



Operational and Financial Results H1 2007

- Meeting with financial analysts -

September 4th, 2007

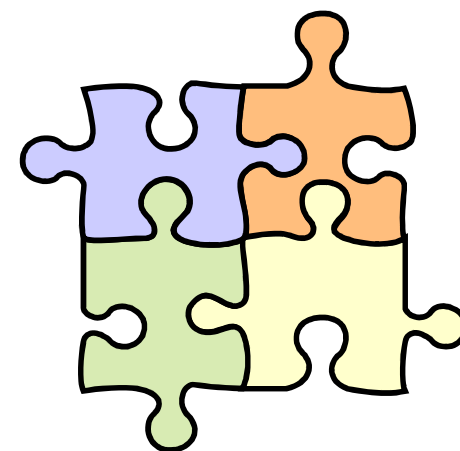


Disclaimer

- **Certain statements in the following presentation regarding Transelectrica's business operations may constitute "forward looking statements" such as, but not limited to, future electricity consumption, future earnings, growth, financial and operating performance. Forward looking statements are not intended to be a guarantee of future results, but instead constitute Transelectrica's current expectations based on reasonable assumptions, consistent with prior experience.**
- **Actual results could differ materially from those projected in our forward - looking statements due to various risks, uncertainties and other factors. Transelectrica undertakes no obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.**
- **In preparation of this document we used TEL available data on BSE as well as information from MEF and other public data . While the sources we used are generally regarded as reliable we did not verify their content. Transelectrica does not accept any responsibility for using any of such information**
- **This document contains a presentation of operational and financial results, based on individual (RAS) and consolidated (IFRS) financial statements at H1, 2007.**
- **Use of rounded figures may result in inexact mathematical calculations.**

Summary

- **H1 2007 – Introduction**
- **H1 2007 – Legal & regulatory highlights**
- **H1 2007 – Activity highlights**
- **H1 2007 – Financial results**
- **H2 2007 and after – Perspectives**



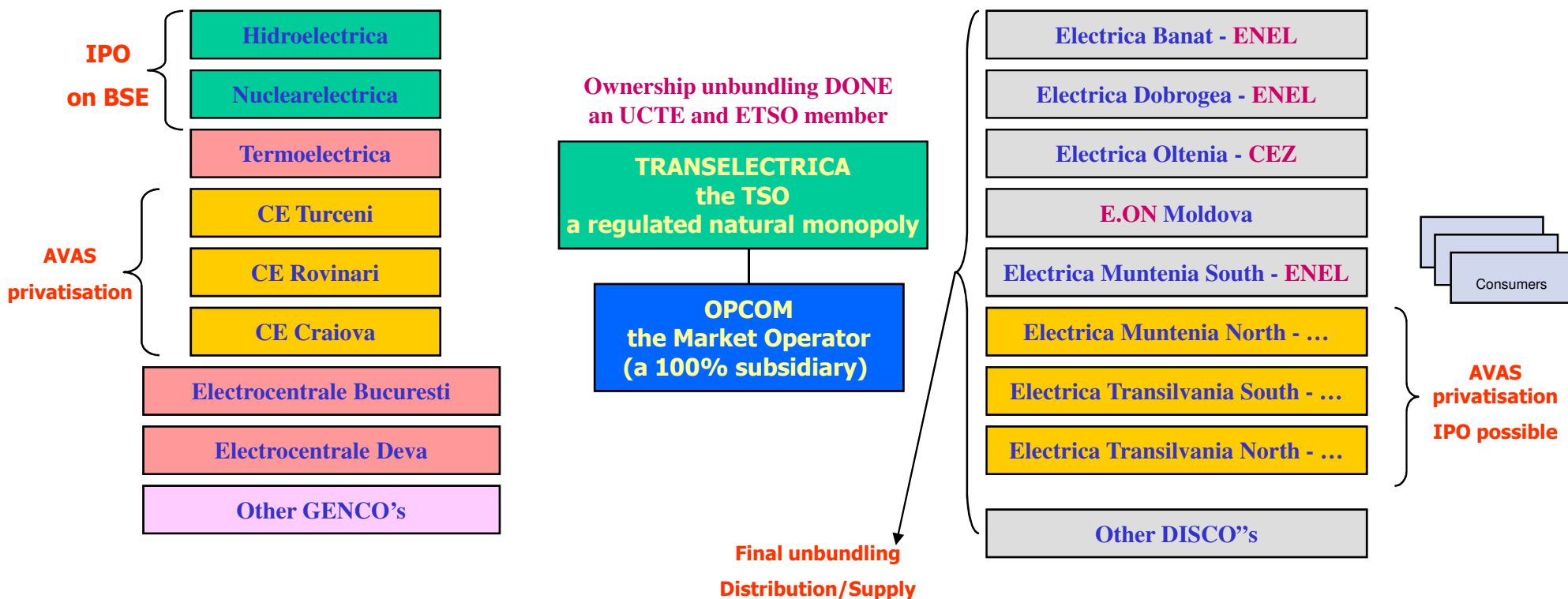


The Romanian Power Sector



A fully unbundled and liberalized electricity market (100 % from 1.07.2007, effective > 40 %)

Licenses: GENERATION (75/4 for Technical Services) TRANSMISSION (1 TSO) DISTRIBUTION (27/8) AND SUPPLY (128/66) USE

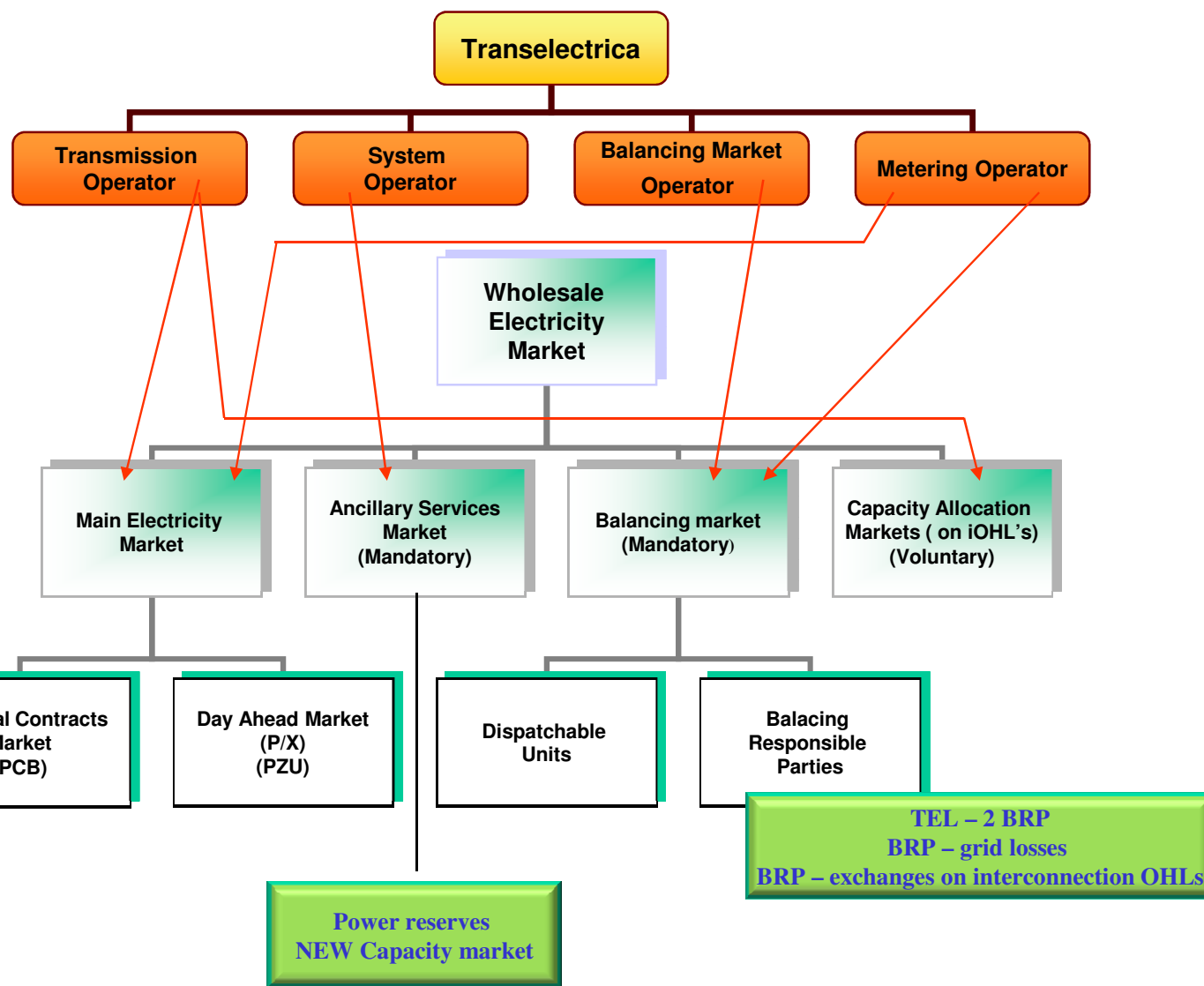




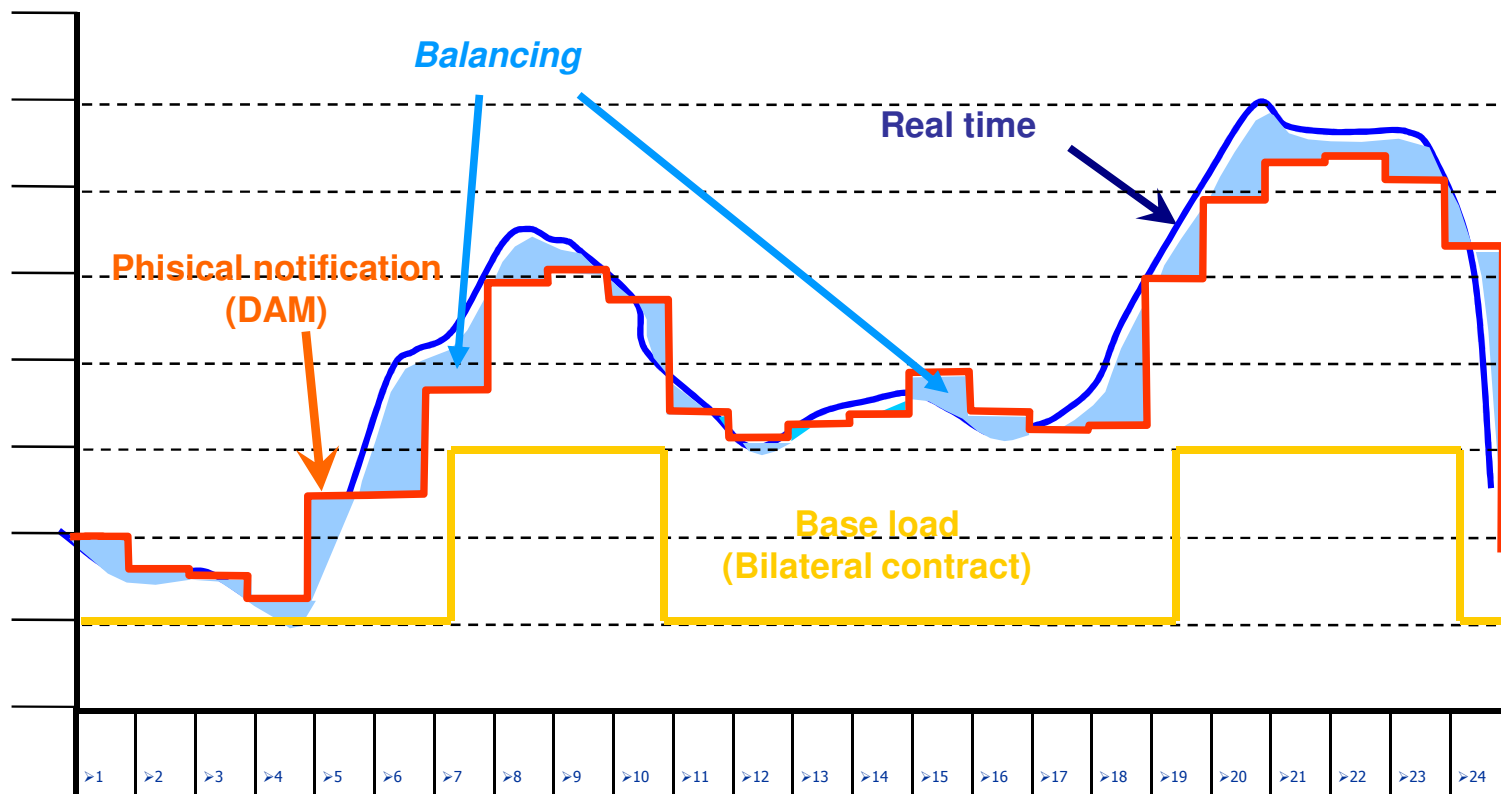
Transelectrica and the wholesale power market

Three major services provided by Transelectrica for the power market participants:

1. Transmission services with metering services
2. System services
3. Balancing Market services



The Balancing Market – the concept



BRP : balancing responsible party :

- Negative imbalance : obligation to pay money
- Positive imbalance : right to receive money



Transelectrica organisation

**TEL staff :
2176 – 1.07.2007**

General Shareholders Meeting

Board of Administration

Director general

Legal & Others

Central Departments

Strategy, Int Coop. and Capital Markets

Operational Unit – National Dispatching

Commercial

Asset Management

Investment Project Management

Finance, Accounting, Patrimony

Branches

Transmission Branch Bacau

Transmission Branch Bucuresti

Transmission Branch Cluj

Transmission Branch Constanta

Transmission Branch Craiova

Transmission Branch Pitesti

Transmission Branch Sibiu

Transmission Branch Timisoara

Metering Branch - OMEPA

Mission and responsibility:
to ensure the Romanian Power System's (RPS) reliable and stable operations, at high quality standards, while providing a national electricity market infrastructure and securing regulated access to the Romanian electricity transmission network

100 % owned Subsidiaries

OPCOM

SMART

TELETRANS

FORMENERG

ICEMENERG

ICEMENERG - Service

- Privatization process restarted with a new MEF – TEL commission;
- Full selling for ICEMENERG and ICEMENERG Service (10 % for employees)
- Formenerg – partial selling (TEL to retain 20 %)

Summary

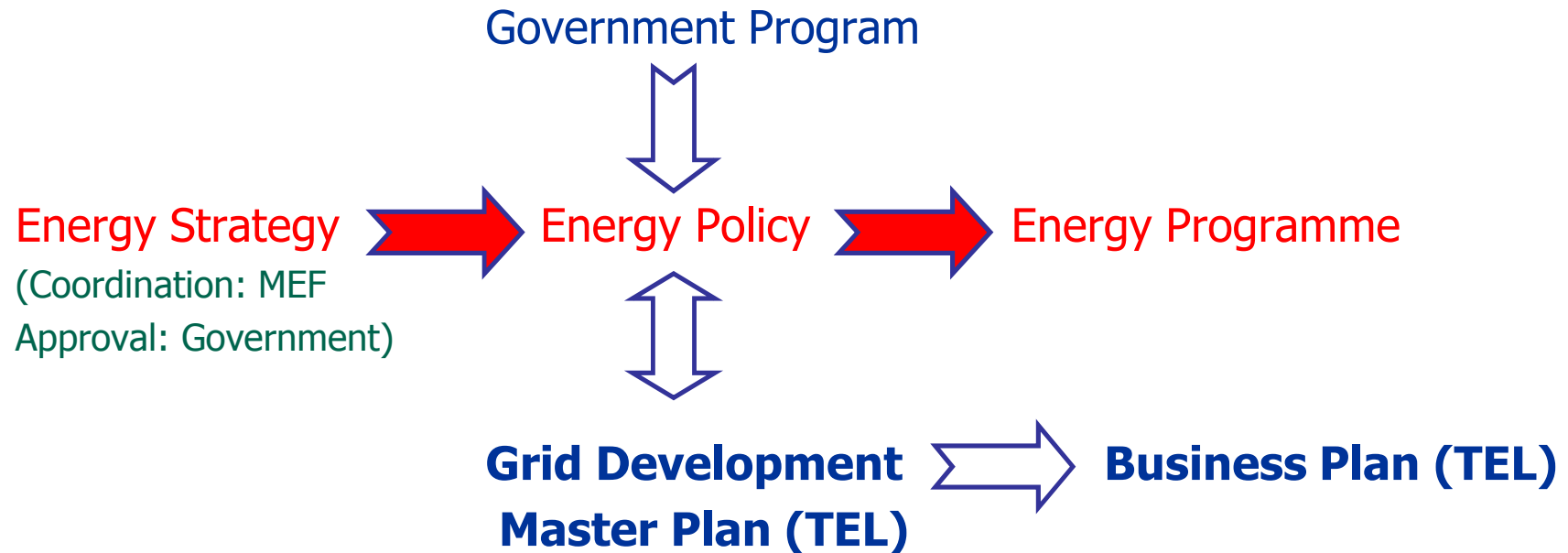
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Legislation

Energy Law (no. 13/2007)



Main specific requirements for Transelectrica, as defined by ANRE:

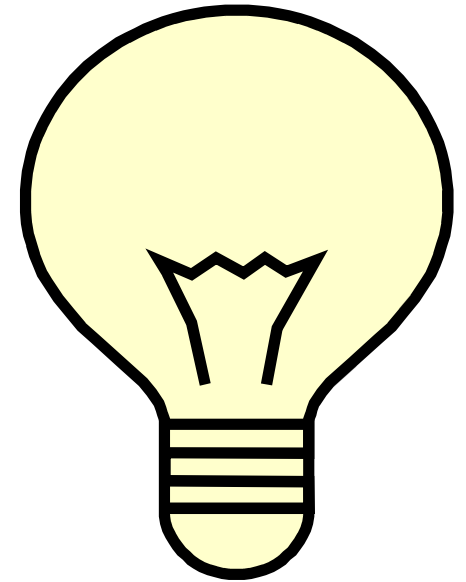
- Transmission and System Operator Licence
- Performance standards
- Infrastructure Projects Authorization
- Regulated tariffs and Standard Form Contracts
- Various methodologies

Regulatory environment (ANRE)

- Transelectrica as a TSO is a regulated natural monopoly
- Tariffs evolution in H1 2007
 - **Transmission tariff** (average value, without VAT):
 - 01.01.2007 – ongoing - **14.85 lei/MWh**
 - **System tariff** (average value, without VAT):
 - 01.01.2002007 – 31.03.2007 – **13.10 lei/MWh**
 - From 1.04.2007 - **14.40 lei/MWh**
 - From 2.08 2007 - **14.38 lei/ MWh**
 - from which **Functional tariff**:
 - 01.01.2007 – ongoing - **0.82 lei/MWh**
 - **Market administration tariff** (for OPCOM)
 - 01.01.2007 – 1.08.2007 - **0.20 lei/MWh**
 - From 2.08.2007 - **0.22 lei/MWh**
- ANRE regulated price for grid losses 243 RON/MWh from Termoelectrica in H1 2007 compared with 176 RON/MWh from Electrocentrale Deva in H1 2006

Summary

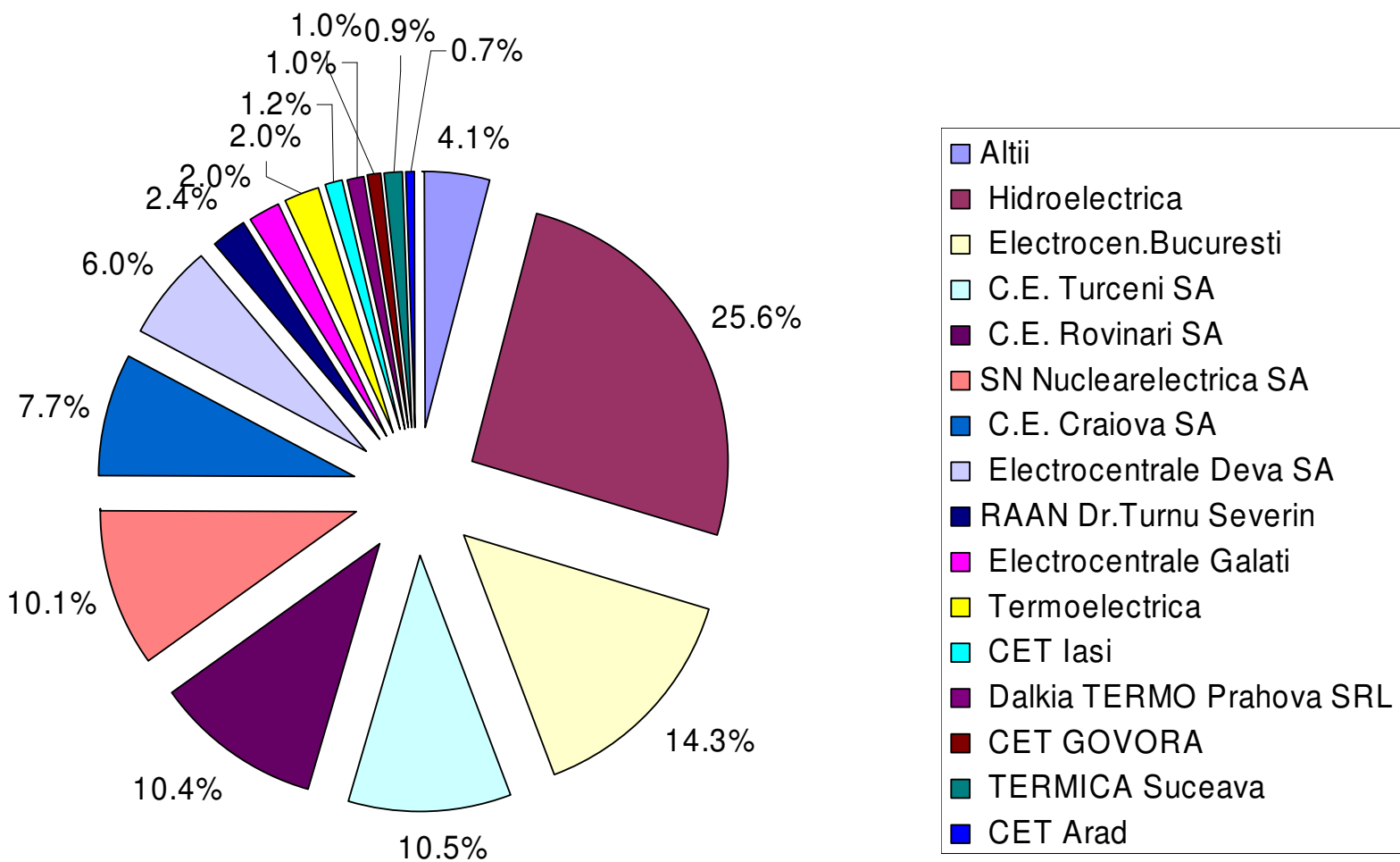
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Activity highlights (1)

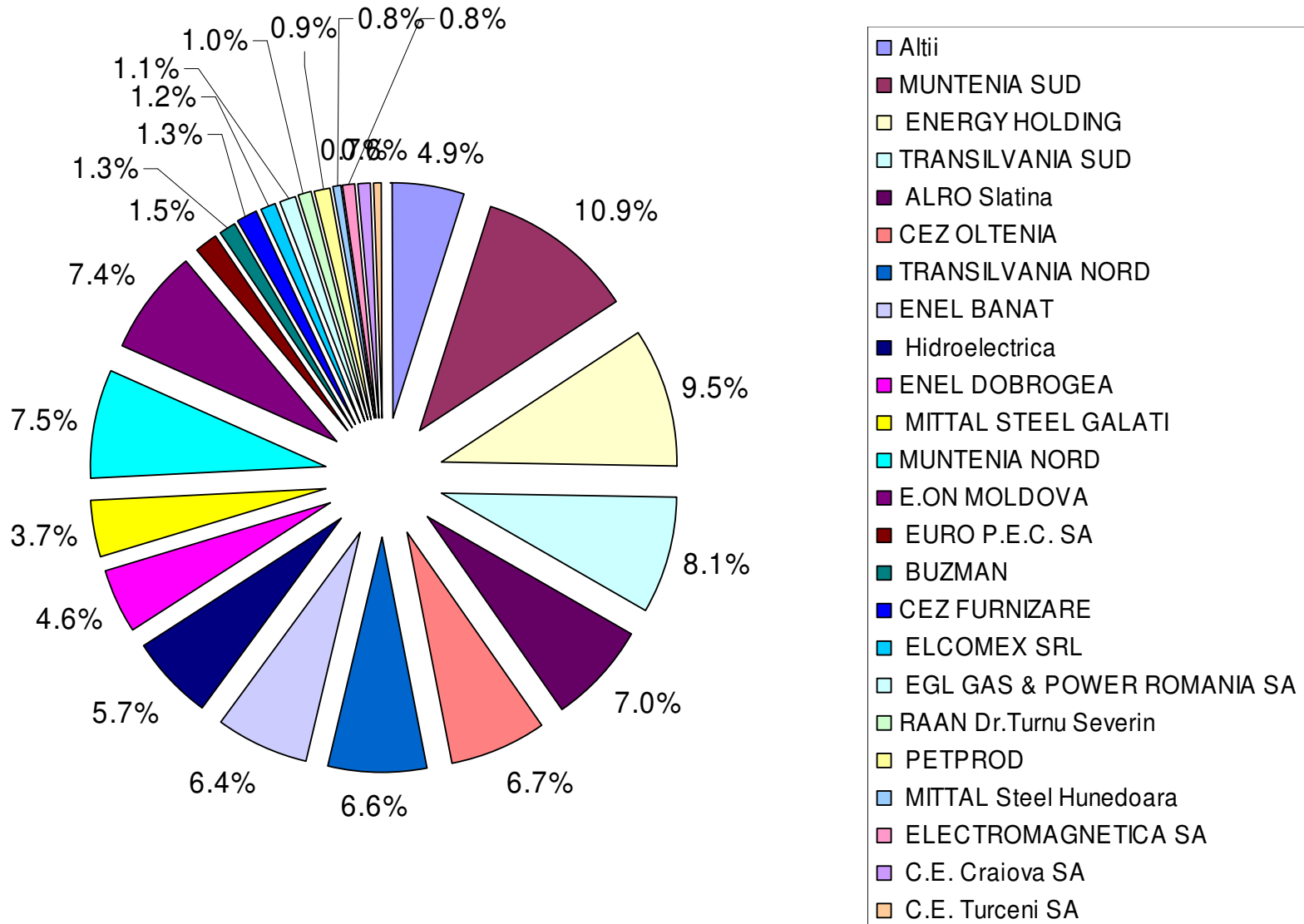
Market shares for the energy injected into RET





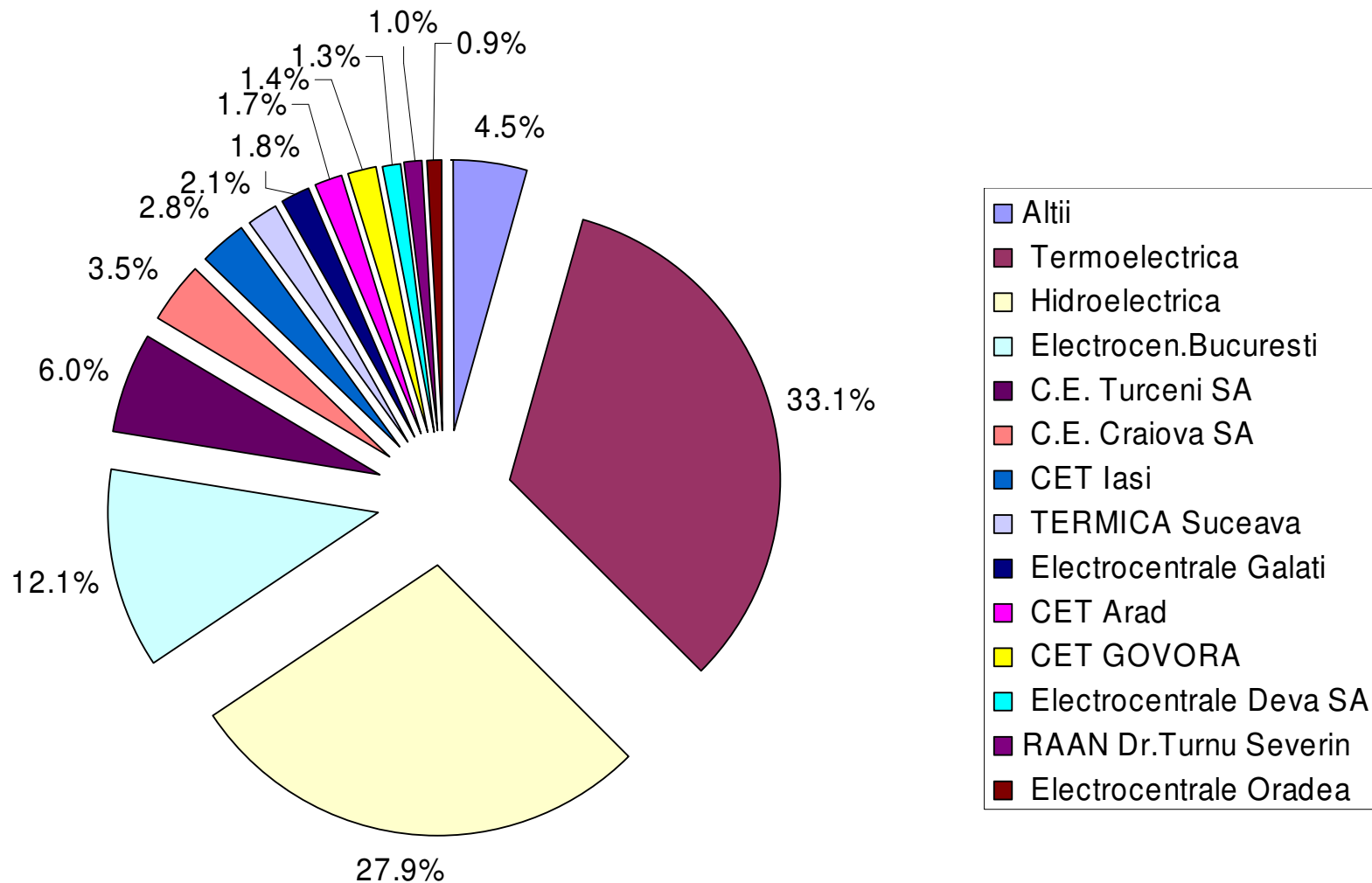
Activity highlights (2)

Market shares for the energy extracted from RET

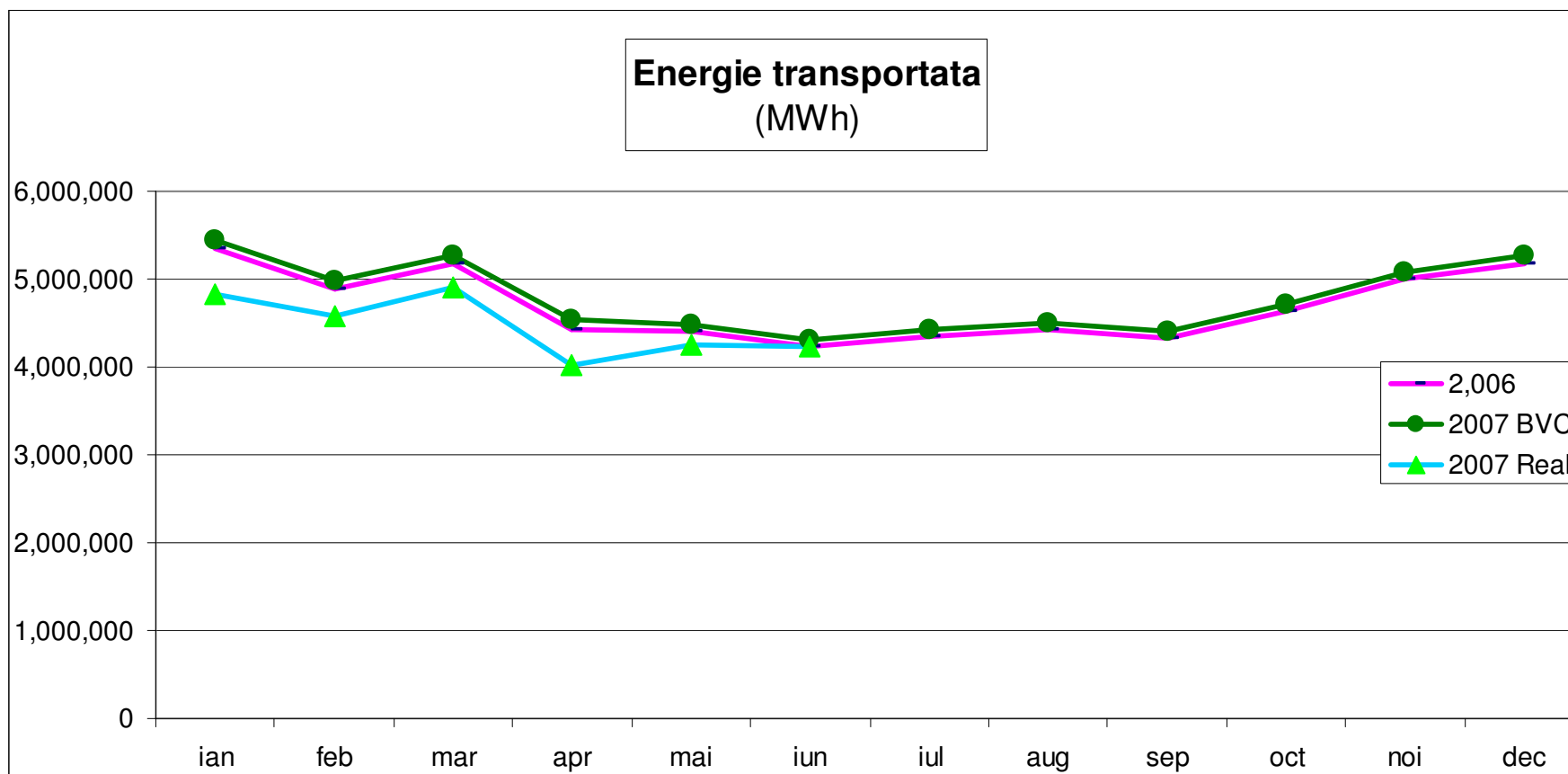




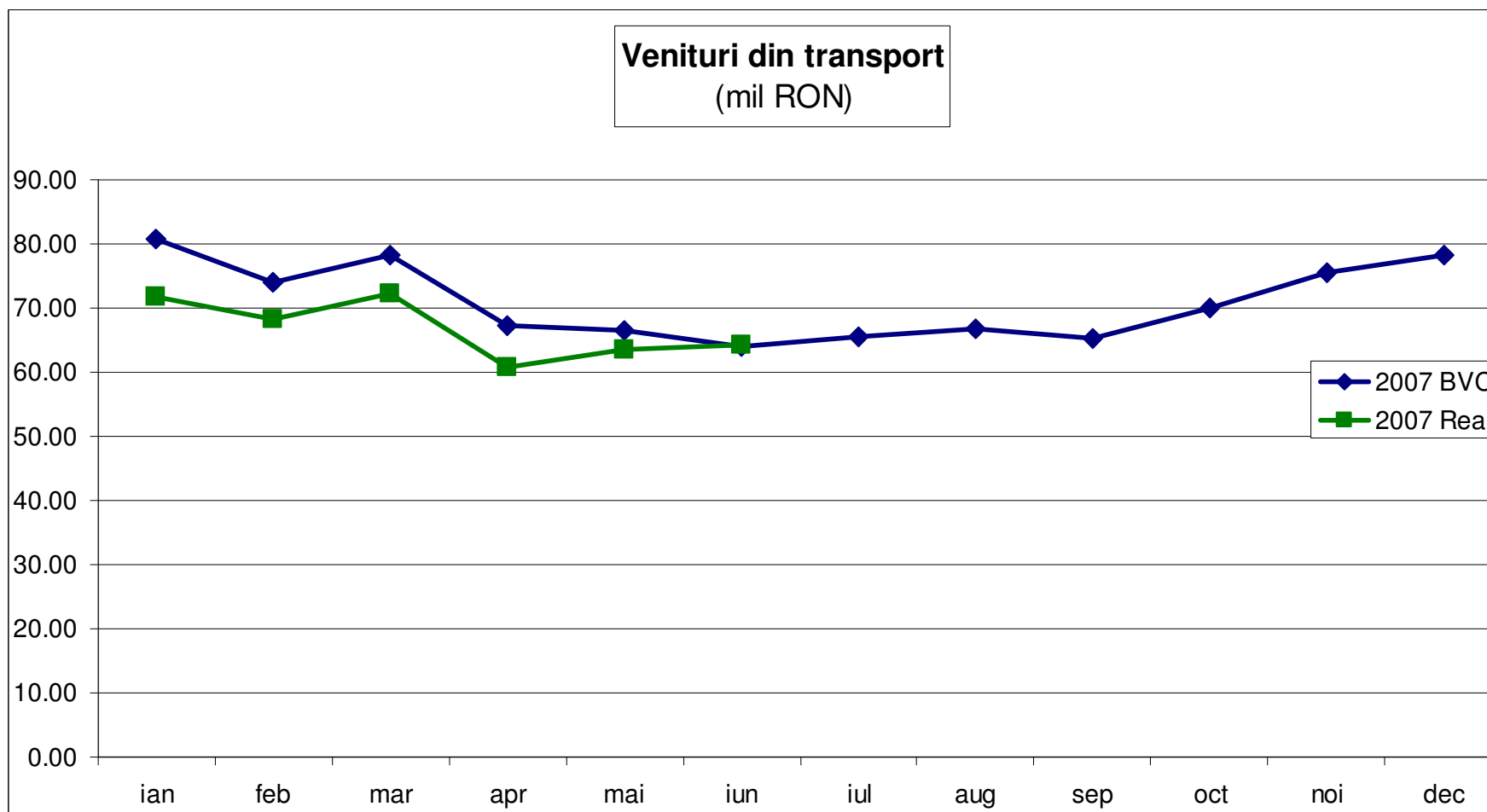
Activity highlights (3) Technological system services providers



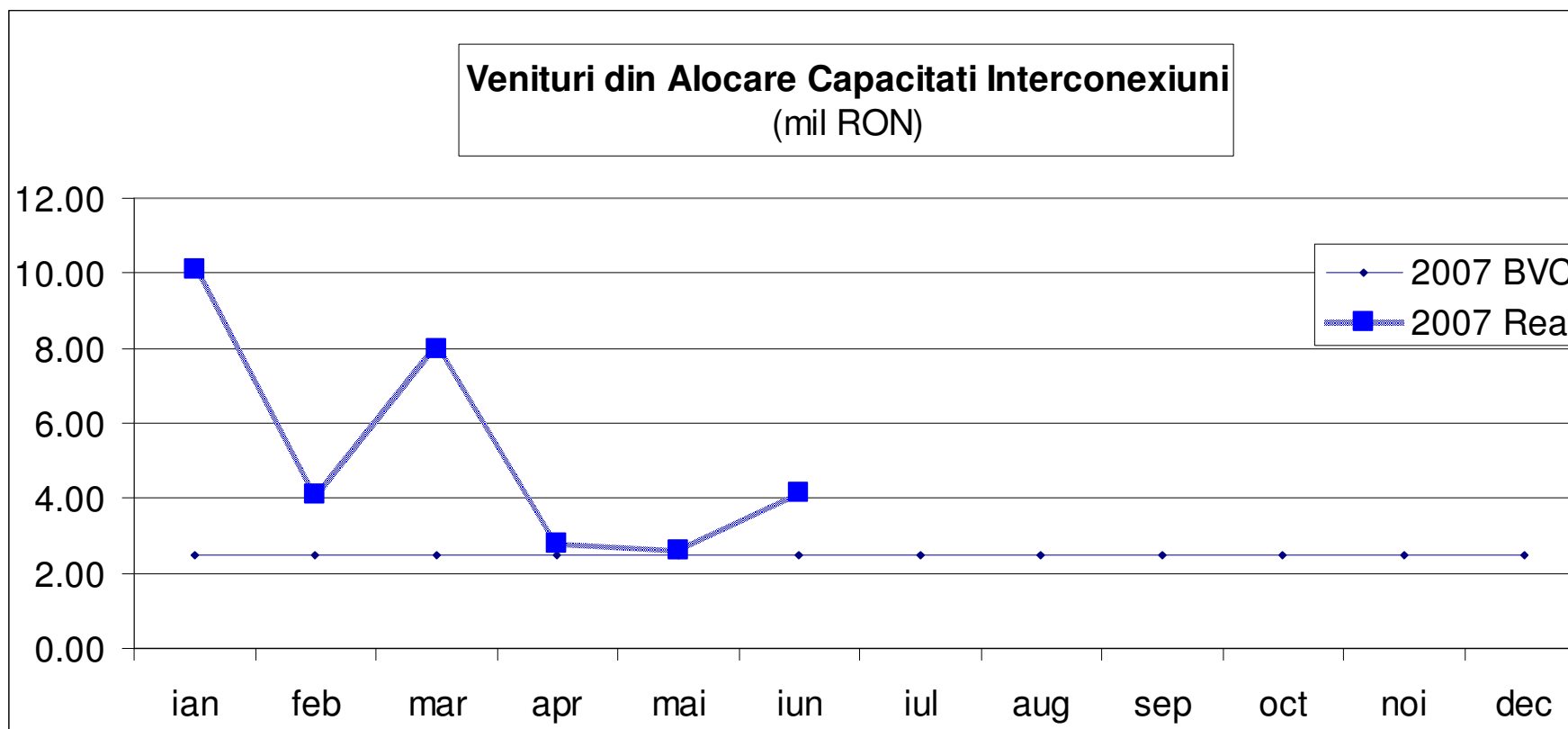
Activity highlights (4) Energy transmitted



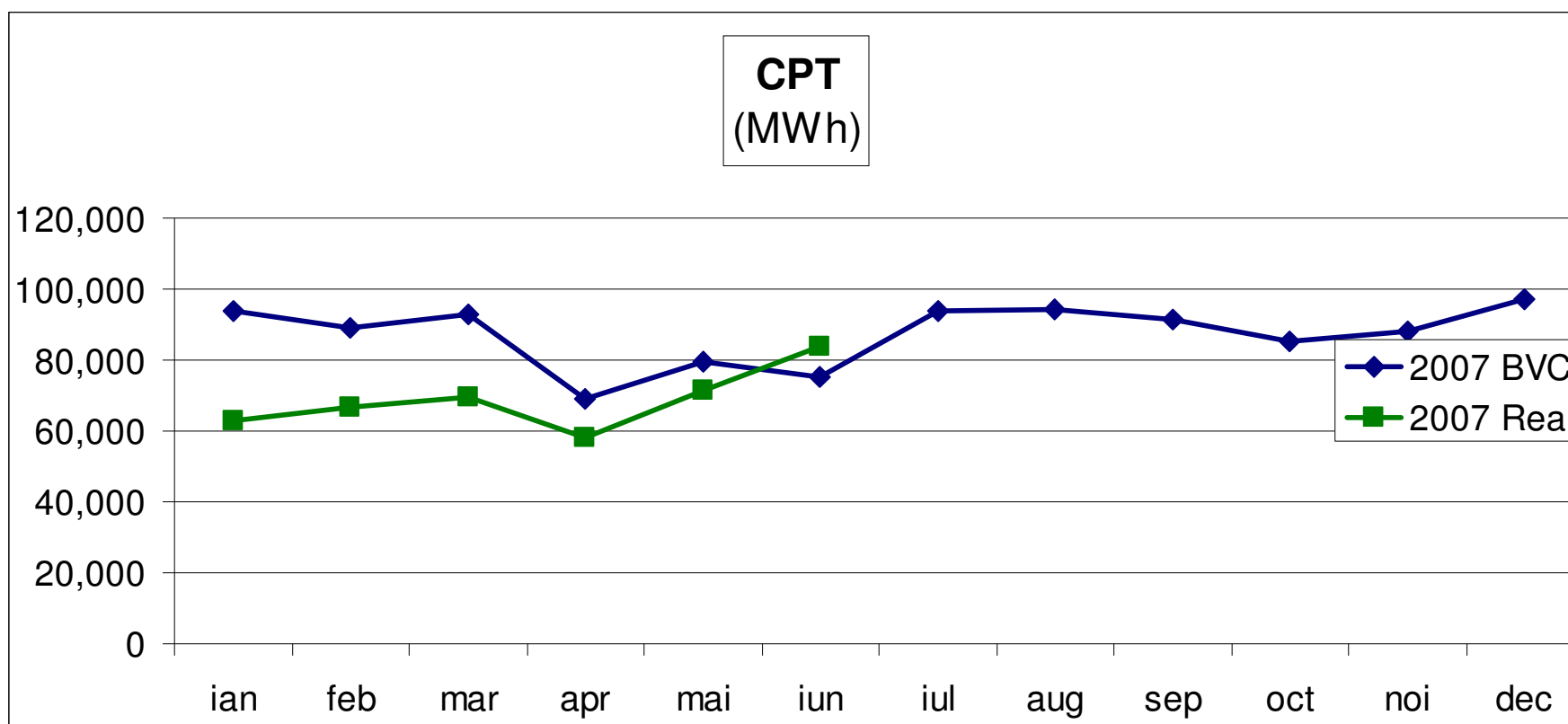
Activity highlights (5) Incomes from transmission service



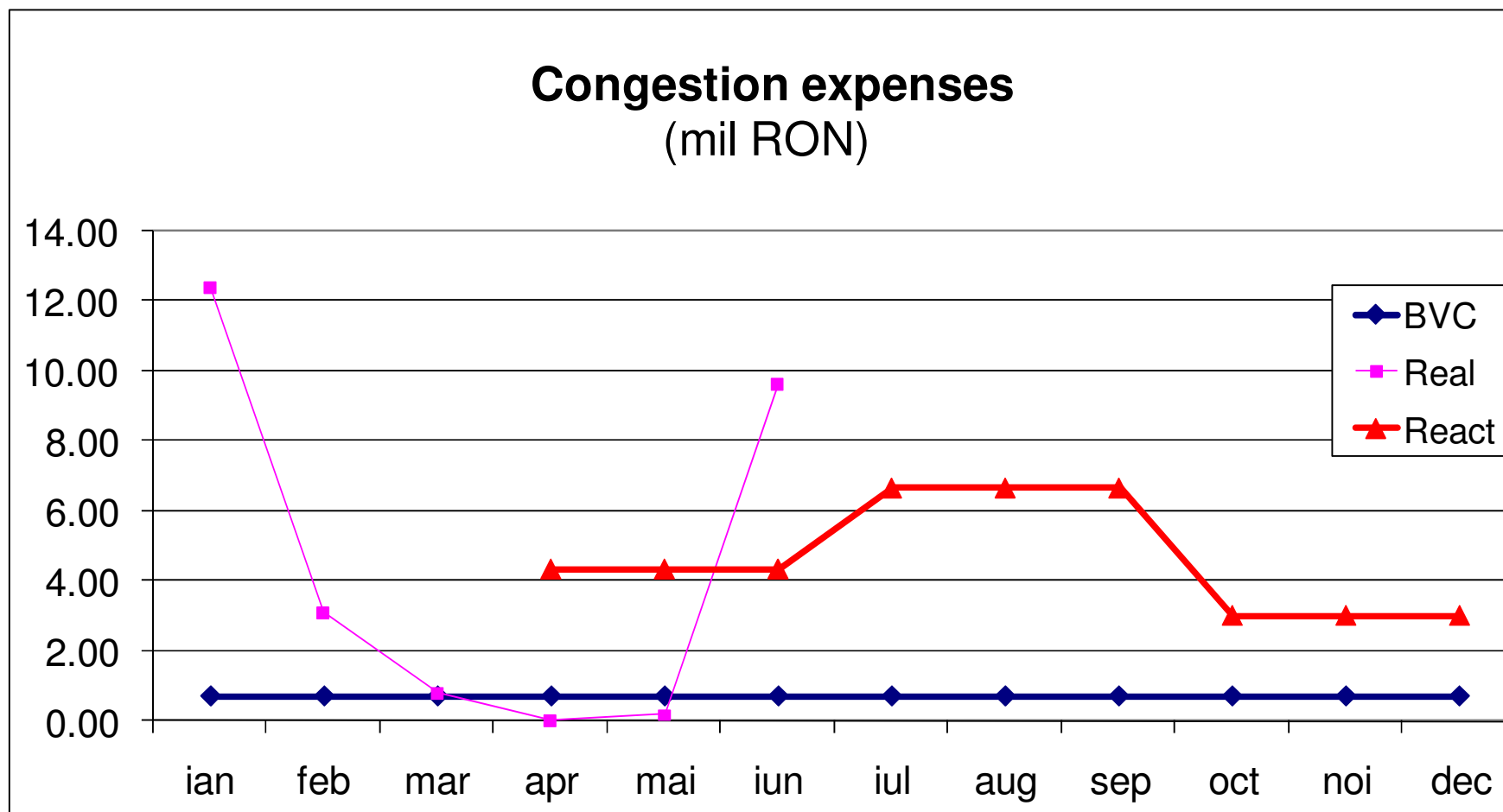
Activity highlights (6) Incomes from ATC



Activity highlights (7) Own technological consumption



Activity highlights (8) Expenses with congestions



CAPEX, main Projects

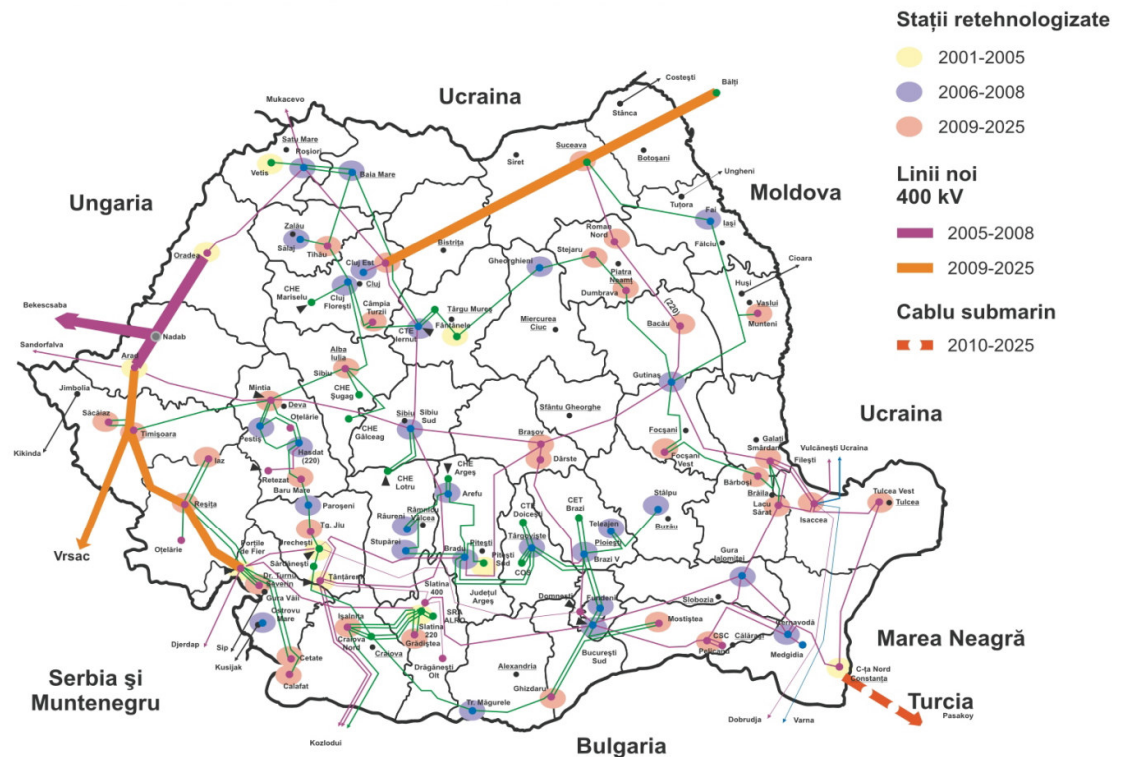
CAPEX 2007 130 Mil. Euro

Finalized investment projects in H1 2007 (substations):

- 220 kV Paroseni
- 220 kV Sibiu Sud

From a traditional grid to a market – oriented, smart grid

Rețeaua Electrică de Transport a CN Transelectrica SA



The transmission grid: public ownership of the State; 49 years concession agreement for Transelectrica

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Income statement

Consolidated Income statement

H1 2007

EBITDA: RON 156 m

EBIT: RON 63 m

EBT: RON 126 m

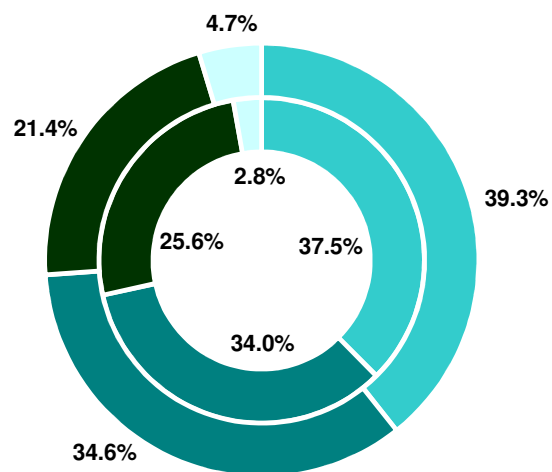
EAT: RON 96 m

	H1 2007	H1 2006	chg	
	RON '000	RON '000	RON '000	%
Operating revenues	1,104,964	1,148,173	(43,209)	(3.8)
Operating expenses	(1,042,026)	(980,897)	61,129	6.2
EBIT	62,938	167,276	(104,338)	(62.4)
Depreciation and amortization	92,985	79,331	13,654	17.2
EBITDA	155,923	246,607	(90,684)	(36.8)
Financial revenues	90,317	48,591	41,726	85.9
Financial expenses	(27,238)	(35,648)	(8,410)	(23.6)
Financial result	63,079	12,943	50,136	387.4
Extraordinary result	-	-	-	-
Profit before income tax	126,017	180,219	(54,202)	(30.1)
Income tax	(29,378)	(25,671)	3,707	14.4
Profit for the period	96,639	154,548	(57,909)	(37.5)
Basic and diluted profit per share (RON/share)	1.32	2.34	(1.02)	(43.6)

Income statement - RAS

Indicator	30.06.2006	30.06.2007	Diferente
	1	2	3=2-1
Venituri totale	1,147,803,771	1,082,293,406	- 65,510,365
Cheltuieli totale	1,012,869,476	999,096,019	-13,773,457
Profit brut	134,934,295	83,197,387	- 51,736,908
Impozit pe profit	24,939,629	28,615,395	3,675,766
Profit net	109,994,666	54,581,992	- 55,412,674

Operating revenues



H1 2007/ H1 2006

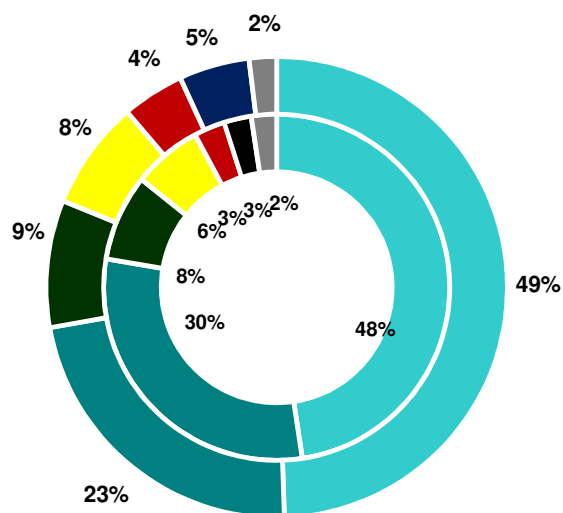
- Transport revenues
- Ancillary services revenues
- Balancing market revenues
- Other revenues

Breakdown of operating revenues (by segment)

	H1 2007	H1 2006	chg	
	RON '000	RON '000	RON '000	%
Operating revenues				
Transport revenues	434,589	431,031	3,558	0.8
Ancillary services revenues	382,394	390,902	(8,508)	2.2
Balancing market revenues*	236,174	294,046	(57,872)	(19.7)
Other revenues	51,807	32,194	19,613	60.9
Total operating revenues	1,104,964	1,148,173	(43,209)	(3.8)

* break-even segment

Operating expenses



H1 2007/ H1 2006

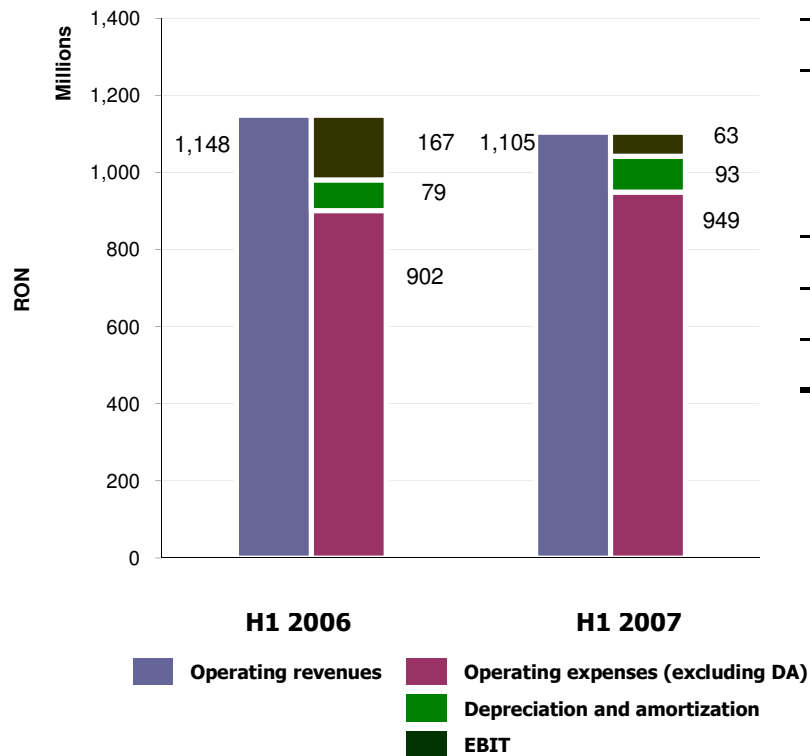
- System operation expenses
- Balancing market expenses
- Depreciation and amortization
- Personnel expenses
- Maintenance and repair expenses
- Other operating expenses
- Consumables

Breakdown of operating expenses

	H1 2007	H1 2006	chg	
	RON '000	RON '000	RON '000	%
System operating expenses	515,411	467,386	48,025	10.3
Balancing market expenses	236,846	294,046	(57,200)	(19.5)
Consumables	20,066	23,171	(3,105)	(13.4)
Repairs and maintenance expenses	45,492	28,491	17,001	59.7
Personnel expenses	79,695	63,376	16,319	25.7
Depreciation and amortization	92,985	79,331	13,654	17.2
Other operating expenses	51,531	25,096	26,435	105.3
Total operating expenses	1,042,026	980,897	61,129	6.2

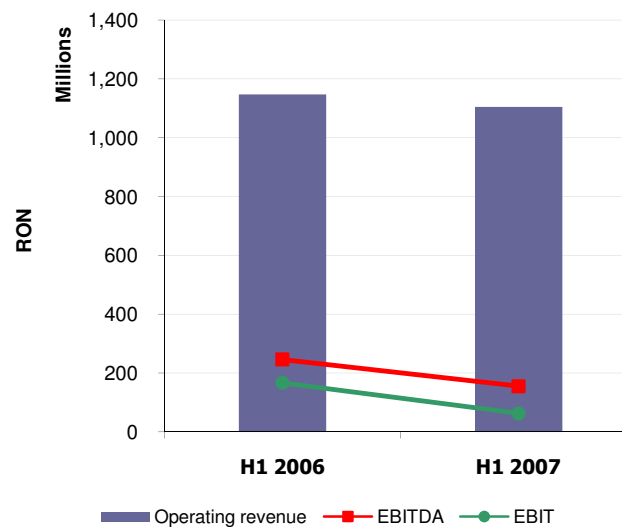


Operating result



Profit from operations

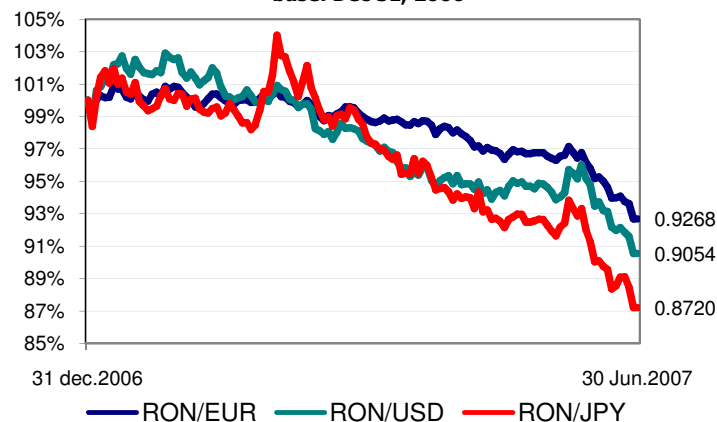
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	RON '000	RON '000	RON '000	%
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Total operating expenses	(1,042,026)	(980,897)	61,129	6.2
EBIT	62,938	167,276	(104,338)	(62.4)
Depreciation and amortization	92,985	79,331	13,654	17.2
EBITDA	155,923	246,607	(90,684)	(36.8)





Financial result

Exchange Rates development
Dec 31, 2006 - Jun 30, 2007
base: Dec 31, 2006



Financial result

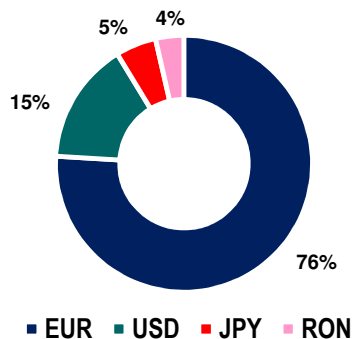
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	RON '000	RON '000	RON '000	%
Financial revenues	90,317	48,591	41,726	85.9
Financial expenses	(27,238)	(35,648)	(8,410)	(23.6)
Financial result	63,079	12,943	50,136	387.4

Financing activities kept providing substantial profit due to sizeable FX gains.

Exchange rates:

Currency	Dec 31,2006	Jun 30, 2007
EURO	3.3817	3.1340
USD	2.5676	2.3246
100JPY	2.1599	1.8835

Breakdown of LT Debt (by currency)
Jun 30, 2007

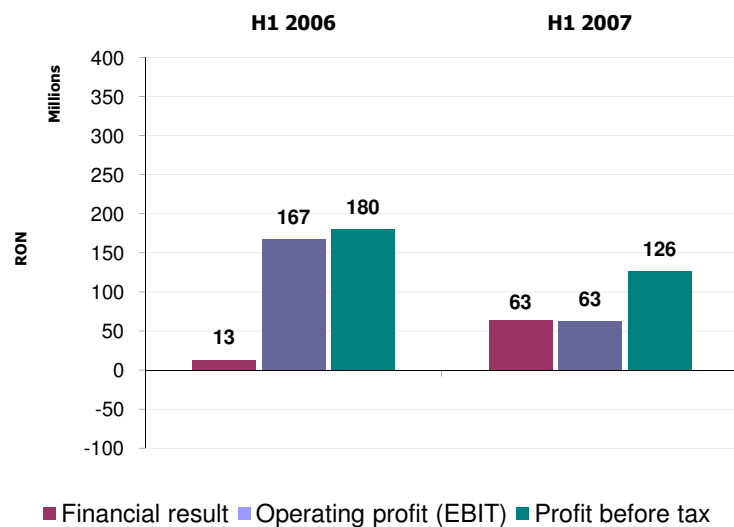


Main financial revenues

	H1 2007	H1 2006	chg	
	RON '000	RON '000	RON '000	%
FX gains/losses	76,911	35,151	41,760	119
Interest revenue	9,530	3,567	5,963	167

Strong appreciation of RON against foreign currencies in which Transelectrica's loans are denominated generated sizeable FX gains in the first six months of both 2006 and 2007.

Profit



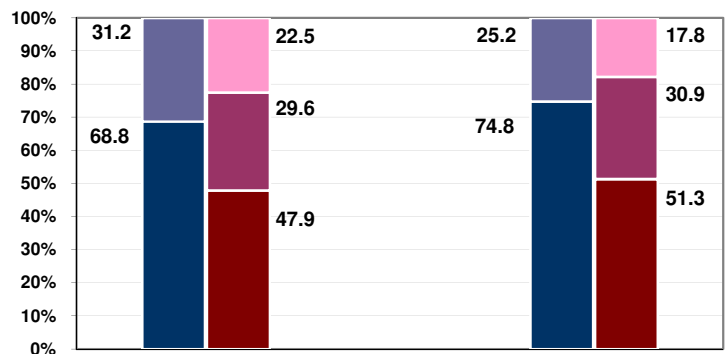
Breakdown of Profit before tax (by activity)

	H1 2007	H1 2006	chg	
	RON '000	RON '000	RON '000	%
Operating profit	62,938	167,276	(104,338)	(62.4)
Financial result	63,079	12,943	50,136	387.4
Total Profit before tax	126,016	180,219	(54,203)	(30.1)
Income tax	(29,378)	(25,671)	(3,707)	14.4
Profit for the period	96,639	154,548	(57,909)	(37.5)



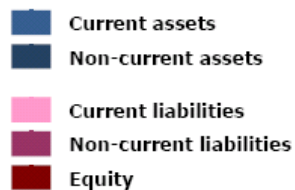
Balance Sheet

Consolidated Balance Sheet structure



Dec 31, 2006
BSheet Total: RON 3,451 m

Jun 30, 2007
BSheet Total: RON 3,197 m



Assets

Equity & Liabilities

Equity ratio: 51.3%
(June 30, 2007)

Consolidated Balance Sheet

	Jun 30, 2007	Dec 31, 2006	chg	
	RON '000	RON '000	RON '000	%
Assets				
Non-current assets	2,390,145	2,373,063	17,082	0.7
Current assets	807,142	1,078,229	(271,087)	(25.1)
Total assets	3,197,287	3,451,292	(254,005)	(7.4)
Equity and Liabilities				
Equity	1,641,203	1,652,268	(11,065)	(0.7)
Non-current liabilities	987,560	1,022,853	(35,293)	(3.5)
Current liabilities	568,524	776,171	(207,647)	(26.8)
Total liabilities	1,556,084	1,799,024	(242,940)	(13.5)
Total liabilities and equity	3,197,287	3,451,292	(254,005)	(7.4)

Ratios

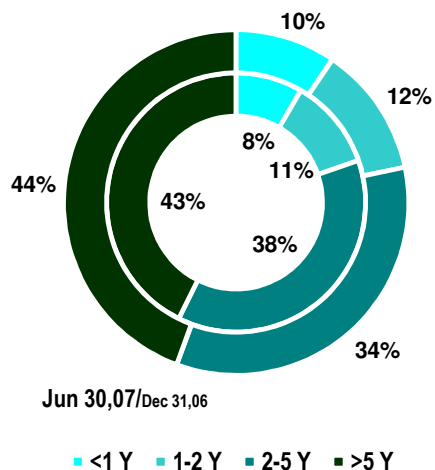
	Jun 30, 2007	Dec 31, 2006	Chg
	%	%	
Equity ratio (in Balance Sheet Total)	51.33	47.87	▲
Liabilities ratio (in Balance Sheet Total)	48.67	52.13	▼



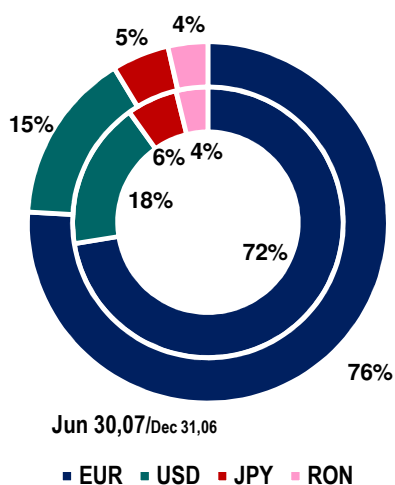
Financial Debt

Breakdown of LT Debt (including current amount)

By maturity



By currency



LT loans

	Jun 30, 2007	Dec 31, 2006
	RON '000	RON '000
Current amount	85,747	76,951
Net of current amount	823,814	847,335
Total, including current amount	931,828	924,286

Long-term financing focused on core infrastructure investments

COMPANY RATING

Agency	Current rating	Last rating	Latest review	
S&P	BB+ / Positive	BB / Stable	▲	2007
Moody's	Baa3 / Stable	Ba1 / Positive	▲	2007

RATIOS

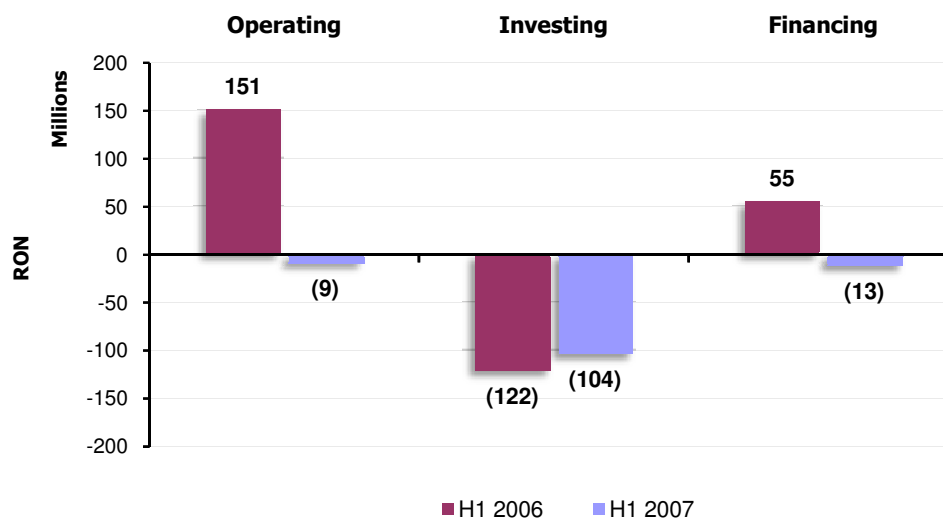
	Jun 30, 2007	Dec 31, 2006
Debt to Equity Ratio (D/E)	0.57	0.57
Leverage (D/D+E)	0.36	0.36
	H1, 2007	H1, 2006
EBIT / Interest expenses (x)	2.72	6.24

HIGH DEBT FINANCING CAPACITY
STRONG CAPACITY TO SERVICE DEBT

Cash flow

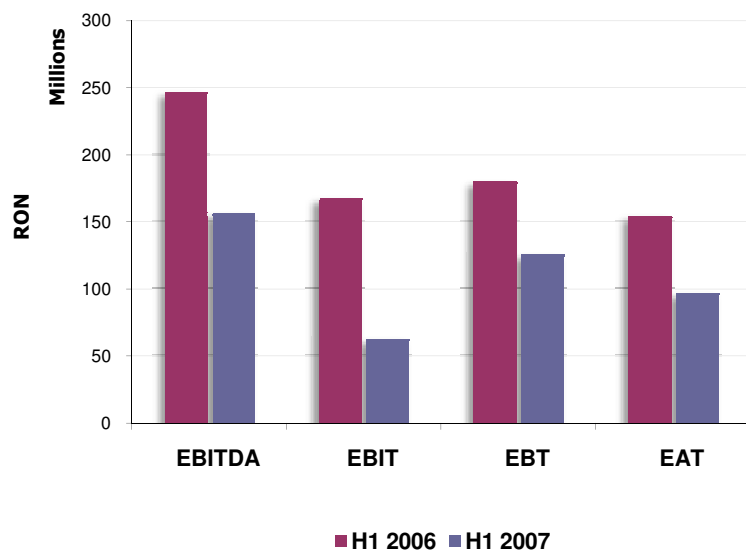
Cash Flow

	H1 2007	H1 2006	chg	
	RON '000	RON '000	RON '000	%
Net cash used in/from operating activities	(9,334)	150,925	(160,259)	NM
Net cash used in investing activities	(104,157)	(121,807)	(17,650)	(14.5)
Net cash used in/from financing activities	(12,513)	54,882	(67,395)	NM
Net decrease/increase in CCE	(126,004)	84,000	(210,004)	NM
CCE at the beginning of the period	342,140	55,238	286,903	83.9
CCE at the end of the period	216,137	139,238	76,899	35.6



Profitability (I)

Indicators	Formula	H1 2007	H1 2006	chg	
		RON '000	RON '000	RON '000	%
EBITDA	Operating revenues – operating expenses (before depreciation & amortization)	155,293	246,607	(90,684)	(36.8)
EBIT	Operating revenues – operating expenses (after depreciation & amortization)	62,938	167,276	(104,338)	(62.4)
EBT	Revenues – Expenses (before income tax)	126,017	180,219	(54,202)	(30.1)
EAT	Revenues – Expenses (after income tax)	96,639	154,548	(57,909)	(37.5)



Margins	Formula	H1 2007	H1 2006	chg
		%	%	
EBITDA	EBITDA / Operating Revenue	14.1	21.5	
EBIT	EBIT / Operating Revenue	5.7	14.6	
EBT	EBT / Operating Revenue	11.4	15.7	
EAT	EAT / Operating Revenue	8.8	13.5	



Profitability (II)

	H1 2007	H1 2006	chg	
	RON '000	RON '000	RON '000	%
Profit after tax	96,639	154,548	(57,909)	(37.5)
Net operating profit after tax¹	52,868	140,512	(87,644)	(62.4)
Shareholders' Equity	1,652,268	1,254,067	398,201	31.8
Interest-bearing liabilities	942,422	869,868	72,554	8.3
Invested capital	2,594,690	2,123,935	470,755	22.2

	H1 2007	H1 2006	chg	
	%	%		
ROE (Return on equity)²	5.85	12.32	▼	
ROIC (Return on invested capital)³	2.04	6.62	▼	

1 EBIT x (1 – corporate tax rate), corporate tax rate = 16%

2 Profit after tax / Equity (beginning of the period)

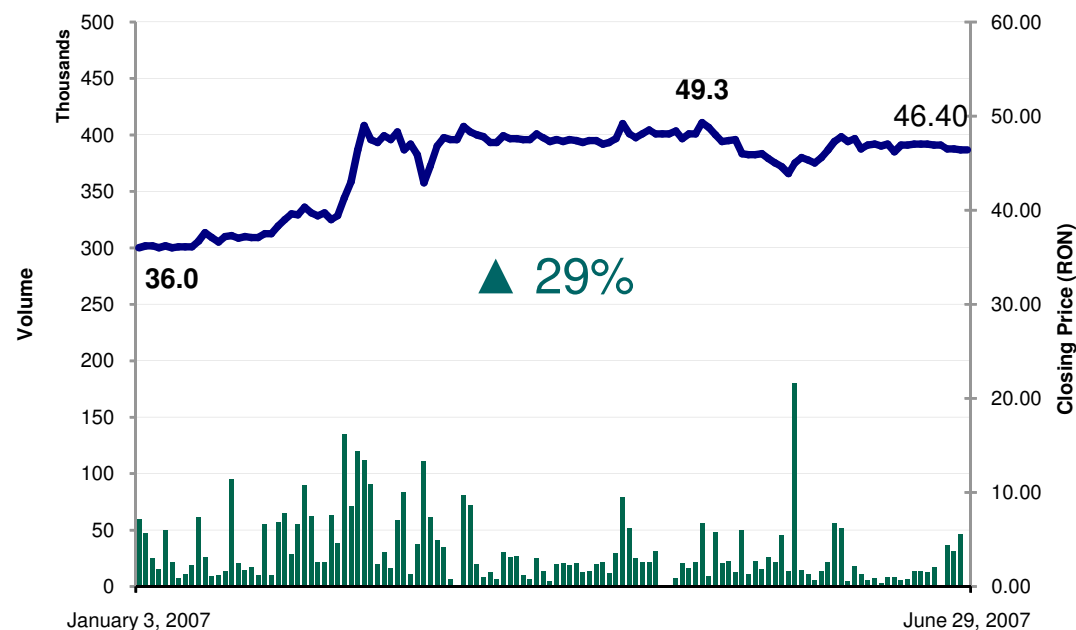
3 Net operating profit after tax / Balance sheet total – non interest bearing liabilities (beginning of the period)



TEL on Stock exchange

TEL development on BSE

H1 2007 share price & volume development



One of the largest market capitalized blue-chip companies on BSE
(currently around EUR 1 billion).

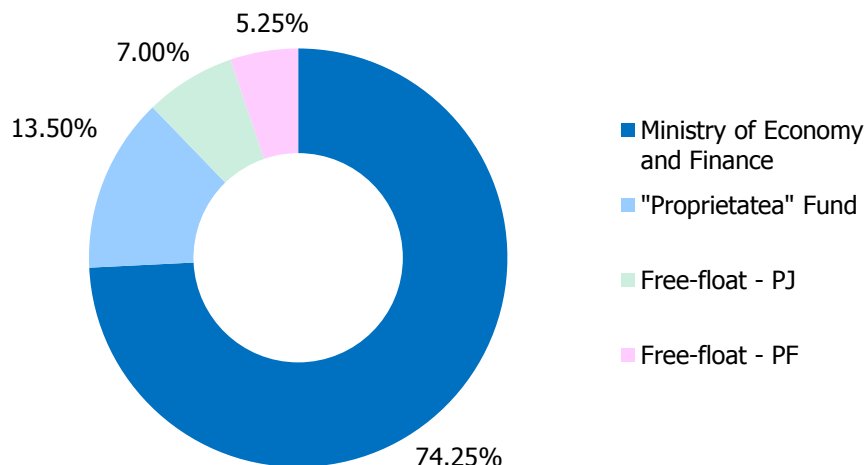
Data for the period Jan – Jun 2007

MCap (Jun 29, 07)	RON 3,401 m (EUR 1,085 m)
Free-float (Jun 29, 07)	RON 340 m (EUR 109 m)
First day (Jan 03, 2007)	RON 36.0 (EUR 10.6)
Last day (Jun 29, 2007)	RON 46.4 (EUR 14.8)
Chg	+ 29%
High	RON 49.3 (EUR 14.9 EUR)
Low	RON 36.0 (EUR 10.6 EUR)
Average	RON 44.1
Volume traded	3,968,660 shares
Free float (volume)	7,329,787 shares



Shareholder structure

Current structure – as of August 21st, 2007



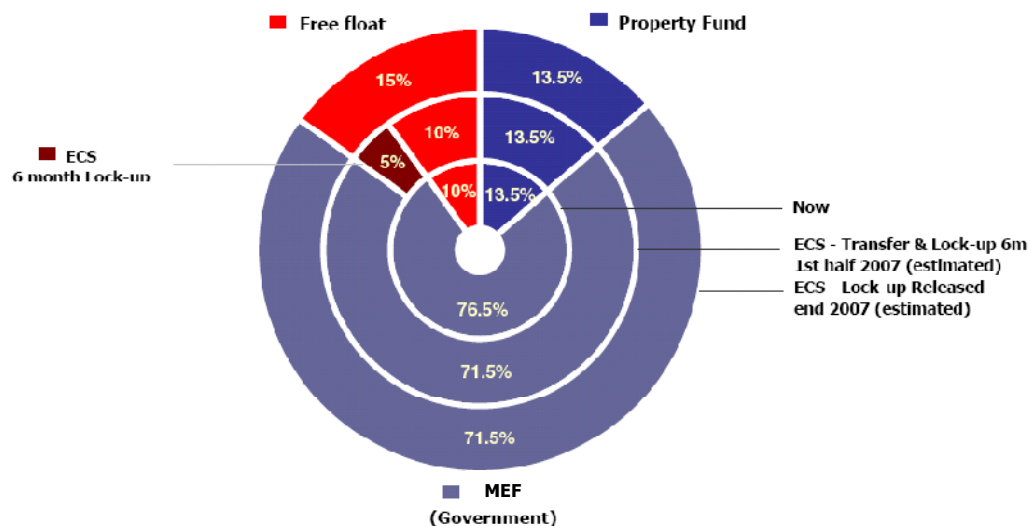
Share capital: RON 733,031,420, spread across 73,303,142 ordinary shares with par value of RON 10/share

No significant changes since IPO.

No treasury stock.

5% threshold not reached by shareholders (excepting MEF and PF).

Future developments
Further increase in Free float: up to 15%



Application of Law no. 10/2001 provisions:

- 6 month average compound price: 31.54 RON/share
- First distribution date: 9.07.2007
- free float increase (at 31.08.2007): 3.5 %
(lock-up 6 month: January 9, 2008 ...)

ECS = Equity Compensation Scheme for ex-owners of real-estate properties subject to expropriation under the communist regime, regulated by Law 10/2001.

ECS outcome: Decreased MEF stake (-5%) + Increased Free float (+5%)

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The new Romanian energy strategy (final draft) – transmission grid

- Due emphasis on security of supply
- Gradual development in the smart grid concept using latest state of the art equipment and technologies

- **Proposed CAPEX 2008-2012 600 mil. Euro**
- Estimated CAPEX 2007-2020 in the transmission grid:
 - **Total: 2 billion euro**
 - 1.45 billion Euro grid modernization and rehabilitation based on transmission tariff
 - 0.15 billion Euro Foreign direct investment (Moldova OHLs, Turkey HVDC project, others)
 - 0.40 billion Euro grid development for connecting new generating facilities to the grid; financed by the generating facilities investors

Regulatory environment (ANRE)

- ANRE Order no. 17/07.2007 - Performance standard for transmission and system services
- ANRE Order no. 20/07.2007 - Methodology for establishing the system tariff
- ANRE Order no. 19/07.2007 - Methodology for establishing, implementation and usage of the system technological service capacity reserve
- ANRE Order no. 26/07.2007 - Transelectrica new tariffs
- Energy regulated price for losses (from Termoelectrica): suspended
- Existing ANRE methodology for transmission tariffs - under revision
- Transmission tariffs for the next 5 years period (2008-2012) to be negotiated in the late fall



Transelectrica on Stock Exchange

- Internal analysis for share splitting
- Internal analysis for new IPO
- Internal analysis for better management motivation
 - Stock options

- Estimated time for finalising internal analysis:
 - Earliest: end of September
 - Latest: end of November



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THANK YOU FOR YOR ATTENTION !!

