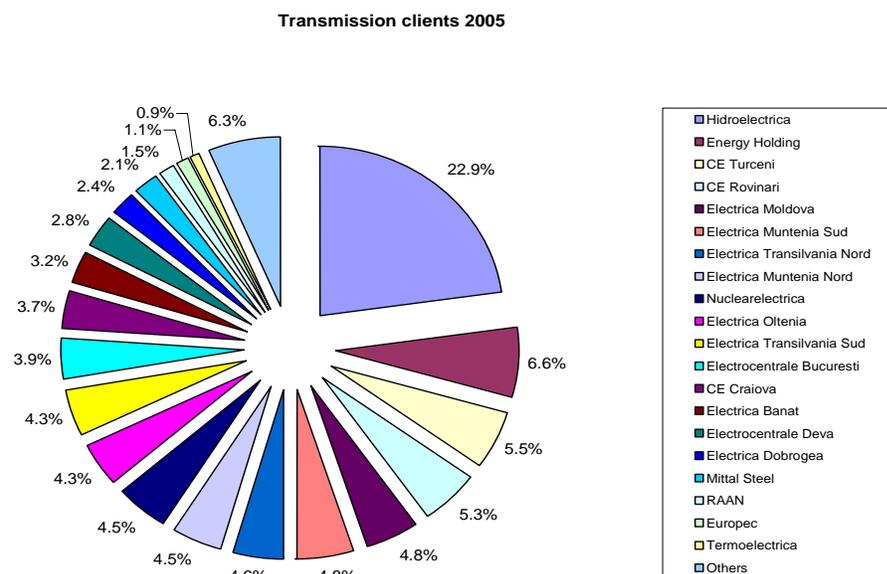
The end users of the transmission service are, on the one hand, the participants introducing electricity into the electricity transmission grid operated by the Issuer (electricity producers and suppliers that import it) and, on the other hand, the companies taking over the electricity from the network (electricity suppliers, the producers/suppliers that export it as well as eligible consumers). The electricity amount for which transmission services are provided is the one introduced into certain ETG nodes and

extracted entirely from other ETG nodes. The energy necessary for covering the electricity losses (following the Joule effect and corona discharge) is Transelectrica's responsibility, and is acquired on the wholesale market.

The main customers of Transelectrica's electricity transport services are:

- The eight electricity supply and distribution companies that were separated from Electrica SA as electricity suppliers for captive consumers (consumers that, due to technical, economic and regulatory reasons, cannot choose the supplier), as well as other electricity suppliers authorized by ANRE.
- Electricity producing companies - Hidroelectrica, Nuclearelectrica, Termoelectrica, Turceni Power Complex, Rovinari Power Complex, Craiova Power Complex, Electrocentrale București, Electrocentrale Deva etc.
- Eligible consumers.

The following chart presents the percentages of the Issuer's most important customers for transmission services in 2005.



Source: The Issuer

The revenues from transmission activities were obtained taking into account the two components of the transmission tariff: T_G and T_L , regulated by ANRE. In 2002, the two components were fully invoiced to electricity suppliers (in 2001 the same components were fully invoiced to electricity generators). Starting 2003, the T_G component was invoiced to producers and the T_L component to the suppliers.

2. RPS Management by Dispatcher

System service

The system service provided by the Issuer consists in RPS management by dispatcher in conditions of safety operation of RPS while complying with the quality standards provided in the network technical

Code. For this purpose, the Company uses its own resources called functional system services and purchases technological system services from the electricity producers.

Transelectrica SA carries out this services based on a regulated tariff called system service tariff that is applied to the electricity purchased from suppliers/eligible consumers (total internal consumption plus export). The revenues obtained following the application of this tariff are used for covering the following categories of costs:

- Costs of the internal resources allocated by Transelectrica (known as functional system services)
- Costs for purchasing technological system services.

Functional system services

Functional system services refer to RPS management by dispatcher and consist in planning and operational management of the RPS, as well as other activities carried out by Transelectrica aiming at balancing in real time the production and the consumption safely covering the electricity consumption with minimum operating costs and maintaining a safe operation of the RPS.

To provide these services, the Issuer uses its internal resources consisting of:

- Human resources engaged in this process, usually employed within UNO DEN
- Infrastructure of RPS operational technical management represented by the EMS SCADA system and the telecommunication, remote control systems of the power stations. The Issuer develops specific investment programs for developing all these systems.

At the same time, the Issuer purchases IT and telecommunication services from its subsidiary Teletrans in order to maintain the IT network and the communication lines at optimal levels.

The allowable costs for these resources are covered by a regulated part of the system services' tariffs (named functional system service tariff).

Technological system services

These services are purchased from producers based on contracts, upon the Issuer's request, in order to maintain the safe operation of the RPS and the quality parameters of the electricity transmitted according to the applicable norms.

The main components of these services are:

- Primary control reserve assuring the fast correction (within maximum 30 seconds) of the interconnection operational frequency;
- Secondary control reserve to restore the frequency/exchange power to the predetermined values within maximum 15 minutes.
- Power reserve corresponding to fast tertiary control used for restoring the secondary control reserve within maximum 30 minutes (made by fast start-up groups and already started-up groups);
- Power reserve corresponding to slow tertiary control – used for restoring the power reserve for the fast tertiary control within maximum 7 hours (made with groups of generators with loading time less than 7 hours);
- Voltage control by reactive power;
- The capacity for ensuring the automated stating service for RPS recovery;

- Active power to cover the losses within the network.

As part of the resources necessary for the system services are subcontracted by the Issuer from electricity producers, the revenues resulted from carrying out this services were divided in two distinct tariffs: tariff for functional system services and tariff for technological system services. The two tariffs apply to the same base, determined by the volume of electricity purchased by suppliers/eligible consumers, a volume that recorded a slight increase during the period 2002-2004.

The costs related to the acquisition of technological system services represent the largest percentage of the revenues obtained by applying the system services tariff (95% in 2002 and 93% in 2003 and 2004 respectively).

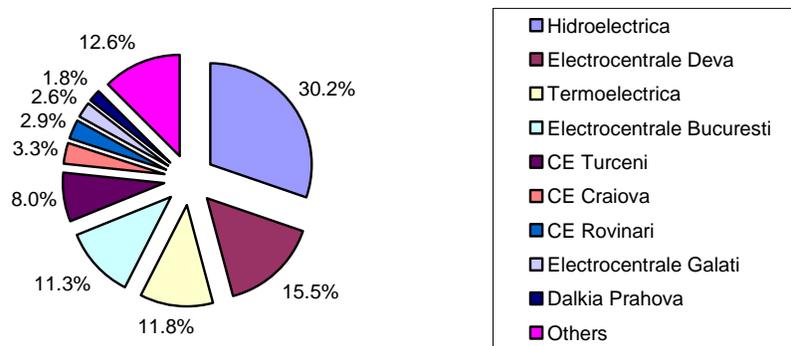
	Year 2002	Year 2003	Year 2004	Year 2005	2003/2002	2004/2003	2005/2004
	GWh	GWh	GWh	GWh	Increase (%)	Increase (%)	Increase (%)
Volume of power invoiced for technological system services	49,107	50,406	52,582	55,118	2.65%	4.32%	4.82%

Source:

The Issuer

The percentages of the Issuer's most important suppliers for the technological system services in 2005 are presented in the following chart.

Suppliers for tehnological system services 2005



Source: The Issuer

3. Market administration service

The Issuer carries out the market administration service through its subsidiary OPCOM SA. This company's main object of activity is the electricity market administration, at present carrying out the following activities:

1. providing the market participants the trading platform for the following day and establishing the closing price for each hour of the following day, ensuring the functioning of the energy exchange market.
2. settlement of the day-ahead market.
3. settlement of the balancing market.

4. settlement of imbalances.
5. trading green certificates.
6. trading the electricity sale/purchase agreements.

In the last five years, OPCOM has been the administrator of the Romanian wholesale electricity market. Starting 1 July 2005, OPCOM represents the trading environment for the Day-Ahead Market, a voluntary, neutral and transparent market for carrying out electricity commercial transactions one day before the dispatcher day.

Considering the Romanian wholesale electricity market, the Day-Ahead Market:

- is a voluntary market, a substitute to the conclusion of bilateral agreements between the participants to the Romanian wholesale electricity market;
- offers the possibility of balancing the portfolio of contracts one day prior to the dispatcher day in order to minimize the imbalances resulted during real time operations;
- offers the Market Closing Price as a reference price for the bilateral agreements concluded between the participants to the wholesale electricity market and for the financial instruments on the financial market that is under implementation by OPCOM.

The participation to this market is allowed to all the licensed parties registered as participants to the Day-Ahead Market (electricity producers, suppliers and network operators).

Out of the Issuer's total revenues, the ones resulted from carrying out the wholesale market administration services represent an insignificant percentage as they are subsequently redirected to OPCOM S.A. It should be mentioned that, although these services are not carried out by Transelectrica, the revenues and expenses are recorded by the Company in its financial statements but without affecting the operating result, as the Issuer does not retain any profit margin in connection to these services.

Performance ratios for the main activities

The evolution of the transmitted quantities, the value of transmission, system and wholesale market administration services are presented in the following tables:

	Year 2002	Year 2003	Year 2004	Year 2005
Electricity received in the grid (GWh)	34,808	36,419	36,429	36,756
Total delivered electricity (GWh)	33,857	35,481	35,472	35,783
Own electricity consumption covering electricity losses (GWh)	951	938	957	973
Quantity of transmitted electricity (GWh), out of which	33,764	35,025	36,565	36,342
Own consumption/ transmitted electricity	2.82%	2.72%	2.62%	2.68%

Sources:

Annual activity report of C.N. Transelectrica S.A. for the year 2003

Annual activity report of C.N. Transelectrica S.A. for the year 2004

The Issuer for the year 2005

During 2005, the quantity of transported energy was 36.34 GWh with a value of 740.821 th RON and a unit value of 20.39 th RON/MWh. Value of system services was 953.053 th RON. This include

revenues from reactive power in amount of 97.173 th RON and revenues from balancing market of 237.076 th RON, this last two services not being rendered in the financial year ended 31 December 2004.

The performance ratios for the years 2002, 2003 and 2004 are presented in the table below:

Analysis of the operating incomes	Year 2002	Year 2003	Year 2004	Year 2005
<i>Domestically transported electricity</i>				
Value (RON thousand)	402,082	457,778	580,586	686,135
Unit value (RON/MWh)	13.29	14.52	19.26	20.28
Value (EUR thousand)	128,666	121,912	143,248	189,430
Unit value (EUR/MWh)	4.25	3.87	4.75	5.60
<i>Import-export energy</i>				
Value (RON thousand)	35,710	22,440	67,868	45,538
Unit value (RON/MWh)	10.20	7.53	10.56	18.44
Value (EUR thousand)	11,427	5,976	16,745	12,572
Unit value (EUR/MWh)	3.26	2.01	2.61	5.09
<i>Technological system services</i>				
Value (RON thousand)	207,420	232,827	327,478	545,166
Unit value (RON/MWh)	4.22	4.62	6.23	9.89
Value (EUR thousand)	66,374	62,004	80,799	150,511
Unit value (EUR/MWh)	1.35	1.23	1.54	2.73
<i>Functional system services</i>				
Value (RON thousand)	10,683	15,587	21,074	37,642
Unit value (RON/MWh)	0.31	0.31	0.40	0.68
Value (EUR thousand)	3,419	4,151	5,200	10,392
Unit value (EUR/MWh)	0.10	0.08	0.10	0.19
<i>Wholesale market administration</i>				
Value (RON thousand)	4,592	5,407	7,367	8,680
Unit value (RON/MWh)	0.10	0.11	0.14	0.16
Value (EUR thousand)	1,469	1,440	1,818	2,396
Unit value (EUR/MWh)	0.03	0.03	0.03	0.04

Source: The Issuer

Evolution of accidental events during the period 2002-2005

One of the main objectives of the Issuer is to ensure safe operation of ETG. For this purpose, it has been aimed to permanently reduce the number and the duration of accidental unavailability periods, respectively of the number of incidents produced in ETG, through some measures for improving quality of operational activities and through preventive maintenance programs adopted.

From the table below can be noticed the descending trend of the number of incidents, followed by a small increase in 2005, due to adverse meteorological conditions (strong winds and heavy rains which determined floods and land movements in many areas of the country). It should also be noted the small number of incidents with major consequences (broken towers, power blockage in power plants). There have not been occurred lengthy interruptions of large industrial consumers or separation from RPS of some consumption areas, following incidents produced in ETG.

	Year 2002	Year 2003	Year 2004	Year 2005
Broken towers	-	-	1	1
Reduction by more than 300 MW of the power produced in the station	1	4	1	1
Interruption for more than 30 minutes of a consumed power higher than 100 MW	-	1	-	-
Other events	924	765	627	736
Total number of accidental events	925	770	629	738

Source:

Annual activity report of C.N. Transelectrica S.A. for the year 2003

Annual activity report of C.N. Transelectrica S.A. for the year 2004

The trend of the accidental events during the period 2002-2004 was favourable, recording a constant decrease.

SWOT analysis

Transelectrica's SWOT analysis outlines the following significant elements:

Strengths

- It has a vital role for the operation of the National Power System and represents the physical support of the Romanian electricity market
- High quality of the services rendered
- Regulated tariffs induce the stability of the revenue level
- Quality management
- Diversified customer portfolio
- Sustained investment plan that led to the partial modernization of ETG installation during 2000 – 2005.

Weaknesses

- There are still equipment in need of replacement and revamping
- Need to continue the investment efforts for modernization and revamping
- High level of receivables, although decreasing

Opportunities

- Unrestricted access to the European electricity market
- The growth trend of the transmitted and transited power
- The ETG is located at the connection point between West European electricity markets and CIS power systems
- Solid and modern telecommunication infrastructure exceeding the Issuer's communication needs
- Starting 2005 the revenue cap methodology is applied, a regulation aimed to represent an incentive for the transmission operator
- Benefits from a modern, transparent and non-discriminatory regulatory framework
- Important support from state institutions
- Stability and security opportunities granted by its UCTE and ETSO membership

Threats

- Status of cash and cash flows in the Romanian electricity sector
- Salary related policy imposed by the state may lead to the loss of specialized employees.

5.2 Market and regulations

Electricity Market

The electricity demand is influenced by the economic development level shown by the power intensity of the industry sectors and the population purchasing power. The power intensity, defined as the power needed in order to generate one GDP unit, has dropped to more than a half as compared to the year 1990, being however three times higher than the EU average. The dropping trend of the power intensity could continue if the power-consuming technologies used at present by large industrial consumers were replaced. On the other hand, the population consumption is deemed a source of the increased power demand, consistent with the economic development and the increase of household income.

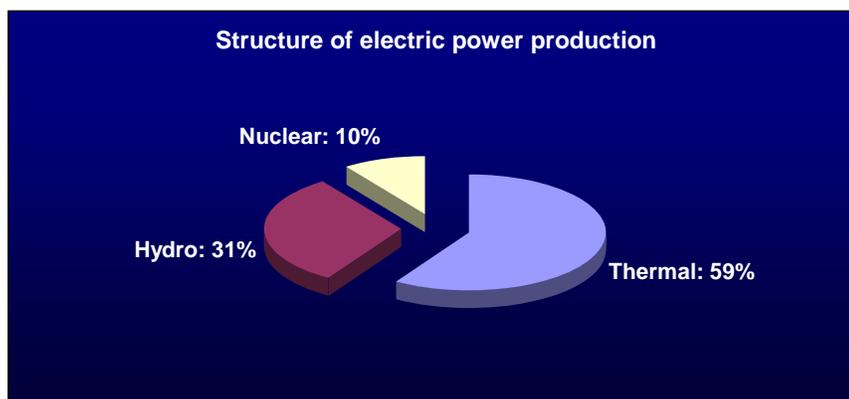
The largest part of the provided electricity is supplied by the coal-based producers, since Romania has significant reserves of lignite and pit coal. Continuing to use such reserves requires producers to make investments for environmental protection, whereas the costs of the power generated by coal heating plants are higher than in the case of other types of plants. At the same time, granting subsidies for the pit coal production is allowed, according to the European directives, until the year 2010.

Romania has a nuclear plant located at Cernavoda, Constanta county, having a 706 MW installed capacity. It is expected that the stake of the electric power generated by nuclear resources would grow after the completion of the 2nd Unit of the Cernavoda plant, having a 700 MW capacity, which could be commissioned in 2006, according to the official data.

The contribution of the hydro plants to the total amount of electric power produced is high and the number of the production units could rise in the medium term thanks to the economic advantages (low production costs) of employing such resources. At present, more than a quarter of Romania's water potential, estimated at 40 TWh per year, is being used for power production.

The generating capacity of the hydro plants administrated by Hidroelectrica is approximately 6,300 MW, out of which the largest facilities are those located on the Danube, namely Porțile de Fier I and II, 15 km and respectively 60 km away from the town of Drobeta Turnu-Severin, Mehedinți county. The cumulated power of those hydro plants is approximately 1,300 MW. The second largest plant by capacity is located at Lotru-Ciunget, Vâlcea county, having a 600 MW generating capacity. The third hydro plant in terms of size is the one located at Râul-Mare Retezat, Hunedoara county, having a 335 MW generating capacity.

The cumulated power produced in 2004 was 51.9 TWh. The breakdown of the electric power production in 2004, according to the resources employed, is displayed by the following chart:



Source: NSI, 2004 data

Through the electricity transmission grid the Issuer carries approximately 67% of the amount of electricity consumed by the Romanian economy, the remaining 33% being the electricity generated by the producers connected directly to the distribution grids and reaching the consumers by means of the low and medium voltage grids.

The Romanian energy market has two components, the regulated market (governed by framework contracts and regulated prices) and the competitive market, comprising the bilateral negotiated contracts of the eligible consumers, the electric power Day-Ahead Market and the balancing market.

The legislative framework regulating the power field in Romania has undergone substantial alterations determined by the process of accession to the European Union. The Romanian electricity market has been gradually opened by the legal framework created, but, in practice, in 2004 the actual level of the transactions on the competitive market was much lower than expected (i.e. approximately 10% in 2004). The largest part of the transactions is still being concluded on the regulated market.

In July 2003, the Government approved the document called “Plan regarding the Romanian Power Sector”, setting the main directions for the enforcement of policies based on European Directives for the electricity sector and stating the principles of participation in the regional electricity market.

For the observance of the EU directives regarding the rules of the electricity market in the Romanian legislation, the following market opening schedule was set:

Date	1 st January 2003	31 st December 2003	31 st December 2004	30 th June 2006	1 st January 2007	1 st July 2007
Opening degree	33%	40%	55%	80%	100% for non- household consumers (83% of the total consumption)	100%

Source: The Road Map for the Energy Sector in Romania

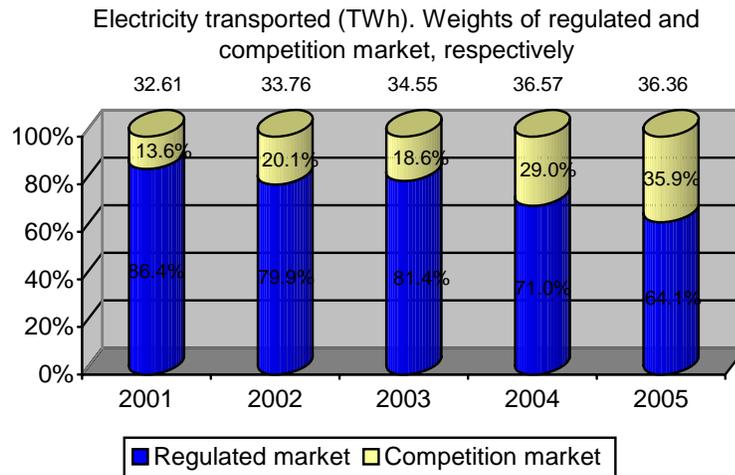
The market regulation evolved more quickly, so that, starting 1 July 2005, the market opening degree rose up to 83.5% which means that any non-household consumers may choose their supplier.

5.3 Electricity transmission and transit as well as management of the Romanian power system

The main agreements concluded on the regulated market in connection to the Issuer's activity are:

- Framework contract for the transmission, system and market administration services concluded between Transelectrica and electricity producers and suppliers and the electricity consumers based on prices regulated by ANRE.
- Framework contract for the purchase of technological system services concluded with electricity producers.
- Framework convention for assuming the balancing responsibility concluded between Transelectrica and the electricity producers and suppliers as parties in charge with balancing.
- Framework convention for participating to the balancing market concluded by Transelectrica and balancing market participants, usually electricity producers.
- Framework contract for the allocation of transmission capacity on the interconnection lines, concluded between Transelectrica and Romanian and foreign electricity suppliers.

The electricity transported based on the regulated market still represents the largest part of the electricity transmitted by the Issuer, but the percentage of transmission services for the operators on the competitive market is increasing, as resulted from the following chart:



Source: The Issuer

Tariff setting methodology

The Issuer's tariffs (for transmission, system and market administration services) were established by ANRE based on the costs justified and recorded during a period of 12 months.

Below are presented the basics of the transmission tariffs methodology (ANRE code 30.1.402.0.00.15/11/04⁵).

Starting 2005, the tariff is set based on the revenue cap methodology. Using this methodology, ANRE sets an initial target revenue that increases according to the annual increase of the consumer price index and reduces according to the efficiency increase, such revenue forming the basis of the regulated income.

In setting the revenue cap the following elements will be considered:

- a) The performance and quality standards imposed to the transmission and system operator according to the Network Code, the Romanian legislation or the contracts concluded with relevant customers of the transmission service;
- b) Evolution of the transmitted quantity of electricity forecasted by the transmission and system operator;
- c) Changes in the level of own technical consumption in the transmission grid;
- d) The regulated profitability rate applied to the regulated base of the transmission grid's assets;
- e) Tariff's evolution expressed, as much as possible, by a linear trend during a regulatory period (3 or 5 years);
- f) Taxes paid or due by the transmission and system operator in connection to the supply of the transmission service;
- g) Assuring the financial viability of the transmission and system operator.

The tariff setting methodology for the transmission service based on the revenue cap is used for calculating the tariff at the beginning of each year (tariff period) of a regulation period based on the forecasted data and the figures of the previous year. At the same time, revenue correction factors are applied following the forecast errors of the previous year/period for the quantities of electricity transmitted, power acquisition costs for own consumption and technological losses, costs necessary for eliminating congestions and costs due to electricity exchanges between countries.

The average electricity transmission tariff is calculated by dividing the regulated revenue to the forecasted quantity using the following formula:

$$TT_t = (V_{\text{regulated},t} + KV_t + KV_p) / Q_t$$

in which:

TT_t - represents the average transmission tariff during the tariff period t (year during which the tariff is calculated);

$V_{\text{regulated},t}$ – regulated revenue in the tariff period t (using the formula below);

KV_t – the total amount of the correction factors corresponding to the tariff period t-1, applied to the regulated income of the tariff period t;

KV_p – correction factor corresponding to the regulation period p-1 (previous 3 or 5 year period to which the revenue cap method is applied, including the uniformity of revenues). The correction factor KV_p is applied to the revenue regulated in the first tariff period t, of the regulation period p;

⁵ The tariff setting methodology for the electricity transport service can be analysed on the website: www.anre.ro

Q_t – forecast quantity of transmitted electricity in the tariff period t .

The revenue cap for the transmission service that includes the influence of the forecasted inflation and the process of making the revenue linear is calculated using the formula:

$$V_{regulated,t} = \prod_{k=1}^t (1 + IpC_k) \times (1 - X_{final,linear})^t \times V_{reference} + KV_t + KV_p$$

where

$V_{regulated,t}$ represents revenue cap for tariff period t ;

$V_{reference}$ – regulated revenue for the tariff period prior to the regulation period p , for which the regulated revenue corresponding to the tariff periods t is calculated;

k – number of tariff periods t of the regulated period p ;

IpC_k – factor for the increase of consumer price index corresponding to the tariff period t ;

$X_{final,linear}$ – percentage determined by the regulator (ANRE), the same for all the tariff periods t , taking into account cost reduction though efficiency increase and the need to obtain a linear trend for regulated revenue corresponding to the tariff periods t ;

KV_t – algebraic total amount of the revenue corrections in any tariff period t , of the regulation period p , resulted as a consequence of the forecast errors regarding the transmitted quantities of electricity, costs for the acquisition of CPT, costs necessary for eliminating accumulations and costs due to electricity exchanges between countries in the previous tariff period.

The regulated revenue $V_{reference}$ is calculated by adding up the controllable and uncontrollable costs recognized by ANRE, the depreciation of the regulated assets base, the cost of acquiring the power for technological consumption and losses, as well as the profitability of the regulated asset base. The regulated revenue $V_{reference}$ is also resulted from making these values linear over a regulated period. The profitability of the regulated asset based is defined in ANRE methodology by multiplying the value of the regulated assets by the weighted average cost of capital.

By applying the revenue cap tariff methodology, Transelectrica recovers all costs recognised by ANRE and records a profit as a result of the profitability of the regulated assets base of the company.

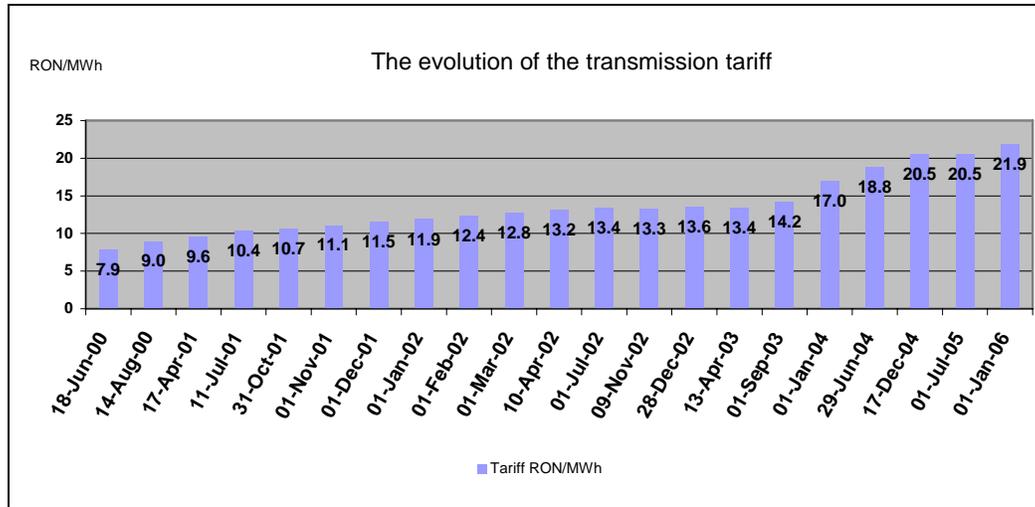
The methodology for setting the transmission tariff applied by ANRE states that:

- Transmission tariffs will not increase by more than 7% in real terms on a y-o-y basis;
- In case the yearly increase of the consumer price index exceeds 20%, the transport and system operator may request tariff increases on a quarterly basis.

The tariff for the electricity transmission is divided in two components:

- Tariff T_G , for introducing the energy in the ETG
- Tariff T_L , for taking out the energy from the ETG

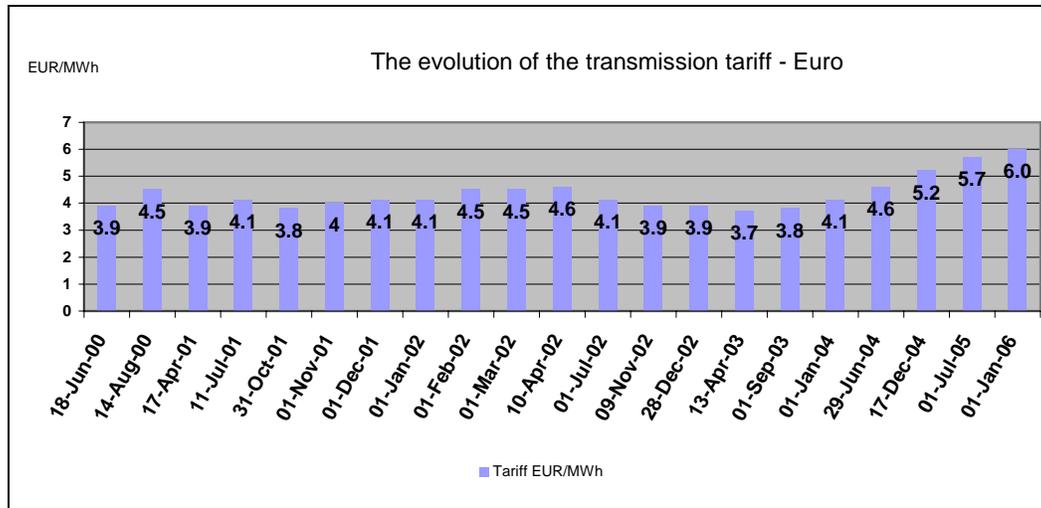
The evolution of the average transmission tariffs in the period July 2000 – December 2004, in EUR and RON, is presented in the following charts:



Source: Transelectrica and ANRE

On 1 July 2005, the average transmission tariff set by ANRE was not changed, remaining at RON 20.5/MWh, while on 1 January 2006, this tariff grew to RON 21.9 /MWh.

The changes in the tariffs periodically approved by ANRE in RON (usually every 6 months) correlated with the relative depreciation of the exchange rate of the local currency against EUR in this period led to a variable evolution of the tariffs expressed in EUR as presented in the chart below:

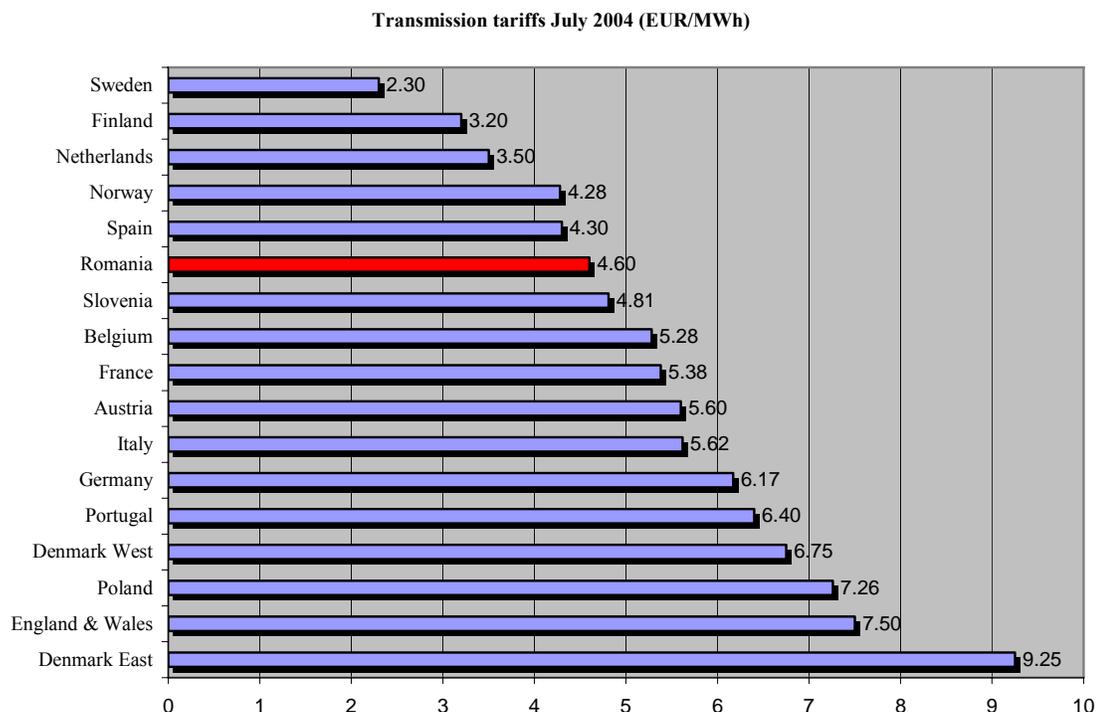


Source: ANRE tariffs converted into EUR at the exchange rate valid on the day of their approval

The average tariff for system services approved by ANRE for the first half of 2005 was of RON 15.2/MWh for 6-22 hours (rush hours), RON 4.9/MWh for 0-6 hours, 22-24 hours. For the second semester of the same year, the average tariff approved by ANRE was RON 9.0/MWh, and starting 1 January 2006, the average tariff approved by ANRE for system services is of RON 13.47 /MWh. The tariffs for system services are computed based on the total consumption of energy.

Regional Electricity Market

The electricity transmission tariff applied by the Issuer is lower than those applied by other European transmission companies. In the mid of 2004, this was at about half of the highest transmission tariffs, in Denmark East – EUR 9.25 /MWh and England&Wales – EUR 7.50 /MWh. The comparison of tariffs, using data of ETSO, are displayed by the following chart:



Source: Benchmarking on transmission pricing in Europe by ETSO, July 2004

In June 2002, upon the initiative of the European Commission, the Athens Forum was inaugurated, which is a framework for collaboration aiming for a regional coordination to create the South-Eastern Europe electricity market and the integration thereof into the European market. In December 2003 the Agreement Memorandum was signed for the creation of the regional power market and in October 2005 a Treaty was signed for the set up establishment of the Power Community including European Union countries and the South-Eastern Europe countries.

Between January – June 2004, a Cross Border Trade (CBT) mechanism was trialed in the region by the transmission and system operating companies of Albania, Bosnia-Herzegovina, Bulgaria, Macedonia, Montenegro, Romania and Serbia. The trial of the mechanism has not included the settlement of the payment duties resulting from the CBT mechanism.

The purpose of the CBT mechanism is to determine the costs of each operator caused by using the electricity transmission grids of all the parties participating in the mechanism for cross-border electricity exchanges and the way of settling the costs among the participating parties.

In the second half of 2004, the participants decided to implement the mechanism under real conditions, assuming the resulting payment duties. The Issuer will bear the costs incurred for the electricity transmission requested by the market participants willing to import or to export from/to Romania. For the electricity transits from other countries than those participating in the South-Eastern European mechanism, the enforcement of a grid access charge of 1 EUR /MWh is considered.

The CBT mechanism is applied according to the “SEE⁶ CBT Clearing and Settlement” agreement concluded between the participants to this mechanism.

The regional market, on which Romania is expected to play an important role, will be a significant step towards the integration into the EU electricity market and is expected to provide higher opportunities regarding free trading and marketing. In this respect, it is worth mentioning Romania’s initiative of setting up of a national electricity exchange in Bucharest (which is designed to be extended all over the region). For the implementation of this project, OPCOM develops attractive mechanisms and conditions with the purpose of carrying out the exchange transactions in the region.

In May 2003, Transelectrica was accepted as full member of UCTE, following the testing and monitoring process of the Romanian Power System performance. Also, starting October 2004, the interconnection to all the UCTE power grids was completed, after the repair of the power grids of Croatia and Bosnia-Herzegovina. Until October 2004 SEN was interconnected only to a part of the UCTE systems (2nd synchronism area).

The main estimated benefits of interconnection are the suppliers’ possibility of purchasing power from abroad, which might exert pressures on the internal producers towards cutting costs. At the same time, the completion of the interconnection process might result in an increased electricity transit in Romania and might contribute to improving the structural deficit of the production capacities in the Balkan area.

In addition to UCTE, the Issuer is also a member of the following international organizations, scientific associations and forums: ETSO – European Transmission System Operators’ Association, EURELECTRIC – European Union of the Electric Power Industry (through IRE), CIGRE – International Council of High Voltage Electricity Networks, LWA – Live Working Association, ISSA – International Social Security Association.

5.4. Investment policy

Back in 2000, when Compania Nationala Transelectrica SA was set up, most of the assets had a high degree of technical and moral depreciation, leading to the development and implementation of an investment plan to comply with the following objectives:

- Increase the Company’s capitalization at a level comparable to the one of similar companies in the European Union so that Transelectrica may fulfil its responsibilities regarding the safe operation of the RPS;
- Reaching and maintaining the technical and quality standards within the process of accession to the Union for the Coordination of Electricity Transmission (process ended in May 2003)
- Creation of the market infrastructure necessary for the liberalization and privatization of the electricity sector, correlated with the need to comply with the criteria and commitments assumed within the negotiation of Chapter 14 – Power of the European Union accession process.

Since its set up, Transelectrica initiated a large investment program mainly aimed to purchase equipment and implement state of the art technological and IT solutions. In short, the Issuer’s investment plan may be structured according to the following:

- Infrastructure revamping and modernization (of substations and transmission and interconnection capacities).
- Creation of market infrastructure;

⁶ South Eastern Europe

During 2002-2005 the total volume of the company's investments amounted to EUR 427 million.

According to estimates the total investment volume during the period 2006-2013 amounts to EUR 627.4 million.

Year	2006	2007	2008	2009	2010	2011	2012	2013
Annual investments (EUR million)	139.5	127.3	95,5	52.8	52.1	48.4	56.6	55.3

Source: The Issuer

Revamping and modernization of infrastructure

Most of the overhead lines and substations forming the national transmission system were built in the period 1960-1970. The overhead lines of 220kV and 400kV of the national transmission system have an operating period close to the nominal life period (of 40 years according to the Government Decision no. 964/1998) and an average depreciation level of more than 67%.

Rehabilitation and modernization of electric substations

Considering the advanced wear of the transformer substations (these being designed in 1960-70) as well as the inadequate status of basic equipment, most of the equipment had a life period exceeded as compared to normal levels (14 years for switches and 20 years for transformers). Transelectrica estimates that in the following 20 years it is necessary to modernize all the ETG installations (400kV, 220kV and 110kV) so as to maintain the quality standards imposed by the UCTE interconnected operation.

For this purpose, the works and modernization plan represents a key element of the Company's investment policy. The hierarchy of the substation rehabilitation works is established based on a multi-criteria analysis considering: the interconnection with the neighbouring power systems – corresponding to the objective of complying with the technical conditions for the interconnection with the UCTE systems, the technical status of the substations in order to increase the quality of the service rendered to ETG users and the ETG operating efficiency, substations importance, volume of transmitted electricity, as well as serving a strategic customer.

According to the "ETG Outlook Plan" and the "Business Plan", during the period 2004-2014, Transelectrica aims to revamp 30 substations out of the total 78. Out of the 30 substations, until now the revamping works for 3 substations were finalized. These are: 400kV/110kV Constanța Nord, 110kV Fântânele substation and 400/110kV Oradea Sud. Besides these substations, in the previous period, Transelectrica finalized the revamping of the substations 400/110kV Arad, 400/220kV Porțile de Fier, 400kV Tântăreni and 400kV Urechești. At the same time, in 2004, Transelectrica finalized the connection of the substation 400kV Isaccea to the line 400kV Vulcanesti (Republic of Moldova) – Dobrudja (Bulgaria).

Substation	Currency	Project value (mil)	Contractor	External financing source	Foreign financing (mil)	Project completion year
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București - Sud 400/220kV/110kV		EUR	47,2	Siemens AG	KfW	31,4	2007
Gutinaș 400/220/110kV	400/220kV	EUR	32,6	ABB Power Technologies AB	NIB	23,0	2007
	110kV	EUR	10	In progress			2009
Sibiu - Sud 400/220/110kV		EUR	34,0	The consortium ABB Utilities GmbH - AREVA Energietechnik GmbH - ABB srl	KfW	22,0	2007
Roșiori 400/220kV		EUR	18,5	The consortium Jacobsen Elektro AS Romelectro SA	NIB	13,3	05. 2006
Brazi - Vest 400/220/110kV	400/220kV	EUR	31,0	The consortium Toshiba Corporation - Itochu Corporation	JBIC	19,8	2007
	110kV	EUR	10	To be drafted			2009
Slatina 400/220kV		USD	37,25	ABB Utilities	NIB, Calyon	28,6	2006
Fundeni 220/110kV		EUR	20	ABB Power Technologies, VA Tech	BIRD	19,9	2007
Iernut 400/220/110kV		EUR	25	VA Tech	BIRD	22,5	2007

Source: *ETG Outlook Plan, Business Plan 2004-2013*

Apart from the investments in progress presented in the table above, Transelectrica is in the process of selecting the contractor for the substation 220kV Paroșeni, a project financed out of the EIB loan. At the same time, feasibility studies for the substations 220kV Ișalnița and Mintia were elaborated, the completion of these investments being estimated according to ETG Outlook plan for the years 2008 and 2009 respectively. With respect to the modernization of the substation 400kV Cernavodă, in 2005 a contract amounting to EUR 9.8 million (financed exclusively from own sources) was signed with IGE Energy Services of UK for the substation's revamping.

At the same time, are in the process of elaboration the feasibility studies for the Ișalnița, Mintia, Lacu Sărat și Gura Ialomitei substations, the finalization of these investments being scheduled according to the „: *ETG Outlook Plan* „, for the 2008-2010.

According to the ETG outlook plan and the business plan, during 2007-2014 the following substations will be modernized: 220/110kV Barbosii, 400/220/110kV Bradu, 400/110kV Brasov, 220/110kV Craiova Nord, 400/110kV Domnesti, 400kV/110kV Gura Ialomitei, 400/220/110kV Lacu Sarat, 400/110kV, 220kV Ostrov, Pelicanu, 220kV/110kV Stejaru, 110kV Timisoara and 220/110kV Turnu Severin Est.

Considering the limited number of substations that may be rehabilitated in the first stage due to reasons regarding RPS safety, an important place in the investment plan is the modernization of the command-control systems. In this respect, it can be mentioned the agreement between the Issuer and Areva T&D Protection & Controle, signed in 2005, for modernization of the command-control-recording and

internal services modernization for 11 substations, the value of the program amounting to EUR 18.1 million of which EUR 7.89 million financed by a Raiffeisen Bank Austria loan.

Development of transmission and interconnection capacity

According to the “ETG Outlook plan for the period 2004-2008 and 2014” Transelectrica aims to increase transmission and interconnection capacity so as to meet the demand for electricity exchanges East-West and North-South.

In view of increasing the transmission capacity between the excess area Oltenia and the scarce area North Transilvania , as well as for consolidating the infrastructure of Romania’s interconnection electricity grid to UCTE, several projects have been initiated: the OHL 400kV Oradea –Bekescsaba, the OHL 400kV Arad – Nădab and the substation 400kV Nadab which will be finalized by the end of the year 2008. The project financing, amounting to an estimated total value of EUR 33.6 million is provided, besides own sources, by an EBRD loan of EUR 16.5 million as well as EU PHARE funds amounting to EUR 6.5 million.

Hence, at the end of the year 2005, the contract for the construction of the OHL 400kV Oradea - Bekescsaba (Hungary) was concluded with the consortium ELECTROMONTAJ – ROMELECTRO. The contract value is EUR 12 million of which EUR 10.8 million represents the EBRD loan.

The OHL 400kV Arad –Nădab project, with an estimated value of EUR 6.9 million of which EUR 6.5 million financed by PHARE funds, is currently in the process of contractor selection.

The project for the construction of the 400kV Nădab substation was awarded to SIEMENS for a total value of EUR 5.7 million, of which EUR 5.7 to be financed by an EBRD loan.

According to its development plans, the Issuer considers to build a new interconnection line between Romania and the Republic of Moldova by building an interconnection line of 400kV at Gădălin-Suceava- Bălți (Republic of Moldova), the functional connection that currently exists through the overhead electric line 400kV Vulcănești (Republic of Moldova) - Isaccea (Romania), having a reduced capacity. Under these circumstances, the building of the new lines would lead to an increase by 900MW of the transmission capacity between North-Eastern Romania and the Eastern part of the Republic of Moldova and Ukraine, offering the company a special position on the electricity transit market. According to the business plan elaborated by Transelectrica, the works to the electric line could begin in 2007 and are to be completed in three years time, their success being dependent upon the support of the authorities of the Republic of Moldova.

With respect to the domestic transmission capacity, for the period 2011-2014 Transelectrica aims to increase to 400kV the Porțile de Fier I – Reșița – Timișoara – Arad line, which would eliminate the operating restrictions existing at present. At the same time the project completion would allow the company to develop international relations in South-Eastern Europe through a possible interconnection with Serbia at Timișoara -Vrsac (Serbia).

In the same respect, it is expected to be finalized by the year 2008 the increase to 400kV of the Gutinaș-Suceava line, project that is currently in the process of selecting the contractor. The value of the project is estimated at around EUR 32 million of which EUR 17 million will be financed by a foreign loan.

Regarding the project aimed at creating an underwater cable between Romania and Turkey, the project is currently in the process of selecting the consultant for the feasibility study. This project would allow the increase of the export capacities of Romanian electricity producers. At present, the transfer capacity between the two countries being limited to less than 800 MW due to some accumulations existing in

the South-Eastern Bulgaria. The project in which the two countries are involved was included in the collaboration document between Romania and Turkey signed at the end of November 2005.

Creation of market infrastructure

The implementation of market infrastructure is aimed at creating the conditions necessary for a competitive environment regarding electricity production and supply, as well as for decentralizing the electricity production, transmission and distribution activities:

The main stages of this process are:

- a) modernization of the Transmission-Dispatcher System by developing the infrastructure for the electricity transmission grid;
- b) creation and implementation of the regulatory framework;
- c) extension of the electricity market by creating the balancing market and the infrastructure of the Power Exchange, including the infrastructure of the regional electricity market.

- a) Initiated in 2000, the project for the modernization of Transelectrica transmission-dispatcher system is almost finalized, its value amounting to EUR 237.9 million. Its main goals are:

- The rehabilitation of approximately 4,000 km of 220kv and 400kV electric lines by installing the optical fibre protection conductors and replacing the insulators;
- Development of the ETG-associated infrastructure by modernizing the dispatcher management system EMS/SCAD and the related telecommunication network, the creation of the metering system for the wholesale market as well as the acquisition and installation of the hardware and software necessary to the proper operation of the commercial operator (OPCOM).

The ETG rehabilitation project was achieved using the foreign loans granted by EBRD and EIB amounting to USD 51.5 million and EUR 96 million respectively, as well as a PHARE grant of EUR 20.4 million.

- b) The creation and implementation of the regulatory framework included in the “Electricity wholesale market” project were finalized by adopting the new Commercial Code, a project financed by the European Union-Phare financing of EUR 0.9 million, ANRE being responsible of the implementation of this stage in the operation of the electricity market.

- c) The “New trading platform” is the last stage of the large project “Electricity Market” financed by the World Bank and the European Union. The creation of an electricity market based on bilateral agreements and producers’ self-programming, together with a voluntary power exchange (Day-Ahead Market) and a balancing market became operational starting 1 July 2005, ahead of the schedule set in the “Road Map for the Energy Sector in Romania”. Within the projects of supply and technical assistance financed by the European Commission through Phare program, as well as by the World Bank, the electricity market operator and Transelectrica subsidiary, OPCOM, continues the development of the process implementing the new technical and commercial mechanisms for the electricity market by means of:

- Physical market – projects financed by the European Commission through Phare 2000 Programs and by the World Bank;
- Financial market – through a technical assistance project within PHARE 2001 program, financed by the European Commission and a supply and technical assistance for

implementation project within a PHARE 2002 project, co-financed by the European Commission and OPCOM.

5.5 Research and development policy. Licenses, patents, trademarks.

The Issuer's research policy is aimed at carrying out properly the Issuer's services at present and in the long term both in connection to the National Power System and in the context of the development of the European and regional electricity market up to the level imposed by the requirements of being a member of UCTE and Eurelectric.

The research and development activities are carried out in close connection to the objectives, projects and priorities of the Issuer's departments and branches.

The research and development activities are carried out based on a plan updated on a yearly basis, approved by the Board of Directors, under the coordination of the Strategy, Planning, Marketing Directorate.

The subjects of the research works are divided in 3 main groups generically called *Programs*, namely: *Maintenance, Expertise and Development, New technologies and equipments* regarding the following activities:

- maintenance, monitoring, equipment expertise, extension of the functioning period, new materials and technologies
- substantiation of the revamping technologies and efficiency increase
- safety of the National Power System
- development of the electricity transmission grid and of the National Power System
- environmental impact
- use of the regeneration energy sources
- professional risks.

The works can be carried out over periods of 1-3 years and, upon completion, will offer results in order to obtain a maximum efficiency of the allocated funds. The cost of the research and development works is of approximately 0.3% of the company's turnover.

The Issuer applied for registering the "Transelectrica" brand with the State Office for Inventions and Trademarks.

According to the Electricity Law, Transelectrica carries out the transport operation function by performing public transportation services within the Romanian Power System and the system operator function by performing system activities for all the users of the Romanian Power System.

Until September 2005, Transelectrica held the following licenses issued by ANRE for carrying out the activities mentioned above:

- License 161 for electricity transmission granted to the National Electricity Transmission Company "Transelectrica" SA according to the Decision 865/22.12.2000 and modified by the Decision 784/25.10.2002

- License 162 for electricity dispatching granted to the National Electricity Transmission Company “Transelectrica” SA according to the Decision 866/22.12.2000 and modified by the Decision 785/25.10.2002

On 27 September 2005, by ANRE Decision no. 1150/27.09.2005, according to the Electricity Law and the Regulation regarding granting of licenses and authorization in the electricity system, approved by the Government decision no. 540/2004, the Decision no. 866/22.12.2000 granting Transelectrica the License no.162 for electricity dispatching was cancelled. On the same date, by Decision no. 1151/27.09.2005, the License 161 for electricity transmission granted to the company is modified.

The License 161 for electricity transmission and provision of the system services allowed Transelectrica to carry out the following:

- electricity transmission service, including the electricity metering on the wholesale electricity market
- system service by using its own management by dispatcher systems, including operational planning, operational programming and operational command within the management by dispatcher of the Romanian Power System for meeting the electricity consumption while assuring safety and quality conditions.

According to this license and the legislation in force, Transelectrica SA is the sole provider of the electricity transmission public services, as well as of the system service. The license was granted on 22 December 2000 and is valid over a period of 25 years. ANRE has the right to withdraw this License, according to the conditions mentioned in it.

5.6. Information stating if the Issuer is dependent relative to patents and licenses and financial, commercial or industrial contracts or new production processes

First, it should be reiterated that, according to the Electricity law no. 318/2003⁵ ” the electricity transmission grid is the state’s public property, including the land on which this is located.” According to the same Law,⁶ *the electricity transmission grid* is defined as the “electrical grid of national and strategic interest with a nominal voltage higher than 110 kV.”

According to the Concession contract regarding the electricity transmission grid and the land on which this is located no. 1 / 29.06.2004, concluded between the Ministry of Economy and Commerce, as Concedent and C.N.T.E.E. “TRANSELECTRICA” S.A., as Concessionaire, as modified by the Addendum no. 1 / 21.04.2005, Transelectrica received in concession the “electricity transmission grid and the land on which this is located.” We state that this concession was previously approved, for a period of 49 years, according to the Government Decision no. 886/2004 regarding the approval of the period of the contract for the concession of some goods representing state’s public property, directly granted to the National Electricity Transmission Company “*Transelectrica*” - S.A. The Annex no. 1 to the mentioned Concession contract presents in detail the substations and the overhead electric lines, as well as the land (identified by area, neighbourhoods, addresses, years of acquisition and inventory value) and the number of related pillars.

According to the mentioned Annex 1, the entire land corresponding to substations and overhead electric lines subject to concession were part of the state’s public patrimony. According to the Electricity Law no. 318/ 2003,⁷ the respective land is still included in the state’s public patrimony. With respect to the other assets forming the electricity transmission grid granted to Transelectrica, the Government Emergency Ordinance no. 164/ 24.11.2005 regarding the decrease of the value of the goods forming the state’s public patrimony in order for Transelectrica to recover the non-depreciated value, approved the decrease of the non-depreciated value of some assets included in the state’s public patrimony (remote protection relays, LTC protections, coil filters, blocking coils, overhead electric lines, control panels etc.), assets related to the substations and the overhead electric lines granted according to the Concession contract no. 1/ 29.06.2004, for the concession of the electricity transmission grid and the land on which it is located.

5.7. Grounds of any statement made by the Issuer regarding its competitive position

In compliance with the Electricity Law no. 318/2003, the electricity transmission service is a natural monopoly and is provided by one economic agent under a license. The Issuer Transelectrica fulfils the position of electricity transmission operator, as well as that of system operator for conducting the integrated operation of the Romanian Power System. The Issuer carries out its activity under the License no. 161 for electricity transmission and provision of the system service of the Romanian electricity transmission system, being in charge with the operation thereof⁸, since, according to the law, the Issuer has no competitors in this business segment.

⁵ Art. 32 par. 2 of the Law

⁶ Art. 3 point 34 of the Law

⁷ Art. 32 par. 2 of the Law

⁸ Art. 8 of the Government Decision no. 627/2000

5.8 The environmental impact on the electricity transmission grid

The analysis of the technical condition of the transmission installations led to the conclusion that the metallic constructions responded well to the functional and environmental demands during more than 35 – 40 years of operation, while the reinforced concrete constructions proved vulnerable considering the climatic and anthropic aggressiveness of the environment. The deterioration thereof was caused by technological flaws, by the action of the weather and climate factors, by the atmosphere pollution and accidental mechanical demands.

Air

Air pollution represents a first factor of environmental aggressiveness. Moreover, the excessive moisture had a decisive contribution to the development in time of the initial corrosion processes. The excessive moisture in the air is the result of a well-developed hydrographic network and of all the hydro-technical constructions of Romania.

The air corrosion is one of the most widely spread forms of deterioration, since most of the installations in the electricity system are operated in the open air. The losses caused by corrosion are significant and significant amounts are spent for the repairs of such flaws, for the replacement of damaged equipments, installation over-dimensioning thereof for the prevention of accidents, the implementation of efficient anti-corrosion systems.

Soil

The soil corrosive action on the earth plugs and on the concrete foundations has been studied for long time. Today there are maps of the corrosive features of the Romanian soils and of the soils of 60 electric stations, containing useful data about the physical and chemical properties having impact on the stability and aggressiveness of the foundation land.

Systems monitoring the climatic and antropic environmental factors

During 2002-2004, Transelectrica started the implementation of monitoring systems of the environmental factors. These monitoring systems are designed to provide data about:

- The insulation pollution degree and the air aggressiveness class for 15 electric substations located on industrial platforms, the soil aggressiveness in the electric substations;
- The weather parameters in 8 critical points of the electricity transmission grid.

Such monitoring systems work both as standalone units and as components of a complex monitoring system of all the overhead lines and electric substations.

Impact of the electricity transmission grid on the environment

From the beginning of its activity in 2000, CN Transelectrica has been reporting the environmental protection activity on a yearly basis. It prepares an annual report addressed to the employees, customers and other parties interested in the environmental aspects significantly impacting on the Company's activity (regulatory and control authorities, NGO's, the public etc). The annual report presents and explains the significant environment-related matters of the CN Transelectrica activity, states the general and the specific goals for a continuous improvement, describes the environmental management

programs and the measures to be taken to reduce the negative impacts and reports the environmental performances of the year.

In 2003, CN Transelectrica SA completed the implementation of the Environmental Management System in compliance with the requirements of ISO 14001 standard, and, at the end of January 2004 the certification of the Environmental Management System according to ISO 14001 was obtained. The environmental management system has been implemented with the help of foreign consultancy during the period January 2002 – June 2003, provided by the companies ERM Lahmeyer International (Germany) and AGRA.RO (Romania), under an EBRD-financed project.

Environmental matters of significant impact on the electricity transmission grid (ETG)

The high voltage electric installations formed mainly of overhead electric lines and transformer and connection substations are installations with having significant impact on the environment due to their technical complexity, to the areas of land they occupy and the length of tens or even hundreds of kilometres lying usually across the territory of several counties. For this reason, the electric installations are listed as operations subject to the assessment of the environmental impact.

Under normal operation conditions, the installations of the electricity transmission grid do not pollute the environment. They may accidentally release some chemical polluting substances, in case of leakages, operation flaws, incidents and damages or during the execution of construction and maintenance works.

Environmental aspects in connection with construction works

The elements of significant impact that may occur due to the construction-assembly works in connection to the installations of CN Transelectrica SA facilities are the following:

- Physical impact:
 - opening of new access ways, soil uncovering and excavations;
 - damage of the flora (by deforestation) and fragmentation of the wild fauna's habitat;
 - occupation of land by the site organization, including warehouses;
 - generation of waste (porcelain, glass, concrete, metals, used insulating oil etc).
- Chemical impact:
 - use of various chemical products (dyes, solvents, reaction agents etc)
 - soil or water pollution by accidental leakages of oil or other chemical substances from the equipments;
 - air emissions from the heating facilities or transportation means.
- Sound impact: noise generated by the transportation means.
- Social and economic impact: disturbance of social activities, including population relocations.

Environmental aspects in connection to operation – maintenance

The elements of significant impact that may occur during the operation – maintenance works in connection to CN Transelectrica SA facilities are the following:

- Physical impact:
 - occupation of land by the overhead lines and the location of substations;

- systematic deforestation;
- damage of the wild fauna's habitat;
- potential accidents in the form of burns and electric shocks
- Electromagnetic impact:
 - sound and light effects of corona discharges;
 - disturbances of radio and television systems;
 - influences on the telecommunication systems or other electric networks at the crossings and neighbouring therewith;
 - effects of the electromagnetic field on the living creatures
- Visual: impaired landscape.
- Sound:
 - noises generated by the functioning or vibration of the ETG elements;
 - noises generated by corona discharge (in the high voltage overhead lines) or by transformers.
- Chemical:
 - soil or water pollution by accidental leakages of oil and other chemical substances;
 - air pollution by emissions of the heating plants, vehicles, accumulator batteries, sulphur hexafluoride;
 - generation of ozone and nitrogen oxides by corona discharge in case of high voltage.
- Mechanical:
 - potential danger of collision with flying machines;
 - collapse danger in the neighbourhood or upon crossing roads, railways, water flows, buildings etc.
 - fire danger as a result of worn-out insulation or accidental contact of the conductors with objects or dry vegetation.

Environmental policy and goals

In 2004, the environment policy of Transelectrica was reformulated according to the audit of the environmental management system performed in all its organizational structures, as well as to the analyses performed at the management level of the branches.

The general goals aim at maintaining an efficient environmental management system, pollution prevention and cutting down the negative impacts of the ETG on the environment, in compliance with the requirements of the domestic legislation in force and the European standards.

The specific goals (targets) of the environmental policy focus mainly on cutting down the leakages of insulating oil from equipments, reduction of the electromagnetic field intensity at overhead lines and substations, reduction to minimum of the amount of wastes and their recovery, improving the waste water and waste management.

Sources of pollution of the main environmental elements

Soil and waters

It is important to mention that the normal operation of the ETG facilities is not causing any release of noxious products on or in the soil.

The soil may be polluted by the insulating oil coming from leakages in poor seals or broken tanks of the oil-containing equipments (transformers, coils and switches, storage tanks etc.), from improper handling of the mobile units for oil regeneration or for oil input/output in/from the equipments.

No waste waters result directly from the transmission and transformation of the electricity parameters. At the locations of the ETG facilities waste waters may appear due to rain water or water for fire extinction, collected in the transformer and coil tanks and in the concrete platform holes (for the storage of equipments or oil-containing wastes), that may contain oil from leakages (both in the normal operation and in case of accident or incident). Such waters are physically purified in oil separators and then discharged into the environment.

During construction and repair works, wastes may result, out of which the following are dangerous: oil, mud from water-oil separators, lead accumulator batteries, cadmium and nickel batteries, fluorescent tubes, absorbents, filtering materials, silica gel etc. Out of the wastes materials valorized in the year 2004, we mention: iron, copper, aluminum, steel, cast iron, Al-Ol, wood, paper, mineral oil.

There are also wastes that cannot be valorized (concrete, glass, porcelain etc.) raising problems especially as to the final disposal/storage, since they require important financial efforts.

Air

The high and very high voltage overhead lines generate air pollution by ozone and nitrogen oxides as a result of the corona discharges occurring around the active conductors particularly in rainy weather, but such pollutants do not impair significantly the existing stock and cannot cause excesses of the thresholds set by the legislation in force. Other emissions may occur too (SF₆, SO₂, NO₂, CO₂), with no excesses as to the legal values however.

As to the effects of the electromagnetic field, the solutions adopted for the construction of high voltage overhead lines and substations assure an adequate protection against the effects caused by the exposure of living organisms to the electromagnetic field, as well as the reduction of the impact of such facilities on the environment.

Although in normal operation conditions the Issuer does not exceed the legal values regarding environmental pollution, on a yearly basis preventive and corrective measures are taken in the operation and maintenance of the existing facilities, as well as in the design and construction of the new ones. Each year the Issuer incurs certain expenditures related to environmental protection. Such expenditures, broken down by main activities and their evolution during the past three years, are described in the table below.

Environmental protection expenditures between from 2002 - 2005

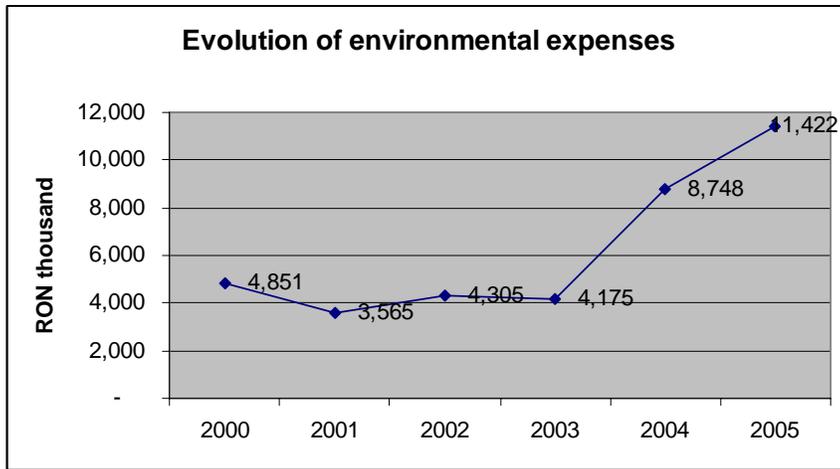
	2002		2003		2004		2005	
	RON thousand	%	RON thousand	%	RON thousand	%	RON thousand	%
Protection of air and climate quality	513.3	11.9%	46.0	1.1%	492.3	5.6%	1,429.8	12.5%
Waste water management	640.8	14.9%	220.0	5.3%	1,251.7	14.3%	2,064.2	18.1%
Waste management	366.9	8.5%	614.0	14.7%	1,349.2	15.4%	2,530.6	22.2%
Protection of soil and underground waters	695.7	16.2%	1,080.0	25.9%	1,065.8	12.2%	2,034.8	17.8%
Reduction of noises and vibrations	85.0	2.0%	15.0	0.4%	320.0	3.7%	70.0	0.6%
Protection of natural resources and preservation of biodiversity	294.6	6.8%	1,354.0	32.4%	1,484.8	17.0%	872.5	7.6%
Ecological prevention of dangerous natural phenomena	1,071.2	24.9%	-	0.0%	-	0.0%	174.0	1.6%
Research and development	151.4	3.5%	116.0	2.8%	647.8	7.4%	288.1	2.5%
Other environmental protection activities	486.2	11.3%	730.0	17.5%	2,136.5	24.4%	1,957.9	17.1%
TOTAL	4,305.1*	100%	4,175.0*	100%	8,748.1**	100%	11,421.9**	100%

Source: The Issuer

(*) The amounts refer only to the costs incurred for operation-maintenance works

(**) The amounts refer to the costs incurred both for the operation-maintenance works and the revamping / upgrading / development ones.

“Other environmental protection activities” category refers to the expenditures incurred for the activities providing support to the decisions made in this respect, monitoring, coordination and management of the actions and measures for general environmental protection, training, information, duties in connection to environmental approvals and authorizations, reviews and measurements, documentations.



Source: *The Issuer*

Note: The amount for 2004 and 2005 includes the costs incurred for the operation – maintenance works and for the revamping / upgrading / development works.

Cap VI. OVERVIEW OF THE ISSUER'S FINANCIAL STATUS AND OPERATIONAL ACTIVITY

The Issuer's unconsolidated financial statements, prepared according to the Order of the Ministry of Public Finance no. 94/2001

The Issuer's unconsolidated financial statements represent the Company's financial statements prepared according to the Romanian Accounting Standards (Order of the Ministry of Public Finance no. 94/2001) for the financial years ended on 31 December 2003, 2004 and 2005.

The financial statements prepared according to the Romanian Accounting Standards (OMF 94/2001) are presented only in order to comply with the presentation requirements stipulated by the regulations in force. Information presented below represent a summarized version of the financial statements prepared in accordance with Romanian Accounting Standards OMF 94/2001 – see the Annex to this Prospectus.

	Balance sheet as of		
	31 December 2003	31 December 2004	31 December 2005
	(RON '000)	(RON '000)	(RON '000)
	(Audited)	(Audited)	(Audited)
NON-CURRENT ASSETS			
Intangible assets	11,468	918,108	1,457,033
Tangible assets	2,779,124	2,323,925	2,689,220
Financial non-current assets	35,797	37,606	37,373
NON-CURRENT ASSETS - TOTAL	2,826,389	3,279,639	4,183,626
CURRENT ASSETS			
Inventories	25,135	21,705	24,142
Receivables	340,171	340,080	889,683
Cash and bank accounts	45,145	50,438	55,483
CURRENT ASSETS - TOTAL	410,451	412,223	969,308
<i>Accrued expenses</i>	219	158	86
	346,520	305,229	872,502
Liabilities falling due within one year	328,575	1,444,490	2,207,474
Liabilities falling due within more than one year	4,928	12,639	40,017
Provisions for risks and charges	65,602	116,115	148,611
<i>Deferred income</i>	629,495	659,570	659,680
CAPITAL AND RESERVES	1,059,300	1,061,044	1,052,014
Subscribed and paid in share capital	96,033	21,161	84,454
Revaluation reserves	2,663	8,989	21,225
Reserves	7,684	45,492	82,380
Retained earnings	(7,684)	(45,492)	(82,380)
Profit/(Loss) for the period	1,787,491	1,750,764	1,817,373
Profit appropriation	703,943	62,783	67,044
TOTAL SHAREHOLDERS' EQUITY	2,491,434	1,813,547	1,884,417

Source: Statutory audited financial statements for the years ended on 31 December 2003, 2004 and 2005.

Income statement for the period			
	12 months ended on 31 December 2003 (RON '000) (Audited)	12 months ended on 31 December 2004 (RON '000) (Audited)	12 months ended on 31 December 2005 (RON '000) (Audited)
Sale of goods	735,134	1,007,988	1,707,476
Sale of goods purchased for resale	4,392	3,681	2,945
Own work capitalized	2	14	6
Other operating income	20,767	27,644	25,387
OPERATING INCOME -TOTAL	760,295	1,039,327	1,735,814
Raw materials and consumables	12,095	8,840	12,421
Other expenses	333,921	443,124	1,043,623
Other third party expenses (power and water)	9,393	10,702	11,591
Goods for resale	4,349	3,510	2,853
Personnel expenses	56,038	62,711	71,122
Adjustment of the value of tangible and intangible assets	67,933	160,860	169,843
Adjustment of the value of current assets, net	(180)	629	1,107
Expenses with third party services	196,333	213,065	226,603
Other taxes, duties and similar expenses	1,704	5,984	7,499
Compensations, gifts and assets disposed of	21,448	20,578	10,932
Adjustment of the provisions for risks and charges	(7,543)	7,893	27,953
OPERATING EXPENSES -TOTAL	695,491	937,896	1,585,547
OPERATING PROFIT			
Profit	64,804	101,431	150,267
Income from other financial investments and long term liabilities	257	572	1,422
Interest income	1,743	766	1,793
Other financial income	16,456	41,848	30,800
FINANCIAL INCOME -TOTAL	18,456	43,186	34,015
Interest expenses	16,568	20,053	31,771
Other financial expenses	52,806	56,240	47,844
FINANCIAL EXPENSES -TOTAL	69,374	76,293	79,615
FINANCIAL LOSS			
Loss	(50,918)	(33,107)	(45,600)
CURRENT PROFIT			
Profit	13,886	68,324	104,667
Extraordinary income	-	-	-
Extraordinary expenses	-	-	-
GROSS PROFIT			
Profit	13,886	68,324	104,667
Income tax	6,202	22,832	22,287
NET PROFIT FOR THE PERIOD			
Profit	7,684	45,492	82,380

Source: Statutory audited financial statements for the years ended on 31 December 2003, 2004 and 2005.

The Statutory financial statements of the Issuer for the financial year ended on 31 December 2003 were audited by PricewaterhouseCoopers Audit SRL.

The Statutory financial statements of the Issuer for the financial year ended on 31 December 2004 were audited by KPMG.

The Statutory financial statements of the Issuer for the financial year ended on 31 December 2005 were audited by KPMG.

In order to present a relevant analysis regarding the financial status of the entire group, including Transelectrica and its subsidiaries, we present the financial analysis of the consolidated financial statements.

The auditor's reports on the Statutory Financial Statements include certain modifications and emphasis of matter paragraphs. Investors are referred to the complete auditor's reports on the Consolidated Financial Statements and the financial statements they refer to as a whole, see Annex 12.

Consolidated financial statements

The Issuer's consolidated financial statements represent the Company's financial statements prepared according to International Financial Reporting Standards for the financial years ended on 31 December 2003, 2004 and 2005.

The consolidated financial statements of the Issuer for the financial year ended on 31 December 2003 were audited by KPMG.

The consolidated financial statements of the Issuer for the financial year ended on 31 December 2004 were audited by KPMG.

The consolidated financial statements of the Issuer for the financial year ended on 31 December 2005 were audited by KPMG.

The present Prospectus contains, exclusively for the information of its recipients, the EUR equivalent of certain amounts in RON. The figures in EUR are not audited and they represent a Convenience Translation. The financial information (balance sheet as of 31 December 2005, 2004 and 2003, income statement for the periods ended on 31 December 2005, 2004 and 2003 and the cash flows for the periods ended on 31 December 2005, 2004 and 2003) in the tables below and contained in the present Prospectus (unless specified otherwise) were extracted by the Issuer from its Consolidated Financial Statements, included in Appendix 13 to the present Prospectus. The financial statements were prepared under the historic cost convention and were adjusted according to IAS 29, "Financial Reporting in Hyper-Inflationary Economies", until 31 December 2003. Starting 2004, the Romanian economy is no longer considered inflationary; as a result, the Issuer no longer applied IAS 29 starting January 1, 2004.

For the purpose of comparison, the translations from RON to EUR were made using the Official Exchange Rate at the end of each financial year (1 EUR = 36,771 ROL/3.6771 RON as of 31 December 2005, 1 EUR = 39,663 ROL/ 3.9663 RON as of 31 December 2004, and, respectively 1 EUR = 41,117 ROL/ 4.1117 RON as of 31 December 2003) except for the information included in the income statements and cash flow statements for the years ended on 31 December 2005 and 31 December 2004, which was translated using the average rate of the year: 1 EUR = 36,234 ROL/ 3.6234 RON for 2005 and 1EUR=40,532 ROL/4.0532 RON for 2004.

For consolidation purposes, the Issuer applied the requirements of IAS 27, “Consolidated financial statements and investment in subsidiaries accounting”. Accordingly to IAS 27 control is presumed to exist when a parent owns more than one half of the voting power of an enterprise 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 enterprise 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. The Issuer consolidated in its financial statements Smart S.A., TELETRANS S.A. and ICEMENERG S.A. As of 31 December 2004 the Issuer did not consolidate SC OPCOM S.A. and SC FORMENERG S.A. considered insignificant for consolidation purposes. As of 31 December 2005, the Issuer did not consolidate S.C. OPCOM S.A., SC FORMENERG S.A. and S.C. ICEMENERG Service S.A, considered insignificant for consolidation purposes.

The intra-group balances and transactions, as well as any unrealised profit and loss generated by intra-group transactions are eliminated when consolidated financial statements are prepared.

Auditor's reports on the consolidated financial statements

The auditor's reports on the Consolidated Financial Statements include certain modifications and emphasis of matter paragraphs which are summarized below. Investors are referred to the complete auditor's reports on the Consolidated Financial Statements and the financial statements they refer to as a whole, see Annex 13.

The Consolidated financial statements for the year ended 31 December 2003 were audited by KPMG.

The auditor's report includes modifications with respect to the following:

- Estimation of the value in use of the Issuer's assets because the Issuer's management could not predict with reasonable certainty whether future adjustments in tariffs, to be agreed with ANRE, will be sufficient to recover their carrying values.
- Recognition in accordance with IAS 12 "Income tax" of a deferred tax asset in the amount of ROL 1,106,484 million, although the recoverability of the deferred tax asset was uncertain. Had the Issuer not recognized the deferred tax asset, the financial position and the results of operations would have been understated by the corresponding amount.
- The Issuer did not comply with certain covenants stipulated in the loan agreements concluded with the European Bank for Reconstruction and Development, the European Investment Bank and the International Bank for Reconstruction and Development, which may raise the requirement of advance reimbursements of these loans; consequently, long term liabilities in amount of ROL 1,806,689 million should be presented as short term in accordance with IAS 1 "Presentation of Financial Statements". The management of the Issuer considers the probability of such requirements as being unlikely.

In addition, the auditor's report has drawn attention to the following:

- The electricity transmission tariff to the National Electricity System is not determined solely by the Issuer, but is periodically agreed with ANRE. 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.

The Consolidated financial statements for the year ended 31 December 2004 were audited by KPMG.

The auditor's report includes a modification with respect to the following:

- The Issuer did not comply with certain covenants stipulated in the loan agreements concluded with the European Bank for Reconstruction and Development, the European Investment Bank and the International Bank for Reconstruction and Development, which may raise the requirement of advance reimbursements of these loans; consequently, long term liabilities in amount of ROL 1,706,891 million should be presented as short term in accordance with IAS 1 "Presentation of Financial Statements". The management of the Issuer considers the probability of such requirements as being unlikely.

In addition, the auditor's report has drawn attention to the following:

- As at 31 December 2004 the Ministry of Public Finance is claiming from the Issuer interest and penalties for the loans guaranteed by the State amounting to ROL 68,590 million, as well as to the balances offset by the Issuer according to Government Ordinance no. 152/2001 amounting to ROL 50,350 million. Issuer's management considers that the probability of success of the claim is unlikely, and consequently no provision for this has been made in the accompanying consolidated financial statements.
- The electricity transmission tariff to the National Electricity System is not determined solely by the Issuer, but is periodically agreed with ANRE. 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.
- The requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies" no longer apply.

The Consolidated financial statements for the year ended 31 December 2005 were audited by KPMG.

The auditor's report includes a modification with respect to the following:

- The Issuer did not comply with certain covenants stipulated in the loan agreements concluded with the European Bank for Reconstruction and Development, the European Investment Bank and the International Bank for Reconstruction and Development, which may raise the requirement of advance reimbursements of these loans; consequently, long term liabilities in amount of RON 433,537 thousand should be presented as short term in accordance with IAS 1 "Presentation of Financial Statements". The management of the Issuer considers the probability of such requirements as being unlikely.

In addition, the auditor's report has drawn attention to the following:

- The electricity transmission tariff to the National Electricity System is not determined solely by the Issuer, but is periodically agreed with the National Authority for Energy Sector Regulation ("ANRE"). The carrying value of fixed assets is linked to this, so any significant change in the tariff mechanism could impact these carrying values.
- On 28 December 2005, an investment company „Fondul Proprietatea” was incorporated in accordance with Law 247/2005 owns 15% of the Issuer's share capital.
- In accordance with Government Decision 708/2005, the Issuer is in the process of increasing its share capital with 10% by an initial primary public offering on Bucharest Stock Exchange.
- The Issuer allocated 5% of its share capital to the persons entitled to compensations who subscribed in accordance with Law 10/2001 to the available capital offer.

Balance sheet

	Balance sheet as of			Balance sheet as of		
	31 December 2003 (RON th.) Audited	31 December 2004 (RON th.) Audited	31 December 2005 (RON th.) Audited	31 December 2003 (EUR th.)	31 December 2004 (EUR th.)	31 December 2005 (EUR th.)
ASSETS						
NON-CURRENT ASSETS						
Tangible assets, net	1,962,551	1,153,136	1,386,534	477,309	290,733	377,073
Intangible assets in progress	435,287	571,141	741,066	105,865	143,998	201,535
Intangible assets	13,521	34,190	28,362	3,288	8,620	7,713
Negative goodwill	(1,204)	-	-	(293)	-	-
Financial long term investments	2,176	4,450	4,216	529	1,122	1,147
Other non-current assets	-	-	-	-	-	-
Deferred tax	110,648	-	-	26,911	-	-
TOTAL NON-CURRENT ASSETS	2,522,979	1,762,917	2,160,178	613,609	444,473	587,468
CURRENT ASSETS						
Cash and cash equivalents	47,807	55,503	65,048	11,627	13,994	17,690
Receivables, net	343,794	350,485	893,251	83,615	88,366	242,923
Inventories, net	41,958	29,281	29,552	10,205	7,382	8,037
Other current assets	-	-	-	-	-	-
TOTAL CURRENT ASSETS	433,559	435,269	987,851	105,447	109,742	268,650
TOTAL ASSETS	2,956,538	2,198,186	3,148,029	719,056	554,215	856,118
Shareholders' equity and debts						
Share capital	987,989	1,018,064	1,018,175	240,287	256,679	276,896
Accumulated reserve/ (deficit)	104,491	118,145	235,892	25,413	29,787	64,152
Public patrimony	1,043,482	-	-	253,783	-	-
Total shareholders' equity	2,135,962	1,136,209	1,254,067	519,483	286,466	341,048
Long term loans	334,647	558,253	782,691	81,389	140,749	212,856
Deferred income	98,582	146,987	174,031	23,976	37,059	47,328
Deferred tax	-	-	-	-	-	-
Employees benefits	-	-	11,339	-	-	3,083
Total long term liabilities	433,229	705,240	968,061	105,365	177,808	263,267
Short term loans	52,567	51,731	87,177	12,785	13,043	23,709

	Balance sheet as of			Balance sheet as of		
	31 December	31 December	31 December	31 December	31 December	31 December
	2003	2004	2005	2003	2004	2005
	(RON th.)	(RON th.)	(RON th.)	(EUR th.)	(EUR th.)	(EUR th.)
	Audited	Audited	Audited			
Commercial liabilities	159,152	95,445	591,700	38,707	24,064	160,916
Salary related liabilities	4,320	3,340	5,085	1,051	842	1,383
Dividends payable	29,704	29,780	1,763	7,224	7,508	479
Liabilities to fixed assets suppliers	39,448	76,152	147,440	9,594	19,200	40,097
Other current liabilities	32,055	54,322	37,846	7,798	13,695	10,292
Current tax liabilities	60,789	35,706	21,983	14,784	9,002	5,978
Provisions	9,312	10,261	32,907	2,265	2,587	8,949
Total current liabilities	387,347	356,737	925,901	94,208	89,941	251,803
Total shareholders' equity and liabilities	2,956,538	2,198,186	3,148,029	719,056	554,215	856,118

Source: Consolidated audited financial statements. For the comparability purposes, the Issuer made some reclassification of the figures from the consolidated audited financial statements.

The amounts in EUR represent a convenience translation and they are not audited.

Income statement

	Income statement for the period			Income statement for the period		
	12 months 2003 (RON thousand) Audited	12 months 2004 (RON thousand) Audited	12 months 2005 (RON thousand) Audited	12 months 2003 (EUR thousand)	12 months 2004 (EUR thousand)	12 months 2005 (EUR thousand)
Income						
Income from main activities	787,386	1,004,925	1,693,874	191,499	247,934	467,482
Other income	32,060	55,883	71,728	7,797	13,787	19,796
Total income	819,446	1,060,808	1,765,602	199,296	261,721	487,278
Operating expenses						
Salary other related expenses	(111,411)	(111,523)	(122,497)	(27,096)	(27,515)	(33,807)
Expenses related to system services	(352,542)	(377,978)	(381,724)	(85,741)	(93,254)	(105,350)
Co-generation energy expenses	-	-	(222,178)	-	-	(61,318)
Balancing market expenses	-	-	(256,437)	-	-	(70,772)
Depreciation and amortization expenses	(167,088)	(134,863)	(147,443)	(40,637)	(33,273)	(40,692)
Repairs and maintenance	(78,468)	(104,120)	(80,373)	(19,084)	(25,688)	(22,182)
Other operating expenses	(128,011)	(187,138)	(361,916)	(31,133)	(46,170)	(99,883)
Total operating expenses	(837,519)	(915,621)	(1,572,568)	(203,691)	(225,900)	(434,004)
Operating Profit / (Loss)	(18,073)	145,187	193,034	(4,395)	35,821	53,274
Financial income	2,277	895	2,109	554	221	582
Financial expenses	(28,994)	(63,301)	(49,197)	(7,052)	(15,618)	(13,578)
Net foreign exchange loss	(26,181)	29,125	(379)	(6,368)	7,186	(105)
Net monetary gain	22,883	-	-	5,565	-	-
Net Income/ (Loss) before income tax	(48,088)	111,906	145,567	(11,696)	27,610	40,173
Income tax expense						
Current	(7,575)	(25,323)	(18,759)	(1,842)	(6,248)	(5,177)
Deferred	223,856	-	-	54,444	-	-
Net Profit/(Loss)	168,193	86,583	126,808	40,906	21,362	34,996

Source: Consolidated audited financial statements. For the comparability purposes, the Issuer made some reclassification of the figures from the consolidated audited financial statements.

The amounts in EUR represent a convenience translation and they are not audited.

Cash flow statement

	12 months 2003 (RON thousand) Audited	12 months 2004 (RON thousand) Audited	12 months 2005 (RON thousand) Audited	12 months 2003 (EUR thousand)	12 months 2004 (EUR thousand)	12 months 2005 (EUR thousand)
Profit before monetary position and income tax						
Net profit	168,193	86,583	126,808	40,906	21,362	34,997
Adjustments for non-cash items						
Tax expense / (income)	(216,281)	25,324	18,759	(52,601)	6,248	5,177
Depreciation and amortization expenses	167,088	134,862	147,443	40,637	33,273	40,692
Provisions, net	(4,441)	-	-	(1,080)	-	-
Income from subsidies	-	(20,051)	(20,492)	-	(4,947)	(5,655)
Interest expense	28,994	20,365	32,550	7,052	5,025	8,983
Interest income	(2,277)	(895)	(2,109)	(554)	(221)	(582)
Deferred income	(11,040)	-	-	(2,685)	-	-
(Income)/loss from sale of tangible assets	659	(1,585)	1,500	160	(391)	414
Hyperinflation effect	28,240	-	-	6,868	-	-
Cash flows before changes in working capital	159,135	244,603	304,459	38,703	60,349	84,026
Receivables	(16,036)	(25,686)	(579,602)	(3,900)	(6,337)	(159,961)
Inventories	2,550	12,070	(271)	620	2,978	(75)
Trade and similar payables	1,985	(2,499)	615,541	483	(617)	169,879
Changes in working capital	(11,501)	(16,115)	35,668	(2,797)	(3,976)	9,843
Interest paid	(26,569)	(19,050)	(30,779)	(6,462)	(4,700)	(8,495)
Income tax paid	(13,283)	(33,563)	(24,390)	(3,231)	(8,281)	(6,731)
Cash flows from operating activities	107,782	175,875	284,958	26,213	43,392	78,643
Cash flows from investing activities						
Acquisitions of tangible and intangible assets	(14,997)	(461,523)	(563,722)	(3,647)	(113,866)	(155,578)
Income from sale of tangible assets	3,121	2,538	17,555	759	626	4,845
Cash inflows from acquisition of subsidiaries	692	-	-	168	-	-
Payments related to non-current assets in progress	(303,761)	-	-	(73,877)	-	-
Interest received	2,277	895	2,103	554	221	580

	12 months 2003 (RON thousand) Audited	12 months 2004 (RON thousand) Audited	12 months 2005 (RON thousand) Audited	12 months 2003 (EUR thousand)	12 months 2004 (EUR thousand)	12 months 2005 (EUR thousand)
Net cash used for investing activities	(312,668)	(458,090)	(544,064)	(76,043)	(113,019)	(150,153)
Cash flows from financing activities						
Subsidies received	22,954	68,456	47,537	5,583	16,889	13,119
Loans	209,403	214,494	255,270	50,928	52,920	70,450
Dividends payable	-	-	(37,005)	-	-	(10,213)
Hyperinflation effect on financing activities	(34,912)	-	-	(8,491)	-	-
Cash flows from financing activities	197,445	282,950	265,802	48,020	69,809	73,356
Hyperinflation effect on cash and cash equivalents	5,998	-	-	1,459	-	-
Effect of convenience translation*	-	-	-	(2,135)	430	937
Net increase/(decrease) of cash and cash equivalents	(1,443)	735	6,696	(2,486)	612	2,783
Cash and cash equivalents at the beginning of the year	49,251	47,808	48,543	14,113	11,627	12,239
Cash and cash equivalents at the end of the year	47,808	48,543	55,239	11,627	12,239	15,022

Source: Consolidated audited financial statements. For the comparability purposes, the Issuer made some reclassification of the figures from the consolidated audited financial statements.

The amounts in EUR represent a convenience translation and they are not audited.

*These amounts are computed by the Issuer for translating the RON amounts into EUR and they are not audited.

Consolidated balance sheet analysis

In the Consolidated financial statements for the years ended on 31 December 2003 and 31 December 2004, the comparable figures were restated in order to correct fundamental errors identified by the Issuer during the following financial year.

The adjustments made according to the requirements of IAS 8, in order to present the errors identified by the Issuer in the financial year following the conclusion of the financial statements are presented below:

	<i>(RON thousand)</i>
Shareholders' equity according to the Consolidated financial statements as of 31 December 2003	2,135,962
Recognition of deferred tax differences	(110,648)
Shareholders' equity as of 31 December 2003 adjusted according to IAS 8	2,025,314
<i>Source: The Issuer, based on the consolidated financial statements</i>	

	<i>(RON thousand)</i>
Total assets according to the Consolidated financial statements as of 31 December 2003	2,956,538
Recognition of deferred tax differences	(110,648)
Total assets as of 31 December 2003 adjusted according to IAS 8	2,845,890
<i>Source: The Issuer, based on the Consolidated financial statements</i>	

	<i>(RON thousand)</i>
Net profit according to the Consolidated financial statements as of 31 December 2003	168,193
Net effect of adjustments according to IAS 8	(110,648)
Net profit for the year ended on 31 December 2003, adjusted according to IAS 8	57,545
<i>Source: The Issuer, based on the consolidated financial statements</i>	

At the same time, due to the Concession Contract signed in 2004, the financial statements as of 31 December 2004 include the impact of removing the Public Patrimony Reserve and the related Public Patrimony assets. This is why, in some analyses included in this chapter, some figures are computed based on the items restated in order to eliminate the impact of the items written off.

The adjustments made in order to eliminate the impact of the Public Patrimony written off, necessary for presenting comparative statements, are presented below:

<i>(RON thousand)</i>	Period ended on		
	31 December 2003	31 December 2004	31 December 2005
	Audited	Audited	Audited
Shareholders' equity according to the audited financial statements	2,135,962	1,136,209	1,254,067
Recognition of fundamental errors according to IAS 8	(110,648)	-	-
Shareholders' equity adjusted according to IAS 8	2,025,314	1,136,209	1,254,067
Elimination of the impact of the Public Patrimony	1,043,482	-	-
Shareholders' equity adjusted according to IAS 8, adjusted by eliminating the impact of the Public Patrimony	981,832	1,136,209	1,254,067
Net profit/(loss) according to audited financial statements	168,193	86,583	126,808
Recognition of fundamental errors according to IAS 8	(110,648)	-	-
Net profit/(loss) adjusted according to IAS 8	57,545	86,583	126,808
Elimination of the impact of the Public Patrimony (Depreciation expense)	88,622	67,793	-
Net profit/(loss) adjusted according to IAS 8, adjusted by eliminating the impact of Public Patrimony	146,167	154,376	126,808

Source: The Issuer, based on the consolidated financial statements

ASSETS

The analysis of the Issuer's assets reveals that non-current assets represent the largest proportion of the Issuer's assets (85.3% in 2003, 80.2% in 2004, and 68.6% in 2005) out of which tangible assets represented 66.4% in total assets in 2003, 52.5% in 2004, and 64.19% in 2005.

During 2005, total assets increased by 43.2%, mainly due to the growth of current assets (by 126.9% as compared to December 2004), as well as non-current assets (by 22.5 % as compared to December 2004).

Non-current assets

Tangible assets

The changes to tangible assets are presented in the table below:

RON thousand	Land and land improvements	Buildings and special machinery	Plant and equipment	Measurement and control equipment	Vehicles	Other assets	Tangible assets in progress	Total
Gross book value at 31 December 2003	10,625	4,798,714	1,339,706	157,287	46,088	13,768	435,287	6,801,475
Accumulated depreciation	-	(3,194,225)	(1,068,847)	(95,729)	(36,129)	(8,707)	-	(4,403,637)
Net value at 31 December 2003	10,625	1,604,489	270,859	61,558	9,959	5,061	435,287	2,397,838
Gross book value at 31 December 2004	11,908	2,046,328	1,365,969	160,274	48,021	14,575	571,141	4,218,216
Accumulated depreciation	-	(1,262,958)	(1,062,533)	(113,170)	(40,715)	(14,563)	-	(2,493,939)
Net value at 31 December 2004	11,908	783,370	303,436	47,104	7,306	12	571,141	1,724,277
Gross book value at 31 December 2005	10,958	2,243,835	1,473,872	188,489	50,336	17,568	741,067	4,726,125
Accumulated depreciation	-	(1,315,561)	(1,082,123)	(135,210)	(48,269)	(17,362)	-	(2,598,525)
Net value at 31 December 2005	10,958	928,274	391,749	53,279	2,067	206	741,067	2,127,600

Source: Consolidated financial statements

Buildings and special machinery category comprises, apart from the administrative buildings, the overhead electric lines and the transformer substations. These represent the largest proportion of total tangible assets, of 67% in 2003 and of only 45% in 2004, and 43.6% in 2005 due to the fact that the public patrimony assets were de-recognised following the conclusion of the concession contract mentioned herein.

Plant and equipment mainly includes transformers, measurement equipment and communication devices related to the electricity transmission grid.

Tangible assets in progress

65% of the tangible assets in progress recorded as of 31 December 2004 are represented by the works for the refurbishment of the dispatcher transmission system of Transelectrica SA. Other tangible assets in progress are related to the project regarding the “Increase of the safety degree of the installations corresponding to the 400/220/110 kV Slatina substation”, “Rehabilitation of Fântânele substation” etc.

As of 31.12.2005 24% of the tangible assets were represented by the Rehabilitation project for the dispatcher system of Transelectrica SA. In addition, a significant weight is represented by: The project for increasing the security for the national energy system through the modernization of Brazi Vest, Iernut, Fundeni, Slatina stations rehabilitation, project for increasing the security level of the system through Rosiori, Gutinas and Bucuresti Sud revamping.

Tangible assets belonging to public patrimony

According to the provisions of Law 213/1998, the electricity transmission grids are fixed assets belonging to the State's public domain.

The Concession Contract no.1/29.06.2004 was signed in 2004; according to it, assets amounting to a net book value of RON 975,688, consisting in buildings, overhead transmission lines and the lands on which these are located, were transferred to the State. The Concession contract was concluded for a period of 49 years, being from 1 July 2004 until 31 May 2053. For more details regarding the Concession Contract please refer to Chapter 5, point 5.6.

The assets subject to concession were recorded in the financial statements as buildings and special machinery, before the signing of the contract, being accordingly depreciated and recording the corresponding reserve representing public patrimony.

This reserve was transferred to retained earnings as public patrimony assets were depreciated. In 2004, when the public patrimony assets were no longer included in the company's balance sheet, this reserve was also released.

After the Concession contract was signed, these assets were no longer part of the Company's patrimony. The royalty paid by the Issuer for using these assets is 1/1000 of the income resulting from the electricity transmission activity for the quantity actually transmitted.

Status of tangible assets at subsidiaries

The largest percentage in tangible assets is represented by Transelectrica's assets, holding more than 90% from the tangible assets, an exception being the land which is owned also in an important weight (over 40%) by ICEMENERG S.A. The land being used by Transelectrica represents mainly public domain land.

Impairment of tangible assets

Starting 2004, the Issuer carried out a series of tests regarding the impairment of fixed assets. These tests take into account the value in use of the assets, and the selected assets, subject to these tests, had no indication of impairment and no provision was required according to IAS 36.

Intangible assets

Intangible assets, which represent an immaterial proportion in total assets (0.5% in 2003, 1.6% in 2004, and 0.9% in 2005) mainly comprise non-current assets in progress consisting in the management information system. During 2005, intangible assets decreased by 17.05% compared to 2004, due to the assets put in function during the year. At the end of the first six months of 2005, the IT software for the Power Exchange, the balancing market and the accounting software represent the largest proportion of intangible assets.

The intangible assets recorded during 2005 consist of consultancy services for investment projects and software license related expenses.

Intangible assets in progress as of 31 December 2005 include software for the balancing market as well as the systems for management reporting.

Financial investments

The Issuer's financial investments represent Transelectrica's shareholdings in its subsidiaries which were not consolidated in the financial statements as their impact on the Group's financial position and status was insignificant (OPCOM and FORMENERG and, starting with the period ended on 31 December 2005, ICEMENERG Service S.A.).

Negative goodwill

Negative goodwill was recorded following the acquisition of ICEMENERG in September 2003. The investment's value is exceeded by 73% by the fair value of the net acquired assets, thus explaining the negative goodwill. In 2004, according to IFRS, goodwill was fully written off.

Current assets

Cash and cash equivalents

During December 2002-December 2005 no major fluctuations were recorded regarding the cash available at banks, which increased by 16% in 2004 as compared to 2003, while in 2003 it had decreased by 3% as compared to 2002. As of 31 December 2005 an increase by 17.2% was recorded as compared to 31 December 2004.

	RON thousand		
	31.12.2003	31.12.2004	31.12.2005
	Audited	Audited	Audited
Bank accounts	41,668	50,976	64,579
Petty cash	24	49	110
Other cash equivalents	6,115	4,478	359
Total	47,807	55,503	65,048

Sources: Consolidated Financial Statements

“Other cash equivalents” comprise the letters of credit in favour of suppliers of works and services for investing activities, according to the contractual provisions. These recorded an increase during the period under review, their percentage in total cash remaining insignificant.

Receivables

During 2003-2005 both the gross and net value of receivables increased. The days receivable increased in 2003, which can also be seen in the development of liabilities to suppliers, which showed the same trend. In 2004, although the receivables' balance at the end of the year is comparable to the one recorded in the previous year, a significant improvement of the receivables turnover could be seen, ie the number of days receivable being reduced by more than 30 days as compared to 2003. This was mainly due, as can be seen elsewhere in the Prospectus, to the privatization of Electrica subsidiaries, process that led to a significant improvement of the amounts received by the Company from this customer.

As of 31 December 2005, receivables recorded an important growth (154.86%), the receivable days increasing to 185 days from 121 days at the end of 2004. The increase was due to the balancing market receivables recorded at the end of December, contributing to a significant increase in receivables as of 31.12.2005.

Starting May 2005, the amounts due by the Electrica subsidiaries FDFEE Banat and FDFEE Dobrogea, which were privatized, were paid according to the deadlines, no overdue payments being recorded. At the same time, by the end of 2005, FDFEE Oltenia and FDFEE Moldova were also privatized, and the last four distribution subsidiaries FDFEE Muntenia Nord, FDFEE Muntenia Sud, FDFEE Transilvania Sud, FDFEE Transilvania Nord, are expected to be privatized by the end of 2006. Given these circumstances it is estimated that the collection period of receivables for the services performed by the Company will fall to a normal level.

	RON thousand		
	31.12.2003	31.12.2004	31.12.2005
Receivables, net	Audited	Audited	Audited
Customers	336,831	338,066	849,134
Other receivables	16,444	13,552	45,869
Provisions for doubtful debts	(9,481)	(1,133)	(1,752)
Total	343,794	350,485	893,251

Source: Consolidated Financial Statements

Out of the balance of receivables at 31 December 2004, approximately 98% represented receivables from carrying out electricity transmission services, while as of 31.12.2005, the percentage was 95%.

The provisions for doubtful debts are recorded based on a specific analysis of the overdue receivables at the end of the period under review.

Out of the receivables in balance as of 31.12.2005, 68% is represented by energy market clients and 32% invoices to be issued for the balancing market. The opening of the balancing market at 1 July 2005 significantly contributed to the increase of receivables and, to the increase of the corresponding debts at the end of 2005 compared to the previous years.

All transactions related to the balancing market have been recorded in December 2005 because invoices have been issued by CNTEE Transelectrica based on the settlements made by OPCOM, which were finalized in 2006 for 2005. This fact determined the existence in the balance as of 31 December 2005 of the transactions made on the balancing market during July-December 2005.

The development of receivables due from the Issuer's most important customers in terms of percentage is presented in the table below:

Customers	31.12.2003	31.12.2004	31.12.2005
SC Electrica SA	84.0%	76.8%	54.6%
SC Hidroelectrica SA	2.7%	4.3%	11.6%
SC Termoelectrica SA	0.6%	0.1%	0.3%
SC Nuclearelectrica SA	1.6%	2.9%	2.9%
SC Electrocentrale Deva	2.2%	2.0%	2.0%
Complexul Energetic Turceni	2.6%	1.8%	2.9%
Complexul Energetic Rovinari	1.4%	2.3%	2.1%
Complexul Energetic Craiova	-	1.6%	2.2%

SC Electrocentrale Bucuresti	2.8%	1.1%	1.2%
Energy Holding	1.8%	4.9%	2.1%
Other customers from the electricity market	0.3%	2.2%	18.1%
Receivables – energy market	100%	100%	100%

Source: Computation performed based on the information in the Statutory financial statements

Inventories

Inventories include spare parts for the back-up inventories and consumables used for the operation of the national transmission system. Their percentage in total assets is not significant: 0.94% in 2005, 1.3% in 2004, and 1.4% in 2003.

Because the electricity companies, due to their activities, are obliged to keep certain back-up inventories in order to be able to face national emergency situations, there are inventories with reduced turnover for which provisions will be set even if there are no specific indications of impairment. The inventories' structure is presented in the table below:

	<i>(RON thousand)</i>		
Inventories	31 December 2003	31 December 2004	31 December 2005
	Audited	Audited	Audited
Spare parts, consumables and other materials	29,541	30,175	34,087
Auxiliary materials	7,274	3,966	3,952
Other inventories	14,319	5,098	2,839
Provision for depreciation of inventories	(9,176)	(9,959)	(11,326)
Total	41,958	29,280	29,552

Source: Consolidated financial statements

The inventories are stated at the lower of cost and net achievable value, established according to the FIFO method. Where applicable, provisions for slow moving inventories are set. The net achievable value is the sale price estimated during normal activity minus the costs estimated to completion, if applicable, and the expenses related to the sale. The Issuer does not record provisions for the inventories representing the back-up reserve.

LIABILITIES

The balance sheet structure shows that the shareholders' equity percentage was of more than 70% of the total in 2003, while this reduced starting 2004 (51.7% at 31 December 2004 and 39.8% at 31 December 2005), following the decrease of the shareholders' equity by the value of the public patrimony as a consequence of the concession of the respective assets. In 2004, the Issuer's long term indebtedness represents a larger percentage in total liabilities, increasing from 22.6% in 2003 to 32.1% in 2004, considering that the indebtedness ratio is of 0.54. As of 31 December 2005, the percentage of long term debts in total liabilities is of 30.8%.

This is due to the Issuer's concern to attract long term sources for financing investment projects considering the fact that the Company's current indebtedness decreased in 2004.

	31 December 2003	31 December 2004	31 December 2005
Unadjusted percentages			
Shareholders' equity	72.2%	51.7%	39.8%
Long term debts	14.7%	32.1%	30.8%
Short term debts	13.1%	16.2%	29.4%
Adjusted percentages*			
Adjusted shareholders' equity	57.1%	51.7%	39.8%
Long term debts	22.6%	32.1%	30.8%
Short term debts	20.2%	16.2%	29.4%

Note: The figures for 2003 were also presented by adjusting the values following the elimination of the public patrimony's impact. Please see at the beginning of this chapter the related adjustments

Source: Issuer's computation based on the information included in the Consolidated financial statements

Long term loans

At the end of the periods under review, according to the audited consolidated financial statements, the status of the loans is the following:

	(RON '000)		
	December 2003	December 2004	December 2005
	Audited	Audited	Audited
EIB - 1.8194/1995	17,511	14,479	11,186
IBRD 3936	2,132	1,796	1,801
EBRD 365	73,227	57,795	41,674
EBRD 906	72,183	126,950	127,972
EIB 20.864	98,681	166,585	231,657
KfW F9787	41,553	42,352	33,832
West L.B.	40,486	44,113	35,784
NIB PIL No 02/18	19,477	41,871	52,243
IBRD 7181	-	24,593	76,315
NIB PIL No 03/5	-	19,424	47,976
NIB PIL No 02/37	-	7,269	37,111
KfW 10431	-	6,753	19,224
BCR - World Trade Centre nr.398	-	35,000	35,000
Calyon	-	10,763	31,078
Ministry of Finance	6,602	-	-
KfW București Sud	-	-	33,494
JBIC	-	-	38,395
	371,852	599,743	854,742
Current share of long term loans	(37,205)	(41,491)	(72,051)
Long term loans	334,647	558,252	782,691

Source: Consolidated Financial Statements

Most of the loans contracted by the Issuer were granted by international banks. These were mainly used for financing the projects in progress included in the Company's development plans.

For details regarding the current loan status and their conditions please see chapter 7.2 Important Contracts.

The maturity of these loans as of 31 December 2003, 31 December 2004 and 31 December 2005 is the following:

	<i>(RON thousand)</i>		
	31 December 2003	31 December 2004	31 December 2005
	(Audited)	(Audited)	(Audited)
Between 1 and 2 years	36,909	83,728	84,006
Between 2 and 5 years	135,995	303,829	369,686
More than 5 years	161,743	170,695	328,999
Long term loans	334,647	558,252	782,691

Source: Consolidated Financial Statements

At 31 December 2005, as well as at 31 December 2004, there are cases in which the Company's financial ratios are not in compliance with certain provisions of the loan agreements. The respective loans are IBRD 3936, EBRD 365, EBRD 906, EIB 20.864 and IBRD 7181. In case these provisions are breached, according to the contractual clauses, the credit institutions may request the advance repayment of the loans granted.

The Company considers that this reclassification is not necessary due to the following reasons:

- the non-compliance situations are not significant;
- the Company is able and intends to reimburse all the amounts according to the loan agreements;
- the loans are guaranteed by the Romanian State;
- the credit institutions were informed on a yearly basis of the Company's position with respect to the financial provisions of the agreements and no measures affecting the status of these loans have been taken until now.

Short term loans

Short term loans consist of the credit lines contracted by the Issuer in order to obtain the amounts necessary for carrying out the operating and investing activities. At 31 December 2003 the Issuer used two credit lines granted by ABN-AMRO and Raiffeisen Bank, amounting to RON 10,000 th. each, for the subsidiary SMART S.A.. In 2004 these facilities were extended. As of 31 December 2005 the Issuer had two revolving loans with the Romanian Commercial Bank amounting to RON 15,000 th and, RON 10,000 th, respectively. The balance as of 31 December 2005 of these two loan facilities was RON 9,809 th.

The collateral for these loans is the assignment of receivables.

Deferred income

Deferred income as of 31 December 2003, 2004, and 31 December 2005 is represented by: Phare subsidies for investments, the special fund for the development of the electricity system received from the Ministry of Economy and Commerce, the value of some goods received by the Issuer free of charge.

The special fund for the development of the electricity system is used as a partial financing source for investments. Based on a notice received from MEC (no. 370779 of 19 March 2002), the special fund for the development of the electricity system is recorded upon the commissioning of the assets it financed, in the public patrimony account included in the shareholders' equity.

As the investments increased, the value of the subsidies obtained also increased. In 2003, these increased by 14.1% as compared to 2002, while the year on year increase recorded in 2004 as compared to 2003 was of more than 49%, while the increase in 2005 compared to 2004 was of 18.4%.

Liabilities for employees benefits

Accordingly with the G.D. no.1041/2003 and no.1461/2003, the Issuer provides to retired employees in kind benefits represented by energy. Also, the Issuer provides money benefits based on the work age and the retirement age of the employees. The expected costs of these benefits are accrued over the period of employment using the projected unit credit method.

Under this method the cost of retirement lump sum payments is charged to the income statement so as to spread the regular cost over the service lives of employees. This liability is valued based on the current value of the estimated future cash flows and was recorded by the Issuer in its financial statements starting with the financial reporting period ended on 31.12.2005.

Deferred tax liabilities/assets

In 2002, the Issuer recorded a deferred tax liability that mainly resulted from the revaluation of fixed assets.

In 2003, the Issuer identified an error in the deferred tax computation, reflected in the amounts presented in the financial statements for the year ended on 31 December 2002, namely that no deferred tax was calculated for the fixed assets included in the public patrimony. In accordance with International Accounting Standard 12 "Income Taxes", deferred income tax should have been provided for all temporary differences arising between the assets' carrying values for financial reporting purposes and the tax written down value. Although the tax written down value of such assets is nil, in accordance with para. 15 (b) of IAS 12, deferred tax is not provided on the carrying value in the statutory books, which is the value at which the public property assets were initially recognised by the Company. Consequently, deferred tax has been computed on the difference between the assets' carrying values for IFRS financial reporting purposes and the carrying value per the statutory books. The correction made by the Issuer in 2003, increased the deferred tax liability from RON 63,377 thousand (values in purchasing power as of 31 December 2003) to RON 115,044 thousand.

At the same time, during the previous years, the Issuer recorded in its statutory financial statements the revaluation of fixed assets based on the inflation indices, according to the Government Decision 1553/2003. The revaluation difference did not comply with the recognition criteria provided by IAS 16 "Tangible assets" and, therefore, was not recorded in the financial statements prepared according to IFRS. During 2003, this led to a deductible temporary difference (as the fiscal base was revaluated) amounting to RON 110,648.4 thousand. Prior to 2003 the Issuer did not record the deferred tax asset resulted from this temporary difference.

In 2004, following a detailed revision of the financial statements prepared according to IFRS, the Issuer's management identified an error regarding the registration of the deferred tax asset considering the provisions of IAS 12 stating that a deferred tax asset can be recognized for all the deductible temporary differences up to the

limit of the available taxable profit which is probable and in connection to which the temporary difference may be used.

As of 31 December 2003 the Issuer recorded losses before income tax in amount of RON 48,088 thousand, the future income and results before tax, as well as the changes in the fiscal regulations being difficult to be predicted accurately.

Following this, the Issuer decided to adopt the base treatment allowed by IAS 8 and made all the necessary adjustments over retained earnings opening as of 31 December 2004, as well as over comparative data.

In 2005, the Issuer maintained its deferred tax policy, and it did not recognise deferred tax asset amounting to RON 55,378 th as of 31.12.2005.

Trade payables

Trade payables represent the most significant part of the Issuer's current debts, their percentage in total current debts being of 41.1% in 2003, 26.8% in 2004, and 63.9% as of 31 December 2005.

These mainly consist in electricity suppliers out of which the most important are: Hidroelectrica (54% of the total volumes of 2004 and 24% of the total volumes in 2005), Complexul Energetic Turceni (10% of the total volumes of 2004 and 6% in 2005), I.E. București (8% of the total volumes in 2004, and 8.8% of the total volumes in 2005), Termoelectrica (6% of the total volumes of 2004, and 8.6% of the total volumes of 2005), Electrocentrale Deva (6% of the total volumes of 2004, and 11% of the total volumes of 2005).

Liabilities towards suppliers dropped in 2004 as compared to the previous years, recording a decrease of 40% as compared to 2003, the days payable decreasing from 135 to 72 days. This was due to a better recovery of the receivables, as the level of collections improved significantly once Electrica subsidiaries were privatized. At 31 December 2005, the balances representing debts to local suppliers recorded an important increase of 519.9% compared to 2004, especially due to a high level of receivables recorded. The uncollected receivables determined delays in payment of suppliers. The increase of debts to local suppliers as of 31 December 2005 as compared to year 2004 was determined by the fact that, starting 1 January 2005, according to ANRE regulations, the producers make available to Transelectrica the qualified efficient capacity for producing electricity in cogeneration as slow tertiary reserve, which led to the increase of the value of the invoices issued by the suppliers and due by the company.

Out of the total trade payables, as of 31.12.2005 the debt registered in connection with the balancing market represented 41.6%. The balancing market influenced the activity indicators of the Issuer, by increasing the payment days of the trade payables.

Fixed assets suppliers related liabilities

In 2004, the liabilities towards fixed assets suppliers increased by 93% as compared to 2003, and with 93.6% in 2005 compared to 2004, together with the increase of the Company's investments, reaching a percentage of 21.3% of the total current debts in 2004 and 15.9% in 2005.

The Company's main fixed assets suppliers of are: Alstom/Areva, ABB Utilities/ ABB Power Technologies, Siemens, Inabensa etc.

Dividends payable

As a company fully owned by the State, according to the legislation in force at the respective time, the company is obliged to pay dividends of 50% of the net profit after the distribution of the amounts for the reserve fund, for covering the accounting losses of the previous years and employees' participation to profit.

The dividends payable corresponding to the profits obtained during 2000-2003 were not fully paid to the main shareholder (MEC – Office for State Participations and Privatization in Industry) due to lack of funds. Provisions regarding delay penalties were computed and recorded in connection to these amounts. In 2005, the dividends due for the previous years were fully paid.

Current fiscal liabilities

Current fiscal liabilities represent debts related to current income tax, contribution to the social security funds, VAT payable, tax on salaries and other taxes and duties.

	Dec 2003	Dec 2004	Dec 2005	Dec 2003	Dec 2004	Dec 2005
	(RON th.)	(RON th.)	(RON th.)	(EUR th.)	(EUR th.)	(EUR th.)
	Audited	Audited	Unaudited			
Current fiscal debts	60,789	35,708	21,983	14,784	9,003	5,978
<i>out of which:</i>						
- current income tax	17,223	9,012	3,343	4,188	2,272	909
- contributions to social security funds	3,803	3,568	5,120	925	900	1,392
- VAT payable	10,212	8,880	4,483	2,484	2,239	1,219
- tax on salaries	2,566	2,244	1,462	624	566	398
- other taxes and duties	26,985	12,004	7,575	6,563	3,026	2,060

Source: Consolidated financial statements

Other current liabilities

Other current liabilities are the salary related liabilities, provisions for late payment of commercial liabilities, fiscal penalties and penalties related to the late payment of dividends to the major shareholder.

Provisions

The provisions for risks and charges do not represent a material percentage in total current liabilities (2.4% in 2003, 2.9% in 2004 and 3.5% at 31 December 2005).

As of 31 December 2005, the provisions were recorded in connection with litigations amounting to RON 32,907 th., out of which:

- tax on buildings and related penalties for Isaceea transmission substation. The Issuer upholds that no tax is due to the State as the substation was considered public patrimony. The tax authorities do not agree with this interpretation, the amount levied being of RON 14,194 thousand. The litigation is in progress.
- litigation with the National Regulatory Authority for Communications (“NRAC”) due to the amount of RON 10,381 thousand (RON 5,916 thousand at 31 December 2004) levied as monitoring tariff calculated as per cent of total income as a consequence of the telecommunication operator license obtained by the company. The Issuer considers that, as there was no income obtained from the communications activity, it does not have any liability to NRAC. The legal provisions are: the tariff is applicable to the operator’s total income irrespective of the activity from which it resulted. The Issuer’s legal advisors consider that it is highly likely that the process be lost in favour of NRAC and the fees be borne by the Group.

Shareholders' equity

The shareholders' equity of Transelectrica increased during 2003-2004 following the growth of the accumulated reserves. Without taking into account the changes in the public patrimony recorded as reserve during the period 2002-2004, the shareholders' equity increased by 17.3% in 2003 as compared to 2002 and by 15.7% in 2004 as compared to 2003. During the period December 2004 - December 2005, the shareholders' equity increased 10.4% based on the profit recorded in 2005.

During 2005, dividends amounting to RON 8,989 thousand were distributed, corresponding to the financial year ended on 31 December 2004.

As of 31 December 2005, the Issuer's authorized and fully paid in statutory share capital is divided in 65,968,079 shares with a nominal value of 10 RON/share. All the existing shares belonged to the Romanian State, the Issuer's sole shareholder, through the Ministry of Economy and Commerce. Following a control of the Court of Accounts in 2004, an adjustment of RON 28,525 thousand was made in order to correct a previous decrease of the share capital. At the same time, following the Government Decision no. 1065/2003, the share capital was increased by RON 1,550 thousand with respect to the share capital of the subsidiary SC ICEMENERG S.A. Other changes in the share capital that took place in 2005 account for the recognition of the lands amounting to RON 111 thousand for which the Issuer obtained ownership documents.

The corresponding increases of the retained earnings mainly resulted from two sources: the profit obtained during each financial year and the transfers of the public patrimony reserves to the retained earnings as the public patrimony assets depreciated.

Analysis of the consolidated income statement

Turnover

95% of the Issuer's turnover in 2004 (96 % in 2003) resulted from performing the services specific to the core activities:

- transmission services to electricity producers and suppliers;
- technological and functional system services;
- wholesale market administration services,

the rest coming from other activities.

In 2005 the services connected with the balancing market and green certificates market completed the list above. In 2005 the percentage of the income from principal activities was of 96% in total incomes. In 2003, as compared to 2002, turnover decreased in real terms by 2.6%, while in 2004 they increased by 29.5% as compared to 2003 and by 66.4% in 2005 as compared to 2004.

The increase recorded in 2005 is due to changes in the methodology for calculating the transmission tariff (by using the “revenue cap” method), while the Company managed to have a more effective cost structure, as well as due to the incomes registered in connection to the balancing market and green certificates market.

The breakdown of revenues from core activities for the years 2003-2005 is the following:

For the year ended on (in%)

	31 December 2003	31 December 2004	31 December 2005
Electricity transmission	63.1%	64.4%	42.0%
Technological system services	30.6%	32.6%	30.5%
Functional system services	2.1%	2.1%	2.5%
Reactive power supply	-	-	5.5%
Balancing market	-	-	15.5%
Other revenues	4.2%	0.9%	4.0%
	100%	100%	100%

Source: Management reports

The revenue structure presented above shows that the electricity transmission services and the system services have the largest percentage in the Issuer's turnover.

It should also be noted that the Issuer's turnover is directly related to the tariffs set by ANRE for the electricity transmission services and system services.

Moreover, the technological system services are not carried out by Transelectrica, but by the electricity producers in the system. The price of these services is included in the transmission tariffs and collected by the Company; Transelectrica records the revenue from technological system services according to the methodology set forth by ANRE. The price of these services is subsequently paid by Transelectrica to the producers; the Company does not record any profit margin for these services. Although the revenues are included in the turnover and the expenses are included in the system services expenses, the operating profit is not influenced by this revenue.

The same situation applies to the services provided in connection with the balancing market and the green certificates market, which, also do not generate profit margins. However, Transelectrica has recorded the revenues and the expenses in its financial statements, without influencing the Company's operating result; the Issuer does not obtain any profit margin from these services.

Operating expenses

The Issuer recorded operating losses in 2003 and a profit in 2004 and 2005. In 2004 the growth was mainly due to the accelerated growth of revenues compared to that of operating expenses (29.5% as compared to 9.3%). Compared to previous years, the expenses related to system services and repairs and maintenance of the Electricity Transmission Grid increased significantly in 2004. In 2005 the increase of operational expenses was more aggressive than the increase of incomes, determined by expenses related to the co-generated energy and expenses related with the balancing market, as well as due to the increase in the own energy consumption.

The main items included in the operating expenses are:

- salary related expenses;
- expenses with third party services;
- expenses related to grid repairs and maintenance;
- expenses related to the depreciation of assets
- expenses regarding co-generated energy
- expenses related to the balancing market.

Operating expenses include, among others, expenses related to the company's own technological consumption, which recorded a slight decrease in volume during the 2003-2005 period, but increased in value following the increase in the acquisition cost of the electricity required to cover the own technological consumption, following a change in the acquisition sources for this energy.

Salary related expenses

Salary related expenses include salaries and related contributions.

Note that the Company's average number of employees decreased during 2002-2003, but increased at the end of 2004. The evolution of the average number of employees is described in detail in chapter IV, "The Issuer's management bodies and employees".

The salary related expense increased by 8.2% in real terms in 2003 as compared to 2002 and remained almost constant in 2004. During 2005, these expenses increased by 9.8% as compared to 2004.

Depreciation

Depreciation maintained a constant trend in real terms in 2002-2003, as the Issuer's non-current asset base did not significantly alter during this period.

In 2004, the depreciation expenses decreased mainly because the public patrimony assets were written off from the Issuer's records through a concession contract concluded between MEC and the Issuer on 29 June 2004 for a period of 49 years. In 2005 compared to 2004, a slight increase was recorded (9.3%) due to the increase of the amortizable assets base.

The Issuer uses the linear depreciation method.

The fixed assets' useful life periods according to IFRS are presented in the table below:

Categories of non-current assets	Useful life (years)
Buildings and special machinery	40-50
Plant and equipment	15-40
Measurement and control equipment	7-12
Vehicles	5-8
Other tangible assets	3-5
Intangible assets	5

Source: Consolidated financial statements

As shown by the table above, the average useful life periods estimated by the Issuer are relatively longer than those used by similar companies, which consider average useful life periods between 20 and 30 years. These items, together with the current average asset depreciation ratio (approximately 69% in 2004, and 65% in 2005), indicate that the Company's non-current assets are ageing. Therefore, the Issuer is carrying out significant investments in non-current assets, as well as in implementing a continuous program for the required major programmed and current repairs for its assets.

Repair and maintenance expenses

Starting with 2001, the Issuer outsourced the maintenance services to the subsidiary SMART, especially set up for this purpose. SMART took over a part of Transelectrica's personnel. The value of the maintenance contract was estimated based on the maintenance costs recorded in 2001. As a result, the Company recorded cost savings for this item in 2002. In 2003, the average transmission tariff expressed in EUR dropped, which led to a decrease in revenue despite the increase in the quantity of energy transmitted. This also led to the reduction of budgeted maintenance expenses by 10.8% in real terms in 2003 as compared to 2002. During 2004, the repair and maintenance expenses increased by 32.7%, due to the Company's continuous concern to maintain its assets within optimal operating parameters. In 2005, the maintenance expenses decreased by 22.8% compared to 2004, due to unfavorable meteorological conditions recorded during the year.

Financial results

The financial results are directly related to the Issuer's financing policy, being influenced mainly by the development of the interest paid for the loans contracted by the company and of the foreign exchange differences regarding the foreign currency denominated assets and liabilities.

The financial revenues decreased in 2003 compared to 2002 mainly due to the fair value adjustments to the financial instruments held by the Issuer in 2002.

The financial expenses, mainly referring to interest for the contracted loans, increased in 2003 compared to 2002 due to the growth of the Company's loans. In 2004, the financial expenses increased by 118% as compared to 2003 following the contracting of new investment loans and the new drawings from the existing loans. As a result, the balance of loans increased by approximately EUR 60 million between December 2003 and December 2004.

The net foreign exchange losses recorded during 2002-2003 are mainly due to the RON depreciation versus EUR and USD, considering that most of the Company's assets are denominated in RON and most of the loans are in foreign currency. This shows that the Company is exposed to foreign exchange risk that, considering a tariff imposed in the national currency, could be managed only by means of hedging instruments. Until now, the Issuer has not used such risk management instruments, as the Romanian financial market is not sufficiently developed for this purpose.

In order to reduce the foreign exchange risk, the Issuer applies alternative methods as: matching the foreign currency of the long term loans with the reference currency for the contract with investment suppliers and matching between the loan withdrawals with the due date for the respective suppliers. Also, ANRE may influence the risk reduction by adjusting the transmission tariffs with the annual inflation.

In 2004, due to the RON appreciation versus the main foreign currencies, the Issuer recorded a net foreign exchange income that contributed to the consolidation of the Company's positive result in 2004.

In 2005 the net value of financial items registered and increase of 42.6%, mainly due to the increase in interest expenses, due to a difference of interest recorded for the Counterparty Fund (Ministry of Finance). The foreign exchange differences recorded an insignificant percentage (only 0.8%) in the net financial result.

Income tax**Current income tax**

In 2003, the income tax was computed using a 25% rate for to internal operations and a 12.5% rate for export operations, while in 2004 the applicable taxation rate was 25%. In 2005, the applicable taxation rate was 16%.

When calculating the income tax, the most important factors that contribute to the increase of the tax base are the non-deductible expenses relating to delay penalties paid by the Issuer to the state budget, the Ministry of Finance and OPSPI.

In 2003, the income tax was significantly lower than in 2002 and 2004 due to the profit recognised according to the Romanian accounting standards, which was much lower than in the other mentioned years (RON 45.48 million in 2003 as compared to RON 68.32 million in 2004).

During 2005, the income tax expense decreased by 26% against the previous year, while the taxable income increased by 37.2%.

Deferred tax

In 2002, the deferred tax represented the effect of recording the temporary differences between the accounting value and the fiscal base applicable to the Company's assets, computed using a rate of 25%.

In 2003, the Issuer revalued its fixed assets according to Government Decision no. 1553/2003. The revaluation was recognised from a fiscal point of view, and accordingly the tax base for many assets increased, sometimes exceeding the net value recognised according to IFRS. As a result, the Company recorded a deferred tax asset and an income, respectively, without being sure that, in the future, it will have an available taxable income against which to use the temporary difference. In 2004, the Issuer decided to correct this accounting treatment applied in 2003 by not recording the deferred tax asset and the related income. This led to the decrease of the previously recorded income of RON 168,193 thousand to RON 57,545 thousand and of the total assets from RON 2,956,538 thousand to RON 2,845,889 thousand.

Cash flow analysis

The operating cash flow was significantly larger in 2004 than in the previous years (63% higher than in 2003). This is due to the growing operating activity and, at the same time, to the diminishing receivables' collection period. However, note that not always does the settlement of receivables or debts generate increases or reductions of the available cash, as the Issuer performs compensations with some of its customers that are also its suppliers. Starting 2004, the value of these compensations decreased following the privatization of Electrica subsidiaries. At the same time, it is estimated that the privatization process will continue until the end of 2006, which will further significantly reduce the compensation settlements. During 2005 the operating cash flow increased by 62% as compared to 2004.

The Issuer's investment plans grew during the analyzed period, with the funds used for acquiring non-current assets and for the work in progress increasing by 128% in 2003 as compared to 2002 and by 46.5% in 2004 as compared to 2003. These investments decreased during 2005, when the increase in fund used for investment activities was of only 18.8%.

The main financing sources for these investments are loans, other sources being subsidies, funds from the special energy system development fund and own funds.

In 2005 note that the cash resulted from financing activities was reduced compared to 2004, following the payment of dividends due for previous years and due to the decrease of subsidies.

Most of the operating and financing cash flow is used for investments. The cash balance at the beginning and, respectively, at the end of the periods under review does not have a significant percentage in total assets (1.6% in 2003, 2.2% in 2004 and 1.8% in 2005).

Analysis of financial ratios

RATIO	Formula	December	December	December
		2003	2004	2005
Profitability				
EBITDA margin	EBITDA/Turnover	17.8%	29.1%	19.3%
Operating profit margin	Operating Profit/Turnover	n/a.	13.7%	10.9%
EBT margin	Pre-tax Income/ Turnover	n/a.	10.5%	8.2%
Net income margin	Net Income / Turnover	20.5%	8.2%	7.2%
Adjusted net income margin *	Net Income * / Turnover	7.0%	8.2%	7.2%
Return on assets	Net Income/Average total assets	1.5%	0.8%	1.2%
Return on assets (adjusted*)	Net Income */Average total assets *	0.5%	0.9%	1.2%
Return on equity	Net Income /Equity	7.9%	7.6%	10.1%
Return on equity (adjusted**)	Net Income* /Equity **	5.9%	7.6%	10.1%
EBITDA to equity	EBITDA/Equity	6.8%	27.2%	27.1%
EBITDA to adjusted equity **	EBITDA/Equity **	14.8%	27.2%	27.1%
Liquidity				
Current ratio	Current assets/Current liabilities	1.12	1.22	1.07
Quick Ratio (Acid test)	(Current assets -Inventories)/Current liabilities	1.01	1.14	1.03
Indebtedness				
Debt-to-Equity Ratio	Total Debt / Equity	0.18	0.54	0.69
Debt-to-Equity Ratio (adjusted**)	Total Debt / Equity **	0.39	0.54	0.69
Interest coverage ratio	EBIT/Interest paid	n/a	9.15	6.26
Activity ratios				
Days Receivable (days)	Receivables x Period (1) / Turnover	153	121	185
Days payable (days)	Payables x Period (1) / Cost of Sales***	135	72	230
Days payable to suppliers of non-current assets (days)	Payables to suppliers of non-current assets x Period(1)/Non-current asset purchases	45	60	95

* Adjustments made to evidence the fundamental errors identified by the Company during the following financial year

** Adjustments made to evidence the fundamental errors identified by the Company during the following financial year and the effects of recording the public patrimony assets to reserves during 2002-2003

*** Because the Company's financial statements do not contain an allocation of the suppliers' costs, the cost of sales is derived from adding up the expenses related to system services and repairs and maintenance, which could influence the days payable

(1) The reference period used for calculating the ratios is 365 days

Source: Issuer's computation based on the information in Consolidated financial statements

The analysis of all the Company's ratios shows an improvement in performance and efficiency in 2004 as compared to the previous years, a trend which is maintained in 2005.

The comparative analysis was carried out for the values reported in the audited statements, as well as by adjusting these values with the corrections made by the Issuer in the financial statements of the following year or by eliminating the changes that significantly influence the operational analysis, without being generated in the normal course of business. Please refer to the adjustments presented in the subchapter "The analysis of consolidated balance sheet".

Profitability analysis

The profitability analysis shows a fluctuation of the EBITDA margin, pointing to a decrease of the Company's profitability in 2003 as compared to 2004 and a significant growth in 2004 as compared to 2003 from 17.8% to 29.1%; the operating profit ratio was of 13.7% in 2004, the first year when the Company recorded an operational profit. This profitability level recorded in 2004 places the company at a level comparable to other similar companies.

The net income ratio increased during 2003-2004, reaching 7% and 8.2% respectively, a level comparable to other similar companies in Europe, while the return on equity remained low.

The Issuer's profitability is influenced by the fact that the tariff for electricity transmission and other services rendered by the Issuer must be periodically agreed with ANRE.

At present, according to the tariff setting methodology, we can consider that the Weighted Average Cost of Capital ("WACC") applicable in setting the tariff according to the methodology presented at Chapter V 5.2 The capital market and regulations is comparable to that of other companies in the European Union, currently set at 6.5% (starting 1 January 2006). During 2005 there is a decrease of profitability computed based on turnover and an increase of equity profitability. It should be considered the fact that for the all analyzed periods in turnover are included also incomes from activities for which Transelectrica does not retain any margins, being only an intermediary for invoicing these incomes.

Liquidity analysis

The analysis of the liquidity ratios shows that the Issuer's current ratio decreased from 1.12 in 2003, only to increase to 1.22 in 2004. These trends, together with a quick ratio higher than 1, show a positive development, the Issuer being able to cover its current liabilities with short-term available assets, taking into account that inventories have very low values and do not impact significantly on the quick ratio. The adequate liquidity level is maintained in 2005 when both receivables and current liabilities recorded a significant increase.

Indebtedness analysis

The Issuer's debt-to-equity ratio increased in the last two years from 0.39 in 2003, and reaching 0.54 in 2004 and 0.69 in 2005.

This development shows the Issuer's concern to obtain long-term financial resources required by the investment plans assumed for the following period.

The current indebtedness level confirms the existence of a growth potential for the Company's indebtedness during the following period, which would allow the Company to obtain long term resources for new investment projects.

Activity ratios analysis

The analysis of the days receivable and days payable shows a significant increase in 2005 of both ratios. As of 31 December 2005 the Issuer continued to have important amounts to be received from Electrica SA. Also, it should be considered the fact that the balance of receivables and trade payables include amounts related to the balancing market, amounts not invoiced as of 31 December 2005.

In 2004, the activity ratios significantly improved, mainly due to the privatization of Electrica subsidiaries starting in 2004, which led to better collections from these subsidiaries, allowing the Issuer to better manage its cash resources, part of which were used to pay suppliers of services and non-current assets.

With respect to the suppliers of non-current assets, the days payable during the period 2003-2005 are normal, mainly because the approved investment projects are mostly financed using loans contracted from international banks.

Information regarding recent developments

Starting July 1, 2005, according to the Commercial Code issued by ANRE, CN Transelectrica became the balancing market operator, responsible for:

- registration the balancing market participants;
- collection and checking of the offers;
- computation of the necessary quantities for settlements of balancing market transactions.

The Issuer is a counterparty for the balancing market transactions both for the market participants and for the parties in charge with the balancing operations.

CN Transelectrica acquires and sells energy necessary for:

- providing the flexibility and stability of the RPS;
- commercial solving of the restrictions in RPS;
- real-time balancing of the production towards consumption.

The balancing market recorded in 2005 a significant impact in total operational expenses and incomes, with a percentage of 15.7% in total incomes and 14.2% in total expenses.

Even if the rendering of these services should not generate a margin, in first three months of existence for this market, incomes and expenses recorded were not equal; this situation was corrected at the end of the period.

Also, accordingly with the Energy law and the other legislation regarding the energy production from renewable sources and ANRE decision no.46/2005 for approving the Allocation procedure of the amounts resulted by applying the above mentioned legislation, the Issuer has the following obligations starting with 2005:

- issuing of green certificates on the energy market to the energy producers which have to produce this kind of energy;
- invoicing and collection of amounts coming from suppliers which do not met the mandatory levels and the number of green certificates allotted but not acquired by them;
- redistributing the above-mentioned amounts collected from renewable energy producers, weighted according to ANRE decision.

The green certificates market does not register a significant impact in total operational income and expenses, their weight representing only 0.01%.

The reduction in the growing trend of the operational profit for the second half of 2005 is mainly due to additional risks and expenses provisions totaling to 29,427 RON th. The final balance as of December 31, 2005 for these risks and expenses provisions include, among others:

- a provision representing the monitoring tariff and the contribution for the net expenses related to the general services applied by ANRC (The National Authority for Communication), following the Issuer registration as communication operator (RON 10,380,727);
- provisions for litigation in course with the Ministry of Public Finance – ANAF (RON 5,035,050 and RON 6,458,113, respectively)
- provision for a litigation with Isaccea Local authority for unpaid local taxes (local taxes on buildings) related to public patrimony assets (RON 14,194,190);
- provision for the profit employees contribution (RON 2,253,968).

Also, compared with the previous year, the reduction in the growing trend of the net profit is influenced by foreign exchange differences recorded for the revaluation of assets and liabilities.

Dividend policy

The Issuer will pay dividends out of the net profit obtained during the previous financial year and any reserves to be appropriated only after the yearly financial results are approved by the general meeting of shareholders. Prior to the dividend payment, the Issuer must allocate, on a yearly basis, an amount representing 5% of the net

profit until legal reserves reach one fifth of the Company's share capital. These reserves cannot be distributed during the Company's lifetime.

As a company fully owned by the State, according to the provisions of the Order of the Ministry of Public Finance 144/2005 and Government Ordinance 64/2001, the company must pay dividends amounting to 50% of the net income, after the income tax, legal reserves, covering the accounting losses from previous years and the employees' participation to profit, as the case may be. **All these amounts will be computed based on the yearly financial statements prepared in accordance with the Romanian accounting standards.**

The dividends payable corresponding to the profits obtained during 2000-2003 were not fully paid to the main shareholder (MEC – Office for State Participations and Privatization in Industry) within the legal deadlines due to lack of available funds. Provisions regarding delay penalties were calculated and recorded in connection to these amounts. In 2005, the dividends due for the previous years were fully paid.

Year	2003	2004
Net dividend per share (RON)	0.041	0.097

Source: Issuer's computations made based on Statutory financial statements.

In case the Issuer will continue to be a company where the State will hold a majority stake, the dividend payment policy will continue according to the applicable regulations in force.

As of 31 December 2004, the profit carried forward (calculated according to the Romanian accounting standards) totalled approximately RON 8,988,771.

Chapter VII. REAL ESTATE PROPERTIES, EQUIPMENT AND INSTALLATIONS. IMPORTANT CONTRACTS, LITIGATION

7.1 Information concerning non-current assets, the existing assets or those planned to be purchased, including properties purchased in leasing system and any mortgages/charges on such assets

The Issuer does not own non-current assets or properties purchased in leasing.

7.2. Important contracts

7.2.1 Loan agreements concluded with International Financial Institutions guaranteed by the Government.

A. Loan agreements taken over by the Issuer from the previous entities

By the incorporation of C.N. Transelectrica according to the Government Decision no. 627/2000, the Issuer took over a part of the loan agreements concluded by “RENEL” Electricity Company, according to the Company’s object of activity.

1. Loan granted by the International Bank for Reconstruction and Development (“IBRD”) 3936

Signed on 29 August 1995, for the total amount of USD 110,000,000, the loan was granted to RENEL for the Romanian Power System Rehabilitation and Modernization Project, co-financed by the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the European Union through PHARE funds. On 31 May 2002, according to the addendums, the Issuer took over a part of this loan in amount of USD 747,747.00. The loan repayment is scheduled over 14 years by half-year payments to be made until November 2015. The loan bears a variable interest, representing the cost of the eligible loans granted by EBRD on the financial market. The Loan is guaranteed by the Romanian State through the Ministry of Public Finance. The contract is governed by the international law, any litigation between the parties being settled by the arbitration court of the International Court of Justice. As of 31 December 2005 the loan balance was of USD 579,247.99. The loan agreement includes the following financial covenants: (i) self financing ratio – 30 % out of the total capital expenditure must be financed from the Company’s own funds; (ii) the debt service coverage ratio should be at least 1.5; (iii) the operating ratio should not exceed 80%; (iv) the current ratio should not be less than 1 and (v) the turnover of receivables from electricity transmission should not exceed, on average, the equivalent of 2 months sales to customers.

2. Loan granted by the European Bank for Reconstruction and Development (“EBRD”) 365

The loan no. 365 was granted to RENEL for financing the Romanian Power System Rehabilitation Project. The loan agreement was signed on 10 November 1995 with an initial value of EUR 78,100,000. According to the contract concluded in June 2001, the Issuer took over a part of this loan having a total amount of EUR 34,308,092.02. The loan carries an interest rate of EURIBOR 6m plus 1%.

The credit is repaid on a half-year basis, on 22 February and 22 August, during the period August 2001 and February 2009. The Ministry of Public Finance unconditionally guarantees, as primary obligor, not only as guarantor, the appropriate and in time payment of any amounts due under the loan agreement, as the case may be, upon maturity or the payment in advance of all the other Borrower’s obligations, as well as the timely fulfillment of all the other Borrower’s obligations, as provided for in the loan agreement. According to the agreement, the litigation between the parties will be settled by the International Court of Justice according to UNCITRAL arbitration rules, the arbitration place being the Hague.

As of 31 December 2005 the loan balance was of EUR 11,333,318.20. The loan agreement includes the following financial covenants: (i) the debt service cover ratio should be at least 1.3; (ii) long term debt to equity should be no more than 2.3; (iii) the current ratio (current assets to current liabilities) should not be less than 1.2; (iv) the pre-tax working ratio (total operating revenues to total working expenses) should not be less than 1.3 and (v) the maintenance during the 30 days period preceding each interest payment date, in a debt service account, of 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.

3. Loan granted by the European Investment Bank (“EIB”) 1.8194

The loan no. 1.8194 was initially granted to the Ministry of Public Finance and to the RENEL, CN Transelectrica’s predecessor, on 31 October 1995. The loan was granted in ECU, the equivalent of EUR 60,000,000, its purpose being to finance the Romanian Power System Rehabilitation Project. According to the sub-loan agreement signed between the Ministry of Public Finance and the Issuer on 1 August 2001, Transelectrica took over a part of the loan, in amount of EUR 6,084,012.09. The loan carries a variable interest rate, applicable at the date of withdrawal. The credit repayment is scheduled over 10 years, between 2001 and 2010, in 20 installments. In case that, due to the Issuer’s non-compliance with the provisions included in the sub-loan agreement, payment obligations in the name of the Ministry of Public Finance are created, the Issuer will reimburse to the Ministry of Public Finance the amounts paid and will pay a penalty equal to that applicable in case of payment obligations to the state budget. The guarantees required in the agreement are mortgages on all the immovable properties of CN Transelectrica established in favour of the Ministry of Public Finance. According to the information provided by the Issuer, a risk commission replaced the mortgage agreements in favour of the Ministry of Public Finance. As of 31 December 2005, the loan balance was of EUR 3,042,006.09. The loan agreement includes the following financial covenants: (i) self financing ratio - 30 % out of the total capital expenditure must be financed from the Company’s own funds; (ii) the debt service coverage ratio should be at least 1.5; (iii) the operating ratio should not exceed 80%; (iv) the current ratio should not be less than 1 and (v) the turnover of receivables from electricity transmission should not exceed, on average, the equivalent of 2 months sales to customers.

B. Loan agreements concluded directly by the Issuer

1. Loan granted by the European Bank for Reconstruction and Development (“EBRD”) 906

The loan’s purpose is to finance the Electricity Transmission Grid Rehabilitation Project for the implementation of a competitive market by the National Electricity Transmission Company “TRANSELECTRICA S.A”. The loan was granted on 8 December 2000, being subject to the granting of a loan by the European Investment Bank (EIB) in amount of EUR 96,000,000 presented below and the contributions of Phare grants in amount of EUR 20,400,000, which were obtained according to the agreement dated 6 November 2000. The approved value of the loan was of USD 51,472,000 to be used over 42 months as from the agreement date. The loan bears an annual interest rate of EURIBOR 6m plus 1% The repayment was scheduled over 9 years, between May 2004 and November 2013. The loan is guaranteed by the Romanian State through the Ministry of Public Finance according to the unconditioned Guarantee Agreement published in the Official Gazette, Part I no. 190 dated 13/04/2001. In case of litigation between parties, the competent court is The Hague International Court of Justice, according to the UNCITRAL arbitration rules, the agreement being governed by the international public law. As of 31 December 2005 the loan balance was of USD 41,177,600. The loan agreement includes the following financial covenants: (i) the debt service cover ratio should be at least 1.3; (ii) long term debt to equity should be no more than 2.3; (iii) the current ratio (current assets to current liabilities) should not be less than 1.2; (iv) the pre-tax working ratio (total operating revenues to total working expenses) should not be less than 1.3 and (v) the maintenance during the 30 days period preceding each interest payment date, in a debt

service account, of 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.

2. Loan granted by the European Investment Bank (“EIB”) 20.864

The purpose of the loan is to finance the Electricity Transmission Grid Rehabilitation Project. The loan agreement was signed on 8 December 2000. There were three parties involved: direct borrower is the Romanian State through the Ministry of Public Finance, the signatory CN Transelectrica S.A is the sub-borrower according to the Subsidiary Loan Agreement signed on 14. 11.2001. The loan amount is of EUR 96,000,000.00. The loan can be used until 31 December 2005. The loan bears a variable interest rate, represented by the applicable interest rate at the date of withdrawal.

The repayment is scheduled over 10 years, between 5 June 2006 and 5 December 2015.

In order to guarantee the full and in time payment of the debt related to the subsidiary loan (interests, commissions, principal rates), the Issuer must deposit, at least 30 days before each due date, the amounts necessary for making the payments in a separate, interest-bearing deposit account made available to the Ministry of Public Finance, opened with a commercial bank agreed by the latter; while at the same time the Issuer will submit to the Ministry of Public Finance justifying documents regarding such amounts. In case of litigation, the courts of jurisdiction for the sub-loan agreement are Romanian courts, whereas the loan agreement itself is under the jurisdiction of the European Community Court of Justice, the parties waiving any immunity or right of challenge as to the jurisdiction of the Court, the law governing the agreement being the French law. As of 31 December 2005 the loan balance was of EUR 63,000,000. Taking into account that on the international bid for the “Electricity Transmission Grid Rehabilitation Project – Optical fibre” and after negotiations competitive prices were obtained, the project was made at half of the estimated price included in the feasibility study, inducing substantial savings, in the benefit of the Company, according to the bank’s approval. At the same time, an addendum to this loan agreement will be concluded for the technical and financial restructuring of the loan. The loan agreement includes certain financial covenants: (i) the debt service cover ratio should be at least 1.3; (ii) long term debt to equity should be no more than 2.3; (iii) the current ratio (current assets to current liabilities) should not be less than 1.2; (iv) the pre-tax working ratio (total operating revenues to total working expenses) should not be less than 1.3.

3. Loan granted by IBRD RO 7181

The loan agreement concluded with the International Bank for Reconstruction and Development (IBRD) on 15 July 2003 is used for financing part “A” of the project called: Wholesale Electricity Market. This part of the project is aimed at revamping the Fundeni and Iernut substations, purchasing consultancy and management services; designing, testing and implementing a new mechanism for the balancing market; financial management consultancy services, training the Issuer in environment-related matters. The B stage of the project, carried out by ANRE, is financed by a subsidy granted by the EU on 6 November 2000 amounting to EUR 900,000. The C stage of the project will be developed by OPCOM, with the IBRD assistance and financing included in the present agreement. The project is expected to be completed by 30 December 2007.

The loan amounts to EUR 74,300,000, the last drawing date being 30 June 2008. The interest communicated by IBRD depends on the cost of financing. The loan will be repaid half-yearly over a period of 12 years starting 2008. According to the Guarantee Agreement concluded between Romania and the Bank on 15 July 2003 and published in the Official Gazette no. 904/2003, the Romanian State provides unconditional guarantee as primary payer and not as simple guarantor for the timely payment of the principal installments, interest and other commissions arising from the loan and, as the case may be, of the premium due in case of early repayment of loan, as provided for in the loan agreement. The agreement will be governed by the international law.

One of the conditions imposed to the Issuer in the loan agreement, it is worth mentioning the obligation not to incur any debt unless the Issuer's net income obtained in the previous fiscal year is of at least 1.3 times higher than the debt service estimated for the concluded fiscal year, including the debt to be incurred. At the same time, the Issuer should keep, for each fiscal year starting 2003, a current assets to current debts ratio of at least 1.2. Should the Issuer believe that it cannot meet such requirements, it will take all the measures necessary to remedy such state of facts. As of 31 December 2005 the loan balance was of EUR 20,754,175.35.

4. PIL 02/37 loan granted by Nordic Investment Bank

For financing the rehabilitation project for Roşiori 400/220kV substation, on 25.02.2004 the Issuer signed a loan agreement with Nordic Investment Bank in amount of EUR 13,300,000.00.

The project was co-financed out of the Issuer's own sources. The loan granted to the Issuer is guaranteed by the Romanian State through the Ministry of Public Finance. The applicable interest rate is EURIBOR plus 0.90%. According to the loan agreement, the Issuer may originate drawings until 15 June 2008. The loan is to be repaid in consecutive half-yearly approximately equal installments over 10 years starting 2008. According to the loan agreement, the bank may request the loan to be reimbursed immediately in case the Issuer or the Guarantor breach the payment terms for more than 30 calendar days in connection to the amounts due under the loan agreement or under any agreements concluded with the bank, if any provisions hereof were breached and such breach lasts for more than 60 days from the Bank's notice for this purpose or in case the Guarantor or any competent authorities take measures regarding Issuer's dissolution or winding-up, the suspension of its activities which could negatively influence its financial possibilities, unless the Bank and the relevant authorities agree on other satisfactory terms. Early repayment may also be declared if the Issuer or the Guarantor fail to repay any other loan to any other multilateral financial institution and the related debt was or may be declared due earlier. Should the parties fail to reach an amiable consent, the litigation will be settled according to the arbitration rules of the International Chamber of Commerce, the arbitration venue being Paris and the arbitration language – English. In this respect, the Issuer waived any immunity right save for the one related to the assets included in the public domain. The loan is governed by the Swedish law. As of 31 December 2005 the loan balance was of EUR 10,092,415.45.

5. PIL 03/5 loan granted by Nordic Investment Bank

The loan with a maximum amount of EUR 23,000,000 is aimed at financing the rehabilitation of the Gutinas 400/220/110kV substation, the project being co-financed by the Issuer out of its own sources.

According to the loan agreement signed on 19.11.2004, the loan will be repaid during the period of 2009-2018, in half-yearly successive installments. The interest rate is EURIBOR plus 0.85%. The Romanian State, through the Ministry of Public Finance, guarantees the Issuer's payment duties. According to the provisions included in the loan agreements, the bank may request the loan early repayment in case the Issuer or the Guarantor breach the payment terms for more than 30 calendar days in connection to the amounts due under the loan agreement or under any agreements concluded with the bank, if any provisions hereof were breached and such breach lasts for more than 60 days from the Bank's notice for this purpose or in case the Guarantor or any competent authorities take measures regarding Issuer's dissolution or winding-up, the suspension of its activities which could negatively influence its financial possibilities, unless the Bank and the relevant authorities agree on other satisfactory terms. Early repayment may also be declared if the Issuer or the Guarantor fail to repay any other loan to any other multilateral financial institution and the related debt was or may be declared due earlier. The Issuer waived any immunity right save for the one related to the assets included in the public domain. The loan is governed by the Swedish law. As of 31 December 2005 the loan balance was of EUR 13,047,321.

6. PIL 02/18 loan agreement concluded with Nordic Investment Bank

The loan agreement signed on 19.02.2003 for a maximum financing of USD 18,650,000 is aimed at financing the rehabilitation project for Slatina 400/220kV substation. The project is co-financed out of the Issuer's own sources and by means of a loan contracted from a commercial bank. The loan was approved by the Government Decision no. 1340/2002, the Romanian State through the Ministry of Public Finance guaranteeing the Issuer's payment duties. According to the loan agreement, the Issuer may make drawings until 15 December 2006, the loan repayment term being of 10 years, from October 2008 – April 2018, in half-yearly installments. The Issuer may ask the Bank to cancel any amounts deemed unnecessary for the completion of the project. The loan carries a variable interest rate LIBOR plus 0.9%. Early repayment may be declared in case the Issuer or the Guarantor fail to repay any other loan to any other financial institution and the related debt was or may be declared due earlier. It is also worth mentioning that the agreement is governed by the Swedish law. As of 31 December 2005 the loan balance was of USD 16,810,283.60.

7. Loan Agreement concluded with Japan Bank for International Cooperation (“JBIC”)

The loan agreement concluded with Japan Bank for International Cooperation (“JBIC”) on 25.06.2004 is aimed at financing the rehabilitation and the modernization of the Brazi-Vest 400/220kV substation. The total amount of the granted loan was of 2,621,145,000 Japanese Yens to be used until 31 October 2007. The loan will be repaid on a half-yearly basis, on 15 March 2007 and 15 September 2016. According to the Government Decision no. 154 of 12th February 2004, the loan is guaranteed by the Romanian State through the Ministry of Public Finance.

According to the provisions included in the loan agreement, the Issuer has certain duties regarding the observance of environment and social conditions; in case the Issuer does not comply with such obligations the loan may be cancelled. As of 31 December 2005 the loan balance was of 1,448,829,541 Japanese Yens.

7.2.2 Loans from commercial banks

A. Guaranteed by Bank Guarantee Letter

1. Loan granted by Kreditanstalt fur Wiederaufbau (“KfW”) no.9787

The purpose of this loan in initial amount of EUR 12,555,868.50 is to finance the rehabilitation of Constanta Nord 400/110kV electric substation. The loan agreement was signed in September 2001.

According to the amendment dated 22.04.2005 the loan amount was cut by EUR 400,715.50, therefore the repayment duty of CN Transelectrica S.A is of EUR 12,155,153.00. The variable interest rate applicable is EURIBOR plus 0.725%.

The repayment is scheduled over 9 years, between 31 May 2004 and 2012, in 17 half-yearly installments.

The loan is guaranteed by a bank guarantee letter issued by the Romanian Commercial Bank. As of 31 December 2005 the loan balance was of EUR 9,200,829.

2. Loan granted by Westdeutsche Landesbank Girozentrale (“WestLB”)

The value of the agreement signed in February 2002 amounts to EUR 14,200,000.00, the purpose being to finance the Oradea Sud 400/110 kV Project.

According to the amendment of 03.12.2004, the loan value was cut by EUR 2,383,056.90, therefore the repayment duty of CN Transelectrica S.A is of EUR 11,816,943.10. The variable interest rate applicable is EURIBOR plus 0.5%.

The repayment is scheduled over 9 years, between 2004 and 2012, in 17 half-yearly installments.

The loan is guaranteed by a bank guarantee letter issued by the Romanian Commercial Bank.

The guarantees granted by the Romanian Commercial Bank are secured based on the following:

- pledge on the cash deposited to an account opened with the Romanian Commercial Bank;
- pledge on the current and future receivables from SC Electrica S.A.;
- 17 promissory notes issued by the Issuer in favour of the Romanian Commercial Bank equal to the loan repayment installments, the due days being correlated to the repayment schedules agreed with the foreign banks.

According to the agreement, the financing bank may request the suspension of the loan and the early repayment thereof in case the Issuer or the Guarantor have a debt declared due in advance or if negotiations are started with the creditors for debt rescheduling in case the Issuer's or the Guarantor's financial condition deteriorates and also in case any governmental approval, consent ceases being effective or is altered in a way unacceptable to the Creditor. On 31 December 2005 the credit balance was EUR 9,731,600.20.

B. Guaranteed by assignment of receivables

1. EBRD RO 33354 loan agreement

The syndicated loan agreement concluded between the Issuer and the European Bank for Reconstruction and Development (EBRD) on 20th December 2004 is a private loan granted by EBRD without any governmental guarantee. The loan guaranteed by the Issuer by assignment of receivables is aimed at financing the project for the construction of a 400 kV interconnection electric line between Oradea South and the Romanian – Hungarian border and the construction of a new 400 kV operation substation at Nadab, to be financed out of EU-Phare funds. The value of the syndicated loan granted by EBRD is of EUR 23,200,000, out of which EBRD, as arranger, grants EUR 18,200,000 – as part A of the credit, and Raiffeisen Bank grants EUR 5,000,000 – as part B. Part A of the loan is repayable in 18 equal half-yearly installments falling due on 25 May and 25 November each year, starting 25 November 2007.

Part B of the loan is repayable in 14 equal half-yearly installments falling due on 25 May and 25 November each year, starting 25 November 2007.

The loan is guaranteed by the Issuer by means of a pledge on the bank accounts and assignment of receivables related to transmission service contracts. At the same time, according to the agreement, the Issuer sets one of the accounts as the Reserve Account for the Debt Service, having the obligation, during the term of the agreement, to keep a minimum balance made up of the principal amount and the interest payable in the following six months, the drawings from such an account being allowed solely to pay the principal and the interest. Should the Issuer breach the provisions of the agreement, the Bank, at its choice, may declare the entire amount or any part thereof: a) due or payable on demand, or b) due or payable forthwith, without further notices or demands from the Bank. Until 31 December 2005 the Issuer has not made any drawing under this loan agreement.

2. BCR 398/2004 Credit Agreement

The loan agreement in amount of RON 35,000,000 signed with the Romanian Commercial Bank (BCR) on 7 October 2004 is aimed at financing the advance payment of 15% of the imported equipments for the investment objectives “Modernization of the Bucharest South substation” and “Modernization of Sibiu South substation”. The loan bears an interest rate of BUBOR plus 0.5%. The loan is repayable in equal half-yearly installments on 15 April and 15 October starting April 2007, the last installment being due in April 2013.

For obtaining the loan, the Issuer established the following guarantees in favour of the bank: pledge over the credit balances of the accounts opened with the Romanian Commercial Bank (BCR), assignment of the Company's future receipts, without setting a collateral deposit, according to the agreements concluded with SC FDEE Electrica Muntenia Nord SA and/or other distribution subsidiaries of SC Electrica SA, the value of the guarantee accepted in 2004 being of RON 84.7 million, designed to cover the loan and the related interest, promissory notes equal to the value of the loan installments and the related interests. As of 31 December 2005, the loan balance was of RON 35,000,000.

C. Guaranteed by specialized loan insurance institutions

1. Credit Agricole Indosuez CALYON Loan Agreement

The purpose of the loan agreement dated 12 March 2003 is co-financing of the Slatina 400/220 kV sub-station rehabilitation project. The project is also financed by the Nordic Investment Bank via loan agreement PIL 02/18 and by the Issuer's own funds. The value of the loan amounts to maximum USD 10,000,000. The loan is repayable in 14 equal half-yearly installments starting on June 2006, the last repayment being scheduled on December 2012. The interest rate is LIBOR plus 0.7%. According to the loan agreement, the Bank may declare the loan due in certain circumstances, including: breach of the payment terms or any other contractual obligations which in the opinion of the lender, cannot be repaired or continues for more than 30 calendar days from the Bank's notice for this purpose, breach of repayment schedules, declaration of an early due debt or execution of guarantees for another debt of the Issuer, with the amount higher than USD 500,000 as well as in case the EKN guarantee can no longer be applied.

The agreement is governed by the Swedish law. In case of litigation, the dispute will be settled by and according to the provisions of the Arbitrage Court of the Stockholm Commerce Chamber. At the same time, the Issuer waived any immunity right according to the agreement's provisions. At 31 December 2005, the loan balance was USD 10,000,000.

2. KFW 11300 Loan Agreement

The purpose of the agreement between the Issuer and Kreditanstalt fur Wiederaufbau, Frankfurt am Main (KFW), dated 13.08.2004, is the financing of Bucharest South 400/220kV substation rehabilitation and modernization project. Accordingly to the addendum signed on 04.11.2004, the value of the loan is EUR 31,906,808. The repayment of the loan will be done in 20 equally semi-annual installments, the first being due on 31 January 2008. The loan bears an interest rate of EURIBOR plus 0.6%.

Accordingly to OECD rules, the loan is guaranteed by the German State through Euler-Hermes Kreditversicherungs-Aktiengesellschaft. The Issuer is allowed to advance payments only at the due date, amounts bearing a variable interest, at a minimum amount of EUR 5,000,000, based on a prior notice made 30 days before the due date. Early repayment may be requested by the bank due to certain causes: breach of contractual obligations as well as not fulfillment of payment obligations related with other contract or guarantee, totalling due amounts over EUR 5,000,000 or equivalent. Also, the bank may declare the loan due in the event when the export agreement is null, cancelled or terminated from other reasons than maturity or in case when a change in the legal statute, control, the nature or the volume of the Issuer's activity, in the reasonable opinion of KFW, may cause a prejudice to KFW. The balance of the loans as of 31 December 2005 was of EUR 9,108,876.25.

3. KFW 10431 Loan agreement

The purpose of the loan agreement signed on 12 August 2004 is 400/220/110 kV Sibiu South sub-station rehabilitation project. The value of the loan is EUR 21,986,987.50. The interest rate applicable is EURIBOR

plus 0.60%. The repayment of the loans will be done in 20 equally semi-annual installments starting on January 2008. The loan can be drawn until 30 June 2007. The Issuer is allowed for early repayment only at a due date, amounts bearing a variable interest rate and amounting to minimum EUR 5,000,000, based on a previous notice send to the bank 30 days before due date.

According to OECD rules, the loan is guaranteed by the German State through Euler-Hermes Kreditversicherungs-Aktiengesellschaft.

The agreement is governed by the German law. The balance of the loan as of 31 December 2005 was EUR 5,228,075.50.

7.3 Litigation

On April 20, 2006, Transelectrica was a party to a number of 9 cases on the roll of the courts of law, in most of which the Company acts as plaintiff or challenging party.

Among such cases, strictly based on the significant value of the amounts Transelectrica would have to pay in the event the courts rule against such company, we would like to mention the cases against the National Tax Management Agency (ANAF), which are part of the procedures for the challenging of the tax returns issued by such authority and which claim the payment of approximately RON 5,035,000. It must be underlined that on April 20, the competent court rejected irrevocably the procedure initiated by the Issuer aiming to declare the nullity of the tax return issued by ANAF for a debt of approximately RON 6,450,000. The Issuer has paid all these amounts, and once all the litigations are finalized an analyze for the possibility to recover these amounts shall be done.

In addition to that, a series of three court actions have been opened, whereby the Issuer requests the courts of law to cancel a series of decisions of the National Communications Regulatory Authority, based on which Transelectrica would have to pay debts amounting to approximately RON 10,380,000. Following two irrevocable court decisions, the courts have considered the decisions of the National Communications Regulatory Authority to be valid, and consequently the Issuer has been obliged to pay approximately RON 7,540,000. Currently, this debt is analyzed by the competent courts for forced execution, because the Issuer challenged the forced execution procedure. With regard to the decision of the National Communications Regulatory Authority for a debt of approximately RON 2,830,000 the Issuer court action aiming to declare this title to be null and void is currently under analyses by the Romanian courts.

Moreover, mention should be made of the fact that the National Electricity Transport Company Transelectrica acts as defendant in two litigations namely (i) the former owners of a real estate property of 3,517 square meters on which is located a part of the Station Baia Mare 3, challenged in the court the Issuer decision of not giving them back the real estate property and (ii) a court action for obliging the Issuer to pay approximately RON 100,000 as an equivalent for a plot of land of 4.113 square mater that has been nationalized.

Without any obligation to paying any amounts of money as a direct consequence, one should also mention that two litigations are on the roll of law courts; Transelectrica is a defendant in these cases whose subject matter consists in challenging the way of carrying out the two distinct open tendering procedures organized by Transelectrica, as well as in the provisional suspension of contract award. The litigation has been finalized on March 8, 2006 with a favorable decision for Transelectrica, but since the court decision is recent, there are no guarantees that the courts decision shall not be appealed.

CHAPTER VIII. ADDITIONAL INFORMATION

Information on third parties and any expert's statements or any interest statements.

The Issuer represents that, to the best of its knowledge, the information taken over from the financial statements have been accurately rendered and that no facts/ elements have been omitted which might render the information incorrect or misleading. Auditors reports have been fully reproduced and must be read and are strictly referring to the financial statements which are related to. Financial statements and the auditors opinion to the financial statements are included in Annex 13.

Documents made available to the investors

Throughout the Offer validity term, the following documents shall be available to the investors:

- (i) Prospectus
- (ii) the Issuer's Memorandum of Association and the subsequent Addenda thereto;
- (iii) the financial statements of financial years closed on June 30, 2005, December 31, 2004, December 31, 2003, and December 31, 2002 together with the financial auditors' reports;

Hard copies of the previously mentioned documents are available at any of the following locations:

- (i) Issuer's head office, located at 33 Gheorghe Magheru Blvd., sector 1, Bucharest, P.C. 010325
- (ii) Alpha Finance Romania head office, located at Calea Dorobanților no. 237B, floor 2, Sector 1, Bucharest, Romania
- (iii) Raiffeisen Capital&Investment head office, located at Piața Charles de Gaulle no. 15, Sector 1 Bucharest, Romania
- (iv) BRD Securities head office, located at Bd. Ion Mihalache, no. 1-7, floor 6, Bucharest, Romania

as well as at the location of the Distribution Group specified in the Annex.

CHAPTER IX. FEATURES OF THE ISSUER'S SHARES

9. 1. Persons in Charge

Issuer

NATIONAL ELECTRICITY TRANSPORT COMPANY “TRANSELECTRICA” S.A., based in Romania, Bucharest, 33 General Gheorghe Magheru Boulevard, sector 1, P.C.: 010325, registered with the Trade Register Office under no. J40/8060/05.09.2000, with sole registration code no. R13328043, duly represented by Stelian Alexandru Gal acting as General Director.

Agency Syndicate

ALPHA FINANCE ROMANIA S.A., financial investment services company authorized by the National Securities Commission based on authorization no. 2666 of 2003, based in Romania, Bucharest, 237B Calea Dorobanților, sector P.C.: 010506, registered with the Trade Register Office under no. J40/20269/1994, with sole registration code no. 6641837, duly represented by Florin Iulian Aldea acting as Director, as Leading Manager of the Agency Syndicate.

B.R.D. SECURITIES – GROUPE SOCIETE GENERALE S.A., financial investment services company authorized by the National Securities Commission based on authorization no 2871 as of August 21, 2003, based in Romania, Bucharest, 1 – 7 Ion Mihalache Boulevard, 6th floor, sector 1, P.C.: 011171, registered with the Trade Register Office under no. J40/6068/1996 with sole registration code no. 8653560, duly represented by Liviu Giugiumica acting as General Director, as Member of the of the Agency Syndicate.

RAIFFEISEN CAPITAL & INVESTMENT S.A. financial investment services company authorized by the National Securities Commission based on authorization no 1990 as of June 30, 2005, based in Romania, Bucharest, 15 Charles de Gaulle Square, 6th floor, sector 1, P.C.: 011857, registered with the Trade Register Office under no. J40/6102/1998 and with sole registration code no. 10715860, duly represented by Mirela Ionescu acting as General Director, as Member of the of the Agency Syndicate.

Legal Consultant of the Agency Syndicate

BOȘȚINĂ & ASSOCIATES LAWYERS, law firm authorized by the Romanian Lawyers' Association based on decision no. 1861/2000, based in Romania, Bucharest, 12 Silvestru street, sector 2, P.C.: 020735, with tax code no. 8078374, represented by Galina Narcisa Fătu, acting as Associate.

The Issuer represents that it takes all responsibility for the information included in the Prospectus. To the best of its knowledge and considering the efforts made by the Issuer so as to provide real, precise, accurate and complete information, such Issuer represents that the information included in the Prospectus is true to fact and does not contain any omissions liable to significantly affect the content thereof.

The Agency Syndicate, namely the Leading Manager as well as of each of the Syndicate Members represent that, to the best of their knowledge, the information contained in the Prospectus is true to fact and that no omissions have been made which are liable to significantly affect its content.

The Legal Consultant of the Agency Syndicate represents that, to the best of its knowledge, the information contained in the Prospectus is true to fact and that no omissions have been made which are liable to significantly affect its content.

Issuer's Financial Auditors

The Issuer's Financial Statements prepared in accordance with Romanian Accounting Standards have been audited by financial auditors authorized by the Romanian Chamber of Financial Auditors, as follows:

Financial Statements	Name of Financial Auditor	Identification data of the Financial Auditor	Authorization Decision issued by the Romanian Financial Auditors' Chamber	Legal Representative
Audited financial statements for the period ended on December 31, 2005	KPMG	Romania, Bucharest, 133 Calea Șerban Vodă, sector 4, sole registration code 12997279, number of registration with the Trade Register Office. J40/1829/1995	009/11.07.2001	Victor Kevehazi Philip Leigh
Audited financial statements for the period ended on December 31, 2004	KPMG	Romania, Bucharest, 133 Calea Șerban Vodă, , sector 4, sole registration code 12997279, number of registration with the Trade Register Office. J40/1829/1995	009/11.07.2001	Victor Kevehazi Philip Leigh
Audited financial statements for the period ended on December 31, 2003	Pricewaterhouse Coopers Audit S.R.L.	Romania, Bucharest, 1-5 Costache Negri street, Opera Center, 5 th floo, sector 5, number of registration with the Trade Register Office J40/17223/1993	006/25.06.2001	Vasile Iuga

Upon the Issuer's shares being listed on a regulated market, its financial statements shall be audited by financial auditors entitled to audit the financial statements of the entities on the regulated markets, registered with the National Securities Commission, based on a protocol concluded with the Romanian Financial Auditors' Chamber.

Considering its capacity of contracting authority as construed under Emergency Ordinance 60/2001 concerning procurements, the Issuer annually organized bids for the contracting of auditing services.

9.2 Risk factors

See Chapter I. Risk factors

9.3. Key Information

9.3.1. Circulating Capital

The Issuer represents that, to the best of its knowledge, the circulating capital is sufficient for its current needs.

9.3.2 Capitalization and Gearing

According to the audited financial statements drawn up in accordance with the International Financial Reporting Standards (IFRS), at the end of 2005, the Issuers' equity in total amount of around EUR 341.0 million accounted for 39.8% of the total balance sheet, down compared to 51.7% at the end of 2004 and 72.2% respectively at the end of 2003. This evolution is basically motivated by the equity reduction with the value of the transferred public assets and long term debt increase, as a result of obtaining (especially foreign) financing means for transport infrastructure modernization and revamping.

At the end of 2005, 30.8% of the Issuer's assets were financed by long term debts lower compared to 32.1% on December 31 2004 but up compared to 14.7% at December 31 2003; of the long-term debts over 81% were loans, their value amounting to EUR 212.9 million at the end year 2005 as compared to EUR 140.7 million and EUR 81.4 million at the end of the year 2004 and 2003 respectively.

The long term debts reported in the balance sheet as prepaid income representing subsidies from the special fund for the energy system development received from the Ministry of Economy and Commerce (MEC) and PHARE funds for investments reached EUR 47.3 million at the end of year 2005 as compared to EUR 37.1 million and EUR 24.0 million at the end of 2004 and 2003 respectively. At the same time, as of December 31 2005 the Issuer recognized on its balance- sheet employees related liabilities for an estimated value of EUR 3.1 million.

As of year end 2005, the Issuer's current liabilities worth EUR 251.8 million accounted for 29.4% of the total balance sheet, higher compared to EUR 89.9 million at the end of the year 2004 and EUR 94.2 million at the end of 2003. Trade payables stood for the most significant item, of total current liabilities representing 41.1% in the year 2003, 26.8% in the year 2004 and 63.9% at December 31 2005. Debt towards domestic suppliers decreased in the year 2004 compared to the previous years, being down 38% as compared to the year 2003 due to a better collection of receivables. At December 31 2005 the outstanding balance of payables towards domestic suppliers registered a significant 519.9% increase compared to the year 2004. The increase in the volume of payables towards domestic suppliers at December 31 2005 compared to the year 2004 was generated by the fact that as of January 1 2005, according to the ANRE regulations, producers make available to the Issuer the effective power generation capacity in cogeneration under slow tertiary reserve system, leading to the increase in value of invoices issued by suppliers. Of all trade payables at December 31 2005, 41.6% represented outstanding debts for not received invoices from the balancing market.

At December 31 2005 the outstanding debts to long term assets reached EUR 40.1 million up compared to EUR 19.2 million and EUR 9.6 million at the end of 2004 and 2003 respectively reflecting the growth in the company's investments. On the same date, current debts under the form of guarantees, provisions set for late payment of commercial debts and other penalties reported in the balance sheet as other short-term debts totaled EUR 10.3 million, while the value of short – term debts amounted to EUR 23.7 million.

9.3.3. Interests of natural and legal persons involved in the issue/offer.

The Lead Manager and the Managers Lead hereby represent that they hold no important interest in the Offer, except for such interests which derive from a good performance of the legal assistance contract concluded with the Issuer.

BOȘTINĂ & ASSOCIATES LAWYERS, acting as Legal Consultant of the Agency Syndicate hereby represents that it holds no important interest in the Offer, except for such interests which derive from a good performance of the legal assistance contract concluded with the Lead Manager and the Managers.

9.3.4 Reasons behind the initiation of the offer and use of the funds obtained pursuant to such offer

As per Government Decision no. 1329/2004, relating to the mandate of the concerned public institution and the approval of the public offer privatization Strategy of certain companies included in the MEC portfolio published in the Official Gazette no. 806/September 1, 2004 and amended by Government Decision no. 708/2005, the National Electricity Transport Company TRANSELECTRICA S.A. (Transelectrica) will increase its share capital by means of an primary initial public offering of shares, followed by the listing of the company shares on the Bucharest Stock Exchange (BVB).

The funds raised by means of the initial public offering will contribute to the enhancement of the degree of safety of the National Energy System by investing in the revamping of the power stations administered by the Issuer.

9.4. Information on the securities offered or proposed for listing on a regulated market

All of the Issuer's shares, both the Existing Shares and the Offered Shares are part of the same class, namely ordinary shares. Consequently, all of the shares have the same features as they are nominal, undividable, issued under a dematerialized form and they confer equal rights upon their holders. All of the Issuer's shares have been issued in the national currency RON. In addition to that, it is worth mentioning that all of the Existing shares of the Issuer have been paid up.

The offered shares are governed by Company Law and, if, subsequent to the Offer, such Shares are listed on the Bucharest Stock Exchange, they shall also be governed by the Capital Market Law. The Section below related to the rights conferred by shares summarizes the main legal provisions governing the Issuer's Shares as of their listing on the Bucharest Stock Exchange.

Based on the equal treatment principle, each of the Issuer's shares confers upon its holder, subsequent to such shares being listed on the stock exchange, the following rights:

- (i) the right to participate in and vote at the Issuer's General Meetings and, implicitly the right to be part of the Issuer's decision- making mechanism through the right to vote; it is worth mentioning that the Issuer's Memorandum of Association officially instates the rule according to which each share entitles to a vote in the General Meeting, there being no limits concerning the holders of more than one share;
- (ii) The right to elect and to be elected in the Issuer's management structures;
- (iii) The right to dividend, that is, the right to participate in the distribution of the Issuer's net profit;
- (iv) The preferential right which is exclusively associated to share capital increase and which protects the shareholder against the risk of dilution of equity held prior to increase, by giving the shareholder the opportunity to prevalingly subscribe the newly issued shares;
- (v) The right to free allotment of shares, in case of share capital increase out of internal resources;

- (vi) The complex right to be informed, on the strength of which shareholders may request to consult the registers of general meetings and board (which exercises delegate powers in the general meeting) sessions and deliberations, the annual financial statements for a strictly determined period, the materials and documents relating to the items in the agenda of the shareholders' general meetings;
- (vii) The right to request explanations to the board of directors;
- (viii) The right to be allotted a share of the Issuer's net assets;
- (ix) The right to take to court the decisions of the shareholders' general meeting or of the board of directors taken by proxy;
- (x) The right to withdraw from the company under clearly defined circumstances;
- (xi) The right to decide on the conclusion of documents that involve a significant part of the company's resources.

Taking into consideration the impact certain rights may have on a company's usual business, the legislator acknowledge a series of rights favouring only those shareholders that hold a certain quota of the share capital. The Issuer's shareholders are entitled to such rights, as follows:

- (i) The right to request reports, which is acknowledged to those shareholders that hold, individually or together with others, at least 5% of the share capital;
- (ii) The right to request the convening of the Shareholders' General Meeting, which is acknowledged to the shareholders representing the tenth part of the share capital;
- (iii) The right to request surveys, which is acknowledged to shareholders that own at least 10% of the share capital;

Right to dividends

Each year, no later than four months as of close-up of the financial year, the Issuer's Ordinary General Meeting of Shareholders shall assemble with a view to approving the financial statements. In case these indicate profit, the meeting shall resolve on the possibility to allot it as dividends.

In case the statements indicate loss of the net assets, the registered capital shall be either completed or reduced before any profit allotment or distribution. The net profit, that is susceptible of being divided to shareholders, is the surplus of assets against the liabilities, further to deducing all expenses and quotas intended for the legal reserve fund.

In case the Ordinary General Meeting resolves to allot the net profit as dividends, then the quantum thereof shall be established during the same meeting. Dividends shall be paid to shareholders in ratio with their participation in the Issuer's deposit registered capital. Only persons holding the capacity of shareholders on date of registration established by the Ordinary General Meeting may benefit of dividends. The registration date thus established shall occur at least 10 business days subsequently to the meeting assembly date. It is worth mentioning the fact that, according to the special normative framework applicable to the Issuer, in consideration of the latter's capacity of trading company with majority state-owned capital, the law requires that at least 50% of the profit should be allotted as dividends. The Ordinary General Meeting that fixes the dividend shall establish their payment date, provided the payment term within which fixed dividends are to be paid to shareholders does not exceed 6 months as of the assembly date of the respective meeting. Should no payment term be established in the Meetings, then dividends are to be paid in maximum 60 days as of publication date of the decision.

Voting right

Each share issued by the Issuer confers equal rights upon their holders, in such a way that a shareholder shall have one vote in the General meeting of Shareholders. In case the shares are encumbered by usufructuary

rights, the voting power conferred by such shares stays with the holder of the beneficial owner in the ordinary general meetings and with the nude owner in the extraordinary general meetings. If corporal personal securities were set on shares, the voting right shall stay with the holder.

The shareholders registered on the date of reference may participate in the general meeting in person or can be represented by parties other than the shareholders, except for the Issuer's directors and employees, based on a special power of attorney. The General Meeting Summons indicates the procedure to obtain the form of the special power of attorney for representation in general meetings. The powers of attorney shall be posted for shareholders on the Issuer's website or with the latter's office or in other locations as may be established by the Issuer.

Powers of attorney shall be submitted with the Issuer's office in original, within the term specified in the Summons. The Issuer shall keep these powers of attorney and make a consequent mention of the fact in the minutes of the General Meeting.

The Issuer's directors and employees cannot represent shareholders, subject to the penalty of voiding any resolution made as such, in case the majority required would not have been obtained had it not been for their votes. Also, directors may not vote, based on the shares they hold, either in person, or by proxy, the discharge of their administration or any aspect concerning their person or administration. Nevertheless, they may vote the annual financial statement if, because they hold at least half of the interest in the registered capital, the legal majority may not be obtained without their vote.

Any shareholder having, either personally or as agent of another party, an interest contrary to the Issuer's in respect of any operation shall have to refrain from any deliberations regarding such operation. Failing to observe this provision, the shareholder shall be liable for any damage inflicted upon the company in case the required majority had not been obtained without his vote.

Shareholders shall not assign their own voting right, any convention regarding any exercise of the voting right shall be null and void.

Preemption right

According to the Company Law, the increase of a company's share capital can be made by issuing new shares or by increasing the nominal value of the existing shares, either in consideration of new contributions in cash and/or in kind from the shareholders, or by incorporating the reserves available, as well as the benefits and premium on shares, or by compensating certain liquid debentures that are due by the company with its shares. The share capital shall not be increased nor shall new shares be issued before full payment of those of previous issue.

The increase of share capital in exchange of cash contributions shall be made by issuance of new shares that are subsequently offered for subscription:

- to holders of preemption rights belonging to the shareholders existing on the date of registration, who did not dispose of these during the trading period, if case may be, or acquired during the trading period thereof;
- to public investors, if new shares have not been fully subscribed throughout the preemption right period, unless the Issuer decides to annul these in the Extraordinary General Meeting.

Shares issued with a view to increasing the share capital shall be first offered for subscription to people having the capacity of shareholders on the date of registration in ratio with the number of shares they hold. As soon as the right of priority is exercised, the exiting shareholders shall benefit, within the term established in the Extraordinary General Meeting, of priority before potential investors to subscribe newly issued shares. The number of preemption rights to be allotted to existing shareholders shall be equal to the number of shares registered in the Issuer's register on the date of registration. The date of registration shall be decided by the

Shareholders' General Meeting and shall occur at least 10 business days subsequently to the respective General Meeting.

Following the expiration of the term by which existing shareholders could have exercised their preemption rights, the shares shall be offered for subscription to the public. Any increase of the share capital carried out while no preemption rights are granted to the existing shareholders shall be deemed null and void.

The Issuer's Extraordinary General Meeting of Shareholders may resolve, on serious grounds, to partially or fully withdraw the right of priority the law confers upon the shareholders in the case of share capital increases. Such resolution shall be deemed duly adopted provided at least three fourths of the number of registered capital holders attend the General Meeting and provided such resolution is voted by shareholders holding at least 75% of the total voting rights. Also, shareholders may waive their right of priority, on an individual basis.

The number of shares to be issued in case of share capital increases with in-kind contributions and carried out after withdrawing the right of priority, shall be determined by the Issuer's Board of Directors and shall equal the ratio of the value of contribution and the highest of the following:

- weighted mean trading price of the last 12 months prior to the date of the Extraordinary General Meeting;
- value per share calculated based on the net accounting assets corresponding to the Issuer's last published and audited financial statements;
- nominal value of the share.

The selling price to the public of shares left un-subscribed during the priority right period shall be higher than the share subscription price used by the holders of preemption rights.

The resolution of the Extraordinary General Meeting of Shareholders whereby the shareholders approve the share capital increase shall include at least the following indications:

- number of rights of priority required for the purchase of one new share;
- subscription price of new shares based on the preemption rights and the period when such subscription will take place;
- price of new shares that are offered for public following the subscriptions based on preemption rights, if case may be.

Right to participate to increases of share capital from internal resources

The Issuer's Ordinary General Meeting may resolve to distribute the net profit by allotting free shares. The allotment of free shares shall be made in ratio with the number of shares held on the date of registration. Only people holding the capacity of shareholder on the date of registration may benefit of free shares. The right to be allotted free shares appears only if the share capital is to be increased from internal sources.

Right to benefit of any surplus from Issuer's winding up

The winding-up process of a company entails the end of its existence as well as the wind-up of its registered patrimony by conversion of all assets into liquid funds and use thereof to extinguish all debts.

Should liquid funds obtained following the asset winding-up exceed the accrued value of debts, the Issuer's shareholders shall be entitled to allotment of the net registered assets in ratio with their interest in the paid-up registered capital.

The amounts owed to shareholders are established by the liquidators and shall be indicated in the final financial statement. The financial statement shall be lodged for mentions with the Trade Register Office and shall be published in the Official Gazette of Romania, Part IV. Any shareholder may contest the financial statement within 30 days as of its publication. Such contestation shall be lodged with the office of the trade register office that are going to make mention of it in the register within 30 days as of submission date and shall refer it to the relevant court law.

In case no contestation is made within 30 days, the financial statement shall be deemed approved by all shareholders, and the liquidators shall be discharged, subject to the allotment of the Issuer's net registered assets. The amounts owed to shareholders that were not received within two months as of publication of the financial statement, shall be submitted to a bank or to one unit thereof, indicating the shareholder's name and surname.

Redemption of shares

Due to the needs of day-to-day commercial practices, the Company Law provides, as an exception from the rule forbidding the acquisition of one's own shares, the possibility that a trading company should acquire its own shares under certain circumstances indicated in the Extraordinary General Meeting of Shareholders adopted to this end.

According to the circumstances under which companies get to acquire their own shares, such acquisition may be:

- restricted by the legal requirements, when it can be made for any reason;
- unrestricted, when it occurs for certain strictly determined reasons.

Subject to the observance of the following legal restrictions, the Issuer's Extraordinary General Meeting may resolve to redeem the own shares for any reason:

- to a quantum of maximum 10% of the subscribed registered capital;
- only in the case of shares completely paid and only if the subscribed share capital is fully paid in;
- the payment of shares thus acquired shall be made only from the profit to be allotted and from the Issuer's available resources, except for the legal reserves, recorded in the last approved annual financial statement.

Should the Meeting adopt a resolution to redeem the company's own shares, the resolution of the Shareholders' Extraordinary General Meeting must contain the following observations:

- the manner in which the shares will be acquired;
- the maximum number of shares to be acquired;
- both their maximum and minimum equivalent value, as well as
- the period during which the operation will be carried out, which cannot be longer than 18 months since the date published in the Official Gazette of Romania, Part IV.

Also, the report of the management accompanying the annual financial statements shall comprise, among others, the following observations:

- the reasons determining the acquiring of shares in the company,
- their number,
- the nominal value,

- the equivalent value of shares acquired and the proportion of the share capital they represent.

The shares acquired by the Issuer under the aforementioned circumstances shall not entitle the Issuer to dividends; as for the ensuing right to vote, it shall be suspended over the period when the Issuer holds these shares.

The Company Law equates the acquiring of shares in one's own company with the Issuer's setting up a personal guarantee on its own shares, either directly or indirectly, through people who act on their own behalf but on the Issuer's expenses.

According to the Company Law, the acquiring of shares in one's own company without observing the aforementioned conditions obliges the Issuer to transfer them within a maximum of one year since their subscription in the manner deemed appropriate by the Extraordinary General Meeting. Otherwise, the Issuer must diminish its share capital correspondingly.

The restrictions provided for by the Company Law shall not apply where the Issuer acquired shares in its own company:

- in order to:
 - reduce its share capital by canceling a number of the company's own shares equivalent in value to the reduction;
 - assign part of the company's own shares to its own staff;
 - regulate the price of its own shares but only with the permission of then National Securities Commission.
- under the following conditions:
 - free of charge;
 - as an effect of universal succession or of a merger or judgment pronounced within the coercive execution procedure against a debtor of the Issuer.

At present, the Issuer does not hold any shares in its own company, but presuming that the company became public-owned, the Issuer's share redemption programs must take place under the following conditions:

- the sole purpose must be to reduce the share capital (in terms of nominal value or number of shares) or the carrying out of the obligations resulting from:
 - financial instruments such as debentures convertible in shares or financial instruments related to shares;
 - share option programs addressed to the company's employees or other forms of allotting shares to the employees of the company or of a subsidiary of the company.
- the redemption program must be carried out in compliance with all the conditions stipulated in the Company Law for cases when such programs can be carried out irrespective of the reason behind them.

Unless the redemption is done in order to reduce the share capital, the Issuer's Board of Directors must take all the necessary measures in order not to distribute any sums to the shareholders as, at the end of the last fiscal year, the

net worth based on the annual financial statements or calculated after such a distribution could be smaller than the value of the subscribed capital plus the legal reserves.

In order to begin the procedures to acquire shares in its own company, the Issuer shall publish a press release in a national newspaper, in Romanian or any other language accepted by the National Securities Commission, in which all the details regarding the redemption program will be mentioned; the redemption program must be approved in compliance with the stipulations of the Company Law for cases when such program can be carried out irrespective of the reason behind it. The press release shall be transmitted to the regulated market and to the National Securities Commission and shall contain at least information regarding the purpose of the redemption, the maximum price, the maximum number of shares to be acquired and the period for which the program has been approved. Should the terms of the initial redemption program undergo any changes, the Issuer will ensure that the new press release be made public and transmitted to the regulated market and the National Securities Commission. The Issuer must register any transaction carried out within the redemption program mentioning the name and the number of the bought or sold instruments, the date, the hour and the price of the transactions, the way to identify the intermediaries involved. The reports containing details regarding all transactions must be transmitted by the Issuer to the regulated market operator and the National Securities Commission, and published in a national newspaper, in Romanian or any other language accepted by the National Securities Commission, at the latest by the end of the transaction session of the seventh day of transacting subsequent to the date of the concerned transaction.

Within the redemption program, the Issuer will be able to buy shares at a price exceeding the higher value between the price of the latest independent transaction and the highest independent buying price on the regulated market where such transaction is made. Also, the Issuer will not be able to buy shares, within the redemption program, at a price exceeding the higher value between the price of the latest independent transaction and the highest current independent buying price on the regulated market of the country where the redemption takes place, unless the redemption takes place elsewhere than on the regulated market. Should the Issuer redeem its own shares through derivative financial instruments, the exercise price corresponding to such derivative financial instruments cannot be higher than the higher of: the price of the latest independent transaction and of the highest current independent buying price on the regulated market.

The Issuer will not be able to buy more than 25% of the daily average volume of share transactions on the regulated market where the redemption operation is carried out. The transacted daily average volume is the transacted daily average volume of the month preceding to the one when the program was made public and it shall be kept as reference value throughout the entire period covered by the program. If the program makes no reference to the reference value throughout the entire period covered by the program, the transacted daily average volume taken as reference will be the transacted daily average volume of the last twenty days before the redemption date.

Should the liquidity on the respective regulated market be extremely low, the Issuer can buy more than the 25% limit on condition that the following cumulative conditions be observed: (i) the Issuer first notifies the National Securities Commission about its intention to exceed the 25% limit; (ii) the Issuer shall publish a press release in a national newspaper, in Romanian or any other language accepted by the National Securities Commission, regarding

its intention to exceed the 25% limit; (iii) the Issuer's redemption cannot exceed 50% of the transacted daily average volume.

The Issuer is not allowed to engage in the following operations during the period covered by the redemption program: (i) selling its own shares during the approved period of the redemption program; (ii) transacting during a period which, according to the specific legislation of the capital market, is declared closed period; (iii) transacting, should the Issuer decide to postpone making public some privileged piece of information. The interdictions will not apply in the following situations: (i) the Issuer is carrying out a redemption program with pre-established dates, in which the quantities and the dates of the transaction of securities over the duration of the program are established with the making public of the redemption program; (ii) the redemption program is administered by an intermediary which takes the decisions concerning the calendar dates for the buying of the Issuer's shares within the program independently from and without the Issuer's influencing the decision.

The Right to Elect and to Be Elected within Management Structures

The Company Law stipulates explicitly the right of the shareholders to elect the members of the Board of Directors. The law does not stipulate anything explicitly regarding the election of a shareholder on the Board of Directors, but it acknowledges the right of a shareholder who owns at least one fourth of the share capital, or is the director of a company which owns the aforementioned fourth, to function in more than three boards of directors at the same time. At the same time, the director as a shareholder is entitled to set up a guarantee depositing 10 shares which cannot be transferred during his term. With the admission of the Issuer's Shares for transacting, its directors may be elected by the cumulative vote method, method whose application becomes compulsory if an important shareholder asks for it.

The Right to Information

This right shall entitle the shareholders to request the following: (i) to consult the rolls containing the resolutions and the minutes of General Meetings and of the Board of Directors which exercises powers devolved by the General Meeting, (ii) to consult the annual financial statements during a strictly determined period, (iii) to consult materials and documents regarding the points on the Shareholders' General Meetings agenda.

- *The right of the shareholders to request to consult the rolls containing the resolutions and the minutes of General Meetings and of the Board of Directors which exercises powers devolved to it by the General Meeting*

The Company Law stipulates explicitly the directors' obligation to make available, on the shareholders' request, the roll containing the minutes and the resolutions of the General Meetings. At the same time, as the law offers the possibility for the General Meeting to devolve part of its powers to the Board of Directors, the aforementioned instructions also refer to the roll containing the minutes and the resolutions of the Board of Directors that exercises powers devolved to it by the General Meetings.

- *The right of the shareholders to request to consult the annual financial statements during a strictly determined period*

The right to consult the annual financial statements is acknowledged by the law and can be exercised by shareholders within 15 days previous to the date of the General Meeting.

- *To consult materials and documents regarding the points on the Shareholders' General Meetings agenda*

The shareholders are entitled, amongst others, to take part in the Shareholders' General Meetings and to have access to sufficient information regarding the topics under debate by the General Meeting. In order to respect the shareholders' right to access to the information, the Issuer has to make available to them all the documents to be discussed and approved by the Meeting, as well as the materials containing information regarding each point on the agenda with at least 5 days in advance before the date of the first call of the General Meeting. The shareholders will be able to access the documents and informative materials on the Issuer's website or at its offices, as well as in other places established by the Issuer and quoted in the notice to attend.

The Right to Address the Board of Directors for Explanations

The Company Law stipulates the right of the shareholder to request information regarding the management of the company to the Board of Directors. If the shareholders have any questions concerning certain points, after they checked the information made available to them, they will be able to send a written notification to the Board of Directors, which must provide them with a written answer within 15 days from the registering of the notification.

If the Board of Directors does not answer the notification within 15 days since its registering, the shareholders can address the competent court of law, which could force the Issuer to pay an amount of money for every day of delay.

The right to bring before a court of law the resolutions of Shareholders' General Meetings or the decisions of the Board of Directors taken in the context of delegation of competence

The ones who enjoy this right are the shareholders who did not take part in the General Meeting or voted against, they may bring before a court of law the resolutions adopted during the meeting within 15 days since their publishing in the Official Gazette of Romania, Part IV of the decision that comprises them. This prerogative is acknowledged also with regard to the resolutions of the Board of Directors taken by delegation of competence. Should reasons of absolute nullity be invoked, the right to court action is imprescriptible.

With the request of annulment, a request can be addressed to the president of the court of law to suspend the carrying out of the contested resolution. The suspension ordinance can be contested through an appeal within 5 days since its pronouncement. The final annulment decision of the judge must be registered in the Trade Register and published in the Official Gazette of Romania, Part IV.

The Right to Withdraw from the Company under Strictly Determined Circumstances

The Issuer's shareholders that do not agree with the decisions of the Shareholders' General Meeting have the right to withdraw from the company. The legislation enforceable on the Issuer takes into account:

- The Company Law that stipulates the right of shareholders to withdraw from a company when they do not agree with the decisions taken regarding: (i) the change of the main object of activity; (ii) the change of the location of the company's offices; (iii) the change of the company's juridical form.
- The law concerning the capital market which stipulates the right of the shareholders to withdraw from the company in the following cases: (i) when they do not agree with the decisions taken by the

General Meeting regarding mergers or divisions that imply the allotment of share which are not allowed to be transacted on a regulated market; (ii) following an initial public offer addressed to all holders and aiming at the whole of their possessions, a minority shareholder has the right to request to the bidder that holds more than 95% of the share capital to buy out his shares at a fair price (iii) following a Shareholders General Meeting's decision approving the delisting of the company.

At the same time, the Capital Market Law, supplemented by Rules of the National Securities Commission concerning the securities issuers and operations, gives the majority shareholder the right to request that the other shareholders sell the shares they hold. Such right conferred upon the majority shareholder only arises in case, following an offer addressing all shareholders of the Issuer and whose purpose are all their holdings, the majority shareholder either owns more than 95% of the share capital or he has acquired within the offer a number of shares representing more than 90% of the shares aimed at in the offer.

The Right to Decide the Signing of Legal Documents Involving a Significant Part of the Company's Resources

Certain legal documents that involve a significant part of the company's resources can be signed by the directors or the managers of the company only after the Extraordinary Shareholders' General Meeting has approved it. Should these legal documents be signed without a previous approval from the General Meeting, any of the Issuer's shareholders may request to a court of law to cancel these documents and, also, to prosecute the directors in order to repair the damage caused to the company.

In the following cases the Capital Market Law explicitly stipulates that the document must be approved first by the Extraordinary Shareholders' General Meeting: (i) when the value of the documents of acquisition, transfer, exchange or setting up a guarantee against fixed assets of the company, exceeds (individually or cumulated) 20% of the total of fixed assets, minus the receivables, over one fiscal year; (ii) in the case of renting tangible assets for a period longer than one year, whose individual or cumulated value towards the same co-contractor or persons involved or who act concertedly exceeds 20% of the total value of fixed assets, minus the receivables at the date of the signing of the legal document, as well as associations over a period of time longer than one year, exceeding the same value.

Other Rights of the Shareholders

Taking into account the impact which certain rights may have on the company's normal activity, the legislator acknowledged a series of rights only in favour of holders that own a certain quota of the share capital, rights also to be found with regard to the Issuer's shareholders as it follows:

- The right to request reports, a right acknowledged to the shareholders who own individually or together with other shareholders at least 5% of the share capital.
- On the holders' request, who own individually or together with other shareholders at least 5% of the Issuer's rights to vote, the financial auditor drafts extra reports on the operations inquired upon by the holders, within 30 days and based on the information presented by the directors, in compliance with financial auditing standards and the reporting framework defined by international accounting standards and the National Securities Commission regulations.

- The right to request the calling of the Shareholders' General Meeting, a right acknowledged to holders representing one tenth of the share capital.
- The Company Law stipulates imperatively the directors' obligation to call a General Meeting on the spot, on the request of shareholders representing one tenth of the Issuer's share capital. The actual meeting shall take place within a month from the date of the request.
- The right to request for expertise to be carried out, a right acknowledged to holders owning at least 10% of the share capital.
- The shareholder or group of shareholders owning at least 10% of the shares that represent the Issuer's share capital may request individually/collectively to appoint one or several experts in charge with analyzing particular operations of the Issuer's management and to draft a report to be handed to them. The experts' fees will be the charge of the Issuer.

Besides the obligation to increase the share capital by adding the pieces of land for which certificates attesting the right to property should be obtained by the end of 2006, there is no information concerning other future issues of securities, on the date of the drafting of the Prospectus. Details regarding the increase of the share capital by adding the pieces of land are provided under Chapter 4, Section 4.3 share capital.

The only restrictions regarding the free transfer of securities are those set up for persons that subscribed within the offer of available capital having as object 5% of the total number of the Issuer shares. These persons cannot transfer their Transelectrica shares through the mechanism of the stock exchange or of any regulated market for a period of 6 months since the obtaining of the shareholder certificate. Details regarding this restriction are provided under Chapter 4, Section 4.4 – Significant shareholders.

The Issuer does not have any information relating to opening any take-over offer or of the situations where art. 206 and art. 207 of the Capital Market Law are to be applied regarding the issued shares. There was no record of opening take-over offers during the last financial year.

9.5 . Tax- Related Aspects

The information bellow presents a summary of the most important consequences of holding and transferring Shares from the point of view of the Romanian fiscal system.

This information is based on laws, norms and regulations in force at the date of the present Prospectus and does not take upon it to be a legal opinion or to deal exhaustively with the fiscal aspects ensuing from the acquisition, holding or transfer of Shares transacted on a regulated market.

The Issuer recommends to potential investors that, before they decide on the opportunity of purchasing Shares, they consult their own financial consultants on the specific fiscal regulations for every one of them, including the scope of double taxation avoidance conventions, as well as on the potential changes of the fiscal legislation.

9.5.1. *Romanian Residents*

a) Natural Persons

Both dividends and the gains from the transfer of securities are included in the category of investment incomes, which are subject to income tax.

Dividend tax

As of January 1, 2006, tax on income shall be determined as 16% of such sum. The responsibility of determining and of withholding tax on dividends pertains to the entity paying such dividends and they shall be done upon such dividends being paid out to the shareholders. In the case of the dividends distributed, but which were not paid by the end of the year in which the accounting balance sheet has been approved, the tax payment term is December 31 of the respective year.

Capital gains tax.

The gain or loss arising from the transfer of securities represents the positive or negative balance between the sale price and the purchase price, by each type of securities, minus the related costs.

Gains or losses arising from the sale of securities will be determined upon the date of the conclusion of each transaction and the net profit will be determined at the end of the fiscal year on the whole portfolio of shares the Shareholder traded that year, and will consist of the positive difference between the gains and the losses registered during the year as a result of share transactions.

Share transactions after January 1st 2006 are subject to a 16% tax if the shares are transferred in less than 365 days from the date of purchase, and 1% if the transaction takes place later than 365 days (as of January 1, 2006, in order to calculate the tax on the incomes realized by natural persons from such transactions a 16% tax rate shall be considered, except for gains from the transfer of securities which are sold more than 365 days as of their purchase date, as such gains are subject to 1% tax). In the former case, the tax is calculated and paid by the person transferring the securities by January 25th of the following year. In the latter case, the tax is calculated, levied and paid by the intermediary by the 25th included of the month following the one when the tax was levied.

In order to calculate the term throughout which securities have been held, brokers shall record, upon each purchase operation, the date such securities entered the portfolio of the persons who hold and trade them

Starting with January 1st 2006, the tax on securities transacted on a regulated market will be calculated and paid by the holder by January 25th of the following year for the fiscal year that ended.

b) Legal Persons

Dividend tax.

The Romanian legal person paying dividends to a Romanian legal person shall be under the obligation of withholding tax on dividends and of transferring such tax to the state budget, by the 25th, inclusively, of the month following the dividend payment month. Such tax shall be determined as 10% of the gross dividend paid.

In case the dividends allotted have not been paid by the end of the year during which the financial statements have been approved, the tax on dividends shall be paid by December 31 of the respective year.

With the accession of Romania to the European Union (at the date of the publishing of the Prospectus, this is expected to happen on January 1st 2007) the tax on dividends will disappear, in case the dividends are paid to a Romanian legal person shareholder that holds, over a continuous period of two years (determined until the dividend payment) at least 25% of the shares issued by the payer of dividends.

Capital gains tax.

The incomes obtained by Romanian legal person from the trading of securities are included in the base used for the calculation of the profit subject a 16% taxation rate.

We would like to mention that the taxable profit is determined as the balance between the incomes earned from any source and the expenses made for income earning purposes over one fiscal year, minus non- tax bearing incomes, plus non-deductible expenses.

9.5.2. Non-residents

a) Natural persons

Dividend tax.

If the respective natural person is a resident of a country with which Romania has concluded a convention for the avoidance of the double taxation of income and capital gains tax the tax rate applicable to incomes gained as dividends in Romania cannot exceed the tax rate set forth in the convention for this category of incomes. In the event the tax rates under the domestic legislation are more advantageous than the conventions for the avoidance of double taxation, the more advantageous taxation rates shall apply.

For the enforcement of the convention for the avoidance of double taxation, the non- resident is under the obligation of submitting to the income payer the tax residence certificate, which should attest the fact that the said person was a resident of the state with which Romania has concluded the convention for the avoidance of double taxation during the year/period the incomes were earned.

The tax due by non - residents on account of the incomes earned in Romania from dividends allotted by a Romanian legal person shall be determined, respectively retained upon such income being paid and it shall be transferred to the state budget by the 25th of the month following the one during which the income was paid, inclusively. Such tax shall be determined, retained and transferred to the state budget in RON, at the exchange rate prevailing on the foreign currency market and communicated by the National Bank of Romania for the day non- resident tax is retained

Capital gains tax.

Gains obtained by Romanian non- residents from selling shares held in a Romanian legal person are subject to income tax. At the date of the drafting of the Prospectus, this income is determined according to the rules in the legislation, depending on the moment when the share transfer happened.

The loss or gain resulting from the sale of securities will be determined upon the conclusion of each transaction, based on the contract between the parties, and the net profit will be determined at the end of the fiscal year on

the whole portfolio of shares the Shareholder transacted that year, and will consist of the positive difference between the gains and the losses registered during the year as a result of the share trading.

Share transactions after January 1st 2006 are subject to a 16% tax if the shares are transferred in less than 365 days from the date of purchase, and 1% if the transaction takes place later than 365 days (as of January 1, 2006, in order to determine the tax on natural persons' income arising from such investments the applicable tax rate is of 16%, except for gains from the transfer of securities which are sold more than 365 days as of their purchase date, as such gains are subject to 1% tax). In the former case, the tax is calculated and paid by the person transferring the securities by January 25th of the following year. In the latter case, the tax is calculated, levied and paid by the intermediary by the 25th included of the month following the one when the tax was levied.

In order to calculate the term throughout which securities have been held, brokers shall record, upon each purchase operation, the date such securities entered the portfolio of the persons who hold and trade them. Starting with January 1st 2006, the tax on securities transacted on a regulated market will be calculated and paid by the holder by January 25th of the following year for the fiscal year that ended.

For this category of persons, the tax in question is an end tax.

Except in the case of withholding tax on income, non- resident natural persons earning such incomes in Romania are under the obligation of declaring and of paying the tax referred to directly or through a tax representative.

Depending on the shareholder's fiscal residence country and the stipulations of the double taxation avoidance convention, the income from capital gains by share transfer might not be taxed in Romania, but only in the shareholder's country of residence.

In order to enforce the convention for the avoidance of double taxation, the non- resident is under the obligation of submitting a tax residence certificate to the income payer and such certificate should attest the fact that, during the year/ period such incomes were earned, the respective person resided in the state with which Romania had concluded the convention for the avoidance of double taxation.

*b) Legal Persons**Dividend tax.*

Dividends paid by Romanian legal persons to non- resident legal persons are subject to 16% tax as of January 1, 2006.

If the respective legal person is a resident of a country with which Romania has concluded a convention for the avoidance of double taxation of income and capital gains tax the tax rate applicable to incomes gained as dividends in Romania cannot exceed the tax rate set forth in the convention for this category of incomes. In the event the tax rates under the domestic legislation are more advantageous than the conventions for the avoidance of double taxation, the more advantageous taxation rates shall apply.

For the enforcement of the convention for the avoidance of double taxation, the non- resident is under the obligation of submitting to the income payer the tax residence certificate, which should attest the fact that the said person was a resident of the state with which Romania has concluded the convention for the avoidance of double taxation during the year/period the incomes were earned.

The tax due by non- residents on account of the incomes earned in Romania from dividends allotted by a Romanian legal person shall be determined, respectively retained upon such income being paid and it shall be transferred to the state budget by the 25th of the month following the one during which the income was paid, inclusively. Such tax shall be determined, retained and transferred to the state budget in RON, at the exchange rate prevailing on the foreign currency market and communicated by the National Bank of Romania for the day non- resident tax is retained.

Capital gains tax.

Gains obtained by a non-resident legal person from transferring shares issued by a Romanian legal person are subject in Romania to a 16% profit tax.

Gains from the sale of stock shall be determined as the balance between the incomes earned from the sale of such stock and their purchase price, including commissions, taxes and other sums paid on account of such purchase..

Any Romanian or foreign legal person operating in Romania through a permanent office and that pays to a non-resident legal person income resulting from the transfer of such shares must levy this tax and pay it on behalf of the non-resident company to the state budget.

Consequently, any foreign legal person earning such incomes is under the obligation of paying tax on profit and of submitting profit tax returns, under the law. Any foreign legal person may appoint a tax representative who is to carry out the previously mentioned obligations.

Depending on the shareholder's fiscal residence country and the stipulations of the double taxation avoidance convention, the income from capital gains by share transfer might not be taxed in Romania, but only in the shareholder's country of residence.

In order to enforce the convention for the avoidance of double taxation, the non- resident is under the obligation of submitting a tax residence certificate to the income payer and such certificate should attest the fact that, during the year/ period such incomes were earned, the respective person resided in the state with which Romania had concluded the convention for the avoidance of double taxation.

If the non-resident legal person holds the Shares through a permanent seat in Romania (for instance a branch), incomes originating in capital gains resulting from the sale of the Shares shall be included in the taxable profit calculation base and they are subject to 16% tax on profit in Romania.

Other taxes

Stamp tax

Share transactions are not usually subjected to stamp tax lest the share transfer contract should be signed as an authenticated document. The authentic form is required by law only in the case of donations; at present, the stamp tax amounts to 0,5% of the value declared by the parties, but not less than 13,7 lei.

VAT

According to the relevant tax legislation, share transactions are exempt from VAT payment, without a right to deduction.

9.6 . Offer Terms nad Conditions

See Chapter II. Offer Terms and Conditions

9.7 Listing on a Regulated Market

Pursuant to the successful closing of the Public Offer, the Issuer shall take all necessary steps with a view to its shares being listed on the Bucharest Stock Exchange.

9.8 Oferror

Considering that this is a Primary Public Sale Offer carried out with a view to the Issuer's Shares being listed on the Bucharest Stock Exchange, the Issuer itself acts as Offeror.

9.9. Offer-Related Expenses.

The cost of the offer shall include the expenses incurred with the marketing campaign, distribution expenses, expenses related to the printing and publishing of the Public Offer Prospectus, the legal consultant and the commissions due to the Offer Agents as well as the listing charges and expenses due to the National Securities Commission and to the Bucharest Stock Exchange.

9.10 Dilution of Stock Held.

If all the Offered Shares are subscribed, the Romanian State, through MEC – OPSPI as a majority shareholder shall register a quata dilution from 85% to 76,49%. Consequently, after the Offering, the Romanian State shall hold shares having an agregate nominal value of RON560.728.670 from a total share capital of RON732.978.660.

If the Ownership Fund (Fondul Proprietatea) does not subscribe shares within the Offering, this shareholders shall register a quata dilution from 15% to 13,5%. Consequently, after the Offering and if all the Offered Shares are subscribed, Fondul Proprietatea shall hold shares having an agregate nominal value of RON98.952.120 from a total share capital after the share capital increase is finalized of RON732.978.660.

9.11 Additional information

The Issuer states that, according to its knowledge, the information taken over from the financial auditors' reports were accurately reproduced and that no facts that would make the information incorrect or misleading were omitted. The Issuer declared that information from the auditors' reports has been reproduced with their approval.

Chapter X. SUBSCRIPTION AND ALLOTMENT PROCEDURES

Subscription of the Offering and the subscription payment

The subscription within the present Offering can be made during the entire validity period of the Offering (starting 14.06.2006 and until 28.06.2006, inclusively). The subscription can be made at the headquarters of the Managers and Lead Manager and at the local units of the Distribution Group, presented within this Offering Prospectus (see Section “*Territorial network of the Distribution Group*”). The subscriptions can be made during the offering period on a daily basis, between 9:00-15:00 hrs. Romania time, from Monday to Friday during the entire subscription period and between 9:00-13:00 hrs Romania time, in the last day of the Offering. The subscription is made by filling in the Subscription form that will be available at the headquarters of the Managers and Lead Manager and at the local units of the Distribution Group.

The minimum subscription is of RON 2,000.

Prior to filling in the Subscription Form, the Investors that do not pay through a Custodian Bank should transfer the amount corresponding to the subscribed Offered Shares to one of the Collection Accounts.

The investors that subscribe in cash through the local network of the Distribution Group shall be opened a bank account, free of charge, by the Distribution Group, that can be mentioned in the Subscription Form as the current account to which the amounts corresponding to the unallocated shares will be transferred (in case of over subscription) and/or as a consequence of the subscription cancellation (if applicable). In this case, the amount corresponding to the subscribed Offered Shares will be transferred from this current account to one of the Collection Accounts by payment order.

The value of the subscribed Offered Shares should be entirely paid, in order to validate the subscription. The subscribers should be aware of any commissions or fees charged by the banks when the transfer is made.

Upon filling in the Subscription Form, the investors foreign natural persons will declare their tax residence (*i.e.* Romania, origin country or other country) on their own liability.

Subscription through the local network of the Distribution Group:

The Distribution Group will collect subscriptions exclusively from the Investors that are fiscal residents in Romania.

In order to be accepted, the Subscription Forms must be accompanied by the following documents, depending on each type of investor:

1. *Resident natural persons who subscribe for themselves:*
 - Identity card (original and copy).
 - Passport (original and copy) and/or staying permit (original and copy) – for Investors foreign citizens;
 - Copy of the payment made via bank transfer.
2. *Resident natural persons who subscribe for another natural person:*
 - Identity card (original and copy) of the representative and identity card (copy) of the represented person.
 - Passport (original and copy) and/or staying permit (original and copy) of the representative and copy for the represented person – for foreign citizens;

- Copy of the payment made via bank transfer.
 - Specific of general power of attorney (copy and original).
3. *Resident natural persons who subscribe for under aged children:*
- Identity card (original and copy) of the person subscribing for the under aged child.
 - Passport (original and copy) and/or staying permit (original and copy) of the person subscribing for the under aged child – for foreign citizens.
 - Copy of the payment made via bank transfer.
 - Birth certificate or identity card of the under aged child (for under aged children between 14-18 years) (copy and original).
 - Legal document establishing the tutelage (copy and original), if the case may be.
4. *Resident incapable natural persons (without judgment):*
- Identity card (original and copy) of the person subscribing for the incapable person.
 - Passport (original and copy) and/or staying permit (original and copy) of the person subscribing for the incapable person – for foreign citizens.
 - Identity card of the incapable person (original and copy).
 - Copy of the payment made via bank transfer.
 - Legal document establishing the trusteeship.
5. *Resident legal persons who subscribe for themselves:*
- Copy of the unique registration code.
 - Document evidencing the legal representatives of the subscriber (e.g. Trade Registry excerpt, by-laws etc.)
 - Original power of attorney for the person signing the Subscription Form (in case the person is other than the legal representative).
 - Copy of the payment made via bank transfer.
 - Identity card (original and copy) of the person subscribing for the legal person.
6. *Natural persons authorized to carry out economic activities or family associations:*
- Authorization decision issued by the local City hall (copy).
 - Copy of the unique registration code.
 - Copy of the payment made via bank transfer.
 - Identity card (original and copy) of the person signing the Subscription Form.

- Original power of attorney for the person signing the Subscription Form (in case the person is other than the legal representative).

7. *Professionals authorized to carry out independent activities:*

- Free practice decision or authorization (copy).
- Fiscal registration certificate (copy).
- Copy of the payment made via bank transfer.
- Identity card (original and copy) of the person signing the Subscription Form.
- Original power of attorney for the person signing the Subscription Form (in case other person is subscribing).

Each payment order is equal to a subscription and cumulating several payment orders for one single valid subscription is not possible.

In case an Investor makes several subscriptions, the cumulated value of such subscriptions will be considered when classifying the respective orders in one of the two Tranches.

In case of subscription through the Distribution Group's local network or through the Agency Syndicate, the subscription is valid only if the amounts representing the value of the subscription reach the respective Collection Account within maximum one Business day from the closing of the Offering.

In case the amount sent exceeds the value of the subscription, the Subscription Form is validated only for the number of subscribed Shares. In case the amount sent is lower than the subscribed amount, the Subscription Form is invalidated for the entire amount subscribed.

Subscription through the Agency Syndicate

For the Investors that are not the customers of the Lead Manager or of the Managers, the documents required are the ones listed for the subscription within the local network of the Distribution Group, considering the same conditions for validating the subscriptions.

Non-resident investors may subscribe only through the Agency Syndicate at the locations indicated at Annex 2 to this Prospectus. The documents necessary for the subscriptions made by the non-resident investors to be valid are the following:

1. *Non-resident natural persons who subscribe for themselves:*

- Passport (original and copy);
- Copy of the payment made via bank transfer.

2. *Non-resident legal persons:*

- Copy of the fiscal code and/or the registration certificate of the legal person (translated and authenticated).
- Document evidencing the legal representatives of the subscriber (e.g. Trade Registry excerpt, by-laws etc.)
- Original power of attorney for the person signing the Subscription Form (translated and authenticated) (in case the person is other than the legal representative).
- Copy of the identity card (original and copy) of the person representing the non-resident legal person.
- Copy of the payment made via bank transfer.

3. *Resident natural persons who subscribe for other non-resident legal persons:*

- Copy of the fiscal code and/or the registration certificate of the legal person (translated and authenticated).
- Document evidencing the legal representatives of the subscriber (e.g. Trade Registry excerpt, by-laws etc.)
- Original power of attorney from the non-resident company for performing the operation (translated and authenticated), issued in favour of the resident natural person.
- Copy of the identity card of the resident natural person signing the Subscription Form.
- Copy of the payment made via bank transfer.

4. *Resident legal persons who subscribe for other non-resident legal persons:*

Note: It is applicable only to resident legal persons that have commercial ability to enter into commercial mandate operations (e.g. companies providing financial investment services, banks, other companies that have mandate activities in their business purpose). In all other cases, the mandate will be given to a natural person accordingly to the point 3 above.

- Copy of the fiscal code and/or the registration certificate of the non-resident legal person (translated and authenticated).
- Document evidencing the legal representatives of the subscriber
- Mandate given to the resident legal person by the non-resident legal person. In case of companies offering financial investment services the proof of the mandate can be done presenting a buying

order received by the resident legal person from the non-resident legal person (signed by its representatives).

- Copy of the unique registration code and the registration certificate of the resident legal person, and the legal representatives of the company.
- Copy of the payment made via bank transfer.
- Original power of attorney for the person signing the Subscription Form
- Copy of the identity card (original and copy) of the person signing the Subscription Form.

For the Investors using Custodian Banks, a statement from the Custodian Bank regarding the assumption of the settlement for the value of the subscribed Shares will be accepted for validating the subscription.

For the Investors that do not use Custodian Banks the subscription is validated only if the amounts representing the subscription reach the respective Collection account within maximum one Business Day from the closing of the Offering.

The subscriptions that are not validated will not be considered in the allotment process.

In the final calculation of the allotment indices the Subscription Forms for which the money corresponding to the requested Offered Shares are not in the Collection Account or for which the subscription procedures were not complied with will not be considered. The Investors whose Subscription Forms were not considered according to the paragraph above will be notified accordingly and the amounts paid will be returned to them in the account mentioned in the Subscription form.

The Collection Accounts for the amounts corresponding to the subscriptions made through the Distribution Group and each member of the Agency Syndicate will be posted at all the subscription points.

By signing the Subscription Form, the Investors confirm having read the present Offering Prospectus and the making of the subscription according to the terms included in the present Offering Prospectus.

The Subscriptions made within this Offering are irrevocable. In case the present Offering Prospectus is subject to an amendment, the subscriptions may be withdrawn within maximum three Business Days from the date on which the respective amendment to the present Prospectus is published. An investor may withdraw the subscription by filling in a Cancellation Form at the unit where the subscription was made.

Collection accounts

The subscription collection accounts are the following:

For subscriptions through Alpha Bank S.A.

RO12BUCU041017172511RO15, beneficiary Alpha Finance Romania – AFR Transelectrica A, for the subscription made only at the headquarter of Alpha Finance Romania S.A;

RO82BUCU041017172511RO16, beneficiary Alpha Finance Romania – AFR Transelectrica B, for subscriptions made through intra-banking payment order at the local network of Alpha Bank Romania S.A within the Distribution Group;

RO55BUCU041017172511RO17 beneficiary Alpha Finance Romania – AFR Transelectrica C, for subscriptions made through inter-banking payment order at the local network of Alpha Bank Romania S.A. within the Distribution Group;

For subscriptions through Raiffeisen Bank S.A;

RO93RZBR0000060004592833 opened with Raiffeisen Bank Sucursala Municipiului Bucuresti, beneficiary Raiffeisen Capital & Investments S.A

For subscriptions through BRD S.A.

RO26BRDE422SV01156094220 opened with BRD Headquarters – Securities Department, beneficiary BRD Securities S.A., for subscriptions made at the local network of BRD within the Distribution Group;

RO86BRDE450SV10908904500 opened with BRD SMC, beneficiary BRD Securities – IPO Transelectrica for the subscriptions made only at the headquarter of BRD Securities S.A.

Early closing of the Offering

In case it is noticed that the Offering is fully subscribed prior to the closing of the subscription period, the Lead Manager, at its choice and with the Issuer's agreement, may close the Offering in advance on condition that the subscription period lasts at least five Business Days.

Extension of the Offering period

The Issuer may extend the validity period of the present Offering according to the terms stipulated by the capital market legislation on condition that its period does not exceed 12 months.

Settlement of the allotted shares

The settlement will be made through the BSE settlement system on the Settlement Date (within three Business Days from the Transaction Date). In case of oversubscription the Issuers will be reimbursed the difference between the amount paid for the subscribed shares and the value of the allotted Shares within maximum five Business Days from the Offering closing by bank transfer to the current account mentioned by the Investor in the Subscription Form.

In case of unsuccessful closing of the Offering, the Investors will be reimbursed the amount paid for the subscribed shares in maximum five Business days from the Offering closing by bank transfer to the current account mentioned by the Investor in the Subscription Form.

Within five Business Days after the date on which the NSC answers the notice regarding the Offering results, the Lead Manager and the Managers will send, by registered mail, to all the Share Holders and, as the case may be, to the Custodian Banks, statements of account certifying their ownership right over the Shares that were allotted to them stating the amount repaid according to the paragraph above.

Reasons independent on the issuer or the Agency Syndicate may cause delays in data processing and preparation and transmission to the NSC of the notice regarding the Offering results. As a consequence, the Intermediation Group and the Issuer do not assume any liability in case of delays in repaying the amounts due to Investors in case the Offering is oversubscribed. In this case, the Issuer has no responsibility toward investors.

APPENDICES TO THE OFFER PROSPECTUS

The following documents are attached to this Prospectus and shall be available for prospective Investors throughout the Tendering period, with the Broker's offices and with the territorial units of the Distribution Group:

1. Complete List of normative deeds applicable in the energy sector .
2. Territorial Grid of Distribution Group .
3. History of Issuer's managing structures, from incorporation to Prospectus preparation date.
4. Extraordinary General Shareholders Meeting Resolution that approved the Offering Price.
5. The Issuer's branches and subsidiaries.
6. Offering Advertising Notice.
7. Extraordinary General Shareholders Meeting Resolution that approved the new shares issue.
8. Covering Notice of the Extraordinary General Shareholders Meeting Resolution that approved the new shares issue.
9. Proof of publication in the Official Gazette of the Extraordinary General Shareholders Meeting Resolution that approved the new shares issue (copy of Official Gazzette) .
10. Statement of the Chairman of the Issuer proving there are no oppositions and no legal actions initiated against the Extraordinary General Shareholders Meeting Resolution that approved the new shares issue.
11. Copy of Trade Registry Certificate to prove the structure of the Board of Directors and the Issuer's shareholding structure.
12. Statutory financial statements of the Issuer as of December 31st, 2005, 2004 and 2003 prepared according to the Order 94/2001 issued by the Ministry of Public Finance for the approval of Accounting Regulations harmonized with EEC Directive IV and the International Accounting Standards, together with the independent auditors Report.
13. Audited financial statements of the Issuer as of December 31st, 2005, 2004 and 2003 prepared according to IFRS, audited by KPMG Romania SRL.
14. Issuer statement proving that the Issuer's economic and financial condition did not registered major changes compared to the data presented in the Offering Prospectus.
15. Subscription application form.
16. Revocation application form .
17. Copy of brokerage agreement, syndicate agreement and distribution agreement.
18. Statements of the managers of the syndicate related the conflict of interest to manage the Initial Public Offering of the Issuer.
19. Statement of the Issuer on the Offering Price.
20. Statement of the Chairman of the Issuer proving there are no oppositions and no legal actions initiated against the Extraordinary General Shareholders Meeting Resolution that approved the Offering Price.
21. Bucharest Stock Exchange preliminary agreement for listing and trading on the BSE .

APPENDIX 1

List of normative deeds applicable in the energy sector

National normative deeds

1. Relevant normative deeds

- 1.1. Electricity Law no. 318 as of July 8, 2003 as published in the Official Gazette no. 511 as of July 16, 2003.
- 1.2. Government Decision 890 of July 29, 2003 regarding the approval of “Roadmap for the Romanian energy sector” published in the Official Gazette no. 581 of 14/08/2003 and amended by
 - Decision 1823 of 28/10/2004 to increase the opening of the electric energy market, published in the Official Gazette, Part I no. 1062 of 16/11/2004 and by
 - Decision 644/2005 of 29/06/2005 to increase the opening of the electric energy market, published in the Official Gazette, Part I no. 684 of 29/07/2005
 - Decision 627 of July 13, 2000 regarding the reorganization of the National Company of Electricity - S.A., published in the Official Gazette, Part I no 357 of 31/07/2000.
- 1.3. Decision no. 1892 as of November 04, 2004 setting the promotion system for the production of electricity from regenerating power sources, as published in the Official Gazette, Part I no. 1056 as of November 15, 2004 and amended by:
 - Decision no. 958 as of August 18, 2005, amending Government Decision no. 443/2003 concerning the promotion of the production of electricity from regenerating power sources and amending and supplementing Decision no. 1892 as of November 04, 2004 for the setting of the promotion system for the production of electricity from regenerating power sources, as published in the Official Gazette, Part I no. 809 as of September 06, 2005
- 1.4. Government Decision no. 443/2003 as of April 10, 2003 concerning the promotion of the production of electricity from regenerating power sources, as published in the Official Gazette, Part I no 288 as of April 24/04/2003 and amended by:
 - Rectification as of June 3, 2003 concerning Government Decision no. 443/2003 concerning the promotion of the production of electricity from regenerating power sources, as published in the Official Gazette, Part I no. 383 as of June 3, 2003
 - Decision no. 958 as of August 18, 2005, amending Government Decision no. 443/2003 concerning the promotion of the production of electricity from regenerating sources setting the promotion system for the production of electricity from regenerating power sources, as published in the Official Gazette, Part I no. 809 as of September 06, 2005.
- 1.5. Decision no. 1535 as of December 18, 2003 approving the Strategy for the capitalization of regenerating power sources as published in the Official Gazette, Part I no. 8 as of January 07, 2004
- 1.6. Decision no. 540 din 07.04.2004 approving the Regulation for the granting of electricity licenses and permits, as published in the Official Gazette, Part I no 399 as of May 05, 2004 and amended by:
 - Decision no. 1823 as of October 28, 2004, for the enhancement of the electricity market openness degree as published in the Official Gazette, Part I no. 1062 as of November 16, 2004
- 1.7. Government Decision no. 867 as of July 17, 2003 approving the Regulation for the connection of users to the public interest power networks, as published in the Official Gazette no. 559 as of August 04, 2003.
- 1.8. Decision no. 2139/2004 as of November 30, 2004 approving the Catalogue containing the classification and normal operating terms of fixed assets, as published in the Official Gazette, Part I no. 46 as of January 13, 2005.
- 1.9. Order no. 655/1997 of the Minister of Labor and Social Protection (MLSP) concerning the Specific Work Security Norms for the transport and distribution of electricity.
 - MLSP Order no. 770 as of October 27, 1997 amending certain provisions of MLSP order no. 655/1997 approving the Specific Work Security Norms for the transport and distribution of electricity, as published in the Official Gazette of Romania, Part I no. 300 as of November 4, 1997
 - Order no. 734 as of August 28, 2000 approving the Specific Work Security Norms for the transport and distribution of electricity, as published in the Official Gazette of Romania, Part I no 114 as of March 6, 2001.
- 1.10. Order no. 20 of the President of the National Energy Regulatory Authority (ANRE) dated August 27, 2004 approving the Technical Code of the electric transmission network, as published in the Official Gazette of Romania no. 828 as of September 08, 2004 amended and supplemented by :
 - Order no 35 of the ANRE President as of December, 6, 2004 amending and supplementing the Technical Code of the electric transmission network, as published in the Official Gazette of Romania no 1195 as of December 14, 2004

- 1.11. Order nr. 17 of the ANRE President as of June 20, 2002 for the approval of the electric Energy Measurement Code, published in the Official Gazette no. 480 as of 04/07/2002.
- 1.12. Order nr. 25 of the ANRE President as of October 22, 2004 for the approval of the Commercial Code of the Electric energy Wholesale Market, published in the Official Gazette no. 989 as of 27/10/2004, amended by
 - Order nr. 30 of the ANRE President as of June 24, 2005 concerning the operating standards of the electric energy wholesale market, published in the Official Gazette no. 552 as of 28/06/2005.
- 1.13. Order nr. 15 of the ANRE President as of 16.03.2005 concerning the approval of the Organization and Operation Rules of the Green Certificates Market
- 1.14. Order nr. 18 of the ANRE President as of July 23, 2004 for the approval of the Procedure for the settlement of disputes concerning the connection of the users to the public electric networks and issue of the location permits, published in the Official Gazette no. 680 as of 28/07/2004.
- 1.15. Order nr. 25 of the ANRE President as of June 14, 2005 concerning the Regulation of the electric energy purchase corresponding to the own technical consumption in the transport and distribution networks, published in the Official Gazette no. 533 as of 23/06/2005.
- 1.16. Order nr. 34 of the ANRE President as of December 6, 2004 for the approval of the Methodology for setting the system service tariff, published in the Official Gazette no. 1195 din 14/12/2004.
- 1.17. Order nr. 33 of the ANRE President as of December 3, 2001 for the approval of the methodology of fixing the tariffs of electric energy transit, published in the Official Gazette no. 124 din 15/02/2002.
- 1.18. Order nr. 16 of the ANRE President as of July 9, 2004 concerning the approval of the tariffs for the issue of location permits and of the technical connection permits offered by the National Electricity Transport Company "Transelectrica" - S.A, published in the Official Gazette, Part I no. 659 din 22/07/2004.
- 1.19. Order nr. 1 of the ANRE President as of January 7, 2005 concerning the approval of tariffs and money contributions collected by the National Energy Regulatory Authority in the year 2005 published in the Official Gazette nr. 53 din 17.01.2005.
 - Order nr. 31 of the ANRE President as of July 1, 2005 for the supplementation of the Order no. 1/2005 of the National Energy Regulatory Authority's President concerning the approval of tariffs and money contributions collected by the National Energy Regulatory Authority in the year 2005, published in the Official Gazette, Part I no. 597 din 11/07/2005
- 1.20. Order nr. 7 of the ANRE President as of February 16, 2005 for the approval of the Regulations concerning the authorization of electrical engineers who design, execute, check and operate electrical installations of the electric energy system – Revision 1 published in the Official Gazette nr. 152 din 21/02/2005.
- 1.21. Order nr. 21 of the ANRE President as of August 9, 2002 for the approval of the rules for the acknowledgment, notification and penalization of infringements of the regulations issued in the electrical and thermal energy area, published in the Official Gazette nr. 743 din 11/10/2002.
- 1.22. Order nr. 31 of the ANRE President as of November 6, 2002 for the approval of the Procedure of settling the disputes occurred in relation with the contracts executed in the electric and thermal energy area, published in the Official Gazette nr. 845 din 22/11/2002.
- 1.23. Order nr. 14 of the ANRE President as of March 16, 2005 concerning the trial period for the new trading platforms on the electric energy wholesale market, published in the Official Gazette nr. 242 din 23/03/2005.
- 1.24. Order nr. 26 of the ANRE President as of October 7, 2002 for the approval of the Code of Conduct for the participants in the electric energy wholesale market, published in the Official Gazette nr. 753 din 15/10/2002.
- 1.25. Order nr. 1 of the ANRE President as of January 16, 2004 for the approval of the Regulations concerning the analysis of investment projects in public-private partnerships in the electric production area, published in the Official Gazette nr. 61 din 23.01.2004.
- 1.26. Order nr. 14 of the ANRE President as of July 5, 2001 for the approval of the procedure for preparing the annual report by license holders, published in the Official Gazette nr. 523 din 31/08/2001.
- 1.27. Order nr. 18 of the ANRE President as of April 27, 2005 for the approval of the „Procedure for the calculation of electric energy invoices in the event of measurement group failure” published in the Official Gazette nr. 372 din 03/05/2005.
- 1.28. Order nr. 20 of the ANRE President as of August 29, 2001 for the approval of the procedure for the preparation of the financial report by license holders, published in the Official Gazette nr. 587 din 19/09/2001.
- 1.29. Order nr. 21 of the ANRE President as of 8 September, 2004 concerning the adaptation of the norms regulating the electric energy wholesale market in view of increasing the competitiveness and functionality thereof, published in the Official Gazette nr. 856 din 20/09/2004.

- 1.30. Order nr. 33 of the ANRE President as of November 26, 2004 for the approval of the Regulations for the qualification of electric energy priority production, published in the Official Gazette nr. 1192 din 14/12/2004.
 - 1.31. Order nr. 38 of the ANRE President as of December 19, 2003 for the approval of the Methodology for the issue of the location permits by network operators, published in the Official Gazette nr. 16 din 08/01/2004.
 - 1.32. Order nr. 34 of the ANRE President as of December 17, 2003 for the approval of the „Norms for trial and measurement of protection, command –control and automation systems in the electric part of the power stations and plants”, published in the Official Gazette nr. 15 din 08/01/2004.
 - 1.33. Order nr. 2 of the ANRE President as of February 7, 2003 for the approval of the Norms concerning the choice of insulation and protection of the electric energy installations against overvoltage, published in the Official Gazette nr. 113 din 24/02/2003.
 - 1.34. Order nr. 32 of the ANRE President as of November 17, 2004 for the approval of the „Norms for the construction of electric energy airlines with voltages over 1000 V”, published in the Official Gazette nr. 1092 din 24/11/2004.
 - 1.35. The ANRE president’s order No. 8 of February 25, 2005 approving “The Norms of Analysis and Monitoring of accidents in electricity and thermal power production, transport and distribution installations”, published in the Off. Gazette No. 189 of March 7, 2005.
 - 1.36. The ANRE President’s order No 19 of April 28, 2005 approving the Methodology establishing the transaction minimal and maximal values of green certificates, published in the Off. Gazette No. 372 of March 5, 2005.
 - 1.37. The ANRE President’s order No 20 of April 28, 2005 approving the transaction minimal and maximal values of green certificates, published in the Off. Gazette No. 372 of March 5, 2005.
 - 1.38. The ANRE President’s order No 4 of January 26, 2005 establishing the purchase price of electricity from hydroelectric producers that do not hold portfolio contracts, published in the Off. Gazette No. 115 of April 2, 2005.
 - 1.39. The ANRE President’s order No 21 of August 18, 2003 approving the emergency procedure in case of non-functionality of the internal electricity market because the anticipated load curve and/or the reserves requested by the System Operator were not covered by the producers’ offers, published in the Off. Gazette No. 604 of August 26, 2003.
 - 1.40. The ANRE President’s order No 8 of February 25, 2005 approving “The Norms of Analysis and Monitoring of accidents in electric and thermal power production, transport and distribution installations”, published in the Off. Gazette No. 189 of March 7, 2005.
 - 1.41. Order No 26/2005 of June 14, 2005 approving the average prices for electricity transport, system and distribution services, as well as for billing on the electricity gross market, practiced by economic agents in the electricity sector, published in the Off. Gazette, Part I No 543 of June 27, 2005.
 - 1.42. Order No 30 of November 15, 2004 approving the Methodology of establishing the prices for the electricity transport service, published in the Off. Gazette, Part I No 1092 of November 24, 2004.
 - 1.43. Order No. 35 of December 6, 2002 approving the Management and Organization of the Maintenance Activity Rules, published in the Off. Gazette, Part I No 916 of December 16, 2002.
 - 1.44. Order No 40 of December 22, 2004 approving the Frame Contract for service delivery in the fields of transport, system and management of the electricity gross market, between N.C. Transelectrica S.A. and [Customer] and amended by:
 - Order No 27/2005 of June 14, 2005 amending the ANRE President’s order No 40/2004 approving the Frame Contract for service delivery in the fields of transport, system and management of the electricity gross market, between the National Electricity Transport Company Transelectrica S.A. and [Customer], published in the Off. Gazette, Part I No 533 of December 23, 2005.
2. Other Normative Deeds
- 2.1. The ANRE President’s decision no 101 of June 6, 2000 approving the Technical Code of Electric Distribution Networks, published in the Off. Gazette No 276 of June 19, 2000.
 - 2.2. The ANRE President’s decision no 245/2003 approving the Procedure regarding the collaboration of distribution, transport and system operators to approve the connection of users to electric networks.
 - 2.3. The ANRE President’s decision no 32 of August 26, 1999 approving the Professional and Ethic Conduct Code of the electricity and thermal power regulator.
 - 2.4. The ANRE President’s decision no 65 of March 19, 2004 approving the programme of revision of power norms in the field of electricity and thermal power production, transport, transmission, distribution, supply and usage for 2004.

- 2.5. The ANRE President's decision no 526 of May 25, 2001 approving the Frame Contract of electricity supply for internal services in the electricity stations of N.C. Transelectrica S.A.
- 2.6. The ANRE President's decision no 79 of December 02, 1999 approving procedure norms regarding the issuing of regulations.
- 2.7. The ANRE President's decision no 83 of March 31, 2004 approving "The Instructions regarding the disconnecting and the limitations of the electricity supply, in exceptional situations that can occur in the functioning of SEN."
- 2.8. The ANRE President's decision no 164 of May 28, 2004 concerning the functioning of the electricity market.
- 2.9. The ANRE President's decision no 213 of June 26, 2004 concerning the functioning of the electricity market.
- 2.10. The ANRE President's decision no 495 of May 21, 2001 approving the Temporary Procedure regarding the way monthly sums scheduled for ensuring system services are to be allotted.
- 2.11. The ANRE President's decision no 503 of December 20, 2004 concerning the prices and the amounts of electricity to be sold on the basis of regulated deeds of conveyance by electricity producers.
- 2.12. The ANRE President's decision no 630 of May 30, 2005 concerning the functioning rules of the gross electricity market during the trial period of the new transaction platform.
- 2.13. Technical norms concerning the establishing of protection and safety zones for power facilities, approved by the ANRE Decision no 61/1999, published in the Official Gazette of Romania no 15/ January 18, 2000.
- 2.14. Regulation of September 02, 2004 certificating the origin of electricity obtained from renewable power sources, published in the Official Gazette, Part I no 843 of September 15, 2004.

European normative deeds

2. Directive no. 1229/2003/EC of the European Parliament and Council of June 26, 2003 that establish a series of directions for transeuropean electricity networks and abrogates Directive no 1254/96/EC.
 3. Directive no. 2003/54/EC of the European Parliament and Council of June 26, 2003 concerning the joint rules on the internal electricity market which abrogates Directive 96/92/EC published in the Official Gazette L 176, 15/07/2003 P. 0037 – 0056
 4. EU Council Regulation no. 736 of April 22, 1996 regarding the Commission notification of investment projects the Community is interested in the oil, natural gas and electricity sectors.
- Regulation no. 1228/2003 of the European Parliament and Council setting up the network access requirements for cross-border electricity exchanges

Appendix 2 TERRITORIAL GRID OF THE DISTRIBUTION GROUP**Branch network and offices of Alpha Bank**

County	City	Branch	Address
Bucuresti	Bucuresti	Sucursala Aviației	Sos. Pipera nr. 1, bl. 1D, parter, cod 014251, sector 1
Bucuresti	Bucuresti	Sucursala Brâncoveanu	Alunisului nr.3 Bl.12C, sector 4
Bucuresti	Bucuresti	Agentia Coposu	Bdul Corneliu Coposu 5-7, bloc 103, parter, sector 3
Bucuresti	Bucuresti	Agentia Decebal	B-dul Decebal nr. 26, bl. S2, parter, sector 3
Bucuresti	Bucuresti	Sucursala Dorobanți	Calea Dorobantilor nr.237B, sector 1
Bucuresti	Bucuresti	Sucursala Drumul Taberei	Str. Drumul Taberei nr.138, Bl 715, parter, sector 6
Bucuresti	Bucuresti	Agentia Howard Johnson	Calea Dorobantilor nr. 5-7, parter, sector 1
Bucuresti	Bucuresti	Sucursala Iancului	Str. Avrig nr.i 63, sector 2
Bucuresti	Bucuresti	Sucursala Libertății	Bd. Libertatii nr.20, sector 5
Bucuresti	Bucuresti	Sucursala Magheru	Bd. Gh. Magheru nr. 7, sector 1
Bucuresti	Bucuresti	Sucursala Marriott	Calea 13 Septembrie nr. 90, sector 5
Bucuresti	Bucuresti	Sucursala Militari	Bd. Iuliu Maniu nr. 14, Bl. 13, parter, sector 6
Bucuresti	Bucuresti	Agentia Mosilor	Calea Mosilor nr. 282, bl. 22C, parter, sector 2
Bucuresti	Bucuresti	Sucursala Obregia	Bdul Alex. Obregia 6, bloc M1, parter, sector 4
Bucuresti	Bucuresti	Agentia Pantelimon	Sos. Pantelimon nr. 253, bl. 44, parter, sector 2
Bucuresti	Bucuresti	Agentia Sincai	B-dul Ghe. Sincai nr 2, bl. 4, parter, sector 4
Bucuresti	Bucuresti	Sucursala Ștefan cel Mare	Sos Stefan cel Mare nr 44, bl 33A, parter, sector 2
Bucuresti	Bucuresti	Agentia Th. Pallady	Bd. Th. Pallady nr. 11-13, bl. R5, sector 3
Bucuresti	Bucuresti	Agentia Titan	Str. Liviu Rebreanu nr. 12, bl. K2, parter, sector 3
Bucuresti	Bucuresti	Agentia Titulescu	Bd. Nic. Titulescu nr. 64, bl. 24A, parter, sector 1
Bucuresti	Bucuresti	Sucursala Unirii	Bd. Unirii nr.68, sector 3
Bucuresti	Bucuresti	Agentia Vacaresti	Calea Vacaresti nr 300, bl. 1B, parter, sector 4
Ilfov	Otopeni	Sucursala Otopeni	Calea Bucurestilor nr. 86 Tronson E+F, Bloc A1-2B, Parter
Arad	Arad	Sucursala Arad	Str. Horia nr.2
Arges	Pitesti	Sucursala Pitesti	Bd. I.C. Bratianu, Bl. D1, parter
Bihor	Oradea	Sucursala Oradea	Str. V.Alecsandri 2
Brasov	Brasov	Sucursala Brasov	str. Toamnei, nr.2.
Cluj	Cluj-Napoca	Sucursala Cluj	Str. Memorandumului nr. 1
Constanta	Constanta	Sucursala Cta Port	Incinta Port Constanta - Cladire Navlomar

Constanta	Constanta	Sucursala Constanta	Str. Avram Iancu nr.69
Iasi	Iasi	Sucursala Iasi	Str. Independentei nr.7
Maramures	Baia-Mare	Sucursala Baia Mare	Bd. Traian nr.1
			Str. Constantin Dobrogeanu Gherea nr. 1,
Prahova	Ploiesti	Sucursala Ploiesti	Bl. AB
Sibiu	Sibiu	Sucursala Sibiu	Str. Somesului nr. 2A
Timis	Timisoara	Sucursala Timisoara	Str. Popa Sapca nr.1
		Agentia Gh. Lazar	
Timis	Timisoara	Timisoara	Str. Gheorghe Lazar, nr. 36-40

Branch network and offices of BRD - Groupe Societe Generale

County	City	Branch	Address
București	București	Sucursala de Grup Academiei	Calea Victoriei nr. 32-34, sector 1
București	București	Sucursala Aviației	Str. Av. Alexandru Serbanescu, nr. 31, sector 1
București	București	Sucursala Brătianu	B-dul I.C. Bratianu, nr. 44bis, sector 3
București	București	Sucursala Calderon	Str. J.L.Calderon, nr. 31, sector 2
București	București	Agentia Carol	B-dul Pache Protopopescu nr. 25, sector 2
București	București	Sucursala Decebal	B-dul Unirii nr.64, bl. K4, scara 3 si 4, sector 3
București	București	Sucursala de Grup Dorobanți	Calea Dorobanți nr. 135, sector 1
București	București	Agentia Dristor	Sos. Mihai Bravu nr.302-304,bl.B13 parter, sector 3
București	București	Agentia Drumul Taberei	Str. Brasov nr. 24, sector 6
București	București	Sucursala Mari Clienți Corporativi	Bd. Ion Mihalache nr. 1-7, sector 1
București	București	Sucursala Militari	B-dul Iuliu Maniu nr. 111, bl. F, sector 6
București	București	Agentia Pantelimon	Sos. Pantelimon, nr 247, bl 54, parter, sector 2
București	București	Agentia Piața Romană	B-dul Magheru nr. 35, parter, sector 1
București	București	Agentia Progresul	sos. Giurgiului nr. 103-107, sector 4
București	București	Agentia Rahova	Calea Ferentari nr. 1, bl. 75a, sector 5
București	București	Agentia Tei	Bd. Lacul Tei nr.126-128, sector 2
București	București	Sucursala Titan	Str. Lucretiu Patrascanu nr.14, sector 3
București	București	Sucursala Triumf	B-dul Ion Mihalache nr.45, sector 1
București	București	Sucursala de Grup Unirea	B-dul Vintila Voda, nr. 2, bloc E1, sector 3
București	București	Sucursala Văcărești	Sos. Oltenitei, nr.121, bl. 33, sector 4
București	București	Sucursala Victoria-București	Calea Victoriei nr.224 Bl D5, sector 1
București	București	Agentia 13 Septembrie	Calea 13 Septembrie nr.116, Bloc 58, parter, sector 5
Alba	Alba Iulia	Sucursala Judeteana Alba	Str Ardealului nr.2, bl. 31B-31C
Alba	Sebeș	Agentia Sebeș	Str. Valea Frumoasei, bl. 2
Arad	Arad	Sucursala Judeteana Arad	B-dul Revolutiei, nr. 5-7
Arges	Câmpulung Muscel	Sucursala Campulung Muscel	Str. Parcului nr.1
Arges	Curtea de Argeș	Sucursala Curtea de Argeș	B-dul Basarabilor nr. 82-84, bl. E4A

Arges	Pitești	Sucursala de Grup Pitești	B-dul Republicii nr. 69BIS
Bacau	Bacău	Sucursala de Grup Bacău	str. George Apostu nr.13 cod 5500
Bacau	Onești	Sucursala Onești	Str. Tineretului nr.16
Bihor	Oradea	Sucursala Judeteana Bihor	Piata Regele Ferdinand I, nr.4
Bistrita Nasaud	Bistrița	Sucursala Judeteana Bistrița- Năsăud	Str. N. Titulescu nr. 50 A
Botosani	Botoșani	Sucursala Judeteana Botoșani	Calea Nationala nr.156, bl.H1-H3
Braila	Brăila	Sucursala Judeteana Brăila	Piața Traian nr.12
Brasov	Brașov	Sucursala de Grup Brașov	Str. Mihail Kogalniceanu, nr. 5
Buzau	Buzău	Sucursala Judeteana Buzău	Str. Prelungirea Democratiei nr. 2
Calarasi	Călărași	Sucursala Judeteana Călărași	Str. Flacara nr. 65
Caras Severin	Reșița	Sucursala Judeteana Caraș- Severin	Str. Petru Rares nr.1
Cluj	Cluj Napoca	Sucursala de Grup Cluj	B-dul 21 Decembrie 1989, nr. 81-83
Constanta	Constanța	Sucursala de Grup Constanța	Str. Arhiepiscopiei nr. 9
Covasna	Sfântu Gheorghe	Sucursala Judeteana Covasna	Str. 1 Decembrie 1918 nr. 43
Dambovita	Târgoviște	Sucursala Judeteana Dâmbovița	Str. Stelea nr.1
Dolj	Craiova	Sucursala de Grup Craiova	Bd. Carol I nr. 4, bl. M6
Galati	Galați	Sucursala de Grup Galați	Str. Brailei, colt cu str. Romana, cod 6200
Giurgiu	Giurgiu	Sucursala Judeteana Giurgiu	Str. Vasile Alecsandri bloc 4/300
Gorj	Târgu Jiu	Sucursala Judeteana Gorj	Str. Tudor Vladimirescu, nr. 20
Harghita	Miercurea Ciuc	Sucursala Judeteana Harghita	Str. George Coșbuc nr.36
Harghita	Odorheiu Secuiesc	Sucursala Odorheiu Secuiesc	Str. Bethlen Gabor nr.57
Hunedoara	Deva	Sucursala Judeteana Hunedoara	Piata Operei nr. 7
Hunedoara	Petrosani	Agentia Petrosani	Str. 1 Decembrie 1918, nr. 79
Ialomita	Slobozia	Sucursala Judeteana Ialomița	B-dul Chimiei nr.11
Iasi	Iași	Sucursala de Grup Iași	Str. Anastasie Panu nr.1B-2A
Iasi	Iași	Agentia Păcurari	sos Pacurari nr. 145
Maramures	Baia Mare	Sucursala de Grup Baia Mare	Str. Gh. Sincai nr. 38B
Mehedinti	Drobeta Turnu Severin	Sucursala de Grup Drobeta Turnu Severin	B-dul Carol I, nr. 55
Mures	Târgu Mureș	Sucursala de Grup Târgu Mureș	Str. Bolyai nr.2
Neamt	Piatra Neamț	Sucursala de Grup Piatra Neamț	Str. Lt. Draghescu nr.13 (operațiuni pers.fizice - bd. Republicii nr.3, parter)
Neamt	Roman	Sucursala Roman	Str. Stefan cel Mare bl. 13
Olt	Slatina	Sucursala Judeteana Olt	B-dul Nicolae Titulescu, nr. 51
Prahova	Ploiești	Sucursala de Grup Ploiești	Str. Cuza Voda, nr. 8
Salaj	Zalău	Sucursala Judeteana Sălaj	Piata 1 Decembrie 1918 nr. 2
Satu Mare	Satu Mare	Sucursala Judeteana Satu	Str. Corneliu Coposu nr.3

		Mare	
Sibiu	Mediaș	Sucursala Mediaș	Str. Mihai Eminescu, nr. 1
Sibiu	Sibiu	Sucursala de Grup Sibiu	Str. General Magheru nr. 55
Suceava	Suceava	Sucursala Judeteana Suceava	Str. Stefan cel Mare nr. 35
Teleorman	Alexandria	Sucursala Judeteana Teleorman	Str. Confederației nr.4
Timisoara	Lugoj	Sucursala Lugoj	Str. Cuza Voda nr. 7
Timisoara	Timișoara	Sucursala de Grup Timișoara	Str. Socrates, nr. 1
Tulcea	Tulcea	Sucursala Judeteana Tulcea	Str. Babadag nr.116
Valcea	Râmnicu Vâlcea	Sucursala Judeteana Vâlcea	Str. General Praporgescu nr.18
Vaslui	Vaslui	Sucursala Judeteana Vaslui	Str. C. D. Gherea nr. 2
Vrancea	Focșani	Sucursala Judeteana Vrancea	Str. M. Kogalniceanu, nr. 21 A

Branch network and offices of Raiffeisen Bank

County	City	Branch	Address
Bucuresti	Bucuresti	Sucursala Bucuresti	Calea Victoriei nr.155, bl D1, tronson 6, parter, sect 1
Bucuresti	Bucuresti	Agentia Mosilor	Calea Mosilor nr. 221 bl 31A, corp A, sect 2
Bucuresti	Bucuresti	Agentia Lujerului	B-dul Iuliu Maniu nr. 16, bl. 14, sect 6
Alba	Alba Iulia	Sucursala Alba	Pta. I.C. Bratianu nr. 20
Arad	Arad	Sucursala Arad	Str. Andrei Saguna nr.1-3
Arges	Pitesti	Sucursala Arges	Str. Craiovei nr. 42
Bacau	Bacau	Sucursala Bacau	Str. Dumbrava Rosie nr.2
Bihor	Oradea	Sucursala Bihor	Str. Nufarului nr.30
Bistrita			
Nasaud	Bistrita	Sucursala Bistrita	Str. Liviu Rebreanu nr.51
Botosani	Botosani	Sucursala Botosani	Calea Nationala nr. 68
Braila	Braila	Sucursala Braila	Str. Calea Calarasilor nr.34
Brasov	Brasov	Sucursala Brasov	Str. Mihail Kogalniceanu nr.3
Buzau	Buzau	Sucursala Buzau	Str. Nicolae Balcescu nr.2
Calarasi	Calarasi	Sucursala Calarasi	Str. Progresului nr. 27 bl BBB
Caras			
Severin	Resita	Sucursala Caras Severin	Pta. 1 Decembrie 1918 nr. 4
Cluj	Cluj	Sucursala Cluj	Str. Aviator Badescu nr.1
Constanta	Constanta	Sucursala Constanta	Str. Traian nr. 51
	Sfantu		
Covasna	Gheorghe	Sucursala Covasna	Str. 1 Decembrie 1918 nr.33-37
Dambovita	Targoviste	Sucursala Dambovita	Str. Calea Domneasca nr. 227
Dolj	Craiova	Sucursala Dolj	Str. Fratii Buzesti nr.17
Galati	Galati	Sucursala Galati	Str. Brailei nr. 31
Giurgiu	Giurgiu	Sucursala Giurgiu	Str. Portului bl. 32
Gorj	Targu Jiu	Sucursala Gorj	Str. Tudor Vladimirescu nr.17
	Miercurea		
Harghita	Ciuc	Sucursala Harghita	Bdul Florilor nr.20, bl 27
Hunedoara	Deva	Sucursala Hunedoara	Str. Iuliu Maniu nr.18
Ialomita	Slobozia	Sucursala Ialomita	Bdul. Chimiei nr.13

Iasi	Iasi	Sucursala Iasi	Sos Nationala nr 23
Maramures	Baia Mare	Sucursala Maramures	Str. Bdul Unirii nr.18
	Drobeta		
	Turnu		
Mehedinti	Severin	Sucursala Mehedinti	Bdul T.Vladimirescu nr 125-127
Mures	Tg-Mures	Sucursala Mures	Str. Gheorghe Doja nr 64-68
	Piatra		
Neamt	Neamt	Sucursala Neamt	Pta. Stefan cel Mare nr.3
Olt	Slatina	Sucursala Olt	Str. Tudor Vladimirescu nr.1-3
Prahova	Ploiesti	Sucursala Prahova	Str. Unirii nr. 2
Salaj	Zalau	Sucursala Salaj	Pta. 1 Decembrie 1918 nr.2 /A
Satu Mare	Satu Mare	Sucursala Satu Mare	Piata 25 Octombrie, Bl. 05
Sibiu	Medias	Agentia Medias	Str. I.C. Bratianu nr.3
Sibiu	Sibiu	Sucursala Sibiu	Piata Aurel Vlaicu, parter, et I si II
Suceava	Suceava	Sucursala Suceava	Bdul George Enescu nr 16
Teleorman	Alexandria	Sucursala Teleorman	Str. Av. Al.Colfescu nr.63
Timis	Timisoara	Sucursala Timis	Str. Circumvalatiunii nr.8-12
Tulcea	Tulcea	Sucursala Tulcea	Str. Grivitei nr 19
	Ramnicul		
Valcea	Valcea	Sucursla Valcea	Str. Stirbei Voda, bl T1
Vaslui	Vaslui	Sucursla Vaslui	Str. Stefan cel Mare bl. 94, sc. C,D, nr. 2-4
Vrancea	Focsani	Sucursla Vrancea	Str. Maior Gheorghe Pastia nr.1

Appendix 3 History of Issuer's managing structures, from incorporation to Prospectus preparation date

From a historical point of view, the nominal membership of the Board of Directors as of Issuer's incorporation evolved as follows:

1. The members of the Board of Directors as per Ordinance no. 3052/14.03.2001 of the Minister of Industry and Resources:
 - Neculai Liciu – Chairman of the Board of Directors;
 - Jean Constantinescu – Member, General Manager
 - Marius Vorniceanu – Member
 - Daniel Afrăsănei – Member
 - Gheorghe Olteanu – Member

2. The members of the Board of Directors as per Order no. 3057 / 02.04.2001 of the Minister of Industry and Resources (enforced by Decision of the General Meeting of Transelectrica Shareholders no. 2 of 09.04.2001) and Order no. 3070 / 24.05.2001 of the Minister of Industry and Resources (enforced by Decision of the General Meeting of Transelectrica Shareholders no. 9 of 01.06.2001):
 - Neculai Liciu – Chairman of the Board of Directors;
 - Jean Constantinescu – Member, General Manager
 - Dumitru Drăguleasa – Member
 - Adrian Constantin – Member
 - Gheorghe Olteanu – Member

3. The members of the Board of Directors as per Order no. 3007 / 28.01.2002 of the Minister of Industry and Resources (enforced by Decision of the General Meeting of Transelectrica Shareholders no. 8 of 05.02.2002):
 - Irimescu Corneliu – Chairman of the Board of Directors
 - Jean Constantinescu – Member, General Manager
 - Dumitru Drăguleasa – Member
 - Adrian Constantin – Member
 - Gheorghe Olteanu – Member

4. The members of the Board of Directors as per Order no. 3051/12.03.2002 of the Minister of Industry and Resources (enforced by Decision of the General Meeting of Transelectrica Shareholders no. 8 of 20.03.2002)
 - Mucea Dorinel - Chairman of the Board of Directors
 - Jean Constantinescu - Member, General Manager
 - Drăguleasa Dumitru - Member
 - Adrian Constantin - Member
 - Gheorghe Olteanu - Member

5. The members of the Board of Directors as per the Decision of the General Meeting of Transelectrica Shareholders no. 39/18 of 25.10.2002/23.03.2004:
 - Răcășanu Georgeta Felicia – Chairman of the Board of Directors
 - Merfu Ion – Member, General Manager
 - Dumitru Drăguleasa – Member
 - Adrian Constantin – Member
 - Gheorghe Olteanu – Member

6. The members of the Board of Directors as per Order no. 3046 / 24.02.2005, Order no. 3118 / 30.03.2005 and Order no. 3216 / 20.04.2005 enforced by Decision of the General Meeting of Transelectrica Shareholders no 7/24.02.2005, Decision of the Ordinary General Meeting of Transelectrica Shareholders no 20/08.04.2005 and Decision of the Ordinary General Meeting of Transelectrica Shareholders no 30/25.04.2005
 - Georgeta Felicia Răcășanu – Chairman of the Board of Directors
 - Merfu Ion – Member, General Manager
 - Nicolae Ivan – Member
 - George Madalin Borș – Member

- Didina Comănescu – Member
7. The members of the Board of Directors as per Order no. 3118/30.03.2005, Orderi 3216/20.04.2005 and Order no 3293/03.06.2005, enforced by Decision of the Ordinary General Meeting of Transelectrica Shareholders no 35/03.06.2005
- Georgeta Felicia Răcășanu – Chairman of the Board of Directors
 - Merfu Ion – Member, General Manager
 - Nicolae Ivan – Member
 - Ioan Sorin Bondoc – Member
 - Didina Comănescu – Member
8. The members of the Board of Directors as per Order no.3342 / 03.06.2005 of the Minister of Economy and Trade, enforced by Decision of the General Meeting of Transelectrica Shareholders no. 40/17.06.2005):
- Răcășanu Georgeta Felicia – Chairman of the Board of Directors;
 - Merfu Ion – Member, General Manager;
 - Ivan Nicolae – Member;
 - Bondoc Ioan Sorin – Member;
 - Badea Florin Cornel – Member.
9. The members of the Board of Directors as per Order no.3409/08.07.2005, enforced by Decision of the General Meeting of Transelectrica Shareholders no 44/25.07.2005:
- Răcășanu Georgeta Felicia – Chairman of the Board of Directors;
 - Merfu Ion – Member, General Manager;
 - Ivan Nicolae – Member;
 - Simion Costel – Member;
 - Badea Florin Cornel – Member.
10. The members of the Board of Directors as per Order no. 3574/10.11.2005 enforced by Decision of the General Meeting of Transelectrica Shareholders no. 67/14.11.2005:
- Răcășanu Georgeta Felicia – Chairman of the Board of Directors;
 - Stelian Iuliu Alexandru Gal – Member, General Manager
 - Ivan Nicolae – Member;
 - Simion Costel – Member;
 - Badea Florin Cornel – Member.
11. The members of the Board of Directors as per Order no. 3013/17.01.2006 and 3021/26.01.2006 enforced by Decision of the General Meeting of Transelectrica Shareholders no. 4 and 5/26.01.2006:
- Răcășanu Georgeta Felicia – Chairman of the Board of Directors;
 - Stelian Iuliu Alexandru Gal – Member, General Manager
 - Badea Florin Cornel - Member
 - Lefter Ioan Silviu – Member;
 - Bitu Alice Cezarina – Member.

Appendix 5. The Issuer's branches and subsidiaries

1. Subsidiaries of the Romanian Power Grid Company "Transelectrica" S.A.

Subsidiary Commercial Company "Operatorul Pieței de Energie Electrică (OPCOM)" - S.A. (Romanian Power Market Operator)

Head office	Bucharest, 16-18 Hristo Botev Blvd., sector 3
Running number at the trade register office	J40 / 7542 / 2000
Sole Registration Code	13278352
Share capital	RON 120,350 (ROL 1,203,500,000), divided into 12,035 nominal shares, each having a par value of RON 10 (ROL 100,000)
Sole shareholder	Romanian Power Grid Company "Transelectrica" S.A.
Incorporation document	Government Decision no. 627/2000 relating to the reorganization of the Romanian Power Grid Company – „Transelectrica” S.A.

Subsidiary Commercial Company for Power Transmission Grid Maintenance Services "SMART" - S.A.

Head office	Bucharest, 33 General Gheorghe Magheru Blvd., sector 1
Running number at the trade register office	J40 / 8613 / 16.10.2001
Sole Registration Code	14232728
Share capital	RON 30,000,000 (ROL 300,000,000,000), divided into 3,000,000 nominal shares, each having a par value of RON 10 (ROL 100,000)
Sole shareholder	The Romanian Power Grid Company "Transelectrica" S.A.
Incorporation document	Government Decision no. 710/2001 relating to setting up the the subsidiary the Commercial Company for Power Transmission Grid Maintenance Services "Smart" - S.A. by reorganizing certain activities within the Romanian Power Grid Company "Transelectrica" - S.A

Subsidiary "The Energy Research and Modernization Institute - ICEMENERG" - S.A. Bucharest

Head office	Bucharest, 8 Energeticienilor Bd., sector 3
Running number at the trade register office	J40 / 7306 / 2004
Sole Registration Code	16397293
Share capital	RON 1,056,600 (ROL 10,566,000,000), divided into 105,660 nominal shares, each having a par value of RON 10 (ROL 100,000)
Sole shareholder	The Romanian State represented by the Romanian Power Grid Company "Transelectrica" S.A. (shareholder on behalf of the State)
Incorporation document	Government Decision no. 1065/2003 relating to the reorganization of the National Electricity Company "Transelectrica" - S.A. and of the Commercial Company "The Energy Research and Modernization Institute - ICEMENERG" - S.A. Bucharest through merger by

	absorption, as well as setting up the Commercial Company the Subsidiary "The Energy Research and Modernization Institute - ICEMENERG" - S.A. Bucharest as a subsidiary of the Romanian Power Grid Company "Transelectrica" - S.A.
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Subsidiary "ICEMENERG-SERVICE" S.A.

Head office	Bucharest, 8 Energeticienilor Blvd., sector 3
Running number at the trade register office	J40 / 11414 / 2003
Sole Registration Code	15689117
Share capital	RON 493,000 (ROL 4,930,000,000), divided into 49,300 nominal shares, each having a par value of RON 10 (ROL 100,000)
Sole shareholder	The Romanian Power Grid Company "Transelectrica" S.A.
Incorporation document	Government Decision no. 2294/2004 relating to approving the transfer of the stock of shares held by the Commercial Company the Subsidiary "The Energy Research and Modernization Institute - ICEMENERG" - S.A. Bucharest in the Commercial Company the Subsidiary "ICEMENERG-SERVICE" S.A. Bucharest to the Romanian Power Grid Company "Transelectrica" - S.A.

The Commercial Company for IT and Telecommunications Subsidiary - „TELETRANS" - S.A.

Head office	Bucharest, 16-18 Hristo Botev Blvd., sector 3
Running Number in the Trade Register	J40 / 12511 / 2002
Single Registration Code	15061510
Share capital	RON 2,200,000 (RON 1,908,070 in kind and 291,930 in cash), divided into 220,000 nominal shares, each having a par value of RON 10
Sole shareholder	The Romanian Power Grid Company "Transelectrica" S.A.
Incorporation document	Decision of the General Meeting of "Transelectrica" S.A. Shareholders no. 13 held on March 20, 2002

Subsidiary – Commercial Company for Romanian Power Engineers Training „FORMENERG” S.A.

Head office	Bucharest, Gheorghe Șincai Blvd., no 3, Sector 4
Running Number in the Trade Register	J40/2265/21.03.2002
Single Registration Code	14529126
Share capital	1,500,000 RON
Sole shareholder	The Romanian Power Grid Company “Transelectrica” S.A.
Incorporation document	Decision of the General Meeting of "Transelectrica" S.A. Shareholders no. 33 held on November 19, 2001

2. Branches of the Romanian Power Grid Company “Transelectrica” S.A.

Bucharest Branch

Head office	Bucharest, Ștefan cel Mare street no. 1A, sector 1
Running Number in the Trade Register	J40 / 8811 / 28.09.2000
Single Registration Code	13396943
Incorporation document	Government Decision no. 627/2000 concerning the re-organization of the National Electricity Company - S.A.

Craiova Branch

Head office	Craiova, Brestei street no. 5, Dolj County
Running Number in the Trade Register	J16 / 523 / 21.09.2000
Single Registration Code	10997485
Incorporation document	Government Decision no. 627/2000 concerning the re-organization of the National Electricity Company - S.A.

Timișoara Branch

Head office	Timișoara, Piața Romanilor no. 1, Timiș County
Running Number in the Trade Register	J35 / 906 / 26.09.2000
Single Registration Code	13408690
Incorporation document	Government Decision no. 627/2000 concerning the re-organization of the National Electricity Company - S.A.

Sibiu Branch

Head office	Sibiu, Corneliu Coposu blvd. no. 3, Sibiu County
Running Number in the Trade Register	J32 / 465 / 27.09.2000
Single Registration Code	13414470
Incorporation document	Government Decision no. 627/2000 concerning the re-organization of the National Electricity Company - S.A.

Cluj Branch

Head office	Cluj-Napoca, Memorandumului street no. 27, Cluj County
Running Number in the Trade Register	J12 / 1083 / 28.09.2000
Single Registration Code	13402816
Incorporation document	Government Decision no. 627/2000 concerning the re-organization of the National Electricity Company - S.A.

Pitești Branch

Head office	Pitești, Frații Golești street no. 25B, Argeș County
Running Number in the Trade Register	J03 / 440 / 06.10.2000
Single Registration Code	13459464
Incorporation document	Government Decision no. 627/2000 concerning the re-organization of the National Electricity Company - S.A.

Constanța Branch

Head office	Constanța, Alexandru Lăpușneanu blvd. no. 195A, LAV1 building, ground floor, Constanța County
Running Number in the Trade Register	J13 / 1667 / 22.09.2000
Single Registration Code	13389385
Incorporation document	Government Decision no. 627/2000 concerning the re-organization of the National Electricity Company - S.A.

Bacău Branch

Head office	Bacău, Oituz street no. 41, Bacău County
Running Number in the Trade Register	J04 / 533 / 29.09.2000
Single Registration Code	13427560
Incorporation document	Government Decision no. 627/2000 concerning the re-organization of the National Electricity Company - S.A.

The Metering Operator on the Electricity Wholesale Market Branch – OMEPA Bucharest

Head office	Bucharest, Hristo Botev blvd. no. 16-18
Running Number in the Trade Register	J40 / 7034 / 02.08.2002
Single Registration Code	14792652
Incorporation document	Decision of the General Meeting of "Transelectrica" S.A. Shareholders no. 3 held on January 22, 2002

ISSUER

C.N. TRANSELECTRICA S.A.
General Gheorghe Magheru Bvd., no.3
Bucharest, Sector 1

Stelian Alexandru Gal

SYNDICATE

Alpha Finance Romania S.A.
Calea Dorobantilor 237B
Bucharest, sector 1

Florin Aldea

LEGAL CONSULTANT FOR THE SYNDICATE

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