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**NPG TRANSELECTRICA SA**

**PRELIMINARY REPORT**  
**January – December**  
**2016**

 <b>Key figures</b>	<b>1</b>
 <b>Financial data</b>	<b>2</b>
 <b>Operational data</b>	<b>9</b>
 <b>Investments</b>	<b>12</b>
 <b>Significant events</b>	<b>15</b>
 <b>Other issues</b>	<b>19</b>
 <b>Annexes</b>	<b>23</b>

**PRELIMINARY REPORT ON THE ECONOMIC – FINANCIAL ACTIVITIES OF  
CNTEE TRANSELECTRICA SA**

**according to provisions of art. 227 of the Law 297/ 2004 concerning the capital market and the  
CNVM Regulation no. 1/2006 issued by the National Securities Commission, currently the Financial  
Supervisory Authority (ASF)**

**for the period ending on 31 December 2016**

Date of the report:	15 February 2017
Name of the trading company:	National Power Grid Co. TRANSELECTRICA SA, company managed under two tier system
Headquarters:	Bucharest 1, Blvd. Gen. Gheorghe Magheru 33, postal code 010325
Working point:	Bucharest 3, Str. Olteni 2 - 4, postal code 030786
Phone / fax numbers:	004021 303 5611/ 021 303 5610
Single registration code:	13328043
Number in the Commercial Register:	J40/ 8060/ 2000
Date of Company establishment:	31.07.2000/ OUG 627
Share capital:	733,031,420 Lei, subscribed and paid
Regulated market where the issued securities are transacted:	Bucharest Stock Exchange, Premium Category
Main characteristics of the issued securities:	73,303,142 dematerialised nominative ordinary indivisible shares of 10 Lei/ share nominal value each, freely transactable since 29.08.2006 as TEL  20,000 nominative dematerialised unsecured bonds of 10,000 Lei/ bond nominal value each, transactable on the BVB (BSE) under Credit Titles, 3rd class- Corporate bonds as TEL 18 in the class; maturity date 19.12.2018
Market value:	2,140,451,746 Lei (29.2 Lei/share on 31.12.2016)
Applicable accounting standard:	International Financial Reporting Standards
Auditing:	The financial statements issued as at 31.12.2016 are unaudited

## **STATEMENT OF RESPONSIBLE PERSONS**

To the best of our knowledge, the financial data for the 12 months' period ending on 31 December 2016 have been issued according to the applicable accounting standards (International Financial Reporting Standards as approved by the European Union) and they provide a true and fair view of NPG Transelectrica assets, liabilities, financial position and profit and loss account.

This report contains true and complete information regarding the financial and economic situation and the activity of NPG Transelectrica.

**Bucharest, 14 February 2017**

**Directorate,**

**Ion-Toni  
TEAU**

**Chairman of  
Directorate**

**Constantin  
VADUVA**

**Directorate Member**

**Octavian  
LOHAN**

**Directorate Member**

**Mircea-Toma  
MODRAN**

**Directorate Member**



## Key figures 12M 2016 vs 12M 2015

### KEY FIGURES – 12 months 2016 (preliminary values)

FINANCIAL		
2,723 mill Lei	▼ 8.8% y/y	Revenues
688 mill Lei	▼ 10.3% y/y	EBITDA
286 mill Lei	▼ 20.6% y/y	Net income
53.52 TWh	▲ 2.0% y/y	Billed energy**

OPERATIONAL		
2.32* %	▼ 0.03pp y/y	Grid losses
43.67 TWh	▼ 0.2% y/y	Transported energy***

CPT One's own technological consumption (losses)

\* The value of own technological consumption in the electric energy injected in the transmission grid (transported energy)

\*\* Billed amount is defined as the amount of electricity extracted from the public power networks (transmission grid and the distribution networks), less the electricity exports

\*\*\* The transmitted quantity is defined by the amount of energy physically conveyed within the transmission network

INVESTMENTS		
171.3 mill Lei	▼ 19.6% y/y	Purchase of tangible and intangible assets****
93.27 mill Lei	▼ 27.3% y/y	Fixed assets recorded in the accounts (commissioned)

\*\*\*\* The sum and, respectively the variance do not include the unused down payment for the Iron Gates – (Anina) – Resita segment of the new line



## Financial data

The synthesis of the preliminary financial results on 31 December 2016 is provided in the tables below. The financial results are unaudited, and the Annexes of this Report provide detailed information for the 2016 period.

Separate statement of profit and loss		
[mill Lei]	2016	2015
Billed volume of energy - TWh	53.52	52.47
<b>PROFIT ALLOWED ACTIVITIES</b>		
<b>Operational revenues</b>	<b>1,260</b>	<b>1,400</b>
<b>Operational expenses</b>	<b>660</b>	<b>657</b>
<b>EBITDA</b>	<b>600</b>	<b>743</b>
Depreciation and amortization	323	318
<b>EBIT</b>	<b>277</b>	<b>425</b>
<b>ZERO PROFIT ACTIVITIES</b>		
<b>Operational revenues</b>	<b>1,463</b>	<b>1,585</b>
<b>Operational expenses</b>	<b>1,375</b>	<b>1,561</b>
<b>EBIT</b>	<b>88</b>	<b>24</b>
<b>ALL ACTIVITIES - PROFIT ALLOWED and ZERO-PROFIT</b>		
Operational revenues	2,723	2,985
Operational expenses	2,035	2,218
<b>EBITDA</b>	<b>688</b>	<b>767</b>
Depreciation and amortization	323	318
<b>EBIT</b>	<b>365</b>	<b>449</b>
Financial result (loss)	(17)	(19)
<b>EBT - Gross profit</b>	<b>348</b>	<b>430</b>
Income tax	(62)	(70)
<b>Net profit</b>	<b>286</b>	<b>360</b>

**Separate statement of financial position**

[mill Lei]	31.Dec.16	31.Dec.15
<b>Non-current assets</b>		
Property, plant and equipment	3,190	3,341
Intangible assets	14	35
Financial assets	78	56
Non-current receivables	10	-
<b>Total</b>	<b>3,292</b>	<b>3,432</b>
<b>Current assets</b>		
Inventories	32	34
Trade receivables	855	724
Other financial assets (financial deposits > 90 days)	135	70
Cash and cash equivalents	934	974
<b>Total</b>	<b>1,956</b>	<b>1,802</b>
<b>TOTAL ASSETS</b>	<b>5,248</b>	<b>5,234</b>
<b>Shareholders' equity</b>	<b>3,114</b>	<b>3,029</b>
<b>Non-current liabilities</b>		
Borrowings	502	635
Other liabilities	504	532
<b>Total</b>	<b>1,006</b>	<b>1,167</b>
<b>Current liabilities</b>		
Borrowings	138	167
Other liabilities	990	871
<b>Total</b>	<b>1,128</b>	<b>1,038</b>
<b>Total liabilities</b>	<b>2,134</b>	<b>2,205</b>
<b>Total equities and liabilities</b>	<b>5,248</b>	<b>5,234</b>

**Stand alone cash flow statement**

[mill Lei]	2016	2015
Cash flows before changes in working capital	728	808
Cash flows after changes in working capital changes	606	892
Net cash from operating activities	515	805
Net cash used in investing activities	(199)	(146)
Net cash used in financing activities	(357)	(402)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(41)</b>	<b>258</b>
<b>Cash and cash equivalents on 1 January</b>	<b>974</b>	<b>716</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>934</b>	<b>974</b>

## OPERATIONAL RESULTS

### Volume of billed energy

In 2016, the total quantity of electricity billed for the services provided on the electricity market (53.52Twh) increased 2.00% compared to 2015 (a +1.05 TWh difference is recorded between the two intervals).

Such trend maintained in all months of 2016. Thus except for February, March and April when the amount of billed electricity was 1.2%, 0.25% and 0.53% lower, in the last two months of 2016 the increase percentage was significant (6.68% and 7.81%).

### Operational revenues

Revenues obtained in 2016 recorded **8.77%** decrease compared to the previous year (2,723 mill Lei in 2016 from 2,985 mill Lei in 2015).

The segment of **profit allowed activities** recorded **10.00%** revenue drop (1,260 mill Lei in 2016 from 1,400 mill Lei in 2015), determined by diminished average tariffs of transmission services as of 01 July 2016, given the minor increase in the electricity consumption.

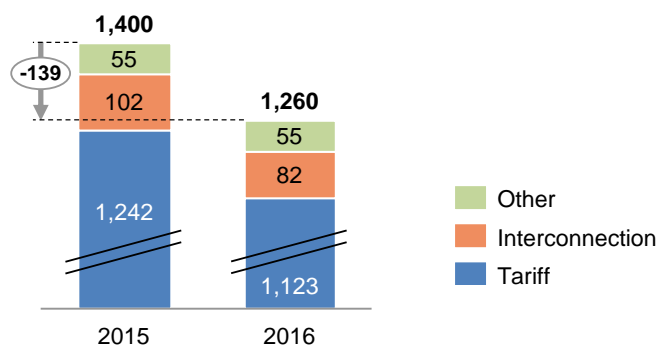
Revenues from the allocation of interconnection capacity decreased **19.51%** compared to what was achieved in 2015 (82 mill Lei in 2016 from 102 mill Lei in 2015).

Starting with 2016, the UIOSI principle was introduced on the Hungarian and Bulgarian borders, according to which participants that do not use the capacity gained at annual and monthly bids are remunerated through market mechanisms for the unused amount.

The market allocating interconnection capacities is fluctuating, as the prices develop depending on demand and on the market participants' need to procure interconnection capacity.

The use of net incomes resulted from interconnection capacity allocation is achieved in accordance with the provisions of ANRE Order no.53/2013, art. 22 line (4) and of Regulation (CE) no. 714/2009 art. 16, line (6) as financing source of investments for the updating and development of the interconnection capacity with neighboring systems.

Operational revenues from profit allowed activities  
(mill Lei)



\* It includes revenues from the transmission tariff and the tariff of functional system services

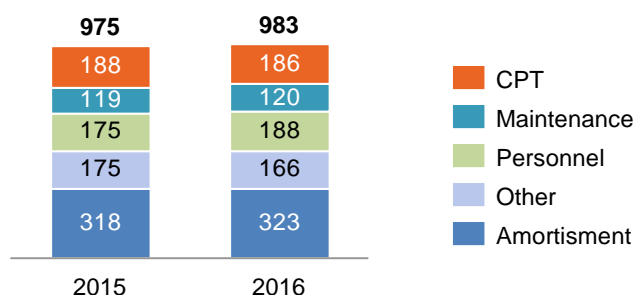
Revenues from **zero-profit activities** also registered **7.70%** decrease (1,463 mill Lei in 2016 from 1,585 mill Lei in 2015) mainly as a result of lower revenues from the balancing market (by 11.8% as compared to previous year) due to smaller imbalances level in 2016. Revenues from supplied technological services marginally decreased by 2.00% as compared to 2015.

### Operational expenses

Total operational expenses (including amortisement) achieved in 2016 decreased **7.02%** in comparison with the same period of last year (2,358 mill Lei from 2,536 mill Lei).

Expenses of the **profit allowed activities** segment (without depreciation) increased **0.46%** (660 mill Lei from 657 mill Lei in 2015).

Operational expenses of cu profit allowed activities  
(mill Lei)

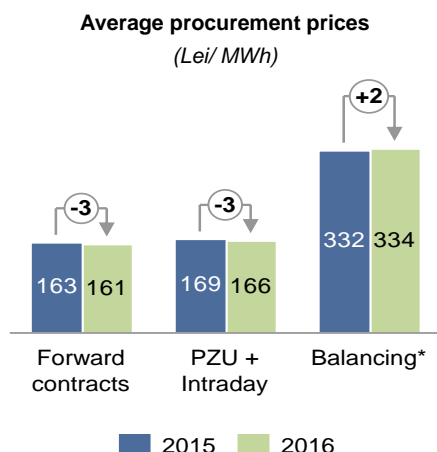


**Grid losses:** The total cost of electricity procurement as necessary to cover one's own technological decreased 2.15% in January - December 2016 compared to the same time of 2015.

The need of energy for CPT (one's own technological consumption) was lower in 2016, being somewhere around 1,012 GWh as compared to 1,030 GWh in 2015.

The average procurement unit prices recorded an insignificant decrease in 2016 by 0.4% (180.6 Lei/ MWh as compared to 181.4 Lei/ MWh in 2015).





\* Estimated values for 2016

**Congestions:** Congestions (network restrictions) are transmission demands for electricity exceeding the technical capacity limits of the network, therefore corrective actions are required from the transmission and system operator and they occur when scheduling the operation or in real time whenever the power circulation between two system nodes or zones leads to incompliance with the safe operational parameters of a power system.

In 2016 congestions amounted to 2 mill Lei above the value registered in 2015 (1 mill Lei), as a result of extreme meteorological conditions from January 2016 in Dobrogea.

The segment of **zero-profit activities** registered about **11.92%** lower expenses (1,375 mill Lei from 1,561 mill Lei in 2015).

In January-December 2016 expenses for technological system services registered a 12.0% reduction as compared to the same time of 2015, determined by:

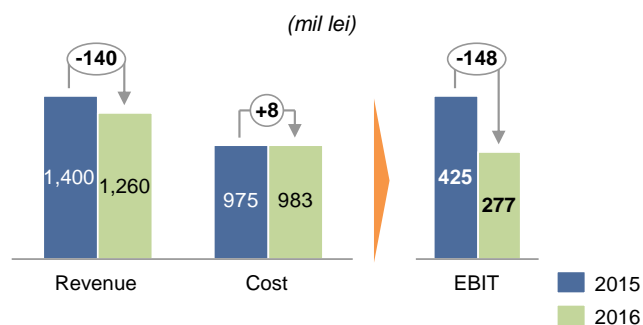
- Diminished share of technological system services procured under regulated regime, in the total procurements of technological system services;
- Procurement prices of technological system services on the competitive market were lower in comparison with the regulated procurement prices;
- Competitiveness increased on the market of technological services; therefore average procurement prices for the automatic frequency restoration reserve (RS) and the replacement reserve (RTL) were smaller.
- CNTEE Transelectrica SA is re-invoicing the value of technological system services procured from producers to the electricity suppliers licensed by ANRE that benefit of such services in the end.

## Operational profit

**EBITDA** registered **10.30%** decrease compared to the same period of last year (688 mill Lei from 767 mill Lei in 2015), such development being mainly determined by ANRE's reduction of approved average tariffs for transmission services.

**Profit allowed activities** registered 277 mill Lei positive result, diminished from 425 mill Lei against the background of diminished transmission tariffs.

### EBIT structure for profit allowed activities



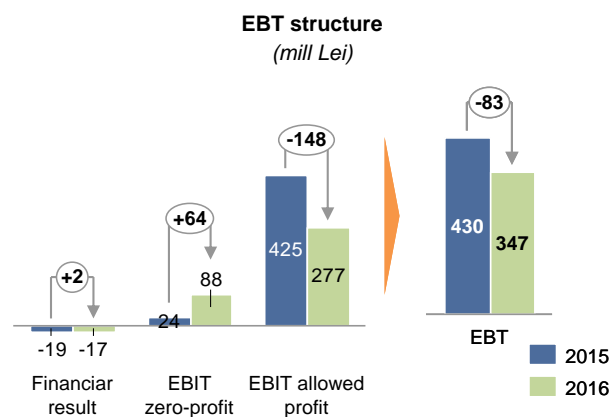
**EBIT** generated by **zero-profit activities** registered positive result of 88 mill Lei.

On the background of all activities **EBIT** registered about **18.71%** reduction (365 mill Lei from 449 mill Lei in 2015).

## Gross profit (EBT)

Gross profit registered **19.30%** decrease from 430 mill Lei in 2015 to 347 mill lei in 2016.

The difference between the profit registered in 2016 and that of 2015, broken down by constitutive items of profit, is provided in the graph below.

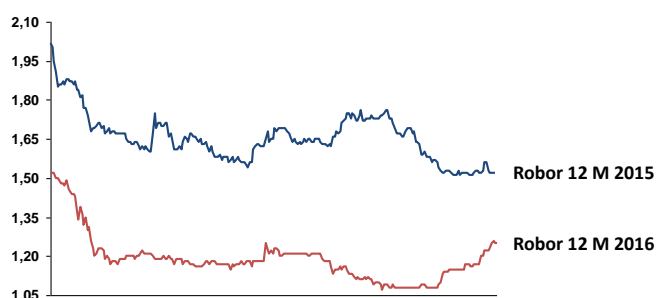


## Financial Result

The net financial result registered in January-December 2016 was negative and amounted to 17 mill Lei, against the background of diminished net financial revenues received from subsidiaries (mainly OPCOM and TELETRANS).

Net expenses with interest rates were 0.1 mill Lei lower in 2016 compared to the previous year, the sum total registered being 18.3 mill Lei.

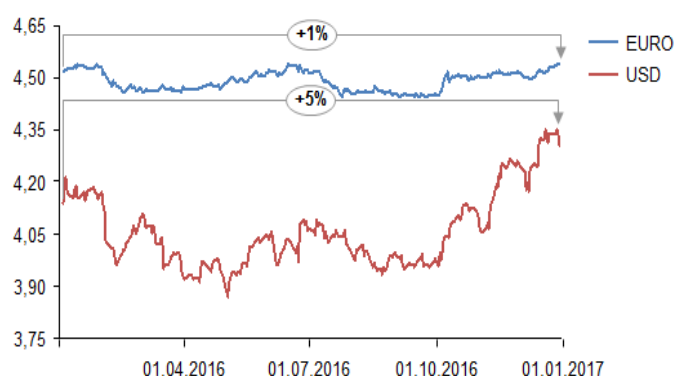
Development of ROBOR (12M 2016 and 12M 2015)



The positive development of net differences in the exchange rate was mainly determined by the development in the exchange rate of the national currency against the foreign currencies Transelectrica has contractated bank loans in order to finance its investment programmes (prevailing Euro).

Thus the net gain registered in 2016 was 1.3 mill Lei, a 6.9 mill Lei better result in comparison with 2015.

Development of the exchange rates



## Net profit

Net profit registered about **20.56%** decrease compared to what was recorded in 2015 (286 mill Lei from 360 mill Lei), a development mainly determined by the decrease of revenues from the electricity transmission services.

## FINANCIAL POSITION

### Non-current assets

Non-current assets registered 4.08% decrease at the end of December 2016 compared to 31 December 2015, mainly after registration of amortisement for the property, plant & equipment and the intangible assets of the period.

The amount of 9.8 mill Lei has been included in the non-current assets, representing trade receivables associated to the bonus type support scheme to

promote high efficiency cogeneration corresponding to SC Electrocentrale Oradea SA, spread out until the payment date - 30.09.2018.

### Current assets

Current assets registered 8.55% increase on 31 December 2016 (1,956 mill Lei) as compared to the value recorded on 31 December 2015 (1,802 mill Lei), influenced by the 131 mill Lei higher trade receivables and by the 25 mill Lei net increase of cash flow and of financial deposits constituted for more than 90 days, against the 4 mill Lei decrease of inventories.

On 31 December 2016 the Company registered trade receivables from the bonus type support scheme to promote high efficiency cogeneration amounting to 21% (31 December 2015 - 25%) from the total trade receivables.

The clients from the bonus type support scheme to promote high efficiency cogeneration registered increase on 31 December 2016 because of slowing down collection rte of receivables associated to the support scheme, mainly determined by the non-cashed overcompensation of 2015.

On 31 December 2016 the Company registered trade receivables amounting to 133.3 mill Lei, represented by invoices issued under the bonus type support scheme to promote high efficiency cogeneration, of which:

- 2011-2013 overcompensation in sum of 76.7 mill Lei, from RAAN – 63.5 mill Lei and from CET Govora SA – 13.2 mill Lei;
- 2014 overcompensation amounting to 1.4 mill Lei, from Electrocentrale Oradea;
- 2015 overcompensation of 13.2 mill Lei from Electrocentrale Oradea. At the end of September 2016 Electrocentrale Oradea concluded a contract to have the liability representing the 2014 and 2015 overcompensation (24.4 mill Lei) taken over by SC Termoficare Oradea SA, and spreading out this liability over 24 months (31.10.2016 – 30.09.2018). Thus the amount of 9.8 mill Lei falling due in more than one year was re-classified in the category of non-current liabilities.
- Undue 2014 bonus amounting to 3.9 mill Lei, namely from RAAN – 2.0 mill Lei and from CET Govora – 1.9 mill Lei;
- Undue 2015 bonus amounting to 0.6 mill Lei, from CET Govora and Interagro;

- Cogeneration contribution not collected from the suppliers of electricity consumers in sum of 23.05 mill Lei, as follows: Transenergo Com – 4.7 mill Lei, ENEL Energie – 4.7 mill Lei, ENEL Energie Muntenia – 4.6 mill Lei, PetProd – 4.4 mill Lei, Romenergy Industry – 2.7 mill Lei, RAAN – 2.4 mill Lei, UGM Energy – 1.8 mill Lei.

To extinguish such receivables generated by the 2011-2013 overcompensation the Company asked the generators to carry out mutual compensations. RAAN did not agree with this manner of extinguishing mutual receivables and payables and this is the reason why the Company has applied and further applies the provisions of article 17 par 5 from Order 116/2013 of ANRE president approving the Regulation determining the collection of contributions for high efficiency cogeneration and the bonus payment for the electricity generated under high efficiency cogeneration: "in case the generator has not paid in full to the support scheme administrator his payment liabilities resulting in accordance with this regulation, the support scheme administrator pays to the generator the difference between the generator-issued invoices and the generator's payment liabilities under the support scheme, mentioning explicitly the respective amounts on the payment document" and has withheld from payment the amounts associated to the bonus owed to the generators that did not pay the overcompensation.

CNTEE Transelectrica SA concluded with CET Govora SA a compensation and payment spread-out agreement for the amounts representing receivables from the 2011-2013 overcompensation and the undue 2014 bonus (Agreement C 135/30.06.2015 and Addendum 1/04.08.2015). The Agreement term was 1 year (July 2015 - August 2016) and provided the Company's right to calculate and collect penalties during the payment spread-out period.

In accordance with this Agreement the Company's trade receivables from CET Govora SA were compensated with the liabilities of CET Govora SA, represented by cogeneration bonus for May 2014 – October 2015 withheld by applying the provisions of article 17 par 5 from Order 116/2013 of ANRE president and the Agreement provisions, amounting to 40.5 mil lei.

Following court suspension by means of the Civil sentence 3185/27.11.2015 of ANRE Decision 738/28.03.2014 that determined the value of the 2011 – 2013 overcompensation, CET Govora SA has no longer complied with the Agreement obligations.

Beginning with 9 May 2016 the general insolvency procedure was instituted on CET. With a view to

recover the receivables constituted before opening such insolvency procedure, the Company has applied the specific procedures provided by Law 85/2014 of insolvency and asked the court to admit its receivables in accordance with legal provisions.

Taking into account the above, beginning with 9 May 2016 the Company ceased applying the provisions of article 17.5 from Order 116/2013 of ANRE president approving the Regulation determining the collection of contributions for high efficiency cogeneration and the bonus payment for the electricity generated under high efficiency cogeneration and pays monthly the cogeneration bonus to CET Govora.

Civil sentence 2430/05.10.2016 of the High Court of Cassation and Justice admitted the appeal declared by ANRE against the Civil sentence 3185/27.11.2015, cancelled partly the appealed sentence and denied the suspension demand of CET Govora, such judgment being final. Thus beginning with 05.10.2016 the provisions of ANRE Decision 738/28.03.2014 are no longer suspended, and they produce full effects.

Under such circumstances the Company applies the provisions of article 17 par 5 from ANRE Order 116/2013 for the mutual liabilities and receivables created after the insolvency procedure, in the sense of withholding the bonus owed to CET Govora SA until the concurrence of the sums from the support scheme not paid to the Companiei.

On 08.12.2016 Governmental Decision 925 approved amending and adding GD 1215/2009 determining the criteria and conditions necessary to implement the support scheme to promote high efficiency cogeneration based on the demand of useful thermal power. The main amendments refer to the following:

- In order to receive the bonus, producers must clean their debts towards the support scheme administrator or to have concluded agreements to compensate liabilities and receivables;
- Overcompensation is recovered in accordance with the national legislation and that of the European Union in the state aid domain;
- Overcompensation / undue bonus remaining unpaid by producers, which all legal measures have been applied for, will be recovered by including this amount in the cogeneration contribution, according to the methodology elaborated by ANRE
- ANRE decisions with respect to the quantum of the overcompensation and/or undue bonus are compulsory for generators and are applied for

recovery by a decision issued by the support scheme administrator in accordance with the legislation in the state aid domain.

- The financial closure of the support scheme takes place in the first half-year of 2024, in accordance with the regulatory framework elaborated by ANRE.

## Liabilities

**Non-current liabilities** registered 20.9% decrease in 2016, mainly after repaying the instalments of contracted loans (from 635 mill Lei on 31 December 2015 to 502 mill Lei on 31 December 2016).

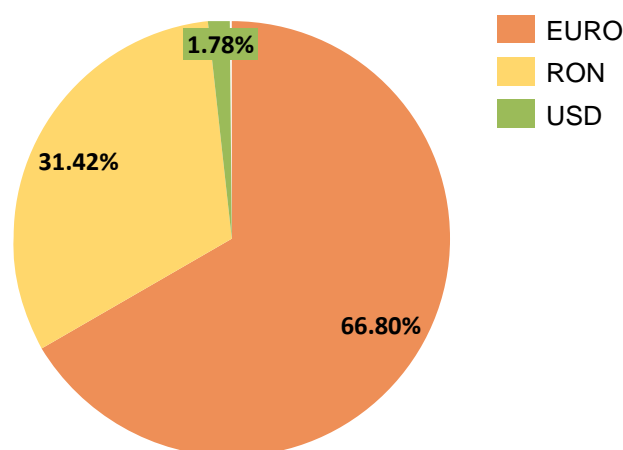
**Current liabilities** registered 8.68% increase on 31 December 2016, mainly determined by the higher volume of transactions on the balancing market in December 2016 compared to December 2015.

Interest-bearing borrowings with maturity less than 12 months decreased 29.2 mill Lei in comparison with 31 December 2015.

Other tax and liabilities for social insurance registered increase, which comes mainly from the contributions associated to the variable component of mandate contracts and from the higher liability with the non-resident tax. At the same time the provisions also registered increase, as determined by the actual value registration corresponding to the virtual share options of the Company.

Interest-bearing liabilities (non-current and current) are provided below according to structure.

Structure by currency on 31.12.2016



## Shareholders' equities

Shareholders' equities registered slight 2.81% increase, while their structure recorded 54.6 mill Lei lower revaluation reserves and 120.5 mill Lei increase of the retained result.

## SHARE DEVELOPMENT

(31-Dec-2015 to 30-Sept-2016)

2016 began with 29.15 Lei/share transaction price, stock exchange capitalisation being of 2,137 mill Lei, and the year end (31 December 2016) registered the share at 29.2 Lei. The minimum transaction price of 26.4 Lei/share was registered on 20.01.2016, while the maximum 31.15 Lei/share was reached on 03.06.2016.

## DIVIDENDS

A gross dividend amounting to 2.65 Lei was approved for 2015 and payment began on 28 June 2016. The dividend was calculated taking into account the provisions of applicable legislation on profit distribution to companies with majority state capital, based on 75% rate and in line with the dividend policy of CNTEE Transelectrica SA.

Total dividend distributed:	194 mill Lei
Dividend per share:	2.6500 Lei
Ex-dividend date:	6 June 2016
Date of payment:	28 June 2016



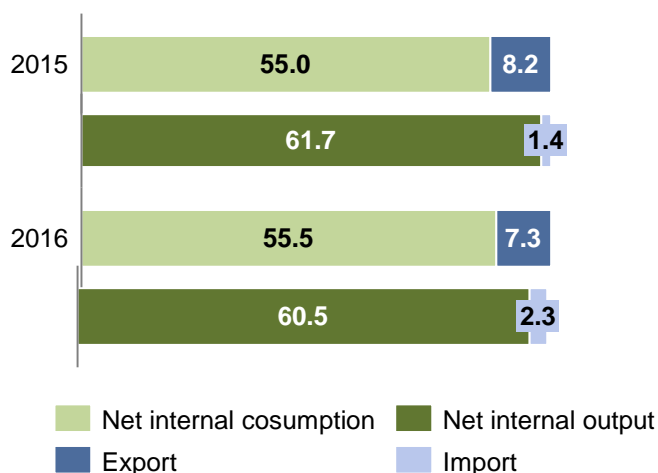
## Operational data

### ENERGY BALANCE WITHIN NES

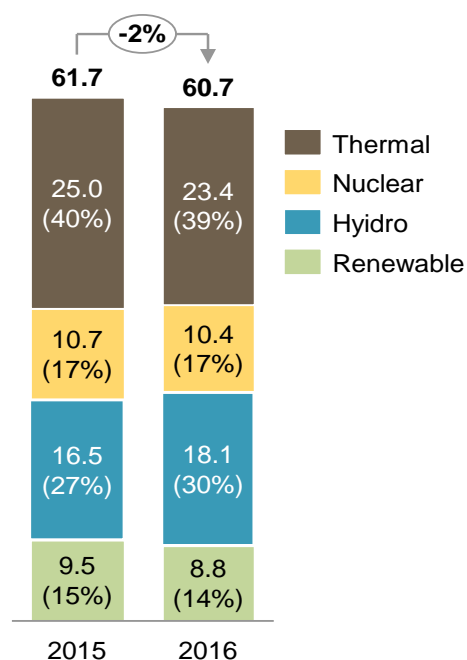
IN 2016 net internal consumption<sup>1</sup> grew 0.9% compared to the same period of last year, but the net power output registered about 1.9% decrease in comparison with the same period of 2015.

Cross-border physical export exchanges decreased 10.3% compared to the same period of 2015, while cross-border import flows registered about 60.5% increase.

Energy balance of 12M  
(TWh)



Mix of the net electricity output  
(TWh)



### GENERATION MIX

The generation mix structure of 2016 in comparison with 2015 registered about 9.3% increase in the share of the hydropower component, while the thermal, renewable and nuclear components registered reductions (42.58 TWh compared to 45.16 TWh). The thermal component represented 39% in the generation mix structure, while the nuclear and renewable outputs represented 10.4% and respectively 8.8%.

### NATIONAL GENERATION FLEET

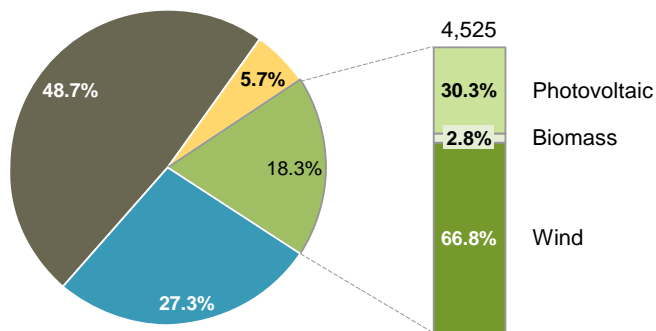
In 2016 the gross installed capacity of electric power plants registered 0.7% increase in comparison with 2015.

The installed capacity of hydropower plants increased about 2.8%, from 4,400 MW installed on 31 December 2015 to 4,525 MW installed on 31 December 2016.

The dynamics of installed capacity associated to 2016, respectively to 2015, is provided below:

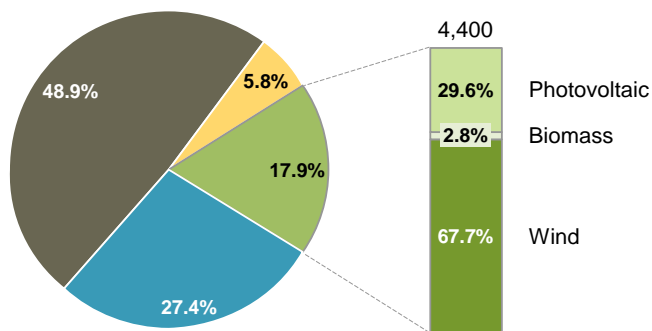
<sup>1</sup> Values do not include the consumption of one's own auxiliary services from electricity generating power plants; the net consumption value includes the losses of transmission and distribution networks and the consumption of pumps from pumping storage hydropower substations.

Installed capacity in 2016 (24.689 MW, gross value)



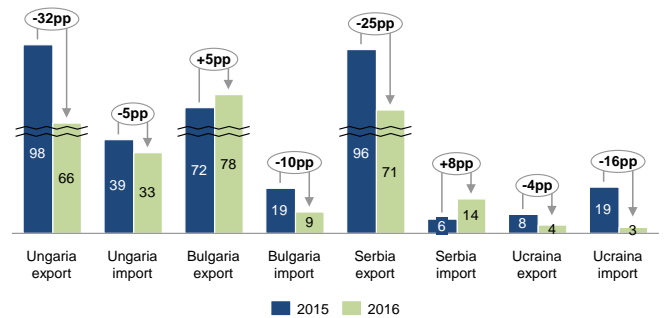
Thermal Renewable  
Nuclear Hydro

Installed capacity in 2015 (24.555 MW, gross value)



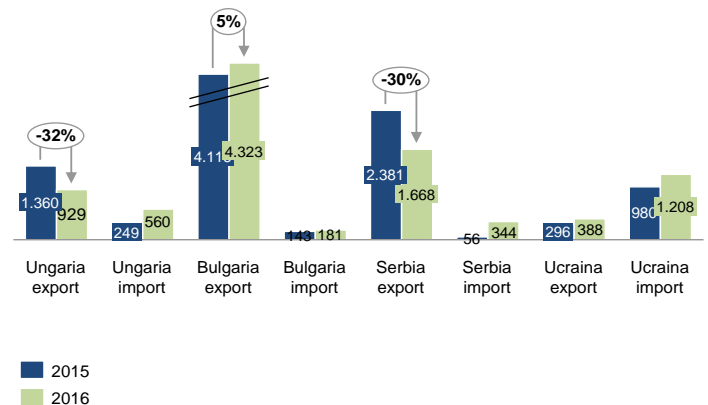
Thermal Renewable  
Nuclear Hydro

Utilisation degree of the total allocated capacity (%)



Physical flows, both import and export on each border, are provided below.

Physical flows (GWh)



## CROSS-BORDER FLOWS

Cross-border flows registered positive values on the Bulgarian, Serbian and Hungarian borders and decreasing values with Ukraine.

Thus in comparison with 2015 physical export flows increased with Bulgaria (18%, +508 GWh) and Ukraine (+2%, +5 GWh), and they decreased with Serbia (-33%, -532 GWh) and Hungary (-48%, -555 GWh).

Regarding physical import flows, they registered increase with Serbia (+532%, +283GWh), Hungary (+249%, +331GWh) and Ukraine (+50%, +336GWh). As regards the Bulgarian relation, they decreased 4%.

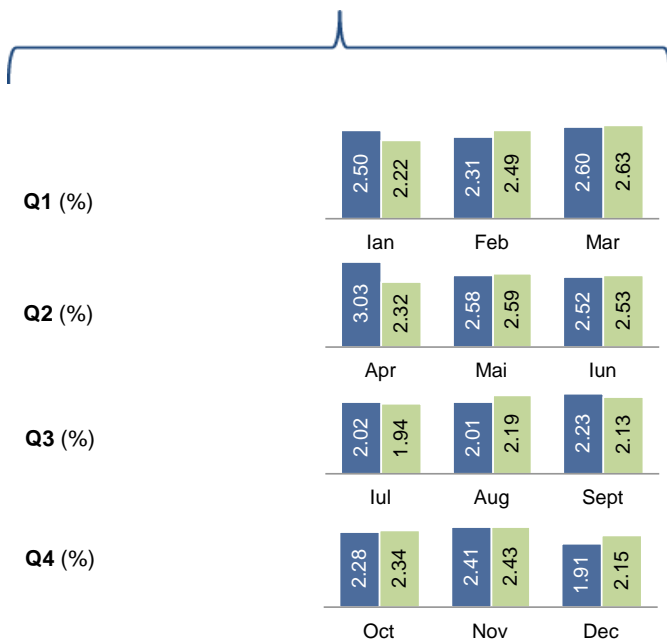
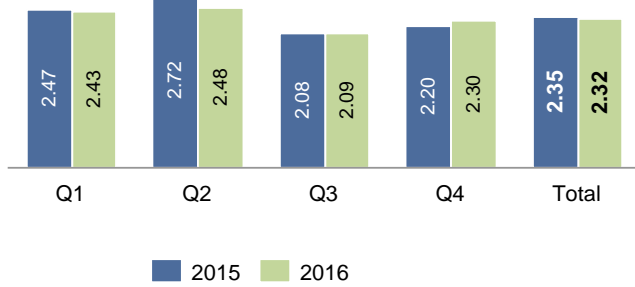
There were no imports/ exports with the Republic of Moldova in 2016 and 2015.

## GRID LOSSES

In 2016 the quantity necessary to cover the CPT in the RET (1,012 TWh) decreased about 1.69% in comparison with the same period of 2015 (1,030 TWh), resulting from a combination of better meteorological conditions, the physical import / export flows and the generation structure.

As compared to the energy injected in the network, losses slightly decreased from 2.35% to 2.32%.

**CPT 12 M**  
(%)



against the energy input in the RET grew from 2.41% in 2015 to 2.43% in 2016, because the transmitted energy decreased. Although the net internal consumption was 5.2% higher compared to November 2015, the energy input in the outline dropped 2.38% in November 2016 compared to the same time of 2015 because the export balance decreased about 23% and the output injected directly in the RET dropped about 1.27%. Meteorological conditions were better, the registered precipitation amount being about 20% lower than last year, and the decrease was even higher in the areas with high OHL concentration.

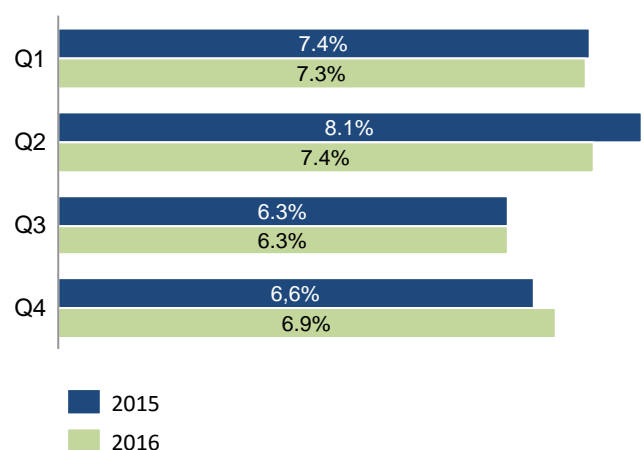
In **December** 2016 the CPT in absolute value increased about 20.55% compared to December 2015 because the transmitted energy increased, the output structure was not so favourable (the wind output injected straight into the RET was about 63% higher in 2016), physical flows were not so well distributed on the borders (import decrease and export increase on the north-western border) and meteorological conditions were much worse, which determined higher corona losses. The energy input in the outline increased 7.16% in December 2016 compared to the same period of 2015. The percentage of losses against the energy input into the RET grew from 1.91% in 2015 to 2.15% in 2016. Meteorological conditions were much worse, the amount of precipitation being almost three times higher than last year and has led to considerable growth of corona losses as compared to last year.

**GRID LOSSES: FACTORS AFFECTING Q4**

In **October** 2016 the CPT in absolute value decreased about 3.44% compared to October 2015 due to lower amounts of transmitted energy. The percentage of losses compared to the energy input in the RET grew from 2.28% in 2015 to 2.34% in 2016. Although the net energy consumption was 1.21%, higher compared to October 2015, the energy input into the outline decreased 5.74% in October 2016 compared to the same time of 2015, because the export balance decreased about 33% and also the energy output injected directly into the RET dropped about 5%. Meteorological conditions were worse, as the precipitation amount registered was about 65% higher than last year and even higher in the areas with great OHL concentration, thus determining a corresponding growth of corona losses.

In **November** 2016 the CPT in absolute value decreased about 1.90% compared to November 2015 due to the diminished amount of transported energy and better meteorological conditions. The percentage of losses

**Development of CPT, 2016 vs 2015**





## Investments

### FIXED ASSETS REGISTERED IN ACCOUNTING

The value of fixed assets registered in accounting books during 2016 was of 93.27 mill Lei.

The greatest transfers from property, plant and equipment in progress to property, plant and equipment are represented mainly by the commissioning of investment objectives as follows:

- Increasing the safety degree of installations from the 400/220/110/10 kV substation Bucharest Soutg - replacing the 10 kV equipment - Lot II – 18.6 mill Lei;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, Stage I – Extending the 400 kV substation Iron Gates – 12.9 mill Lei;
  - Replacing the autotransformers and transformers in electric substations, stage II – 9.8 mill Lei:
    - The 16 MVA transformer T2 from the 110/20 kV substation Ungheni;
    - The 25 MVA transformer T2 from the 220/110/20 kV substation Gradiste;
    - The 25 MVA transformer T1 from the 110/20 kV substation Gheorgheni;
    - The 200 MVA autotransformer AT2 from the 220/110 kV substation Ungheni;
- 2016 motor cars – 7.8 mill Lei;
- Upgrading the control-protection system in the 220/110 kV substation Vetis – 6.5 mill Lei;
- Upgrade in view of diminishing the galloping effects on the 400 kV OHL from Baragan-Fetesti area. Diminishing the galloping effects on the following- the 400 kV OHL Cernavoda-Pelicanu, 400 kV OHL Cernavoda-Gura Ialomitei (circuit 2) and 400 kV OHL Bucharest South-Pelicanu – 4.4 mill Lei;
- Connecting the WPP Filipesti, 60 MW and WPP Saucesti, 100 MW to the SEN in the 400/110 kV substation Bacau Sud – 4.2 mill Lei;
- Replacing the 110/10 kV, 25 MVA transformers T3 & T4 with 110/(20)10 kV, 40 MVA transformers in the 220 kV substation Fundeni – 3.8 mill Lei;
- Integrated security system in electric substations, stage IV – the 400/110 kV substation Constanta Nord – 3.3 mill Lei;
- Connecting to the RET the 27 MW WPP from the area of Stalpu town, county of Buzau, by building two 110 kV bays in the 220/110 kV substation Stalpu – 2.1 mill Lei;
- Integrated security system to the new 400 kV substation Stupina – 1.9 mill Lei;
- Upgrading the dc and ac auxiliary services in the 400/110 kV substation Draganesti-Olt, 1.9 mill Lei;
- Replacing the equipment of power plants- the SCADA system in the 400/220 kV substation Gutinas – 1.5 mill Lei;
- Re-making the conductor on the 220 kV OHL Craiova Nord - Isalnita, circuit 1 – 1.2 mill Lei;
- Upgrading the industrial building 2 of the TB Timisoara, Hb+GF+1S – 1.2 mill Lei;
- Upgrading one 110 kV OHL bay Iron Gates - Gura Vaii in the 110 kV substation Iron Gates, and two 6 kV bays – 1.1 mill Lei;
- Consolidating and modernising the compensator building in the 400/220/110/20 kV substation Suceava - 1 mill Lei;
- Connecting the 5.4 MW power plant generating electricity under cogeneration from biomass, CHPP ENVISAN - stage 1 – 1 mill Lei;
- Regulating the co-existence between the 220 kV OHL Mintia-Timisoara, in segment 303-305 at the cross-road with Timisoara-Lugoj motorway, lot 2, km 54+000 - km 79+625 – 0.9 mill Lei;
- Extending the dc and ac auxiliary services, complete the command-control-protection system in the 220/110 kV substation Pestis, 0.6 mill Lei;
- Connecting the drainage installation of the 400/110 kV substation Brasov to the city installation – 0.6 mill Lei;
- Replacing tower 301 of the 400 kV OHL Mintia - Sibiu Sud – 0.5 mill Lei.

### ASSET PROCUREMENT

The procurements of property, plant & equipment and of intangible assets<sup>2</sup> in 2016 amounted to 171.3 mill Lei compared to 2015, when procurements amounted to 243.1 mill Lei.

<sup>2</sup> Includes the turnover of asset suppliers on balance on 30 September 2016



Investment projects under execution on 31 December 2016 are as follows:

- Refurbishing the 400/220/110/20 kV substation Bradu – 78.5 mill Lei;
- The 400 kV interconnection OHL Resita (Romania) - Panchevo (Serbia) – 65 mill Lei;
- Refurbishing the 220/110/20 kV substation Campia Turzii – 35.5 mill Lei;
- Integrated security system to electric substations, stage IV – 24.2 mill Lei;
- Extending the services of business continuity and recovery after disasters – 14.8 mill Lei;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400 kV one circuit OHL Iron Gates - (Anina) – Resita, 12.2 mill Lei;
- Connecting the 400 kV OHL Isaccea – and the Isaccea - Dobrudja OHL in the 400 kV substation Medgidia Sud – 10.2 mill Lei;
- The 400 kV double circuit OHL Cernavoda-Stalpu and connection in Gura Ialomitei – 8.4 mill Lei;
- Upgrading the 110 kV and 20 kV substations Suceava – 6.9 mill Lei;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage I - the 400/220/110 kV substation Resita – 6.4 mill Lei;
- Replacing autotransformers and transformers in electric substations, stage 2 – 5.9 mill Lei;
- HVDC 400 kV Link (Romania - Turkey submarine cable) – 5.9 mill Lei;
- The 400 kV OHL Gadalin - Suceava, including its interconnection to the SEN – 5.6 mill Lei;
- Remedying urgently the failure of the 400 kV OHL Iernut-Gadalin and of the 220 kV OHL Iernut-Baia Mare 3 – 5.4 mill Lei;
- Remedying the failure of the 110-120 terminals of the 220 kV OHL Bucharest South – Ghizdaru – 4.3 mill Lei;
- Upgrading the 220/110 kV substation Tihau - primary equipment – 4 mill Lei;
- The 400 kV OHL Suceava - Balți for the project segment on Romanian territory – 3.6 mill Lei;
- Extending the control and IT access supervision system with new functions in the CNTEE Transelectrica SA objectives – 3.2 mill Lei;
- Converting the Iron Gates - Resita - Timisoara - Sacalaz - Arad axis to 400 kV, stage II, the 400 kV double circuit OHL Resita - Timisoara – Sacalaz – 3.2 mill Lei;
- Integrated security system in electric substations, stage III – 2.8 mill Lei;
- Upgrading the 220/110/20 kV substation Arefu – 2.7 mill lei;
- Upgrading the 220/110/20 kV substation Raureni – 2.7 mill Lei;
- By-passing the 110 kV OHL Cetate 1 & 2 near the

110/20/6 kV substation Ostrovul Mare, 2.6 mill Lei;

- Installing optical fibre and upgrading the tele-protection system of the 400 kV double circuit OHL Tantareni-Turceni and of the 400 kV simple circuit OHL Urechesti-Rovinari – 2,4 mill Lei;
- The 400 kV double circuit OHL Gutinas – Smardan – 2.3 mill Lei
- Upgrading the command-control-protection system of the 220/110/20 kV substation Sardanesti – 2.2 mill Lei;
- Security solution to implement the security measures for classified information – 2 mill Lei;
- Consolidating, upgrading and extending the offices of CNTEE Transelectrica – 1.6 mill Lei.

## CONTRACTUAL ASPECTS

The most important investment contracts signed during 2016 are as follows:

- Refurbishing the 220/110 kV substation Turnu Severin Est – 43 mill lei;
- Refurbishing the 400 kV substation Isaccea - Replacing the shunt reactors, the associated bays and the 400 kV bay Stupina – 30.9 mill Lei;
- Upgrading the 220/110/20 kV substation AREFU – 24.2 mill Lei;
- Upgrading the 220/110 kV substation Dumbrava – 20.5 mill Lei;
- Upgrading the 220/110 kV substation Raureni – 16.9 mill Lei;
- Replacing the components of the EMS SCADA system - the software – 11.0 mill Lei;
- Remedying the failure of the 400 kV OHL Iernut - Gadalin and of the 220 kV OHL Iernut - Baia Mare 3 – 6 mill Lei;
- Optical fibre communications between the 400/220/110 kV substation Bradu and 220/110 kV substation Stuparei – 2.8 mill Lei;



## Significant events

### EVENTS of JANUARY - DECEMBER 2016

- **Completed the "Refurbishing the 400/110/20 kV substation Tulcea Vest" project**

The project was implemented in Tulcea town, county of Tulcea, it lasted 41 months and 15 days and was assigned to the priority axis 4 "Increasing energy efficiency and supply security in the context of climatic change", operation "Sustaining investments to extend and upgrade electricity transmission grids, natural gas and oil transportation networks, as well as the electricity and natural gas distribution networks with a view to reduce network losses and provide under safe uninterrupted conditions the transmission and distribution services – the transmission part".

The project aimed at increasing the energy efficiency and the operational safety of the Electricity Transmission System by upgrading the 400/110/20 kV high voltage transformer connection substation Tulcea Vest, in the context of the fight against climatic change.

- **Approving the Development Plan of the Electricity Transmission Grid in 2016-2025**

In accordance with the attributions and competencies set in the Electricity and natural gas law 123/2012, in the Technical Code of the RET - Revision I, approved by ANRE Order 20/2004, amended and added by ANRE Order 35/2004 and the Special terms associated to Licence 161/2000 on providing electricity transmission services, system services and administrating the balancing market, the National Power Grid Company Transelectrica SA performs planning activities for RET development taking into account the current stage and the future development of the electricity consumption and of the sources, including the electricity imports and exports.

To this effect Transelectrica updates every two years the Development Plan of the Electricity Transmission Grid for the following 10 successive years. When the Plan is approved by the competent authority and the owner of the transmission grid provides its agreement on the financing mode for investments into the transmission network, it becomes a document of public nature.

Beginning with 17 March 2016, the website of Transelectrica has got posted the draft document "Development plan for the electricity transmission grid – time interval 2016-2025" in the "RET Management" section.

Thus Decision 1251/27.07.2016 of ANRE has approved the Development Plan of the electricity transmission grid (RET) for 10 years (2015-2025).

The total amount of investments planned for the time horizon of the RET Development plan has been estimated to 5 billion Lei. This does not include the investments for RET connection of the new users, as such investments are financed through the connection fee paid by the connected user.

- **Credit rating of Moody's Investors Service**

The international credit rating agency Moody's Investors Service raised one notch Transelectrica's credit rating to Ba1 (previously Ba2), and the prospect has been maintained stable. Transelectrica's rating still remains one notch below the country rating of Romania (two notches previously), thus recognising the Company's financial and managerial performance.

- **New ANRE regulations on tariffs**

ANRE published Order 27/ 2016 approving the average tariff for transmission services, the tariff of system services, the zone tariffs associated to the transmission service and the regulated price for reactive electricity charged by the Company. The Order was published in the Official Gazette 477 / 27.06.2016.

Similarly Decision 802 issued on 18.05.2016 by ANRE amended the Licence no. 161 on the provision of electricity transmission services, the provision of system services and the management of the balancing market, granted to the National Power Grid Company Transelectrica SA.

- **Change in the shareholders' structure of TEL**

On 01 August the holding of the Financial Investment Company Oltenia SA in the Company's share capital decreased below 5%.

- **Incident in the region of Arges and Valcea counties**

On June 1<sup>st</sup>, an incident took place that impacted the electricity supply in the region of Valcea county and partially Arges county as well. This was a zone incident and the disconnected consumption was about 458.7 MW of the total SEN consumption of 6774 MW registered at 15:58 h, when the incident occurred. The total energy not supplied to consumers amounted to 135.5 MWh. This incident did not impact the safe operation of the SEN, the main electric parameters (frequency, voltage, international exchanges) kept within normal limits, it did not spread beyond the mentioned area and did not impact the environment. The output-consumption balance was restored using the automatic frequency restoration reserve, as well as by means of the REZERVA TERTIARA RAPIDA din SEN.

- **Incident in Mures county**

On June 19<sup>th</sup>, at 19:53 h as result of extreme meteorological phenomena occurring in the area of Iernut and Cuci localities of Mures county (strong storm accompanied by tornado-like phenomena) several tripping took place in the electricity transmission and in the electricity distribution networks, generated by the deterioration of certain components of electric lines within the adjoining area of the 400/220/110 kV substation Iernut.

The supply of electricity consumers was not impacted by such tripping.

- **New electricity law**

On November 8<sup>th</sup>, the Law 203/2016 was published in the Official Gazette 892/08.11.2016 to amend Law 123/2012 of electricity and natural gas. The draft Order amending and adding the Methodology establishing the tariffs for electricity transmission services, as approved by Order 53/2013 of ANRE was submitted for discussion by ANRE, and it also includes the amendments proposed for the draft Law 203/2016 as follows- the transmission and system operator will provide the same tariff for the provision of electricity transmission services to all the users of the electricity transmission grid, which means the zone differentiated tariffs were given up. At the same time by such draft Order the Authority is also aiming at the following issues:

- Application of tariff for the electricity exchanges planned with perimeteral countries from SEN utilisation. Thus CNTEE Transelectrica SA should fully recover the contribution to the ITC compensation fund, determined by the imports, exports and transits from/into perimeteral

countries from economic operators that carry out such commercial operations with Ukraine and the Republic of Moldova.

- Transmission to Transelectrica of all documents for the promotion and execution of investment projects, as well as examining their efficiency by means of ex-ante and ex-post quantifications of the benefits obtained.

- **Change in the Directorate membership**

Starting with May 26<sup>th</sup>, the mandate contract of Messrs Ion SMEEIANU and Catalin Lucian CHIMIREL has ended by the parties' agreement.

On May 26<sup>th</sup>, Mr Luca-Nicolae IACOBICI was appointed by the Supervisory Board as Directorate member for a pre-determined time interval until the designation of the new Directorate member in accordance with the provisions of GEO 109/2011 regarding the corporative governance of public enterprises, with later amendments and additions, which time interval ended on November 24<sup>th</sup>.

Starting December 1<sup>st</sup>, Mr Mircea-Toma MODRAN was appointed by the Supervisory Board as member in the Directorate, mandate granted for the time period remaining until expiry of the mandate of the member that is being replaced, respectively on September 16<sup>th</sup>, 2017.

- **Changes in the Supervisory Board**

On March 23<sup>rd</sup>, the Supervisory Board members appointed Mr Dragos Corneliu ZACHIA-ZLATEA as Chairman of the Board.

On August 30<sup>th</sup>, Dorin Alexandru Badea and Manuel Costescu were elected members in the Supervisory Board. On December 13<sup>th</sup>, the second member announced his resignation from the position of Board member.

- **Shareholders' general assemblies**

On March 28<sup>th</sup>, the Shareholders' General Extraordinary Assembly (AGEA) as well as the Shareholders' General Ordinary Assembly (AGOA) took place. The main aspects included in the AGOA decision are as follows:

- Approving the investment programme for the 2016 financial year as well as the investment expenses for 2017 and 2018;
- Approving the 2016 draft Revenue and Expense Budget of the CNTEE Transelectrica SA, as well as the estimations for 2017 and 2018;
- Approving the dividend policy of the CNTEE Transelectrica SA.

The main aspects included in the AGEA decision are as follows:

- Approving the contracting of juridical services in order to optimise the credit costs contracted with internal and international creditors ;
- Rejecting the share capital diminution, representing the share capital subscribed and paid of the trading company Subsidiary Energy Research and Modernising Institute ICEMENERG SA, because GD 925/2010 does not provide reducing the share capital only from the holding quota of the Romanian State.

On April 29<sup>th</sup>, the Shareholders' General Extraordinary Assembly (AGEA) and the Shareholders' General Ordinary Assembly (AGOA) took place.

The main aspects included in the AGOA decision are as follows:

- Approving the gross dividend per share for 2015 at 2.65 Lei gross / share, owed to the shareholders registered in the Shareholder Register of TEL on 8 June 2016, the ex-dividend date being 6 June 2016 while the payment beginning date - 28 June 2016;
- Approving the stand-alone and consolidated annual financial statements for the financial year 2015 of the National Power Grid Company Transelectrica SA, the 2015 annual report pertaining to the Company's economic-financial activities in accordance with the provisions of the legislation on the capital market, as well as approving to discharge the managerial liability from the Directorate members and the Supervisory Board members.

On August 30<sup>th</sup>, the Shareholders' General Extraordinary Assembly (AGEA) and the Shareholders' General Ordinary Assembly (AGOA) took place.

The main aspects included in the AGOA decision are as follows:

- Empowering the state representative in the shareholders' general assembly with a view to sign the addendums to the mandate contracts for the members in the Company's supervisory board found in office on 30.08.2016, as well as the contracts for the new members elected in the supervisory board;
- Electing two members in the Supervisory Board of the CNTEE Transelectrica SA by majority vote as members in the Supervisory Board for a mandate identical as expiry date with the mandate of members elected under AGOA Decision 4/30.05.2013, respectively by 30.05.2017;

#### • **Later events - development of the electricity consumption**

The second half of December 2016 registered important increases of the electricity consumption at national level. On 19.12.2016 record values of electricity consumption and output were registered for the Romanian Power System in the last 15 years. Such situation was also maintained in the first half of January 2017, when the maximum values of December were exceeded because of the very low temperatures in all the country.

#### • **Later events - establishing the safeguard plan applicable in case of crisis circumstances within the SEN**

With a view to provide continuity of electricity supply to the population as well as operational safety for the Romanian Power System overall, after the publication in the Official Gazette of GD 10/12.01.2017 Transelectrica, in its capacity of Transmission and System Operator was mandated to apply, in case some critical circumstances occur in the national power system, certain specific safeguarding measures in technical and commercial terms, as provided by the applicable regulatory framework. Such measures summarised below have been applied by some transmission and system operators from neighbouring countries (Bulgaria, Greece).

Following the assessment of the operational condition of our system, after also examining the consumption and meteorological forecasts as well as the existing power reserves, the National Power Dispatcher puts in operation, in the sequence provided below and gradually, the following safeguarding measures:

1. Changing the operation of certain power plants from natural gas to alternative fuels (fuel oil). This measure is applied based on the notification received from the National Natural Gas Dispatcher, in accordance with the common measures plan;
2. Reducing/ cancelling the available interconnection capacity along the export direction;
3. Reducing/ cancelling the energy exchanges notified for the export direction;
4. Limiting the electricity consumption by allotments. Such limitation does not impact the population, as it is applied only to industrial consumers by restricting their consumption to a minimum level of technological power, in accordance with the provisions stipulated in the electricity supply contracts;

Since enforcement of GD 10/12.01.2017 by the date of this report, SEN never required applying one of the measures 2, 3, 4 specified above.

- **Later events - development of prices on the wholesale electricity market**

In January 2017 prices on the short-term market and on the balancing market registered significant rises, both as compared to the previous month but also to the corresponding month of last year; this occurred on the electricity market against the background of high electricity consumption determined by low outer temperatures and certain restrictions and unavailability of certain output capacities.



## Other issues

### SHAREHOLDERS STRUCTURE

On 31.12.2016 the shareholders' structure was as follows:

Shareholder name	No. of shares
The Romanian state through the Ministry of Economy, Trade and Liaising with the Business Environment	43,020,309
Other shareholders - legal persons	25,797,725
Other shareholders - natural persons	4,458,108
<b>Total</b>	<b>73,303,142</b>

### TARIFFS

In June Order 27/2016 of ANRE was published in the Official Gazette 477/27.06.2016 with respect to approving the average tariff for electricity transmission services, system services, the zone tariffs for transmission services and the regulated price for reactive electricity, as charged by the Company. Consequently the regulated tariffs for the electricity transmission services and system services applicable as of 1 July 2016 are as follows:

Service	Tariff applicable from 1 July 2015 to 30 June 2016 Lei/MWh	Tariff applicable from 1 July 2016 to 30 June 2017 Lei/MWh	Difference %
Electricity transmission	20,97	18,70	-10.8%
Functional system services	1,17	1,30	+11.1%
Technological system services	12,58	11,58	-7.9%

The new approved tariffs have been calculated in accordance with applicable methodologies.

### DIRECTORATE MEMBERSHIP

On 31.12.2016 the Directorate membership was as follows:

Ion - Toni TEAU	Directorate Chairman
Octavian LOHAN	Directorate Member
Constantin VADUVA	Directorate Member
Mircea-Toma MODRAN	Directorate Member

#### *Transmission tariff*

The 10.8% tariff reduction mainly mirrors the negative corrections applied by the regulator with a view to compensate the differences between the forecasted values used in the tariff calculation during previous years and the actual values that were registered (final corrections for the 1 July 2014 - 30 June 2015 year, preliminary corrections for the 1 July 2015 - 30 June 2016 year) in accordance with the applicable methodology.

The "ex-post" corrections contributed to decreasing the tariff by 7.2%. The most important calculation items that were corrected "ex-post" and were applied in the calculation of the newly approved tariff are as follows: (i) the procurement price for the electricity used in covering one's own technological consumption; (ii) the inflation index; (iii) utilising a part of the revenues obtained from the allocation of the interconnection capacity as source supplementing the regulated tariff with a view to cover the regulated expenses; (iv) increasing the electricity consumption and export beyond the level initially forecasted by ANRE when designing the tariff.

Besides such negative corrections there have also been some other factors contributing to tariff decrease, such as:

- The index of inflation indexed in the calculation of the newly approved tariff (inferior to the inflation index used in the calculation of the previous year's tariff) contributed -2.8% to reducing the tariff;

- The basic revenue calculated as a sum of regulated costs (inferior to the one calculated for last year, given the efficiency requirements imposed for the acknowledged operational costs) and the flattening of revenues during the regulatory interval, these two elements cumulated a -0.8% contribution to the tariff decrease.

#### **Tariff for functional system services**

The 11.1% tariff increase was mainly determined by the higher negative correction applied in the tariff of previous year, compared to the minor negative correction applied in the newly approved tariff, such corrections contributing +16.2% to the tariff increase. The cost base acknowledged in the newly approved tariff is slightly inferior to the cost base recognised in the tariff of previous year, while acknowledged costs contributed -5.1% to the tariff development.

#### **Tariff for technological system services**

The 7.9% tariff drop was determined by:

- The negative correction applied in the newly approved tariff with a view to compensate the profit estimated to be obtained in the tariff year 1<sup>st</sup> July 2015 - 30 June 2016 determined by the significant reduction in the procurement prices of power reserves under bid, in comparison with the positive correction included in the tariff of the year corresponding to 1 July 2015 - 30 June 2016, as necessary to recover some historical loss. Corrections contributed -4.8% to the tariff drop;
- The base of acknowledged costs in the newly approved tariff to procure power reserves in the tariff year 1 July 2016 - 30 June 2017 is smaller than the base of recognised costs in the previous tariff year 1 July 2015 - 30 June 2016, a reduction produced against the background of diminished procurement prices for power reserves under bids these last years. The reduction of recognised costs contributed -3.2% to the tariff decrease.

## **LITIGATIONS**

The most important disputes the Company is involved into are provided below:

### **▪ RAAN**

On the docket of Mehedinti Tribunal, Section II Civil, of Administrative and Fiscal Disputes, the file 9089/101/2013/A152 was registered, of contestation against the Additional Liability Table against debtor RAAN.

The disputed value of this file is 78,096 thousand Lei. Transelectrica filed appeal against this sentence.

As a consequence of the partial registration of the total amount requested by Transelectrica in quantum of 89,361 thousand Lei and taking into account Letter 4162/03.10.2016 whereby the judiciary liquidator informed us only the sum of 11,265 thousand Lei was registered in the additional table under liabilities resulting from the continued activities of the debtor, and the sum of 78,096 thousand Lei was rejected, contestation of the Additional liability table was submitted.

The deadline to submit the contestations of the liabilities incurred during the procedure was set for 9 October 2016, and the one for the settlement of such contentations of the liabilities produced during the procedure was set for 20 October 2016. Also the deadline was set for the elaboration and display of the final consolidated table, namely 10.11.2016.

The Company filed contestation of the Table. The Mehedinti Tribunal has approved the proof of the accounting expertise. The following hearing date was set on 30.03.2017.

### **▪ ANRE**

CNTEE Transelectrica SA filed complaint against Order 51 / 26.06.2014 of ANRE president registered under no. 47714 / 04.08.2014 with ANRE and contestation to the Appeal Court Bucharest, which is under file 4921/2014, requesting either amending the fore-mentioned Order or issuing a new order to recalculate the RRR back at 9.87% (recalculated with (β) coefficient of 1.0359, according to Transelectrica's internal studies) or, in case such contestation is denied, it requested using the same 8.52% percentage that ANRE established for 2013 and semester I of 2014.

On 26.06.2014 Order 51 of ANRE was issued and published in the Official Gazette no. 474/27.06.2014, which approved the average tariff for transmission services, the tariff of system services and the zone tariffs of transmission services charged by the National Power Grid Company Transelectrica SA and cancelled annex 1 to Order 96 / 2013 of ANRE president approving the tariff for transmission services, the tariff

of system services, the zone tariffs for transmission services and the tariffs for reactive electricity charged by the economic operators from the electricity sector.

The values used in the calculation of the regulated rate of return (RRR<sup>1</sup>) by ANRE according to the Methodology establishing the tariffs for electricity transmission services approved under Order 53 / 2013 of ANRE ("Methodology"), have determined the RRR value of 7.7%.

CNTEE Transelectrica SA considers that applying the provisions of article 51 from the Methodology by determining the Beta ( $\beta$ ) parameter at 0.432 will prejudice the company's finance by decreasing the profitability of electricity transmission with an estimated 138.4 mill Lei<sup>3</sup>, with significant impact over the company's financial interests.

On the hearing date of 09.02.2016, the law court admitted the accounting expertise as proof - speciality financial investments and other entities of securities, prorogated the debate on the evidence by technical expertise – speciality electric power after provision of accounting expertise proof - speciality financial investments and other security entities.

On the hearing dates 25.03.2016, 22.04.2016 and 10.06.2016 the law court deferred judging the case because the technical expertise report was missing. The following hearing date was set on 30.03.2017, and no other changes have occurred to date.

#### ▪ COURT of ACCOUNTS

Following an audit session of 2013 in the Company, the Court of Audit required the Company to apply certain measures as a result of deficiencies it has registered during this audit. Such decision and the conclusion issued by the Court of Audit were contested in the Appeal Court of Bucharest and the file 1658/2/2014 was constituted.

At the hearing date of 20.01.2016 the law court deferred the case to enable the designated accounting expert to express his opinion about the defendant's objections to the expertise report in question as well as to allow the technical expert do his expertise work. On 29.06.2016 the law court deferred the case in order to finalise the technical expertise report. The next hearing

date was set on 26.10.2016, and by the date of this report no other changes have occurred.

#### ▪ OPCOM

On 24.11.2014 the Operator of the Electricity and Natural Gas Market OPCOM SA sued the Company with a view to compel it paying the sum of 582,086.31 Euro (2,585,161.72 Lei at the BNR exchange rate of 24.11.2014), representing the amount paid as fine out of the total charge of 1,031,000 Euro, such request included under file 40814/3/2014.

Previously the Shareholders' General Assembly of Subsidiary OPCOM SA decided in the meeting of 10.06.2014, to pay entirely the 1,031,000 Euro penalty applied by the General Directorate Competition of the European Commission for breaching article 102 from the Treaty of the European Union, in accordance with the Decision in the antitrust case AT 39984.

Also OPCOM SA has requested the law court to compel the Company to pay 84,867.67 Lei as legal interest for 11.06.2014 – 24.11.2014.

Such proceedings of OPCOM SA is the object of file 40814/3/2014 from the docket of Bucharest Tribunal, Section VI Civil, pertaining to claims under professional dispute, and the hearing date was set on 29.06.2015. The Company has prepared the defence for this legal summon, claiming exceptions and fundamental defence involving the illegality of the action.

At the hearing date of 24.07.2015 the instance admitted the suing action filed by claimant Electricity and Natural Gas Market Operator OPCOM SA in contradiction to defendant National Power Grid Company Transelectrica SA and obliged the defendant to pay 582,086.31 Euro, representing the sum paid by the claimant instead of the defendant out of the total 1,031,000 Euro fine charged by the European Commission on 05.03.2014 in the case AT.39984, as well as the legal interest for the amount of 582,086.31 Euro calculated from 11.06.2014 until actual payment. Also the instance obliges the defendant to pay to the claimant 37,828.08 Lei as law suit expenses, with appeal right within 30 days from notification. Transelectrica SA filed appeal against judgment 4275/2015 pronounced in the fore-mentioned file, recorded with the Appeal Court Bucharest, which was registered on the docket of Bucharest Court of Appeal.

The settleme of the Appeal Court- it admitted the appeal, changing the entire civil sentence appealed against in the sense it rejected the suing as groundless. It obliged the claimaint respondent in

<sup>1</sup> RRR- Regulated Rate of Return found in specific literature under the acronym WACC – Weighted Average Cost of Capital –; the formula of the two indicators is similar:  $RRR = WACC = CCP + Kp / (1 - T) + CCI \times Ki$

<sup>2</sup> Value that determined the RRR drop to 7.7 %

<sup>3</sup> Value calculated as compared to 8.52% RRR



appeal to pay law suit expenses to the plaintiff in appeal in sum of 0.016 mill Lei, representing judiciary stamp fee. Appeal was set within 30 days from notification and was pronounced at the public hearing date of 10.10.2016.

OPCOM SA filed appeal. The cause is now under screening. The hearing court date is to be set.

#### ▪ **SMART**

Transelectrica has disputed in court the resolution of the ORC Bucharest director and the deeds issued by Subsidiary SC Smart SA to increase its share capital, which was instituted in file 14001/3/2015 on the docket of Bucharest Tribunal, Section VI Civil, with hearing date on 07.09.2015.

At the hearing date of 07.09.2015 the instance decided separating causes 2 and 3 from the suing action of claimant CNTEE Transelectrica in contradiction with defendants Subsidiary of Maintenance Services in the Electricity Transmission Grid Smart SA, the Romanian State through the Secretariat General of the Government and ONRC, thus constituting a new file with hearing date on 02.11.2015. In case of file 14001/3/2015, a new hearing date was set on 19.10.2015 to continue the suit.

At the hearing date of 19.10.2015 the instance decided, according to article 413 par 1 item 2 C civil suit, to suspend judging the suing action filed by claimant Transelectrica in contradiction with defendants Subsidiary of Maintenance Services in the Electricity Transmission Grid Smart SA, the Romanian State through the Secretariat General of the Government and ONRC, until the final settlement of the cause which is the object of file 32675/3/2015 on the docket of Bucharest Tribunal, Section VI Civil.

On the hearing date 16.11.2015 in file 32675/3/2015 the court admitted the exception of inadmissibility, rejecting the suing action filed by claimant Transelectrica in contradiction with defendants Subsidiary of Maintenance Services in the Electricity Transmission Grid Smart SA, the Romanian State through the Secretariat General of the Government and ONRC as inadmissible, with appeal right within 30 days from communication.

The Company filed appeal and on 23.05.2016 the law court denied it as groundless. It admitted the request to

notify the Constitutional Court. In accordance with article 29 par 4 of Law 47/1992, it notified the Constitutional Court to settle the unconstitutionality exception of the provisions from article 114 par 3 of Law 31/1990 against the provisions of article 16, article 21 and article 44 of the Constitution, which exception was invoked by the Company. Such decision is final.

#### ▪ **DAGESH ROM**

File 17284/3/2015 pertains to the claims representing rent indexation and delay penalties thereof.

On 16.09.2016 the law court rejected the defendant's objections as groundless. Admitted the fee increase request; ordered increasing the fee with 1,500 Lei, meaning 750 Lei for each party. It asked the parties to prove they paid the fee difference.

Decision 7230/2016 was pronounced at the public hearing date of 15.11.2016:

Decision 7230/2016 was pronounced at the public hearing date of 15.11.2016:

It denied the request – the settlement in brief:

- admitted the exception of the prescription and denies as prescribed the claims represented by:
  - the rent difference requested for 04.03-12.05.2012;
  - the penalties associated to the sums requested as rent difference calculated for the 04.03-12.05.2012 period;
  - the service fee difference requested for the 04.03-12.05.2012 period;
  - ;the penalties associated to the amounts requested as difference in the service fee calculated for the 04.03-12.05.2012 period.
- it denies the other claims as groundless;
- obliges the claimant to pay the defendant 2,250 Lei, as law suit expenses;

appeal: within 30 days from notification. This is to be filed with Bucharest Tribunal - Section VI Civil.



## Annexes

**ANNEX 1: Stand-alone financial position statement on 31 December 2016**

<b>[thousand Lei]</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,189,558	3,341,451
Intangible assets	14,457	34,570
Financial assets	78,039	55,944
Non-current receivables	9,775	0
<b>Total non-current assets</b>	<b>3,291,829</b>	<b>3,431,965</b>
<b>Current assets</b>		
Inventories	31,801	34,329
Trade and receivables	855,758	723,448
Other financial assets	135,090	70,085
Cash and cash equivalents	933,661	974,451
<b>Total current assets</b>	<b>1,956,310</b>	<b>1,802,313</b>
<b>Total assets</b>	<b>5,248,139</b>	<b>5,234,278</b>
<b>Shareholders' equity and liabilities</b>		
<b>Shareholders' equity</b>		
Share capital, of which:	733,031	733,031
<i>Subscribed share capital</i>	<i>733,031</i>	<i>733,031</i>
Share premium	49,843	49,843
Legal reserves	116,990	99,407
Revaluation reserves	549,088	603,685
Other reserves	56,954	55,695
Retained earnings	1,608,179	1,487,645
<b>Total shareholders' equity</b>	<b>3,114,085</b>	<b>3,029,306</b>
<b>Non-current liabilities</b>		
Long term deferred revenue	429,859	462,721
Borrowings	501,930	634,590
Deferred tax liability	30,462	34,663
Employee benefit obligations	43,305	34,669
<b>Non-current liabilities</b>	<b>1,005,555</b>	<b>1,166,644</b>
<b>Current liabilities</b>		
Trade and other liabilities	876,286	776,168
Other tax and obligations for social security	8,605	6,763
Borrowings	138,205	167,362
Provisions	50,534	38,255
Short term deferred revenues	38,125	33,408
Payable income tax	16,744	16,371
<b>Total current liabilities</b>	<b>1,128,498</b>	<b>1,038,328</b>
<b>Total liabilities</b>	<b>2,134,054</b>	<b>2,204,972</b>
<b>Total shareholders' equity and liabilities</b>	<b>5,248,139</b>	<b>5,234,278</b>

**ANNEX 2: Stand-alone profit and loss account for the period ended on 31 December 2016**

[thousand Lei]	01 October – 31 December 2016	01 October – 31 December 2015	01 January - 31 December 2016	01 January - 31 December 2015
Operational revenues				
Revenues from transmission services	293.794	313.277	1,146,057	1,284,808
Revenues from system services	186.708	187.008	716,337	731,205
Revenues from the balancing market	330.419	261.905	814,105	923,035
Other revenues	14.056	6.822	46,457	45,538
<b>Total revenues</b>	<b>824,977</b>	<b>769,012</b>	<b>2,722,956</b>	<b>2,984,586</b>
Operational expenses				
Expenses for system operation	(60.395)	(56.102)	(232,956)	(231,851)
Expenses regarding the balancing market	(330.419)	(261.904)	(814,105)	(923,035)
Expenses for technological system services	(113.575)	(133.289)	(561,027)	(637,653)
Amortisement	(79.472)	(79.213)	(323,363)	(318,482)
Personnel expenses	(69.580)	(60.343)	(201,680)	(186,314)
Repairs and maintenance	(25.541)	(26.100)	(88,278)	(88,514)
Expenses with consumables	(2.161)	(1.809)	(7,676)	(8,457)
Other operational expenses	(40.615)	(59.957)	(129,392)	(141,624)
<b>Total operational expenses</b>	<b>(721.759)</b>	<b>(678.717)</b>	<b>(2,358,478)</b>	<b>(2,535,931)</b>
<b>Operational profit</b>	<b>103.218</b>	<b>90.295</b>	<b>364,478</b>	<b>448,655</b>
Financial revenues	2.773	3.529	29,960	48,094
Financial expenses	(16.248)	(23.059)	(46,988)	(66,926)
<b>Net financial result</b>	<b>(13.472)</b>	<b>(19.530)</b>	<b>(17,028)</b>	<b>(18,832)</b>
<b>Profit before income tax</b>	<b>89.743</b>	<b>70.762</b>	<b>347,450</b>	<b>429,822</b>
Income tax	(17.560)	(15.362)	(61,939)	(69,768)
<b>Profit of the period</b>	<b>72.183</b>	<b>55.400</b>	<b>285,511</b>	<b>360,054</b>

### ANNEX 3: Stand-alone cash flow statement on 31 December 2016

[thousand Lei]	2016	2015
<b>Cash flows from operational activities</b>		
Profit of the time period	285.511	360.054
<b>Adjustments for:</b>		
Income tax expenses	61.939	69.768
Depreciation and amortization expenses	323.363	318.482
Allowances for impairment of trade and other receivables	27.753	30.826
Reversal of provisions for impairment of trade and other receivables	(10.367)	(25.955)
Net loss from disposal of property, plant and equipment,	294	1.119
Reversal of allowances for property, plant and equipment	4.749	23.221
Net reversal of allowances for provisions for risks and expenses	12.758	12.082
Allowance for investment in a subsidiary	493	0
Interest expense, interest revenue and unrealised foreign exchange gains	16.967	18.769
<b>Cash flows before changes in working capital</b>	<b>723.460</b>	<b>808.366</b>
<b>Changes in:</b>		
Trade and other receivables – energy and other activities	(83.824)	116.217
Clients – balancing	(100.589)	91.961
Clients – support scheme for high efficiency cogeneration	25.310	118.441
Inventories	2.528	1.352
Trade and other liabilities – energy and other activities	(65.125)	(112.900)
Liabilities – balancing	122.260	(94.214)
Liabilities – support scheme for high efficiency cogeneration	6.643	21.184
Other taxes and social security liabilities	1.841	(815)
Deferred income	(26.887)	(57.801)
<b>Cash flows from operating activities</b>	<b>605.617</b>	<b>891.790</b>
Interest paid	(25.003)	(30.711)
Income tax paid	(65.767)	(55.746)
<b>Net cash flow from operating activities</b>	<b>514.858</b>	<b>805.333</b>
<b>Cash flows used in investing activities</b>		
Procurement of plant, property & equipment and intangible assets	(171.859)	(213.561)
Unused down payments	29.581	(29.581)
Proceeds from sales of property, plant & equipment	37	0
Interest received	5.298	11.729
Dividends received	3.038	7.072
Other financial assets	(65.005)	78.715
<b>Net cash used in investing activities</b>	<b>(198.809)</b>	<b>(145.626)</b>
<b>Cash flows used in financing activities</b>		
Repayments of non-current borrowings	(162.486)	(196.387)
Dividends paid	(194.342)	(205.307)
<b>Net cash used in financing activities</b>	<b>(356.828)</b>	<b>(401.694)</b>
<b>Net (decrease)/ increase of cash and cash equivalents</b>	<b>(40.790)</b>	<b>258.014</b>
<b>Cash and cash equivalents on 1 January</b>	<b>974.451</b>	<b>716.438</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>933.661</b>	<b>974.451</b>

## ANNEX 4: Execution of the Revenue and Expense Budget on 31 December 2016

### Revenue and Expense Budget execution

[thousand Lei]	2016 budget	Achieved 2016 Price	Achieved/ Budget
Billed volume of energy [TWh]	53.00	53.52	▲ 1%
Regulated tariffs [Lei/MWh]			
Electricity transmission (average tariff)	20.97	19.74	▼ 6%
Functional system services	1.27	1.24	▼ 3%
Technological system services	12.58	12.12	▼ 4%
<b>PROFIT ALLOWED ACTIVITIES</b>			
<b>Operational revenues</b>	<b>1,328,760</b>	<b>1,260,051</b>	▼ 5%
<b>Operational expenses</b>	<b>744,090</b>	<b>659,982</b>	▼ 11%
<b>EBITDA</b>	<b>584,671</b>	<b>600,069</b>	▲ 3%
Depreciation and amortization	345,924	323,363	▼ 7%
<b>EBIT</b>	<b>238,747</b>	<b>276,706</b>	▲ 16%
<b>ZERO PROFIT ACTIVITIES</b>			
<b>Operational revenues</b>	<b>1,477,740</b>	<b>1,462,904</b>	▼ 1%
<b>Operational expenses</b>	<b>1,477,740</b>	<b>1,375,133</b>	▼ 7%
<b>EBIT</b>	<b>0</b>	<b>87,772</b>	
<b>ALL ACTIVITIES (PROFIT ALLOWED AND ZERO-PROFIT)</b>			
<b>Operational revenues</b>	<b>2,806,500</b>	<b>2,722,956</b>	▼ 3%
<b>Operational expenses</b>	<b>2,221,829</b>	<b>2,035,115</b>	▼ 8%
<b>EBITDA</b>	<b>584,671</b>	<b>687,841</b>	▲ 18%
Depreciation and amortization	345,924	323,363	▼ 7%
<b>EBIT</b>	<b>238,747</b>	<b>364,478</b>	▲ 53%
<b>Financial result</b>	<b>-17,733</b>	<b>-17,028</b>	▲ 4%
<b>EBT</b>	<b>221,013</b>	<b>347,450</b>	▲ 57%

#### PROFIT ALLOWED ACTIVITY

EBITDA lei 600,069 thou (▲ 3%)

EBIT lei 277,706 thou (▲ 16%)

REVENUES: ▼5%

#### TARIFFS:

- Transmission of electricity ▼5%
- Functional system services ▼4%

EXPENSES ▼10% (includes depreciation & amortisation)

CPT ▼ 10%, below the budgeted value

Congestions ▼57%, below the budgeted value

Network maintenance and others ▼32% (IT&TC maintenance achieved at 38% of the budgeted amount of lei 12,700 mil); the security systems maintenance was not achieved and the corresponding budgeted amount is lei 4,700 thou)

- ▼53% major maintenance
- ▼18% minor maintenance

Personnel ▼2% (savings of approximately lei 1.0 mil lei in salary expenses related chapter and approximately lei 2.0 thou fo the social, insurance and other legal liabilities charges)

#### ZERO PROFIT ACTIVITY(-)

positive EBIT amounting to lei 88,000 thou, as a positive difference resulting from the technological system services (SST tariff ▼3%)

## ANNEX 5: Preliminary financial and economic indicators of the reporting period

Indicators	Calculation formula	31.12.2016	31.12.2015
<b>Indicator of current liquidity (x)</b>	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1,73	1,75
<b>Indicators of indebtedness (x):</b>			
(1) Indicator of leverage ratio	$\frac{\text{Borrowed capital}}{\text{Equity}} \times 100$	16,12%	20,95%
(2) Indicator of leverage ratio	$\frac{\text{Borrowed capital}}{\text{Committed capital}} \times 100$	13,88%	17,32%
<b>Clients turnover (days)</b>	$\frac{\text{Average client balance}^*}{\text{Turnover}} \times 365$	104,32	70,62
<b>Non-current assets turnover (x)</b>	$\frac{\text{Turnover}}{\text{Non-current assets}}$	0,81	0,87

\* The clients contributing to the turnover were taken into account when calculating the average balance (energy, balancing, other clients, clients with invoices to make). The values corresponding to doubtful clients, the cogeneration scheme and overcompensation have not been included in the average balance.

**Annex 6 REPORT (as per HAGEA 4/29.04.2015) about the contracts signed in Q4 / 2016 to procure goods, services and work that amount to over 500,000 Euro/ purchasee (for goods and work), namely 100,000 Euro/purchase (for services)**

No.	Contract number	Contractual object	Term	Value		Type of contract	Legal base	Procurement procedure
				Thousand Lei	Thousand Euro			
0	1	2	3	4	5	6	7	8
1	C 259/2016	Upgrade the 220/110 kV transformer substation Raureni	24 mo	16,856.2	0.00	Work	Law 99/2016 + GD 394/2016	Open bid
2	CT 610/2016	Refurbishing the 400/110/20 kV substation Tulcea Vest – construction part	12 m	3,005.2	0.00	Work	Law 99/2016 + GD 394/2016	Simplified procedure
3	C 216/2016	Upgrade the 220/110/20 kV transformer substation Arefu	36 m	24,171.7	0.00	Work	Law 99/2016 + GD 394/2016	Open bid
4	C 206/2016	Emergency repair of failure to the 400 kV OHL Iernut – Gadalina and to the 220 kV OHL Iernut – Baia Mare 3	3 m	5,115.7	0.00	Work	Law 99/2016 + GD 394/2016	Simplified procedure
5	C 199/2016	Refurbishing the 220/110 kV substation Turnu Severin Est	32 m	0.00	9,480.00	Work	Law 99/2016 + GD 394/2016	Open bid
6	C 196/2016	Motor cars to renew the car fleet of the CNTEE Transelectrica SA under the programme RABLA	2 m	2,801.6	0.00	Supply	Law 99/2016 + GD 394/2016	Open bid
7	C 197/2016	4X4 land motor cars with included body, double deck and manual gear	5 m	3,364.7	0.00	Supply	Law 99/2016 + GD 394/2016	Open bid
8	C 234/2016	Air transport services (framework agreement)	12 m	699.1	0.0	Services	Law 99/2016 + GD 394/2016	Simplified procedure
9	BC 510/2016	Cleaning services to the objectives of the TB Bucharest	36 m	876.7	0.00	Services	Law 99/2016 + GD 394/2016	Open bid



## Annex 7 – Glossary

<b>ANRE</b>	National Regulatory Authority in the Electricity domain
<b>BAR</b>	Regulated asset base
<b>BVB</b>	Bucharest Stock Exchange, operator of the regulated market where shares are transacted
<b>CEE</b>	European Economic Community
<b>Company, CNTEE, TEL</b>	National Power Grid Company Transelectrica SA
<b>CPT</b>	One's own technological consumption (losses)
<b>CS</b>	Supervisory Board
<b>DEN</b>	National Power Dispatcher
<b>EBIT</b>	Operational income before interest and income tax
<b>EBITDA</b>	Operational income before interest, income tax and amortisement
<b>EBT</b>	Operational income before income tax
<b>ENTSO-E</b>	European Network of Transmission and System Operators for Electricity
<b>HG / GD</b>	Governmental decision
<b>IFRS</b>	International Financial Reporting Standards
<b>JPY</b>	Japanese Yen, official currency of Japan
<b>LEA / OHL</b>	Overhead electric lines
<b>Leu or Lei</b>	Official currency of Romania
<b>MFP</b>	Ministry of Public Finance
<b>MO</b>	Official Gazette of Romania
<b>OG</b>	Governmental ordinance
<b>OPCOM</b>	Operator of the Electricity Market from Romania, OPCOM SA
<b>OUG / GEO</b>	Governmental emergency ordinance
<b>PZU / DAM</b>	Day ahead market
<b>RET</b>	Electricity transmission grid, which is of national and strategic interest and above 110 kV nominal voltage
<b>SEN</b>	Romanian Power System
<b>SMART</b>	Trading Company for Maintenance Services to the Electricity Transmission Grid SMART SA
<b>SSF</b>	Functional system services
<b>SST</b>	Technological system services
<b>TEL</b>	Stock exchange indicator for Transelectrica
<b>TSR</b>	Total shareholders' return
<b>UE</b>	European Union
<b>u.m.</b>	Measuring unit
<b>USD or US dollars</b>	American dollar, official currency of the United States of America
<b>WACC</b>	Weighted average cost of capital