A N N U A L   R E P O R T

REGARDING THE ECONOMIC-FINANCIAL ACTIVITY OF THE NATIONAL POWER GRID COMPANY TRANSELECTRICA SA

according to the provisions of

art. 227 of Law 297/2004 on the capital market and of
Annex 32 to Regulation 1/2006 of the CNVM (National Securities Commission),

for the financial year concluded on 31 December 2012

Date of the report: 25 March 2013

Name of Issuer Company: National Power Grid Co. TRANSELECTRICA SA, company managed under dualist system

Headquarters: Bucharest 1, Blvd. Gen. Gheorghe Magheru no. 33, code 010325

Working location: Bucharest 3, Str. Olteni no. 2-4, code 030786

Phone / fax numbers: 0213035611 / 0213035610

Single registration code OCR: 13328043

Number in the CR: J40/8060/2000

Share capital: 733,031,420 Lei, subscribed and paid

Regulated market where the issued securities are transacted:

Bucharest Stock Exchange, class I

Main characteristics of the securities issued:

73,303,142 shares of nominal value 10 Lei / share;
nominative, ordinary, indivisible shares in immaterial form,
freely transactable as of 29.08.2006 under the symbol TEL

Total market value: 930,216,872 Lei (12.69 Lei / share on 31.12.2012)

Accounting standard applied: international financial reporting standards

Auditing: the financial statements have been audited

1. ANALYSIS OF THE TRADING COMPANY ACTIVITY ON 31.12.2012

1.1. Elements of general evaluation

a) Core business of the trading company

The main activities that Transelectrica performs are:

- Electricity transmission,
- Operational management of the RPS,
- Organising and managing the electricity market,
- Managing the balancing market and the system service market,
- Operating the interconnections and the international electricity transit including the management of the market allocating the interconnection capacities,
- Administrating the support scheme for highly efficient cogeneration,
- Issuing the green certificates on the power market to the electricity generators from renewable sources,
- Electricity metering on the wholesale market;

In addition Transelectrica also carries out the following activities:

- Operating, refurbishing, rehabilitating and developing the installations from electricity transmission networks, the measurement and metering installations for electricity transfer through electricity transmission grids and at the interface with the users of such electricity transmission networks connected to it, the IT & telecommunication installations from the electricity transmission networks of the RPS;
- Analysing and endorsing the compliance with the technical connection conditions by the Electricity Transmission Grid (ETG) users in accordance with the provisions of applicable technical regulations;
- Transmitting the results of electricity measurements to the operator of the respective centralised market and providing access to the beneficiaries of transmission services to check the metering units;
- Making the operational planning and operational management of the RPS at central and territorial level based on its own forecast according to legal regulations applicable on the electricity market;
- Authorising the personnel that provides the operational management;
- Gathering, registering and archiving the statistical data with respect to the RPS operation;
- Exchanging information with the operational partners interconnected as well as with other co-workers in the power domain while observing UCTE regulations on information exchange protocols, the reports, structure and access procedures to the database;
- Qualifying the units supplying system services based on its own procedure approved by the competent authority;
- Elaborating the technical norms and specific regulations required for the operational management activities in consultation with the participants on the electricity market and submitting such norms and regulations for approval to the competent authority;
- Elaborating under legal conditions the RPS defence plan against major disturbances;
- Elaborating the studies, programmes and papers with regard to the RPS development;

Transelectrica is the only company performing the ***transmission and system operator*** function in Romania (TSO), providing services of electricity transmission and technical operational management of the RPS under licence 161/22.12.2000 granted by ANRE, such domains being regulated natural monopoly acknowledged as such in the legislation.

b) Establishment date of the trading company

Transelectrica was established as Romanian legal person under GD 627/13 July 2000 on reorganising the National Electricity Company CONEL SA.

c) Significant mergers or reorganisations of the trading company, its subsidiaries or controlled companies during the financial year

There has been none

d) Procurement and / or alienation of assets

There has been none

e) Main results from the evaluation of the Company's activity

In its capacity of single transmission and system operator in Romania (TSO) Transelectrica provides the services of electricity transmission and operational technical management of the RPS.

The total amount of electricity to which tariffs were applied in 2012 was 53,928,586 MWh, 3.8% smaller than in 2011 (56,056,203 MWh).

The main results of the activities:

Indicator [lei]	2012	2011	Δ2012/2011 [%]
Revenues from profitable activities, of which:	**1,143,976,363**	**1,187,639,133**	**▼3.7**
- Revenues from the transmission service	1,024,865,959	1,055,874,882	▼2.9
- Revenues from functional system services	57,706,708	59,977,320	▼3.8
- Revenues from supply of reactive energy	3,909,547	4,915,348	▼20.5
- Revenues from unplanned changes on the DAM	6,055,585	4,822,031	▲25.6
- Revenues from allocating interconnection capacities	50,196,557	54,127,032	▼7,3
- ITC revenues	1,242,007	268.338	▲362.9
Revenues from technological system services	**506,997,806**	**719,253,623**	**▼29.5**
Revenues on the balancing market	**1,068,220,860**	**1,189,433,946**	**▼10.2**
Other operational revenues	**48,491,681**	**42,897,517**	**▲13.0**
TOTAL OPERATIONAL REVENUES	**2,767,686,710**	**3,131,570,037**	**▼11.6**
Material expenses, of which:	**1,916,043,710**	**2,173,018,689**	**▼11.8**
- Payment obligations from the transmission tariff	275,930,032	267,619,008	▲3.1
- Expenses with the ITC (Inter-TSO-Compensation)	13,459,645	10,109,956	▲33.1
- Payment obligations from function. system services	21,588,993	12,732,894	▲69.6
- Payment obligations from system service tariff	522,875,919	681,120,295	▼23.2
- Expenses on the balancing market	1,068,220,860	1,189,433,945	▼10.2
- Expenses with raw materials	9,916,950	8,272,714	▲19.9
- Expenses with non-technological fuel	4,051,310	3,729,877	▲8.6
Other external expenses (power and water)	**2,737,522**	**2,459,601**	**▲11.3**
Personnel expenses	**163,002,160**	**152,730,489**	**▲6.7**
Expenses with salary rights in judgment orders	**213,276**	**0**	**n/a**
Expenses, tangible & intangible assets amortise.	**314,844,392**	**297,689,913**	**▲5.8**
Expenses with external services, of which:	**227,251,734**	**270,058,177**	**▼15.9**
- Major maintenance (RK, RC)	12,095,515	30,644,585	▼60.5
- Minor maintenance (SMART)	125,842,661	153,591,480	▼18.1
- Spare parts to the disposal of SMART	1,442,924	0	n/a
- TELETRANS	29,946,633	29,711,817	▲0.8
- Other services provided by third parties	57,924,001	56,110,295	▲3.2
Other operational expenses	**60,647,081**	**60,006,263**	**▲1.1**
TOTAL OPERATIONAL EXPENSES	**2,684,739,876**	**2,955,963,132**	**▼9.2**

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1.1.1. Elements of general evaluation

Indicator [lei]	2012	2011	Δ2012/2011 [%]
Net profit	**34,487,968**	109,937,804	▼68.6
Net turnover	**2,719,195,030**	3,088,672,520	▼12.0
Gross operational profit	**82,946,834**	175,606,905	▼52.8
Operational expenses	**2,684,739,876**	2,955,963,131	▼9.2
Liquidity (cash and cash equivalent)	**295,481,379**	304,763,377	▼3.0

1.1.2. Evaluating the technical level of the trading company

a) Main services provided

- Transmission service
- Technological and functional system services
- Operator of the balancing market

b) Main markets for each service and the distribution methods

Transelectrica is the only company that performs the function of transmission and system operator in Romania.

Transelectrica has no operations in other countries.

c) The share of each category of services in the revenues and in the total turnover of the trading company

Indicator	2012		2011	
	[Lei]	[%] in total	[lei]	[%] in total
Revenues from the production sold (net turnover)	**2,719,195,030**	**98.2**	**3,088,672,520**	**98.6**
- Revenues from electric. transmission service	1,024,865,959	37.0	1.055,874,882	33.7
- Revenues from functional system services	57,706,708	2.1	59,977,320	1.9
- Revenues from supply of reactive energy	3,909,547	0.1	4,915,348	0.2
- Revenues from unplanned changes on the DAM	6,055,585	0.2	4,822,031	0.2
- Revenues from allocating intercon. capacities	50,196,557	1.8	54,127,032	1.7
- ITC revenues	1,242,007	0.0	268,338	0.0
- Revenues from technological system services	506,997,806	18.3	719,253,623	23.0
- Revenues on the balancing market	1,068,220,861	38.6	1,189,433,946	38.0
Other operational revenues	**48,491,680**	**1.8**	**42,897,517**	**1.4**
TOTAL OPERATIONAL REVENUES	**2,767,686,710**	**100.0**	**3.131,570,037**	**100.0**

d) New products / services taken into account to which a substantial amount of shares will be dedicated in the future financial year as well as their development stage

There has been none

1.1.3. Evaluating the technical-material furnishing activities (autochthonous and import sources)

Transelectrica carries out activities according to point 1.1.a) without buying or selling electricity, except for the amount required in order to cover its own technical losses.

1.1.4. Evaluating the sale activities

Revenues by segments of activity [lei]	2012	2011	Δ2012/2011 [%]
Transmission service	**1,024,865,959**	1,055,874,882	▼2.9
Functional system services	**57,706,708**	59,977,320	▼3.8
Technological system services	**506,997,806**	719,253,623	▼29.5
Balancing market	**1,068,220,861**	1,189,433,946	▼10.2

a) Evolution of sales on the internal and / or external market and the prospects of mid-term sales

[MWh]	2012	2011	2010	Δ 2012/2011 [%]	Δ 2011/2010 [%]
Tariffed energy	**53,928,586**	56,056,203	55,241,871	▼3.8	▲1.5

In 2013 the electricity amount scheduled to be delivered to consumers was forecasted as 1.63% higher than the amount of energy estimated to be achieved in 2012, and tariffs were those approved under Order 52/19.12.2012 of ANRE.

In 2014 and 2015 Transelectrica is forecasting an increase of the tariffed electricity amount by 1.50% in each year compared to the previous one, respectively in 2013 and 2014, and a tariff increase by 1.17% in 2014 against 2013 and by 1.05% in 2015 compared to 2014.

b) The competitive situation in its domain of activity, the market share of the trading company's products and services and of the main competitors

This is not the case

c) Significant Company dependency to one client or group of clients whose loss would impact in negative manner the company revenues

This is not the case

1.1.5. Evaluating the aspects related to the employees / personnel of the trading company

a) Number and training degree of Company employees and the sindicalisation of the labour force

The average number of employees with individual labour contract for indefinite period is as follows:

Year / indicator	2012	2011	2010
Average no. of employees	**2,198**	2,197	2,184

Structure of personnel by their level of study:

Level of study	2012	2011	2010
Academic	**1,244**	1,201	1,179
High school	**947**	985	1,003
Elementary	**7**	14	18
TOTAL	**2,198**	2,200	2,200

Transelectrica employees are affiliated to Transelectrica Trade Union, which is part of the National Federation of Electricity Unions UNIVERS. At present about 90% of the total employees are union members.

b) Relationships between management and employees as well as the conflicting elements characterising such relations

A collective labour contract (valid by 30.06.2013) has been concluded between Transelectrica and its employees represented by the union Federation. It regulates the individual and collective labour relations, as well as the parties' rights and obligations with respect to:

- Concluding, executing, amending, suspending and terminating it;
- The working time and the resting time;
- Salary level;
- Labour health and security, labour conditions;
- Professional training;
- Social protection of employees and other rights;
- Rights and obligations ensuing from labour relations;
- Mutual recognition, rights and obligations of the employer and of union organisations;

Relationships between manager (employer) and employees are in accordance with applicable legal provisions.

The parties have agreed to meet within the Joint Commission any time there is need with a view to solve the problems that might occur while applying the effective collective labour contract (CLC); to avoid labour conflicts, and to establish the organisational framework that can enable a permanent contact in order to prepare the negotiations for the CLC.

The Joint Commission carries out its activity in accordance with its own by-laws.

1.1.6. Evaluating the environmental impact of the issuer's core business

Transelectrica has taken measures to prevent pollution and reduce the environmental impact both with its operational activities and its maintenance and investment ones, which mean construction-installation work so that in 2012 no particular problems were notified in the environmental protection domain.

In terms of environmental impact during 2012:

- There were no accidental pollutions of significant environmental impact;
- There were no complaints;
- One fine was recorded with the Transmission Branch (TB) Cluj (the 220/110 kV transformer substation Tihau) for its failure to comply with the conditions from the environmental permit, namely the monitoring frequency of used water generated. The payment amounted to 12,500 Lei;
- Authorisation degree - 100 %;
- Generated waste was eliminated / capitalised 73.33%, the remaining amount being stored;
- Most capitalising / recycling legal objectives for packaging waste from imported equipment have been fulfilled, except that for plastics (amount not achieved: 45 kg). This is the reason why a 91 Lei fee was paid to the environmental fund for the percentage of unachieved objective.
- The total environmental protection expenses amounted to 7,479,529 Lei (approx. 1.69 million Euros) and have been included in the operational, maintenance and investment expenses.

1.1.7. Evaluating the research and developing activities

The Company is not involved in research and development activities.

1.1.8. Evaluating the risk management activities

a) Managing the price risk

The counterparty risk means the risk of not cashing the services provided on the electricity market. The counterparty risk is treated relying on internal and external success factors, respectively- restructuring and liberalisation of the energy market, improved activities of the market operator, as external factors; diversifying the client portfolio and the number of services provided, as internal factors.

Taking into account the regulated natural monopoly condition, the risk associated to the energy sector, respectively the price risk associated to the regulatory framework represents another important factor that can impact the Company's activities.

b) Managing the credit, liquidity and cash-flow risk

The risks mentioned below have to be also taken into consideration mainly because of the long term loans in hard currency contracted from external financing banks to fund one's investments:

- *Cash risk* determined by the increased interest rate, namely the risk of the interest rate fluctuating in time; the fluctuations of interest rates can impact the Company's indebtedness with consequences for the financial situation and results;
- *Risk owed to the fluctuations of the exchange rate*, because hard currency loans are expressed in lei at the exchange rate notified by the BNR (National Bank) for the end of the reporting period; even if the resulting differences do not impact the cash flow until the debt is liquidated, they are included in the profit and loss account and impact it;

c) Management risk

Change management is devised in order to sustain an efficient transition of the organisation and its employees from the current structure to a future stage, assisting the management to efficiently guide the process with a view to successfully adopt the changes required in order to get the proposed results.

Also Company level reorganisations at short time intervals can generate to employees - in theory - a certain degree of uncertainty, which cannot be eliminated but only minimised.

Last but not least, the changes in the regulatory and organisational environment outside the Company can burden the fluency of the Company's current activities at various hierarchical levels.

Other risks resulting from management changes:

- Difficult ‚beginner' communication between management representatives and directly subordinated employees until they get to know each other, as well as the manner of work, which can in theory impact the activity of the entire Company;
- Management representatives are getting familiar with the internal Company procedures, norms and regulations, which knowledge process requires a minimum of time from their current activity;

d) Risk management policies and objectives of the trading company

Transelectrica takes into account managing risks under an integrated risk management system when complying with legal requirements (OMFP 946/2005, OMFP 1389/2006, OMFP 1649/2011 and OMFP 1423/2012 amending and adding OMFP 946/2005 approving the Code of internal control, comprising the management / internal control standards to public entities and developing the managerial control systems) from the regulator and with other requirements relating to its capacity of issuer listed on the Bucharest Stock Exchange (2009 Corporate governance code), to rating agents, auditors, in order to provide adequate risk

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control capacities for the Company's risk profile, with respect to detecting, quantifying, prioritising, treating, reporting and monitoring risks.

Managing the Company risks consists in elaborating two sets of solutions with risk treatments and determining their best structure:

- *Financial solutions*, which include the insurance, derivatives and other instruments offered on the capital, insurance and other financial markets;
- *Organisational solutions*, which mitigate risks by organising / drafting / planning / structuring the activities, the communication plans and the measures of business continuity when a risk has occurred, as well as risk management by means of procedures and labour security and safety measures;

1.1.9. Prospective elements for the trading company's activities

a) Factors that can influence the trading company's liquidity

The reduced volume of monetary availabilities on 31 December 2012 compared to 31 December 2011 was determined by the decreased collections under those revenue categories (transmission and system services) which depend on the amount of electricity delivered to consumers, against a 2 TWh drop in the 2012 electricity consumption compared to 2011 and ANRE maintaining the Company tariffs at the 2011 level.

b) Capital current or anticipated expenses

In the last three years Transelectrica made the following investment expenses:

Investments [thousand Lei]	**2012**	**2011**	**2010**	**Δ2012/2011 [%]**
TOTAL INVESTMENT PROGRAMME, of which:	**544.944**	353,500	485,817	**▲54.2**
- Major investment objectives	170,962	213,979	320,659	▼20.1
- Objectives at executive and branch levels	134,800	8,906	16,782	▲1,413.6
- Other investment expenses	117,605	95,615	46,869	▲23.0
- Investments for new connections (connection fee)	121,577	35,000	101,507	▲247.4
TOTAL ACHIEVEMENTS	**376,014**	**333,217**	**482,315**	**▲12.8**
COMMISSIONING	**259,781**	**313,203**	**493,891**	**▼17.1**

Capital expenses have been especially directed towards achieving the major investment objectives according to the approved Investment programme, in accordance with the Perspective Plan of the Electricity Transmission Grid for 2012-2016 and informative for 2021.

The investment programme of the following three years proposed for the AGA approval is:

Investments [thousand Lei]	**2013**	**2014**	**2015**
TOTAL INVESTMENT PROGRAMME, of which:	**615,947**	952,455	981,135
I. Continued investments	153,173	89,630	49,010
New investments	132,954	573,480	599,230
Other investment expenses	44,009	30,000	30,000
II. Investment expenses for new connections (financed from the connection fee)	89,990	70,000	70,000
III. Reimbursement of credit instalments	195,821	189,345	232,895

c) Events, transactions, economic changes which significantly impact the core business revenues

Revenues from the core business directly depend on the transmitted electricity amount, which element is not under the management's control.

Revenues can also be influenced by the tariffs that ANRE determines.

2. TANGIBLE ASSETS OF THE TRADING COMPANY ON 31.12.2012

2.1. Location and characteristics of the main production capacities owned by the trading company

The Electricity Transmission Grid (ETG) is a network of national and strategic interest representing the ensemble of lines, their supporting elements and protections included, of electric substations and other inter-connected electric power equipment whose nominal voltage is higher than 110 kV.

The ETG is interconnecting the generators with the distribution networks, large consumers and neighbouring power systems, being found all over the country.

Voltage level [kV]	Substations			OHL [km]
	Substations [no]	Transformer units >= 100 MVA [no]	Apparent nominal power [MVA]	
750	1	2	1,250	155
400	38	2 20 30	500 400 250	4,704
220	42	2 81 1	400 200 100	3,947
110	0	0	0	38
TOTAL	**81**	**138**	**36,100**	**8,844**

2.2. Degree of wear to the trading company's properties

The Electricity Transmission Grid, respectively the ensemble of lines, their supports and protections included, of electric substations and other inter-connected electric power equipment whose nominal voltage is higher than 110 kV, is a network of national and strategic interest, which interconnects the generators with the distribution networks, large consumers and neighbouring power systems. The provision in technical terms of the services included in Transelectrica's activities relies on the Technical code of the ETG approved under ANRE decision.

Most electric lines and substations constituting the ETG were built during the 1960s-1970s, using the technology of that decade. The effective technical condition of installations however stays at a proper level due to the rigorous maintenance programme and to the sustained development, refurbishment and modernisation plan for installations and equipment.

2.3. Potential problems relating to the ownership right over tangible assets

The topographic-cadastre documentation cannot be finalised and the ownership certificate cannot be obtained for Vulcan Pass: Vulcan Municipality refused signing the vicinity minutes of the documentation and TB Craiova instituted contesting proceedings with the Petrosani Court, which was denied, then the Branch appealed, which was denied under an irrevocable judgment of Hunedoara Tribunal.

3. MARKET OF THE SECURITIES ISSUED BY THE TRADING COMPANY ON 31.12.2012

3.1. Capital markets where the issued securities are transacted

Transelectrica shares have been transacted on the regulated market managed by the Bucharest Stock Exchange since 29 August 2006, under category I and symbol TEL, ISIN ROTSELACNOR9.

On 31 December 2012 the stock exchange capitalisation of Transelectrica was of 930,216,872 Lei (about 210 mill. Euro) at a closure price of 12.69 Lei/share in the last day of transaction.

3.2. The dividend policy in the last three years

Dividends owed / paid in the last three years were as follows:

Dividends [Lei]	2012	2011	2010
Dividends allocated	**29,614,469**	80,633,456.20	8,503,164.47
Dividends paid until 31.12.2012 (from dividends allocated)	**n/a**	76,443,698.20	8,261,069.40

Indicators	2012	2011	2010
Dividend / share [Lei]	**0.404**	1.100	0.116
Rate of profit distribution [%]	**86**	87	90
Approved in the AGOA of:	**29.04.2013**	26.04.2012	28.04.2011
Payment begins on:	**26.06.2013**	20.08.2012	22.08.2011

3.3. Any activity of the trading company to procure its own shares

This is not the case

3.4. In case the trading company has subsidiaries, specify the number and nominal value of shares that the mother company has issued and subsidiaries hold

This is not the case

3.5. In case the trading company has issued bonds and/or other debt titles, describe the manner in which the trading company pays its obligations to holders of such securities

This is not the case

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4. GOVERNANCE OF THE TRADING COMPANY ON 31.12.2012

4.1. Administrators of the Company

a) Information

On 01.01.2012 the Board of Administration had the following members:

Name	Age [years]	Institution and qualification	Appointment	Recall / resignation
Horia HAHAIANU	43	Director general Transelectrica	HAGA din 08.12.2010	20.01.2012 - BA chairman 25.05.2012 - BA member
Florin IONEL	37	MECMA – deputy secretary general	Order 1586/02.09.2010 of MECMA	20.01.2012
Gheorghe SECULICI	59	Co. Project Arad SA – Director general	Order 368/27.02.2009 of ME	15.11.2012
Andrei-Gabriel BENGHEA-MALAIES	32	Ownership Fund – Representative	HAGA of 29.04.2010 Order 713/2010 of MECMA	24.10.2012
Dumitru – Virgil ORLANDEA	37	MECMA – Counsellor to the minister	HAGA of 22.03.2011 Order 224/25.11.2010 of ME	15.11.2012
Cristian ENE-CORBEANU	35	Member UN Bars of Romania	Order 368/27.02.2009 of ME	25.05.2012
Sergiu-Norut STANISTEANU	46	MECMA – secretary general	HAGA of 22.03.2011	25.05.2012

After some changes on 24.10.2012 the Board of Administration had the following members:

Name	Age [years]	Institution and qualification	Appointment	Recall
Mircea CIOPRAGA	65	Mediator	25.06.2012	24.10.2012 – BA chairman 15.11.2012 – BA member
Dumitru PIRVULESCU	54	DGFP Gorj – Department head	25.05.2012	15.11.2012
Adrian Victor VEVERA	35	Romanian government	20.01.2012	24.01.2012 – BA chairman 15.11.2012 – BA member
Gheorghe SECULICI	59	Co. Project Arad SA – Director general	27.02.2009	15.11.2012
Andrei-Gabriel BENGHEA-MALAIES	32	Ownership Fund – Representative	29.04.2010	15.11.2012
Dumitru – Virgil	37	Ministry of Economy,	08.12.2010	15.11.2012

Name	Age [years]	Institution and qualification	Appointment	Recall
ORLANDEA		Commerce and Business Environment – Counsellor to minister		
Gheorghe Gabriel GHEORGHE	41	Financial Guard of Sibiu – Deputy chief commissioner	29.06.2012 – provisional member 24.10.2012 – BA chairman	15.11.2012

Under this membership the Board of administration exercised its mandate until 15.11.2012.

On the occasion of the Shareholders' General Extraordinary Assembly of 18 July 2012 the Company chose to pass from the unitary administrative system to a two-tier one in order to make a clear separation of the administration/management activity from the control.

In accordance with the updated Articles of Association the Supervisory Board has seven members.

The provisional members in the Supervisory Board of Transelectrica were elected under Decision 7 of the Shareholders' General Ordinary Assembly of 15.11.2012 until they are appointed according to GEO 109/2011 on corporative governance.

Decision 1 of the Supervisory Board meeting of 16.11.2012 elected Gheorghe Gabriel GHEORGHE as Board chairman.

Consequently on 31.12.2012 the Supervisory Board had the following members:

Name	Age [years]	Institution and qualification
Dan VOICULESCU	60	SIF Oltenia - Director Portfolio Monitoring Division
Lucian ISAR	36	MECMA – Lecturer ASE Bucharest
Ovidiu-Petrisor ARTOPOLESCU	56	MECMA - International Business Strategy Consultant
Adrian-Gheorghe COSTIN	67	MECMA – Independent expert
Gheorghe-Gabriel GHEORGHE	41	MECMA - Deputy chief commissioner Financial Guard Sibiu
Dumitru PIRVULESCU	54	MECMA – Head of DGFP Gorj
Radu BUGICA	47	Ownership Fund – Representative of the SigmaBleyzer Investment Fund

b) Any agreement, understanding or family bond between the respective administrator and another person due to which the respective person has been appointed administrator

Supervisory Board members are elected by shareholders under the Shareholders' General Ordinary Assembly, legally constituted according to legal quorum and majority requirements.

On the elaboration date of this report Transelectrica is not aware of any agreements, understandings or family bonds.

c) The administrator's participation to the capital of the trading company

Transelectrica is now aware that any Supervisory Board member held TEL shares on 31.12.2012.

d) List of persons affiliated to the trading company

In accordance with Annex 7.e)

4.2. Executive management

a) Information

On 31.12. 2012 the executive management had the following structure:

Name	Position	Period of mandate in the executive team
Horia HAHAIANU	Director general	Until 14.02.2012
Octavian LOHAN	With attributions of director general	From 14.02.2012 to 29.05.2012
Ion Marius MATEESCU	With attributions of director general	From 29.05.2012 to 24.10.2012
Andrei Gabriel BENGHEA-MALAIES	Director general	From 24.10.2012 to 14.11.2012
Octavian LOHAN	Deputy director general – system management	From 29.05.2012 to 14.11.2012
Ioan DIACONU	Deputy director general – system management	With delegation from 23.11.2012
Ciprian Gheorghe DIACONU	Deputy director general – technical management	With delegation from 29.10.2012
Corneliu ENE	Deputy director general – economic and commercial management	All through 2012
Marian MATEESCU	Division director - General division of support services	All through 2012

On 20 November 2012 the Supervisory Board decided appointing the Directorate members until they are appointed according to GEO 109/2011 on corporative governance:

Name	Position
Andrei-Gabriel BENGHEA-MĂLĂIEŞ	Executive Director general (CEO), Directorate chairman
Constantin VADUVA	Directorate Member
Octavian LOHAN	Directorate Member

b) Any agreement, understanding or family bond between the respective administrator and another person due to which the respective person has been appointed as executive management member

On the elaboration date of this report Transelectrica is not aware of any agreements, understandings or family bonds.

c) Participation of the respective person to the trading company's capital on 31.12.2012

Name	Holding [shares]
Octavian LOHAN	1,427
Marian MATEESCU	9
Ioan DIACONU	427

Transelectrica is not aware that another Directorate member held TEL shares on 31.12.2012.

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4.3. Possible disputes or administrative proceedings involving the persons nominated in 4.1-4.2 in the last 5 years

On the elaboration date of this report Transelectrica is not aware of any disputes or administrative proceedings against the members in the Directorate or the Supervisory Board relating to their activity with the issuer or regarding the respective person's capability to carry out his/her attributions with the issuer.

5. SEPARATE FINANCIAL-ACCOUNTING STATEMENT ON 31.12.2012

The detailed statements are provided in Annex 7.g.

Financial indicators

Indicators [Lei]	2012	2011	Δ2012/2011 [%]
Profitability			
EBITDA in total sales	**0.14**	0.15	▼6.7
EBITDA in equities	**0.16**	0.20	▼20.0
Rate of gross profit	**0.03**	0.05	▼40.0
Rate of capital profitability	**0.01**	0.05	▼80.0
Liquidity			
Current	**1.21**	1.09	▲11.0
Immediate	**1.17**	1.06	▲10.4
Risk			
Indebtedness	**0.64**	0.56	▲14.3
Interest coverage rate	**2.64**	4.92	▼46.3
Activity			
Debts – clients turnover	**125**	135	▼7.4
Credits – suppliers turnover	**118**	130	▼9.2

a) Financial position statement

Indicator [Lei]	2012	2011	2010	Δ2012/2011 [%]
Fixed assets	3,786,548,240	3,656,153,018	3,593,920,034	▲3.6
Floating assets	1,158,489,039	1,524,705,947	843,999,488	▼24.0
TOTAL ASSETS	**4,945,037,279**	**5,180,858,965**	**4,437,919,522**	**▼4.6**
Equities	2,430,758,272	2,424,076,042	2,295,506,703	▲0.3
Total debts, of which:	2,514,279,007	2,756,782,923	2,142,412,819	▼8.8
- Long term debts	*1,557,576,805*	*1,357,833,739*	*1,334,058,755*	*▲14.7*
- Current debts	*956,702,202*	*1,398,949,184*	*808,354,064*	*▼31.6*
TOTAL EQUITIES AND DEBTS	**4,945,037,279**	**5,180,858,965**	**4,437,919,522**	**▼4.6**

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b) Profit and loss account, including the global result statement

Indicator [thousand Lei]	2012	2011	Δ2012/2011 [%]
Operational revenues	2,767,686,710	3,131,570,037	▼11.6
Operational expenses	2,684,739,876	2,955,963,132	▼9.2
Operational profit	**82,946,834**	**175,606,905**	▼52.8
Financial revenues	93,169,734	121,435,790	▼23.3
Financial expenses	129,072,568	153,892,658	▼16.1
Financial result	**-35,902,834**	**-32,456,868**	▲10.6
Profit before profit tax	**47,044,000**	**143,150,037**	▼67.1
Profit tax	12,556,032	33,212,233	▼62.2
Profit of the year	**34,487,968**	**109,937,804**	▼68.6
Basic result and diluted per share (Lei/share)	**0.47**	**1.51**	▼68.9

c) Cash flow

Indicator [thousand Lei]	2012	2011	Δ2012/2011 [%]
Profit of the time interval	34,487,968	109,937,804	▼68.6
Adjustments	429,495,434	489,235,441	▼12.2
Cash flows from operational activities	498,825,821	599,693,149	▼16.8
Net cash from operational activities	454,568,800	536,429,538	▼15.3
Net cash in investments	-376,640,604	-336,608,658	▲11.9
Net cash (used in)/from financing activities	-87,210,194	-37,948,889	▲129.8
Net increase of cash and cash equivalents	-9,281,998	161,871,991	n/a
Cash at the beginning of the time interval	304,763,377	142,891,386	▲113.3
Cash at the end of the time interval	**295,481,379**	**304,763,377**	**▼3.0**

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6. CONSOLIDATED FINANCIAL-ACCOUNTING STATEMENT ON 31.12.2012

Subsidiaries included in the consolidation are provided in Annex 7.f.

The detailed statements are provided in Annex 7.h.

a) Financial position statement

Indicator [thousand Lei]	2012	2011	2010	Δ2012/2011 [%]
Fixed assets	3,804,611	3,298,485	3,214,952	▲15.3
Floating assets	1,213,497	1,553,070	884,436	▼21.9
TOTAL ASSETS	**5,018,108**	**4,851,555**	**4,099,388**	**▲3.4**
Equities	2,466,880	2,089,243	1,931,014	▲18.1
Total debts, of which:	2,551,228	2,762,312	2,168,374	▼7.6
- Long term debts	*1,571,493*	*1,355,221*	*1,336,089*	*▲16.0*
- Current debts	*979,735*	*1,407,091*	*832,285*	*▼30.4*
TOTAL EQUITIES AND DEBTS	**5,018,108**	**4,851,555**	**4,099,388**	**▲3.4**

b) Profit and loss account, including the global result statement

Indicator [thousand Lei]	2012	2011	Δ2012/2011 [%]
Operational revenues	2,801,026	3,152,339	▼11.1
Operational expenses	2,688,265	2,942,915	▼8.7
Operational profit	**112,761**	**209,424**	**▼46.2**
Financial revenues	85,715	117,640	▼27.1
Financial expenses	129,949	151,317	▼14.1
Financial result	**-44,234**	**-33,677**	**▲31.3**
Profit before profit tax	**68,527**	**175,747**	**▼61.0**
Profit tax	20,651	40,249	▼48.7
Profit of the year	**47,876**	**135,498**	**▼64.7**
Basic result and diluted per share (Lei/share)	**0.65**	**1.85**	**▼64.9**

c) Cash flow

Indicator [thousand Lei]	2012	2011	Δ2012/2011 [%]
Profit of the time interval	47,876	135,498	▼64.7
Adjustments	454,748	512,941	▼11.3
Cash flows from operational activities	533,616	616,002	▼13.4
Net cash from operational activities	484,203	549,362	▼11.9
Net cash in investments	-388,741	-349,360	▲11.3
Net cash (used in)/from financing activities	-95,041	-42,443	▲123.9
Net increase of cash and cash equivalents	405	157,559	▼99.7
Cash at the beginning of the time interval	308,287	150,728	▲104.5
Cash at the end of the time interval	**308,708**	**308,287**	**▲0.1**

7. STATEMENT and SIGNATURES

To the best of our knowledge the separate and consolidated financial-accounting statements on 31 December 2012 elaborated in accordance with applicable accounting standards (International Financial Reporting Standards) provide an accurate and truthful picture of the assets, liabilities, financial position, profit and loss account of the National Power Grid Co. Transelectrica SA and this Report, executed in accordance with the provisions of the CNVM (National Securities Commission), comprises accurate and truthful information with respect to the Company's development and performance and provides the main risks and uncertainties specific to our activities.

Dumitru PIRVULESCU

Supervisory Board Chairman

Stefan GHEORGHE

Executive Director General

Directorate Chairman

Constantin VADUVA

Directorate Member

Responsible for the economic activity

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7. ANNEXES

ANNEX 7.a – Articles of association amended in 2012

Articles of association no. 9 updated on 18.07.2012 under Decision 5/18.07.2012 of Extraordinary AGA

Articles of association no. 10 updated on 28.12.2012 under Decision 8/28.12.2012 of Extraordinary AGA

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ANNEX 7.b – Important contracts the company concluded in 2012

Contract published under Current Report on:	Deed number and date	Concluded with:
22 February 2012	57/2012	Co. Smart SA
20 June 2012	2T/19.06.2012	MECMA
5 July 2012	4T/03.07.2012	MECMA
12 July 2012	3T/06.07.2012	MECMA
24 July 2012	1T/19.06.2012	MECMA
7 August 2012	Procurement contracts for system technological services (STS)	
	C3/05.01.2012	Electrocentrale Bucharest
	C9/05.01.2012	CE Turceni
	A31/30.12.2011 to C33/2009	Hidroelectrica
	C1/04.01.2012	Termoelectrica
	C8/05.01.2012	CE Rovinari
	C5/05.01.2012	Electrocentrale Galaţi
	C4/05.01.2012	Electrocentrale Deva
	C6/05.01.2012	Electrocentrale Paroseni
7 August 2012	Electricity transmission contracts (TR)	
	C95/01.03.2012	UAT Iasi City
7 August 2012	Conventions to participate to system balancing on the balancing market (BRP)	
	C214/29.06.2012	Energy Complex Oltenia
	C119/29.03.2012	Electrocentrale Paroseni
	Conventions to participate to system balancing on the balancing market (BPP)	
	C215/29.06.2012	Energy Complex Oltenia
7 August 2012	Electricity procurement contracts for technological losses, from the Centralised bilateral contracts market	
	C312/09.03.2012	EC Oltenia
	C313/09.03.2012	EC Oltenia
	C314/09.03.2012	EC Oltenia
	C319/12.03.2012	EC Oltenia
	C320/12.03.2012	EC Oltenia
7 August 2012	Contracts type electricity procurement to cover losses based on regulated tariff according to ANRE decision	
	C46/26.01.2012	Termoelectrica SA
	A1/31.01.2012 to C46/26.01.2012	Termoelectrica SA
	A2/17.02.2012 to C46/26.01.2012	Termoelectrica SA
	A3/29.02.2012 to C46/26.01.2012	Termoelectrica SA
8 October 2012	C303/04.10.2012	Co. Romelectro SA and Co. Electromontaj Carpati Sibiu SA
2 November 2012	C319/30.10.2012	BRD - Groupe Societe Generale SA
3 December 2012	C427/26.11.2012	Alstom Grid Gmbh, Co. Alstom Grid Romania SRL, Co. Electromontaj SA and Co. Retrasib SA
19 December 2012	14.12.2012	Co. ELM ELECTROMONTAJ CLUJ SA
23 January 2013	Procurement contracts for system technological services (STS)	
	C217/03.07.2012	Energy Complex Oltenia
	A7/24.10.2012 to C6/23.12.2009	Energy Complex Hunedoara

Contract published under Current Report on:	Deed number and date	Concluded with:
		(Electrocentrale Paroseni)
	A7/24.10.2012 to C4/05.01.2012	Energy Complex Hunedoara (Electrocentrale Deva)
23 January 2013	Electricity transmission contracts (TR)	
	A1/12.12.2012 to 248/31.07.2012	Energy Complex Oltenia
	C331/05.11.2012	Energy Complex Hunedoara
	Conventions to participate to system balancing on the balancing market (BRP)	
	C428/26.11.2012	Energy Complex Hunedoara
	A3 to C128/30.06.2005	Energy Complex Hunedoara – Electrocentrale Deva
	A1 to C119/29.03.2012	Energy Complex Hunedoara – Electrocentrale Paroseni
23 January 2013	Conventions to participate to system balancing on the balancing market (BPP)	
	C426/26.11.2012	Energy Complex Hunedoara
	A2/24.10.2012 to 243/24.10.2005	Energy Complex Hunedoara – Electrocentrale Deva
	A1/24.10.2012 to C581/29.09.2011	Energy Complex Hunedoara – Electrocentrale Paroseni
23 January 2013	Electricity procurement contracts for technological losses, from the Centralised bilateral contracts market	
	C256/13.08.2012	Energy Complex Oltenia
	C257/13.07.2012	Energy Complex Oltenia
	C240/25.07.2012	Energy Complex Oltenia
	C238/25.07.2012	Energy Complex Oltenia
	Energy Complex Oltenia	Energy Complex Oltenia

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ANNEX 7.c – Appointment/recall deeds issued in 2012

DG / Directorate

- BA Decision 3/14.02.2012, Order 225/14.02.2012 of the MECMA:
    - Recalling Mr. Horia HAHAIANU from his position of Director general
    - Mr Octavian LOHAN, Deputy director general system management, takes over the attributions of such position as of 14.02.2012;
- BA decision 16/29.05.2012, Order 968/29.05.2012 of the MECMA:
    - Mr Octavian LOHAN stops exercising the attributions of Company Director general;
    - Mr Marius Ion MATEESCU, Director, Division of ETG Planning & Development and European Funds Access, takes over such attributions;
- BA decision 37/24.10.2012, Order 2313/24.10.2012 of the MECMA:
    - Mr Marius Ion MATEESCU stops exercising the attributions of Company Director general;
    - Mr Andrei-Gabriel BENGHEA-MALAIES is appointed Director general;
- HAGEA 5 of 17/18.07.2012 - approving the change in the administration manner of TEL from the unitary to the dualist system, as well as the amendment in the Company's Articles of association corresponding to the dualist system (Supervisory Board and Directorate);
- SB decision 2/20/11/2012:
    - The following Directorate members are appointed until positions are held according to GEO 109/2011: Andrei-Gabriel BENGHEA-MALAIES, Octavian LOHAN, Constantin VADUVA
    - Mr Andrei-Gabriel BENGHEA-MALAIES is appointed Directorate chairman, alternatively called Company Executive Director general;

Board of Administration / Supervisory Board

- HAGOA 2/20.01.2012, Order 2869/01.11.2011 of the MECMA:
    - Mr Florin Ionel is recalled from his quality of BA member and Mr Adrian Victor VEVERA is appointed instead;
    - Mr Horia HAHAIANU is recalled from his quality of BA chairman and Mr Adrian Victor VEVERA is appointed instead;
- BA decision 13/25.05.2012, Order 2240/15.05.2012 of the MECMA
    - Mr Dumitru PIRVUESCU is appointed following the resignation submitted by Mr Cristian ENE-CORBEANU;
    - Mr Dumitru-Remus VULPESCU is appointed BA member following the resignation submitted by Mr Sergiu- Norut STANISTEANU (notification 105280/2012),
- BA decision 17/29.05.2012, Order 2492/29.05.2012 of the MECMA:
    - Mr Stefan GHEORGHE is appointed BA member following the resignation of Mr Horia HAHAIANU;
- Decision 27/25.06.2012, Order 3088/26.06.2012 of the MECMA:
    - Mr Mircea CIOPRAGA is appointed provisional administrator following the resignation of Mr Stefan GHEORGHE from the position of BA member;
- BA decision 29/2.07.2012, Order 3200/2.07.2012 of the MECMA,
    - Mr Gheorghe-Gabriel GHEORGHE is appointed provisional administrator following the resignation of Mr Dumitru-Remus VULPESCU (as of 29.06);
- BA decision 37/24.10.2012:
    - Mr Mircea CIOPRAGA is recalled from his position of BA chairman
    - Mr Gheorghe-Gabriel GABRIEL is appointed BA chairman
- HAGAO 7/15.11.2012:
    - Messrs. Dan VOICULESCU, Lucian ISAR, Ovidiu-Petrisor ARTOPOLESCU, Adrian-Gheorghe COSTIN, Gheorghe-Gabriel GHEORGHE, Dumitru PIRVULESCU, and Radu BUGICA are elected

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provisional members in the Supervisory Board of TEL under a 4 months' mandate 4 until the Supervisory Board is selected in accordance with GEO 109/2011;

- SB decision 1/16.11.2012:
  - Mr Gheorghe-Gabriel GHEORGHE is appointed Supervisory Board chairman;
  - The following consultative committees are established:
    - Nominalisation and remuneration committee:
      - Gheorghe-Gabriel GHEORGHE;
      - Dan VOICULESCU;
      - Dumitru PIRVULESCU;
    - Audit committee:
      - Lucian ISAR;
      - Radu BUGICA;
      - Ovidiu-Petrisor ARTOPOLESCU;
    - Financial committee:
      - Lucian ISAR;
      - Radu BUGICA;
      - Dumitru PIRVULESCU;
    - Infrastructure committee:
      - Dan VOICULESCU;
      - Adrian-Gheorghe COSTIN;
      - Ovidiu-Petrisor ARTOPOLESCU;

- SB decision 3/29.11.2012:
  - Changing the membership of the following committees:
    - Audit committee:
      - Lucian ISAR;
      - Radu BUGICA;
      - Ovidiu-Petrisor ARTOPOLESCU;
      - Gheorghe-Gabriel GHEORGHE;
      - Dumitru PIRVULESCU;
      - Adrian-Gheorghe COSTIN;
    - Financial committee:
      - Lucian ISAR;
      - Radu BUGICA;
      - Dumitru PIRVULESCU;
      - Gheorghe-Gabriel GHEORGHE;

ANNEX 7.d – List of subsidiaries of the trading company

Trading Company Electricity Market Operator OPCOM SA, J40/7542/2000, Bucharest 3, Hristo Botev Boulevard no. 16-18, postal code 030236, www.opcom.ro

Trading Company for Maintenance Services of the Electricity Transmission Grid SMART SA, J40/8613/2001, Bucharest 1, Boulevard General Gheorghe Magheru no. 33, postal code 010325, www.smart-sa.ro

Trading Company for Telecommunications and IT Services to Electricity Transmission Networks TELETRANS SA, J40/12511/2002, Bucharest 3, Hristo Botev Boulevard no. 16-18, postal code 030236, www.teletrans.ro

Trading Company for Romanian Power Specialists Training FORMENERG SA, J40/2265/2002, Bucharest 4, Gheorghe Sincai Boulevard no. 3, postal code 040311, www.formenerg.ro

Trading Company Subsidiary Energy Research and Modernising Institute ICEMENERG SA, J40/7306/2004, Bucharest 3, Energeticienilor Boulevard no.8, postal code 032092, www.icemenerg.ro

Trading Company Subsidiary ICEMENERG - SERVICE SA, J40/11414/2003, Bucharest 3, Energeticienilor Boulevard no.8, postal code 032092.

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ANNEX 7.e – List of persons affiliated to the trading company

1. Company subsidiaries:
   - OPCOM
   - TELETRANS
   - SMART
   - FORMENERG
   - ICEMENERG
   - ICEMENERG-SERVICE

2. All the companies with majority state capital with which the Company concludes regulated contracts on the power market.

All the contracts concluded with the affiliated persons amounting to more than 50,000 Euros have been shown in the Current reports according to legal provisions.

ANNEX 7.f – List of trading company subsidiaries consolidated in the financial statements

SMART

Headquarters	Bucharest 1, Blvd. Gen. Gh. Magheru 33
Number in the Commercial Register	J40 / 8613 / 2001
Single (fiscal) registration code	14232728
Share capital	38,528,600 Lei, divided into 3,852,860 nominative shares whose nominal value is 10 Lei each
Single shareholder	Transelectrica
Deed of establishment	GD 710/2001 on establishing the subsidiary Trading Company for Maintenance Services of the Electricity Transmission Grid SMART SA by reorganising certain activities of the National Power Grid Company Transelectrica SA

TELETRANS

Headquarters	Bucharest 3, Blvd. Hristo Botev 16-18
Number in the Commercial Register	J40 / 12511 / 2002
Single (fiscal) registration code	15061510
Share capital	6,874,430 Lei, divided into 687,443 nominative shares whose nominal value is 10 Lei each
Single shareholder	Transelectrica
Deed of establishment	AGA decision of 20.03.2002

ICEMENERG

Headquarters	Bucharest 3, Blvd. Energeticienilor 8
Number in the Commercial Register	J40 / 7306 / 2004
Single (fiscal) registration code	16397293
Share capital	1,084,610 lei, divided into 108,461 nominative shares whose nominal value is 10 Lei each
Single shareholder	Transelectrica (according to GD 1065/ 2003 mention is made to the Romanian State single shareholder represented by Transelectrica)
Deed of establishment	GD 1065/2003 on the reorganisation of the National Power Grid Company Transelectrica SA and of the trading company Energy Research and Modernising Institute ICEMENERG SA Bucharest by merger through absorption, and on establishing the Trading Company Subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest as subsidiary of the National Power Grid Company Transelectrica SA

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ANNEX 7.g – Separate financial statements on 31.12.2012

Financial position statement

Indicator [Lei]	31.12.2012	31.12.2011	01.01.2011
ASSETS			
Fixed assets			
Tangible assets	3,683,211,822	3,552,463,047	3,499,717,246
Intangible assets	50,860,668	51,213,061	42,174,298
Financial assets	52,475,750	52,476,910	52,028,490
Total fixed assets	**3,786,548,240**	**3,656,153,018**	**3,593,920,034**
Floating assets			
Stocks	40,076,069	41,723,457	38,729,366
Clients and assimilated accounts (liabilities)	822,931,591	1,171,371,149	648,852,835
Profit tax to recover	0	6,847,964	13,525,901
Monetary availabilities	295,481,379	304,763,377	142,891,386
Total floating assets	**1,158,489,039**	**1,524,705,947**	**843,999,488**
TOTAL ASSETS	**4,945,037,279**	**5,180,858,965**	**4,437,919,522**
EQUITIES AND DEBTS			
Equities			
Share capital	1,091,525,913	1,091,525,913	1,091,525,913
Issuance premium	49,842,552	49,842,552	49,842,552
Reserves of revaluation	729,711,592	749,763,730	785,289,333
Legal reserves	46,491,027	44,416,075	38,395,073
Other reserves	3,845,195	4,186,691	2,593,796
Result carried forward	509,341,993	484,341,081	327,860,036
Total equities	**2,430,758,272**	**2,424,076,042**	**2,295,506,703**
Long term debts			
Long term deferred revenues	538,850,734	360,955,325	302,381,397
Loans	954,626,559	943,492,527	981,607,809
Debts regarding deferred taxes	40,862,872	33,063,853	27,083,402
Obligations of employees' benefits	23,236,640	20,322,034	22,986,147
Total long term debts	**1,557,576,805**	**1,357,833,739**	**1,334,058,755**
Current debts			
Commercial and other debts	737,820,637	1,186,300,804	591,310,219
Other taxes and obligations of social insurance	15,415,260	5,922,873	30,900,283
Loans	198,661,228	202,488,126	175,329,077
Short term deferred revenues	4,481,204	4,237,381	10,814,485
Payable profit tax	323,873	0	0
Total current debts	**956,702,202**	**1,398,949,184**	**808,354,064**
Total debts	**2,514,279,007**	**2,756,782,923**	**2,142,412,819**
TOTAL EQUITIES AND DEBTS	**4,945,037,279**	**5,180,858,965**	**4,437,919,522**

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Compania Naţională de Transport al Energiei Electrice
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Profit and loss account, including the global result statement

Indicator [Lei]	2012	2011
Operational revenues:		
Revenues from transmission services	1,080,214,070	1,115,185,600
Revenues from system services	570,760,099	784,052,974
Revenues on the balancing market	1,068,220,860	1,189,433,946
Other revenues	48,491,681	42,897,517
TOTAL OPERATIONAL REVENUES	**2,767,686,710**	**3,131,570,037**
Operational expenses:		
Expenses for system operation	310,978,670	290,461,859
Amortisement	314,844,392	297,689,885
Personnel expenses	170,361,104	155,866,076
Repairs and maintenance	137,938,176	184,236,065
Expenses of materials and consumables	9,109,986	7,601,297
Other operational expenses	150,410,771	149,553,709
Expenses regarding technological system services	522,875,917	681,120,294
Expenses with the balancing market	1,068,220,860	1,189,433,946
TOTAL OPERATIONAL EXPENSES	**2,684,739,876**	**2,955,963,132**
OPERATIONAL PROFIT	**82,946,834**	**175,606,905**
Financial revenues	93,169,734	121,435,790
Financial expenses	129,072,568	153,892,658
FINANCIAL RESULT	**-35,902,834**	**-32,456,868**
PROFIT BEFORE PROFIT TAX	**47,044,000**	**143,150,037**
Profit tax	12,556,032	33,212,233
PROFIT OF THE FINANCIAL YEAR	**34,487,968**	**109,937,804**
Basic result and diluted per share [Lei/share]	**0.47**	**1.50**
Other elements of the global result		
Debt regard the deferred tax for the revaluation reserve	-11,914,824	-8,856,904
Cancellling the used revaluation reserve		6,406,667
Surplus from the revaluation of tangible assets	60,802,099	27,036,664
Actuarial gain	4,318,540	0
Other elements of the global result net of tax	**53,205,815**	**24,586,427**
Total global result	**87,693,783**	**134,524,231**

Treasury flows statement

Indicator [Lei]	2012	2011
Treasury flows from operational activities		
Profit of the financial year	34,487,968	109,937,804
Adjustments for:		
Expense of the profit tax	12,556,032	33,212,233
Expenses with amortisement	314,844,392	297,689,885
Expenses with value losses regarding commercial and other liabilities	33,665,515	13,673,677
Revenues from reversing the value losses regarding commercial and other liabilities	-618,335	-4,830,250
Net gain/loss from sale of tangible assets	3,100,116	-2,366,345
Adjustments of value regarding tangible assets	-335,847	7,693,461
Expenses of interest rates	31,795,593	34,224,976
	429,495,434	**489,235,441**
Changes in:		
Commercial and other liabilities	322,029,087	-524,384,626
Stocks	1,647,388	-2,994,091
Commercial and other debts	-441,977,707	610,816,978
Other taxes and obligations for social insurance	9,492,387	-24,977,377
Deferred revenues	178,139,232	51,996,824
Treasury flows from operational activities	**498,825,821**	**599,693,149**
Interest rates paid	-34,757,021	-33,852,861
Profit tax paid	-9,500,000	-29,410,750
Net cash from operational activities	**454,568,800**	**536,429,538**
Treasury flows used in investment activities		
Procurement of tangible and intangible assets	-392,642,466	-356,730,375
Proceeds from the sale of tangible assets	1,930	3,407,637
Interest rates cashed	6,243,988	10,132,113
Dividends cashed	9,755,944	6,581,967
Net cash used in investment activities	**-376,640,604**	**-336,608,658**
Treasury flows used in investment activities		
Drawings from long term loans	189,807,558	123,438,000
Reimbursements of long term loans	-185,765,526	-164,523,506
Drawings from short term loans	-	11,571,742
	-11,571,742	-
Dividends paid	-79,680,484	-8,447,738
Net cash used in financing activities	**-87,210,194**	**-37,948,889**
Net increase of the cash and cash equivalents	**-9,281,998**	**161,871,991**
Cash and cash equivalents on 1 January	**304,763,377**	**142,891,386**
Cash and cash equivalents on 31 December	**295,481,379**	**304.763,377**

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Indicators

Indicator [Lei]	2012	2011
Net turnover	**2,719,195,029**	**3,088,672,520**
Operational revenues	2,767,686,710	3,131,570,037
Operational expenses (exclusive amortisement)	2,369,895,484	2,658,273,247
Operational profit (EBITDA)	**397,791,226**	**473,296,790**
EBITDA margin [%]	*14.6%*	*15.3%*
Amortisement	314,844,392	297,689,885
Operational profit (EBIT)	**82,946,834**	**175,606,905**
EBIT margin [%]	*3.1%*	*5.7%*
Financial revenues	93,169,734	121,435,790
Financial expenses	129,072,568	153,892,658
Financial result	**-35,902,834**	**-32,456,868**
Gross result (EBT)	**47,044,000**	**143,150,037**
EBT margin [%]	*1.7%*	*4.6%*
Profit tax	12,556,032	33,212,233
Net result (EAT)	**34,487,968**	**109,937,804**
EAT margin [%]	*1.3%*	*3.6%*

Indicator	2012	2011
Profitability		
EBITDA in total sales	**0.14**	0.15
EBITDA in equities	**0.16**	0.20
Rate of gross profit	**0.03**	0.05
Rate of capital profitability	**0.01**	0.05
Liquidity		
Current	**1.21**	1.09
Immediate	**1.17**	1.06
Risk		
Indebtedness	**0.64**	0.56
Interest rate coverage	**2.64**	4.92
Activity		
Debts - clients turnover	**125**	135
Credits - suppliers turnover	**118**	130

Indicator	2012	2011
Gross dividend / share [Lei]	0.404	1.100
Dividend efficiency [%]	3.18%	6.32%
Price at period end [Lei/acţiune]	12.69	17.40
Maximum price [Lei/acţiune]	19.00	23.49
Minimum price [Lei/acţiune]	10.84	16.40
Stock exchange capitalisation [mill. Lei]	930.2	1,275.5
Stock exchange capitalisation [mill. Euro]	210.0	295.3

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ANNEX 7.h – Consolidated financial statements on 31.12.2012

Financial position statement

Indicator [thousand Lei]	31.12.2012	31.12.2011 retreated	01.01.2011 retreated
ASSETS			
Fixed assets			
Tangible assets	3,750,668	3,243,888	3,168,676
Intangible assets	47,954	48,420	40,547
Other investments	5,989	6,177	5,729
Total fixed assets	**3,804,611**	**3,298,485**	**3,214,952**
Floating assets			
Stocks	62,884	53,525	48,826
Commercial and other liabilities	831,415	1,174,250	662,375
Cash and cash equivalents	319,198	322,496	160,403
Profit tax to recover	-	2,799	12,832
Total floating assets	**1,213,497**	**1,553,070**	**884,436**
TOTAL ASSETS	**5,018,108**	**4,851,555**	**4,099,388**
EQUITIES AND DEBTS			
Equities			
Share capital	1,091,526	1,091,526	1,091,526
Issuance premium	49,843	49,843	49,843
Other reserves	3,194	2,864	984
Legal reserves	46,683	44,608	38,587
Revaluation reserves	605,490	231,061	220,487
Result carried forward	670,144	669,341	529,587
Total equities	**2,466,880**	**2,089,243**	**1,931,014**
Long term debts			
Long term deferred revenues	547,327	370,668	313,181
Long term loans	954,627	943,493	981,608
Debts regarding deferred taxes	38,409	16,199	13,173
Obligations of employees' benefits	31,130	24,861	28,127
Total long term debts	**1,571,493**	**1,355,221**	**1,336,089**
Current debts			
Commercial and other debts	748,082	1,178,471	599,814
Other taxes and obligations for social insurance	17,172	8,008	35,127
Short term loans	209,151	216,697	185,004
Short term deferred revenues	4,481	3,915	12,340
Payable profit tax	849	-	-
Total current debts	**979,735**	**1,407,091**	**832,285**
Total debts	**2,551,228**	**2,762,312**	**2,168,374**
TOTAL EQUITIES AND DEBTS	**5,018,108**	**4,851,555**	**4,099,388**

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Profit and loss account, including the global result statement

Indicator [thousand Lei]	2012	2011 retreated
Operational revenues:		
Revenues from transmission services	1,080,214	1,115,186
Revenues from system services	570,761	784,052
Revenues on the balancing market	1,068,221	1,189,434
Other revenues	81,830	63,667
TOTAL OPERATIONAL REVENUES	**2,801,026**	**3,152,339**
Operational expenses:		
Expenses of system operation	310,978	290,462
Expenses with the balancing market	1,068,221	1,189,434
Expenses with technological system services	522,876	681,120
Amortisement	307,892	290.957
Personnel expenses	239,295	223,852
Repairs and maintenance	14,361	29,272
Other operational expenses	169,178	180,547
Expenses with materials and consumables	55,464	57,271
TOTAL OPERATIONAL EXPENSES	**2,688,265**	**2,942,915**
OPERATIONAL PROFIT	**112,761**	**209,424**
Financial revenues	85,715	117,640
Financial expenses	129,949	151,317
FINANCIAL RESULT	**-44,234**	**-33,677**
PROFIT BEFORE PROFIT TAX	**68,527**	**175,747**
Profit tax	20,651	40,249
PROFITUL OF THE FINANCIAL YEAR	**47,876**	**135,498**
Basic result and diluted per share [Lei/share]	**0.65**	**1.85**

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Situation of treasury flows

Indicator [thousand Lei]	2012	2011
Treasury flows from operational activities		
Profit of the financial year	47,876	135,498
Adjustments for:		
Expense with the profit tax	20,651	40,249
Expenses with amortisement	307,892	290,957
Expenses with value losses	34,183	13,674
Revenues from reversing value losses regarding commercial liabilities	-953	-4,960
Value adjustments of tangible assets	-336	1,287
Net gain/loss from sale of tangible assets	3,303	-1,652
Net financial result	42,132	37,888
	454,748	**512,941**
Changes to:		
Commercial and other liabilities	327,096	-519,808
Stocks	-9,359	-4,699
Commercial and other debts	-425,997	598,523
Other taxes and liabilities for social insurance	9,904	-27,120
Deferred revenues	177,224	56,165
Treasury flows from operational activities	**533,616**	**616,002**
Interest rates paid	-35,568	-35,015
Payable profit tax	-13,845	-31,625
Net cash from operational activities	**484,203**	**549,362**
Treasury flows used in investments		
Procurement of tangible and intangible assets	-396,321	-372,859
Proceeds from sale of tangible assets	1,099	6,172
Interest rates cashed	6,481	10,405
Dividends cashed	-	6,922
Net cash used in investments	**-388,741**	**-349,360**
Treasury flows used in financing		
Drawings from long term loans	189,808	123,451
Reimbursing long term loans	-185,766	-164,524
Reimbursing short term loans	-11,572	-
Drawings from short term loans	-	11,572
Dividends paid	-87,511	-12,942
Net cash used in financing	**-95,041**	**-42,443**
Net increase of cash and cash equivalents	**421**	**157,559**
Cash and cash equivalents on 1 January	**308,287**	**150,728**
Cash and cash equivalents on 31 December	**308,708**	**308,287**

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"APPLY OR EXPLAIN" statement

Principle	Rec.	Question	YES	NO	If NO, then EXPLAIN
P19		Is the issuer administrated on grounds of a dualist system?	YES		According to the General Shareholders of 18.07.2012
P1	R1	Has the issuer prepared By-laws / Corporate Governance Regulation describing the main corporate governance aspects?	YES		
		Is the By-laws / Corporate Governance Regulation posted on the Company's website, clearly stating the latest update?	YES		Updated Corporate Governance Rules according to the new Constitutive Act will be approved by the General Meeting of Shareholders on 01.04.2013
	R2	Are the corporate governance structures, functions, competences and responsibilities of the Board of Administration (BA) and of the executive management defined into the By-laws / Corporate Governance Regulation?	YES		
	R3	Does the issuer's annual report provide a chapter dedicated to corporate governance describing all the relevant events related to corporate governance, recorded during the previous financial year?	YES		
		Does the issuer disseminate information on the Company's website relating to the corporate governance Policy a) description of the corporate governance structures?	YES		

Principle	Rec.	Question	YES	NO	If NO, then EXPLAIN
		b) updated articles of association?	YES		
		c) internal operation regulation / essential aspects thereof for each commission / specific committee?		NO	Members of advisory committees under the new Supervisory Board are working on finalizing the regulations
		d) the statement „Apply or explain”?	YES		It is included in the Directors' Report
		e) the list of the BA members and mentioning the independent and / or non-executive members, the members in the executive management and the specialised committees / commissions?	YES*		All Supervisory Board members are non-executive. Advisory committees were partially populated during 2012.
		f) a short Resume of each BA and executive management member?	YES*		Resumes of the SB members have been published together with the materials of AGA during which they were elected.
P2		Does the issuer respect the rights of the holders of financial instruments issued, providing them with equal treatment and submitting for approval any amendment in the rights granted during the special meetings of the respective holders?	YES		
P3	R4	Does the issuer publish, in a dedicated section of its website, details on the development of the Shareholders’ General Assembly (AGA): a) convener of AGA?	YES		
		b) materials / documents of the agenda as well as any other information regarding the topics in the agenda?	YES		
		c) forms for special powers of attorney?	YES		
	R6	Has the issuer drafted and proposed to AGA procedures for the orderly and efficient development		NO	Transelectrica directly applicable legal provisions

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Principle	Rec.	Question	YES	NO	If NO, then EXPLAIN
		of AGA activities, without harming the rights of any shareholder to freely express the opinion on the issues submitted for debate?			ensuring the strict compliance
	R8	Does the issuer publish, in a dedicated section of its website, the rights of the shareholders as well as the regulations and procedures to attend the AGA?	YES*		They are given in the convening list of each AGA, in order to facilitate compliance.
		Does the issuer provide information in due time (immediately after the AGA) to all shareholders by means of a dedicated section on its website: a) regarding the decisions taken during AGA?	YES		
		b) regarding the detailed result of the vote?	YES		
		Does the issuer publish, in a dedicated section of its website, easily identifiable and accessible: a) current / communicated reports?	YES		
		b) financial calendar, annual, half-yearly and quarterly reports?	YES		
	R9	Is there, within the issuer's Company, a specialised department / person dedicated to the relationships with the investors?	YES		
P4, P5	R10	Does the BA meet at least once every three months in order to monitor the development of the issuer's activity?	YES		
	R12	Does the issuer hold a set of rules regarding the behaviour and obligations of reporting the transactions involving shares or other financial instruments issued by the Company ("the Company's securities") made on their account by administrators and other private individuals involved?	YES		Operational Procedure 'The obligations of initiated persons "
		If a member of the BA or of the executive management or other person involved makes	YES		

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Principle	Rec.	Question	YES	NO	If NO, then EXPLAIN
		transactions on their account with the Company's titles, is the transaction disseminated through the website, in line with the applicable Rules?			
P6		Does the structure of the issuer's administration board provides balance between executives and non-executives (and especially independent non-executive administrators) so that no person or small group of persons can generally dominate the decision making process within the BA?	YES		All Supervisory Board members are non-executive
P7		Does the structure of the issuer's administration board provides a sufficient number of independent members?	YES		Assessment the independence of the Supervisory Board members is made according to the criteria laid down in Law no. 31/1990
P8	R15	Does the BA in its activities benefit of the support of consultative committees / commissions in order to examine specific topics, selected by the BA and for counselling on such topics?	YES		
		Do the consultative committees / commissions submit to the BA activity reports on the topics entrusted?	YES		
	R16	In order to assess the non-executive members' independence, does the administration board use the valuation criteria listed in Recommendation 16?	YES*		Assessment the independence of the Supervisory Board members is made according to the criteria laid down in Law no. 31/1990
	R17	Do the BA members permanently improve their knowledge by training / preparation in the field of corporate governance?	YES		
P9		Is the election of BA members based on a transparent procedure (objective criteria regarding personal /	YES		Supervisory Board members are nominated

Principle	Rec.	Question	YES	NO	If NO, then EXPLAIN
		professional qualification etc.)?			by the shareholders and their choice is based on the CVs made available to shareholders and published on the Transelectrica website.
P10		Is there a Nomination committee within the Company?	YES		Nomination and Remuneration Committee was established by the Supervisory Council Decision no. 1/16.11.2012.
P11	R21	Does the BA analyse at least once a year the need to establish a remuneration committee / remuneration policy for administrators and members of the executive management?	YES		There is a Nomination and Remuneration Committee
		Is the remuneration policy approved by AGA?	YES		The General Meeting of Shareholders of 28.12.2012 approved limits on the remuneration of the Chief Executive, following that the limits of the remuneration of the Supervisory Board members to undergo subsequent approval.
	R22	Is there a remuneration committee exclusively formed of non-executive administrators?	YES		All Supervisory Board members are non-executive
	R24	Is the Company's remuneration policy presented in the By-laws / Corporate governance regulation?		NO	There is no remuneration policy approved by the General Meeting of Shareholders
P12, P13	R25	Does the issuer disseminate in English the	YES		

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Principle	Rec.	Question	YES	NO	If NO, then EXPLAIN
		information representing the reporting requirements: a) regular information (regular provision of information)			
		b) continuous information (continuous provision of information)?	YES		
		Does the issuer prepare and disseminate financial reports according to IFRS?	YES		
	R26	Does the issuer promote, at least once a year, meetings with financial analysts, brokers, rating agents and other market experts to present the financial elements of investment decisions?	YES		
	R27	Is there an audit committee within the Company?	YES		
	R28	Do the BA or audit committees, as applicable, examine regularly the efficiency of financial reports, internal control and risk management systems approved by the Company?	YES		
	R29	Does the audit committee consist exclusively of non-executive administrators and does it comprise a sufficient number of independent ones?	YES		
	R30	Does the audit committee meet at least twice a year, such meetings being dedicated to prepare and disseminate the biannual and annual results to the shareholders and public?	YES		
	R32	Does the audit committee submit recommendations to the BA on the election, re-appointment and replacement of the financial auditor, as well as the terms and conditions for his remuneration?	YES		
P14		Has the BA adopted a procedure identifying and solving adequately the conflicts of interests?		NO	The legal provisions in place and the decisions of the main shareholders shall be directly enforced.
P15	R33	Do the administrators advise the BA on the conflicts	YES		

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Principle	Rec.	Question	YES	NO	If NO, then EXPLAIN
		of interests as they occur and do they refrain to debate and vote on such matters, according to the legal applicable provisions?			
P16	R34, R35	Has the BA adopted specific procedures in order to provide procedural accuracy (identification criteria for transactions with significant impact, transparency, objectivity, non-competition etc.) with a view to identify the transactions with the parties involved?		NO	The legal provisions in place and the decisions of the main shareholders shall be directly enforced.
P17	R36	Has the BA adopted a procedure regarding the internal circuit and disclosure of the issuer's documents and information to third parties, providing special importance to the information that might influence the evolution of the market price for the financial assets issued by it?	YES		
P18	R37, R38	Does the issuer develop activities of corporate social and environmental responsibility?	YES		

Transelectrica SA
Company managed in dualist system

Separate Financial Statements
on the date and for the financial year ended on
31 December 2012

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

	Note	31 December 2012	31 December 2011	1 January 2011
Assets				
Fixed assets				
Tangible assets	**5**	3,683,211,822	3,552,463,047	3,499,717,246
Intangible assets	**6**	50,860,668	51,213,061	42,174,298
Financial assets		52,475,750	52,476,910	52,028,490
Total fixed assets		**3,786,548,240**	**3,656,153,018**	**3,593,920,034**
Floating assets				
Stocks	**7**	40,076,069	41,723,457	38,729,366
Clients and assimilated accounts	**8**	822,931,591	1,171,371,149	648,852,835
Cash and cash equivalents	**9**	295.481.379	304,763,377	142,891,386
Profit tax to recover		-	6,847,964	13,525,901
Total floating assets		**1,158,489,039**	**1,524,705,947**	**843,999,488**
Total assets		**4,945,037,279**	**5,180,858,965**	**4,437,919,522**
Equities and debts				
Equities				
Share capital, of which:		1,091,525,913	1,091,525,913	1,091,525,913
Subscribed share capital		*733,031,420*	*733,031,420*	*733,031,420*
Adjustments of share capital to inflation		*358,494,493*	*358,494,493*	*358,494,493*
Issuance premium		49,842,552	49,842,552	49,842,552
Legal reserves		46,491,027	44,416,075	38,395,073
Revaluation reserves		729,711,592	749,763,730	785,289,333
Other reserves		3,845,195	4,186,691	2,593,796
Result carried forward		509,341,993	484,341,081	327,860,036
Total equities	**10**	**2,430,758,272**	**2,424,076,042**	**2,295,506,703**
Long term debts				
Long term advance revenues	**11**	538,850,734	360,955,325	302,381,397
Loans	**12**	954,626,559	943,492,527	981,607,809
Debts regarding deferred taxes	**15**	40,862,872	33,063,853	27,083,402
Liabilities regarding employees' benefits	**13**	23,236,640	20,322,034	22,986,147
Total long term debts		**1,557,576,805**	**1,357,833,739**	**1,334,058,755**
Current debts				
Commercial debts and others	**14**	737,820,637	1,186,300,804	591,310,219
Other taxes and liabilities for social insurance	**17**	15,415,260	5,922,873	30,900,283
Loans	**12**	198,661,228	202,488,126	175,329,077
Short term advance revenues	**11**	4,481,204	4,237,381	10,814,485
Payable profit tax		323,873	-	-
Total current debts		**956,702,202**	**1,398,949,184**	**808,354,064**
Total debts		**2,514,279,007**	**2,756,782,923**	**2,142,412,819**
Total equities and debts		**4,945,037,279**	**5,180,858,965**	**4.437.919,522**

The attached notes 1-27 constitute an integral part of these separate financial statements

	Note	2012	2011
Revenues			
Revenues from transmission services		1,080,214,070	1,115,185,600
Revenues from system services		570,760,099	784,052,974
Revenues regarding the balancing market		1,068,220,860	1,189,433,946
Other revenues		48,491,681	42,897,517
Total revenues	**18**	**2,767,686,710**	**3,131,570,037**
Operational expenses			
Expenses for system operation	**19**	(310,978,670)	(290,461,859)
Expenses regarding the balancing market	**19**	(1,068,220,860)	(1,189,433,946)
Expenses regarding the technological system services	**19**	(522,875,917)	(681,120,294)
Amortisement		(314,844,392)	(297,689,885)
Personnel expenses		(170,361,104)	(155,866,076)
Repairs and maintenance		(137,938,176)	(184,236,065)
Expenses of materials and consumables		(9,109,986)	(7,601,298)
Other operational expenses	**20**	(150,410,771)	(149,553,709)
Total operational expenses		**(2,684,739,876)**	**(2,955,963,132)**
Operational profit		**82,946,834**	**175,606,905**
Financial revenues		93,169,734	121,435,790
Financial expenses		(129,072,568)	(153,892,658)
Net financial result	**21**	**(35,902,834)**	**(32,456,868)**
Profit before profit tax		**47,044,000**	**143,150,037**
Profit tax	**15**	(12,556,032)	(33,212,233)
Profit of the year		**34,487,968**	**109,937,804**
Basic result and diluted per share (Lei / share)	**16**	**0.47**	**1.50**

The attached notes 1-27constitute an integral part of these separate financial statements

	Note	31 December 2012	31 December 2011
Profit of the year		**34,487,968**	**109.937.804**
Other elements of the global result			
Debt regarding the deferred tax relating to the revaluation reserve	**15**	(11,914,824)	(8,856,904)
Cancelling the revaluation reserve used		-	6,406,667
Surplus from the revaluation of tangible assets	**9**	60,802,099	27,036,664
Actuarial gain		4,318,540	-
Other elements of the global result (OEGR)		**53,205,815**	**24,586,427**
Total global result		**87,693,783**	**134,524,231**

The separate financial statements provided from page 1 to 55 were approved by the managerial team on 25 March 2013 and signed on its behalf by:

Directorate,

Directorate Chairman,
Executive Director General
Stefan GHEORGHE

Member,
Responsible of economic activities
Constantin VADUVA

Deputy Director General DCEC
Corneliu Ene

Economic Director
Maria Ionescu

Manager CI-IFRS
Veronica Crisu

	Share capital	Issuance premiums	Legal reserves	Revaluation reserve	Other reserves	Result carried frwd	Total
Balance on 1 January 2011	**1.091.525.913**	**49.842.552**	**38.395.073**	**785.289.333**	**2.593.796**	**327.860.036**	**2.295.506.703**
Global result of the period							
Profit of the year	-	-	-	-	-	109,937,804	**109,937,804**
Other elements of the global result, of which							
Surplus from revaluation of tangible assets	-	-	-	27,036,664	-	-	**27,036,664**
Cancelling the revaluation reserve used	-	-	-	6,406,667	-	-	6,406,667
Debt regarding the deferred tax relating to the revaluation reserve	.	-		(8,856,904)	-	-	**(8,856,904)**
Total other elements of the global result	**-**	**-**	**-**	**24,586,427**	**-**	**-**	**24,586,427**
Total global result of the period	.	**-**	**-**	**24,586,427**	**-**	**109,937,804**	**134,524,231**
Increasing the legal reserve	.	-	6,021,002	-	-	(6,021,002)	-
Transfer of revaluation reserves into the result carried forward	-	-	-	(60,112,030)	-	60,112,030	-
Other elements			-	-	-	846,929	**846,929**
Total other elements	**-**	**-**	**6,021,002**	**(60,112,030)**	**-**	**54,937,957**	**846,929**
Transactions with shareholders directly acknowledged in equities							
Contributions from and distributions to shareholders							
Distributing the dividends	-	-	-	-	-	(8,503,164)	**(8,503,164)**
Lands for which certificates were obtained conforming the ownership right	-	-	-	-	1,592,895	-	**1,592,895**
Increase in the value of shares held from affiliated entities	-	-	-	-	-	108,448	**108,448**
Total contributions from and distributions to shareholders	**-**	**-**	**-**	**-**	**1,592,895**	**(8,394,716)**	**(6,801,821)**
Balance on 31 December 2011	**1,091,525,913**	**49,842,552**	**44,416,075**	**749,763,730**	**4,186,691**	**484,341,081**	**2,424,076,042**
Balance on 1 January 2012	**1,091,525,913**	**49,842,552**	**44,416,075**	**749,763,730**	**4,186,691**	**484,341,081**	**2,424,076,042**
Global result of the period							
Profit of the year	-	-	-	-	-	34,487,968	**34,487,968**
Other elements of the global result, of which	-	-	-	-	-	-	-
Surplus from revaluation of tangible assets	-	-	-	60,802,099	-	-	**60,802,099**
Acknowledged actuarial gain (revenues)	-	-	-	-	-	4,318,540	**4,318,540**
Debt regarding the deferred tax relating to the revaluation reserve	-	-	-	(11,914,824)	-	-	**(11,914,824)**
Total other elements of the global result	**-**	**-**	**-**	**48,887,275**	**-**	**4,318,540**	**53,205,815**
Total global result of the period	**-**	**-**	**-**	**48,887,275**	**-**	**38,806,508**	**87,693,783**
Other elements							
Transfer of revaluation reserve in the result carried forward	-			(68,902,812)	-	68,902,812	-
Increasing the legal reserve	-	-	2,074,952	-	-	(2,074,952)	-
Other elements	-	-	-	(36,601)	2,993	-	**(33,608)**
Total other elements	**-**	**-**	**2,074,952**	**(68,939,413)**	**2,993**	**66,827,860**	**(33,608)**
Transactions with shareholders directly acknowledged in equities							
Contributions from and distributions to shareholders							
Assets of public patrimony de-recognised (see Note 3 (b))	-	-	-	-	(344,489)	-	**(344,489)**
Distribution of dividends	-	-	-	-	-	(80,633,456)	(80,633,456)
Total contributions from and distributions to shareholders	**-**	**-**	**-**	**-**	**(344,489)**	**(80,633,456)**	**(80,977,945)**
Balance on 31 December 2012	**1,091,525,913**	**49,842,552**	**46,491,027**	**729,711,592**	**3,845,195**	**509,341,993**	**2,430,758,272**

The attached notes 1-27constitute an integral part of these separate financial statements

The above translation of the consolidated IFRS financial statements of CN Transelectrica SA is provided as a free translation from Romanian which is the official and binding version.

	2012	2011
Treasury flows from operational activities		
Profit of the year	34,487,968	109,937,804
Adjustments for:		
Expense with profit tax	12,556,032	33,212,233
Expenses with amortisement	314,844,392	297,689,885
Expenses with value losses regarding the commercial and other liabilities	33,665,515	13,673,677
Revenues from reversing the value losses regarding the commercial and other liabilities	(618,335)	(4,830,250)
Net gain / (loss) net from the sale of tangible assets	3,100,116	(2,366,345)
Adjustments of value regarding tangible assets	(335,847)	7,693,461
Net financial result	31,795,593	34,224,976
	429,495,434	**489,235,441**
Changes in:		
Commercial liabilities and others	322,029,087	(524,384,626)
Stocks	1,647,388	(2,994,091)
Commercial and other debts	(441,977,707)	610,816,978
Other taxes and liabilities for social insurance	9,492,387	(24,977,377)
Advance revenues	178,139,232	51,996,824
Treasury flows from operational activities	**498,825,821**	**599,693,149**
Interest rates paid	(34,757,021)	(33,852,861)
Profit tax paid	(9,500,000)	(29,410,750)
Net cash from operational activities	**454,568,800**	**536,429,538**
Treasury flows used in investments		
Procurement of tangible and intangible assets	(392,642,466)	(356,730,375)
Proceeds from the sale of tangible assets	1,930	3,407,637
Collected interest rates	6,243,988	10,132,113
Collected dividends	9,755,944	6,581,967
Net cash used in investments	**(376,640,604)**	**(336,608,658)**
Treasury flows used in financing activities		
Drawings from long term loans	189,807,558	123,450,613
Reimbursements of long term loans	(185,765,526)	(164,523,506)
Drawings from short term loans	-	11,571,742
Reimbursements of short term loans	(11,571,742)	-
Dividends paid	(79,680,484)	(8,447,738)
Net cash used in financing activities	**(87,210,194)**	**(37,948,889)**
Net increase of cash and cash equivalents	**(9,281,998)**	**161,871,991**
Cash and cash equivalents on 1 January (see Note 9)	**304,763,377**	**142,891,386**
Cash and cash equivalents at year end (see Note 9)	**295,481,379**	**304,763,377**

The attached notes 1-27constitute an integral part of these separate financial statements

The above translation of the consolidated IFRS financial statements of CN Transelectrica SA is provided as a free translation from Romanian which is the official and binding version.

1. Description of activities and general information

The main business of the National Power Grid Co. Transelectrica SA (the Company) consists in providing electricity transmission services; providing system services and administrator of the balancing market, in accordance with the provisions of the operational licence 161/2000, revision 4/2011 isued by ANRE.

The address is Blvd. General Gheorghe Magheru no. 33, Bucharest 1. For the time being the Company's executive staff carries out their activity in Str. Olteni no. 2 - 4, Bucharest 3.

The separate financial statements elaborated according to the International Financial Reporting Standards adopted by the European Union and approved under Order 1286/2012 of the Minister of Public Finance, with later amendments, are available in the Company's working location of Str. Olteni no. 2 - 4, Bucharest 3.

Beginning with 2006 the Company shares have been transacted to the Bucharest Stock Exchange under the symbol TEL.

In accordance with the decision of the Shareholders' General Extraordinary Assembly of 18 July 2012 the Company passed from the unitary to the dualist management system in order to clearly separate managerial activities from the control ones. Thus the Company is managed by a directorate under supervision of a supervisory board.

Establishment of the Company

In accordance with the Governmental decision (GD) 627 on reorganising the National Electricity Company SA (predecessor entity), issued on 31 July 2000 by Romania's Government, this one was divided into four new entities (successor entities). The single shareholder of the successor entities was the Romanian State by means of the Ministry of Economy (ME). Transelectrica was established after this reorganisation as a joint stock company, its main activities being electricity transmission & dispatch and administration of the electricity market.

As shown in Note 10, on 31 December 2012 the Company's shareholders are- the Romanian State through the Ministry of Economy (ME) holding 43,020,309 shares, representing 58.6882% of the share capital, the Ownership Fund with 9,895,212 shares representing 13.499%, S.I.F. Oltenia with 4,653,602 shares representing 6.348% and respectively other shareholders with 15,734,019 shares representing 21.464% of the share capital.

Company mission

The Company mission is to provide operational safety and security to the Romanian Power System (RPS) while observing the norms and performance indicators specified in applicable technical regulations and providing public service to all the users of electricity transmission networks under transparent, non-discriminating and fair conditions for all market participants.

Other information about the Company's activities

Transelectrica SA became a member in the Union for the Coordination of the Transmission of Electricity (UCTE) in October 2004, and in November 2004 - member of the European Transmission and System Operators (ETSO). Beginning with July 2009 the activities of UCTE, OSTE and other four TSO associations of Europe was fully integrated in the European Network of Transmission and System Operators for Electricity (ENTSO-E), gathering 42 TSO-s of 34 countries.

Transelectrica is an affiliated member in the following international organisations:
- ENTSO – E - European Network of Transmission and System Operators for Electricity
- CIGRE - International Council of large high voltage networks
- LWA - International Live Work Association
- ISSA - International Social Security Association
- IEEE - Power Energy Society
- WEC - World Energy Council
- Edison Electric Institute

The Company answers for the safe reliable efficient operation of the RPS observing the provisions of the UE Directive 54/2003, art. 9.

The rating agency Moody's Investors Service modified the Company rating from Ba1 negative prospect to Ba2 negative prospect on 20 December 2012.

Legislative environment

Activities in the energy sector are regulated by the National Regulatory Authority in the Energy domain (ANRE), an independent public institution.

ANRE has been granted the following attributions and competencies in the electricity sector and for heat generated under co-generation- providing, suspending or withdrawing the authorisations and licences, elaborating and approving the methodologies to calculate tariffs and regulated prices, approving the regulated tariffs and prices, determining the framework contracts, approving the technical and commercial regulations etc.

Since ANRE the tariffs for electricity transmission and system services under order, the decision that ANRE take can significantly impact the Company's activities.

The Company's operational activities are executed under licence 161/2000 for electricity transmission and provision of system services, revision 4/2011 issued by ANRE and valid until 2025.

Tariffs for electricity transmission and system services

Transmission activities are natural monopoly. The tariffs that the Company charges for transmission and system services are determined and approved by ANRE.

Beginning with 2005 the electricity transmission tariff is determined using a regulatory methodology type ‚ceiling revenue' whereby ANRE determines an initial target revenue, which is increased with the annual growth of the consumption price index and diminished with the efficiency increase; such revenue is used when determining the regulated revenue. The accounting value of the fixed assets is related to this aspect and any significant change in the tariff mechanism can have an impact on such accounting values. Taking into account the current tariffs there is no indication of asset depreciation.

Taking into account the Company activities and revenues are regulated by ANRE, the most important risks are as follows:

- The regulatory framework is quite recent and subject to changes, which can influence the Company's performance;
- ANRE decisions on future tariffs can influence the Company's operations;

Regulated assets base (RAB)

The transmission tariff is determined using, among others, the regulated assets base. The regulated assets base includes the net value of tangible and intangible assets acknowledged by ANRE and used only for electricity transmission. Beginning with the second regulatory period 2008-2012, a correction was introduced to revenues because investments were not achieved to the approved level in the first and second regulatory periods. Such correction will be applied in the first year of the following regulatory period.

The RAB calculation for the second regulatory period does no longer take the circulating fund into consideration. Assets resulting after investments achieved with the regulatory authority's approval in addition to the initially approved investment programme at the beginning of the regulatory period will be included into the RAB at the beginning of the following regulatory period.

In accordance with Order 52 / 19 December 2012 of ANRE approving the average tariff for transmission services and the tariff for system services, 2013 represents a transitional year from the second to the third regulatory period. The beginning of the third regulatory period is delayed one year. The third regulatory period is 2014-2018.

The regulated profitability rate of 2013 is 8.52% (2012- 7.5%) for electricity transmission activitieis. On 31 December 2011 and 2012 the regulated assets base amounts to 2.9 billion Lei.

Including Transelectrica into the local and international stock exchange indexes

Beginning with 6 March 2007 Transelectrica's shares have been included in the BET index administered by Bucharest Stoc Exchange (BSE), with 4.09% share within the stock exchange capitalisation of 930,216,872 Lei on 31 December 2012. The BET (Bucharest Exchange Trading) index is selective and aims mirroring the overall development of the prices of the most liquid 10 companies listed to the BSE, except for the Financial Investment Companies (SIF).

Beginning with 2 January 2007 Transelectrica's shares have been included in the Dow Jones Wilshire Global Indexes – a family of indexes attempting to provide the widest extent of global markets. Thus the Company shares belong to:

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

Company revenues

The main activities generating revenues for the Company are represented by the following service provisions:

- Electricity transmission services;
- System services (technical operational management of the RPS);
- Administration of the Balancing market;

Electricity transmission services

Transmission services consist mainly in providing electricity transmission between two or several points of the electricity transmission grid (ETG), while observing the continuity, safety and quality norms.

The Company provides access to all market participants to the transmission grid under transparent, non-discriminating and fair conditions. Transmission activities are carried out by means of eight transmission branches located in Bucharest, Bacau, Cluj, Craiova, Constanta, Pitesti, Sibiu and Timisoara.

The electricity transmission activities of Transelectrica consist in providing the technical conditions of and maintaining the ETG parameters when energy is injected / discharged into / from the ETG.

The beneficiaries of transmission services are on the one hand the participants injecting electricity into the ETG (electricity generators, electricity suppliers including importers) and on the other hand the companies that extract energy from the grid (electricity suppliers, generators / exporting suppliers, as well as the eligible consumers).

System services

The Company provides system services by means of UNO-DEN in order to maintain the operational safety of the RPS as well as the quality of transmitted electricity according to applicable regulations.

Transelectrica provides such services based on a tariff regulated and approved by ANRE which is applied to the same base (electricity supplied to consumers) and comprises:

- Technological system services;
- Functional system services;

Technological system services are provided by dispatchable generators or clients upon the Company's demand (UNO-DEN), in order to maintain the operational safety of the RPS as well as the quality of the electricity transmitted at the parameters provided in applicable norms.

Functional system services
They refer to dispatching services that Transelectrica provides and for which the Company allocates its internal resources consisting of:

- Human resources engaged in this process, usual working with UNO DEN;
- The infrastructure for technical operational management of the RPS represented by the EMS SCADA as well as the telecommunication, protection and control systems. The Company has specific investment programmes underway in order to develop all these systems;

Operator of the balancing market

In accordance with the provisions of the Commercial code of the wholesale electricity market, the balancing market was introduced and started operating in Romania in July 2005. The purpose of this market is to enable balancing the electricity generation - consumption in real time using the resources offered under a competitive system.
The balancing market is a centralised electricity market organised and administered by the Company in view of electricity transactions carried out between the Company on the one hand and electricity generators on the other that operate dispatchable generating units, respectively the dispatchable final clients with a view to provide balanced generation and consumption in real time.

Highly efficient co-generation

Beginning with 1 April 2011 Transelectrica is the administrator of the support scheme promoting high efficiency co-generation. The purpose of this support scheme is to promote electricity generation systems under highly efficient co-generation while benefitting of generation with reduced pollutant emissions. The purpose is to facilitate market access for highly efficient co-generation systems by providing a co-generation bonus in case the electricity and heat generation costs in co-generation plants

are superior to the market prices of the two forms of energy. The scheme is dedicated to electricity and heat generators that own or operate commercial co-generation plants that are highly efficient with a view to stimulate new investments into co-generation systems as well as the refurbishment of existing power plants.
Governmental decision 1215/2009 determines the legal framework in accordance with the European Union's regulations, as required for the implementation of the bonus type support scheme to promote high efficiency co-generation based on the useful heat demand, with a view to cover the difference between the generation cost of energy under highly efficient co-generation and its sale price. ANRE has approved the reference bonuses by megawatt hour of electricity generated and delivered into the network from high efficiency co-generation plants. The beneficiaries of this scheme are the generators that comply with certain criteria established by ANRE.

In accordance with the provisions of art. 14 from Governmental decision 1215/2009 Transelectrica has been designated as responsible to manage the support scheme. The main attributions of the Company as administrator of the support scheme are- collecting the contribution from the suppliers of electricity consumers into a distinct bank account from basic activities, and paying the bonus to electricity and heat generators under highly efficient co-generation; concluding contracts with the suppliers in order to collect the contribution as well as with the generators that will benefit of the scheme; verifying the amount of the collected contribution; issuing invoices to suppliers; returning the contribution for high efficiency co-generation to the suppliers that introduce in Romania electricity generated under highly efficient co-generation in other member states of the European Union; monitoring and reporting to ANRE the manner in which the support scheme is administered; paying the bonus to the electricity generators benefitting of the scheme; paying the delay penalties to generators for the failure to pay the bonus within the due deadline.

This segment of activity does not influence the Company's profit and loss account as Transelectrica collects the contribution for high efficiency co-generation from the suppliers of electricity consumers with a view to pay the bonus to electricity and heat producers under highly efficient co-generation.

Operational framework

Although it has been a European Union member since 1 January 2007 the economy of Romania still provides characteristics of an emerging market such as high deficit of current account, relatively undeveloped financial market, and fluctuations in the hard currency exchange rates.

At present the international financial markets experience effects of the global financial crisis of 2008. Such effects were also experienced on the Romanian financial market in the shape of price falls and reduced liquidity of capital markets, as well as increased interest rates of mid-term financing because of the global liquidity crisis. The significant losses incurred by the international financial market could impact the Company's capability to get loans under similar conditions to those from previous transactions.

The Company's managerial team are permanently concerned with determining the observance of financial clauses provided in borrowing contracts and with assessing the significant uncertainties, including those associated to the Company's capability to continue its activities during a reasonable period of time. As mentioned in Note 12, on 31 December 2012 the Company failed to comply with certain financial indicators under the EIB 20864 and EBRD 906 loans. On 31 December 2012 long term portion of the EIB 20864 amounted to 64,551,438, while that of BERD 906 was zero. The EIB can, after written notification, request accelerating the maturity of this credit after a period of time during which the borrower is provided with the opportunity to remedy the event that has occurred. The EIB 20864 loan has been guaranteed by the Romanian State. Note 12 provides the Company's managerial team's arguments with respect to the fact that balances of long term loans are not classified as current debts.

The financial statements do not comprise adjustments referring to the recovery and classification of the net accounting value of assets or referring to the amount and classification of liabilities that might result in case the Company cannot continue its activities, because the activity continuity principle is applied.

The Company's management consider it accurate to apply the activity continuity principle when preparing these separate financial statements, given the strategic importance and the natural monopoly position of natural interest that the Company holds within the Romanian power system (RPS).

The management consider that the Company can continue its activities in the foreseeable future.

The Company's financial position depends on the future policies of tariff adjustments and/or further sustainment on behalf of the Romanian Government.

2. Basis of execution

(a) Statement of conformity

These separate financial statements (financial statements) have been elaborated in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS EU) and approved under Order 1286/2012 of the Minister of Public Finance, with later amendments, and they represent the Company's first separate financial statements executed in accordance with the IFRS EU, with application of IFRS 1 "Adopting the financial reporting standards for the first time" (IFRS 1).
The Company applies the International Financial Reporting Standards adopted by the European Union when executing the separate financial statements of 2012 in accordance with OMF 881/2012. This order specifies that beginning with 2012 financial year the separate (individual) statutory annual financial statements will be elaborated in accordance with the IFRS, being applicable to trading companies whose securities are admitted for transaction on a regulated market. Such financial statements are considered statutory for the Company. The International Financial Reporting Standards adopted by the European Union were approved under order 1286/2012 with later amendments. The previous statutory financial statements were elaborated by the Company in accordance with Order 3055/2009 of the Minister of Public Finance, with later amendments.
Note 27 explains how the transition to IFRS EU impacted the Company's reported financial position, the financial performance and its treasury flows.

(b) Basis of evaluation

The financial statements have been elaborated using historical costs, except for tangible assets others than the tangible assets underway, which are evaluated to a revaluated amount. The share capital has been adjusted according to the International Accounting Standard (IAS) 29 (Financial reporting in hyper inflationist economies) until 31 December 2003.

(c) Functional and reporting currency

Financial statements are provided in Romanian LEI (LEI or RON) according to applicable accounting regulations, this being also the Company's functional currency.

(d) The use of estimations and judgements

The consolidated financial statements prepared in accordance with the IFRS EU means the management utilise certain professional arguments, estimations and assumptions which impact the application of accounting policies, as well as the recognised value of assets, debts, revenues and expenses (assumptions on the provisions for risks and expenses) (see Note 23), with respect to the acknowledgment of receivable non-reimbursable funds (see Note 11) and the provisions for value losses of liabilities (see Note 8)).

Effective results can be different from estimated values. Estimations and assumptions are periodically reviewed. The revisions of accounting estimations are recognised during the period in which estimations are reviewed and in the future periods impacted.

The information with respect to the assumptions and estimations involving significant uncertainties is included in:
- Note11 - estimation of the Company's managerial team there is reasonable assurance that the fund-attached terms will be met and funds will be received;
- Note 12 - arguments of the Company's managerial team for not classifying the balances of long term loans as current debts;
- Note 13 - evaluating liabilities relating to determined benefit plans;
- Note 23 - commitments and conditionality;

Information on the critical professional arguments applied to the accounting policy as regards the agreement of service concession is provided in the following paragraphs.

The Company (concessionaire) concluded in 2004 a concession contract with the ME (conceder) according to which the Company is entitled to use assets from the public patrimony that include the electricity transmission grid and the lands it is located on in exchange for electricity transmission services (see Note 3 (b)). Taking into account that most Company shares are held by the State, the Company's managerial team considers this is a public company and therefore it does not fall under the provisions of IFRIC 12 Service concession agreements. Since there is no other international financial reporting standard specific for service concession agreements the Company considered it will nevertheless apply IFRIC 12, based on the hierarchy mentioned in IAS 8 Accounting policies, changes of accounting estimations and errors, which provides to take into account first the provisions of other IFRS-s dwelling with similar aspects.

When analyzing the application of IFRIC 12 the Company considered whether the following characteristics of public-private service concession agreements are applicable to the concession contract concluded with the ME on the date when the IFRIC 12 had to be adopted:
- The conceder controls or regulates the type of services the concessionaire has to provide under the infrastructure, to whom and to what price;
- The conceder controls - through the ownership right, benefit right or in other way - any significant residual interest in the infrastructure at the end of the agreement;

- Contractual provisions could include the same provisions should the agreement be concluded with a private company;

The Company concluded that if the concession contract is accounted according to the provisions of IFRIC 12 it will not reflect the economic substance of the transaction because the Company pays an annual fee amounting to 1/1000 of the annual revenue from electricity transmission activities as royalty for the utilisation of assets mentioned in the concession contract, calculated depending on the actually transmitted quantity, which fee is significantly smaller than the amortisement that the Company would register for the respective assets if the concession contract has not been signed. Consequently IFRIC 12 is not applicable, and the Company applied the accounting policies as they are described in Notes 3 (a) and (b).

3. Accounting policies

The accounting policies detailed below were consistently applied to all the periods provided in these financial statements as well as to the opening financial position on 1 January 2011 with a view to start using IFRS UE.

(a) Tangible assets

Own assets

Tangible assets are provided at revaluated values, except for those under execution, less the cumulated amortisement and the cumulated losses from depreciation. Tangible assets under execution are provided at their cost. The cost of assets built with one's own sources includes the cost of materials, of direct salaries, of the initial estimation, wherever such is the case, and the costs of elements disassembling and moving and of location restoration, as well as some share of indirect costs.

A provision for tangible assets that are not used or worn out is registered in the financial statements to the extent in which such elements are identified.

Asset amortisement methods and useful lifecycles are reviewed and adjusted if need be on every reporting date.

Recognition

Tangible assets are initially evaluated at their cost minus the cumulated amortisement and cumulated depreciation losses.

The cost includes the expenses directly attributable to asset procurement. The cost of assets built by the entity includes:
- The cost of materials and the direct personnel expenses;
- Other costs directly attributable to assets bringing into the place and to the condition required for utilisation; and
- The costs of the capitalised indebtedness;

Later maintenance expenses

The Company recognises the cost of replacing one part of an asset element in the accounting value of a tangible asset element if at the moment when the cost occurs the Company is likely to generate future economic benefits relating to that element and the cost of the element can be evaluated in credible manner. All the other costs are recognized in the profit and loss account when they occur.

Amortisement

Tangible assets are amortised using the linear method during their life cycles as follows:

	Normal operational life (years)
Buildings and special installations	40-60
Outfits and equipment	15-40
Instrumentation and control gauges	7-12
Vehicles	5-8
Other tangible assets	3-5

Operational lives, residual values and the amortisement method are reviewed each year. Lands are not amortised
Whenever the elements of an asset have different lives, they are registered as separate elements (major components) of an asset. The amortisement methods of assets and useful lives are reviewed and adjusted if such is the need, on each reporting date.

Revaluation

The Company chose submitting tangible assets at their revaluated value, except for down payments and tangible assets under execution that are submitted with their historical costs.

Independent evaluator experts are providing the revaluations with sufficient regularity so that the accounting value can not be significantly different from the value that can be determined using the right value on the reporting date.

(b) Public patrimony

In accordance with the provisions of Law 213/1998 electricity transmission networks are assets constituting the State public domain.

Governmental decision 627/2000 in its annex 8 establishes the inventory stocks of fixed assets constituting the State public domain that the Company took over beginning with 1 August 2000 and are inventoried and updated whenever such is the need under legislative act (GD).

Before signing the concession contract detailed in the paragraph below the public patrimony was treated as a contribution in kind of the Romanian State through its representative the Ministry of Economy because the Company did not have to pay any fee for assets utilisation; also, Transelectrica considered it has the right to use the assets for most of their operational life. The reserve of the public patrimony was transferred into the result carried forward as the respective assets were amortised. Such transfer into the result carried forward was not registered in the profit and loss account. The assets financed from subsidies are included in the public patrimony when they are commissioned.

Law 213/1998 was issued in November 1998 and regulated the condition of public patrimony. This law mentions the ownership right over the public patrimony belongs to the State or to local authorities that might lease the assets from public property or give them under concession in accordance with the provisions of Law 213/1998 and of Law 219/1998. The Ministry of Economy has given under concession the transmission grid to the Company on behalf of the State (high voltage lines and electric substations) and the lands it is located on. Thus on 29 June 2004 the concession contract no. 1 was concluded between the Ministry of Economy and the Company for 49 years for all the tangible assets of the public patrimony found in the balance on 31 December 2003.

Following the signature of the concession contract with the Ministry of Economy on behalf of the Romanian State the relationship between this Ministry and the Company changed and consequently the Company proceeded to de-recognising the assets of the public patrimony beginning with 29 June 2004, with direct effects on the the public patrimony reserve within equities. After concluding the concession contract the Company is treating the assets over which it has the utilisation right as operational leasing. The Company recognises the payments under the concession (royalty) contract as expenses in the profit and loss account during the year.

In 2005-2012 six addendums were concluded to the concession contract. Consequently the assets of the public patrimony obtained after 29 June 2004 from the development fee have been de-recognised.

Addendum 7 to the concession contract 1/29.06.2004 was concluded with the Ministry of Economy on 14.02.2013 after making the inventory of assets belonging to the state public domain in 2012 and revaluating/evaluating such assets, taking into account the provisions of GD 1009/2012 and GD 984/2012 approving the amendment of Annex 7 to GD 1705/2006 approving the centralised inventory of assets from the state public domain given under concession to the Company.

The main terms of the concession contract are as follows:

- The Ministry of Economy has the ownership title over the assets under the contract;
- The Company is entitled to utilise such assets for 49 years from 1 June 2004 until 31 May 2053;
- The ME determines the annual fee that the Company pays as royalty to use such assets and it represents 1/1000 of the revenues achieved from electricity transmission activities, for the amount actually transmitted;
- Assets will take possession of the assets ME when the contract is terminated or expires; the contract can be one-sidedly denounced by any of the parties;
- The Company is obliged to utilise the assets in accordance with the provisions of the concession contract and of the operational licence;

The fee that the Company pays according to the concession contract for 1 January – 31 December 2012 is significantly lower than the amortisement that the Company would have registered for the respective assets if such contract did not exist. Nevertheless the Company did not register any amount relating to such possible benefi in the financial statements because it cannot estimate what is the amount paid for the use of these assets by a third party under a transaction whose price has been determined in objective manner.

The investments that the Company made to the assets under the concession contract are capitalised and amortised during the remaining operational life of the respective asset reunifying the value of the assets constituting the state public domain after their full amortisement.

(c) Intangible assets

The intangible assets that the Company procured are provided at their cost less the cumulated amortisement and the cumulated losses from the depreciation of intangible assets. The amortisement is recognised in the profit and loss account based on the linear method during the estimated lifetime of intangible assets. Most intangible assets that the Company registers are represented by intangible assets under execution and dedicated IT software. They are amortised through the linear method during 3 years.

(d) Transactions in hard currency

Transactions in hard currency are expressed in LEI by applying the exchange rate on the transaction date. Monetary assets and liabilities expressed in hard currency at the end of the year are expressed in LEI at the exchange rate of that date. Gains and losses from the differences of exchange rates, achieved or not achieved, are registered in the profit and loss account of the respective financial year.

The exchange rates on 31 December 2012 and 31 December 2011 are as follows:

Currency	31 December 2012	31 December 2011
1 EUR	4.4287	4.3197
1 USD	3.3575	3.3393
100 JPY	3.8994	4.3178

Non-monetary assets and liabilities expressed in foreign currency that are evaluated to their accurate value are converted in functional currency at the hard currency exchange rate on the date when the accurate value has been determined. Non-monetary elements evaluated to historical costs in foreign currency are converted using the exchange rate on the transaction date.

(e) Liabilities

Commercial liabilities are initially registered at their accurate value and later on evaluated using the effective interest rate method less the value losses. The value loss is recognised when there is clear proof liabilities can no longer be collected on the set date. The significant financial difficulties of the debtor, his/her probable going into bankruptcy or under financial reorganisation, the delayed payments (over 270 days) are considered indications that such liabilities might need value adjustments.

A value loss relating to one asset means the difference between its accounting value and the present value of the foreseen future treasury flows updated using the initial effective interest rate of the asset. The accounting value is reduced by using a value loss account, and the loss is registered in the profit and loss account under the ‘other operational expenses’ entry.

(f) Stocks

Stocks consist of:
- Raw materials, materials, spare parts and other consumable materials that are going to be used during the basic activities of the Company;
- Security and intervention stocks dedicated to the rapid remedy of defects occurring into the ETG installations with a view to provide the safe operation of the RPS;

These materials are registered as stocks when they are procured and then they got to expenses or are capitalised, as the case may be, when they are consumed.

Stocks are measured at the lowest value between the cost and the net achievable value. The cost of stocks is determined using the FIFO method and it includes the expense made when procuring the stocks and their bringing into the existing location and condition.
The net achievable value is the sale price estimated during the normal flow of activities minus the costs estimated for finalisation, if need be, and the expenses on the occasion of the sale. The Company’s policy consists in registering a 100% value loss for current stocks older than 365 days that will be no longer used in the future.

(g) Cash and cash equivalents

Cash and cash equivalents include the cashier desk, current accounts and bank deposits with an initial maturity up to 3 months that are subjected to an insignificant risk of having their accurate value changed.

(h) Reserves from revaluation

When it has been recognised as asset an element of intangible assets whose accurate value can be evaluated in reliable manner is accounted to revaluated value, this being its accurate value on the revaluation date less any amortisement accumulated later on and any losses accumulated by depreciation. Revaluations should take place at regular intervals in order to make sure the accounting value is not significantly different from what could have been determined by using the accurate value on the balance date.

In case the accounting value of an asset is increased after revaluation, such increase should be registered directly into equities in the element line ‚reserves from revaluation'. Nevertheless the increase is recognised in the profit or loss account to the extent in which it compensates a decrease from the revaluation of the same asset previously recognised in the profit or loss account.

In case the accounting value of an asset diminishes after revaluation, such reduction is recognised in the profit or loss. Nevertheless the reduction has to be directly debited into equities to the element line 'reserves from revaluation' to the extent in which there is a creditor balance in the revaluation surplus for that asset.

The revaluation reserve included into equities relating to a tangible asset element is directly transferred into the result carried forward as the revaluated tangible assets are amortise and when the asset has been de-recognised.

Beginning with 1 May 2009 statutory reserves from the revaluation of fixed assets, including lands, which were made after 1 January 2004 and are deduced when calculating the taxable profit by means of fiscal amortisement or of expenses regarding given and/or dismantled assets are taxed simultaneously with the deduction of fiscal amortisement, respectively when such fixed assets are discharged from liability, as the case may be.

Statutory reserves from the revaluation of fixed assets, including lands, which were made until 31 December 2003 plus the portion of the revaluation made after 1 January 2004 relating to the period until 30 April 2009 will not be taxed when they are transferred to the result carried forward.

Achieved reserves are taxable in the future in case the destination of reserves changes in any way, in case of Company liquidation or merger, including their utilisation to covering accounting losses, except for the transfer after 1 May 2009 of reserves relating to revaluations made after 1 January 2004 in the result carried forward, which are taxed simultaneously with the deduction of the fiscal amortisement.

(i) Depreciation of non financial assets

The accounting values of the Company's non financial assets, others than stocks and liabilities regarding the deferred tax are reviewed on every reporting date in order to determine whether there is any proof with respect to some depreciation. The depreciation loss is recognised if the accounting value of an asset or of a cash generating unit exceeds the estimated recoverable value.

The recoverable value of an asset or of a cash generating unit is the maximum between the utilisation value and the accurate value minus sale costs. When the utilisation value is determined the future cash flows foreseen are updated in order to determine the present value, using an updating rate before tax which mirrors the current evaluations of the market with respect to the value of money in time and the risks specific to the asset. To test depreciation, assets that cannot be tested individually are grouped at the level of the smallest group of assets that generate cash inputs from continuous utilisation and are to a great extent independent from the cash inputs generated by other assets or groups of assets ('cash generating unit').

Depreciation losses are recognised in the profit or loss account. Losses from depreciation recognised in relation with the cash generating units are used first in order to reduce the accounting value of the commercial fund allocated to cash generating units (group of cash generating units), if such is the case, and then pro rata in order to reduce the accounting value of the other assets from within the cash generating unit (group of cash generating units).

A depreciation loss of the commercial fund is not taken again. The depreciation loss for the other assets is taken again only to the extent in which the accounting value of the asset does not exceed the accounting value that could have been determined, net of amortisement, unless no depreciation has been recognised.

(j) Share capital

The Company recognises the changes in the share capital under the terms provided in applicable legislation and only after approval of the Shareholders' General Extraordinary Assembly and their registration in the Office of the Commercial Register.

Ordinary shares are classified as part of equities. Additional costs that are directly attributable to the issuance of ordinary shares and share options are recognised as a reduction of equities to the value net of fiscal effects.

(k) Dividends

Dividends are recognised as debts in the period their distribution is approved.

(l) Suppliers and assimilated accounts

Debts to suppliers and other debts are registered at their amortised cost and include the value of invoices issued by product suppliers, the executed work and provided services.

(m) Interest bearing loans

Loans are recognised initially at their accurate value, net of transaction costs. After the initial recognition loans are registered at their amortised cots, any difference between the cots and the reimbursement value being recognised in the profit and loss account during the term of the loan based on the effective interest rate.

(n) Recognising and de-recognising the non-derived financial instruments

Non-derived financial assets
The Company recognises initially the liabilities on the date when they were initiated. All the other financial assets are recognised initially on the transaction date, when the Company becomes a party under the contractual terms of the instrument.

The Company de-recognises a financial asset when the contractual rights over the cash flows generated by the asset expire or when the rights to cash the contractual cash flows of the financial asset are transferred in a transaction whereby the risks and benefits of the ownership right over the financial asset are transferred in significant manner. Any interest into the transferred financial asset that is created or kept by the Group is recognised separately as asset or debt.

Financial assets and debts are compensated and in case of the financial position the net value is provided only when the Company is legally entitled to compensate the values and intends to either settle them in the net base or to achieve the asset and quench the liability at the same time.

The Company's non-derived financial assets are represented mainly by commercial liabilities and other liabilities and by cash and cash equivalents.

Non-derived financial debts
The Company recognises initially the debt instruments issued and subordinated debts on the date when they are initiated. All the other debts (including the debts designated at accurate value through the profit or loss account) are initially recognised on the transaction date, when the Company becomes a party under the contractual terms of the instrument.

The Company de-recognises a financial debt when contractual liabilities are paid or are cancelled or they expire.

The Company classifies the non-derived financial debts in the category of other financial debts. Such financial debts are initially recognised at their accurate value minus any transaction costs that are directly attributable. After the initial recognition such financial debts are evaluated at their amortised cot using the effective interest rate method.
Other non-derived financial debts include loans, commercial debts and other debts.

(o) Profit tax

The profit tax expense comprises the current tax and the deferred tax. The current and the deferred taxes are recognised in the profit or loss account except when they relate to enterprise combinations or to certain elements that are directly recognised in equities or in other element of the global result.

(i) Current tax

The current tax represents the tax expected to be paid or received for the fiscal profit or loss achieved during the current year, using tax rates adopted or to a great extent passed on the reporting date, as well as any adjustment regarding the payment liabilities of the profit tax from previous years. The current profit tax owed includes also the tax relating to the owed dividends declared.

(ii) **Deferred tax**

The deferred tax is recognised for the time differences occurring between the accounting value of assets and debts used in view of financial reporting and the fiscal base used in order to calculate the tax.
The deferred tax is not recognised for:

- The time differences occurring at the initial recognition of assets and debts from transactions that are not enterprise combinations and do not impact the accounting or fiscal profit or loss;
- The time differences resulting from investments into subsidiaries or jointly controlled entities, to the extent in which it is profitable to not take them again in the foreseeable future; and
- The time differences resulting when the commercial fund is initially recognised;

The deferred tax evaluation mirrors the fiscal consequence that could ensue from the manner in which the Company expects, at the end of the reporting period, to recover or to settle the accounting value of its assets and debts.

The deferred tax is calculated using the taxation rates foreseen to be applied to the time differences when they are taken again, based on the adopted legislation or to a great extent passed on the reporting date.

Liabilities and debts with deferred tax are compensated only if there is a legal right to compensate debts and liabilities with the current tax and if they relate to the taxes charged by the same fiscal authority to the same entity undergoing taxation or to different fiscal entities, but which intends to settle liabilities and debts with the current tax at net base or whose other assets from taxation will be achieved simultaneously.

One liability with deferred tax is recognised for unused fiscal losses, fiscal credits and deductible time differences only to the extent in which future taxable profits are likely to be achieved and used to cover the fiscal loss. Liabilities with deferred tax are reviewed on each reporting date and are diminished to the extent in which it is no longer likely the related fiscal benefit can be achieved.

(iii) Exposure with respect to the profit tax

The Company considers the impact of uncertain tax positions and whether additional taxes and interest rates can be owed when determining the current and deferred tax. This evaluation relies on estimations and assumptions and it can imply a series of professional arguments with respect to future events. New information can become available that determines the Company to change its professional arguments with respect to the adequate character of existing fiscal liabilities; such changes in the fiscal liabilities will impact the profit tax expense during the time when such determination occurs.

(p) Employees' benefits

Other long term employee benefits

The Company's net obligation with respect to long term benefits granted to employees, other than retirement plans, represents the amount of future benefits that employees earned in exchange for the services provided during the current period and the previous one. Such benefit is updated in order to determine its accurate value, and the accurate value of any related asset is deducted. Such benefits are estimated using the method of the designed credit factor. Any actuarial gains or losses are recognised in the profit or loss account during their occurrence period. Other long term employee benefits are represented by jubilee premiums.

Short term employee benefits

The obligations regarding short term benefits are evaluated using a non-updated base and are recognised as expenses as services are provided. A provision is recognised at the value estimated to be paid for short term benefits as premiums or employees' participation to profit, only in case the Company has a present, legal or implicit obligation to pay such amount for the past services provided by employees, and this obligation can be estimated. Short term employee benefits are represented mainly by salaries.
During its normal activities the Company makes payments on behalf of its employees to the retirement fund. All Company employees are members of the Romanian State's retirement plan.

Determined benefit plans

A plan of determined benefits is a post-hiring benefit plan, other than the plan of determined contributions. The Company's net obligations with respect to the determined benefit plans are calculated separately for each plan individually estimating the value of the future benefits that employees obtained in exchange for their provided services during the current period and also in the previous ones; such benefits are updated to the present value. The updating rate used is 6% in the first 5 years and 3.5% in the following ones. Any unrecognised costs of anterior services as well as the accurate value of the plan assets are deduced. Benefits refer to retirement premiums and the free electricity consumption granted after retirement.

Calculations are made annually by a certified actuary using the method of the designed credit factor. When a benefit results for the Company from the calculation, the recognised asset is limited to the total between the unrecognised costs of previous services and the present value of the economic benefits available in the shape of future reimbursements from the plan or certain reductions of the future contributions to the plan. All the minimum financing requirements applicable to any Company plan are taken into consideration in order to calculate the present value of economic benefits. An economic benefit is available to the Company if it is achievable during the life of the plan or when settling the plan debts. When the benefits of a plan are additional, the quota of the additional benefit relating to previously provided services by employees is recognised in the profit or loss account using the linear method during the average time period until benefits come of right. In case the benefits come immediately of right the expense is immediately recognised in the profit or loss account.

The Company immediately recognises all the actuarial gains and losses resulting from the determined benefit plans to other elements of the global result as well as all the expenses relating to the determined benefit plan in the personnel expenses in the profit and loss account.

The Company recognises the gains or losses relating to the reduction or settlement of a determined benefit plan when the reduction or settlement takes place. The gains or losses generated by reduction or settlement should include any change resulting from the updated value of the obligation regarding determined benefits, any resulting change in the accurate value of plan assets; any related actuarial gains or losses and any related cost of past services that have not been previously recognised.

(q) Revenues

Revenue is recognised when the significant risks and benefits have been transferred to the buyer, the achievement of economic benefits is probable and associated costs can be accurately estimated. Revenues consist mainly of revenues from transmission services, from the balancing market and from system services, calculated depending on the volume of transmitted energy. Transmission and system service tariffs are regulated by ANRE. The transmitted energy is determined by means of meters placed within the national power system. Revenues also include the value of transactions performed on the balancing market, as shown in Note 1.

The Romanian State is regulating through ANRE the tariffs that the Company charges for the electricity transmission services and for the system operation services. The Romanian State plays several parts besides the majority shareholder one and, consequently, might have more comprehensive objectives and purposes than an investor whose main interest is the efficiency of the investment.

As mentioned in Note 1, the Company is the administrator of the support scheme promoting highly efficient co-generation. The Company acts as agent because it is involved in collecting and distributing the money. The Company acts as agent since it is not exposed to the significant risks and benefits associated to this support scheme.

Connection tariffs

IFRIC 18 “Transfers of assets from clients” is applied to customer contracts whereby the Company collects monetary availabilities from a client when such monetary availabilities have to be used only in order to construct or procure a tangible asset element and the Company should then use such tangible asset in order to connect the customer to the grid. The Company recognises the monetary availabilities in the credit of the ‘Advance revenues’ account within the financial position in order to subsequently reverse them in ‘Other revenues’ within the profit and loss account in systematic manner during the useful lifetime of the asset.

(r) Net financing costs

The net financing costs include the interest rates corresponding to loans calculated using the method of the effective interest rate, less the costs of capitalised indebtedness as part of the costs of assets with long manufacturing cycle, the revenues from dividends, favourable and unfavourable differences from the exchange rate, fees and risk commissions.

In accordance with the reviewed IAS 23 ”Indebtedness costs” and invoking the optional exception from the retroactive application according to IFRS 1 “Adopting the IFRS for the first time”, the Company capitalises the costs of loans related to assets that require a long period of time until commissioning or sale and whose financing was obtained after 1 January 2011, date of IFRS transition.

Revenues from interest rates are recognised in the profit and loss account of the year of their occurrence using the method of the effective interest rate. Revenues from dividends are recognised in the profit and loss account on the date when the Company right to receive dividens is recognised.

(s) Subsidies

Subsidies are recognised initially as advance revenue at the accurate value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated to subsidies, then they are recognised in the profit and loss account as other revenues during the useful lifetime of the asset they refer to. Subsidies relate to assets. Non reimbursable funds are recognised as assets when there is reasonable assurance they will be received and that the related conditions will be complied with.

(t) Provisions

A provision is recognised when and only when the following conditions are complied with- the Company has a (legal or implicit) current liability as a result of a past event; it is probable (namely more probable than improbable) that a resource output representing economic benefits can be necessary to settle the liability; when a fair estimation can be made with respect to the amount of the liability. Wherever the effect in time of the value is material, the value of a provision is the present value of expenses foreseen to be necessary to settle the liability.

(u) Result per share

In accordance with IAS 33 “Result per share”, such result per share is calculated by dividing the profit or loss attributed to Company shareholders by the weighted average of ordinary shares during that period.

The weighted average of shares circulating during the year represents the number of shares from the beginning of the period adjusted with the number of issued shares, multiplied with the number of months when shares were circulating during the year.

Dilution represents a reduction of the result per share or an increase of losses per share resulting under the assumption that convertible instruments are converted or that ordinary shares are issued when certain specified conditions have been complied with. The object of the diluted result per share is similar to that of the basic result per share, namely evaluating the interest of each ordinary share under the performance of an entity.

(v) Contingencies

Contingent debts are not recognised in the annexed financial statements. They are provided in case the resource output incorporating economic benefits is possible not probable.

A contingent asset is not recognised in the annexed financial statements but it is provided only when an entry of economic benefits is probable.

(w) Operational segments

The segment is a distinct component of the Company that is engaged either in providing products or services that are correlated (production segment) or in providing products and services in a different economic environment (geographical segment) and is subjected to different risks and benefits than other segments.

The Company carries out its operations in several locations within Romania, which are engaged both in transmission activities and in dispatching operations. The Company’s managerial team considers operations in their entirety as ‚a single segment’.

Operational segments are provided in coherent manner with the internal reporting delivered by the main operational decisional factor of the entity with a view to make decisions with respect to allocating the resources by segments and evaluating its performance.

aa) Implications of the new International Financial Reporting Standards (IFRS EU)

New standards and constructions as approved by the European Union

A series of new standards, amendments to standards and constructions are applicable to annual periods beginning after 1 January 2012 and have not been applied when elaborating these separate financial statements. None of the new standards is expected to have a significant effect on the Company's consolidated financial statements.

New standards not yet applicable on 31 December 2012

International Accounting Standard (IAS) 19 (2011) Benefits of employees (in force for the periods beginning on or after 1 January 2013)

This amendment provides that actuarial gains and losses should be immediately recognised in the other elements of the global result. The amendment eliminates the corridor method applicable before recognising the actuarial gains and losses and removes the possibility that entities recognise all the changes in the obligation regarding the determined benefit and in the asset plan in the profit or loss account, which possibility is currently valid based on the present provisions of IAS 19. The amendment also provides calculating the forecasted efficiency of the plan assets recognised in the profit or loss based on the rate used when updating the obligation regarding the determined benefit. The amendment is not relevant for the Company's financial statements because the current Company policy provides recognising immediately the actuarial gains and losses in other elements of the global result, and the Company does not have the plan assets.

4. Determining the accurate value

Certain accounting policies of the Company and the requirements to submit the information need determining the accurate value both for financial assets & debts and for non financial ones. Accurate values have been determined in order to evaluate and/or submit the information based on the methods provided below:

(i) Tangible assets

The accurate value of tangible asset elements relies mainly on the cost method taking into account the particular features of tangible assets held by the Company, except for the assets under execution that are accounted in accordance with the model relying on cost.

(ii) Commercial liabilities and other liabilities

The accurate values of commercial liabilities and others are estimated to the present value of future cash flows updated with the interest rate of the market on the reporting date. Short term liabilities whose interest rates have not been determined are evaluated at their initial value invoiced if the updating effect is insignificant. The accurate value is determined at the time of the initial recognition and at the end of each reporting date, for presentation purposes.

5. Tangible assets

From 1 January 2011 to 31 December 2012 tangible assets developed as follows:

	Lands and land development s	**Buildings and special installations**	**Outfits and equipment**	**Metering and control gauges**	**Vehicles**	**Other tangible assets**	**Tangible assets underway**	**Total**
Cost								
Balance on 1 January 2011	**65,924,368**	**2,196,666,140**	**2,475,693,518**	**320,327,236**	**17,700,976**	**113,861,022**	**482,314,404**	**5,672,487,664**
Inputs	-	5,000	1,634,333	57,548	-	-	317,537,768	**319,234,649**
Increase/(diminution) of the revaluation reserve	(15,600,058)	(8,694,024)	52,915,655	(1,276,350)	(156,000)	-	-	**27,189,223**
Transfers from tangible assets underway	1,579,799	32,430,183	152,687,428	52,478,899	-	71,064,782	(310,241,091)	**-**
Increase/(diminution) of cumulated amortisement	-	179,603,182	34,325,168	(8,927,172)	(1,380,281)	-	-	**203,620,897**
Outputs	(106,434)	(6,274,497)	(15,621,220)	(1,544,037)	(78,628)	(521,446)	-	**(24,146,262)**
Balance on 31 December 2011	**51,797,675**	**2,393,735,984**	**2,701,634,882**	**361,116,124**	**16,086,067**	**184,404,358**	**489,611,081**	**6,198,386,171**
Balance on 1 January 2012	**51,797,675**	**2,393,735,984**	**2,701,634,882**	**361,116,124**	**16,086,067**	**184,404,358**	**489,611,081**	**6,198,386,171**
Inputs	-	607,997	491,280	418,949	-	-	378,782,590	**380,300,816**
Increase of revaluation reserve	-	11,247,212	43,454,711	8,596,554	1,035,012	-	-	**64,333,489**
Transfers from tangible assets underway	160,192	66,907,937	131,109,685	17,517,635	748,086	59,255,431	(275,698,966)	**-**
Diminished cumulated amortisement	-	(251,813,060)	(409,978,882)	(55,159,350)	(8,780,106)	-	-	**(725,731,398)**
Outputs	(31,574)	(21,343,381)	(27,466,702)	(4,349,573)	(300,881)	(3,111,171)	-	**(56,603,282)**
Balance on 31 December 2012	**51,926,293**	**2,199,342,689**	**2,439,244,974**	**328,140,339**	**8,788,178**	**240,548,618**	**592,694,705**	**5,860,685,796**
Cumulated amortisement								
Balance on 1 January 2011	**-**	**755,671,014**	**1,217,800,956**	**163,335,251**	**12,504,804**	**23,458,393**	**-**	**2,172,770,418**
Expense with amortisement	-	79,459,565	150,268,768	43,522,246	2,021,104	15,290,724	-	**290,562,407**
Adjustments for assets appreciation	138,179	929,980	63,009	101,919	53,708	-	-	**1,286,795**
Increase/(diminution) of cumulated amortisement	-	179,603,182	34,325,168	(8,927,172)	(1,380,281)	-	-	**203,620,897**
Cumulated amortisement of outputs	-	(5,830,058)	(14,565,271)	(1,366,715)	(78,628)	(476,721)	-	**(22,317,393)**
Balance on 31 December 2011	**138,179**	**1,009,833,683**	**1,387,892,630**	**196,665,529**	**13,120,707**	**38,272,396**	**-**	**2,645,923,124**
Balance on 1 January 2012	**138,179**	**1,009,833,683**	**1,387,892,630**	**196,665,529**	**13,120,707**	**38,272,396**	**-**	**2,645,923,124**
Expense with amortisement	-	81,053,549	157,508,111	42,084,050	1,173,408	24,188,751	-	**306,007,869**
Adjustments for asset depreciation		2,744,323	466,218	2,251	-	-	-	**3,212,792**
Diminished cumulated amortisement	-	(251,813,060)	(409,978,882)	(55,159,350)	(8,780,106)	-	-	**(725,731,398)**
Cumulated amortisement of outputs	-	(19,809,418)	(26,816,445)	(2,965,116)	(300,169)	(2,047,265)	-	**(51,938,413)**
Balance on 31 December 2012	**138,179**	**822,009,077**	**1,109,071,632**	**180,627,364**	**5,213,840**	**60,413,882**	**-**	**2,177,473,974**
Balance on 1 January 2011	**65,924,368**	**1,440,995,126**	**1,257,892,562**	**156,991,985**	**5,196,172**	**90,402,629**	**482,314,404**	**3,499,717,246**
Balance on 31 December 2011	**51,659,496**	**1,383,902,301**	**1,313,742,252**	**164,450,595**	**2,965,360**	**146,131,962**	**489,611,081**	**3,552,463,047**
Balance on 31 December 2012	**51,788,114**	**1,377,333,612**	**1.330,173,342**	**147,512,975**	**3,574,338**	**180,134,736**	**592,694,705**	**3,683,211,822**

On 31 December 2012 the buildings and special installations, outfits and equipment, metering and control appliances as well as vehicles were revaluated by Co. JPA Audit & Consultanta Ltd, independent evaluator certified by the National Union of Certified Evaluators of Romania ("ANEVAR"). Such assets were revaluated using mainly the cost method. This method relying on costs has determined the replacement gross cost using the indirect method. The cost relying method has been used for considerations of assets specificity, for which insufficient market information was ascertained and/or the non existence of an active market. The Directorate approved the revaluation results under Notice 8857/18.03.2013. On 31 December 2012 the Company recognised a total surplus of 64,333,489 from revaluation, of which 60,802,099 in the revaluation reserve and 3,531,390 in the profit and loss account because this amount is compensating a decrease in the revaluation of the same assets recognised previously in expenses.

Lands were revaluated on 31 December 2011 using the market method. Other tangible assets were revaluated on 31 December 2011.

The inputs of tangible assets include also transfers of tangible assets underway. Tangible assets underway are mainly modernisation and refurbishment work to substations, electric lines and down payments to the suppliers of assets.

In 2012 the greatest transfers from tangible assets underway into tangible assets are represented by:

- The connection substation financed from the connection tariff paid by OMV Petrom SA amounting to 70,267,180;
- Building the 400/110 kV substation Rahman and connecting Co. Alpha Wind Ltd, Co. Beta Wind Ltd, Co. CAS Regenerabile Ltd and Co. Land Power Ltd (stage I) to the transmission grid, amounting to 33,672,649, investment financed from the connection tariff;
- Building the 400/110 kV substation Tariverde and connecting Co. Tomis Team Ltd (stage III) to the electricity transmission grid, amounting to 24,515,581; investment financed from the connection tariff;
- The second stage of the project "Integrated security systems in electric substations" amounting to 34,009,188;
- The first and second stage of the project "Refurbishing the 400/220, 110/20 kV substation Lacul Sarat" amounting to 29,665,020;

In 2012 the inputs of tangible assets underway include mainly the investments financed from connection tariffs in total amount of 122,188,625, the investment in the data-voice infrastructure in total amount of 88,637,638 and the refurbishment of Brasov substation in total amount of 44,427,438.

In 2011 the greatest transfers from tangible assets underway into tangible assets are represented by:

- Refurbishing the 400/220,110/20 kV substation Lacu Sarat – 77,520,535;
- Replacing the 200 MWA transformers in electric substations – 43,630,064;
- Integrated security systems in electric substations (second stage) – 35,913,312;
- Arranging, endowing and equipping a centre providing services of business continuity and recovery after disasters – 29,617,232;
- Integrated security systems in electric substations, third stage – 24,731,351;
- Refurbishing the 110 kV substation Brazi Vest – 16,744,47;

The buildings and special installations mainly consist in transformer substations and high voltage electric lines. Outfits and equipment consist mainly in 110 kV, 220 kV, 400 kV and 750 kV transformers and bays relating to the RPS.

In 2012 the indebtedness costs that were capitalised in the tangible assets underway amount in total to 2,265,438 being related to the loan taken from BRD-ING (3.8% interest rate).

6. Intangible assets

From 1 January 2011 to 31 December 2012 intangible assets developed as follows:

	Licences and software	Intangible assets underway	Total
Cost			
Balance on 1 January 2011	**40,980,335**	**30,866,425**	**71,846,760**
Inputs	-	16,106,965	**16,106,965**
Transfers from intangible assets underway	11,682,168	(11,682,168)	**-**
Outputs	(269,917)	-	**(269,917)**
Balance on 31 December 2011	**52,392,586**	**35,291,222**	**87,683,808**
Balance on 1 January 2012	**52,392,586**	**35,291,222**	**87,683,808**
Inputs		8,484,129	**8,484,129**
Transfers from intangible assets underway	7,810,870	(7,810,870)	**-**
Outputs	(441,444)	-	**(441,444)**
Balance on 31 December 2012	**59,762,012**	**35,964,481**	**95,726,493**
Cumulated amortisement			
Balance on 1 January 2011	**29,672,462**	**-**	**29,672,462**
Expense with amortisement	7,127,478	-	**7,127,478**
Cumulated amortisement of outputs -	(329,193)	-	**(329,193)**
Balance on 31 December 2011	**36,470,747**	**-**	**36,470,747**
Balance on 1 January 2012	**36,470,747**	**-**	**36,470,747**
Expense with amortisement	8,836,523	-	**8,836,523**
Cumulated amortisement of outputs	(441,445)	-	**(441,445)**
Balance on 31 December 2012	**44,865,825**	**-**	**44,865,825**
Balance on 1 January 2011	**11,307,873**	**30,866,425**	**42,174,298**
Balance on 31 December 2011	**15,921,839**	**35,291,222**	**51,213,061**
Balance on 31 December 2012	**14,896,187**	**35,964,481**	**50,860,668**

7. Stocks

On 31 December 2012, 31 December and 1 January 2011 stocks were as follows:

	31 December 2012	31 December 2011	1 January 2011
Spare parts	31,348,135	32,159,928	28,466,702
Consumables and other materials	7,191,014	8,265,357	8,313,627
Auxiliary materials	443,073	392,244	904,960
Other stocks	1.093.847	905,928	1,044,077
Total	**40,076,069**	**41,723,457**	**38,729,366**

8. Commercial liabilities and other liabilities

On 31 December 2012, 31 December and 1 January 2011 commercial liabilities and others are as follows:

	31 December 2012	31 December 2011	1 January 2011
Clients	787,157,874	1,185,140,665	674,780,119
Other liabilities	93,219,679	70,755,839	31,639,232
Receivable non-reimbursible funds	65,083,000	-	-
VAT to recover	-	4,451,641	-
Provision for uncertain liabilites	(73,980,137)	(48,776,836)	(46,564,503)
Provision for other uncertain liabilities	(48,548,825)	(40,200,160)	(11,002,013)
Total	**822,931,591**	**1,171,371,149**	**648,852,835**

The structure of clients is the following:

	31 December 2012	31 December 2011	1 January 2011
Clients – energy market	786,308,426	1,183,400,413	672,230,488
Other clients	849,448	1,740,252	2,549,631
Total	**787,157,874**	**1,185,140,665**	**674,780,119**

On 31 December 2012 the clients on balance register a significant reduction compared to 31 December 2011 determined by the reduced volume of services that the Company provided on the background of decreased electricity consumption, of tariffs that ANRE maintains at the level of 2011 and of reduced transactions on the balancing market (see Note 18).

The clients on the energy market are represented mainly by the following companies: Electrica Furnizare SA, Energy Complex Oltenia SA, Ciga Energy SA, Electrica SA and the National Company Nuclearelectrica SA. On 31 December 2012 and 31 December 2011 the share of these clients is 40% in the total gross liabilities relating to the electricity market. On 31 December 2012 the Company had only one client with liabilities greater than 10% of the total gross liabilities: Electrica Furnizare SA (liability of 86,115,419 on 31 December 2012 and of 82,888,654 on 31 December 2011).

The non reimbursable funds amounting to 65,083,000 refer to three contracts that the Company concluded in 2012 to finance the following investment projects- refurbishment of the 400/110 kV substation Brasov, refurbishing the 400/220/110/20 kV substation Lacu Sarat and the 220/110 kV substation Mintia (see Note 11).

Other liabilities amounting to 93,219,679 include mainly penalties for delayed payments calculated for defaulting clients, amounting to 27,866,958 as well as one liability to recover from NAFA amounting to 44,442,936 (see the paragraph below).

On 31 December 2012 the total clients on the energy market include 99,209,383 liabilities from highly efficient co-generation (108,146,014 on 31 December 2011).

Provisions for uncertain liabilities and other uncertain liabilities

The Company policy provides registering a provision of 100% value loss for disputing clients, insolvent clients and those under bankruptcy, 75% of the commercial liabilities and other liabilities not collected within a period of time from 270 to 365 days and 100% for commercial liabilities and other liabilities not collected for more than 365 days. On 31 December 2012 the highest values for provisioned clients were registered with Eco Energy (24,736,066), Petprod Ltd (18,470,332), Total Electric Oltenia (14,185,577), ArcelorMittal Galati (8,450,502), Also Energ (7,177,167) and the Energy Complex Hunedoara (4,970,484). The Company is in dispute with these clients, being enlisted in the creditors' list in case of insolvent ones.

Dispute with the National Agency of Fiscal Administration (NAFA)

The Company is in dispute with NAFA that issued a fiscal inspection report on 20 September 2011 with respect to VAT reimbursement for the interval September 2005 – November 2006 for 123 unused invoices identified as missing, documents of special regime, for which the value added tax was estimated at 16,303,174 and collected, plus accessories amounting to 27,195,557. In total such liabilities amount to 44,442,936. The amount of these obligations was retained from the VAT that the Company paid in November 2011. Later on the Company found out the amounts transferred as current VAT were taken into consideration in order to pay the amounts under the fore-mentioned fiscal inspection report. Thus the Company was obliged to pay increases of 944,423 relating to the VAT that should have been paid in November 2011, in order to avoid being registered with outstanding debts to the State budget. In total the Company paid 44,442,936 in November 2011. The Company addressed all the legal means in order to contest the taxation decision of the NAFA, to which effect it submitted a contest to the NAFA against the taxation decision and requested the suspension of the taxation decision until the administrative settlement of the contest it submitted with the NAFA. The request to suspend the execution of the fiscal inspection report was denied.

The Company instituted a law suit against the NAFA with the Appeal Court of Bucharest in August 2012 with a view to recover the amount and requested under conclusive proceedings to have the writing evidence and the judiciary accounting expertise argument admitted. On 31 December 2012 the Company registered a provision amounting to 22,221,468 for the total obligations paid amounting to 44,442,936 based on the estimations referring to the winning chance in this dispute since on 17.12.2012 the law court admitted the request to remedy the material error and approved the participation of an expert as part in the accounting expertise ordered by the court.

The Company exposure to the credit and market risk, as well as the value adjustments relating to commercial liabilities are provided in Note 25.

9. Cash and cash equivalents

On 31 December 2012, 31 December and 1 January 2011 the cash and cash equivalents were as follows:

	31 December 2012	**31 December 2011**	**1 January 2011**
Current accounts with banks, and deposits	203,620,171	225,870,450	142,330,903
Cash and deposits from high efficient co-generation	91,755,704	78,786,610	-
Cash desk	72,199	68,080	70,578
Other cash equivalents	33,305	38,237	489,905
Total	**295,481,379**	**304,763,377**	**142,891,386**

Deposits with initial maturity smaller than 90 days constituted from the monetary availabilities from current account amount to 41,498,337 on 31 December 2012, to 126,078,719 (of which deposits for co-generation amounting to 45,500,000) on 31 December 2011 and to 47,529,800 on 1 January 2011.

Beginning with 1 April 2011 the Company as administrator of the support scheme promoting high efficiency co-generation (see Note 1) administers a bank account distinct from its core business, especially open in order to collect the contribution for highly efficient co-generation and to pay the relating bonus. The cash generated from the administration of this scheme amounted to 91,755,704 on 31 December 2012.

10. Equities

Share capital

On 1 January 2011, 31 December 2011 and 31 December 2012 the share capital amounting to 1,091,526,913 includes the effects of re-treatments registered in preceding years according to the application of IAS 29 “Financial reporting in hyper inflationary economies”, as specified in Note 2 (b). The share capital is reconciled as follows:

Share capital (nominal value)	733,031,420
Differences from re-treatment according to IAS 29	358,494,493
Balance of share capital (re-treated)	**1,091,525,913**

At the end of each reporting period the Company’s share capital fully subscribed and paid amounting to 733,031,420 is divided into 73,303,142 ordinary shares of 10 Lei/share nominal value and corresponds to the one registered with the Office of the Commercial Register.

The shareholders’ structure on 31 December 2012, 31 December 2011 and 1 January 2011 was the following:

Shareholder	31 December 2012		31 December 2011		1 January 2011	
	Number of shares	**% of the share capital**	**Number of shares**	**% of the share capital**	**Number of shares**	**% of the share capital**
Romanian State through ME	43,020,309	58.69%	54,015,781	73.69%	54,015,781	73.69%
Ownership Fund	9,895,212	13.50%	9,895,212	13.50%	9,895,212	13.50%
Others (natural and legal persons)	20,387,621	27.81 %	9,392,149	12.81%	9,392,149	12.81%
Total	**73,303,142**	**100%**	**73,303,142**	**100%**	**73,303,142**	**100%**

In March 2012 the Ministry of Economy sold under Secondary Public Offer 10,995,472 shares issued by the Company, representing 15% of the share capital. On 31 December 2012 SIF Oltenia, part of other shareholders held 6.35% of the Company, representing 4,653,602 shares.

On 21 March 2013 a draft emergency ordinance was published providing that the state owned shares of the Company pass from the administration of the Ministry of Economy into the administration of the Ministry of Public Finance (MFP) (see Note 26) as of its effective date.

Shareholders are entitled to dividends and each share confers one voting right at Company assemblies. The value of dividends approved to be distributed in 2012

The dividends provided from the 2011 profit amounted to 80,633,456 in accordance with decision 4 of 26 April 2012 of the Shareholders’ General Assembly. The amount of dividents not paid on 31 December 2012, on 31 December 2011 and on 1 January 2011 is 2,456,754, 1,503,781 and respectively 1,448,354.

Issuance premium

All the newly issued shares under the increase of share capital under the initial primary public offer in 2006 were fully subscribed and paid at the issuance price. The issuance premium amounting to 49,842,552, respectively the difference between the issuance price of the shares and their nominal value was registered in the Company’s reserve account.

Legal reserves

Legal reserves amounting to 46,491,027 on 31 December 2012, to 44,416,075 on 31 December 2011 and respectively to 38,395,073 on 1 January 2011 represent legal reserves constituted according to effective applicable legislation and they cannot be distributed. The Company transfers to the legal reserve at least 5% of the accounting annual profit (EGO 64/2001, Law 571/2003) until the cumulated balance reaches 20% of the paid share capital.

Other reserves

On 31 December 2012 other reserves amounted to 3,845,195, of which 702,313 was the special fund for the development of the energy system received from the Ministry of Economy and Commerce to finance investments to the assets belonging to the state public domain, and 3,142,882 was the revaluated amount of lands for which certificates were obtained confirming the ownership right. As shown in Note 23, the lands for which certificates were obtained confirming the property right are recognised at their accurate value on account of reserves, being followed by an increase of the share capital when they have been registered with the Office of the Commercial Register.

Revaluation reserves

The revaluation reserve amounted to 729,711,592 on 31 December 2012, to 749,763,730 on 31 December 2011, respectively to 785,289,333 on 1 January 2011.
On 31 December 2012 the buildings and special installation, outfits and equipment, instrumentation and control and vehicles were revaluated by Co. JPA Audit & Consultanta Ltd, independent evaluator certified by ANEVAR. Also on 31 December 2012 one debt was recorded regarding the deferred tax in correspondence with the revaluation surplus recognised following the fore-mentioned revaluation (see Note 15).

Result carried forward

The result carried forward amounted to 509,341,993 on 31 December 2012, to 484,341,081 on 31 December 2011, respectively to 327,860,036 on 1 January 2011. The result carried forward includes- the result carried forward from IFRS application and the result of the financial year.
The Company registered the result carried forward when applying the IFRS for the first time, and it does not represent a monetary element generating treasury flows, being determined only by transfer operations of certain reserves into this account. The result carried forward is distributed using these separate financial statements in accordance with the IFRS EU.

11. Advance revenues

Advance revenues are represented by the special development fund for the energy sector received from the ME, by the connection tariff, by other investment subsidies, non-reimbursable funds to be received or collected from the ME, in its capacity of Intermediate Body for Energy, on behalf of and for the Management Authority of the Sector Operational Programme “Increasing economic competitiveness”, as well as by revenues from the use of the interconnection capacity.

The development of short term advance revenues during the period is as follows:

	31 December 2012	31 December 2011
Balance at the beginning of the period	4,237,381	10,814,485
Advance proceeds from interconnection capacity	19,480,661	13,105,544
Revenues from the use of interconnection capacity	(19,236,838)	(19,682,648)
Total	**4,481,204**	**4,237,381**

On 31 December 2012 short term advance revenues are represented by the advance proceeds relating to the interconnection capacity.

The development of long term advance revenues during the period is as follows:

	31 December 2012	31 December 2011
Balance at the beginning of the period	360,955,325	302,381,397
Invoiced subsidies	134,849,139	76,906,838
Non-reimbursable funds	65,753,528	-
Taking again subsidies into revenues	(22,707,258)	(18,332,910)
Total	**538,850,734**	**360,955,325**

On 31 December 2012 the Company registered subsidies for investments amounting to 538,850,734, higher than in 2011 mainly because tariffs were collected from the connection of users to public interest networks (e.g. for connection into the new 400/220/110 kV substation Banca, the 400 kV substation Stupina and connection to the 400 kV OHL, the 220/110 kV substation

Cornea) and from submitted reimbursement applications for structural funds (to refurbish the following electric substations- 400/110 kV Brasov, 400/220/110/20 kV Lacu Sarat, and 220/110 kV Mintia).
On the approval date of theses financial statements the Company collected structural funds from the Management Authority for the Sector Operational Programme "Increasing Economic Competitiveness" amounting to 25,930,404. The conditions attached to such non-reimbursable funds are- achieving the investment objectives as well as the achievement and result indicators.

12. Loans

Long term loans

On 31 December 2012, 31 December and 1 January 2011 the amounts owed to credit institutions in a time interval greater than one year were:

Description	31 December 2012	31 December 2011	1 January 2011
EBRD 906 (a)	17,281,724	34,376,090	49,482,607
EIB 20.864 (b)	96,827,157	125,925,372	156,134,984
KfW 9787 (c)	-	1,459,441	7,776,993
West L.B. (d)	-	6,005,370	11,913,703
NIB PIL No 02/18 (e)	32,433,215	38,122,387	42,211,699
IBRD 7181 (f)	216,185,429	241,166,664	265,520,768
NIB PIL No 03/5 (g)	61,116,060	69,547,170	78,840,320
NIB PIL No 02/37 (h)	32,716,564	37,229,894	42,204,690
KfW 10431 (i)	48,235,667	56,546,206	65,510,344
BCR – World Trade Centre 398 (j)	5,000,000	10,000,000	15,000,000
Calyon (k)	-	4,770,428	9,155,714
KfW 11300 (l)	65,895,563	78,056,509	91,097,295
JBIC (m)	40,883,220	56,587,576	61,963,631
Raiffeisen Austria (n)	7,082,813	10,362,734	13,705,348
BERD 33354 (o)	23,306,604	30,371,875	37,703,675
Alpha Bank (p)	14,800,000	22,200,000	29,600,000
BRD (q)	26,400,000	33,000,000	33,000,000
EIB 25709 (r)	138,601,907	140,390,250	139,256,000
EIB 25710 (r)	132,861,000	129,591,000	-
BRD-ING (s)	186,005,400	-	-
Less: The current portion of long term loans	**(191,005,764)**	**(182,216,439)**	**(168,469,962)**
Total long term loans net of the current portion	**954,626,559**	**943,492,527**	**981,607,809**

Long term loans are detailed as follows:

a) Loan 906 from EBRD

This loan aims at financing the project 'Rehabilitating the Transmission-Dispatcher System'. The amount owed on 31 December 2012 is 5,147,200 USD. The loan bears a LIBOR rate at 6 months plus 1%. Reimbursement has been spread out in 10 years from 2004 to 2013, with instalments payable on 25 May and 25 November each year.

The loan agreement includes certain financial clauses: (i) the index covering the debt service should be at least 1.3; (ii) the ratio between long term liabilities and equities should not exceed 2.3; (iii) the ratio between current assets and current liabilities should be at least 1.2; (iv) the ratio between total operational revenues and total expenses from operational activities less the amortisement expense should be at least 1.3 and (v) a balance equal to 100% of the borrowed amount, interest rate and other amounts owed and payable to the bank on the following payment date of the interest rate should be maintained for 30 days before each interest payment date into an account dedicated to debt service.

b) Loan 20.864 from EIB

The total amount owed on 31 December 2012 for the loan concluded in 2000 is 21,863,562 EUR. The loan bears a fixed interest rate, which is applicable on the date when drawings are requested.

Reimbursement has been spread out in 10 years into 20 portions payable from 2006 to 2015, payment dates of instalments being 5 June and 5 December each year. This loan aims at financing the project 'Rehabilitating the Transmission-Dispatcher System'.

The loan agreement includes certain financial clauses: (i) the index covering the debt service should be at least 1.3; (ii) the ratio between long term liabilities and equities should not exceed 2.3; (iii) the ratio between current assets and current liabilities should be at least 1.2; (iv) the ratio between total operational revenues and total expenses from operational activities less the amortisement expense should be at least 1.3. Financial indicators are calculated quarterly on 12 months' basis for the 12 months ending on the last day of the preceding quarter.

c) Loan 9787 from KfW

The loan from KfW was granted on 18 September 2001. On 31 December 2012 the loan was fully paid back. The loan was used in order to finance the rehabilitation project for the 400/110 kV substation Constanta Nord. The loan bore a EURIBOR variable rate at six months plus 0.725% margin. Reimbursement was spread out in 9 years into 17 portions payable from 2004 to 2012.

d) Loan from West LB

WestLB provided the loan on 5 February 2002. On 31 December 2012 the loan was fully paid back. The loan was used in order to finance the rehabilitation project for the 400/110 kV substation Oradea South. The loan bore a EURIBOR variable rate at six months plus 0.5%. Reimbursement was spread out in 9 years into 17 portions payable from 2004 to 2012 on 30 June and 30 December year.

e) Loan 02/18 from NIB PIL

NIB provided the loan in 2003. The total amount owed on 31 December 2012 was 9,659,930 USD. The loan was used in order to finance the rehabilitation of the 400/220 kV substation Slatina. The loan is bearing a LIBOR variable rate at six months plus 0.9%. Reimbursement has been spread out in 10 years into 20 portions payable from 2008 to 2018.

f) Loan 7181 from IBRD

IBRD provided the loan in 2003 for the 'Electricity Market' objective. The amount owed on 31 December 2012 was 48,814,647 EUR. The interest rate is notified by BIRD depending on the financing cost. The interest rate of the last portion was 1.72%. Reimbursement is provided each semester (on 15 January and 15 July each year) beginning with 15 July 2008, the last reimbursement being on 15 January 2020.

The loan agreement includes certain financial clauses: (i) the index covering the debt service should be at least 1.3 and (ii) the ratio between current assets and current liabilities should be at least 1.2.

g) Loan 03/5 from NIB PIL

NIB provided the loan on 12 November 2004 for the rehabilitation of the 400/220/110 kV substation Gutinas. The amount owed on 31 December 2012 was 13,800,000 EUR. The interest rate is EURIBOR at six months plus 0.85%, reimbursement being made each semester in equal instalments beginning with 15 March 2009, the last one being on 15 September 2018.

h) Loan 02/37 from NIB PIL

NIB provided the loan on 25 February 2004 for the rehabilitation of the Rosiori substation. The amount owed on 31 December 2012 was 7,387,397 EUR. Interest rate is EURIBOR at six months plus 0.90%, reimbursement being made each semester in equal instalments beginning with 15 September 2008, the last one being on 15 September 2018.

i) Loan 10431 from KfW

KfW provided the loan on 12 August 2004 for the rehabilitation of the 400/220/110 kV substation Sibiu South. The amount owed on 31 December 2012 was 10,891,609 EUR. Interest rate is EURIBOR at six months plus 0.60%, reimbursement being made each semester in equal instalments beginning with 31 January 2008, the last one being on 31 July 2017.

j) Loan 398 from BCR

BCR provided the loan on 7 October 2004 to finance the down payment for the modernisation of substations Bucharest South and Sibiu South. The amount owed on 31 December 2012 was 5,000,000 RON. Interest rate is ROBOR at 6 months plus 0.5%. The loan is paid back each semester in equal instalments beginning with 15 April 2007, the last one being on 13 October 2013.

k) Loan from Calyon

Calyon provided the loan on 12 March 2003 to finance the rehabilitation of the 400/220 kV substation Slatina. On 31 December 2012 the loan was fully paid back. Interest rate was LIBOR at six months plus 0.7%, with 0.3% non utilisation fee. Reimbursement occurred each semester in 14 equal instalments beginning with 30 June 2006 until 31 December 2012.

l) Loan 11300 from KfW

KfW provided the loan on 12 August 2004 for the rehabilitation and modernisation of Bucharest South substation. The amount owed on 31 December 2012 was 14,879,211 EUR. Interest rate is EURIBOR at six months plus 0.60%. Reimbursement takes place each semester in equal instalments beginning with 31 January 2008, the last one being on 31 July 2017.

m) Loan from JBIC

JBIC provided the loan on 25 June 2004 to rehabilitate substation Brazi. The amount owed on 31 December 2012 was 1,048,449,000 JPY. Interest rate is 3.10%, reimbursement is semestrial in equal instalments beginning with 15 March 2007, the last one being on 15 September 2016.

n) Loan from Raiffeisen Zentralbank Austria AG

Raiffeisen Austria provided the loan on 14 March 2006 to rehabilitate 11 substations. The amount owed on 31 December 2012 was 1,599,298 EUR. Interest rate is EURIBOR at six months plus 0.50%. Reimbursement takes place each semester in 12 equal instalments beginning with 10 May 2009, the last one being in November 2014. This loan was guaranteed by Coface. The loan balance was reduced from 5,458,646 EUR to 4,797,895 EUR according to the addendum of 22 December 2008.

o) Loan 33354 from EBRD

The loan has two components- loan A granted by EBRD with maximum amount of 18,200,000 EUR and loan B with maximum amount of 5,000,000 EUR. The loan was reduced to 14,723,211 EUR (credit A of 11,550,105 EUR + credit B of 3,173,106 EUR). The amount owed on 31 December 2012 was 4,567,587 EUR for loan A and 695,042 EUR for loan B. Interest rate is EURIBOR at six months plus 3% for loan A and EURIBOR at six months plus 2.75% for loan B. Loan A is reimbursed in 18 equal instalments each semester from 2007 to 2016, and loan B is reimbursed in 14 semestrial equal instalments from 2007 to 2014.

The loan agreement includes certain financial clauses: (i) the debt coverage index should be at least 1.5; (ii) the ratio between long term liabilities and equities should not exceed 2; (iii) the ratio between current assets and current liabilities should be at least 1.2.

p) Loan from Alpha Bank

Alpha Bank provided the loan in July 2009 to finance certain investment projects modernising and refurbishing the installations from electric substations Gutinas, Bucharest South, Isalnita, Gura Ialomisei and Gadalin. The amount owed on 31 December 2012 was 14,800,000 RON. The loan bears a variable ROBOR rate at six months plus 2% margin. Reimbursement has been spread out in 5 years into 10 portions payable from 2010 to 2014.

q) Loan from BRD Groupe Societe Generale SA

BRD – Groupe Societe Generale SA provided the loan in February 2010 to finance certain investment projects modernising and refurbishing the installations from electric substations Gura Ialomitei, Lacu Sarat, Isalnita and Gutinas, as well as other projects included in the 2009 - 2010 investment plans. The amount owed on 31 December 2012 was 26,400,000 RON. The loan bears a variable ROBOR rate at six months plus 1.25% margin. Reimbursement has been spread out in 5 years into 10 portions payable from 2012 to 2016.

r) Loans 25709 and 25710 from EIB

EIB provided the loans in August 2010 to finance the modernisation and rehabilitation of Romania’s Electricity Transmission Grid. Each loan amounted to 32,500,000 EUR.
Loan 25709 was not secured while loan 25710 has been guaranteed by CitiBank Europe PLC Dublin, Romanian branch. Reimbursement takes place during 15 years with 2 years’ grace period beginning in 2012 until 2025 for EIB loan 25709 (on 10 March and 10 September each year) and beginning in 2013 until 2026 for EIB loan 25710 (on 11 April and 11 October each year). Interest rate is 3.596% for EIB loan 25709 and 3.856% for EIB loan 25710. The amount owed on 31 December 2012 for EIB credit 25709 was 31,296,296 EUR and for EIB loan 25710 - 30,000,000 EUR.

EIB 25709 loan agreement includes certain financial clauses for the second regulatory period ending on 31 December 2012: (i) the ratio between EBITDA and the interest rates of long term loans paid within the year should be at least 4.2; (ii) the ratio between long term liabilities and equities should not exceed 0.95. Financial clauses will be reviewed in the third regulatory period.
EIB 25710 loan agreement has been guaranteed by CitiBank Europe PLC Dublin, Romanian branch. The contract provides 0.57% security fee per annum, calculated to 37,375,000 EUR. The guarantee contract concluded on 26 January 2011 includes certain financial clauses: (i) the ratio between the consolidated EBITDA and the net consolidated financial expenses should be at least 4.2; (ii) the ratio between the net total debts and the amount of equities should not exceed 0.95.

s) Loan from ING Bank NV, Amsterdam, Bucharest branch and from BRD – Groupe Societe Generale SA

In July 2012 the Company concluded an agreement amounting to 42,000,000 EUR with a consortium consisting of ING Bank NV, Amsterdam, Bucharest branch and BRD - Groupe Societe Generale SA. The project financed the following investments- modernising the 400/200/110/20 kV substation Lacu Sarat, modernising the 220/110 kV substation Mintia, integrated security systems in substations and replacement of auto transformers and transformers within electric substations. Reimbursement takes place during 84 months with 24 months' grace period. The loan bears a variable EURIBOR on 6 months with 3.95% margin. The loan has been 100% guaranteed by debt assignment. The amount owed on 31 December 2012 was 42,000,000 EUR.

The contract includes certain financial clauses: i) the ratio between EBITDA and financial expenses should be minimum 4.2; ii) the ratio between the total net debt and EBITDA should be maximum 3.5.

Beginning with 2012, since the Company is also elaborating separate financial statements in accordance with IFRS EU, the financial indicators of the EIB 20864 and IBRD 7181 loans on 31 December 2012 are determined using the separate financial statements executed in accordance with the IFRS EU; of the EBRD 906 and EIB 25710 loans - based on the consolidated financial statements elaborated in accordance with the IFRS EU, while the indicators of the EBRD 33354, EIB 25709 and BRD - ING loans are determined using both sets of financial statements.

The long term portion of the loans will be reimbursed as follows:

	31 December 2012	31 December 2011	1 January 2011
Between 1 and 2 years	186,298,534	188,565,412	179,100,557
Between 2 and 5 years	483,550,919	441,910,949	471,298,602
More than 5 years	284,777,106	313,016,166	331,208,650
Total	**954,626,559**	**943,492,527**	**981,607,809**

The Company did not perform risk hedging in relation to its obligations in foreign currency or its exposure to risks associated to interest rates.

All the long term loans, except for JBIC, EIB 25709 and EIB 25710, bear variable interest rates and consequently the accounting value of such long term loans just approximates their accurate one.

On 31 December 2012 the long term loans with sovereign guarantee from the Romanian Government by means of the Ministry of Public Finance are- IBRD 7181, EBRD 906, EIB 20864, NIB PIL 03/5, NIB PIL 02/18, NIB PIL 02/37 and JBIC.

The loan from Raiffeisen Zentralbank has been guaranteed 85% by Coface. Transelectrica guaranteed the EBRD 33354 credit by debt assignment under the transmission contract concluded with Co. FDFEE Electrica Transilvania Nord SA, and the BCR 398 has been guaranteed by promissory notes issued by the Company to the benefit of Romania's Commercial Bank in equal amount to the paying instalments of the loan.

The loan from Alpha Bank has been guaranteed by the Company's assignment of debt receivables from the National Co. Nuclearelectrica SA and by means of actual guarantee constituted over all the accounts opened with Alpha Bank Romania SA.

The BRD loan has been guaranteed by assigning the debts that the Company has to collect from Co. CEZ Vanzare SA and by means of actual guarantee constituted over all the accounts opened with BRD – Groupe Societe Generale SA.

The guarantee contract concluded with CitiBank Europe PLC has been secured by assigning the debts that the Company has to collect from Co. Enel Muntenia SA.

The loans from ING and BRD have been guaranteed by assigning the debts that the Company has to collect from Co. EON Energie Romania SA, Co. Enel Distributie Muntenia SA, Co. Alpiq Romindustries Ltd, Co. Electromagnetica SA, Co. Repower

Furnizare Romania Ltd and by the actual guarantee constituted over the accounts for investment activities opened with ING and over an account opened with BRD SMCC.

On 31 December 2012 the ratio between total operational revenues and expenses less the amortisement expense and the current liquidity indicator have not been achieved. Such financial indicators relate to the EIB 20864 and EBRD 906 loan agreements. The indicators of the loan agreement EIB 20864 were determined using the consolidated interim financial statements on that date and for the six months' interval ended on 30 June 2012 and 30 June 2011 and using the consolidated financial statements executed in accordance with the IFRS EU on 31 December 2011, while the indicators of the loan agreement EBRD 906 were determined using the consolidated financial statements elaborated in accordance with the IFRS EU on 31 December 2012.

The indicators not achieved on 31 December 2012 are:

Indicator	Value according to loan agreements	Loan	Achieved value
Ratio between the operational revenues and operational expenses less the amortisement expense	Minimum 1.3	EIB 20864 EBRD 906	1.16 1.18*
Indicator of current liquidity	Minimum 1.2	EIB 20864	1.16

** As regards the loan agreement EBRD 906, there is no re-classification risk of this loan in the short run because the balance of this loan on 31 December 2012 was short term, its reimbursement going to be completed in 2013.*

Indicators not achieved on 31 December 2011 are:

Indicator	Value according to loan agreements	Loan	Achieved value*
Ratio between the operational revenues and operational expenses less the amortisement expense	Minimum 1.3	EBRD 906	1.19
Indicator of current liquidity	Minimum 1.2	EBRD 906 IBRD 7181 EBRD 33354	1.10 1.10 1.10
Debt coverage index	Minimum 1.3 Minimum 1.5	EBRD 906 EBRD 33354	1.13 1.13

** Financial indicators were determined using the consolidated financial statements on 31 December 2011 elaborated in accordance with the IFRS EU*

On 31 December 2012 the current liquidity indicator determined using these separate financial statements was 1.21, its minimum lower limit of achievement as the minimum value should be 1.2 according to loan contracts IBRD 7181 and EBRD 33354.

According to the provisions of the fore-mentioned loan agreements, in case the borrower fails to comply with its assumed obligations the bank can, after written notification, request accelerating the maturity of drawn credits that have not been paid back after a time interval during which the borrower is provided with the possibility to remedy the incident.

The Company's managerial team considers the deviations registered are not of the kind that could determine classifying as current debts the balances of the long term loans amounting to 64,551,438 on 31 December 2012, respectively to 250,785,654 on 31 December 2011 for the following reasons:

- The value of indicators 'Ratio between operational revenues and operational expenses less the amortisement expense' and 'Current liquidity' are adversely influenced on the balancing market, while the value of the 'Current liquidity' indicator is also adversely influenced by the support scheme promoting highly efficient co-generation, activities where the Company records no profit which were not in operation when the loan agreements were concluded;
- The achieved values of these indicators are not significantly different from what is mentioned in the loan agreements;
- The Company is able and intends reimbursing everything in accordance with the terms of loan agreements;
- Loan agreements provide that credit institutions are obliged to give the Company a reasonable amount of time during which it could take the necessary measures to carry out the financial indicators ;
- The loans, except for EBRD 33354, have sovereign guarantees from the Romanian State. The Company has paid the obligations related to the sovereign guarantee (risk fees) for all these loans;

The Company has received no notification of anticipated reimbursement for its failure to comply with assumed obligations, including the financial indicators obligation, since concluding the loan agreements to date. Consequently the Company considers the respective loans can be classified as long term loans in the separate financial statements concluded on 31 December 2012.

Short term loans

The details of the short term loans are the following:

	31 December 2012	31 December 2011	1 January 2011
Current portion of long term credits	191,005,764	182,216,439	168,469,962
Short term bank credits (credit lines)	-	11,584,355	-
Interest rates of long term loans	7,655,464	8,687,332	6,859,115
Total short term loans	**198,661,228**	**202,488,126**	**175,329,077**

● Short term bank credits of the credit line type that the Company used in 2012 are as follows:

1. The credit line contracted in December 2009 from ING Bank Romania which was extended in June 2012 for another 4 months. The credit was contracted in order to finance the operating capital and was the short term revolving type amounting to 35,000,000. The contract ended on 31 October 2012.
2. The credit line amounting to 125,000,000 contracted in May 2012 from CITIBANK Europe PLC, Dublin, Romanian branch for 5 months.

   The contract for the credit line was concluded in order to manage the bonus for highly efficient co-generation and it was available as account overdraft. The contract ended in October 2012.
3. The credit line amounting to 150,000,000 contracted in October 2012 from BRD GROUP SOCIETE GENERALE SA, Branch Large Corporate Clients for 12 months.

   The credit line was contracted in order to balance payments and proceeds in the management of the high efficiency co-generation bonus and is available as account overdraft. On 31 December 2012 there were no drawings; this credit line has remained unused.

   The credit line contracted by Transelectrica with BRD Group Societe Generale SA has been secured by:
   - Pledge over the bank accounts opened with the bank;
   - Pledge on liabilities relating to the contracts for the contribution to highly efficient co-generation concluded with Cez Vanzare SA, E.ON Energie Romania SA, Enel Energie SA, Enel Energie Muntenia SA.

13. Obligations regarding the employees' benefits

In accordance with GD 1041/2003 and 1461/2003 the Company provides benefits in kind as free energy to its employees who retired from the predecessor entity.

The benefits that the Company provides to employees according to the Labour Collective Contract include:

- Retirement bonuses ranging from 1 to 5 gross basic salaries, depending on the seniority in the Company on the retirement date;
- Jubilee premiums ranging from 1 to 5 gross basic salaries, depending on the seniority in the Company;
- Free electricity amounting to 1,800 kWh/year after retirement according to the provisions of the Labour Collective Contract;

The obligations with respect to employees' benefits were determined by Mr. Matei Silviu, certified actuary holding licence 1342/12.04.2007, under the service contract C32/12.02.2013.

The obligations with respect to employees' benefits are the following:

	31 December 2012	31 December 2011	1 January 2011
Jubilee premiums	9,255,943	9,181,901	8,685,200
Bonuses granted upon current employees retirement	6,588,806	7,305,623	6,540,975
Electricity granted upon retirement	7,340,321	3,830,836	7,736,268
Benefits relating to maternity leaves	51,570	3,674	23,704
Total	**23,236,640**	**20,322,034**	**22,986,147**

Such obligations were estimated taking into consideration the following:

- The interest rate published by Romania's National Bank (BNR) on 31 December 2012 and the estimated interest rates for the future periods;
- The inflation rate on 31 December 2012 published by the National Statistics Institute (INS) and the inflation rate in the following periods;
- The electricity price on 31 December 2012 and the estimated price in the following periods;
- The basic salary on 31 December 2012 and the actuary estimated basic salaries for the next periods (3% annual increase);
- The number of employees on 31 December 2012 and the same number estimated annually by the Companie based on the projected departure rates from the Company and on the statistical data regarding population death rate provided by INS for 2008;
- The updating rate estimated at 6% by the actuary for the following 5 years and at 3.5% in the following ones;

14. Commercial debts and others

On 31 December 2012, 31 December 2011 and 1 January 2011 the commercial debts and other debts were as follows:

	31 December 2012	31 December 2011	1 January 2011
Suppliers on the energy market	502,027,550	888,565,502	363,253,009
Suppliers of assets	128,381,252	134,799,065	168,895,605
Suppliers of other activities	48,694,222	91,679,486	40,330,153
Amounts owed to employees	6,475,010	8,296,865	5,884,865
Other debts	52,242,603	62,959,886	12,946,587
Total	**737,820,637**	**1,186,300,804**	**591,310,219**

On 31 December 2012 the debt to energy suppliers also includes the bonus from co-generation unpaid to suppliers amounting to 143,662,218 (140,348,950 on 31 December 2011).

Energy suppliers are mainly represented by- Hidroelectrica SA, Co. Energy Complex Oltenia SA, Co. Electrocentrale Bucharest SA, Co. Energy Complex Hunedoara SA, Co. Energy Complex Galati SA. On 31 December 2012 and on 31 December 2011 their share in the total energy suppliers was 77% and respectively 70%.

Other debts amounting to 52,242,603 include mainly the Company's obligations resulting from the administration of the high efficiency co-generation scheme amounting to 41,277,928 lei (see Note 1) on 31 December 2012, representing the net value between issued and received invoices with respect to this scheme.

15. Profit tax

The Company's tax on current and deferred profit in 2012 and 2011 was determined at the statutory rate 16%, being applicable in 2012 and 2011.

The profit tax expense in 2012 and 2011 was the following:

	2012	2011
Tax on current profit	16,671,837	36,088,687
Tax on deferred profit	(4,115,805)	(2,876,454)
Total	**12,556,032**	**33,212,233**

Reconciliation of the effective taxation rate:

	2012	2011
Profit before profit tax	**47,044,000**	**143,150,038**
Profit tax with statutory rate at 16%	7,527,040	22,904,006
Effect of non deductible expenses	15,287,188	9,147,507
Effect of non taxable revenues	(8,867,777)	(1,617,614)
Reserve from taxable revaluation	4,210,986	6,427,327
Legal reserve	(331,992)	(963,360)
Reversal of deferred tax	(4,115,805)	(2,876,454)
Other effects	(1,153,608)	190,821
Total	**12,556,032**	**33,212,233**

The moving table regarding the debt with deferred taxes in 2011 and 2012 is the following:

Elements	**Balance on 1 January 2011**	**Recognised in profit and loss**	**Recognised directly in AERG**	**Balance on 31 Dec 2011**	**Recognised in profit and loss**	**Recognised directly in AERG**	**Balance on 31 Dec 2012**
Tangible assets	**29,523,383**	(2,677,843)	8,856,904	**35,702,444**	(4,210,986)	11,914,824	**43,406,282**
Liabilities regarding employees' benefits	**(2,439,981)**	(198,611)	-	**(2,638,591)**	95,181	-	**(2,543,410)**
Net tax (asset) /debt	**27,083,402**	**(2,876,454)**	**8,856,904**	**33,063,853**	**(4,115,805)**	**11,914,824**	**40,862,872**

The deferred tax consists of:

	Asset			**Debt**		
	31-Dec-12	**31-Dec-11**	**31-Dec-10**	**31-Dec-12**	**31-Dec-11**	**31-Dec-10**
Tangible assets	-	-	-	43,406,282	35,702,444	29,523,383
Liabilities regarding employees' benefits	(2,543,410)	(2,638,591)	(2,439,981)	-	-	-
Net tax (asset) /debt	**(2,543,410)**	**(2,638,591)**	**(2,439,981)**	**43,406,282**	**35,702,444**	**29,523,383**

	Net		
	31-Dec-12	**31-Dec-11**	**31-Dec-10**
Tangible assets	43,406,282	35,702,444	29,523,383
Liabilities regarding employees' benefits	(2,543,410)	(2,638,591)	(2,439,981)
Net tax (asset)/debt	**40,862,872**	**33,063,853**	**27,083,402**

16. Result per share

On 31 December 2012 and on 31 December 2011 the result per share was:

	2012	2011
Profit of the financial year	**34,487,968**	**109,937,804**
Number of ordinary shares at period beginning and end	73.303.142	73,303,142
Basic result and diluted per share (Lei/share)	**0.47**	**1.5**

17. Other taxes and liabilities for social insurance

On 31 December 2012, 31 December 2011 and 1 January 2011 the other taxes and liabilities for social insurance include:

	31 December 2012	31 December 2011	1 January 2011
Contribution to social insurance funds	4,142,383	4,166,008	4,746,076
Payable VAT	9,405,085	-	24,226,554
Tax on salaries	1,388,621	1,360,908	1,529,388
Other payable taxes	479,171	395,957	398,265
Total	**15,415,260**	**5,922,873**	**30,900,283**

18. Operational revenues

Operational revenues include the revenues obtained from the Company's provision of transmission and system services on the electricity market, allocation of interconnection capacities, administration services of the balancing market and other revenues.

The revenues from transmission and system services were determined using the amount of electricity delivered to consumers and the tariffs approved under Orders 45 of 23 December 2010 and 19 of 25 March 2011 of ANRE.

The ANRE approved tariffs for the services provided in 2011 – 2012 are as follows:

	Average tariff for transmission services	Tariff for system services
Order 45/2010 – for 01.01.2011 - 31.03.2011	18.77	20.75
Order 19/2011 – for 01.04.2011 - 31.12.2012	18.77	10.21

The average electricity transmission tariff has two components- tariff for electricity injection into the grid (TG) and tariff for electricity extraction from the grid (TL).

In 2012 and 2011 the amount of electricity delivered to consumers was:

	2012	2011
Amount of electricity delivered to consumers (MWh)	53,928,586	56,056,203

The revenues from the balancing market are obtained as a result of the transactions performed on this market as provided in Note 1.

The revenues registered in 2012 and 2011 were:

	2012	2011
Revenues from transmission services	1,024,865,959	1,055,874,882
Revenues from allocation of interconnection capacity	50,196,557	54,127,033
Revenues from reactive energy	3,909,547	4,915,347
Revenues from Inter TSO Compensation (ITC)	1,242,007	268,338
Revenues from transmission services - total	**1,080,214,070**	**1,115,185,600**
Revenues from functional system services	57,706,708	59,977,320
Revenues from technological system services	506,997,806	719,253,623
Revenues with unplanned exchanges on the DAM	6,055,585	4,822,031
Revenues from system services - total	**570,760,099**	**784,052,974**
Revenues regarding the balancing market	1,068,220,860	1,189,433,946
Other revenues	48,491,681	42,897,517
Total revenues	**2,767,686,710**	**3,131,570,037**

Revenues from transmission services

In 2012 revenues from transmission services decreased compared to 2011 in amount of 34,971,530 against a background of smaller electricity consumption by 2 TWh and ANRE maintaining the tariff for such services to the 2011 level.

Revenues from system services

In 2012 revenues from system services decreased compared to 2011 in amount of 213.292.875 because the electricity consumption dropped and the tariff for such services was maintained at the 2011 level, with an added influence from the co-generation reserve (technological system service).

In the 1st semester of 2011 high efficiency co-generation was included in the revenues from system (technological) services, but beginning with 01.04.2011 the provisions of GD 1215/2009 on the support scheme for high efficiency co-generation were applied to promote highly efficient co-generation based on the demand of useful heat, therefore such system reserve is no longer found within system services. The Company as administrator of the support scheme is monthly collecting the contribution from the suppliers of electricity consumers into a bank account distinct from its core business and pays the high efficiency electricity and heat co-generators benefitting of the support scheme.

Revenues on the balancing market

Revenues on the balancing market dropped in 2012 compared to 2011 in amount of 121,213,085 determined by the level of transactions performed by the participants on this market (zero profit activity for the Company).

19. Expenses to operate the system and the balancing market

The 2012 and 2011 expenses to operate the system and the balancing market were:

	2012	2011
Expenses regarding technological losses	252,389,654	251,537,904
Expenses with congestions	6,192,793	686,774
Expenses regarding the electricity consumption in ETG substations	17,347,585	15,394,331
Expenses regarding functional system services	21,588,993	12,732,894
ITC (Inter TSO Compesation) expenses	13,459,645	10,109,956
Total operational expenses	**310,978,670**	**290,461,859**
Expenses regarding technological system services	522,875,917	681,120,294
Expenses regarding the balancing market	1,068,220,860	1,189,433,946
Total	**1,902,075,447**	**2,161,016,099**

Expenses regarding technological losses

They represent expenses to procure electricity as required in order to maintain installations energised and electricity transmission through the interconnected transmission network.

Expenses regarding congestions

The increase of such expenses in 2012 compared to 2011 in amount of 5,506,019 was determined by Ukraine's taking out of operation the 400 kV OHL Rosiori-Mukacevo, which was not scheduled and required load dispatching in order to provide RPS stability.

Expenses regarding functional system services

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

In 2012 such expenses increased compared to 2011 in amount of 8,856,099 determined by the wind output growth. This led to making greater unplanned exchanges than the agreed schedule, meaning export, because it was impossible to maintain the generation-consumption + external exchanges balance.

During this period the thermal units were reduced to their technical minimum level and the hydropower plants operated strictly within the servitude range. In exchange wind power parks operated at maximum capacity since there were no rules to reduce them on the market because they had not been enlisted with the Balancing market, regulations failing. ANRE Order 33/30.08.2012 applicable from November 2012 regulated this issue.

ITC (Inter TSO Compesation) expenses

Each TSO monthly payment obligations / collection rights are determined using the compensation / settlement mechanism for the effects of ETG utilisation for electricity transits between transmission and system operators (TSO) from 35 countries that adhered to this mechanism within ENTSO-E.

Expenses regarding technological system services

In 2012 the expenses from technological system services diminished in comparison with 2011 in amount of 158,244,376. The 2012 reduction of system services compared to 2011 resulted also from the application of provisions from GD 1215/2009 (see Note 18).

Expenses regarding the balancing market
The expenses on the balancing market result from transactions performed on this market as provided in Note 1, being fully covered by the revenues from the balancing market.

20. Other operational expenses

	2012	2011
Other expenses with services provided by third parties	55,253,841	58,969,472
Expenses with VAT and accessories paid to NAFA (see Note 8)	-	22,221,468
Postal expenses and telecommunication fees	7,258,640	6,915,477
Expenses with leases	9,323,560	8,115,094
Operational expenses regarding adjustments for depreciation of floating assets	33,047,180	8,843,427
Damage compensations	1,951	4,222,989
Others	45,525,599	40,265,782
	150,410,771	**149,553,709**

21. Net financial result

	2012	2011
Revenues from interest rates	6,032,732	10,431,291
Revenues from differences of exchange rates	77,372,107	104,412,654
Other financial revenues	9,764,895	6,591,845
Total financial revenues	**93,169,734**	**121,435,790**
Expenses regarding interest rates	(31,449,873)	(35,681.078)
Expenses from differences of exchange rates	(97,622,695)	(118,211,580)
Total financial expenses	**(129,072,568)**	**(153,892,658)**
Net financial result	**(35,902,834)**	**(32,456,868)**

22. Fiscal legislative framework

Romania's legislative-fiscal framework and its practical application are subjected to frequent changes and different constructions on behalf of various control bodies. Profit tax returns are subjected to revisions and corrections by fiscal authorities, in general within five years after their filing. The managerial team considers it has properly registered its fiscal obligations in the financial statements; however there still is the risk of fiscal authorities taking a different position in relation to such aspects. To date the impact could not be determined.

23. Commitments and contingencies

i) Commitments

On 31 December 2012 and on 31 December 2011 the Company had commitments amounting to 467,432,417 and respectively 304,392,287 mainly representing contracts in progress for investments relating to the modernisation and refurbishment of the transmission grid.

ii) Lands used by the Company

In accordance with the Company's policy the financial statements include only the value of lands for which certificates were obtained confirming the ownership right on the financial statements date.

According to Law 99/1999, in case the Company gets the certificate confirming the property right over some land after privatisation the land will be considered as contribution in kind of the Romanian State. Such lands are registered initially in other reserves. To this effect the Company will increase the share capital with the lands value, and the beneficiary of such increase is the Romanian State. In accordance with the provision of art. 130 of Law 297/2004 on the capital market „the company's share capital whose shares are admitted for transaction on a regulated market will be increased granting the possibility to maintain the share of each shareholder in its share capital".

iii) Disputes underway

On the date of these financial statements the Company was involved in 138 disputes underway. In 42 the Company is the claimant or contesting party and in 96 the Company is the defendant.

The managerial team periodically reviews the situation of disputes underway and after consultation with its legal representatives decides on the need to set up provisions for the amounts involved or to submit them in the financial statements.

Taking into account the existing information the Company's managerial team considers there are no significant disputes underway where the Company is the defendant, except for the dispute with Eolica Dobrogea Ltd described below.

On the docket of the Appeal Court of Bucharest two disputes have been registered on the same object based on which Eolica Dobrogea Ltd, through its administrator Corneliu Dica, summoned the Company to court together with ANRE, under files 10870/2/2011 and 1049/2/2012. In file 10870/2/2011 Eolica Dobrogea Ltd summoned Mr. Horia Hahaianu in person to court in his capacity of Company director general at that time and Mr. Corneliu Ene in person, in his capacity of deputy director general of the Company.

The two files pertained to:

i) Cancelling a letter written by the Company on 16 December 2011 rejecting the request no. C63/18.02.2011 of Eolica Dobrogea Ltd to conclude minutes for the compliance with suspense conditions in accordance with the provisions of the ETG connection contract of the 600 MW WPP from Cogealac, County of Constanta by extending the 400 kV substation Tariverde;

ii) Ascertaining the compliance within the contractual term of the suspense conditions provided under the fore-mentioned connection contract and, consequently, compelling the Company to execute the fore-mentioned connection contract and to begin work according to the contract;

iii) Compelling the Company jointly (and Messrs Horia Hahaianu and Corneliu Ene in file 10870/2/2011) to remedy the prejudice caused to Eolica Dobrogea Ltd by its refusal to draw up minutes on the compliance with suspense conditions and to continue executing the connection contract, which prejudice was provisionally estimated to 118 million EUR/year;

On 16 March 2012 the Appeal Court of Bucharest ordered the two fore-mentioned files to be connected. On 11 May 2012 Eolica Dobrogea submitted a request cancelling the judgment for the request entry regarding the claims amounting to 118 million EUR/year.

The Company lost this dispute and on 8 February 2013 the law court admitted the summons to trial as Transelectrica SA submitted appeal before receiving the court judgment based on article 20 of Law 554/2004 of the administrative disputed claims office, making the suspension of the execution as effect of the appeal request registration.

The Company is involved in significant disputes as claimant, especially to recover liabilities (e.g. Eco Energy, Petprod Ltd, Total Electric Oltenia and Arcelormittal Galati). The Company registered adjustments for value losses of clients and other liabilities under dispute as well as for clients under bankruptcy. The Company is again claimant in a dispute with the NAFA as shown in Note 8.

The Company's managerial team considers it likely to no longer have situations where a resource output is necessary to settle disputes underway. As a matter of fact there are no more disputes that by their nature or amount could require recognizing a provision.

iv) Guarantees

The Company is obliged according to Licence 161/2000 revision 4/2011 regarding electricity transmission and system services to maintain a financial security of 1% from the turnover relating to the licensed activities, which should allow developing its activities taking into consideration the major risks that might impact it and should cover the possible damage claimed according to contractual provisions. To comply with this obligation the Company concluded a guarantee agreement with BCR-GLC, the amount of the letter of security being 31,131,428 on 31 December 2012.

v) Statutory revaluation reserves on 31 December 2012

On 31 December 2012 the revaluation reserves amounted to 729,711,592.

Beginning with 1 May 2009 statutory reserves from revaluation of fixed assets, including lands, made after 1 January 2004, which are deducted when calculating the taxable profit by means of fiscal amortisement or of expenses regarding conceded and/or dismantled assets, are taxed simultaneously with the deduction of the fiscal amortisement, respectively when such fixed assets are discharged from liability, as the case may be.

Achieved reserves are taxable in the future whenever the destination of reserves is modified in any way in case of Company liquidation or merger, including their utilisation to cover accounting losses, except for the transfer of reserves mentioned in the previous paragraph after 1 May 2009.

24. Affiliated parties

i) Transactions with Company held subsidiaries

Entity	Country of origin	31 December 2012 % of shares	31 December 2011 % of shares
SMART SA	Romania	100	100
TELETRANS SA	Romania	100	100
ICEMENERG SA	Romania	100	100
OPCOM SA	Romania	100	100
FORMENERG SA	Romania	100	100
ICEMENERG SERVICE SA	Romania	100	100

The total amount of the Company's participation into its subsidiaries is 52,475,750 on 31 December 2012 as detailed further:

Co. SMART SA

Co. SMART SA seated in Blvd Magheru no. 33 Bucharest 1 provides as core business maintenance services for the transmission-dispatcher system. It was established under GD 710/19.07.2001 on 1 November 2001. The share capital fully subscribed and paid on 31 December 2012 was 38,528,600.

Co. TELETRANS SA

Co. TELETRANS SA seated in Blvd Hristo-Botev no. 16 - 18, Bucharest 3 provides as core business telephone & telegraph communication and data transmissions was established under decision 3/2002 of the AGA, its share capital fully subscribed and paid on 31 December 2012 was 6,874,430.

Co. ICEMENERG SA

Subsidiary Company Energy Research and Modernising Institute ICEMENERG SA seated in Blvd Energeticienilor no. 8, Bucharest 3 provides as core business research and development activities in physical and natural science, innovation, studies, development strategies, design, urbanism, engineering and other technical services; it was established under GD 1065/04.09.2003. The share capital fully subscribed and paid on 31 December 2012 was 1,083,450.

Co. OPCOM SA

Co. OPCOM SA seated in Blvd Hristo Botev no.16-18 Bucharest 3 with legal personality provides as core business the management of the energy market. It was established under GD 627/2000. The share capital fully subscribed and paid on 31 December 2012 was 3,547,850.

Co. FORMENERG SA

Co. FORMENERG SA seated in Blvd Gh. Sincai no. 3, Bucharest 4, Bucharest, with legal personality provides as core business the initial and permanent professional training of energy specialists in all domains. It was established under decision 33/2001 of the AGA. The share capital fully subscribed and paid on 31 December 2012 was 1,948,420.

Co. ICEMENERG SERVICE SA

Co. ICEMENERG SERVICE SA seated in Blvd. Energeticienilor no. 8, Bucharest 3 provides as core business the design, manufacture, implementation, repair, modernisation and marketing of specific appliances, equipment and installations, in the country and abroad. Governmental decision 2294/09.12.2004 approved transferring the share package held by trading company subsidiary Energy Research and Modernising Institute ICEMENERG SA Bucharest in the Trading company subsidiary ICEMENERG-SERVICE SA Bucharest to the National Power Grid Company Transelectrica SA. The share capital fully subscribed and paid on 31 December 2012 was 493,000.

On 31 December 2012, 31 December 2011 and 1 January 2011 the balances of the Company's subsidiaries are detailed as follows:

AFFILIATED ENTITY	Commercial liabilities			Commercial debts		
	31 Dec 2012	31 Dec 2011	1 Jan 2011	31 Dec 2012	31 Dec 2011	1 Jan 2011
Co. SMART SA	170,362	223,057	703,336	38,142,214	74,318,904	30,126,195
Co. TELETRANS SA	263,739	363,625	1,566,813	20,955,791	16,495,608	11,750,855
Co. ICEMENERG SA	0	0	0	116,572	175,319	147,111
Co. FORMENERG SA	0	0	340,000	52,490	72,716	0
Co. OPCOM SA	185,704	54,721	253,211	3,865,525	3,647,258	2,063,786
Co. ICEMENRG SERVICE SA	0	92,231	92,231	0	0	0
TOTAL	**619,805**	**733,634**	**2,955,591**	**63,132,592**	**94,709,805**	**44,087,947**

The transactions performed in 2012 and 2011 with its subsidiaries are detailed as follows:

AFFILIATED ENTITY	Sales		Purchases	
	2012	**2011**	**2012**	**2011**
Co. SMART SA	796,555	942,415	154,796.050	156,437,262
Co. TELETRANS SA	1,222,030	1,520,286	47,806,719	43,123,454
Co. ICEMENERG SA	0	0	167,798	233,152
Co. FORMENERG SA	0	16	898,641	571,025
Co. OPCOM SA	5,725,873	4,927,842	34,110,710	31,392,547
TOTAL	**7,744,458**	**7,390,559**	**237,779,918**	**231,757,440**

ii) Transactions with state owned companies

The Company transactions with respect to electricity transmission and other activities carried out as transmission and system operator take place based on contractual relationships, usually with companies with majority state capital (Electrica Furnizare SA, Electrica SA, Hidroelectrica SA, Energy Complex Oltenia, Electrocentrale Bucharest, Nuclearelectrica SA etc).

In 2012 and 2011 the transactions made with other companies with majority state capital are detailed below:

	2012	**2011**
Sales	1,180,563,000	1,486,495,912
Purchases	1,574,208,000	1,803,857,925

On 31 December 2012, 31 December and 1 January 2011 the balances with the companies with majority state capital are detailed below:

	31 December 2012	**31 December 2011**	**1 January 2011**
Commercial liabilities	359,222,000	594,857,132	329,582,000
Commercial debts	448,582,000	843,201,461	359,729,000

As shown in Note 1 ("Legislative environment") Company activities are regulated by ANRE. As shown in Note 3 (b), in accordance with the concession contract the Company pays annual royalty to ME, calculated as 1/1000 of the revenues obtained from transmission activities.

In 2012 the Company concluded 4 non reimbursable financing contracts in order to carry out for investments. These contracts were concluded with the ME, in its capacity of Intermediate Body for Energy, on behalf of and for the Management Authority of the Sector Operational Programme "Increasing economic competitiveness". On 31 December 2012 the receivable non reimbursable fund amounted to 65,083,000.

iii) Salaries of the Company's managerial team

The salaries paid to the managerial team for their services are mainly constituted from the basic salary and benefits upon the end of the labour contract and post employment. These are detailed as follows:

	2012	2011	2010
Short term benefits	7,781,667	7,416,031	5,997,302
Benefits at the end of the labour contract	-	147,629	-
Post employment benefits	-	31,125	-
Other long term benefits	8,069	-	60,796
Total	**7,789,736**	**7,594,785**	**6,058,098**

25. Financial instruments

Financial risk management

The Company is exposed to the following risks ensuing from financial instruments- market risk (interest rate and hard currency risks), credit risk, and liquidity risk. The Company's global management focuses on the unpredictability of the financial market and tries minimising the adverse effects of the Company's financial performance. The market risk is the one producing changes in market prices, such as the hard currency exchange rate and the interest rate that will impact the Company revenues or the value of financial instruments held.

The Company has no formal commitments to fight financial risks. Despite lacking such formal commitments, the top management is monitoring financial risks, with emphasis on the Company's needs to efficiently compensate opportunities and threats.

This note provides information about the Company's exposure to the fore-mentioned risks, to the objectives, policies and processes of risk assessment and administration, as well as about the Company's capital management.

Risk management framework

The Company's risk management policy has been determined in order to identify and review the risks the Company is exposed to with a view to establish acceptable limits and related controls and to monitor such risks. Risk management policies and related systems are also reviewed.

The Company takes into account managing risks under an integrated risk management system with observance of legal requirements (OMFP 946/2005, OMFP 1389/2006) from the regulator as well as other legal requirements (Corporate governance code).

The risk management policy was elaborated in 2011, as well as the system and operational procedures with respect to risk management within the Company; the management has been trained with respect to risk management and in relation to internal control as well.

Interest rate risk

The Company's operational cash flows are impacted by the fluctuations of the interest rate, mainly because of the long term loans in hard currency contracted from foreign financing banks. The Company has significant long term loans with variable interest rates, which expose it to cash flow risk.

On 31 December 2012 the ratio between the Company's financial instruments with fixed interest rate and those with variable rate was the following:

	31 December 2012	31 December 2011	1 January 2011
Financial instruments with fixed interest rate			
Financial debts	312,346,128	326,568,826	201,219,631
Financial instruments with variable interest rate			
Financial debts	833,286,195	799,140,140	948,858,140

The cash risk determined by the interest rate is the risk of time fluctuations in the interest rate and, consequently, in its expenses. The Company has got significant long term risks with variable interest rates, which might expose the Company to the cash risk.

Sensitivity analysis of the interest rate

A 100 percentage point's appreciation in the interest rate of loans with variable interest rates on the elaboration date of the financial position would have decreased the profit of the financial year with the amounts shown below.

Such analysis assumes that all the other variables, mainly the exchange rates, remain constant.

	2012 loss	2011 loss
RON	(462,000)	(652,000)
EUR	(7,373,713)	(6,566,712)
USD	(497,149)	(772,689)
Total	**(8,332,862)**	**(7,991,401)**

A 100 percentage point's depreciation in the interest rate on the elaboration date of the financial position would have increased the profit of the financial year with the amounts shown below. Such analysis assumes that all the other variables, mainly the exchange rates, remain constant.

	2012 profit	2011 profit
RON	462,000	652,000
EUR	7,373,713	6,566,712
USD	497,149	772,689
Total	**8,332,862**	**7,991,401**

Hard currency risk

The Company can be exposed to the fluctuations of the exchange rate by means of cash and cash equivalents, long term loans or commercial debts expressed in hard currency.

The Company's functional currency is the Romanian Leu. The Company is exposed to the hard currency risk in cash and cash equivalents, procurements and loans performed in another currency than the functional one. The currencies that expose the Company to such risk are mainly the EUR, USD and JPY. Hard currency loans and debts are later on expressed in Lei at the exchange rate on the balance sheet date notified by Romania's National Bank. The resulting differences are included in the profit and loss account but they do not impact the cash flow until the debt is liquidated.

The Company's exposure to the hard currency risk expressed in RON was:

	Value	RON	EUR	USD	JPY
31 December 2012					
Monetary assets					
Cash and cash equivalents	295,481,379	253,619,562	41,815,568	13,925	32,324
Monetary debts					
Suppliers of assets	(127,147,256)	(113,932,864)	(13,214,392)	-	-
Loans	(1,153,287,787)	(46,214,000)	(1,015,971,290)	(49,847,743)	(41,254,754)
Net exposure in the financial position	**(984,953,664)**	**93,472,698**	**(987,370,114)**	**(49,833,818)**	**(41,222,430)**
31 December 2011					
Monetary assets					
Cash and cash equivalents	304,763,377	275,511,924	29,130,278	73,214	47,961
Monetary debts					
Suppliers of assets	(134,727,448)	(73,327,970)	(61,399,478)		
Loans	(1,145,980,653)	(76,809,242)	(934,600,565)	(77,469,021)	(57,101,825)
Net exposure in the financial position	**(975,944,724)**	**125,374,712**	**(966,869,765)**	**(77,395,807)**	**(57,053,864)**
1 January 2011					
Monetary assets					
Cash and cash equivalents	142,891,386	118,988,844	23,809,202	62,949	30,391
Monetary debts					
Suppliers of assets	(167,614,806)	(123,407,462)	(44,207,344)	-	-
Loans	(1,156,936,886)	(77,670,974)	(915,691,591)	(101,047,584)	(62,526,737)
Net exposure in the financial position	**(1,181,660,306)**	**(82,089,592)**	**(936,089,733)**	**(100,984,635)**	**(62,496,346)**

Clients and assimilated accounts as well as suppliers and other liabilities less the asset suppliers are expressed solely in RON. The Company has not concluded hedging contracts with respect to the hard currency obligations or its exposure to the interest rate risk.

The following exchange rates were applied:

	Average exchange rate			**Exchange rate on**		
	2012	**2011**	**2010**	**31 December 2012**	**31 December 2011**	**1 January 2011**
RON / EURO	4.4560	4.2379	4.2099	4.4287	4.3197	4.2848
RON / USD	3.4682	3.0486	3.1779	3.3575	3.3393	3.2045
RON / 100 JPY	4.3544	3.8300	3.6345	3.8994	4.3178	3.9400

Sensitivity analysis of the hard currency risk

A 10% appreciation of the Leu compared to the following foreign currencies on 31 December 2012 and 31 December 2011 would have increased the gross profit with the amounts given below. Such analysis assumes that all the other values remain constant.

	2012 profit	2011 profit
EUR	98,737,011	96,686,976
USD	4,983,382	7,739,581
JPY	4,122,243	5,705,386
Total	**107,842,636**	**110,131,943**

A 10% depreciation of the Leu compared to the following foreign currencies on 31 December 2012 and 31 December 2011 would have had a similar effect but of contrary sense over the amounts given below, assuming all the other values remain constant.

	2012 loss	2011 loss
EUR	(98,737,011)	(96,686,976)
USD	(4,983,382)	(7,739,581)
JPY	(4,122,243)	(5,705,386)
Total	**(107,842,636)**	**(110,131,943)**

Credit risk

The credit risk means that the Company could support of financial loss as a consequence of a client's failure to comply with its contractual obligations or a counter-party's to a financial instrument and such risk results mainly from commercial liabilities and from cash and cash equivalents.

The counterparty risk is treated using the Company's internal and external success factors. The external success factors with effect on risk mitigation systematically are- energy market restructuring, privatisation of Co. Electrica SA subsidiaries, liberalised energy market and improved market operator activities. Internal success factors in the treatment of counterparty risk are- diversifying the clients' portfolio and the range of services provided.

Financial assets that might subject the Company to the collection risk are mainly commercial liabilities and cash and cash equivalents. The Company has applied a series of policies that make sure services are sold to clients and proceeds are properly following. The amount of liabilities, net of provisions for value losses, represents the maximum amount exposed to the collection risk.

The collection risk relating to such liabilities is limited because such amounts are mainly owed by companies that are state owned.

The maximum exposure to the collection risk on the reporting date was:

	Net value		
	31 December 2012	**31 December 2011**	**1 January 2011**
Financial assets			
Clients	713,177,737	1,136,363,829	628,215,616
Cash and cash equivalents	295,481,379	304,763,377	142,891,386
Receivable non reimbursable funds	65,083,000	-	-
Other liabilities	44,670,854	30,555,679	20,637,219
	1,118,412,970	**1,471,682,885**	**791,744,221**

The age of liabilities on the financial position elaboration date was:

	Gross value 31 December 2012	Provision 31 December 2012	Gross value 31 December 2011	Provision 31 December 2011	Gross value 1 January 2011	Provision 1 January 2011
Have not reached maturity	677.566.730	-	1.113.434.759	-	623.304.311	-
Maturity exceeded from 1 to 30 days	19.046.014	-	19.187.156	-	-	-
Maturity exceeded from 31 to 90 days	8.291.763	-	2.915.231	109.008	106.698	-
Maturity exceeded from 90 to 180 days	2.057.738	54.620	2.508.291	1.819.710	93	-
Maturity exceeded from 180 to 270 days	4.420.238	3.336.541	2.664.638	2.530.250	3.075.035	2.891.067
Maturity exceeded from 270 to 365 days	12.301.741	9.918.373	449.808	337.085	22.394.687	17.774.141
More than one year	63.473.650	60.670.603	43.980.782	43.980.783	25.899.295	25.899.295
Total	**787.157.874**	**73.980.137**	**1.185.140.665**	**48.776.836**	**674.780.119**	**46.564.503**

The age of other liabilities on the financial position elaboration date was:

	Gross value 31 December 2012	Provision 31 December 2012	Gross value 31 December 2011	Provision 31 December 2011	Gross value 1 January 2011	Provision 1 January 2011
Have not reached maturity	20.127.813	-	24.997.144	-	14.215.266	-
Maturity exceeded from 1 to 30 days	2.473.827	2.473.827	2.195.289	-	-	-
Maturity exceeded from 31 to 90 days	964.561	544.709	22.871.429	22.221.468	999.783	765.516
Maturity exceeded from 90 to 180 days	2.093.018	953.960	1.679.793	-	4.606.739	1.675.117
Maturity exceeded from 180 to 270 days	847.793	224.233	590.432	-	5.219.355	2.478.955
Maturity exceeded from 270 to 365 days	1.490.889	1.351.787	2.807.708	2.280.862	2.062.655	1.546.991
More than one year	65.221.778	43.000.309	15.614.044	15.697.830	4.535.434	4.535.434
Total	**93.219.679**	**48.548.825**	**70.755.839**	**40.200.160**	**31.639.232**	**11.002.013**

The Company has registered a provision for value losses for clients and other liabilities in dispute, as well as for clients under bankruptcy. The greatest amounts registered in 2012 were those of Petprod SA (18,470,332) and of the Energy Complex Hunedoara (4,970,484) (see Note 8).

Provisions for clients developed as follows:

	31 December 2012	31 December 2011
Balance on 1 January	48.776.836	46.564.503
Recognition of provisions	25.783.668	7.042.583
Reversal of provisions	(580.367)	(4.830.250)
Balance at the end of the period	**73.980.137**	**48.776.836**

Provisions for other liabilities developed as follows:

	31 December 2012	31 December 2011
Balance on 1 January	40.200.160	11.002.013
Recognition of provisions	8.386.633	29.198.147
Reversal of provisions	(37.968)	-
Balance at the end of the period	**48.548.825**	**40.200.160**

In 2011 the Company recognised a provision amounting to 22,221,468 for the dispute with the NAFA (see Note 8). In 2012 the Company provisioned mainly penalties in the provisions for other liabilities.

On 31 December 2012 the Company held cash and cash equivalents amounting to 295,481,379 (on 31 December 2011: 304,763,377), which represents the group's maximum exposure over such assets. Cash and cash equivalents are held by banks and financial institutions, among which BRD, Credit Europe Bank, BCR and Alpha Bank.

Liquidity risk

The liquidity risk is that according to which the Company could meet difficulties in fulfilling its obligations associated to the financial debts which are settled in cash or by transfer of another financial asset.

Prudent policy to manage the liquidity risk means maintaining sufficient cash and cash equivalents, as well as the availability to finance through adequate credit facilities.

	31 December 2012	31 December 2011	1 January 2011
Assets			
Monetary assets in RON	1.059.908.721	1.447.355.534	774.689.643
Monetary assets in foreign currency	41.861.817	29.251.453	23.902.542
	1.101.770.538	**1.476.606.987**	**798.592.185**
Debts			
Monetary debts in RON	(786.539.364)	(1.207.447.457)	(655.389.792)
Monetary debts in foreign currency	(1.120.288.179)	(1.130.570.888)	(1.123.474.256)
	(1.906.827.543)	**(2.338.018.345)**	**(1.778.864.048)**
Net monetary position in RON	**273.369.357**	**239.908.077**	**119.299.852**
Net monetary position in foreign currency	**(1.078.426.362)**	**(1.101.319.435)**	**(1.099.571.714)**

The Company policy regarding liquidity consists in maintaining enough liquid resources in order to cover the obligations as they reach maturity.

The following table provides the contractual maturity of financial debts, including payment of interest rates:

	Net value	Contractual value	< 12 months	1 – 2 years	2 – 5 years	> 5 years
31 December 2012						
Financial debts						
Suppliers and other obligations	(737.840.651)	(737.840.651)	(737.840.651)	-	-	-
Other taxes and obligations for social insurance	(15.415.260)	(15.415.260)	(15.415.260)	-	-	-
Loans	(1.153.287.787)	(1.263.338.709)	(216.696.972)	(208.091.994)	(526.147.165)	(312.402.578)
Total	**(1.906.543.698)**	**(2.016.594.620)**	**(969.952.883)**	**(208.091.994)**	**(526.147.165)**	**(312.402.578)**

	Net value	Contractual value	< 12 months	1 – 2 years	2 – 5 years	> 5 years
31 December 2011						
Financial debts						
Suppliers and other obligations	(1.186.486.791)	(1.186.486.791)	(1.186.486.791)	-	-	-
Other taxes and obligations for social insurance	(5.922.873)	(5.922.873)	(5.922.873)	-	-	-
Loans	(1.145.980.653)	(1.262.679.209)	(213.275.611)	(213.884.329)	(488.228.057)	(347.291.212)
Total	**(2.338.390.317)**	**(2.455.088.873)**	**(1.405.685.275)**	**(213.884.329)**	**(488.228.057)**	**(347.291.212)**

	Net value	Contractual value	< 12 months	1 – 2 years	2 – 5 years	> 5 years
1 January 2011						
Financial debts						
Suppliers and other obligations	(591.594.558)	(591.594.558)	(591.594.558)	-	-	-
Other taxes and obligations for social insurance	(30.900.283)	(30.900.283)	(30.900.283)	-	-	-
Loans	(1.156.936.886)	(1.277.840.639)	(211.200.650)	(201.107.944)	(511.089.465)	(354.442.580)
Total	**(1.779.431.727)**	**(1.900.335.480)**	**(833.695.491)**	**(201.107.944)**	**(511.089.465)**	**(354.442.580)**

As mentioned in Note 12, on 31 December 2012 the Company has not complied with certain financial indicators relating to loans EIB 20864 and EBRD 906. On 31 December 2012 the value of the long term loan from EIB 20864 is 64,551,438, while that for EBRD 906 is zero. The EIB can, after written notification, require accelerating the maturity of this credit, after a time interval during which the borrower can remedy the event. The EIB 20864 loan has got sovereign guarantee from the Romanian State. Note 12 provides the Company's arguments with respect to not classifying the balances of long term loans as current debts.

Accurate value of financial instruments

The accurate value means that amount in which the financial instrument can be changed under usual transactions performed in objective conditions between interested parties and knowingly, others than those determined by liquidation or enforced sale. Accurate values are obtained from the quoted market prices or cash flow models, as the case may be. On 31 December 2012 cash and other availabilities, commercial debts and others, commercial debts and other debts are approaching their accurate value because of their short maturity. The managerial team considers the estimated accurate value of these instruments is close to their accounting value. Accounting values of long term loans approximate their accurate ones.

Personnel risk and salary system

On 31 December 2012 the average age of Company personnel is high. There is possible in the future for the Company to face shortage of personnel because employees leave for natural reasons.

Another risk related to personnel is the possible departure of highly qualified staff to private companies, which might offer salary packages and remunerations beyond the current level provided by the Company.

The policy salary imposed by the Romanian State to the Company in which it is the majority shareholder can lead to major fluctuation of the specialised labour force.

Price risk associated to the regulatory framework of the national power system

Taking into account the Company's activities and revenues are regulated by ANRE, the most important risks of this aspect are the following:

- The regulatory framework is relatively recent and subject to changes, which might impact the Company's performance;
- ANRE's decisions on future tariffs might impact the Company's operations;

Management of the capital risk

When managing the capital the Company's objectives are to maintain the Company's capability to continue its activities in order to get benefits for shareholders and other interested parties and to keep the best capital structure with a view to reduce the cost of capital.

26. Later events

Super taxation in the energy sector

In accordance with Ordinance 5/23 January 2013 approving certain special taxation measures for natural monopoly activities in the electricity and natural gas domains, the Company should pay an extra tax for its monopoly activity- the electricity transmission. The tax will be applied from 1 February 2013 to 31 December 2014 and the Company has to pay 0.1 Lei/MWh for each MWh taken out of the transmission system and 0.85 Lei/MWh for each MWh extracted from the transmission system and directly delivered to the final client or to export.

Structure of shareholders

On 21 March 2013 a draft emergency ordinance was published providing that, on its effective date the state-owned shares in the Company pass from the Ministry of Economy's ("ME") administration into that of the Ministry of Public Finance ("MFP"). Such change in the shareholders structure took into account the need to observe the separation principles between the capacity of shareholder to economic agents that are electricity generators and suppliers on the one hand from the capacity of shareholder to economic agents acting as electricity transmission operators on the other hand, as provided in the obligatory legislation of the European Union in Directive 2009/72/EC of the European Parliament and Council of 13 July 2009 on the common norms for the internal electricity market and abrogating Directive 2003/54/EC, and in Law 123/2012 on electricity and natural gas, as regards the national legislation.

This draft ordinance also authorises the MFP and ME to initiate and approve all operations and steps required in order to transfer the shares that the Company holds to Co. Electricity Market Operator SA OPCOM and Co. Formenerg SA into state property under ME administration, while observing the incident legal provisions. On 31 December 2012 the Company's investment at historical cost into OPCOM amounted to 3,547,850, and into Formenerg - 1,948,420.

27. Explanations about the transition to IFRS UE

As provided in Note 2 a) these are the Company's first separate financial statements executed in accordance with the IFRS EU.

The accounting policies provided in Note 3 were applied when preparing these financial statements for the year ended on 31 December 2012, the comparative information submitted in these financial statements for the year ended on 31 December 2011 and the opening financial statement on 1 January 2011 (transition date to IFRS EU).

When preparing the opening financial position statement on 1 January 2011 in accordance with the IFRS EU the Company adjusted the values reported previously in the financial statements executed in accordance with the provisions of OMFP 3055/2009 with later amendments. The following tables and the relating notes provide explanations about the manner in which the Company's financial position, performance and cash flows were impacted by the transition from OMFP 3055/2009 with later amendments and additions to the IFRS EU. There are no significant differences between thee treasury flows statement provided according to the IFRS EU and the treasury flows statement provided in accordance with OMFP 3055/2009 with later amendments (OMFP 3055/2009).

	Note	OMFP 3055/2009	Effect of IFRS EU transition	IFRS EU	OMFP 3055/2009	Effect of IFRS EU transition	IFRS EU
			1 January 2011			31 December 2011	
Assets							
Fixed assets							
Tangible assets	**a, b**	3.518.660.438	(18.943.192)	3.499.717.246	3.537.825.680	14.637.367	3.552.463.047
Intangible assets	**c**	34.143.352	8.030.946	42.174.298	77.194.092	(25.981.031)	51.213.061
Other investments		52.028.490	-	52.028.490	52.476.910	-	52.476.910
Total fixed assets		**3.604.832.280**	**(10.912.246)**	**3.593.920.034**	**3.667.496.682**	**(11.343.664)**	**3.656.153.018**
Floating assets							
Stocks		38.729.366	-	38.729.366	41.723.457	-	41.723.457
Clients and assimilated accounts		648.852.835	-	648.852.835	1.171.371.149	-	1.171.371.149
Cash and cash equivalents		142.891.386	-	142.891.386	304.763.377	-	304.763.377
Profit tax to recover		13.525.901	-	13.525.901	6.847.964		6.847.964
Total floating assets		**843.999.488**	**-**	**843.999.488**	**1.524.705.947**	**-**	**1.524.705.947**
Total assets		**4.448.831.768**	**(10.912.246)**	**4.437.919.522**	**5.192.202.629**	**(11.343.664)**	**5.180.858.965**
Equities and debts							
Equities							
Share capital	**d**	733.031.420	358.494.493	1.091.525.913	733.031.420	358.494.493	1.091.525.913
Issuance premium		49.842.552		49.842.552	49.842.552		49.842.552
Legal reserves		38.395.073		38.395.073	44.416.075		44.416.075
Reserves from revaluation	**e, f**	1.231.083.222	(445.793.889)	785.289.333	1.256.175.305	(506.411.575)	749.763.730
Other reserves		2.593.796		2.593.796	4.186.691		4.186.691
Result carried forward	**a, c, d, e, f, g**	301.542.435	26.317.600	327.860.036	380.831.515	103.509.566	484.341.081

	Note	OMFP 3055/2009	Effect of IFRS EU transition	IFRS EU	OMFP 3055/2009	Effect of IFRS EU transition	IFRS EU
			1 January 2011			31 December 2011	
Total equities		**2.356.488.498**	**(60.981.795)**	**2.295.506.703**	**2.468.483.558**	**(44.407.516)**	**2.424.076.042**
Long term debts							
Revenues registered in advance for the long run		302.381.397		302.381.397	360.955.325		360.955.325
Loans		981.607.809		981.607.809	943.492.527		943.492.527
Debts regarding deferred taxes	**f**	-	27.083.402	27.083.402	-	33.063.853	33.063.853
Obligations regarding employees' benefits	**g**	-	22.986.147	22.986.147	20.322.034		20.322.034
Total long term debts		**1.283.989.206**	**50.069.549**	**1.334.058.755**	**1.324.769.887**	**33.063.852**	**1.357.833.739**
Current debts							
Suppliers and other liabilities		591.310.219		591.310.219	1.186.300.804		1.186.300.804
Other taxes and liabilities for social insurance		30.900.283		30.900.283	5.922.873		5.922.873
Loans		175.329.077		175.329.077	202.488.126		202.488.126
Revenues registered in advance for the short run		10.814.485		10.814.485	4.237.381	-	4.237.381
Total current debts		**808.354.064**	**-**	**808.354.064**	**1.398.949.184**	**-**	**1.398.949.184**
Total debts		**2.092.343.270**	**50.069.549**	**2.142.412.819**	**2.723.719.071**	**33.063.852**	**2.756.782.923**
Total equities and debts		**4.448.831.768**	**(10.912.246)**	**4.437.919.522**	**5.192.202.629**	**(11.343.664)**	**5.180.858.965**

	Note	OMFP 3055/2009	Effect of IFRS EU transition	IFRS EU
			2011	
Revenues				
Revenues from transmission services		1.115.185.600	-	1.115.185.600
Revenues from system services	**j**	800.869.051	(16.816.077)	784.052.974
Revenues from the balancing market		1.189.433.946	-	1.189.433.946
Other revenues		42.897.517	-	42.897.517
Total revenues		**3.148.386.114**	**(16.816.077)**	**3.131.570.037**
Operational expenses				
Operational expenses	**j**	(307.277.937)	16.816.077	(290.461.859)
Expenses with the balancing market		(1.189.433.946)	-	(1.189.433.946)
Expenses regarding technological system services		(681.120.294)	-	(681.120.294)
Amortisement	**a, c**	(297.258.467)	(431.418)	(297.689.885)
Repairs and maintenance		(184,236,065)	-	(184.236.065)
Materials and consumables		(7.601.297)	-	(7.601.298)
Salaries and retributions		(154.130.189)	(1.735.887)	(155.866.076)
Other operational expenses	**e, g, i**	(167.869.048)	18.315.339	(149.553.709)
Total operational expenses		**(2.988.927.271)**	**32.964.140**	**(2.955.963.132)**
Operational profit		**159.458.843**	**16.148.063**	**175.606.905**
Financial revenues		121.435.790	-	121.435.790
Financial expenses		(153.892.658)	-	(153.892.658)
Net financial result		**(32.456.868)**	**-**	**(32.456.868)**
Profit before profit tax		**127.002.003**	**16.148.035**	**143.150.037**
Expense with the profit tax	**f**	(36.088.687)	2.876.454	(33.212.233)
Profit of the year		**90.913.316**	**19.024.489**	**109.937.804**
Other elements of the global result				
Debt regarding the tax deferred relating to the revaluation reserve		-	(8.856.904)	(8.856.904)
Cancelling the revaluation reserve used			6.406.667	6.406.667
Surplus from the revaluation of tangible assets		-	27.036.664	27.036.664
Other elements of the global result, net of taxes	**k**	-	**24.586.427**	**24.586.427**
Total global result		**90.913.316**	**134.524.231**	**134.524.231**

a) The Company has registered in accordance with the IFRS EU an additional expense with amortisement for the tangible assets found in conservation

Financial position statement	**1 January 2011**	**31 December 2011**
Tangible assets	(4.749.483)	(6.481.663)
Result carried forward	(4.749.483)	(6.481.663)

Profit and loss account	**2011**
Amortisement	1.612.367
Result carried forward	(1.612.367)

b) The Company has modified in the financial position statement the classification of certain investments underway from 'Tangible assets' into 'Intangible assets' in order to better show the classification of these assets.

Financial position statement	**1 January 2011**	**31 December 2011**
Tangible assets	(14.193.709)	20.999.217
Intangible assets	14.193.709	(20.999.217)

c) The Company has reversed the result carried forward, respectively in the 2011 expenses the topographic-cadastre studies which did not observe the recognition criteria as assets in accordance with the IFRS EU.

Financial position statement	**1 January 2011**	**31 December 2011**
Intangible assets	(6.162.763)	(4.862.001)
Result carried forward	(6.162.763)	(4.862.001)

Profit and loss account	**2011**
Amortisement	(1.300.762)
Result carried forward	1.300.762

d) The Company has registered the effects of re-treatments of share capital according to 'IAS' 29 "Financial reporting in hyper inflationary economies" until 31 December 2003. Order OMF 3055 with later amendments did not recognise the balance elements with hyper inflation.

Financial position statement	**1 January 2011**	**31 December 2011**
Share capital	358.494.493	358.494.493
Result carried forward	(358.494.493)	(358.494.493)

e) The Company transfers the revaluation reserves to the result carried forward as the revaluation is carried out together with the depreciation of tangible assets that were revaluated and when the revaluated tangible assets have been de-recognised. The financial statements executed in accordance with OMF 3055/2009 provided revaluation reserves which were transferred when tangible assets were de-recognised.

Financial position statement	**1 January 2011**	**31 December 2011**
Revaluation reserves	(411.860.341)	(463.621.123)
Result carried forward	411.860.341	463.621.123

Profit and loss account	**2011**
Other operational expenses	6.406.667
Result carried forward	(6.406.667)

f) The Company has registered a debt with the deferred tax in accordance with the IFRS EU. Order OMF 3055 with later amendments did not provide recognising the deferred taxes.

Financial position statement	**1 January 2011**	**31 December 2011**
Debts regarding deferred taxes	27.083.402	33.063.853
Revaluation reserves	(33.933.547)	(42.790.451)
Result carried forward	6.850.145	9.726.599

Profit and loss account	**2011**
Profit tax	(2.876.454)
Adjustment of result carried forward	2.876.454

Other elements of the global result	**2011**
Debts regarding the deferred tax relating to the revaluation reserve	(8.856.904)

g) The Company has registered a debt regarding employees' benefits in accordance with the IFRS EU.

Financial position statement	**1 January 2011**	**31 December 2011**
Benefits of employees	22.986.147	-
Adjustment of result carried forward	(22.986.147)	-

Reversing the expense that was registered on the balance of the 2011OMF

Profit and loss account	**2011**
Other operational expenses	(20.322.034)
Adjustment of result carried forward	**(20.322.034)**

Reversing the revenue from provision diminution (it was registered only in the IFRS EU balance)

Profit and loss account	**2011**
Other operational expenses	(2.664.113)
Adjustment of result carried forward	**(2.664.113)**

h) Result carried forward

Financial position statement		**1 January 2011**	**31 December 2011**
Tangible assets	a	(4.749.483)	(6.481.663)
Intangible assets	c	(6.162.763)	(4.862.001)
Sharer capital	d	(358.494.493)	(358.494.493)
Revaluation reserves	e	411.860.341	463.621.124
Debts rel. to deferred tax	f	6.850.145	9.726.599
Benefits of employees	g	(22.986.147)	-
Total		**26.317.600**	**103.509.566**

i) The Company has reclassified the profit distribution to employees in 2011 and the variation of the provision for employees' benefits to the level of the financial statements executed in accordance with the IFRS EU.

Profit and loss account	**2011**
Salaries and other retributions	1.735.887
Other operational expenses	(1.735.887)

j) Cancelling the revenues and expenses from energy market administration because the Company acts as agent in accordance with the IFRS EU.

Profit and loss account	**2011**
Revenues from system services	(16.816.077)
Operational expenses	16.816.077

k) According to OMFP 3055/2009, the Company has no other elements of the global result, while in accordance with the IFRS EU such elements should be presented as part of the global result.

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Independent Auditors' Report
(free translation[1])

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

Report on the separate financial statements

1 We have audited the accompanying separate financial statements of C.N.T.E.E. Transelectrica S.A. ("the Company"), which comprise the separate statement of financial position as at 31 December 2012, the separate income statement, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

2 The management of the Company is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union and approved by the Order of the Minister of Public Finance no. 1286/2012 and related amendments and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3 Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as adopted by the Chamber of Financial Auditors of Romania. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free of material misstatements.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

Fiscal registration code
RO12997279
Trade Registry
no.J40/4439/2000
Share Capital 2,000 RON

KPMG

Basis for Qualified Opinion

6 As described in Note 12 to the accompanying separate financial statements, as at 31 December 2012, the Company has the long-term loan no. 20864 with the European Investment Bank. As at 31 December 2012 the Company did not comply with certain financial indicators stipulated in this loan agreement. The European Investment Bank, may request, by written notification the acceleration of repayment of this loan after a period of time during which the Company has the opportunity to remedy the matter. Therefore long term liabilities of RON 64,551,438 as of 31 December 2012 should be presented in the separate statement of financial position as at 31 December 2012 as short term liabilities in accordance with International Accounting Standard ("IAS") 1 "Presentation of Financial Statements".

As at 31 December 2011 the Company did not comply with certain financial indicators stipulated in the loan agreements with the European Bank for Reconstruction and Development and International Bank for Reconstruction and Development. Therefore long term liabilities of RON 250,785,654 as of 31 December 2011 should have been presented as short term liabilities in accordance with IAS 1 "Presentation of Financial Statements".

Qualified Opinion

7 In our opinion, except for the effects of the matters described in paragraph 6, the separate financial statements give a true and fair view of the separate financial position of the Company as at 31 December 2012, and of its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union and approved by the Order of the Minister of Public Finance no. 1286/2012 and related amendments.

Emphasis of Matter

8 Without further qualifying our opinion, we draw attention to Note 26 to the accompanying separate financial statements, which describes that on 21 March 2013 an emergency ordinance project was published for consultation, which started to be effective on 1 April 2013, and which states that, the management of the shares held by the State in the Company passes from the Ministry of Economy ("ME") to the Ministry of Public Finance ("MFP"). Also, this ordinance authorizes MFP and ME to initiate and approve, as appropriate, all necessary steps to transfer the shares held by the Company in S.C. "Operatorul Pietei de Energie Electrica" S.A. - OPCOM and S.C. Formenerg S.A. in the State's ownership and management of ME, in compliance with legal provisions.

Other Matters

9 As described in Note 2 a) to the accompanying separate financial statements, as at 31 December 2012, in accordance with the Order of the Minister of Public Finance no. 881/2012 starting with 2012 financial year, the Company has the obligation to prepare its annual separate financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union and approved by the Order of the Minister of Public Finance no. 1286/2012 and related amendments. The accompanying separate financial statements represent the first separate financial statements prepared in accordance with the above standards, and consequently, we did not express an opinion and we did not issue a separate audit report on the separate statements of financial position of the Company as at 31 December 2011 and 1 January 2011, on the separate income statement, the separate statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2011, and the related notes within the accompanying separate financial statements.

10 This independent auditors' report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for the report on the separate financial statements and the report on conformity of the Directorate's Report, or for the opinion we have formed.

Report on conformity of the Directorate's Report with the Separate Financial Statements

In accordance with the Order of the Minister of Public Finance no 1286/2012 and related amendments, article 16, point 1 letter c) of the accounting regulations in accordance with International Financial Reporting Standards, applicable for listed entities on regulated markets, we have read the Directorate's Report attached to the separate financial statements. The Directorate's Report is not a part of the separate financial statements. In the Directorate's Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying separate financial statements.

Refer to the original signed Romanian version

For and on behalf of KPMG Audit SRL:

Razvan Mihai

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

KPMG Audit SRL

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

Bucharest, 9 April 2013

CN Transelectrica SA
Company managed in a dualist system

Consolidated Financial Statements
as at and for the year ended
31 December 2012

Prepared in accordance with
International Financial Reporting Standards
as endorsed by the European Union

(free translation)

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

	Note	31 December 2012	31 December 2011 Restated*	1 January 2011 Restated*
Assets				
Non-current assets				
Property, plant and equipment	**5**	3,750,668	3,243,888	3,168,676
Intangible assets	**6**	47,954	48,420	40,547
Other investments		5,989	6,177	5,729
Total non-current assets		**3,804,611**	**3,298,485**	**3,214,952**
Current assets				
Inventories	**7**	62,884	53,525	48,826
Trade and other receivables	**8**	831,415	1,174,250	662,375
Cash and cash equivalents	**9**	319,198	322,496	160,403
Income tax receivable		-	2,799	12,832
Total current assets		**1,213,497**	**1,553,070**	**884,436**
Total assets		**5,018,108**	**4,851,555**	**4,099,388**
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital		1,091,526	1,091,526	1,091,526
Share premium		49,843	49,843	49,843
Legal reserves		46,683	44,608	38,587
Other reserves		3,194	2,864	984
Revaluation reserves		605,490	231,061	220,487
Retained earnings		670,144	590,123	460,844
Total shareholders' equity	**10**	**2,466,880**	**2,063,364**	**1,903,573**
Non-current liabilities				
Long term deferred income	**11**	547,327	370,668	313,181
Borrowings	**12**	954,627	943,493	981,608
Deferred tax liability	**15**	38,409	16,199	13,173
Employee benefits obligations	**13**	31,130	24,861	28,127
Total non-current liabilities		**1,571,493**	**1,355,221**	**1,336,089**
Current payables				
Trade and other liabilities	**14**	748,082	1,178,471	599,814
Other tax and social security liabilities	**17**	17,172	8,008	35,127
Borrowings	**12**	209,151	216,697	185,004
Short term deferred income	**11**	4,481	3,915	12,340
Income tax payables		849	-	-
Total current liabilities		**979,735**	**1,407,091**	**832,285**
Total liabilities		**2,551,228**	**2,762,312**	**2,168,374**
Total shareholder's equity and liabilities		**5,018,108**	**4,851,555**	**4,099,388**

***** *see Note 2 (e)*

The accompanying notes 1-27 are an integral part of these consolidated financial statements.

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

	Note	2012	2011 Restated*
Revenues			
Transmission revenues		1,080,214	1,115,186
Ancillary services revenues		570,761	784,052
Balancing market revenues		1,068,221	1,189,434
Other revenues		81,830	63,667
Total revenues	**18**	**2,801,026**	**3,152,339**
Operating expenses			
System operating expenses	**19**	(310,978)	(290,462)
Balancing market expenses	**19**	(1,068,221)	(1,189,434)
Technological ancillary services expenses		(522,876)	(681,120)
Depreciation and amortization		(307,892)	(290,957)
Personnel expenses		(239,295)	(223,852)
Repairs and maintenance expenses		(14,361)	(29,272)
Other operating expenses	**20**	(169,178)	(180,547)
Consumables		(55,464)	(57,271)
Total operating expenses		**(2,688,265)**	**(2,942,915)**
Operating profit		**112,761**	**209,424**
Finance income		85,715	117,640
Finance cost		(129,949)	(151,317)
Net finance result	**21**	**(44,234)**	**(33,677)**
Profit before income tax		**68,527**	**175,747**
Income tax expense	**15**	(20,651)	(40,249)
Profit for the year		**47,876**	**135,498**
Basic and diluted earnings per share (lei/share)	**16**	**0.65**	**1.85**

***** See note 2 (e).

The accompanying notes 1-27 are an integral part of these consolidated financial statements.

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

	Note	2012	2011 Restated*
Profit for the year		**47,876**	**135,498**
Other comprehensive income			
Deferred tax liability on revaluation reserve	**15**	(21,739)	(4,350)
Cancellation of used revaluation reserve		-	6,407
Revaluation of property, plant and equipment	**10**	427,498	27,189
Actuarial gains		4,336	-
Other comprehensive income for the year		**410,095**	**29,246**
Total comprehensive income for the year		**457,971**	**164,744**

***** See note 2 (e).

The consolidated financial statements on pages 1 to 49 were authorized for issue by the management on 25 March 2013 and were signed on its behalf by:

Directorate,

Head of Directorate,
Chief Executive Officer
Ştefan GHEORGHE

Member of the Directorate,
Responsible for the economic department
Constantin VÃDUVA

Deputy General Manager
Corneliu Ene

Chief Financial Officer
Maria Ionescu

IFRS Manager
Veronica Crisu

The accompanying notes 1-27 are an integral part of these consolidated financial statements.

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

	Note	Share capital	Share premium	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2011		**1,091,526**	**49,843**	**38,587**	**274,134**	**984**	**547,975**	**2,003,049**
Impact of change in accounting policy	2(e)	-	-	-	(53,647)	-	(18,388)	**(72,035)**
Restated balance as at 1 January 2011 (see Note 2e)		**1,091,526**	**49,843**	**38,587**	**220,487**	**984**	**529,587**	**1,931,014**
Comprehensive income for the year								
Profit for the year		-	-	-	-	-	135,498	**135,498**
Other comprehensive income								
Revaluation of property, plant and equipment		-	-	-	27,189	-	-	**27,189**
Cancellation of used revaluation reserve	2 (e)	-	-	-	6,407	-	-	**6,407**
Deferred tax liability on revaluation reserve		-	-	-	(4,350)	-	-	**(4,350)**
Total other comprehensive income for the year		-	-	-	**29,246**	-	**-**	**29,246**
Total comprehensive income for the year		-	-	-	**29,246**	-	**135,498**	**164,744**
Increase in legal reserve		-	-	6,021	-	-	(6,021)	**-**
Transfer of revaluation reserve to retained earnings		-	-	-	(18,672)	-	18,672	**-**
Other elements		-	-	-	-	-	108	**108**
Total other elements		-	-	**6,021**	**(18,672)**	**-**	**12,759**	**108**
Transaction with owners, recorded directly in equity								
Contributions by and distributions to owners								
Dividends distributed		-	-	-	-	-	(8,503)	**(8,503)**
Land for which title deeds were obtained		-	-	-	-	1,880	-	**1,880**
Total transactions with owners		-	-	-	-	**1,880**	**(8,503)**	**(6,623)**
Balance as at 31 December 2011		**1,091,526**	**49,843**	**44,608**	**231,061**	**2,864**	**669,341**	**2,089,243**
Balance as at 1 January 2012		**1,091,526**	**49,843**	**44,608**	**231,061**	**2,864**	**669,341**	**2,089,243**
Comprehensive income for the year								
Profit for the year		**-**	**-**	**-**	**-**	**-**	47,876	**47,876**
Other comprehensive income								
Revaluation of property, plant and equipment		**-**	**-**	**-**	427,498	**-**	**-**	**427,498**
Defined benefit plan actuarial gains (income)		**-**	**-**	**-**	**-**	**-**	4,336	**4,336**
Deferred tax liability on revaluation reserve		**-**	**-**	**-**	(21,739)	**-**	**-**	**(21,739)**
Total other comprehensive income		**-**	**-**	**-**	**405,759**	**-**	**4,336**	**410,095**
Total comprehensive income for the year		-	-	-	**405,759**	-	**52,212**	**457,971**
Increase in legal reserve		-	-	2,075	-	-	(2,075)	-
Transfer of revaluation reserve to retained		-	-	-	(31,330)	-	31,330	-
Total other elements		**-**	**-**	**2,075**	**(31,330)**	**-**	**29,255**	**-**
Contributions by and distributions to owner								
Dividends		**-**	**-**	**-**	**-**	**-**	(80,633)	**(80,633)**
Land for which title deeds were obtained		-	-	-	-	330	(31)	**299**
Total transactions with owners						**330**	**(80,664)**	**(80,334)**
Balance as at 31 December 2012		**1,091,526**	**49,843**	**46,683**	**605,490**	**3,194**	**670,144**	**2,466,880**

The accompanying notes 1-27 are an integral part of these consolidated financial statements

The above translation of the consolidated IFRS financial statements of CN Transelectrica SA is provided as a free translation from Romanian which is the official and binding version.

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

	2012	2011 Restated*
Cash flows from operating activities		
Profit for the year	47,876	135,498
Adjustments for:		
Income tax expense	20,651	40,249
Depreciation and amortization	307,892	290,957
Impairment loss on trade receivables and other receivables	34,183	13,674
Reversal of impairment loss on trade receivables and other receivables	(953)	(4,960)
Net gain/(loss) from disposal of property, plant and equipment	3,303	(1,652)
Impairment of property, plant and equipment	(336)	1,287
Net finance result	42,132	37,888
	454,748	**512,941**
Changes in:		
Trade and other receivables	327,096	(519,808)
Inventories	(9,359)	(4,699)
Trade and other liabilities	(425,997)	598,523
Other tax and social security liabilities	9,904	(27,120)
Deferred income	177,224	56,165
Cash generated from operating activities	**533,616**	**616,002**
Interest paid	(35,568)	(35,015)
Income tax paid	(13,845)	(31,625)
Net cash from operating activities	**484,203**	**549,362**
Cash flows used in investing activities		
Purchase of property, plant and equipment	(396,321)	(372,859)
Proceeds from sale of property, plant and equipment	1,099	6,172
Interest received	6,481	10,405
Dividends received	-	6,922
Net cash used in investing activities	**(388,741)**	**(349,360)**
Cash flows used in financing activities		
Proceeds from long term borrowings	189,808	123,451
Repayments of long term borrowings	(185,766)	(164,524)
Repayments of short term borrowings	(11,572)	-
Withdrawals of short term borrowings	-	11,572
Dividends paid	(87,511)	(12,942)
Net cash used in financing activities	**(95,041)**	**(42,443)**
Net increase in cash and cash equivalents	**421**	**157,559**
Cash and cash equivalents as at 1 January (see Note 9)	**308,287**	**150,728**
Cash and cash equivalents at the end of the period (see Note 9)	**308,708**	**308,287**

***** See note 2 (e).

The accompanying notes 1-27 are an integral part of these consolidated financial statements.

1. Background and general information

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

The address of its registered office is no. 33, General Gheorghe Magheru Blvd., Bucharest, sector 1. Currently, the Company's headquarter is in No. 2 – 4, Olteni Street, sector 3, Bucharest.

The Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards as endorsed by European Union ("IFRS EU") are available at the Company's working point located in No. 2 – 4, Olteni Street, sector 3, Bucharest.

Starting with 2006, the Company's shares are traded on the Bucharest Stock Exchange, under the symbol TEL.

In accordance with the decision of the Extraordinary General Meeting of Shareholders dated 18 July 2012, the Company adopted the dualist management system replacing the unitary management system. Thus, the Company is managed by a directorate under the supervision of a supervisory board.

Incorporation of the Company

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

As described in Note 10, as at 31 December 2012, the shareholders of the Company are: the Romanian State through the Ministry of Economy ("ME") which holds 43,020,309 shares, representing 58.6882% of the share capital, Fondul Proprietatea, which holds 9,895,212 shares, representing 13.499% of the share capital, S.I.F. Oltenia which holds 4,653,602 shares representing 6.348% of the share capital and other shareholders which hold 15,734,019 shares, representing 21.464% of the share capital.

The Mission of the Group

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

Other information relating to the Group's activity

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

Transelectrica is an affiliate member to the following international organisations:

- ENTSO – E - European Network of Transmission System Operators for Electricity
- CIGRE - International Council on Large Electric Systems
- LWA - Live Working Association
- ISSA - International Social Security Association
- IEEE - Power Energy Society
- WEC - World Energy Council
- Edison Electric Institute

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

Moody's Investor Service, the financial rating agency, has modified on 20 December 2012, the Company's rating from Ba1 negative perspective to Ba2 negative perspective.

Regulatory environment

The activity in the electricity sector is regulated by the National Agency for Electricity Sector Regulation ("ANRE"), an autonomous public institution.

ANRE has the following responsibilities in the electricity and heat energy produced in cogeneration such as: grant, suspend or revoke the permits and licenses, set-up the methodologies and criteria for the calculation of tariffs and regulated prices, approves tariffs and regulated prices, prepares framework contracts, approve commercial and technical regulations.

ANRE establishes through orders the tariffs for electricity transmission and ancillary services. Consequently, the decisions made by ANRE can have significant effects on the Group's activity.

The operating activity of the Company has been performed according to set-up licence No. 161/2000 regarding electricity transmission and system services, revision 4/2011 issued by ANRE, valid until 2025.

Taking into account that the Group's operations and revenues are regulated by ANRE, the most important risks arising from this aspect are:

- The regulatory framework is relatively new and prone to different changes, which may affect the Group's performances;
- ANRE decisions regarding future tariffs may affect the Group's operations;

Tariffs for energy transmission and ancillary services

The energy transmission is a natural monopoly activity. The tariffs used by the Company for transmission and system services were established by ANRE.

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

Regulated assets base ("RAB")

The transmission tariffs are set, among others, based on the regulated asset base. The regulated asset base includes the net book value of the tangible and intangible assets which correspond to the private patrimony of the Company, considered by ANRE, and used solely for providing the regulated service of electricity transmission. Starting with the second regulated period 2008 – 2012, an adjustment of revenue was introduced for not achieving the approved level of investments during the first and the second regulated periods. This adjustment will be made in the first year of the next regulated period.

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

According to ANRE Order no. 52 from 19 December 2012, 2013 is a year of transition from the second to the third regulated period. The beginning of the third regulated period is postponed with one year. The third regulated period is the period during 2014-2018.

The regulated asset base in 2013 for the electricity transmission activity is of 8.52% (2012: 7.5%). As at 31 December 2011 and 2012 the value of the regulated assets base is around Lei 2.9 billion.

Local and international stock exchange indexes

Starting 6 March 2007, CN Transelectrica SA shares are part of BET index managed by the Bucharest Stock Exchange, with a share of 4.09%, at a stock exchange capitalization amounting to 930,217 as at 31 December 2012. The BET index (Bucharest Exchange Trading) is a selective index that reflects the evolution of the 10 most liquid companies listed on BVB, except the Financial Investments Societies (SIF).

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

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

Company's revenues

The main revenue generating activities for the Company are:

- The electricity transmission services;
- The system services (the technical operational management of NES);
- Balancing Market Operator.

Electricity transmission service

The transmission services mainly consist in assuring the electricity transmission between two or more points of the electricity transmission grid ("ETG"), in compliance with the continuity, safety and quality standards.

The Company provides the transparent, non-discriminatory and equal access to the transmission grid of all market participants. The transmission activity is carried out through eight branches located in Bucharest, Bacau, Cluj-Napoca, Craiova, Constanta, Pitesti, Sibiu and Timisoara.

The transmission service provided by Transelectrica consists in ensuring the technical conditions and maintaining the parameters of ETG during the injection/extraction of energy in/from the transmission network.

The end users of the transmission service are, on the one hand, the participants introducing electricity into the ETG (electricity producers and suppliers including importers) and, on the other hand, the companies taking over the electricity from the grid (electricity suppliers, the producers/suppliers that export it, as well as eligible consumers).

Ancillary services

Ancillary services are provided by the Company through UNO-DEN in order to assure the safety level of operating the NES, and also of the quality of the electricity transmitted, according to legislation in force.

Transelectrica provides these services under two regulated tariffs applied to the same base (electricity delivered to consumers):

- tariff for technological ancillary services
- tariff for functional ancillary services

Technological ancillary services are purchased from energy producers at the request of CN Transelectrica SA under a procedure established by the Union for the Coordination of Transmission of Electricity and regulated by ANRE for maintaining the operational safety of the NES as well as the quality of electricity transmitted to the parameters required by the regulation in force. CN Transelectrica SA re-invoices the entire amount of ancillary services purchased from producers (except for the energy component which covers the technological grid losses) to other electricity suppliers licensed by ANRE which benefit of such services in the end.

Functional ancillary services consist in planning and operationally managing the NES, as well as in other activities carried out by CN Transelectrica SA for the purpose of balancing in real time the output and the consumption, in order to fulfil the energy consumption and to maintain the safety level of functioning in NES.

Balancing market operator

In accordance with the provisions of the Commercial Code of the Wholesale Electricity Market, the balancing market was introduced and started functioning in Romania in July 2005. The purpose of this market is to maintain the balance between production and consumption in real time, using resources offered in a competitive system.

CN Transelectrica SA is the balancing market operator who, based on procedures and regulations approved by ANRE, must approve all the participants to the balancing market, collect, verify and process all the offers and perform the clearing procedures.

High efficiency cogeneration

Starting with 1 April 2011, CN Transelectrica SA is the administrator of the support scheme for high efficiency cogeneration. The main purpose of the scheme is to promote high efficiency cogeneration of heat and power systems so as to render electricity production more environmentally friendly. It aims to provide access to power markets for electricity produced in high-efficiency cogeneration plants through a bonus granted as the total production costs of the electricity generated by such installations exceed prevailing market prices. The support scheme targets electricity and heat producers owning or operating high-efficiency power plants units so as to encourage new investments in cogeneration as well as the replacement or refurbishment of existing facilities.

The Government Decision no 1215/2009 establishes the necessary legal framework according to the regulations of the European Union, for implementing the bonus support scheme for promoting high-efficiency cogeneration based on the demand for thermal energy, in order to cover the difference between production costs and market prices. ANRE has calculated a bonus, which is a sum per megawatt hour ("MWh") of electricity produced and will be applicable to the electricity produced by the plant and sold on the market. The beneficiaries of the bonus are the producers that meet certain qualification criteria for the scheme and are established by ANRE.

This bonus paid to producers will be funded through a contribution collected by CN Transelectrica SA from the electricity suppliers delivering electricity. The contribution is defined by ANRE as a sum paid for each kilowatt hour ("KWh") of electricity consumed by all electricity consumers and Romanian electricity exporters.

According to provisions of article 14 of the Government Decision no. 1215/2009, CN Transelectrica SA is designated as being responsible for the administration of the support scheme. The main tasks that belong to the Company as the administrator of the support scheme are represented by the collection of the contribution from the suppliers of the electricity consumers in a bank account distinct from the core activity and by the payment of the bonus to the producers of electric and thermal energy in high efficiency cogeneration; to conclude contracts with the contribution collectors (energy suppliers) and with the producers that will be the beneficiaries of the scheme; to verify the total value of the contribution to be paid; to issue the invoices and to send them to the contributor payers; to refund the contribution to the suppliers for the energy imported and produced in cogeneration in other member states; to monitor and report to ANRE the way of administration of the support scheme; to pay late penalties to the producers for not paying the bonus before due date.

This activity does not impact the income statement of the Company, CN Transelectrica SA collecting the contribution for high efficiency cogeneration from the suppliers of the electric energy consumers, in order to pay the bonus to the producers of electric and thermal energy in high efficiency cogeneration.

Operating environment

Although Romania is a member of the European Union starting with 1 January 2007, the Romanian economy has the characteristics of an emergent market, such as a high current account deficit, a financial market relatively undeveloped and variances of the exchange rates.

Currently, the international financial markets feel the effects of the global financial crisis from 2008. Those effects were felt by the Romania financial market, in the form of fall in prices and liquidity on the capital markets and through an increase in the medium term financing interest rates due to the global crisis of liquidity. The significant losses experienced in the global financial market could affect the ability of the Company to obtain new borrowings at terms and conditions similar to those applied to earlier transactions.

The analysis of the compliance with the loan agreements covenants and the valuation of the significant uncertainties, including uncertainties associated with the Group's ability to continue as a going concern for a reasonable period of time, represent the permanent concern of the Group's management. As mentioned in Note 12, as at 31 December 2012, the Company did not meet certain financial indicators referring to loans EIB 20864 and EBRD 906. As at 31 December 2012, the long term portion of the loan EIB 20864 is of 64,551 and nil for loan EBRD 906. EIB may request by written notification the acceleration of repayment of this loan after a period of time during which the Group has the opportunity to remedy the matter. Loan EIB 20864 is guaranteed by the Romanian State. Please see in Note 12 the management's reasons for not reclassifying the long term liabilities as current liabilities for the loans mentioned earlier.

The financial statements do not include any adjustments related to the recoverability and classification of asset carrying amounts or related to the classification of liabilities that might result in case the Group is unable to continue as a going concern, because is applicable the going concern principle.

The management considers that the going concern assumption used in the preparation of the accompanying consolidated financial statements is appropriate, given the strategic importance and the natural monopoly position of the Group within the National Energy System ("NES").

Management believes that the Group will continue as a going concern in the foreseeable future.

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the property, plant and equipment items which are measured at revalued amounts, except for construction in progress which is measured at historical cost.

(c) Functional and presentation currency

The financial statements are presented in Romanian Lei ("LEI" or "RON"), which is the Group's functional currency. All financial information presented in LEI has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses (assumptions on determination of provisions on risk and charges (see Note 23), recognition of non-refundable funds to be received (see Note 11) and on allowance for doubtful debts (see Note 8)).

Actual results may be different from these estimates. Estimates and underlying assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimates due to significant uncertainties are included in the following notes:

- Note 11 – the management of the Company estimates that there is a reasonable assurance that will fulfil the conditions attached to the funds and the funds will be received;
- Note 12 – managements' arguments regarding not classifying the balances of long term loans as current liabilities;
- Note 13 – assessment of the obligations for defined benefit plans;
- Note 23 - commitments and contingencies;

Information regarding the critical professional judgement applied to the accounting policy regarding the service concession agreement is presented in the following paragraphs.

The Company (operator) concluded in 2004 a service concession agreement with ME (grantor) according to which it received the right to use public patrimony assets which mainly include the electricity transmission grid and the land on which it is located, in exchange for providing electricity transmission service (see Note 3 (c)). As the majority of the Company's shares are held by the State, the Company's management considers it to be a public-sector company and therefore scoped out from IFRIC 12 "Service Concession Arrangements". With no other specific standard under IFRS EU for service concession agreements, the Company considered whether IFRIC 12 should nevertheless be applied, based on the hierarchy set out in IAS 8 "Accounting Policies, Changes in accounting Estimates and Errors", which requires first to consider requirements in IFRS EU dealing with similar and related issues.

In determining if IFRIC 12 is applicable, the Company considered whether the following features of a public-to-private service concession agreement are to be applied to the concession agreement it had entered into with ME, as at the date at which IFRIC 12 is required to be adopted:

- The grantor controls or regulates what services the operator must provide within the infrastructure, to whom it must provide them, and at what price;
- The grantor controls-through ownership, the beneficial entitlement or otherwise-any significant residual interest in the

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

infrastructure at the end of the term of the agreement;
- The contractual agreement would include the same terms if entered into with a private-sector company.

The Company concluded that accounting for the concession agreement under IFRIC 12 would not reflect the economic substance of the transaction, as the Company pays an annual fee for the use of the assets under the concession agreement of 1/1000 from the total annual revenue from electricity transmission services, computed based on the actual transmitted quantity, a fee that is significantly less than the amount of the depreciation that the Company would have recorded for these assets, if the concession agreement had not been signed. As a result, IFRIC 12 is not applicable and the Company applied the accounting policies as explained in Notes 3 (b) and 3 (c).

(e) Changes in accounting policies

Transfer of revaluation reserve to retained earnings

In 2012, the Group changed its accounting policy in respect of the transfers from the revaluation reserve to retained earnings as the revaluation is realized through depreciation of the property, plant and equipments that were revalued and when the related revalued property, plant and equipment was derecognized. The transfer is made net of the related deferred tax. The Group changed its accounting policy to disclose the realized revaluation reserve in line with the depreciation of the revalued property, plant and equipments. Previously, the Group transferred the revaluation surplus to retained earnings when the related property, plant and equipment was derecognized. The change in accounting policy was applied retrospectively.

The following table summarises the adjustments made to the consolidated statement of financial position following the implementation of the new accounting policy:

	Revaluation reserves	**Retained earnings**
Balance as at 1 January 2011, as previously reported	**274,134**	**547,975**
Impact of the change in accounting policy	(53,647)	53,647
Restated balance at 1 January 2011	**220,487**	**601,622**
Balance as at 31 December 2011, as previously reported	**294,028**	**674,309**
Impact of the change in accounting policy at 1 January 2011	(53,647)	53,647
Impact of the change in accounting policy during 2011	(9,320)	9,320
Restated balance at 31 December 2011	**231,061**	**737,276**

The effect on the consolidated income statement was as follows:

	2011
Increase of other operating expenses	6,407
Decrease in net profit	**(6,407)**

Connection fees

In 2012, the Group changed its accounting policy in respect of the connection fees collected from customers, when these amounts of cash must be used only to construct or acquire an item of property, plant and equipment and the Group must then use the item of property, plant or equipment to connect the customer to the network. The Group has applied the provisions of IFRIC 18 “Transfer of Assets from Customers” starting with 1 January 2008. The Group recognizes the cash received as a credit under “Deferred income” on the consolidated statement of financial position in order to subsequently record it under “Other revenues” on the consolidated income statement on a systematic basis over the useful life of the asset as this new accounting policy provides reliable and more relevant information about the effects of transaction on the financial position and the financial performance of the Group.

The new accounting policy reflects better the economic substance of transactions and better reflects the matching of costs with revenue. The change in accounting policy was applied retrospectively.

According to the previous accounting policy, the Group recognised the revenue as a whole when the service was provided at the fair value of the acquired/built asset, meaning at the moment when the customer is connecting to the network.

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

The following table summarizes the adjustments made to the consolidated statement of financial position following the implementation of the new accounting policy:

	Long and short-term deferred income	Deferred tax liability/(asset)	Retained earnings
Balance as at 1 January 2011, as previously reported	**239,766**	**26,894**	**547,975**
Impact of the change in accounting policy	85,755	(13,721)	(72,034)
Restated balances at 1 January 2011	**325,521**	**13,173**	**475,941**
Balance as at 31 December 2011, as previously reported	**293,708**	**29,139**	**674,309**
Impact of the change in accounting policy at 1 January 2011	85,755	(13,721)	(72,034)
Impact of the change in accounting policy during 2011	(4,880)	781	4,099
Restated balance at 31 December 2011	**374,583**	**16,199**	**606,374**

The effect on the consolidated income statement was as follows:

	2011
Increase of other income	**4,880**
Cancellation of the reversal of the related deferred tax asset	(781)
Increase in profit for the year	**4,099**

The two changes in accounting policies have an insignificant impact on basic and diluted earnings per share (see Note 16).

3. Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except for the change in accounting policies as explained in note 2 (e).

Certain comparative amounts have been reclassified in the consolidated statement of financial position to be in accordance with the present year (see Note 6). Also, certain comparative amounts have been reclassified in the consolidated profit and loss account, in order to be comparable with current year presentation: the expenses with employees' participation to profit in amount of 4,400 and the variation of employee benefits provision in amount of (2,664) were reclassified from "Other operating expenses" to "Personnel expenses".

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases.

(iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Property, plant and equipment

Owned assets

Property, plant and equipment, except for construction in progress, are stated at their revalued amount, less any accumulated depreciation and accumulated impairment losses. Construction in progress is stated at cost, except for the assets acquired before 31 December 2003 which include adjustments due to hyperinflation, less any impairment losses. At 31 December 2012, the buildings and special installations, machinery and equipment, control devices and vehicles were revalued by JPA Audit & Consultanta SRL (see Note 5), modifying the accounting policy for the public patrimony assets of the State included in GEO no 164/2005 approved by Law no. 70/2006 from cost model to revaluation model.

Recognition

Property, plant and equipment is recognised initially at historical cost minus accumulated depreciation and accumulated losses.

The cost includes direct acquisition expenses. The cost of constructed assets by the entity includes:

- cost of materials and direct personnel costs;
- other costs directly attributable to bringing the asset to the location and condition necessary for the use desired state;
- capitalized borrowing costs;

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

Subsequent maintenance expenses

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

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

Depreciation

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

	Average useful life (years)
Buildings and special installations	38
Machinery and equipment	18
Control devices	10
Vehicles	7
Other fixed assets	10

The average useful life for other special equipment is approximately 30 years. Land is not depreciated. Where parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items of property, plant and equipment (major components). Depreciation methods, useful lives and residual values are reassessed and adjusted, if the case, at the end of each reporting period.

(c) Public patrimony assets

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

The Government Decision No. 627/2000 establishes in the annex No. 8 the public patrimony fixed assets which are under the Group's administration since 1 August 2000, and which are subject to inventory count and are updated whenever necessary through a Government Decision.

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

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

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

During 2005 – 2013, seven addendums to the concession contract were signed. As a result, the public patrimony assets obtained after 29 June 2004, using the development funds were derecognized.

The main terms of the concession agreement are as follows:

- ME has legal title to the leased assets;
- The Group has the right of use of these assets for a period of 49 years from 1 June 2004 until 31 May 2053;
- The annual charge under the form of royalty for use of the assets is determined by the Government and represents 1/1000 of the total revenue from electricity transmission services, based on quantities transmitted;
- The leased assets will be returned to ME upon termination or expiration of the agreement; the agreement can be terminated unilaterally by either party;
- The Group has the obligation to use the assets according to the destination specified in the concession agreement and to the operating license.

The amount that the Group paid under the concession agreement for the year 1 January – 31 December 2012 is significantly less than the amount of the depreciation that the Group would have recorded on the comparable public patrimony assets if the concession agreement had not been signed. However, the Group has not recorded any amount related to the possible benefit ensuing from the signing of the concession agreement because the Group is unable to determine the amount that a third party would pay for the use of the assets in an objectively determined transaction.

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

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

(d) Intangible assets

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

(e) Foreign currency transactions

Transactions in foreign currencies are translated to LEI by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at period-end are translated to LEI at the exchange rates prevailing on that date. Exchange gains and losses, realised or unrealised, are included in the income statement for that year. The exchange rates at 31 December 2011 and 31 December 2010 are as follows:

Currency	31 December 2012	31 December 2011
1 EUR	4.4287	4.3197
1 USD	3.3575	3.3393
100 JPY	3.8994	4.3178

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(f) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for doubtful debts. An allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (over 270 days) are considered indications that the trade receivable might be impaired.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within other operating expenses.

(g) Inventories

Inventories consist of consumables, materials, spare parts, safety stock and other inventories that are to be used during the ordinary activity of the Group, security and intervention stock needed for fast repairs of the failures of the network in order to assure the safe functioning of NES. These materials are recorded as inventories when purchased and then expensed or capitalised, as appropriate, when consumed.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion, if any, and selling expenses.
The Group's policy is to write-off 100% for inventories older than 365 days and that are not expected to be used in the future.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, in current accounts and bank deposits with original maturities of 3 months or less that are subject to an insignificant risk of change in fair value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Revaluation reserves

After the recognition as an asset, an item of property, plants and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised and accumulated in equity under the heading of revaluation reserve. However, the increase shall be recognised in profit and loss to the extent that it reverses a revaluation decrease of the same amount asset previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be debited in equity to the element called "Revaluation reserves" if there is any credit balance existing in the revaluation reserve in respect of that asset.

The Group transfers the revaluation reserve to retained earnings as the revaluation is realized through depreciation of the property, plant and equipments that were revalued and when the related revalued property, plant and equipment is disposed off.

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

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

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

(j) Impairment of non-financial assets

The carrying amount of the Group`s non-financial assets, other than inventories and deferred tax assets, are revised at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) if any, and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset`s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss ad been recognised.

(k) Share capital

The Group recognizes the changes in share capital in accordance with the legislation in force and only after their approval in the General Extraordinary Shareholders Meeting and their authorisation by the Trade Registry Office.

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares and shares' options , are shown as a deduction in equity at net value from tax effects.

(l) Dividends

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

(m) Accounts and other payables

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

(n) Interest-bearing borrowings

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

(o) Recognition and derecognition of the non-derivative financial instruments

Non-derivative financial assets
The Group initially recognises receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial assets are mainly represented by trade and other receivables and cash and cash equivalents.

Non-derivative financial liabilities
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise borrowings and trade and other payables.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payables also include any tax liability arising from declaration of dividends.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequence that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.
Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

iii) Tax exposure

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and weather additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(q) Employee benefits

Other long-term employee benefits
The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods; these benefits are measured at the present value of future cash flows. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise. The other long term employee benefits are represented mainly by the jubilee premiums.

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

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount factor used is of 6% for the first 5 years and 3.5% for the following years. The benefits are represented by the retirement prizes based on the employment period within the Company at the retirement date and the free energy provided after retirement.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service cost that had not previously been recognised.

(r) Revenue

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the associated costs can be estimated reliably. Revenues comprise mainly the value of electricity transmission service, balancing market and ancillary services computed based on volume of energy transmitted. The tariffs for transmission and ancillary services are regulated by ANRE. The energy transmitted is determined by the meters found within the national energy system. Revenues include also the transactions on the balancing market as described in Note 1.

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

As mentioned in Note 1, the Company is the administrator of the support scheme for high efficiency cogeneration. The Company is acting as an agent of the Romanian State because it engaged in the collection and distribution of money. The Company is acting as an agent as it does not have exposure to the significant risks and rewards associated with the support scheme.

Other revenue includes mainly revenues from repairs and maintenance performed by Smart SA to third parties and revenues from information technology and telecommunication services performed by Teletrans SA to third parties. Revenue from these services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Connection fees

IFRIC 18 "Transfers of Assets from Customers" applies to agreements with customers in which the Company receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant or equipment and the Company must then use the item of property, plant or equipment to connect the customer to the network. The Company recognizes the cash received as a credit under "Deferred income" on the consolidated statement of financial position in order to subsequently reverse it under "Other income" on the consolidated income statement on a systematic basis over the useful life of the asset.

(s) Net financing costs

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

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

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(t) Subsidies

Subsidies are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the subsidy, and are then recognized in profit or loss as other revenue on a systematic basis over the useful life of the asset. The subsidies are related to assets. Non-refundable funds are recognized as assets when there is reasonable assurance that the grants will be received and the conditions attached will be met.

(u) Provisions

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

(v) Earnings per share

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

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

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

(w) Contingencies

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

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

(x) Segment reporting

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

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

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments.

(aa) Implication of new International Financial Reporting Standards (IFRS EU)

New standards, amendments and interpretations approved by the European Union
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

New IFRS pronouncements not yet effective as at 31 December 2012

- IAS 19 (2011) Employee Benefits (Effective for annual periods beginning on or after 1 January 2013)

The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on rate used to discount the defined benefit obligation. The amendment is not relevant to the Group's financial statements, since the Group's current policy is to recognise immediately the actuarial gains and losses in other comprehensive income and the Group does not have a plan asset.

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (Effective for annual periods beginning on or after 1 January 2013)

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

4. Determination of fair value

A number of Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

i) Property plant and equipment

The fair value of items of property, plant and equipment is mainly based on cost approach, taken into consideration the specialized nature of the assets, except for construction in progress which are accounted under cost model. Under the cost approach the gross replacement cost was established using the indirect method.

ii) Trade and other receivables

The fair values of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each reporting date.

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

5. Property, plant and equipment

The movements of property, plant and equipment between 1 January 2011 and 31 December 2012 are as follows:

	Freehold land and land improvements	Buildings and special installations	Machinery and equipment	Control devices	Vehicles	Other fixed assets	Construction in progress	Total
Cost								
Balance as at 1 January 2011	**73,062**	**2,810,516**	**2,721,857**	**360,494**	**54,097**	**120,059**	**487,701**	**6,627,786**
Additions	769	2,433	2,507	857	-	85	329,360	**336,011**
Revaluation surplus	(15,600)	(8,694)	52,915	(1,276)	(156)	-	-	**27,189**
Transfers from construction in progress	1,580	32,430	158,265	53,304	2,409	71,065	(319,053)	**-**
Disposals	(434)	(6,898)	(18,694)	(2,114)	(2,158)	(708)	-	**(31,006)**
Balance as at 31 December 2011	**59,377**	**2,829,787**	**2,916,850**	**411,265**	**54,192**	**190,501**	**498,008**	**6,959,980**
Balance as at 1 January 2012	**59,377**	**2,829,787**	**2,916,850**	**411,265**	**54,192**	**190,501**	**498,008**	**6,959,980**
Additions	147	1,072	311	470	848	45	382,853	**385,746**
Revaluation surplus	-	313,369	104,407	1,195	12,041	-	-	**431,012**
Transfers from construction in progress	160	66,908	131,311	16,911	3,174	59,255	(277,719)	**-**
Decrease of accumulated depreciation	-	(954,044)	(644,030)	(61,204)	(18,890)	-	-	**(1,678,168)**
Disposals	(19)	(12,502)	(30,240)	(5,300)	(2,474)	(3,513)	(4,931)	**(58,979)**
Balance as at 31 December 2012	**59,665**	**2,244,590**	**2,478,609**	**363,337**	**48,891**	**246,288**	**598,211**	**6,039,591**
Accumulated depreciation								
Balance as at 1 January 2011	**-**	**1,656,263**	**1,513,386**	**204,878**	**49,763**	**34,820**	**-**	**3,459,110**
Depreciation expense	-	77,145	152,708	33,975	3,296	15,320	-	**282,444**
Impairment losses	138	930	63	102	54	-	-	**1,287**
Accumulated depreciation of disposals	-	(5,914)	(17,084)	(1,859)	(1,258)	(634)	-	**(26,749)**
Balance as at 31 December 2011	**138**	**1,728,424**	**1,649,073**	**237,096**	**51,855**	**49,506**	**-**	**3,716,092**
Balance as at 1 January 2012	**138**	**1,728,424**	**1,649,073**	**237,096**	**51,855**	**49,506**	**-**	**3,716,092**
Depreciation expense	-	78,519	161,701	33,698	2,950	21,568	-	**298,436**
Impairment losses	-	2,744	466	1	-	-	-	**3,211**
Decrease of accumulated depreciation	-	(954,044)	(644,030)	(61,204)	(18,890)	-	-	**(1,678,168)**
Accumulated depreciation of disposals	-	(11,474)	(31,318)	(3,459)	(2,053)	(2,344)	-	**(50,648)**
Balance as at 31 December 2012	**138**	**844,169**	**1,135,892**	**206,132**	**33,862**	**68,730**	**-**	**2,288,923**
Carrying value								
Balance as at 1 January 2011	**73,062**	**1,154,253**	**1,208,471**	**155,616**	**4,334**	**85,239**	**487,701**	**3,168,676**
Balance as at 31 December 2011	**59,239**	**1,101,363**	**1,267,777**	**174,169**	**2,337**	**140,995**	**498,008**	**3,243,888**
Balance as at 31 December 2012	**59,527**	**1,400,421**	**1,342,717**	**157,205**	**15,029**	**177,558**	**598,211**	**3,750,668**

As at 31 December 2012 the buildings and special installations, machinery and equipment, control devices and vehicles were revalued by SC JPA Audit & Consultanta SRL, independent valuer, member of Romanian National Union of Authorised Valuers (ANEVAR). These items were revalued mainly using the cost approach. Under the cost approach the gross replacement cost was established using the indirect method. The cost approach was used due to reasons related to the specialization of assets for which there was insufficient market information or an active market does not exist. The results of the revaluation were approved by the management through Note no. 8857/18.03.2013. As at 31 December 2012, the Group recognised a revaluation surplus in total amount of 431,012, out of which 427,498 as revaluation reserve and 3,514 in the income statement, as this amount compensates a revaluation decrease from the revaluation of same assets that was prior recognised on expense. The revaluation surplus refers mainly to the public patrimony assets of the State, included in GEO no. 164/2005 approved by Law no. 70/2006, assets that were previously stated at inflated cost.

Lands were revalued by market approach as at 31 December 2011. Also, the group Other fixed assets was revalued at 31 December 2011.

The additions of property, plant and equipment include also transfers of construction in progress. Construction in progress is represented mainly by modernization and retehnologisation works for overhead lines, stations and advances to suppliers of fixed assets. During 2012, the main transfers from construction in progress to fixed assets were represented by:

- Connection station financed by the connection fee paid by OMV Petrom SA of 70,267;
- 400/110 kV Rahman station and connection of SC Alpha Wind SRL, SC Beta Wind SRL, SC CAS Regenerabile SRL and SC Land Power SRL to the electricity transmission grid (1st phase) of 33,673;
- 400/110 kV Tariverde station and connection of SC Tomis Team SRL to the electricity transmission grid (third phase) of 24,516;
- 2nd phase of project “Integrated security systems in the power stations” of 34,009;
- 1th and 2nd phase of the project “Retehnologisation of 400/220 station, 110/20 kV Lacul Sarat” of 29,665;

During 2012 the additions in construction in progress include mainly investments financed through connection fees in a total amount of 122,188, the data voice infrastructure in amount of 88,638 and retehnologization of the Brasov power station in amount of 44,427.

During 2011, the main transfers from construction in progress to fixed assets were represented by:

- Retehnologisation of the power station 400/220, 110/20kV Lacu Sarat – 77,521;
- Replacement of 200 MWA transformers in the power stations – 43,630;
- Integrated security system in power stations (second phase) – 35,913;
- Planning and equipping a centre for providing services for business continuity and disaster recovery – 29,617;
- Integrated security system in power stations (third phase) – 24,731;
- Retehnologisation of power station 110 kV Brazi Vest – 16,744.

Buildings and special installations include mainly transformation stations and high voltage power gridlines. Machinery and equipment include mainly transformers and cells relating to NES of 110 KV, 220 KV, 400 KV and 750 KV. The capitalized borrowing costs related to construction in progress amounted to 2,265 related to BRD-ING loan (interest rate is 3.8%).

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

6. Intangible assets

The movements in intangible assets from 1 January 2011 to 31 December 2012 are the following:

	Other intangible assets	Licences and software	Intangible assets in progress	Total
Cost				
Balance as at 1 January 2011	**3,935**	**45,046**	**28,486**	**77,467**
Additions	45	196	16,225	**16,466**
Transfers from intangible assets in progress	-	12,670	(12,670)	**-**
Disposals	(70)	(297)	-	**(367)**
Balance as at 31 December 2011	**3,910**	**57,615**	**32,041**	**93,566**
Balance as at 1 January 2012	**3,910**	**57,615**	**32,041**	**93,566**
Additions	41	444	8,484	**8,969**
Transfers from intangible assets in progress	-	7,811	(7,811)	**-**
Disposals	(4)	(539)	-	**(543)**
Balance as at 31 December 2012	**3,947**	**65,331**	**32,714**	**101,992**
Accumulated amortisation				
Balance as at 1 January 2011	**3,905**	**33,015**	**-**	**36,920**
Amortisation expense	38	8,475	-	**8,513**
Accumulated amortisation of disposals	(35)	(252)	-	**(287)**
Balance as at 31 December 2011	**3,908**	**41,238**	**-**	**45,146**
Balance as at 1 January 2012	**3,908**	**41,238**	**-**	**45,146**
Amortisation expense	26	9,431	-	**9,457**
Accumulated amortisation of disposals	4	(569)	-	**(565)**
Balance as at 31 December 2012	**3,938**	**50,100**	**-**	**54,038**
Carrying value				
Balance as at 1 January 2011	**30**	**12,031**	**28,486**	**40,547**
Balance as at 31 December 2011	**2**	**16,377**	**32,041**	**48,420**
Balance as at 31 December 2012	**9**	**15,231**	**32,714**	**47,954**

Change in classification

During 2012, the Company modified in the consolidated statement of financial position, the classification of some items of “Property, plant and equipment” in “Intangible assets” in order to reflect more adequate the classification of these assets. The comparative amounts from the consolidated statement of financial position were reclassified to ensure the consistent presentation, which resulted in the reclassification of the amount of 14,194 from property, plant and equipment to intangible assets, at 1 January 2011, and of the amount of 6,940 from intangible assets to property, plant and equipment as at 31 December 2011.

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

7. Inventories

As at 31 December 2012 and 31 December 2011 inventories are as follows:

	31 December 2012	31 December 2011
Spare parts	39,381	35,079
Consumables and other materials	12,828	10,535
Auxiliary materials	6,233	6,103
Other inventories	4,442	1,808
Total	**62,884**	**53,525**

8. Trade and other receivables

As at 31 December 2012 and 31 December 2011 trade and other receivables are as follows:

	31 December 2012	31 December 2011
Trade receivables	794,000	1,194,482
Other receivables	97,617	69,973
Non-refundable funds to be received	65,083	-
VAT to be recovered	-	739
Allowance for doubtful receivables	(76,736)	(50,744)
Allowance for other doubtful receivables	(48,549)	(40,200)
Total	**831,415**	**1,174,250**

The Group's policy is to book a provision of 100% for clients in litigation and bankrupted clients, 75% from the trade receivables and other receivables due for more than 270 days and less than 365 days, and of 100% from the trade receivables and other receivables due for more that 365 days. As at 31 December 2012, the highest amounts for allowances for doubtful trade receivables were recorded for Petprod SRL (16,539), Eco Energy SRL (15,826) and Total Electric Oltenia SA (10,897), Arcelormittal Galati (6,110), Also Energ (5,056) and Complexul Energetic Hunedoara (4,970).

As at 31 December 2012, other receivables in amount of 97,617 include late payment penalties with a value of 22,867 and a prepayment made to tax authority in amount of 44,443 (see the next paragraph related to the litigation with the National Agency for Fiscal Administration). The biggest amounts for the late payments were recorded for Eco Energy (8,910), Total Electric Oltenia (3,289), Arcelormittal Galati (2,341), Also Energ (2,121) and Petprod SRL (1,931), amounts that were also provided for and included in the allowances for doubtful other receivables.

As at 31 December 2012 the non-refundable funds to be received in amount of 65,083 relate to three contracts concluded by the Company in 2012 with ME, in its capacity as Intermediate Body for Energy and acting on behalf of the Management Authority for the Sectoral Operational Programme "Increase of economic competitiveness". Through each contract, the Company is granted a maximum established non-reimbursable amount for the implementation of a named investment project. The investments financed through these contracts are: upgrade of the Brasov 400/110kv station, upgrade of the Lacu Sarat 400/220/110/20kv station and upgrade of the Mintia 220/110 KV station (see Note 11).

Litigation with the National Agency for Fiscal Administration ("ANAF")

ANAF issued a tax report on 20 September 2011 on VAT reimbursement for the period September 2005 – November 2006. ANAF has identified a total number of 123 unused invoices as missing, these being documents with special regime, for which an output VAT of 16,303 plus 27,196 as penalties were estimated. The total value of these obligations amounts to 43,499. The value of these obligations was retained from the VAT paid by the Company in November 2011. Subsequently, the Company has noted that the amounts paid as current VAT were considered as being the payment for the obligations mentioned above.

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

Thus, the Company was forced to pay additional penalties of 944 related to the VAT that should have been paid in November 2011, in order to avoid accumulating additional debts towards the State Budget. In total, the Company has paid the amount of 44,443 in November 2011.

The Company made use of all legal means to contest the enforcement decision issued by ANAF, so an appeal was filed at ANAF against the enforcement decision and a request was submitted in order to suspend the execution of the enforcement decision until the administrative appeal filed against ANAF is finalized. The request to suspend the execution of the tax report was rejected.

The Company has sued ANAF to the Bucharest Court of Appeal in August 2012 for the recovery of the amount and has requested the admission of the writing proof and accounting expertise proof. At 31 December 2012, the Company has registered a provision of 22,222 for the amount of 44,443 paid based on the estimated chances of winning the trial, taking into consideration the fact that on 17 December 2012 the court admitted the correction of a clerical error and the involvement of an expert for the accounting expertise.

As at 31 December 2012 trade receivables are as follows:

	31 December 2012	31 December 2011
Clients – energy market	786,308	1,183,400
Other clients	7,692	11,082
Total	**794,000**	**1,194,482**

The largest clients from the energy market are: Electrica Furnizare SA, Complex Energetic Oltenia, CIGA Energy SA, Electrica SA and Societatea Nationala "Nuclearelectrica" SA. As at 31 December 2012 and 31 December 2011, these clients represent 40% from the total gross receivables from the energy market.

As at 31 December 2012, the Company has one customer with trade receivables exceeding 10% from the total gross trade receivables: Electrica Furnizare SA (receivable of 86,115 as at 31 December 2012 and 82,889 as at 31 December 2011).

The Group’s exposure to credit and market risks, and impairment losses related to trade receivables are disclosed in Note 26.

9. Cash and cash equivalents

As at 31 December 2012 and 31 December 2011 cash and cash equivalents are as follows:

	31 December 2012	31 December 2011
Current bank accounts and deposits with original maturities of less than 90 days	227,273	243,524
Cash from high efficiency cogeneration	91,756	78,787
Petty cash	113	108
Other cash equivalents	56	77
Total	**319,198**	**322,496**

As at 31 December 2012 and 31 December 2011, deposits with original maturities of less than 90 days are in amount of 41,498 and 126,079 respectively (out of which deposits for high efficiency cogeneration in amount of 45,500).

Starting with 1 April 2011, CN Transelectrica SA, as the administrator of the high efficiency cogeneration scheme (Note 1), manages a special bank account opened for the collection of the high efficiency cogeneration contribution and for the payment of the high efficiency cogeneration bonus. As at 31 December 2012, the cash generated from the administration of this scheme is of 91,756.

For the purpose of the consolidated cash flow statement, cash and cash equivalents as at 31 December 2012 and 31 December 2011 are as follows:

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

	31 December 2012	31 December 2011
Cash and cash equivalents	319,198	322,496
Short term loans (credit line) (see Note 12)	(10,490)	(14,209)
Total	**308,708**	**308,287**

As presented in Note 12, as at 31 December 2012 short term loans include also the credit line from ING Bank N.V. Bucharest Branch contracted by Group through its subsidiary. The amount is repayable on demand. As at 31 December 2012 the amount outstanding of this credit line is in amount of 10,490 (14,209 as at 31 December 2011).

10. Shareholder's equity

Share capital

As at 31 December 2012 and 31 December 2011, the authorised issued and fully paid up share capital of the Company consists of 73,303,142 ordinary shares with a nominal value of 10 lei/share.

As at 31 December 2012, the shareholding structure is as follows:

Shareholders	31 December 2012 Number of shares	31 December 2012 % from share capital	31 December 2011 Number of shares	31 December 2011 % from share capital
Romanian State through ME	43,020,309	58.69%	54,015,781	73.69%
Fondul Proprietatea	9,895,212	13.50%	9,895,212	13.50%
Private investors (legal entities and individuals)	20,387,621	27.81 %	9,392,149	12.81%
Total	**73,303,142**	**100%**	**73,303,142**	**100%**

In March 2012, ME sold through a Secondary Public Offering a total of 10,995,472 shares issued by the Company, representing 15% of its share capital. As at 31 December 2012 SIF Oltenia, part of private investors, held 6.35% of Company, representing 4.653.602 shares.

On 21 March 2013, was published an emergency ordinance project which states that at the date will become effective, the shares held by the State in the Company will pass from the Ministry of Economy to the Ministry of Public Finance ("MFP") (see Note 27).

As at 31 December 2012, the share capital in amount of 1,091,526 includes the effect of restatements relating to prior periods, required by the application IAS 29 "Financial Reporting in Hyperinflationary Economies", as described in Note 2 (b). The reconciliation of share capital is as follows:

Share capital (nominal value)	733,031
Restatement difference in accordance with IAS 29	385,495
Restated share capital balance	**1,091,526**

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

The value of dividends approved for distribution in 2012 from 2011 profit was 80,633, according to the General Shareholders Meeting No 4, from 26 April 2012. The value of unpaid dividends as at 31 December 2012 and as at 31 December 2011 is 2,457 and 1,504 respectively.

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

Share premium

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

Legal reserves

Legal reserves in the amount of 46,683 as at 31 December 2012 and 44,608 as at 31 December 2011, respectively, represent legal reserves according to the statutory legislation and cannot be distributed. The Company transfers to this reserve at least 5% of their annual accounting profits until the cumulative balance reaches 20% of their paid up share capital. Legal reserves include the effect of restatements relating to prior periods, required by the application IAS 29 "Financial Reporting in Hyperinflationary Economies".

The reconciliation of legal reserves as at 31 December 2012 is as follows:

Legal reserves (statutory amount)	46,491
Restatement difference in accordance with IAS 29	192
Restated legal reserves balance	**46,683**

Revaluation reserves

The revaluation reserve is in amount of 605,490 as at 31 December 2012 and 231,061 respectively as at 31 December 2011. At 31 December 2012, buildings and special installations, machinery and equipment, control devices and vehicles were revalued by SC JPA Audit & Consultanta SRL, independent valuer, member of ANEVAR. As at 31 December 2012 the Company recorded a deferred tax liability in correspondence with recognized revaluation surplus after revaluation above mentioned (see Note 15).

Other reserves

As at 31 December 2012, other reserves are in amount of 3,194 and as at 31 December 2011 in amount of 2,864, representing the revalued amount land for which the title deeds were obtained. As described in Note 23, land for which the title deeds are obtained is first recognized at fair value in other reserves and followed by an increase in share capital after it is recorded at the Romanian Trade Register Office.

Retained earnings

Retained earnings represent the accumulated results of the Group. The retained earnings are distributable based on the non-consolidated financial statements prepared in accordance with IFRS EU.

11. Deferred income

Deferred income include mainly the special fund for development of the energy system received from ME, connection fees, other subsidies for investments, non-refundable funds to be received or collected from ME, in its capacity as Intermediate Body for Energy and acting on behalf of the Management Authority for the Sectoral Operational Programme "Increase of economic competitiveness" and the income from the allocation of interconnection capacity.

The movement of short term deferred income for 2012 and 2011 is as follows:

	31 December 2012	31 December 2011 Restated*
Opening balance	3.915	12.340
Cash in advance related to interconnection capacity	19.481	12.896
Revenues from using the interconnection capacity	(18.915)	(21.321)
Total	**4.481**	**3.915**

* see Note 2 (e).

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

The movement of long term deferred income for 2012 and 2011 is as follows:

	31 December 2012	**31 December 2011 Restated***
Opening balance	370.668	313.181
Subsidies received	135.394	77.430
Non-refundable funds to be collected	65.755	-
Release of deferred income	(24.490)	(19.943)
Total	**547.327**	**370.668**

* See Note 2 (e).

As of the date of these consolidated financial statements, the Group has collected non-refundable funds from the Management Authority for the Operational Sectoral Programme "Increase of economic competitiveness" in amount of 25,930. Conditions attached to these non reimbursable funds are: assure the implementation of the investment objectives and accomplishment of output and performance indicators.

12. Borrowings

Long term loans

As at 31 December 2012 and 31 December 2011, long term loans are as follows:

Description	**31 December 2012**	**31 December 2011**
EBRD 906 (a)	17,282	34,378
EIB 20.864 (b)	96,827	125,925
KfW 9787 (c)	-	1,459
West L.B. (d)	-	6,005
NIB PIL No 02/18 (e)	32,433	38,122
IBRD 7181 (f)	216,185	241,167
NIB PIL No 03/5 (g)	61,116	69,547
NIB PIL No 02/37 (h)	32,717	37,320
KfW 10431 (i)	48,236	56,546
BCR – World Trade Centre 398 (j)	5,000	10,000
Calyon (k)	-	4,770
KfW 11300 (l)	65,896	78,057
JBIC (m)	40,883	56,588
Raiffeisen Austria (n)	7,083	10,363
EBRD 33354 (o)	23,307	30,371
Alpha Bank (p)	14,800	22,200
BRD (q)	26,400	33,000
EIB 25709 (r)	138,602	140,390
EIB 25710 (r)	132,861	129,591
BRD-ING (s)	186,005	-
Less: Current amount of the long term loans	**(191,006)**	**(182,216)**
Total long term loans, net of current amounts	**954,627**	**943,493**

Long term loans are detailed as follows:

(a) Loan from EBRD No. 906

The purpose of the loan was to finance the Rehabilitation of Transmission – Dispatch System. As at 31 December 2012, the total amount outstanding is USD 5,147,200. The loan bears six months LIBOR plus 1% interest rate. Repayment is scheduled over 10 years from 2004 to 2013, the instalments being paid on the 25 May and 25 November of each year.

The loan agreement includes certain financial covenants: (i) a Debt Service Cover Ratio of not less than 1.3, (ii) a ratio of Long Term Debt to Equity of not more than 2.3, (iii) a ratio of Current Assets to Current Liabilities, of not less than 1.2, (iv) a ratio of Total Operating Revenues to total Operating Expenses of not less than 1.3 and (v) maintain during the 30 day period preceding each interest payment date, in a Debt Service Account, a minimum balance equal to 100% of the amount of principal, interest and other amounts scheduled to become due and payable to the bank at the next interest payment date.

(b) Loan from EIB No. 20.864

The total amount outstanding as at 31 December 2012 under the loan agreement, which was concluded in year 2000, is EUR 21,863,562. The loan bears a variable interest rate, being the interest rate applicable at the date of the disbursement notice. Repayment is scheduled over 10 years in 20 instalments from 2006 to 2015 to be paid on the 5 June and 5 December of each year. The purpose of the loan is to finance the Rehabilitation of Transmission – Dispatch System.

The loan agreement includes certain financial covenants: (i) a Debt Service Cover Ratio of not less than 1.3; (ii) a ratio of Long Term Debt to Equity of not more than 2.3; (iii) a ratio of Current Assets to Current Liabilities, of not less than 1.2, and (iv) a ratio of Total Operating Revenues to total Operating Expenses less Depreciation Expense of not less than 1.3. The financial covenants are to be calculated every semester on a twelve month basis for the twelve month period ending on the last day of the preceding semester.

(c) Loan from KfW No. 9787

The loan from KfW was granted on 18 September 2001. The total amount outstanding as at 31 December 2012 is EUR 0. The purpose of the loan is to finance the Rehabilitation of the 400/110 kV Constanta Nord Switching Station. The loan bears a variable interest rate of six months EURIBOR plus 0.725% margin. Repayment is scheduled over 9 years in 17 instalments from 2004 to 2012.

(d) Loan from West LB

The loan from West LB was granted on 5 February 2002. The total amount outstanding as at 31 December 2012 is EUR 0. The purpose of the loan is to finance the Rehabilitation of 400/110 kV Oradea Sud Station. The loan bears a variable interest rate, which is the interest rate of six months EURIBOR plus 0.5%. Repayment is scheduled over 9 years in 17 instalments from 2004 to 2012 to be paid on 30 of June and 30 of December of each year.

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

The loan from NIB was granted in 2003. The total amount outstanding as at 31 December 2012 is USD 9,659,930. The purpose of loan is to finance the rehabilitation of Switching Station 400/210 kV Slatina. The loan bears a variable interest rate of six months LIBOR plus 0.9% margin. Repayment is scheduled over 10 years in 20 instalments from 2008 to 2018.

(f) Loan from IBRD No. 7181

The loan from IBRD was granted in 2003 for the objective "Electricity Market". The total amount outstanding as at 31 December 2012 is EUR 48,814,647. The loan bears a variable interest rate which, being the cost of qualified loans granted by IBRD on the financial market. The repayment is performed biannually, starting 15 July 2008, the last instalment being scheduled on 15 January 2020.

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

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

The loan from NIB was granted at 12 November 2004 for the rehabilitation of 400/220/110 kV Gutinas Station. The amount outstanding as at 31 December 2012 is EUR 13,800,000. The interest rate is six months EURIBOR plus 0.85%. Repayment is performed biannually, in equal instalments starting 15 March 2009, the last instalment being scheduled on 15 September 2018.

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

The loan was granted by NIB on 25 February 2004 for the rehabilitation of Rosiori Station. The amount outstanding as at 31 December 2011 is EUR 7,387,397. Interest rate is six months EURIBOR plus 0.90%, repayment is performed biannually in equal instalments starting 15 September 2008, the last instalment being scheduled on 15 September 2018.

(i) Loan from KfW No. 10431

The loan has been granted by KfW on 12 August 2004 for the objective of the rehabilitation of 400/220/110 kV Sibiu Sud Station. The amount outstanding as at 31 December 2012 is EUR 10,891,609. The interest rate is six months EURIBOR plus 0.60%, the repayment being performed biannually, in equal instalments starting with 31 January 2008, the last instalment being scheduled on 31 July 2017.

(j) Loan from BCR No. 398

The loan was granted by BCR on 7 October 2004 for financing the project "Retehnologization of Bucuresti Sud and Sibiu Sud station" in amount of RON 10,000,000. Interest rate is six months ROBOR plus 0.5%, the repayment is performed biannually, in equal instalments starting with 15 April 2007, the last instalment being scheduled on 13 October 2013. The outstanding balance as at 31 December 2012 is of 5.000.000 RON.

(k) Loan from Calyon

The loan was granted by Calyon on 12 March 2003 for financing of the rehabilitation of Switching Station 400/220 kV Slatina. The amount outstanding as at 31 December 2012 is USD 0. Interest rate is six months LIBOR plus 0.7%, the non-utilization commission being 0.3%. Repayment is performed biannually in 14 equal instalments, starting with 30 June 2006 until 30 December 2012.

(l) Loan from KfW No. 11300

The loan has been granted by KfW on 12 August 2004 for the rehabilitation and modernization of Bucuresti Sud Station. The amount outstanding as 31 December 2012 is EUR 14,879,211. The interest rate is six months EURIBOR plus 0.60%, the repayment being performed biannually, in equal instalments starting with 31 January 2008, the last instalment being scheduled on 31 July 2017.

(m) Loan from JBIC

The loan has been granted by JBIC on 25 June 2004 for the rehabilitation of Brazi Station. The amount outstanding as at 31 December 2012 is JPY 1,048,449,000. The interest rate is 3.10%, the repayment being performed biannually, in equal instalments starting with 15 March 2007, the last instalment being scheduled on 15 September 2016.

(n) Loan from Raiffeisen Zentralbank Osterreich AG

The loan was granted by Raiffeisen Austria on 14 March 2006 for the rehabilitation of 11 stations. The amount outstanding as at 31 December 2012 is EUR 1,599,298. The interest rate is six months EURIBOR plus 0.50%, the repayment being performed biannually, in 12 equal instalments starting with 10 May 2009, the last instalment being scheduled on November 2014. In 2008, the loan was reduced from EUR 5,458,646 to EUR 4,797,895.

(o) Loan from EBRD No. 33354

The loan has two components: A Loan granted by EBRD in an amount not to exceed EUR 18,200,000 and B Loan in an amount not to exceed EUR 5,000,000. The loan has been reduced to EUR 14,723,211 (A loan EUR 11,550,105 + B loan EUR 3,173,106). The amount outstanding as at 31 December 2011 is EUR 4,567,587 for A loan and EUR 695,042 for B loan. The interest rate is six months EURIBOR plus 3.00% for A Loan and six months EURIBOR plus 2.75% for B Loan. The repayment is performed biannually, for A Loan in 18 equal instalments between 2007 and 2016 year, respectively for the B Loan in 14 equal instalments between 2007 and 2014 year.

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

The loan agreement includes certain financial covenants: (i)) a Debt Service Cover Ratio of not less than 1.5, (ii) a ratio of Long Term Debt to Equity of not more than 2, (iii) a ratio of Current Assets to Current Liabilities, of not less than 1.2.

(p) Loan from Alpha Bank

The loan was granted by Alpha Bank in July 2009 for the rehabilitation of Gutinas, Bucuresti Sud, Isalnita, Gura Ialomisei and Gadalin stations. The amount outstanding as at 31 December 2012 is RON 14,800,000.The loan bears a variable interest rate of six months ROBOR plus 2% margin. Repayment is scheduled over 5 years in 10 instalments from 2010 to 2014.

(q) Loan from BRD – Groupe Societe Generale SA

The loan was granted by BRD – Groupe Societe Generale SA in February 2010 for the Rehabilitation of Gura Ialomitei, Lacu Sarat, Isalnita and Gutinas stations and to support other investments from the 2009 – 2010 investments programs The amount outstanding as at 31 December 2012 is RON 26,400,000. The loan bears a variable interest rate of six months ROBOR plus 1.25% margin. Repayment is scheduled over 5 years in 10 instalments from 2012 to 2016.

(r) Loan from EIB No. 25709 and EIB No. 25710

The loans were granted by EIB in August 2010 for financing the modernization and rehabilitation of the National Electricity Grid. Each loan is in amount of EUR 32,500,000. Loan no. 25709 is not guaranteed, while loan no. 25710 is guaranteed by CitiBank Europe PLC, Dublin – Romania branch. The repayment period is of 15 years with a grace period of 2 years from 2012 to 2025 for EIB 25709(on 10 March and 10 September of each year) and from 2013 to 2026 for EIB 25710(on 11 April and 11 October of each year). The interest rates are 3.596% for EIB 25709 and 3.856% for EIB 25710. The amount outstanding as at 31 December 2012 for EIB 25709 is EUR 31,296,296. The amount outstanding as at 31 December 2012 for EIB 25710 is EUR 30,000,000.

The loan agreement no. 25709 includes certain financial covenants for the second regulatory period that ends as at 31 December 2012 : (i) a ratio of EBITDA to interest payments for long term loans of not less than 4.2; (ii) a ratio of Debt to Equity of not more than 0.95. The financial covenants will be revised for the second regulatory period.

The loan agreement no. 25710 is guaranteed by CitiBank Europe PLC, Dublin – Romania branch. The contract bears a guarantee commission of 0.57% per annum, computed at the value of EUR 37,375,000. The guarantee contract concluded on 26 January 2011 includes certain covenants as follows: (i) a ratio of Consolidated EBITDA to Consolidated net financial expenses of not less than 4.2; (ii) a ratio of Total Debt to Equity of not more than 0.95.

(s) Loan from ING Bank N.V., Amsterdam – Bucharest branch and BRD – Groupe Societe Generale SA

In July 2012 the Company concluded a loan agreement for EUR 42,000,000 with consortium ING Bank N.V., Amsterdam (Bucharest branch) and BRD – Groupe Societe Generale SA. The project has financed the following investments: refurbishment of 400/200/110/20kv Lacu Sarat station, refurbishment of 220/110kv Mintia station, integrated security systems in stations and replacement of autotransformers and transformers in power stations. The repayment period is of 7 years with a grace period of 24 months, with instalments payables every semester. The loan bears a variable rate of EURIBOR 6 month plus a margin of 3.95%. The loan is guaranteed 100% through assignment of receivables. The amount outstanding as at 31 December 2012 is EUR 42,000,000.

The loan agreement includes certain financial covenants: (i) a ratio of EBITDA to financial expenses of not less than 4.2; (ii) a ratio of Total net debts to EBITDA of not more than 3.5.

Starting with 2012, as the Company prepares also separate financial statements in accordance with IFRS EU, the financial covenants related to loans EIB 20864 and IBRD 7181 are computed based on the consolidated financial statements in accordance with IFRS EU, for loans EBRD 906 and EIB 25710 based on the separate financial statements in accordance with IFRS EU, while for loans EBRD 33354, EIB 25709 and BRD – ING are computed based on both financial statements.

Long term loans are repayable as follows:

	31 December 2012	31 December 2011
Between 1 and 2 years	186,299	188,567
Between 2 and 5 years	483,551	441,911
Over 5 years	284,777	313,015
Total	**954,627**	**943,493**

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

The Group has not undertaken any measures in order to cover the risks relating to its obligations expressed in foreign currency or those risks associated with interest rate.

All the long term loans, except for loans from JBIC, EIB 25709 and EIB 25710, bear a variable interest rate and consequently, the book value of the long term loans is an approximation of its fair value.

As at 31 December 2012, the long term loans guaranteed by the Romanian Government through Ministry of Public Finance are: IBRD 7181, EBRD 906, EIB 20864, NIB PIL No 03/5, NIB PIL No 02/18, NIB PIL No 02/37 and JBIC.

The loan Raiffeisen Zentralbank is guaranteed in proportion of 85% by Coface. The loans EBRD 33354 is guaranteed by Transelectrica with assignment of receivables from transmission contracts concluded with SC FDFEE Electrica Transilvania Nord SA, while the loan BCR 398 is guaranteed with the promissory notes issued by the Company in the favour of the Romanian Commercial Bank, equalling the loan instalments payable.

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

The loan BRD – Groupe Societe Generale is guaranteed by assignment of receivables from SC CEZ Vanzare SA and a real movable security over all accounts opened with the Bank.

The guarantee contract concluded with CitiBank Europe PLC is guaranteed by assignment of receivables from SC Enel Muntenia SA.

The loan from ING and BRD is guaranteed by assignment of receivables from SC EON Energie Romania SA, SC Enel Distributie Muntenia SA, SC Alpiq Romindustries SRL, SC Electromagnetica SA, SC Repower Furnizare Romania SRL and through the real guarantee over the accounts opened at ING and one account opened at BRD SMCC.

At 31 December 2012, the pre-tax ratio and the current liquidity ratio are not met. These ratios relates to EIB loan agreement 20864 and to EBRD loan agreement 906. The ratios related to the EIB loan agreement 20864 were determined based on the interim consolidated financial statements as at and for the six month period ended 30 June 2012 and 30 June 2011 and the consolidated IFRS EU financial statements as at 31 December 2011, while the ratios for loan agreement 906 were determined based on these consolidated IFRS EU financial statements as at 31 December 2012.

As at 31 December 2012, the financial ratios not met are:

Indicator	The value of the ratio according to contract provisions	Loan	Realised value
Pre-tax working ratio	Minim 1.3	EIB 20864 EBRD 906	1.16 1.18*
Current liquidity ratio	Minim 1.2	EIB 20864	1.16

** There is no reclassification risk for EBRD 906 loan as short term loan as the outstanding balance of this loan as at 31 December 2012 is classified as short term loan, being to be fully repaid during 2013.*

As at 31 December 2011, the financial ratios not met are:

Indicator	The value of the ratio according to contract provisions	Loan	Realised value*
Pre-tax working ratio	Minim 1.3	EBRD 906	1.19
Current liquidity ratio	Minim 1.2	EBRD 906 IBRD 7181 EBRD 33354	1.10 1.10 1.10
Debt service covering ratio	Minim 1.3 Minim 1.5	EBRD 906 EBRD 33354	1.13 1.13

**The financial ratios were computed based on the 2011 IFRS EU financial statements as at and for the year ended 31 December 2011*

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

As at 31 December 2012, the current liquidity ratio determined based on the separate financial statements is 1.21, this being the lower limit at which this ratio is met, the minimum value of the ratio according to IBRD 7181 and EBRD 33354 loan agreements is 1.2.

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

The management of the Group believes that the long term liabilities in amount of 64,551 as at 31 December 2012, respectively 250,786 as at 31 December 2011 should not be classified as current liabilities due to the following reasons:

- the value of the covenants Pre-tax working ratio and Current liquidity ratio are negative impacted by the balancing market, and the value of the covenant Current liquidity ratio is also negative impacted by the support scheme for promoting the high efficiency cogeneration, activities that do not generate profit to the Group and which were not part of the Group's responsibilities at the date when the loan agreements were concluded;
- the covenant breach is not substantial;
- the Company has the capacity and intends to make all loan repayments in accordance with the loan agreements;
- the contractual clauses stipulate that the credit institutions have to grant the Group a reasonable period of time so that it could take the necessary actions in order to comply with the financial covenants;
- the loans, except for EBRD 33354, are guaranteed by the Romanian State. For all these loans, the Group settled its obligations towards the State regarding the risk commissions.

No early reimbursement notification has been received by the Group so far, neither for breach of covenants nor for breach of any other contractual issues in the loan agreements. Therefore, the Group considers it is appropriate to classify the respective loans as long-term borrowings in the consolidated financial statements as at 31 December 2012, respectively as at 31 December 2011.

Short term loans

As at 31 December 2012 and 31 December 2011 the short term loans are as follows:

	31 December 2012	**31 December 2011**
Current portion of the long term loans	191,006	182,216
Short term loans (credit lines)	10,490	25,781
Interest on long term and short term loans	7,655	8,700
Total short term borrowings	**209,151**	**216,697**

As at 31 December 2012, the Group has two revolving credit lines, one contracted by Transelectrica from BRD Group Societe Generale SA for the administration of the high efficiency cogeneration scheme, with the maximum value of 150,000 and one revolving credit line through Smart subsidiary, contracted from ING Bank N.V. Bucharest Branch with a maximum value of 16,000.

As at 31 December 2012, the balance of credit line contracted by Transelectrica is 0, and the balance of the credit line contracted through Smart subsidiary with ING Bank N.V. Bucharest Branch is of 10,490.

13. Employee benefits obligations

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

Also, according to the collective labour agreement, the Group provides benefits to both employees - depending on length of service and seniority in the company - and former employees at retirement.

The benefits provided by the Group include the following:

• retirement awards ranging from 1 to 5 gross monthly base salary depending on the number of years of service in the Group on the date of retirement;
• jubilee premiums between 1 and 5 gross monthly base salary depending on the number of years experience within the Group;
• Free electricity paid after retirement of 1,800 kWh / year paid according to the collective labour agreement

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

Employee benefits obligations were determined by Mr. Silviu Matei - authorized actuary with authorization no. 1342/12.04.2007, under service contract no. 32/12.02.2013.

As at 31 December 2012 and 31 December 2011 the employee benefits obligations are follows:

	31 December 2012	31 December 2011
Jubilee premiums	12,012	11,019
Retirement prizes	8,284	8,158
Free energy provided after retirement	10,735	5,678
Maternity premiums	99	6
Total	**31,130**	**24,861**

At 31 December 2012 and 31 December 2011, the Group has a present obligation of employee benefits, as described in Note 3 q, amounting to 31,130 and 24,861 respectively. Estimation of these liabilities was made taking into account the following:

- interest rate published by the National Bank of Romania ("NBR") at December 31, 2012 and interest rates expected for future periods;
- 31 December 2012 inflation rate published by the National Statistics Institute ("INS") and the inflation rate for future periods;
- Electricity price at 31 December 2012 and the price expected for future periods;
- base salary at 31 December 2012 and estimated the actuarial base salaries for future periods (an annual increase of 3%);
- Number of employees at 31 December 2012 and estimated annual number of Group employees based on projected rates of departure from the Group and statistical data on population mortality provided by INS in 2008;
- actuary estimated discount rate of 6% for the next 5 years and 3.5% for subsequent

14. Trade and other liabilities

As at 31 December 2012 and 31 December 2011 trade and other liabilities are as follows:

	31 December 2012	31 December 2011
Energy suppliers	503.262	888.637
Suppliers of other activities	49.198	74.044
Suppliers of fixed assets	128.284	139.194
Liabilities towards employees	8.409	10.600
Other liabilities	58.929	65.996
Total	**748.082**	**1.178.471**

As at 31 December 2012, the liability towards the energy suppliers includes the unpaid cogeneration bonus in the amount of 143,662 (140,349 at 31 December 2011).

The most important energy suppliers are: SC Hidroelectrica SA, SC Complex Energetic Oltenia SA, SC Electrocentrale Bucuresti SA, SC Complex Energetic Hunedoara SA and SC Complex Energetic Galati SA. As at 31 December 2012 and 31 December 2011, these suppliers represent 77% and 70% from the total energy suppliers.

Other liabilities in amount of 58.929 are represented by liabilities resulting from the administration of the high efficiency cogeneration scheme.

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

15. Income tax

The income tax expense consists of the following:

	2012	2011 Restated *
Current tax expense	20,181	41,573
Deferred tax	470	(2,105)
Changes in accounting policy (See Note 2e)	-	781
Total	**20,651**	**40,249**

*See Note 2e

The current and deferred tax of the Group for 2012 is determined at a statutory rate of 16% (16% for 2011).

Reconciliation of the effective tax rate:

	2012	2011 Restated*
Profit before income tax	**68,527**	**175,747**
Income tax at statutory rate of 16%	10,964	28,120
Effect of non-deductible expenses	15,287	12,399
Effect of non-taxable income	(7,615)	(1,618)
Other effects	2,015	1,348
Income tax	**20,651**	**40,249**

Deferred tax consists of the following:

	Assets		Liabilities		Net	
	31 Dec 2012	31 Dec 2011*	31 Dec 2012	31 Dec 2011*	31 Dec 2012	31 Dec 2011*
Property, plant and equipment	-	(3,966)	43,407	25,879	43,407	21,913
Deferred income	(1,736)	(1,736)	-	-	(1,736)	(1,736)
Employee benefits	(3,262)	(3,978)	-	-	(3,262)	(3,978)
Net tax (assets)/liabilities	**(4,998)**	**(9,680)**	**43,407**	**25,879**	**38,409**	**16,199**

Movement in deferred tax balances during 2011 and 2012 are as follows:

Elements	Balance 1 January 2011	Recognised in profit or loss	Tax recognised directly in OCI	Balance 31 December 2011	Recognised in profit or loss	Tax recognised directly in OCI	Balance 31 Dec 2012
Property, plant and equipment	19,521	(1,958)	4,350	21,913	(245)	21,739	43,407
Deferred income	(1,848)	112	-	(1,736)	-	-	(1,736)
Employee benefits	(4,500)	522	-	(3,978)	715	-	(3,262)
Net tax (assets)/liabilities	**13,173**	**(1,324)**	**4,350**	**16,199**	**470**	**21,739**	**38,409**

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

	31 December 2012		31 December 2011 restated*		31 December 2010 restated*	
	Cumulative temporary differences	**Deferred tax (asset) / liability**	**Cumulative temporary differences**	**Deferred tax (asset) / liability**	**Cumulative temporary differences**	**Deferred tax (asset) / liability**
Property, plant and equipment	271,294	43,407	136,958	21,913	122,006	19,521
Deferred income	(10,850)	(1,736)	(10,852)	(1,736)	(11,545)	(1,848)
Employee benefits	(20,395)	(3,262)	(24,861)	(3,978)	(28,127)	(4,500)
Total	**240,049**	**38,409**	**101,245**	**16,199**	**82,334**	**13,173**

* See Note 2 (e).

16. Earnings per share

As at 31 December 2012 and 31 December 2011, the earnings per share were as follows:

	2012	2011 Restated*
Consolidated net profit	**47,876**	**135,498**
Number of ordinary shares at the beginning and at the end of the period	73,303,142	73,303,142
Basic and diluted earnings per share (lei/share)	**0.65**	**1.85**

* See Note 2 (e).

17. Other tax and social security liabilities

As at 31 December 2012 and 31 December 2011 the other tax and social security liabilities are as follows:

	31 December 2012	31 December 2011
Contribution to social security fund	5,653	5,813
VAT payable	9,189	-
Tax on salaries	1,951	1,803
Other tax payable	379	392
Total	**17,172**	**8,008**

18. Revenues

The operating revenues include revenues from electricity transmission service and ancillary services, allocation of the interconnection capacity, balancing market administration and other revenues.

Revenues from electricity transmission and ancillary services have been computed using the tariffs approved through ANRE Orders no. 45 from 23 December 2010 and no. 19 from 25 March 2011.

The tariffs approved by the ANRE for 2012 and 2011 are as follows:

	Average tariff for transmission services	Average tariff for system services
Order No. 45/2010 –for 01.01.2011-31.03.2011	18.77	20.75
Order No. 19/2011– for 01.04.2011 -31.12.2012	18.77	10.21

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

The average tariff for electricity transmission has two components: the injection component (TG) and the extraction component (TL). During 2012 and 2011, the quantity of electricity delivered to consumers is as follows:

	2012	**2011**
Quantity of electricity delivered to consumers (MWh)	53,928,586	56,056,203

Revenues from the balancing market are derived from transactions conducted on this market as described in Note 1.

The revenues for 2012 and 2011 are as follows:

	2012	**2011 Restated***
Revenues from electricity transmission	1,024,866	1,055,875
Revenues from the allocation of the interconnection capacity	50,196	54,128
Revenues from reactive energy	3,910	4,915
Inter TSO Compensation (ITC) revenues	1,242	268
Total Revenues from electricity transmission	**1,080,214**	**1,115,186**
Revenues from functional ancillary services	57,707	59,977
Revenues from technological ancillary services	506,999	719,253
Revenues from unplanned exchanges on DAM	6,055	4,822
Total revenues from ancillary services	**570,761**	**784,052**
Balancing market	1,068,221	1,189,434
Other revenues	81,830	63,667
Total revenues	**2,801,026**	**3,152,339**

***** *see Note 2 (e)*

Revenues from electricity transmission

During 2012 the revenues from the electricity transmission have decreased by 34,972 as compared to 2011 as the electricity consumption decreased by more than 2 TWh, while the transmission tariff was equal with the one from 2011.

Revenues from ancillary services

During 2012 the revenues from ancillary decreased by 213,293 as compared to 2011 as the electricity consumption decreased, the tariff for ancillary services was equal with the one from 2011 and due to cogeneration reserve (technological ancillary service).

During the first semester of 2011, the revenues from technological ancillary services included the high efficient cogeneration reserve, while starting with 1 April 2011 by applying the provisions of the Government Decision No. 1215/2009 regarding the bonus support scheme for promoting high-efficiency cogeneration based on the demand for thermal energy, this ancillary reserve was not anymore included in the ancillary services. The Company, as administrator of this scheme, collects on a monthly basis the contribution for high efficiency cogeneration from the suppliers of the electric energy consumers in a separate bank account from the core activity and pays the producers of electricity and thermal energy of high efficient cogeneration, beneficiaries of the support plan.

Revenues from balancing market

During 2012 the revenues from balancing market decreased by 121,213 as compared to 2011determined by the level of transactions made by the participants on this market (non-profit activity of the company).

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

19. System operating expenses and Balancing Market expenses

During 2012 and 2011 the system operating and balancing market expenses are as follows:

	2012	2011
Expenses with its own technological consumption	252,390	251,538
Congestion costs	6,193	687
Electricity consumption in TES stations	17,348	15,394
Expenses with functional ancillary services	21,587	12,733
ITC expenses	13,460	10,110
Total operating expenses	**310,978**	**290,462**
Expenses with technological ancillary services	522,876	681,120
Balancing market expenses	1,068,221	1,189,434
Total	**1,902,075**	**2,161,016**

Expenses with its own technological consumption
These are represented by the expenses incurred to maintain under voltage the electricity transmission facilities and the electricity transmission through the interconnected transmission network.

Congestion costs
The increase of these expenses in 2012 compared to 2011 with the amount of 5,506 were determined by the withdrawal from exploitation by Ukraine of OHL 400 kV Rosiori-Mukacevo, which was not scheduled and required to dispatch the load to ensure the stability of NES.

Expenses with functional ancillary services
The expenses with the functional ancillary services represent the uncontracted international exchanges of electricity with neighbouring countries and unplanned exchanges on the Day Ahead Market (DAM).

In 2012 these expenses increased compared to 2011 with 8,856, determined by the increase of energy produced by the wind farms. This has led to higher unplanned exchanges than the agreed schedule, in terms of export, due to the inability to balance the production-consumption balance + foreign exchanges. The wind farms generated energy at full capacity, as there were no rules to reduce their present on the market, these being not yet registered on the Balancing Market due to the lack of regulations. Through ANRE Order no. 33/30 August 2012, starting with November 2012, this issue was solved.

ITC (Inter TSO Compensation) expenses
The monthly receivable/payable obligations for each TSO are established under the settlement/compensation mechanism following the use of TES through electricity transit between the transmission system operators (TSOs) from 35 countries that adhered to the mechanism implemented by ENTSO-E.

Expenses with the technological ancillary services
In 2012, the technological ancillary services decreased as compared to 2011 by 158,244. The value of ancillary services was lower in 2012 as compared to 2011 due to the provisions of the GD no.1215/2009 (see Note 18).

Balancing Market Expenses
Balancing market expenses result from transactions performed on this market as described in the Note 1, being entirely matched by balancing market revenues.

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

20. Other operating expenses

	2012	2011
Other third party services	58,213	77,794
Expenses with VAT and others accessories paid to ANAF (see Note 8)	-	22,221
Postage and telecommunications	7,920	7,708
Rent	12,886	11,546
Impairment of trade receivables	33,230	8,714
Compensations	38	4,413
Others	56,891	48,151
	169,178	**180,547**

21. Net finance result

	2012	2011
Interest income	6,270	10,705
Foreign exchange gains	77,442	104,695
Other financial income	2,003	2,240
Finance income	**85,715**	**117,640**
Foreign exchange losses	(97,681)	(118,282)
Interest expense	(32,268)	(33,035)
Total financial expenses	**(129,949)**	**(151,317)**
Net financial result	**(44,234)**	**(33,677)**

22. Fiscal environment

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

23. Commitments and contingencies

(i) Commitments

As at 31 December 2012 and 31 December 2011, the Group had commitments given amounting to 467,432 and 304,392 respectively, mainly representing ongoing contracts related to the investment program for the modernization and refurbishment of the transmission grid.

(ii) Land used by the Group

According to Law No. 99/1999, in case the Group obtains the title of deeds of lands after the privatisation, the land will be considered as contribution in kind of the State. These plots of lands are firstly recognised in other reserves. In this respect, the Group will increase the share capital in line with the value of the lands, and the beneficiary of this increase will be the Romanian State. In accordance with art. 130 from Law 297/2004 regarding the capital market, "the increase in the share capital of a listed company on a regulated market will be made with the possibility for the other shareholders to maintain their percentage in the share capital of that company".

(iii) Litigation in process

As of the date of these consolidated financial statements, the Group was involved in a number of 253 litigations in progress. In 182 of them the Group acts as a plaintiff or a challenging party, while in 103 of them the Group is a defendant. The management analyses the status of the litigation in progress regularly and after consultation with its legal representatives considers the appropriateness of providing for or disclosing the amounts involved in the consolidated financial statements.

Based on the information available, the management considers that there are no significant litigations in progress in which the Group is defendant, except the litigation mentioned below with Eolica Dobrogea SRL.

At the Bucharest Court of Appeal were registered two files, no. 10870/2/2011 and 1049/2/2012, having the same object, in which Eolica Dobrogea SRL, through its administrator Corneliu Dica, has sued the Company, together with ANRE. In file no. 10870/2/2011, Eolica Dobrogea SRL also sued Mr. Horia Hahaianu, as an individual, in his quality as General Manager of the Company at that moment and Mr. Corneliu Ene, as an individual, in his quality as Deputy General Manager of the Company.

The two files had as object the following:

- The cancelation of a notice issued by the Company on 16 December 2011, through which was rejected the request of Eolica Dobrogea SRL to conclude the minute to attest the accomplishment of the suspensive conditions according to the provisions of the contract no. C 63/18.02.2011, for connection to NES of the 600 MW Wind Power Plant located in Cogealac, Constanta county, through the extension of the 400 kv TariVerde Power Station;
- The ascertainment of the fulfilment, in the contractual time, of the suspensive conditions stipulated in the above mentioned connection contract and, in addition, forcing the Company to execute the above mentioned contract and to start the works according to the contract;
- Jointly forcing the Company (and Mr. Horia Hahaianu and Mr. Cornel Ene in file no. 10870/2/2011) for repairing the damage caused to Eolica Dobrogea SRL, by refusing to conclude the minute for the fulfilment of the suspensive conditions and to continue the execution of the connection contract, the estimated initial damage being estimated at EUR 118 million/year;

On 16 March 2012, the Bucharest Court of Appeal has decided that the two files mentioned above to be connected in one file. On 11 May 2012, Eolica Dobrogea has submitted to the Court the request to withdraw the claims in amount of EUR 118 million/year.

The Company has lost this claim, and on 8 February 2013, the Court has accepted the summon request, Transelectrica SA made an appeal, before the Court communicated its decision, based on art. 20 from Law 554/2004 suspending the execution as a result of the appeal.

The Company is involved in significant claims, as plaintiff, mainly for recovering of receivables (ex: Eco Energy, Petprod SRL, Total Electric Oltenia and Arcelormittal Galati). The Group recorded a provision for customers and other receivables in litigation and bankruptcy clients. The Company is also acting as plaintiff in a dispute with ANAF as disclosed in Note 8.

The management of the Group believes that there are no cases in which an outflow of resources will be required to settle the ongoing disputes. In addition, there are no ongoing disputes either by nature or by their value for which it is necessary to make the presentation of contingent assets or liabilities.

(iv) Guarantees

In accordance with the license no. 161/2000 regarding electricity transmission and system services, the Company has to maintain a financial guarantee in amount of 1% of the turnover generated by activities authorized by this license. This protects the Company from risks arising from these activities and covers any potential liabilities that may be incurred according to the license contractual clauses. In order to comply with this obligation, the Company concluded a guarantee agreement with BCR-WTC, the value of the guarantee letter being 31,131 as of 31 December 2012.

(v) Statutory revaluation reserves as at 31 December 2012

As at 31 December 2012, Group statutory revaluation reserves are in amount of 729,716.

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

Realized reserves are taxable in the future, in case of changing the destination of reserves in any form, in case of liquidation, merger and including using the reserves for covering the Company’s losses, except for the transfer of revaluation reserves mentioned in the above paragraph.

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

24. Group entities

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

Entity	Country of Origin	31 December 2012 % of total shares	31 December 2011 % of total shares
SMART SA	Romania	100	100
TELETRANS SA	Romania	100	100
ICEMENERG SA	Romania	100	100

SC SMART SA

SC SMART SA, with registered offices in no. 33 Magheru Boulevard, sector 1, Bucharest has as main activities the provision of maintenance services for the transmission – dispatcher system, It was set up by Romanian Government Decision no. 710/ 19 July 2001 at 1 November 2001. The share capital as of 31 December 2012 was in amount of 38,529, subscribed and fully paid.

SC TELETRANS SA

SC TELETRANS SA, with registered offices in no. 16 - 18 Hristo-Botev Boulevard, sector 3, Bucharest has as main activities telephony, telegraphy and transmission of data. It was set up as per Shareholders Meeting no. 3/2002. The share capital as of 31 December 2012 was in amount of 6,874 subscribed and fully paid.

SC ICEMENERG SA

SC "Filiala Institutul de Cercetări şi Modernizări Energetice" – ICEMENERG SA, with registered offices in no. 8 Electricienilor Boulevard, sector 3, Bucharest has as main activities research and development in physical and natural sciences, innovation, studies, development strategies, design, city planning, engineering and other technical services. It was set up as per Government Decision no. 1065/ 4 September 2003. The share capital as of 31 December 2012 subscribed and fully paid by the Company was in amount of 1,083 subscribed and fully paid.

25. Related party transaction

i) Transactions with other state – owned companies

The Group's transactions regarding the electricity transmission service and other activities performed as market and system operator are carried out based on contractual relations and are generally, with other companies owned by the Romanian state (e.g. Electrica Furnizare SA, Electrica SA, Hidroelectrica SA, Complexul Energetic Oltenia, Electrocentrale Bucuresti, Nuclearelectrica SA etc).

The transactions with other state owned companies in 2012 and 2011 are detailed below:

	2012	2011
Sales	1,180,563	1,486,496
Purchases	1,574,208	1,803,858

The balances with other state owned companies as at 31 December 2012 and 31 December 2011 are detailed below:

	31 December 2012	31 December 2011
Trade receivables	359,222	594,857
Trade payables	448,582	843,201

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

As described in Note 1 ("Regulatory environment") the Group's activities are regulated by ANRE. As described in Note 3 (c), according to the concession agreement, the Group pays an annual concession fee to ME computed as 1/1000 of the total electricity transmission revenues.

During 2012, the Company concluded 4 contracts for non reimbursable funds for four investment objectives. These contracts were concluded with ME, as Energy Intermediary Body in the name and for the Management Authority for the Sectoral Operational Programme "Increase of Economic Competitiveness". At 31 December 2012, the non reimbursable funds to be received amount to 65,083.

ii) Compensation to key management personnel

Compensation to key management personnel for their services is made up of a contractual salary and also termination and post employment benefits. These are detailed as follows:

	2012	2011
Short-term employee benefits	7,782	7,416
Termination benefits	-	148
Post employment benefits	-	31
Other long-term benefits	8	-
Total	**7,780**	**7,595**

26. Financial instruments

a) Financial risk management

The Group's is exposed it to the following risks that arise from financial instruments: market risk (interest rate risk and currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments.

The Group does not have formal arrangements to mitigate financial risks. Despite the fact that no formal arrangements are in place, the financial risks are monitored by top level management considering the financial needs of the Group in order to make sure that the opportunities and threats are matched efficiently.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are audited.

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

In 2011, the Company's risk management policy, the system and operational procedures regarding risk management were elaborated and the management was trained in risk management and internal control.

Interest rate risk

The Group's operating cash flows are impacted mainly by the changes in interest rates, due to the foreign long term borrowings the Group contracted. The Group has significant long term borrowings with variable interest rates that expose the Group to significant cash flow risk.

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

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments is:

	31 December 2012	31 December 2011
Fixed rate instruments		
Financial liabilities	312,346	326,569
Variable rate instruments		
Financial liabilities	833,286	799,140

Sensitivity analysis of interest rate

An increase of 100 basis points in interest rates at the reporting date would have decreased the profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Loss 31 December 2012	Loss 31 December 2011
RON	(462)	(652)
EUR	(7,374)	(6,566)
USD	(497)	(773)
Total	**(8,333)**	**(7,991)**

A decrease of 100 basis points in interest rates at the reporting date would have increased the profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit 31 December 2012	Profit 31 December 2011
RON	462	652
EUR	7,374	6,566
USD	497	773
Total	**8,333**	**7,991**

Foreign exchange risk

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

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

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

	Value	RON	EUR	USD	JPY
31 December 2012					
Monetary assets Cash and cash equivalents	319,198	276,811	42,333	24	30
Gross balance sheet exposure	**319,198**	**276,811**	**42,333**	**24**	**30**

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

Monetary liabilities					
Suppliers of fixed assets	(128,284)	(115,070)	(13,214)	-	-
Borrowings	(1,163,778)	(56,704)	(1,015,971)	(49,848)	(41,255)
Gross balance sheet exposure	**(1,292,062)**	**(171,774)**	**(1,029,185)**	**(49,848)**	**(41,255)**

31 December 2011	**Value**	**RON**	**EUR**	**USD**	**JPY**
Monetary assets					
Cash and cash equivalents	322,496	292,433	29,929	86	48
Gross balance sheet exposure	**322,496**	**292,433**	**29,929**	**86**	**48**
Monetary liabilities					
Suppliers of fixed assets	(139,194)	(77,795)	(61,399)	-	-
Borrowings	(1,160,190)	(91,018)	(934,601)	(77,469)	(57,102)
Gross balance sheet exposure	**(1,299,384)**	**(168,813)**	**(996,000)**	**(77,469)**	**(57,102)**

Trade receivables are denominated only in RON.

The Group has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposure.

The following significant exchange rates were used:

	Average rate		**Reporting date spot rate**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
RON/ EURO	4.4560	4.2377	4.4287	4.3197
RON/ USD	3.4682	3.0475	3.3575	3.3393
RON/ 100 JPY	4.3544	3.8283	3.8994	4.3178

Sensitivity analysis of exchange rates

A 10 percent strengthening of the RON against the following currencies at 31 December 2012 and 31 December 2011 would have increased profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit 31 December 2012	**Profit 31 December 2011**
EUR	98,721	96,576
USD	4,983	7,738
JPY	4,122	5,706
Total	**107,826**	**110,020**

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

A 10 percent weakening of the RON against the following currencies at 31 December 2012 and 31 December 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

	Loss 31 December 2012	Loss 31 December 2011
EUR	(98,721)	(96,576)
USD	(4,983)	(7,738)
JPY	(4,122)	(5,706)
Total	**(107,826)**	**(110,020)**

Credit risk

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

Financial assets, which potentially subject this Group to credit risk, consist primarily of trade receivables and cash and cash equivalents. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of impairment adjustment, represents the maximum amount exposed to credit risk.

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

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

	Carrying amount	
	31 December 2012	**31 December 2011**
Financial assets		
Trade receivables	717,264	1,143,738
Cash and cash equivalents	319,198	322,496
Non reimbursable funds	65,083	-
Other receivables	49,068	29,773
	1,150,613	**1,496,007**

The ageing of trade receivables at the reporting date was:

	Gross 31 December 2012	Impairment 31 December 2012	Gross 31 December 2011	Impairment 31 December 2011
Neither past due nor impaired	683,533	-	1,120,809	-
Past due 1 – 30 days	19,046	-	19,187	-
Past due 31 – 90 days	8,292	-	2,915	108
Past due 90 – 180 days	2,057	54	2,508	1,820
Past due 180 –270 days	4,420	3,337	2,665	2,530
Past due 270 –365 days	13,225	9,918	450	338
More than one year	63,427	63,427	45,948	45,948
Total	**794,000**	**76,736**	**1,194,482**	**50,744**

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

The ageing of other receivables at the reporting date was:

	Gross 31 December 2012	Impairment 31 December 2012	Gross 31 December 2011	Impairment 31 December 2011
Neither past due nor impaired	24,213	-	25,641	-
Past due 1 – 30 days	2,474	2,474	513	-
Past due 31 – 90 days	965	545	22,871	22,221
Past due 90 – 180 days	2,093	954	1,680	-
Past due 180 –270 days	848	224	590	-
Past due 270 –365 days	1,802	1,352	2,796	2,097
More than one year	65,222	43,000	15,882	15,882
Total	**97,617**	**48,549**	**69,973**	**40,200**

The Company recorded an allowance for bad debt for trade and other receivables, and for bankrupt clients. The biggest amounts recorded during 2012 were for Petprod SA (18,470) and for Complexul Energetic Hunedoara (4,970) (see Note 8). The movement in the allowance for doubtful debts in respect of trade receivables during the year is as follows:

	31 December 2012	31 December 2011
Balance at 1 January	50,774	48,504
Impairment loss recognized	26,543	7,070
Amounts written off	(580)	(4,830)
Balance at year end	**76,737**	**50,744**

The movement in the allowance for doubtful debts in respect of other receivables during the year is as follows:

	31 December 2012	31 December 2011
Balance at 1 January	40,200	11,002
Impairment loss recognized	8,387	29,198
Amounts written off	(38)	-
Balance at year end	**48,549**	**40,200**

The Group held cash and cash equivalents of 319,198 as at 31 December 2012 (31 December 2011: 322,496), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, mainly at BRD, Credite Europe Bank, BCR and Alpha Bank.

Liquidity risk

	31 December 2012	31 December 2011
Assets		
Monetary assets in RON	1,091,544	1,465,924
Monetary assets in foreign currency	42,387	30,063
	1,133,931	**1,496,007**
Liabilities		
Monetary liabilities in RON	(808,387)	(1,216,097)
Monetary liabilities in foreign currency	(1,120,645)	(1,130,571)
	(1,929,032)	**(2,346,668)**
Net monetary position in RON	**2,83,157**	**249,847**
Net monetary position in foreign currency	**(1,078,258)**	**(1,100,508)**

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

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

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

	Carrying amount	Contractual amount	12 months or less	1 – 2 years	2 – 5 years	> 5 years
31 December 2012						
Financial liabilities						
Trade and other liabilities	(747,581)	(747,581)	(747,581)	-	-	-
Other tax and social security liabilities	(17,172)	(17,172)	(17,172)	-	-	-
Borrowings	(1,163,778)	(1,263,339)	(216,697)	(208,092)	(526,147)	(312,403)
Total	**(1,928,531)**	**(2,028,092)**	**(981,450)**	**(208,092)**	**(526,147)**	**(312,403)**
31 December 2011						
Financial liabilities						
Trade and other liabilities	(1,178,471)	(1,178,471)	(1,178,471)	-	-	-
Other tax and social security liabilities	(8,007)	(8,007)	(8,007)	-	-	-
Borrowings	(1,160,190)	(1,262,679)	(213,276)	(213,884)	(488,228)	(347,291)
Total	**(2,346,668)**	**(2,449,157)**	**(1,399,754)**	**(213,884)**	**(488,228)**	**(347,291)**

As mentioned in Note 12, as at 31 December 2012, the Company did not meet certain financial indicators referring to loans EIB 20864 and EBRD 906. As at 31 December 2012, the long term portion of the loan EIB 20864 is of 64,551 and nil for loan EBRD 906. EIB may request by written notification the acceleration of repayment of this loan after a period of time during which the Group has the opportunity to remedy the matter. Loan EIB 20864 is guaranteed by the Romanian State. Please see in Note 12 the management's reasons for not reclassifying the long term liabilities as current liabilities for the loans mentioned earlier.

Fair value of financial instruments

The fair value is the amount at which the financial instrument can be exchanged in a current transaction by willing parties in an arm's length transaction, other than determined through liquidation or forced sale. The fair values are obtained from quoted market prices or through cash flows models, as appropriate. As at 31 December 2012, cash and cash equivalents, trade and other short term receivables. trade payables and other short term liabilities are close to their fair value due to their short due date. Management believes that the estimated fair values of these instruments approximate to their carrying amounts. The accounting value of the long term loans is an approximation of their fair value.

Personnel risk and the salary scheme

As at 31 December 2012, the average age of the Group's personnel is quite high. It is likely that in the nearest future. the Group will face a lack of personnel due to natural causes.

The Group could also face the risk that highly qualified employees leave for private companies which may offer salary packages more attractive than those offered by the Group.

The salary policy imposed by the State on companies in which it is the majority shareholder may lead to a major fluctuation within the specialized work force.

Price risk related to the regulatory framework of NES

Taking into account that the Group's operations and revenues are regulated by ANRE, the most important risks arising from this are:

- The regulatory framework is relatively new and prone to different changes. which may affect the Group's performance;
- ANRE decisions regarding future tariffs may affect the Group's operations;

b) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business.

27. Subsequent events

Extra taxation in the energy sector

In accordance with Ordinance no 5/23 January 2013 approving some special taxation rules for activities with a monopoly character in the electricity and natural gas sectors, the Company has to pay an extra tax for its monopoly transmission activity. The tax should be applied during the period 1 February 2013 – 31 December 2014. The Company has to pay 0.1 lei/MWh for each MWh extracted from the transmission network and 0.85 lei/MWh for each MWh extracted from the transmission network and delivered to the final customer or to the export.

Ownership structure

On 21 March 2013, was published for consultation an emergency ordinance project which states that at the date it is effective, the shares held by the State in the Company will pass from the Ministry of Economy to the Ministry of Public Finance ("MFP"). This modification in the structure of the shareholders took into consideration the necessity for obeying the principles regarding the separation of the quality as shareholder of the companies involved in the generation and supply activities, on one hand, and the quality as shareholder of the transmission system operator, on the other hand, this being imposed by the mandatory legislation of the European Union through Directive 2009/72/EC of the European Parliament and of the Council from 13 July 2009 regarding the common norms for the internal electricity market and for the repeal of the Directive 2003/54/EC, and at the level of the national legislation through provisions of the electricity and natural gas law no 123/2012.

Also, this draft ordinance authorizes MFP and ME to initiate and approve, as appropriate, all necessary steps to transfer the shares held by the Company in "Electricity Market Operator" SA - SC OPCOM and Formenerg SA in the state's ownership and management of ME, in compliance with legal provisions. As at 31 December 2012 the value of the Company's investment at historic cost in OPCOM amounts to 3.548 and in Formenerg 1.948.

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Independent Auditors' Report
(free translation[1])

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

Report on the consolidated financial statements

1 We have audited the accompanying consolidated financial statements of C.N.T.E.E. Transelectrica S.A. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2 The management of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as endorsed by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as adopted by the Chamber of Financial Auditors of Romania. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatements.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Fiscal registration code RO12997279
Trade Registry no.J40/4439/2000
Share Capital 2,000 RON

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

6 As described in Note 12 to the accompanying consolidated financial statements, as at 31 December 2012 the Group has the long-term loan no. 20864 from the European Investment Bank. As at 31 December 2012 the Group did not comply with certain financial indicators stipulated in the loan agreement. The European Investment Bank may request by written notification the acceleration of repayment of this loan after a period of time during which the Group has the opportunity to remedy this matter. Therefore, long term liabilities of RON 64,551 thousand should be presented in the consolidated statement of financial position as at 31 December 2012 as short term liabilities in accordance with the International Accounting Standard ("IAS") 1 "Presentation of Financial Statements".

Our audit report on the consolidated financial statements as at and for the year ended 31 December 2011 was also qualified as a result of non-compliance as at that date with certain financial indicators related to long-term loans contracted from the European Bank for Reconstruction and Development and the International Bank for Reconstruction and Development. Accordingly, long term liabilities of RON 250,786 thousand should have been presented as short term liabilities as at 31 December 2011 in accordance with IAS 1 "Presentation of Financial Statements".

Qualified Opinion

7 In our opinion, except for the effects of the matters described in paragraph 6, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Emphasis of Matter

8 Without further qualifying our opinion, we draw attention to:

a) Note 2 e) to the accompanying consolidated financial statements, which describes that during 2012 the Group changed its accounting policies regarding the transfer of revaluation reserve to retained earnings and revenue recognition of connection fees with retrospective application.

b) Note 27 to the accompanying consolidated financial statements, which describes that on 21 March 2013 an emergency ordinance project was published for consultation, which started to be effective on 1 April 2013, and which states that at the date it is effective, the management of the shares held by the State in the Company will pass from the Ministry of Economy ("ME") to the Ministry of Public Finance ("MFP"). Also, this ordinance authorizes MFP and ME to initiate and approve, as appropriate, all necessary steps to transfer the shares held by the Company in S.C. "Operatorul Pietei de Energie Electrica" S.A. - OPCOM and S.C. Formenerg S.A. in the State's ownership and management of ME, in compliance with legal provisions.

K

Other Matters

9 This independent auditors' report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for the report on consolidated financial statements and the report on conformity of the Directorate's Report, or for the opinion we have formed.

Report on conformity of the Directorate's Report with the Consolidated Financial Statements

In accordance with the Order of the Minister of Public Finance no 1286/2012 and related amendments, article 30 letter c) of the accounting regulations in accordance with International Financial Reporting Standards applicable for listed entities on regulated markets, we have read the Directorate's Report attached to the consolidated financial statements. The Directorate's Report is not a part of the consolidated financial statements. In the Directorate's Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements.

Refer to the original signed Romanian version

For and on behalf of KPMG Audit SRL:

Razvan Mihai

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

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

Bucharest, 9 April 2013