

**ANNUAL  
CONSOLIDATED  
REPORT**

**2016**

## **Supervisory Board's Report about the consolidated financial statements executed in accordance with the International Financial Reporting Standards**

The Supervisory Board relies on the corporative governance principles, which provide the Company's responsible professional ethical attitude in relation with main stakeholders. The Board analyses the Company's strategy and the premises of the environment it operates in, with a view to plan Transelectrica's development and its performance, thus providing rigorous expression of objectives.

In the Supervisory Board the Company Directorate supplied detailed information about the 2016 consolidated financial statements. We have assessed the significant transactions for Transelectrica at plenary meetings, using the reports submitted by the Directorate.

SC Deloitte Audit SRL have audited the 2016 consolidated financial statements and reviewed the compliance of the 2016 Annual Consolidated Report with the consolidated financial statements. Consequently they issued unreserved audit opinion.

The consolidated financial statements and the audit report have been submitted for the Supervisory Board's examination. The Audit Committee submitted a report to the Supervisory Board with respect to reviewing the results of 2016 financial year at the meeting approving the 2016 financial statements and recommended the Supervisory Board to endorse the consolidated financial statements, drawn up according to OMFP 2844/2016.

At the same time the Directorate's Annual Report elaborated in accordance with the requirements from the capital market legislation was reviewed by Supervisory Board members. The 2016 Annual Consolidated Report provides a true accurate image of the Company's consolidated results of 2016 financial year.

The Audit Committee assist the Supervisory Board to carry out the supervision responsibilities for financial and managerial reporting, internal control, audit process and the organisational monitoring of the compliance with the laws, regulations and the code of conduct.

The consolidated financial statements of Transelectrica executed in accordance with the IFRS were verified on 22 March 2017 in the Audit Committee's and the Supervisory Board's meetings, and they were submitted for approval to the Shareholders' Ordinary Assembly convened for first reunion on 27 April 2017.

*With highest consideration,*

Dragos-Corneliu  
Zachia-Zlatea

Supervisory  
Board Member

Chairman

## **2016 Annual Consolidated Report about the consolidated financial statements executed in accordance with the International Financial Reporting Standards**

To the best of our knowledge the consolidated financial-accounting statements of 31 December 2016, executed in accordance with the applicable accounting standards provide an accurate image conform with real circumstances of assets, liabilities, financial position, profit and loss account of Transelectrica's Group, and the 2016 Annual Consolidated Report comprises accurate information true to real facts with respect to its development and performance, as well as the description of the main risks and uncertainties specific to the activities performed.

This Report provides **only the items that are new compared to the 2016 Annual Report**, resulting from the consolidation of Company's financial statements with its Subsidiaries.

Directorate:

**Ion-Toni  
TEAU**

**CEO  
Directorate  
Chairman**

**Octavian  
LOHAN**

**Directorate  
Member**

**Constantin  
VADUVA**

**Directorate  
Member**

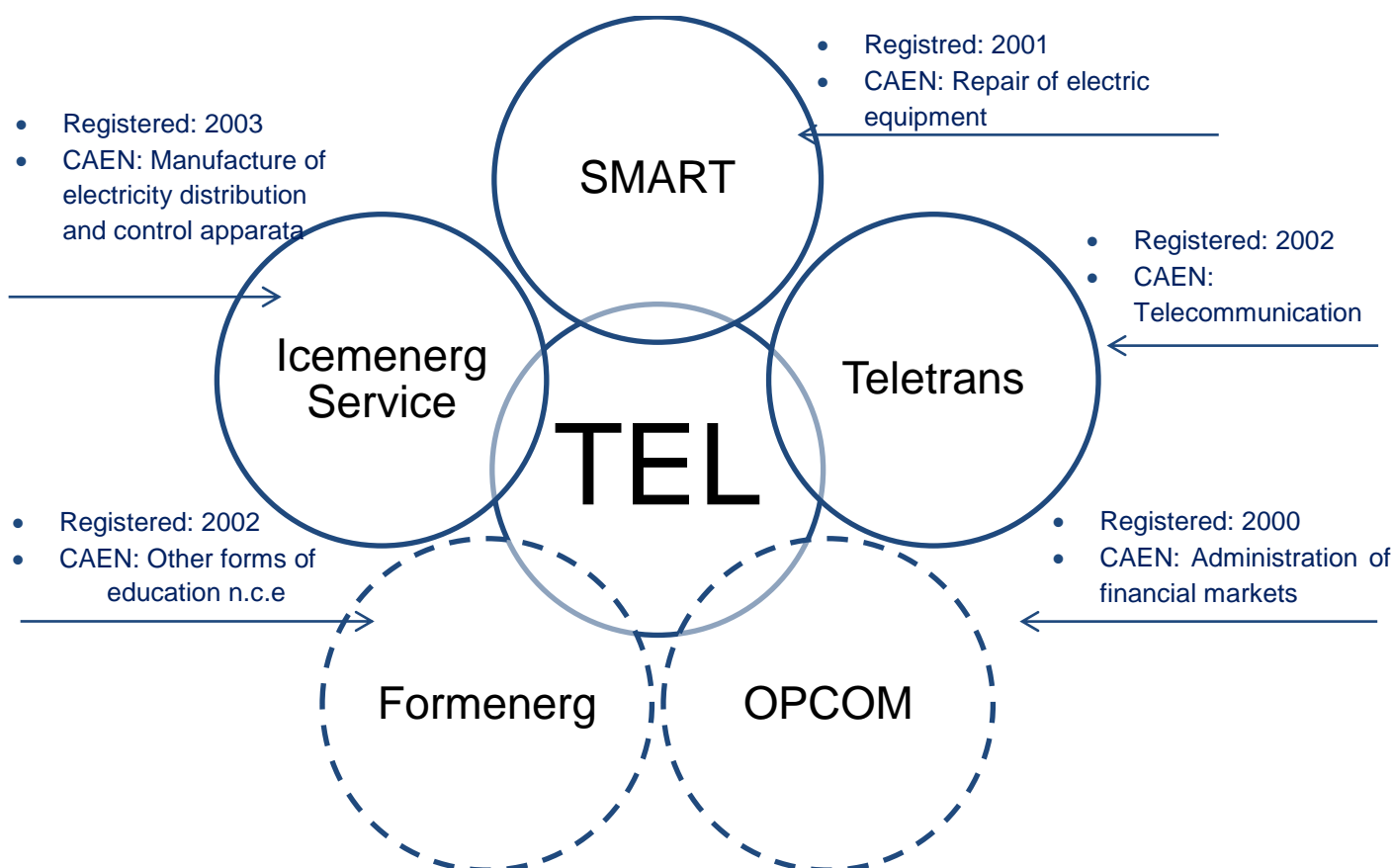
**Mircea-Toma  
MODRAN**

**Directorate  
Member**

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## PRESENTATION



On the date of this report Transelectrica has four subsidiaries in its structure, Romanian legal persons, organised as joint stock companies where it is the sole shareholder, namely: OPCOM<sup>1</sup>, Formenerg, Teletrans, and Icemenerg Service.

In the case of Smart, following increase of its share capital on 23.12.2014 by the Board of Administration of Smart with the value of lands which ownership certificates were obtained for previously, the Company became majority shareholder of 70% of the subsidiary's share capital.

Only companies Smart and Teletrans from among Company subsidiaries were included in the financial consolidation of the Group. Formenerg and Icemenerg-Service have not been taken into calculation upon consolidation since, according to applicable accounting legislation, the impact of their activities is considered insignificant for consolidation, while OPCOM complies with ANRE rules and has independent position on the energy market, consequently Transelectrica has no control over it.

In 2016 Subsidiaries participating to the consolidation area (Smart and Teletrans) began procedures with a view to implement the corporative governance principles, in accordance with the regulations of GEO

<sup>1</sup> According to GEO 86/ 2014 the Ministry of Economy, Trade and Tourism is mandated to initiate and approve all operations and steps necessary in order to transfer the shares held by the National Power Grid Company Transelectrica SA in the Company Electricity and Natural Gas Market Operator OPCOM SA in the Company Training Power Engineers of Romania FORMENERG SA to the state private property and the administration of the Ministry of Economy, Trade and Tourism, while observing the applicable legal provisions.

109/2011 on the corporative governance of public institutions. Thus the hired managers will be made responsible and remunerated according to the administration and management plans (which should include optimum administration/ management structures) as provided in GEO 109/2011. By implementing the corporative governance principles intentions are to make efficient the activities of the two Subsidiaries and the Company took steps to carry out the objectives assumed under the Company's Administration plan.

## SMART



The main business of Subsidiary SC SMART SA means reviews and repairs of energised instrumentation and equipment, transformers and auto-transformers; remedy of incidents in electric installations and micro-production of electric equipment. The Company has 8 branches, situated in the same locations as Transelectrica's branches.

- On 31 December 2016 share capital was 55,036 thousand Lei, of which 38,528 thousand Lei subscribed and fully paid by Transelectrica. SMART results are consolidated with the Company's financial ones.
- According to letter 165/13.01.2015 (registered in Transelectrica under no. 1552/14.01.2015) transmitted by the subsidiary, beginning with 30.12.2014 when the capital had been increased by contribution in kind with the value of lands which ownership certificates were obtained for provided the following shareholder structure:
  - CNTEE Transelectrica SA – 70.005% - 3,852,860 shares
  - Romanian State through the Ministry of Economy, Trade and Business Environment Relationship – 29.994% - 1,650,770 shares.

## TELETRANS



SC Teletrans SA was established under decision 13/04.12.2002 of AGA of Transelectrica, based on Law 31/1990 and Orders 3098 and 3101 of 23.10.2002 from the Ministry of Industry and Trade.

- TELETRANS shares are 100% held by Transelectrica.
- In accordance with the By-laws and applicable norms Teletrans provides telecommunication services under certificate 29056 issued by the National Administration and Regulatory Authority in Communications ("ANCOM") on 27.09.2010, observing the regulations of this public institution as per legal provisions (GEO 79/ 2002).
- The share capital on 31.12.2016 was 6,874 thousand Lei, Transelectrica being sole shareholder. Teletrans results are consolidated with the Company's financial ones.

## FORMENERG



**FORMENERG**  
Dam forma energiei!

Subsidiary SC FORMENERG SA is a company whose main business is training the personnel from the energy sector, Distrigaz Sud Retele, Distrigaz Confort, Cez Distribution, Omv Petrom, FDEE Electrica Distributie Transylvania Sud being among its clients. The Company provides a wide range of short term courses (a week or two) in domains such as- public procurement, human resources, finance-accounting, marketing and communication, operation, maintenance, energy strategy, natural gas, IT, legislation, licensing of electricians etc.

The share capital is 1,948 thousand Lei, fully paid, represented by 194,842 shares of 10 Lei nominal value each.

## ICEMENERG – SERVICE

Subsidiary Icemeneg Service SA focussed on the design, manufacture and distribution of metering, running and control apparatuses meant for the power system, having got ISO 9001 and IQ NET certification from SRAC ROMANIA, ANRE licensed.

- The share capital is 493 thousand Lei, fully paid on 22.08.2013 and is represented by 49,300 shares of 10 Lei nominal value each.
- By Order 855/10.12.2004 of the Minister of Economy and Commerce (on instituting the special administration procedure and financial supervision) beginning with 23.12.2004 the special administration and financial supervision procedure was instituted in SC ICEMENERG – SERVICE SA during the privatisation period of subsidiary ICEMENERG – SERVICE SA, subsidiary company of Transelectrica, with a view to determine the manner of administration and management as well as the measures that have to be taken in order to expedite the company's privatisation process.

## OPCOM



OPCOM was established according to GD 627/2000 on the reorganisation of the National Electricity Company SA as subsidiary, which Transelectrica is sole shareholder of.

- On 31 December 2016 share capital was 8,100 thousand Lei subscribed and fully paid.
- The main activities of OPCOM are: organisation, administration and supervision of centralised electricity market, and administration & supervision of centralised natural gas markets.
- Transelectrica does not exercise actual direct control over OPCOM's decisional mechanisms, which is managed according to ANRE regulations.

## IDENTIFICATION DETAILS

### OPCOM

Headquarters	Bucharest 3, Bd. Hristo Botev 16-18
Number in the commercial register	J40 / 7542/ 2000
Single (fiscal) registration code	13278352
Share capital	8,100,000 Lei divided into 810,000 nominative shares of 10 Lei nominal value each
Sole shareholder	Transelectrica
Establishment document	Governmental Decision 627/ 2000

### SMART

Headquarters	Bucharest 1, Blvd. Gen. Gh. Magheru 33
Number in the commercial register	J40/ 8613 / 2001
Single (fiscal) registration code	14232728
Share capital	55,036,300 Lei divided into 5,503,630 nominative shares of 10 Lei nominal value each
Shareholders	Transelectrica – 70.005% Romanian State – 29.995%
Establishment document	GD 710/ 2001 with respect to establishing the subsidiary Trading Company for Maintenance Services in the Electricity Transmission Grid SMART SA by reorganisation of certain activities of the National Power Grid Co. Transelectrica SA

### TELETRANS

Headquarters	Bucharest 3, Bd. 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 of 10 Lei nominal value each
Sole shareholder	Transelectrica
Establishment document	AGA decision of 20.03.2002

### FORMENERG

Headquarters	Bucharest 4, Blvd. Gheorghe Sincai 3
Number in the commercial register	J40/ 2265/ 2002
Single (fiscal) registration code	14529126
Share capital	1,948,420 Lei divided into 194,842 nominative shares of 10 Lei nominal value each
Sole shareholder	Transelectrica
Establishment document	Decision 33 of Transelectrica's AGA of 19.11.2001

## ICEMENERG SERVICE

Headquarters	Bucharest 3, Blvd. Energeticienilor 8
Number in the commercial register	J40 / 11414 / 2003
Single (fiscal) registration code	15689117
Share capital	493,000 Lei divided into 49.300 nominative shares of 10 Lei nominal value each
Sole shareholder	Transelectrica
Establishment document	GD 2294/ 9.12.2004 approving the transfer of the share package held by subsidiary Trading Company Energy Research and Modernising Institute ICEMENERG SA Bucharest in subsidiary Trading Company ICEMENERG-SERVICE SA Bucharest to the National Power Grid Company Transelectrica SA

## CONSOLIDATION OF FINANCIAL STATEMENTS

The general results of Group activities on 31.12.2016 were as follows:

Indicators [thousand Lei]	TEL	SMART	TELETRANS	Consolidation adjustments	TOTAL
Operational revenues	2,723,998	75,184	42,082	(103,176)	<b>2,738,088</b>
Operational expenses	(2,371,745)	(95,305)	(32,498)	103,176	<b>(2,396,372)</b>
<b>Gross operational profit</b>	<b>352,253</b>	<b>(20,121)</b>	<b>9,584</b>	<b>0</b>	<b>341,716</b>
Financial result	(17,028)	(417)	(580)	(1,819)	<b>(19,844)</b>
Profit before tax	335,225	(20,538)	9,004	(1,819)	<b>321,872</b>
<b>Net income</b>	<b>272,996</b>	<b>(20,538)</b>	<b>8,355</b>	<b>(1,819)</b>	<b>258,994</b>

Source: Transelectrica

Indicators [thousand Lei]	TEL	SMART	TELETRANS	Consolidation adjustments	TOTAL
Non-current assets	3,291,857	59,930	6,890	(47,146)	<b>3,311,531</b>
Current assets	1,950,789	42,890	33,112	(21,405)	<b>2,005,386</b>
<b>TOTAL ASSETS</b>	<b>5,242,646</b>	<b>102,820</b>	<b>40,002</b>	<b>(68,551)</b>	<b>5,316,917</b>
Shareholder's equity	3,092,569	56,012	33,748	(52,630)	<b>3,129,699</b>
Total liabilities	2,150,077	46,808	6,254	(21,405)	<b>2,181,734</b>
- LT liabilities	1,020,193	5,490	554	0	<b>1,026,237</b>
- ST liabilities	1,129,884	41,318	5,700	(21,405)	<b>1,155,497</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,242,646</b>	<b>102,820</b>	<b>40,002</b>	<b>(68,551)</b>	<b>5,316,917</b>

Source: Transelectrica

The general results of the activities performed by the group consisting of the Company and the two Subsidiaries that consolidate with are as follows:

Indicators [thousand Lei]	2016	2015	2014	2013	'16/'15 [%]
Total revenues	2,766,764	3,028,888	2,867,396	2,570,756	-8.7%
Total expenses	2,444,892	2,611,984	2,439,087	2,322,025	-6.4%
<b>Gross profit</b>	<b>321,872</b>	<b>416,904</b>	<b>428,309</b>	<b>248,731</b>	-22.8%
<b>Net profit</b>	<b>258,994</b>	<b>346,105</b>	<b>353,392</b>	<b>206,432</b>	-25.2%

Source: Transelectrica

## ACTIVITIES

In 2016 the two Subsidiaries included in the consolidation carried out activities in accordance with their main activity domains, as follows:

- **TELETRANS** – has carried out activities as follows:
  - Services in the Information Technology domain:
    - Services offered to corporative clients on the Romanian market and asked by Transelectrica: outsourcing type services to administer information systems, administration of IT networks, IT systems and applications, elaborating IT software specific to clients, designing and constituting IT networks- LAN, MAN and WAN, design and implementation of IT systems, building IT systems and applications that use relational databases, ERP systems, making Internet sites, web-based applications, support services, preventive/corrective maintenance of IT equipment and systems, hardware and software maintenance;
    - IP services offered on the Romanian market to corporative clients, to suppliers of telecommunication and internet services: wide band internet services, physical supports for such connection;
  - Services for telecommunications:
    - For Transelectrica: services under Service Level Agreement (SLA) and services upon order;
    - For governmental organisations and other clients on Romania's liberalised telecommunication market by rented line services, dark fibre, co-location services and services associated to them.
  - Services in the Process Information domain:
    - Maintenance of process information systems / equipment;
    - Management of process information systems;
    - Elaborating and implementing new applications or developing existing ones;
    - Implementation and commissioning of process information systems;
    - Integrating the new command-control systems from refurbished substations into the EMS/SCADA;
    - Remote control/tele-management of electric substations from the Territorial Power Dispatcher (DET)/ National Power Dispatcher (DEN);
- **SMART** – has carried out activities:
  - As supplier of services and work for:
    - Maintenance of electric power installations;
    - Refurbishments and modernisations of electric power installations.
  - As supplier of consulting and design,
    - Devising specific products for electric power installations

- of:
  - Installing primary instrumentation (vacuum, SF6, oil, air insulated);
  - Installing digital equipment and systems for protections, metering and command-control;
  - Laying and connecting (high voltage, secondary circuits, optical fibre) cables;
  - Controls and parameter setting for digital equipment.
- Technical reviews, technical inspections, current and capital repairs, interventions upon accidental events and expertise operations, for clients from the energy sector and not only them, mainly to:
  - Installations and equipment that transmit and distribute low, medium, high and very high voltage electricity (750 kV inclusive);
  - Protection, automation, metering and command-control equipment and circuits for transformer and connection substations;
  - Transformers and autotransformers of all power and voltage levels (up to 500 MVA and 750 kV);
  - Overhead and cable lines (110 kV ÷ 750 kV).

## GOVERNANCE STRUCTURES

In 2016 the executive governance of Subsidiaries was provided by the following persons:

### SMART:

<b>Catalina DRAGOMIR</b>	CEO
Adrian CORBU	Deputy CEO I
Adriana FLOREA	Deputy CEO II
Liviu PETRACHE	Director of Maintenance and Development Division
Veronica DRAGOI	Director of Economic Division
Raul POPA	Director of Commercial Division

### TELETRANS:

Bogdan Gabriel NEIDONI	Deputy CEO with attributions of Director General
Claudiu Tudorel PREOTEASA	Deputy CEO
Dan BORDEA	Technical Director
Florin Nicolae MARZA	Economic Director
Mihail Ovidiu MIHAILA	Director, Strategy, Programmes, Communication and International Relations Department
Ovidiu CODREANU	Director, IT Department
Clara MINDROC	Director, Juridical and Administrative Disputes Department

### ICEMENERG SERVICE:

Calin-Gruia NICULESCU	CEO	Constantin Ulmeanu	Economic Director
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### FORMENERG:

Dragos FLORESCU	CEO
Marcel NICULESCU	Economic Director
Dominic Valentin COSTEA	Director of Professional Development
Ioana VOICESCU	Marketing Director

### OPCOM:

Victor IONESCU	CEO
Silvia FEDIUC	Economic Director
Luminita LUPULUI	Director, Electricity Transactions-Settlement

## FINANCIAL REPORT

### FINANCIAL POSITION STATEMENT

The consolidated financial position statement is as follows:

Indicators [thousand Lei]	31.12.2016	31.12.2015	'16/'15
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3,254,345	3,426,423	-5.0%
Intangible assets	14,775	35,151	-58.0%
Other investments	32,636	10,541	209.6%
Long term receivables	9,775	0	
<b>Total non-current assets</b>	<b>3,311,531</b>	<b>3,472,116</b>	-4.6%
<b>Current assets</b>			
Inventories	45,475	46,194	-1.6%
Trade and other receivables	864,332	729,338	18.5%
Other financial assets	135,090	70,085	92.8%
Cash and cash equivalents	960,489	1,002,829	-4.2%
<b>Total current assets</b>	<b>2,005,386</b>	<b>1,848,495</b>	8.5%
<b>TOTAL ASSETS</b>	<b>5,316,917</b>	<b>5,320,611</b>	-0.1%
<b>Shareholder's equity</b>			
Share capital	733,031	733,031	0.0%
Share premium	49,843	49,843	0.0%
Legal reserves	116,552	99,599	17.0%
Other reserves	57,627	56,368	2.2%
Revaluation reserves	458,184	512,781	-10.6%
Retained earnings	1,714,462	1,608,506	6.6%
<b>Total equity attributable to the Group owners</b>	<b>3,129,699</b>	<b>3,060,128</b>	2.3%
Non-controlling interests	5,484	11,645	-52.9%
<b>Total equity</b>	<b>3,135,183</b>	<b>3,071,773</b>	2.1%
<b>Non-current liabilities</b>			
Long term deferred revenues	433,692	467,949	-7.3%
Long term borrowings	501,930	634,590	-20.9%
Deferred tax liability	32,565	37,929	-14.1%
Employee benefits obligations	58,050	46,159	25.8%
<b>Total non-current liabilities</b>	<b>1,026,237</b>	<b>1,186,627</b>	-13.5%
<b>Current liabilities</b>			
Trade and other liabilities	877,058	779,506	12.5%
Provisions	55,274	43,416	27.3%
Other tax and social security liabilities	12,291	8,694	41.4%
Short term borrowings	155,548	180,694	-13.9%
Short term deferred revenues	38,025	33,408	13.8%
Income tax payable	17,301	16,493	4.9%
<b>Total current liabilities</b>	<b>1,155,497</b>	<b>1,062,211</b>	8.8%
<b>Total liabilities</b>	<b>2,181,734</b>	<b>2,248,838</b>	-3.0%
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>	<b>5,316,917</b>	<b>5,320,611</b>	-0.1%

Source: Transelectrica

## PROFIT AND LOSS ACCOUNT

At Group level the profit and loss account statement is as follows:

Indicators [thousand Lei]	2016	2015	'16/'15
<b>Operational revenues</b> , of which:	<b>2,738,088</b>	<b>2,985,779</b>	-8.3%
- Transmission revenues	1,146,257	1,284,808	-10.8%
- System service revenues	716,340	731,205	-2.0%
- Balancing market revenues	814,080	923,035	-11.8%
- Other revenues	61,411	46,730	31.4%
<b>Operational expenses</b> , of which:	<b>(2,396,372)</b>	<b>(2,544,674)</b>	-5.8%
- System operating expenses	(230,757)	(231,851)	-0.5%
- Balancing market expenses	(814,080)	(923,035)	-11.8%
- Technological system services expenses	(561,027)	(637,653)	-12.0%
- Depreciation and amortization	(331,433)	(327,336)	1.3%
- Personnel expenses	(271,938)	(245,686)	10.7%
- Repairs and maintenance expenses	(28,913)	(19,350)	49.4%
- Consumables	(27,741)	(36,916)	-24.9%
- Other operational expenses	(130,483)	(122,847)	6.2%
<b>Operational profit</b>	<b>341,716</b>	<b>441,104</b>	-22.5%
Financial revenues	28,676	43,110	-33.5%
Financial expenses	(48,520)	(67,310)	-27.9%
<b>Financial result</b>	<b>(19,844)</b>	<b>(24,200)</b>	-18.0%
<b>Earnings before tax</b>	<b>321,872</b>	<b>416,904</b>	-22.8%
Income tax	(62,878)	(70,799)	-11.2%
<b>NET Income</b>	<b>258,994</b>	<b>346,105</b>	-25.2%
<b>Basic and diluted earnings per share [Lei/share]</b>	<b>3.53</b>	<b>4.72</b>	-25.2%

Source: Transelectrica

## CASH FLOWS

At Group level the cash flows statement is as follows:

Indicators [thousand Lei]	2016	2015
<b>Cash flows from operational activities</b>		
<b>Profit of the year</b>	<b>258,994</b>	<b>346,105</b>
<b>Adjustments for:</b>		
Income tax expense	62,878	70,799
Depreciation and amortisation	331,433	327,336
Increase in allowance for doubtful debts	32,739	33,616
Decrease in allowance for doubtful debts	(11,324)	(26,650)
Loss from disposal of tangible assets	273	1,119
Ajustements for stocks provisions depreciation	411	2,338
Ajustement for tangible assets cost	18,805	22,467
Impairments for provisions	19,100	15,264
Interest expense, interest revenue and unrealised foreign exchange rate gains	19,844	19,057
	<b>733,152</b>	<b>811,451</b>
<b>Changes in:</b>		
Trade and other <a href="#">receivables</a>	(156,359)	327,728
Inventories	308	345
Trade and other liabilities	51,861	(187,776)
Other tax and social security liabilities	3,597	(1,682)
Deferred revenues	(29,640)	(57,801)
<b>Cash flows from operational activities</b>	<b>602,919</b>	<b>892,265</b>
Interest paid	(25,390)	(31,011)
Income tax paid	(66,538)	(56,863)
<b>Net cash from operational activities</b>	<b>510,992</b>	<b>804,391</b>
<b>Cash flows used in investments activities</b>		
Procurements of property, plant & equipment and of intangible assets	(142,730)	(243,910)
Dividends <a href="#">received</a>	1,219	1,905
Interest <a href="#">received</a>	5,880	11,729
Other financial assets	(65,005)	78,715
<b>Net cash used in investments activities</b>	<b>(200,636)</b>	<b>(151,561)</b>
<b>Cash flows used in financing activities</b>		
Repayments of non-current loans	(162,486)	(196,387)
Repayments of current loans	4,133	7,061
Dividends paid	(194,342)	(205,307)
<b>Net cash used in financing activities</b>	<b>(352,695)</b>	<b>(394,633)</b>
<b>Net increase of cash and cash equivalents</b>	<b>(42,340)</b>	<b>258,196</b>
<b>Cash and cash equivalents at 1 January</b>	<b>1,002,829</b>	<b>744,633</b>
<b>Cash and cash equivalents at 31 December</b>	<b>960,489</b>	<b>1,002,829</b>

Source: Transelectrica