

MANAGEMENT PLAN 2020 - 2024

CNTEE Transelectrica SA

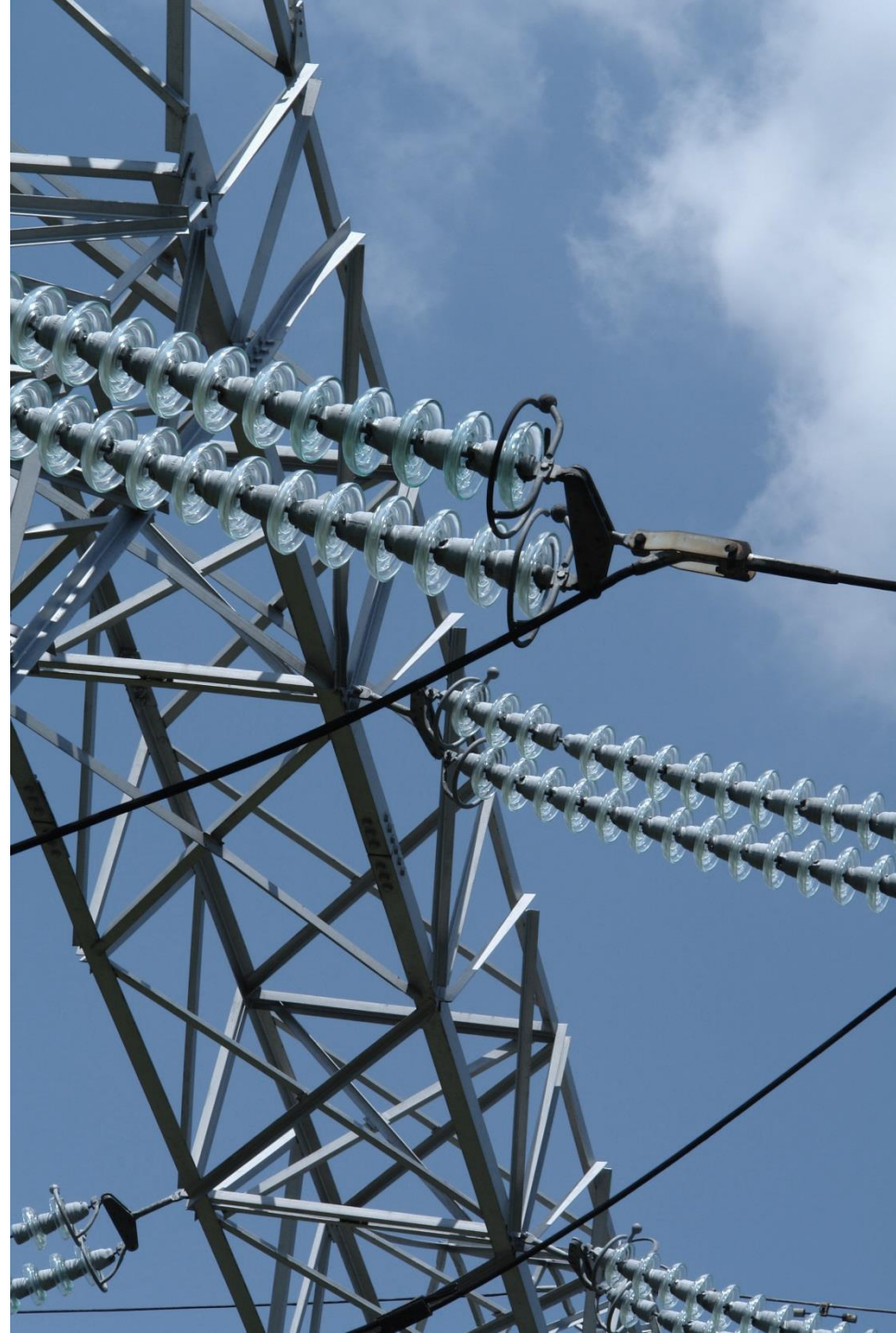
Company managed under two-tier system

PREPARED BY THE SUPERVISORY BOARD

CHAIRMAN:
Adrian GOICEA

MEMBERS:

- Oleg BURLACU
- Jean - Valentin COMĂNESCU
- Ciprian Constantin DUMITRU
- Luiza POPESCU
- Mihaela POPESCU
- Mircea Cristian STAICU



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Introduction

Transelectrica was established as Romanian legal person by means of GD 627/13 July 2000 on reorganising the National Electricity Company CONEL SA, published in Romania's Official Gazette no. 357/31.07.2000. This decision was issued in accordance with GD 138/2000 on the restructuring programme in the energy domain, whereby the electricity transmission and dispatch activities were fully separated from electricity generation, distribution and supply.

When it was established the Company had a share capital of 495,982,200 Lei, fully paid on establishment and divided into 49,598,220 nominative shares of 10 Lei .

In accordance with the Electricity and Natural Gas Law 123/2012, with later amendments and additions, electricity transmission constitutes public service of national interest. Electricity transmission is performed by transmission and system operators, legal persons certified by the competent authority according to legal provisions. The Electricity Transmission Grid (RET) existent on Romania's territory is the public property of the Romanian State as regards the assets assigned to Transelectrica and constitutes returnable goods, according to the assignment nature and legal provisions.

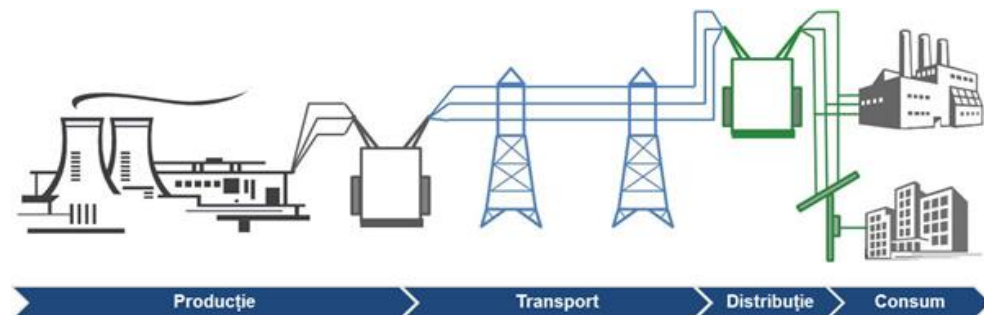
In its capacity of transmission and system operator Transelectrica operates under Licence 161/2000 for provision of electricity transmission services, system services and for balancing market administration, amended by ANRE Decision 641/25.04.2018.

The concession over RET and the lands it is located on was granted for 49 under the concession contract 1/29.06.2004, concluded between the Ministry of Economy as conceding authority and CNTEE Transelectrica SA as concessionaire.

In the value chain of electricity activities Transelectrica holds the

central place of transmission and system operator, natural monopoly activities, situated between producers and respectively suppliers that constitute the main players on the competitive electricity markets. Electricity transmission is not the only natural monopoly in the value chain of electricity, since distribution as network activity is also a natural monopoly.

Value chain of electricity



I. Governing principles - Mission

CNTEE Transelectrica SA contributes to the good operation of the electricity market, providing non-discriminating treatment to all market participants. The Company contributes to developing the internal electricity transmission network and the interconnection, to implementing the national sustainable development policy by acting to support the integration of electricity output from renewable sources and to limit the greenhouse gas emissions.

The mission of CNTEE Transelectrica SA is defined in the Electricity and Natural Gas Law 123/2012, with later amendments and additions, and detailed in the terms associated to Licence 161/2000 for electricity transmission and provisions of system services, Revision 2, issued by the National Regulatory Authority in the Energy Domain (ANRE).

CNTEE Transelectrica SA has the mission:

- To provide the public electricity transmission service for all users of the transmission grid under non-discriminating terms, providing regulated access to it to each applicant compliant with legal provisions, while observing the conditions and performance provided in applicable regulations;
- To provide system services under non-discriminating terms to all users of the National Power System (SEN) with a view to maintain its safe operation and the electricity quality according to applicable norms;
- To provide maintenance, upgrade, refurbishment, sustainable development and operation of electricity transmission networks; to develop telecommunication networks and systems; data acquisition; monitoring; control, automation and protections in order to provide the steady-state and safe operation of SEN under high economic efficiency conditions;
- To provide non-regulated activities and services on the competitive market, which are not under ANRE regulation (to establish the

transmission tariff), activities performed Company-wide, to better use the existing human and material resources with a view to draw additional revenues, others than what is strictly related to its main activity.

The mission is added under the impact of energy legislation and policies of Romania and the European Union.

The mission of CNTEE Transelectrica SA is also regulated by the national primary legislative framework (company law, regulations on the capital market, the electricity and natural gas law, the law on the juridical regime of the state public property etc.) as well as by the secondary legislative framework issued by ANRE.

The Company's mid- and long-term commitment is to carry out its public service mission in exemplary responsible manner, relying on a modern efficient infrastructure system, both for transmission and for dispatch and support, integrating the latest available technologies (Smart Grid, protection of critical infrastructures, etc.).

I. Governing principles - Vision

In accordance with Romania's Energy Strategy, the main action lines, converging with those of the European Union's energy policy, which will be taken into account by CNTEE Transelectrica SA are as follows:

- Enhancing the safe energy supply in terms of network infrastructure;
- Increasing the energy efficiency along the entire chain: extraction – generation – transmission – distribution – consumption; without wasting energy against the background of reduced availability and higher costs for energy resources; energy efficiency is the most profitable method of emission reduction, security and competition improvement and reduction of energy service invoices;
- Improving the competitiveness of electricity markets, their correlation and active participation to establishing the internal energy market in the European Union, as well as to developing cross-border exchanges while considering the interests of Romanian consumers and Romanian companies;
- Providing market conditions which should stimulate greater energy savings; OPCOM the electricity market operator will provide the short-term reference price (spot market) and the reference price (forward market), under liquidity terms provided by focused transactions on the managed markets;
- Turning the electricity transmission and distribution networks into smart grids and implementing smart metering systems on a wide scale;
- Increasing the innovation capacity and technological development;
- Reducing the vulnerability and improving the security of critical infrastructures from the energy sector of transmission networks;
- Proactive participation to the European Union's efforts to formulate an energy strategy for Europe, while following and promoting the

interests of Romania;

- Sustaining research & development in the domain of new technologies and increasing the efficiency of electricity generation and consumption while protecting the environment, as well as the specific educational domain.

I. Governing principles - Transelectrica, regional player

Electricity transmission networks play a crucial role in reaching the European desiderata, especially as regards safe consumers' supply, creating the common energy market and integrating renewable sources. On the one hand transmission networks have an important task in reaching such objectives in terms of increasing the interconnectivity of electric power systems from European states (as support factor for higher safe supply and more possibilities of cross-border energy trading).

Europe-wide there is integrated coordinated planning of developments for the continental electricity transmission infrastructures (ENTSO-E: 10 years' European masterplan of the transmission network), the main corridors and priority projects are identified (EC: establishing the list of projects of common interest, PCI) and incentive mechanisms are used in order to expedite their implementation (the single nation-wide desk to get endorsements, community financial assistance such as e.g. the Connecting Europe Facility instrument).

On the other hand the central role played by transmission operators is notices, in their joint effort to elaborate European network codes and the common as well as individual efforts to implement them at national and regional level, sustained by regulatory authorities and the market participants. Network codes in the electricity sector includes eight regulations approved to date at European Union level, which cover the following three domains: market development, users' connection to the network and operation of electric power systems.

Transelectrica has been involved in the implementation of all network codes in the three fore-mentioned domains. Beginning with the time when it adhered to the regional spot electricity market in Central-Eastern Europe (4MMC: Czech Republic, Slovakia, Hungary, Romania), CNTEE Transelectrica SA made efforts and obtained adhesion to the regional coordinated transfer capacity calculation projects of Central-Western Europe (Core region), being also involved in the South-Eastern region of Europe (SEE). Thus the Company's part in the region can be important, namely to operate as turning plate between the two regions.

I. Governing principles - Relationship with shareholders and stakeholders

In the context of the implementation of rules and good practice of corporate governance Transelectrica has committed into active communication with shareholders and investors, using in this respect several communication channels and dedicated interfaces. The Company is aware of the important responsibility it has in terms of its capacity of publicly traded company.

The divers shareholders and its presence in the main stock exchange indexes published by the Bucharest Stock Exchange (BVB) point out the exigencies in terms of transparency, relevance of information and celerity in disseminating it, as well as maintaining a permanent dialogue with the investor public.

Thus shareholders and investors can access the relevant information for investment decision-making by selecting the dedicated section on the internet page of Transelectrica (financial statements, reports and periodical presentations), written electronic correspondence and over the phone by means of dedicated contacts.

The Company is also keeping in touch with investors or their representatives by direct meetings organised periodically by the Company to present its results, direct reunions upon the investors' request or their brokers' as well as direct meetings occasioned by Company participation to events dedicated to individual or institutional investors, organised by the Bucharest Stock Exchange or by the financial investment service companies.

In accordance with the financial calendar published by the Company at the beginning of the calendar year Transelectrica is organising quarterly meetings/tele-conferences with shareholders, investors, financial analysts and the competent press in view of submitting the relevant financial points.

The action of Transelectrica is monitored by the research departments of the main financial investment service companies active on the regulated market managed by the Bucharest Stock Exchange. The Company keeps in touch with the analysis of companies that hold Transelectrica in their

research portfolio.

At the same time in the first quarter of 2019 the Association Liaising with Stock Exchange Investors in Romania (ARIR) took over from BVB the "White Charter of listed companies" project and coordinated a working team dedicated to reviewing the methodology on the communication of Stock Exchange-listed companies, which was renamed VEKTOR. The proposed methodology aims at assessment using objective clear criteria including provisions about: the investor relation office, corporate governance, transparency, proactive approach in the investor relation, interactive IR instruments, coverage by financial analysts and non-financial reporting.

On 20 October 2020, Transelectrica received the award for best company in terms of 'Investor Relations' in the AR&IR Gala, an event organised in online format by the Association Liaising with Stock Exchange Investors in Romania (ARIR).

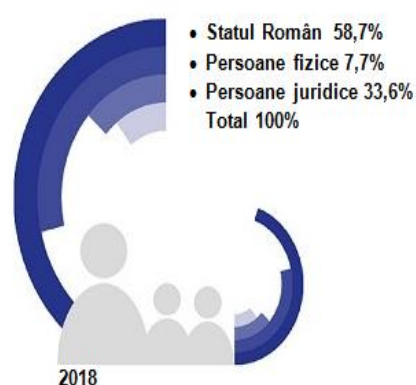
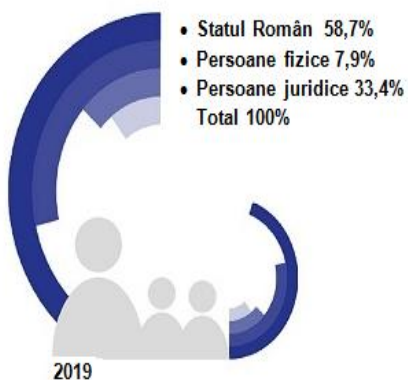
II. Presentation of the Company - Shareholders

CNTEE Transelectrica SA is a company of national and strategic interest with 58.69% state capital, found under the authority of the Secretariat General of the Government, being Romania's transmission and system operator with a key role on the Romanian electricity market.

The shares of CNTEE Transelectrica SA are listed on the Bucharest Stock Exchange.

The Company's share capital subscribed is of 733,031,420 Lei, fully paid.

Shareholders structure on 20 October 2020



Aționari la 30-09-2020	Acțiuni	Procent
STATUL ROMAN PRIN SECRETARIATUL GENERAL AL GUVERNULUI	43,020,309	58.6882
PAVAL HOLDING	4,503,567	6.1438
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.	4,007,688	5.4673
Persoane Juridice	16,334,695	22.2838
Persoane Fizice	5,436,883	7.4170
TOTAL	73,303,142	100

II. Presentation of the Company - Credit rating

The National Power Grid Company Transelectrica SA obtained in 2020, for the third consecutive year, rating Ba1 (Corporate Family Rating) of positive outlook, from the International Rating Agency Moody's Investors Service.

Rating Ba1 of positive outlook mirrors a lower business risk profile of CNTEE Transelectrica SA, taking into account the Company's strategic importance of natural monopoly in the context of uninterrupted improvement of the regulatory framework. Moreover, the Company's individual rating (Baseline Credit Assessments) also has improved by upgrading from Ba2 to Ba1. The individual rating represents the intrinsic capacity of a company to cope with financial obligations without governmental support.

The reconfirmation of the rating of positive outlook is a validation of the company's credibility in the relationship with investors. Transelectrica wants to maintain and consolidate such credibility by seriousness, professionalism and consistency in implementing its

investment plans.

Obtaining the Ba1 rating with positive outlook consolidates the favourable position regarding the Company's capacity to cover its current and future financial liabilities, showing that Transelectrica has got sound financial profile with low leverage and strong stable predictable financial values, in the context of a road where it permanently consistently applies the key principles of the regulatory framework. Also expectations are to maintain the Company's strong financial profile by keeping the financial discipline and financial management compliant with the requirements of a BVB-listed company.

Transelectrica wants to maintain and consolidate such credibility by seriousness, professionalism and consistency in implementing its investment plans.

Agencia de rating	2020	2019	2018	2017
Moody's Investors Service	Ba1 pozitiv	Ba1 pozitiv	Ba1 pozitiv	Ba1 stabil
Fitch	-		BBB stabil	BBB stabil

II. Presentation of the Company - Business

Taking into account its capacity of national company with sustainable activities meaning social liabilities to the communities it gets in touch with CNTEE Transelectrica SA has got as general objectives its direction towards continuous value increase for shareholders, with predictable profitable business at the upper limit of values admitted by regulations for basic activities, namely to the extent of its potential and associated risks of complementary non-regulated business.

Selecting to provide performing services of usable value CNTEE Transelectrica SA also aims at being counted among the suppliers of transmission and system services that perform activities at high technical quality standards and security at European level.

The main objectives of CNTEE Transelectrica SA are as follows:

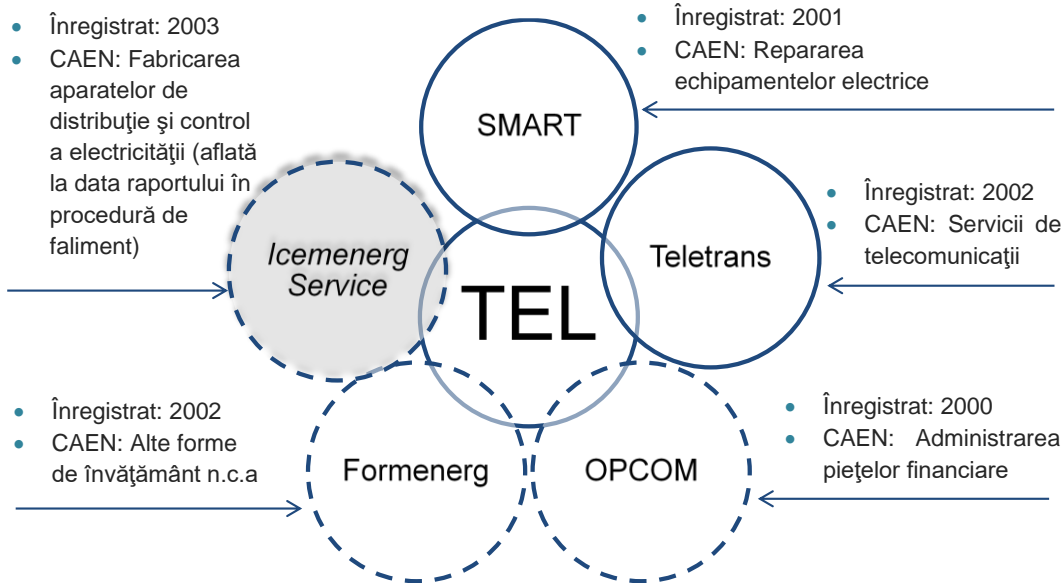
- Providing electricity transmission and system services according to clients' requirements and expectations and in compliance with performance standards defined in regulations and contracts;
- Optimising the operation of RET infrastructure in order to provide qualitative electricity transmitted in accordance with ENTSO-E's requirements and the RET Technical Code, while reducing the negative environmental impact admissible in Europe;
- Providing access to RET participants as support of the wholesale electricity market in transparent equidistant non-discriminating manner;
- Developing and modernising RET, in accordance with the users' needs;
- Sustaining the development and diversification of the internal and regional electricity market towards the prospect of its integration in the European one;
- Major contribution to the sustainable development of the national economy;
- Developing the electricity markets as required in the European Union

regulations 2015/1222, 2016/1719, 2017/2195, whereby the member states are obliged to implement such new guidelines for the allocation of interconnection capacities and congestion management, the balancing market and capacities for coordinated balancing at pan-European and regional level directly through the Transmission and System Operator (TSO) and the Designated Electricity Market Operators (OPEED) together with the national regulatory authorities.

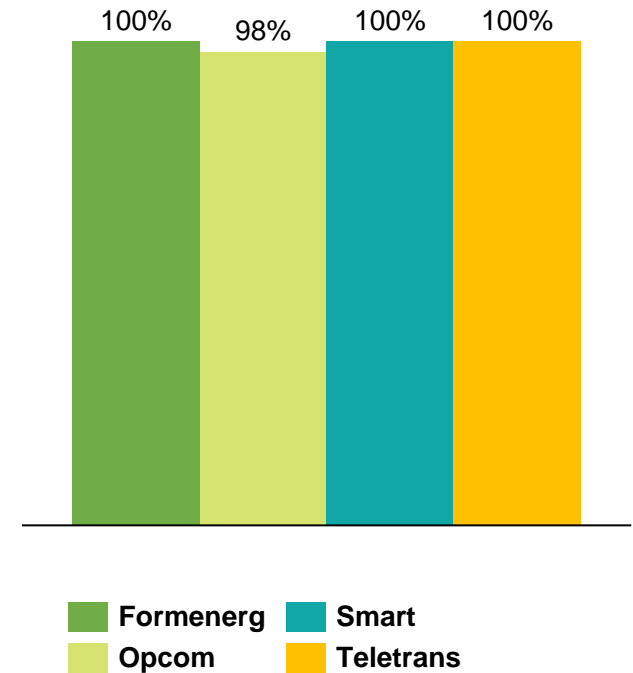
- Selecting and promoting human resources using competence criteria, motivation, their training and providing occupational health and security conditions;
- Augmenting the Company's credibility as trusted and long-term partner for investors, the participants on the electricity market, social partners and the entire Romanian society;
- Observing and promoting the interests of Company shareholders and of other stakeholders;
- Providing a security level for tangible and intangible shares corresponding to the requirements and threats over SEN operation;
- Protecting the national and European critical infrastructures managed by CNTEE Transelectrica SA;
- By its permanent commitment towards professional excellence and by establishing a performance culture based on procedures, recognition of individual and team contribution, it provides high-level technical expertise within SEN with a view to reach the proposed objectives.

II. Presentation of the Company - Subsidiaries

Filialele CNTEE Transelectrica SA¹



Transelectrica holdings



CNTEE Transelectrica SA has got 5 subsidiaries of which one, Icemenerg Service, is under bankruptcy.

The 'Electricity and Natural Gas Market Operator Company OPCOM SA' was established under GD 627/2000 as subsidiary whose shareholder is CNTEE Transelectrica SA. The company's mission consists of providing an organised framework to perform commercial electricity transactions.

SMART SA was established by reorganising CNTEE Transelectrica SA as subsidiary fully held by it according to GD 710/2001. SMART SA has as business to provide reviews and repairs to the primary and secondary

equipment of electrical networks, measurements and remedy of incidents within electrical installations.

FORMENERG SA has as business the training of power engineering personnel. FORMENERG SA was established on 1 April 2002 as subsidiary 100% held by CNTEE Transelectrica SA.

TELETRANS SA is a subsidiary having as business the provision of communication and IT services in order to manage electricity transmission networks.

II. Presentation of the Company - Subsidiaries

SMART SA

SMART SA was established by reorganising CNTEE Transelectrica SA as subsidiary fully held by it according to GD 710/2001.

SMART SA has as business the provision of revisions and repairs to primary and secondary equipment of electric networks, including prophylactic metering, remedy of incidents to electric installations, services in the energy domain, micro-production of electric payment equipment for market participants in accordance with the transactions performed.

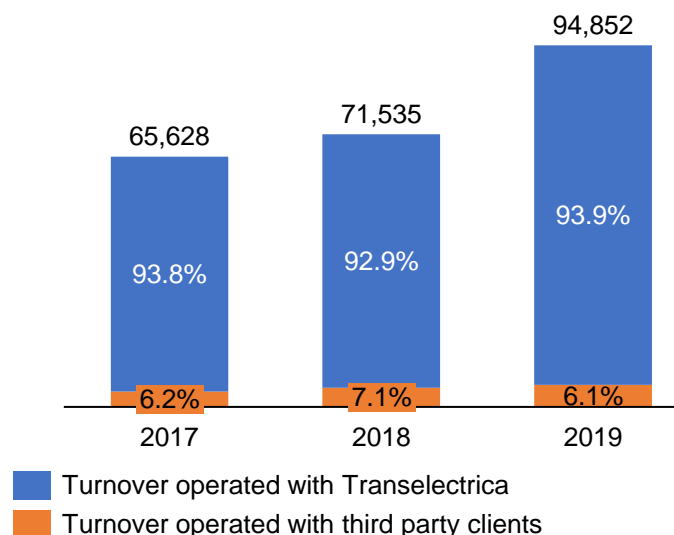
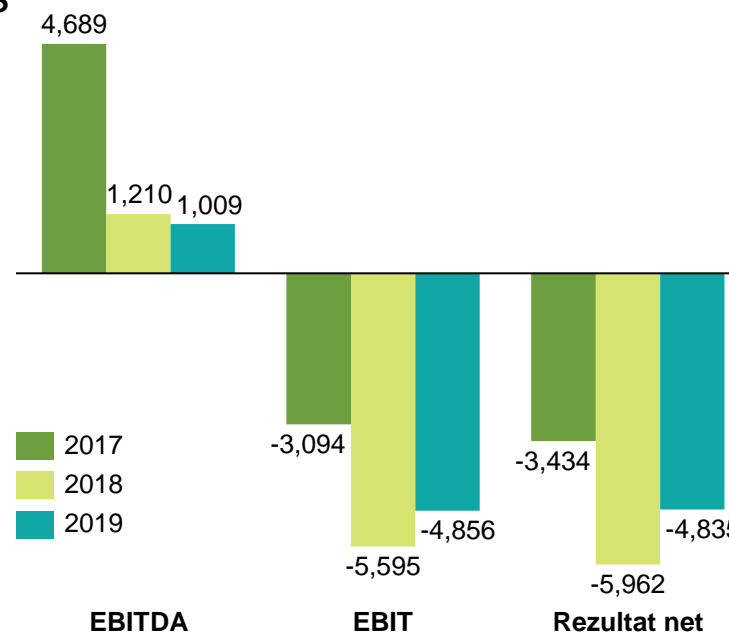
In accordance with financial data SMART has been facing financial difficulties. The company registered annual losses beginning with 2015, and the cumulated loss amounts to 29,000 thousand Lei. The frequent management changes, the absence of consistency in terms of a recovery / restructuring plan have led to circumstances when operational costs exceed revenues. One can also notice the almost exclusive dependency (93%) on the revenues generated from its relation with Transelectrica.

On the other hand the revenues which SMART can generate under contracts with Transelectrica (maintenance + investments) do not cover the expense basis of SMART Company.

The chronic low liquidity, the absence of profitability in the last 5.5 years, financial efficiency indicators found under the admitted levels in the banking environment make SMART a non-banking company.

In this respect internal analysis is required pertaining to:

- Risks and the capacity of SMART to provide RET maintenance under optimum economic efficiency conditions;
- Provision of RET maintenance in the short-, mid- and long-term;
- Review of business options SMART. Such analysis can be made with personnel from Transelectrica and if such cannot be found, competent companies will be resorted to with international experience in order to address restructuring/recovery good practice for a company similar to SMART.



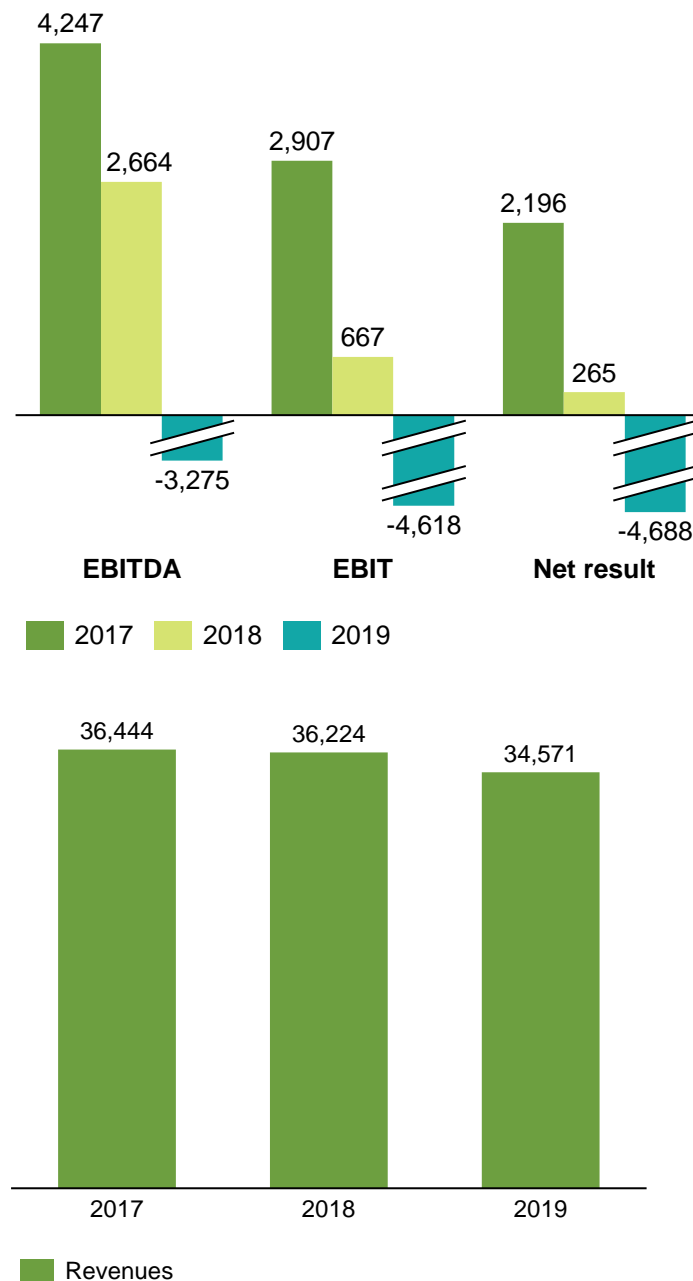
II. Presentation of the Company - Subsidiaries

TELETRANS SA

TELETRANS is a subsidiary whose main business is the provision of communication and IT services in order to manage electricity transmission networks.

The competences of TELETRANS are structured by the following main lines:

- Telecommunication services, mainly as administrator of the Company's core optical fibre network, which is approximately 5000 km long and covers the whole territory of Romania;
- Process information services, especially for the energy domain;
- Managerial information services, full range, including consultancy, design, implementation, maintenance, technical assistance and training on complex systems, software applications, Oracle database, communication equipment, structured cabling, and Internet/Intranet;
- Providing information security for the critical infrastructure of CNTEE Transelectrica SA.



II. Presentation of the Company - Subsidiaries

FORMENERG

FORMENERG SA is a company with main business of professional training (initial and uninterrupted) for personnel with attributions in the energy domain from all national economy sectors and other beneficiaries. The clients portfolio includes Transelectrica, ENGIE Romania, Romgaz, Transgaz Medias, Nuclearelectrica and Hidroelectrica.

The offered services include:

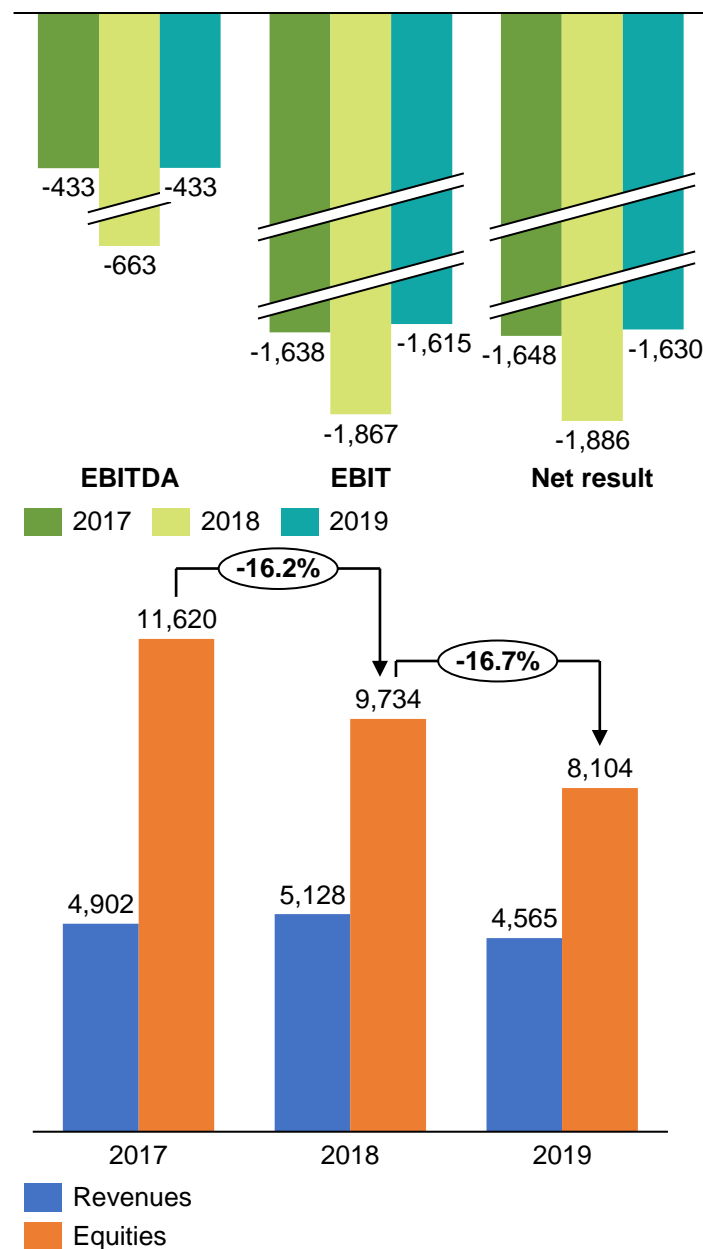
- Professional training services (training);
- Building administration services (building + hostel).

Analysing the financial results of the last three years the subsidiary generated revenues in the average of 4.865 thousand Lei each year and a 1.700 thousand Lei loss, annually.

Similar to SMART subsidiary, Formenerg does not succeed to cover operational expenses from generated revenues. Thus on the study date Formenerg diminished its equities about 60% compared to 2016. .

In this respect internal analysis is required with regard to:

- providing professional training Transelectrica-wide;
- Review of business options FORMENERG. Such analysis can be made with personnel from Transelectrica and if such cannot be found, competent companies will be resorted to with international experience in order to address restructuring/recovery good practice for a company similar to FORMENERG.



II. Presentation of the Company - Subsidiaries

OPCOM SA was established under GD 627/2000 on reorganising the National Electricity Company SA, as subsidiary whose single shareholder was Transelectrica.

In accordance with the provisions of applicable national primary and secondary legislation the Electricity and Natural Gas Market Operator Company OPCOM SA plays the role of electricity market administrator, providing an organised viable efficient framework for commercial transactions on the wholesale electricity market and it also performs administration activities of centralised markets in the natural gas sector, under consistent, fair, objective, independent, equidistant, transparent and non-discriminating conditions.

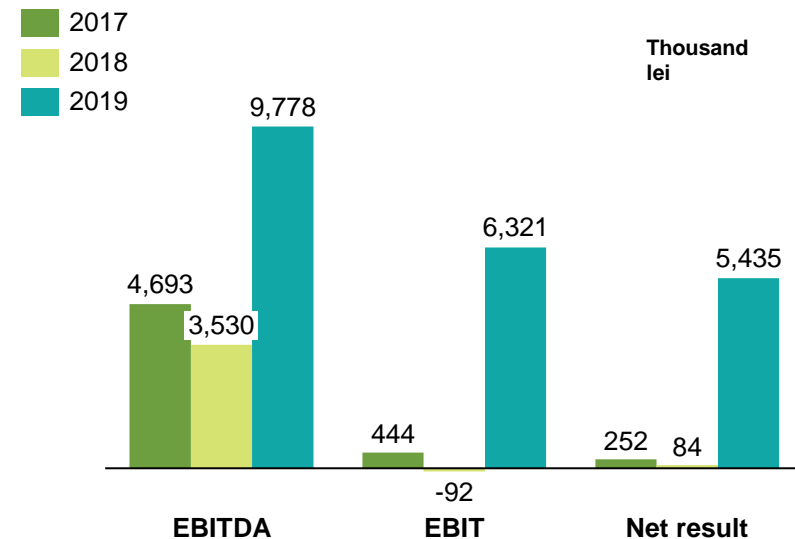
Transelectrica does not exercise actual direct control over the decision-making mechanisms of OPCOM, whose administration is governed according to ANRE-established regulations.

As an objective for 2020-2024 OPCOM will carry out the necessary actions to perform its mission of providing reference electricity prices and forward price signals for electricity and natural gas, while also providing overall market conditions as required to reach the objectives of the national energy strategy and meant to increase the general transparency and integrity of the wholesale electricity market in Romania, supporting the completion of market liberalisation and its integration in the single European market.

At the same time OPCOM will continue performing, in cooperation with involved Romanian entities and with European partners, the necessary actions in the context of the application of provisions from European legislation dedicated to establishing and operating the single European electricity market, including participation into bilateral cooperation regional and pan-European projects dedicated to coupling electricity markets in the day-ahead and intraday timeframes.

For 2020-2024, the global development strategy of OPCOM aims at least at:

- Safe reliable efficient fair administration of centralised markets by means of the services provided to market participants;
- Enhancing regional and pan-European cooperation also including non-EU states; participating in compliance with its stock exchange profile to furthering the regional and pan-European coupling of day-ahead and intraday markets with the markets of other European Union member states, in the context of European single market mechanisms being implemented;
- Furthering the steps for implementing in Romania the Central Counterpart which should provide associated compensation services both for electricity derived products and for electricity transactions concluded by means of standard products for physical electricity delivery;
- Maintaining transparency, equidistance and non-discrimination.



Company's financial investments

Europe-wide the energy sector is undergoing a change process, with emphasis being laid on the transition from a predominant national evolution and development process of the energy sector to the European integrated and coordinated development model, which should provide uniform development at continental level but also enable adapting national specificities, while observing the legitimate interests of European states.

TSCNET

It was constituted in order to serve the Transmission and System Operators (TSO) from Eastern-Central-Western Europe (CORE region) in order to implement in coordinated manner the European network codes. Such affiliation is performed participating to TSCNET shareholders by purchase transaction of shares in the company. Decision 9 of AGEA of 05 June 2018 approved the Company's affiliation to the Security Coordination Centre of CORE region, TSCNET by participating to its share capital with contribution of 470,500 Euro (1 share – 2,500 EUR).

TSCNET
*For the TSOs in
Central-Eastern Europe*

CORESO
*For the TSOs in
Central-Western
Europe*

JAO

Beginning with 2019 auctions allocating long-term capacities are coordinated by JAO, which was designated as Operator of the Single Allocation Platform (SAP). Transelectrica was invited by JAO to become a shareholder of it. Decision 10 of AGEA of 20 August 2018 approved the Company's affiliation to the shareholders of the Joint Allocation Office (JAO) by cash subscription amounting to 259,325 Euro, being allotted 50 shares.

SEE RSC

Romania through the Romanian – Bulgarian border belongs in the coordinated calculation region of cross-border transfer capacities in South-East Europe ('SEE'). In terms of regional coordination services for operational security, this region will be served by an independent juridical entity acting as regional centre coordinating operational security (hereinafter called SEE RSC).

The Company's affiliation to the shareholders of SEE RSC became effective on 22.05.2020 with cash subscription amounting to 50,000 Euro, being allotted 50,000 shares.

II. Presentation of the Company - Administration structure

Supervisory Board

The National Power Grid Company Transelectrica SA ('CNTEE Transelectrica SA', 'Transelectrica' or 'the Company') is a joint stock company organised and operating in accordance with the laws of Romania, being managed under two-tier system according to the decision of the Shareholders' General Extraordinary Assembly of 18 July 2012 by a Directorate (including 5 members) under supervision of a Supervisory Board (7 members). The Supervisory Board will closely watch to see the shareholders' vision on the Company's role in the national economy and in a larger context of the European one transposed into objectives measurable in the mid-term, the board's role being to make certain such objectives will be the results.

Following approval of the Shareholders' General Assembly (AGA) on 31 July 2020 to launch the selection procedure for Supervisory Board members the National Power Grid Company Transelectrica SA, while applying the provisions of article 29 para (1), para (2) and para (5) from Governmental Emergency Ordinance 109/2011, current Supervisory Board members were appointed by AGA Decision 9/28.09.2020 compared to AGA Decision 9/28.09.2020, in accordance with the terms of GEO 109/2011, with mandate term of 4 (four) years beginning with 30 September 2020.

In the meeting of 30 September 2020 the Supervisory Board designated the members of consultative committees within the Board as follows:

Nomination and remuneration committee consisting of:

- Oleg BURLACU – chairman
- Adrian GOICEA - member
- Jean - Valentin COMĂNESCU - member

- Luiza POPESCU – member
- Ciprian Constantin DUMITRU – member
- Mircea Cristian STAICU – member
- Mihaela POPESCU – member.

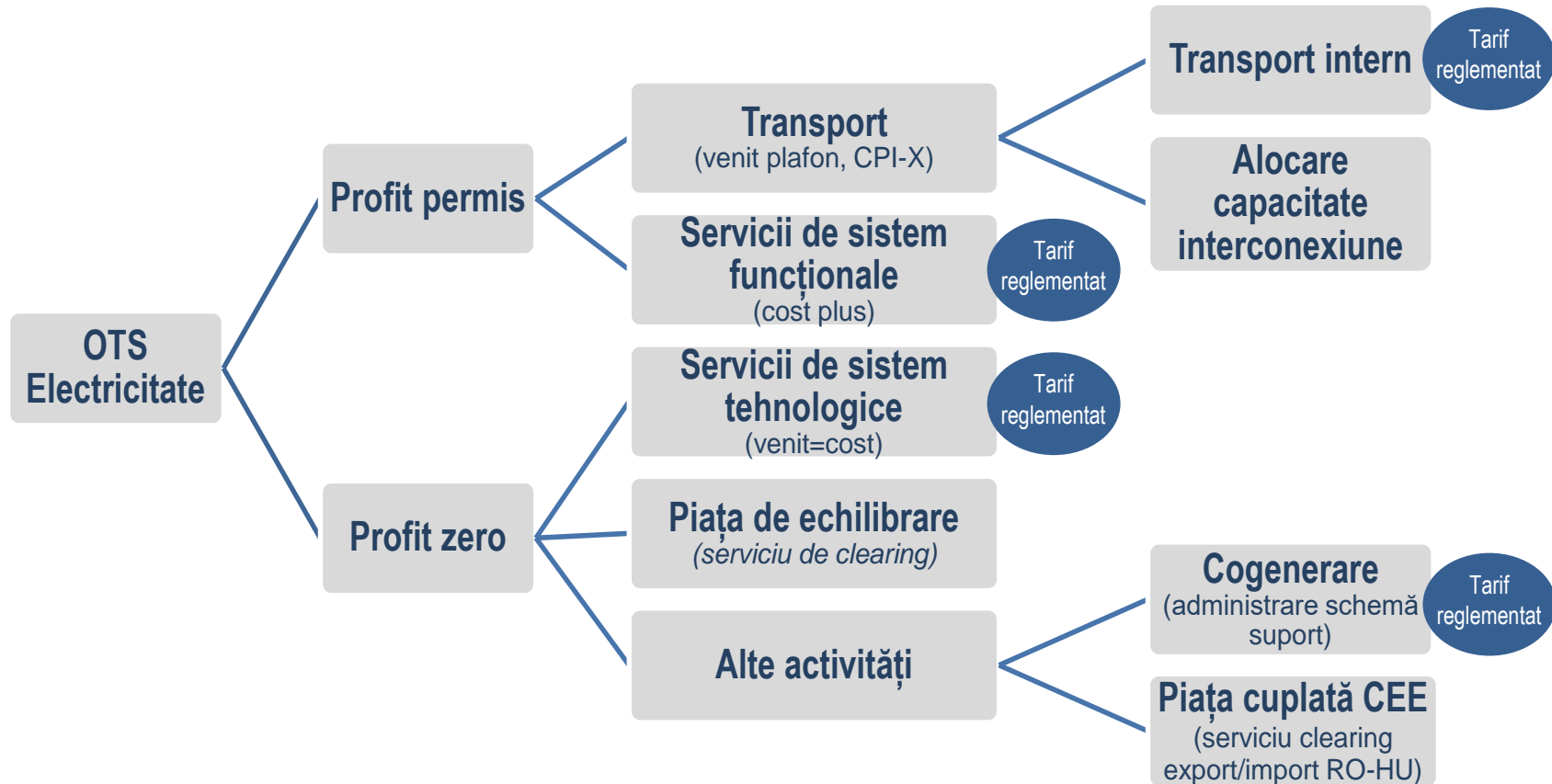
Audit committee consisting of:

- Jean - Valentin COMĂNESCU – chairman
- Adrian GOICEA - member
- Luiza POPESCU – member
- Ciprian Constantin DUMITRU – member
- Mircea Cristian STAICU – member
- Oleg BURLACU – member.

Energy security committee:

- Luiza POPESCU - chairperson
- Ciprian Constantin DUMITRU – member
- Adrian GOICEA – member
- Oleg BURLACU – member
- Mihaela POPESCU – member.

II. Presentation of the Company - Business model



II. Presentation of the Company - Business model

Profit-allowed activities

Domestic transmission

- ANRE-regulated activity;
- Tariff is annually reviewed and updated;
- The transmission activity tariff is set using pre-established settings by multi-annual periods (usually 5 years), using a stimulating revenue cap model;
- The revenue cap model enables recovering the operational and investment costs and getting a financial efficiency meant to properly remunerate the financiers in compliance with the general risk of regulated activities performed by Transelectrica;
- Certain cost components included in tariff calculations have been capped at ANRE pre-established levels (according to operational efficiency requirements); the higher efficiencies achieved by Transelectrica being partially withheld by the Company using a mechanism distributing the additional profit with the users of transmission services.

Management of interconnections

- Activity allocating the available cross-border transfer capacities on the interconnection lines with neighbouring power systems;
- The allocation mechanism is based on a competitive system relying on the price that market participants offer for the available cross-border transmission capacity, applicable in cases when the capacity demand exceeds the available amount offered on the market.

Functional system services

- ANRE-regulated activity;
- SEN dispatching activities in order to maintain a safe system operation (keeping a steady generation-consumption balance in the system, which enables safe steady-state operation of the SEN; operational scheduling to cover consumption) using the technical operational management infrastructure of SEN represented by the EMS – SCADA system and by the telecommunication, remote control, protection and control systems;
- The tariff of functional system services is established every year ex-ante by ANRE based on a cost plus model enabling recovery of operational and investment costs and getting a financial efficiency meant to properly remunerate the financiers in accordance with the general risk of regulated activities performed by Transelectrica.

II. Presentation of the Company - Business model

Zero profit activities

Technological system services

- ANRE-regulated activity;
- Planning and power reserves procurement operations as necessary to permanently provide generation-consumption balance with a view to provide safe SEN operation from interruptible producers or consumers;
- The tariff of technological system services is annually established in advance by ANRE based on a zero-profit model ("pass-through") designed for the full recovery of the costs required to procure system reserves with the possibility of retaining part of any savings when procuring power reserves in a competitive system.

Balancing market

- Market administration activities on the market where the generation-consumption balance is performed in real time;
- Procurement of control power from dispatchable generating units and full recovery of balancing costs from balancing responsible parties;
- Cost recovery is zero-profit based.

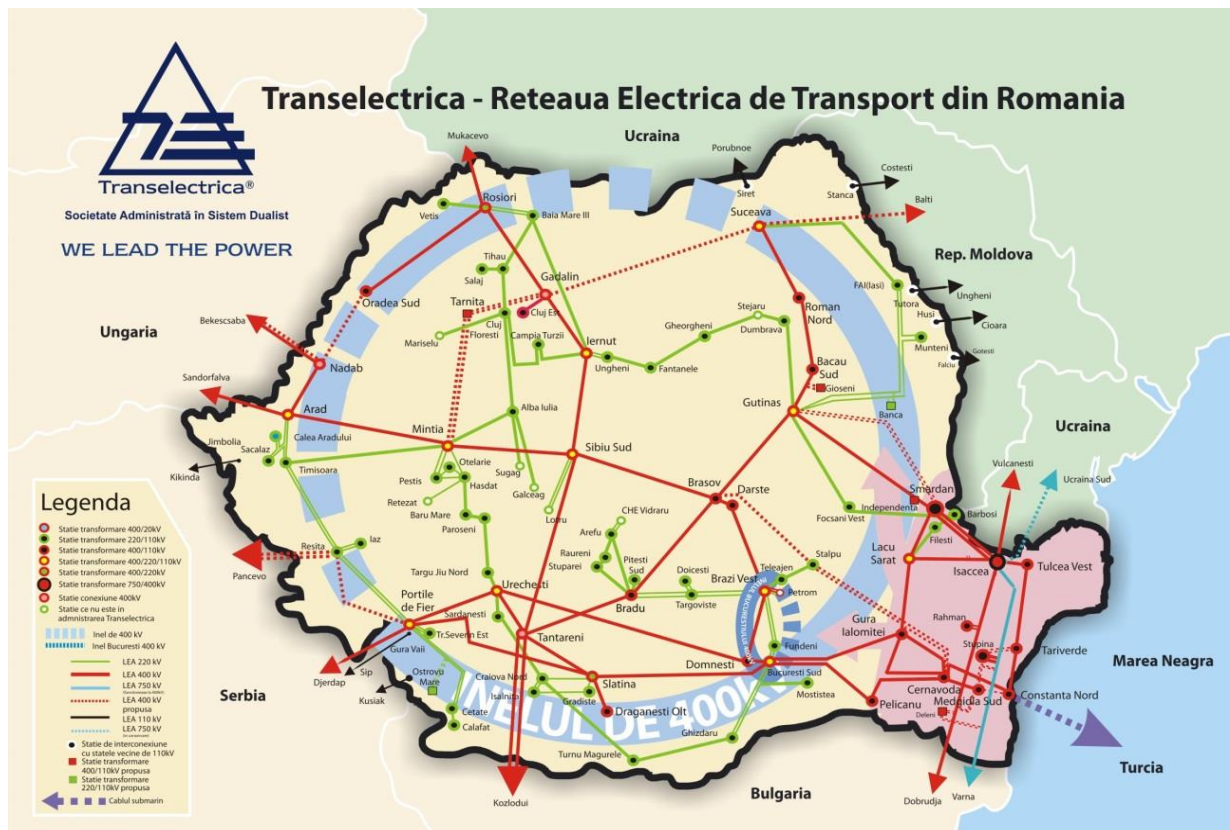
Other activities - Cogeneration

- Administrating the support scheme to promote high efficiency cogeneration; the objective of such support scheme is to promote electricity generation systems under high efficiency cogeneration with the benefit of generating electricity with low pollutant emissions;
- Under the support scheme Transelectrica collects the contribution from the suppliers of electricity consumers and pays the bonus to the qualified electricity and heat producers by cogeneration;
- Costs are zero-profit recovered, except for the administration costs recognised by ANRE.

Transfer agent in the Romanian-Hungary relation within the regional electricity market

Compensation-settlement activity (transfer agent role) on the regional electricity market (price-coupled markets of the Central-Eastern European region consisting of the markets of: the Czech Republic, Slovakia, Hungary and Romania) in the transaction timeframe of the day before delivery (day-ahead market); Transelectrica performs a financial clearing function on the Hungarian border, an important part in the settlement chain of transacted electricity on the wholesale market between Romania and Hungary (export and import).

II. Presentation of the Company - Electric installations managed



The volume of electricity capacities according to the licence for provision of electricity transmission services

Voltage (kV)	Substations (no.)	Installed capacity (MVA)	OHL (km)
400	39	21,435	4,971.70
220	42	14,274	3,875.64
750	-	-	3.11
110	-	-	40.42
Total	81	35,709	8,890.87

II. Presentation of the Company - Electric installations managed

The electricity transmission grid ('RET') is the electric network of national strategic interest of nominal line voltage above 110 kV, being constituted of all the lines with their supports, control and protection devices, all electric substations and other interconnected power equipment.

RET provides interconnection of the producers, distribution networks, large consumers and neighbouring power systems.

A good part of overhead lines ('OHL') and electric transformer substations making up the RET was built in the 1960-1980 with the technology of those years.

The Company aims at providing qualitative transmission and system services under economic efficiency conditions, as well as safe operation of the national power system in accordance with applicable regulations and the jointly assumed standards in Europe.

The investments made to date enabled maintaining a proper dispatch management infrastructure as well as the infrastructure required for electricity markets operation: national optical fibre network, monitoring system and EMS – SCADA management; metering system for the electricity amounts transacted on the wholesale market; IT transaction and settlement platforms.

The EMS/SCADA system of DEN provides the main specific functions: data acquisition, monitoring, alarms and event management, energy management, secondary frequency-exchange power control, optimisation and safe operation of the national power system, remote control of equipment, archive and complex software environment for dispatchers' training. At the same time it represents the automation system at the higher level of a hierarchy of sub-systems. The central EMS/SCADA system exchanges information with the regional control systems, the producers' control systems, the automation & control systems of substations, market systems as well as with external systems, making a compound global operational structure.

The entire network upgrade is in progress using the highest European standards, including upgrade and refurbishment works in the most important RET substations, as well as development of transmission capacities on interconnection lines.

To properly maintain network adequacy so that it can be adequately sized for the transmission of electricity forecasted to be generated, imported, exported and transited in the context of occurred changes, the 10 years' RET Development Plan includes them with two categories of investments to be performed:

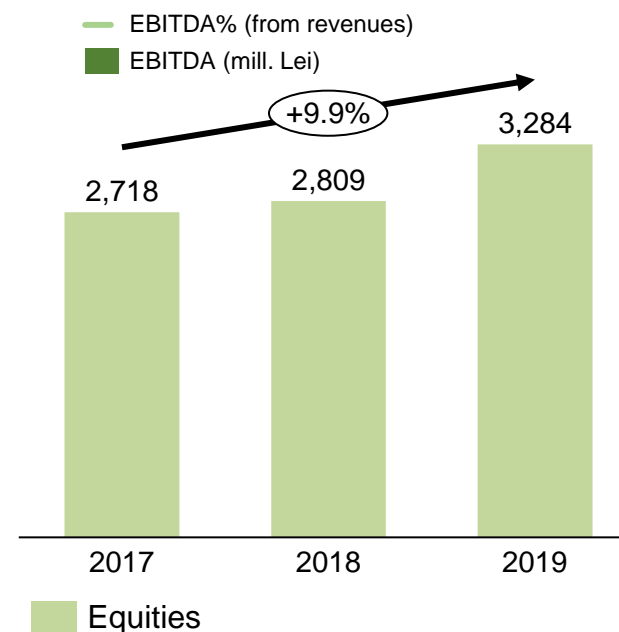
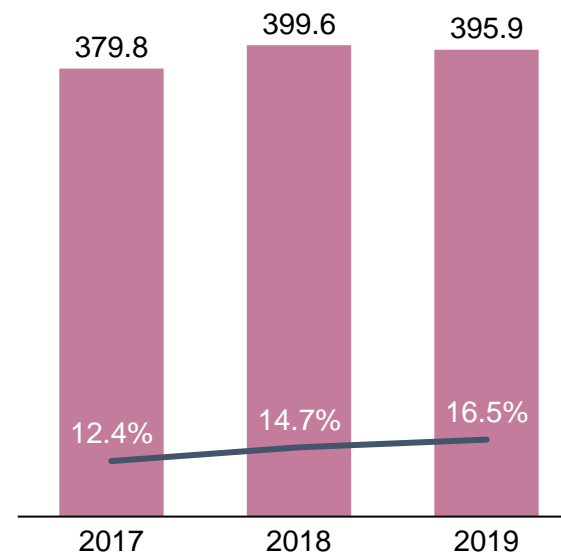
- Refurbishment of existent substations;
- RET extension by building new lines; increasing the transmission capacity of existing liens; extending the existing substations and enhancing their transformer capacity.

II. Presentation of the Company - History of financial performance

CONTUL DE REZULTATE	RONm	2017	2018	2019
Total venituri	RONm	3.060,3	2.721,7	2.397,7
Evolutie perioada	%	12%	-11%	-12%
Total cheltuieli din exploatare	RONm	2.992,3	2.620,4	2.281,9
Profit din exploatare (EBIT)	RONm	68,0	101,3	115,8
Evolutie perioada	%	-81%	49%	14%
EBITDA	RONm	379,8	399,6	395,9
EBITDA %	%	12%	15%	17%
Rezultat financiar net	RONm	(21,1)	(8,3)	(8,7)
Profit inainte de impozitul pe profit (EBT)	RONm	46,9	93,1	107,1
Impozit pe profit	RONm	18,6	11,8	11,0
Profitul exercitiului	RONm	28,3	81,3	96,0
Evolutie perioada	%	-90%	188%	18%

		2017	2018	2019
Cantitate tarifata	TWh	54,75	55,78	55,34
Tarif transport	lei/MWh	17,73	17,46	17,82
Tarif servicii sistem	lei/MWh	11,85	12,54	13,29

Situatia Patrimoniului		2017	2018	2019 6M	2020
Total active imobilizate	RONm	3.138,0	3.091,3	3.550,8	3.540,3
Total active circulante	RONm	1.371,3	1.580,5	1.149,6	1.174,2
Total active	RONm	4.509,3	4.671,8	4.700,5	4.714,6
Total datorii pe termen scurt	RONm	1.108,1	1.199,3	732,3	678,7
Total datorii pe termen lung	RONm	683,5	663,5	684,0	672,1
Total datorii	RONm	1.791,6	1.862,8	1.416,4	1.350,8
Total capitaluri proprii	RONm	2.717,6	2.809,0	3.284,1	3.363,7
Total datorii & capitaluri	RONm	4.509,3	4.671,8	4.700,5	4.714,6



III. Strategic analysis of the Company - Analysis of activities

Profit allowed activities

The main source of revenues is represented by transmission activities whereby revenues of regulated tariffs are the majority component. They are added revenues achieved from the allocation of cross-border interconnection capacities and other marginal revenue sources from activities associated to electricity transmission (supply of reactive power, international transits compensated by the ITC).

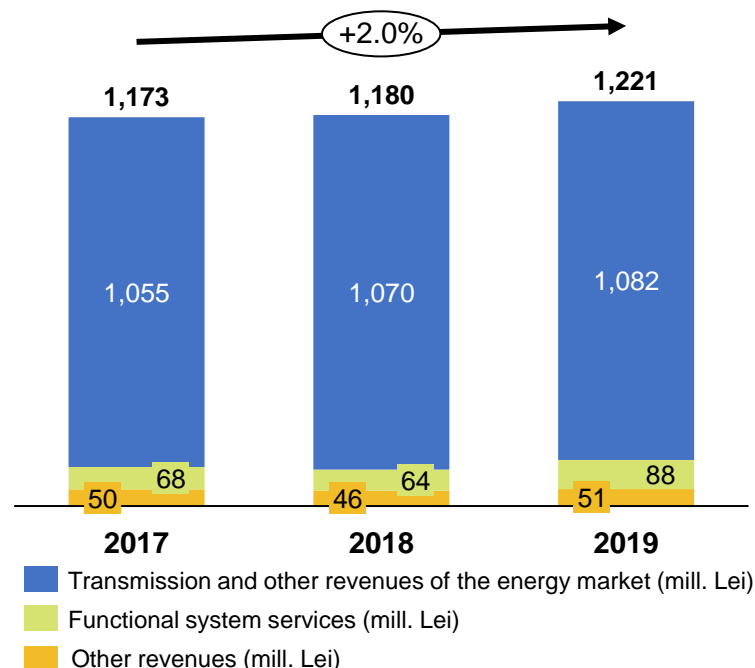
However the revenue sources complementing the tariff do not constitute additional profits compared to the regulated profit included in the transmission tariff calculation.

The sum of revenues obtained by Transelectrica from transmission tariffs and the revenues achieved from other activities using resources to perform electricity transmission cover the ANRE-recognised costs for transmission activities (including the cost of capital). The transmission tariff is regulated according to article 75 para 1) let. b) of the Electricity and natural gas law 123/2012. Article 76 stipulates the regulated electricity transmission tariff is established under a method approved by ANRE; tariff calculation takes into account the justified costs, development expenses and environmental protection expenses, as well as a reasonable profit share.

The methodology establishing the regulated transmission tariff (approved by ANRE Order 171/2019 with later amendments and additions) does not directly distinctly explain the profit but includes a profitability in the regulated revenue formula, calculated as multiplication between the Regulated Asset Base (RAB) and the Regulated Rate of Return (RRR).

The regulated RRR was of 7.7% in the third regulatory period, 2014-2019, specifying that legislative changes of such interval (GEO 19/2019) led to a resulting 7.49% RRR in 2018-2019 and later on it was established at 6.9% in semester II 2019 by applying the provisions of GEO 19/2019.

RRR is of 6.39% in the 2020-2024 fourth regulatory period by ANRE Order 75/2020.



III. Strategic analysis of the Company - Analysis of activities

Activități zero-profit (pass-through)

Regulated activities: technological system services, real time generation-consumption balancing services (in methodological terms) have no direct impact over the Company's profit as the revenues related to such activities are sized according to costs.

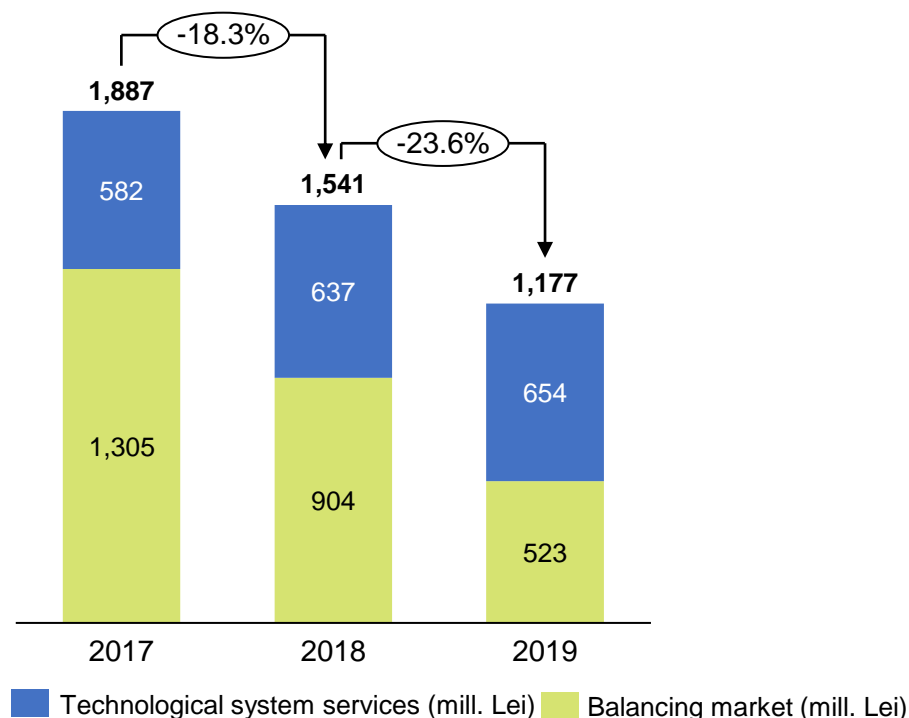
Technological system services can generate additional expenses / revenues with temporary effects of diminishing / increasing the profit achieved from profit-allowed activities.

The operational safety of SEN can lead to the need to procure greater technological resources than those recognised ex ante by ANRE by forecasting them at the beginning of a tariff period, generating expense greater than revenue; the other way round, savings of technological service procurement generate a revenue surplus compared to the actual expense. In both cases a tariff adjustment mechanism is applied in the next tariff year with a view to restore the neutrality of such services compared to the Company's profit.

Balancing market administration services draw risks substantiated in uncertain collection of trading receivables from balancing responsible parties and in late payments with penalties from dispatchable units, providing direct negative impact over the Company's profit by constituting provisions for uncertain clients.

Company-wide operational profit has been influenced by zero-profit activities:

- Minor profits/losses from technological system services;
- Provision expenses, as constituted for uncertain clients against a background of difficult trade receivable collection on the balancing market.



III. Strategic analysis of the Company - Analysis of activities

Structure of revenues and expenses - History

Revenues

Transelectrica achieves its main revenues impacting the Company's profitability from regulated tariffs of transmission services and the regulated tariff of system services, functional service component corresponding to the dispatcher management of SEN, which is added revenues from other regulated activities resulting from the allocation of interconnection capacities by auction as well as from other provisions, of small share in the total.

Also the financial compensation for network utilisation between European TSOs can generate both revenues and expenses.

Structura venituri		2017	2018	2019
Venituri din serviciul de transport	RONm	1.054,6	1.069,8	1.082,0
Evolutie %	%	-8,0%	1,4%	1,1%
Venituri din servicii de sistem	RONm	650,7	701,6	741,7
Evolutie %	%	-9,2%	7,8%	5,7%
Venituri privind piata de echilibrare	RONm	1.304,6	903,9	523,1
Evolutie %	%	60,3%	-30,7%	-42,1%
Alte venituri	RONm	50,3	46,4	50,9
Evolutie %	%	9,8%	-7,9%	9,8%
Total venituri	RONm	3.060,3	2.721,7	2.397,7
Evolutie %		12,4%	-11,1%	-11,9%

Cheltuieli din exploatare		2017	2018	2019
Cheltuieli pentru operarea sistemului	RONm	257,9	308,9	351,7
Cheltuieli privind piata de echilibrare	RONm	1.304,6	903,9	523,1
Cheltuieli privind serviciile de sistem tehnologice *	RONm	661,3	677,7	676,5
Amortizare	RONm	311,9	298,3	280,0
Salarii și alte retribuiții	RONm	178,6	188,5	209,9
Reparatii si mentenanta	RONm	84,8	90,8	129,1
Cheltuieli cu materiale si consumabile	RONm	8,3	11,7	8,5
Alte cheltuieli din exploatare	RONm	185,0	140,6	102,9
Total cheltuieli din exploatare	RONm	2.992,3	2.620,4	2.281,9
Evolutie %		26,6%	-12,4%	-12,9%

III. Strategic analysis of the Company - Analysis of activities

Structure of revenues and expenses

Costs

Major individual items of operational costs are: electricity procured to cover CPT (losses), transmission grid maintenance and personnel costs.

Non-current costs - the dominant component of cost structure

- Operating the transmission system services requires massive support from infrastructures. Current costs to maintain the technical condition of the electricity transmission network, the amortisement cost of installations & equipment and the general cost of Company administration are major cost items independent of the amount of electricity transmitted through the grid.

Non-current costs - under double pressure:

- Continuous efficiency requirement imposed in the regulatory framework; it is substantiated in year-to-year reduction of controllable operation & maintenance costs recognised in the transmission tariff;
- Extending the transmission grid: the prospective network extension provided in the RET Development Plan of the next 10 years institutes the premises for greater maintenance efforts against a background of higher amounts of installations and equipment; the implementation of new technologies, replacement of obsolete and worn out equipment and installing equipment of higher reliability and efficiency will partially compensate the increasing trend of maintenance expenses;
- In addition, the provision of uninterrupted systems operation and the integrity of equipment which is essential for the availability of transmission services requires developing systems dedicated to the protection of critical infrastructure with specific operation and maintenance costs.

The main variable costs are CPT and congestion removal costs. Electricity losses in the grid represent the main variable cost. Although the physical

share of CPT in the electricity transmitted within RET is found around 2.5% average (representing about 1.9% share in the billed electricity), the total cost share of electricity necessary to cover CPT represents approx. 25% of the revenues achieved from transmission activities. The difference is explained by the electricity unit (MWh) carried within SEN which Transelectrica bills based on a regulated unit price (tariff) charged for transmission services, while the Company procures the CPT against a unit price established by market mechanisms.

Structura venituri		2017	2018	2019
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Evolutie %	%	-8,0%	1,4%	1,1%
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Evolutie %		26,6%	-12,4%	-12,9%

III. Strategic analysis of the Company - Stock exchange performance

Share price development

Beginning with 5 January 2015 the Company has been classified in the Premium category of the regulated market managed by BVB.

Transelectrica shares belong to BET index showing the development of the 10 most transacted companies on the regulated market managed by BVB, except for financial investment companies (SIF), which are transacted on the regulated market managed by the Bucharest Stock Exchange at I category under TEL symbol.

Transelectrica has been included in the local stock exchange indexes (BET, BET-BK, BET-NG, BET-TR, BET-XT, BET-XT-TR, and BET Plus).

Throughout 2019 the Transelectrica share had a quite stable development with price oscillations from 19.48 Lei/share on 31 January 2019 to 22.15 Lei, the maximum reached on 14 February 2019.

Romania was included in the list of countries providing a substantial potential to pass from the 'emerging market' to 'frontier market' status as the decision of FTSE Russell was published on 29 September 2016. Such decision comes after the changes and modifications made both into the capital market legislation and in the regulations specific to such market, as well as following the conjugated efforts made by BNR, BVB, ASF, SGG and the Central Depositary.

Shares liquidity - main indicator for investors

Liquidity is defined as the possibility of an investor to turn a financial placement into monetary availabilities in the shortest time interval possible, without thus reducing the value of his placement.

Thus liquidity is one of the most important issues targeted on capital markets and at the same time a feature taken into account by any kind of investment. For such considerations in case of a listed company the liquidity

its shares contain constitutes a highly important issue.

Besides risk and profitability, the liquidity makes up the golden triangle of investments, constituting one of the most pursued indicators for a stock exchange placement.

Most investors desire getting as high yields as possible with the least likely risks.

In 2019 Transelectrica registered total BVB transactions amounting to 107,701,724 mill. Lei achieved after 10,353 transactions. Consequently the average transaction value was of 10,402 Lei.

This represents a significant (barrier) indicator for investment funds to invest in Transelectrica shares. Mention should be made the first 5 liquid shares on the Bucharest Stock Exchange achieved 85% of the 2019 turnover, but Transelectrica was not among them.

Finance volatility refers to measuring the size of price variations in a financial instrument. This is also the basis of risk assessment.

The daily average volatility of Transelectrica shares is of 1.28%. The average value of purchase and sale offers on the market amounted to 20,000 EUR within the $\pm 1.28\%$ range (10,000 EUR BID and 10,000 EUR ASK).

In case of Transelectrica shares there are frequent cases when no counterpart is found for a significant volume. Liquidity growth leads to volatility drop and implicitly to increasing the share performance.

The higher share quotation will also bring financial benefits to the Company, thus being able to draw more significant capital at lower costs.

III. Strategic analysis of the Company - Stock exchange performance

Companie	Media valori tranzactionate zilnic (eur)	P/E	P/BV
Transelectrica	89,288	18.17	0.53
ENEL Americas SA	1,732,666	8.23	1.63
PPL Corp	15,757,173	14.98	2.19
United Power Generation and Distribution Co Ltd	62,102,802	34.37	9.59
RED Electrica Corp SA	35,134,464	13.62	2.83
National Grid PLC	38,570,024	23.25	1.82
Terna Rete Elettrica Nazionale SpA	129,101,422	17.18	3.01
Mediana	36,852,244	16.08	2.51

The comparative analysis above (TSO-type companies listed on stock exchanges) shows the following:

- Transelectrica is the only Company transacted at discount (below the net accounting value);
- As a matter of fact the P/BV median is of 2.51 Euro while the Transelectrica share is transacted at 0.53 Euro;
- A correlation analysis between transacted volumes and share prices one can notice the stock exchange liquidity (transaction volume) influences the price.

In other words, shares of higher liquidity are transacted at higher price multiples that those Transelectrica shares are transacted at.

In conclusion a liquidity growth of Transelectrica shares provides premises for share value increase and implicitly of stock exchange capitalisation.



	min	max
TEL	12.32	33.7
TEL %	-8.94%	148.08%
Date	7-May-13	27 Feb 2017 and 1 March 2017

Maximum, minimum values of the entire period

	min	max
TEL	15	24.5
TEL %	10.86%	81.08%
Date	16-Mar-20	27-Aug-20 31-Aug-20

Maximum and minimum values of 2020

III Strategic analysis of the Company – Human resources

At present the operation of RET substations and provision of SEN dispatching services are performed by operative/operational personnel organised under permanent shift schedules.

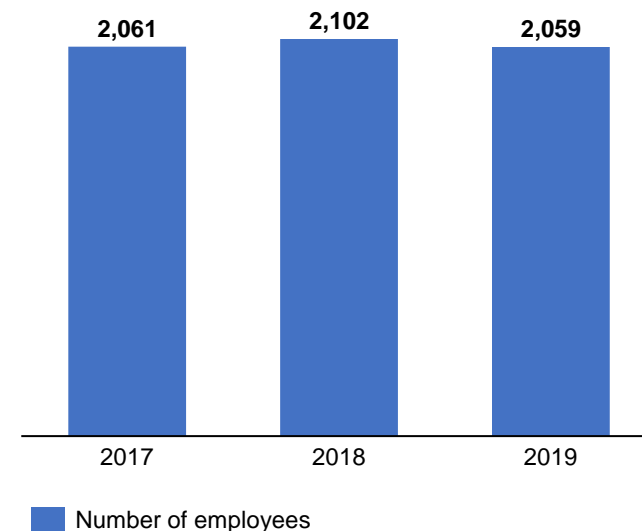
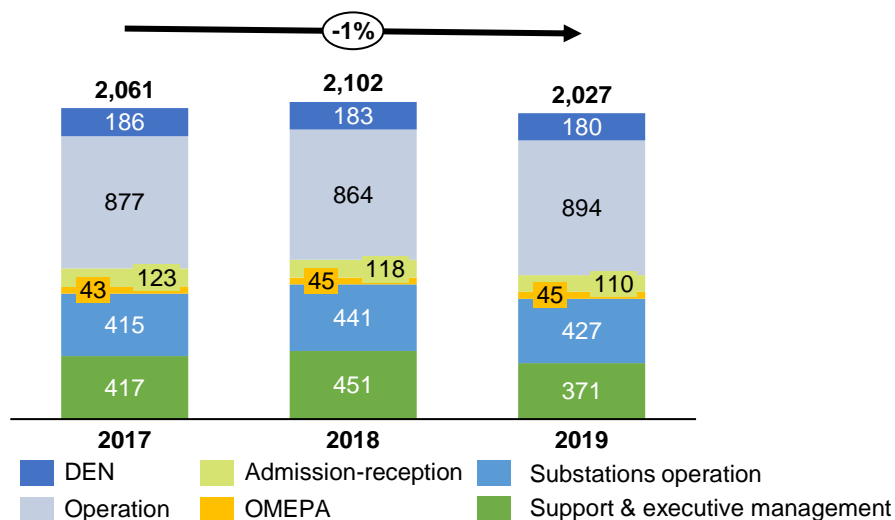
The structure of operational personnel cover 44% of the total employees hired, while DEN personnel represent 9%.

A significant change is represented by substation operational personnel that passes to support and executive management after the efficiency increase processes of S1 2020.

Conclusions

- The need to implement a plan for developing a HR Division strategy.
- Mainly administrative services.
- Current salary levels lack support in the business environment specific for the energy industry, not yet aligned to the needs of the organisational structure.
- Personnel training is limited to technical competences, conditioned by recurrent accreditations or refurbishment. Non-technical competences are seldom addressed.
- There are no motivational instruments and strategies.

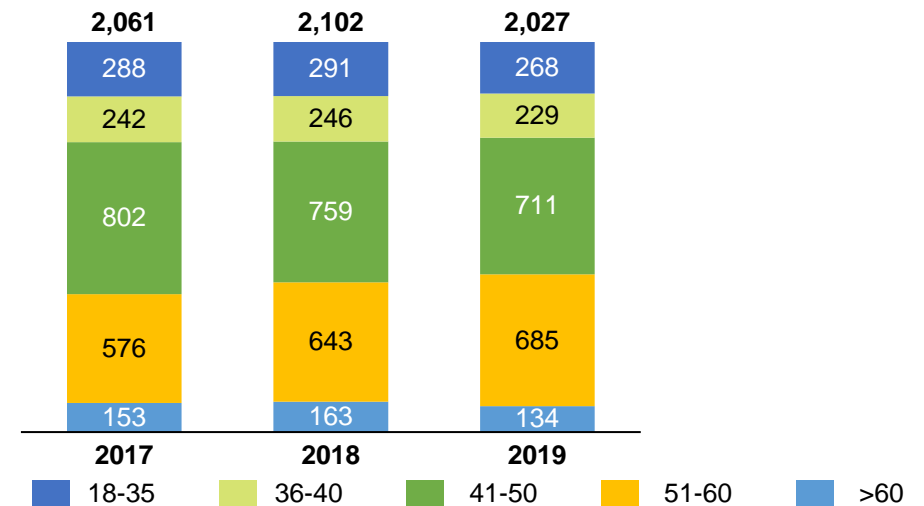
- The need to implement a performance management able to generate career plans; competence developing mechanisms and detecting the deficit processes and procedures within the Company.
- Absence of competence associated to each position, defined by several speciality levels.
- Recruitment is reactive without participation to profiled events or on specific sites.
- The relationship with the social partner is strictly limited to negotiating the collective labour contract and other documents conditioned by it.
- The absence of a development plan with new competences for the HR Division's employees so that they can extend their working area in relation to the other Company employees.
- The absence of an informational system that should expedite all administrative-type procedures within the HR Division.
- The absence of a database for the real-time electronic and physical archiving of all documents.



III Strategic analysis of the Company – Human resources

A brief analysis of personnel structure by age categories points out that 70% are employees aged between 41 and 60. Also 6% of personnel are getting near retirement, while 13% are aged from 18 to 35 with potential career advance inside Transelectrica, if by the human resources policy we will succeed retaining and recruiting young staff.

In terms of gender structure women represent 27% of total personnel, which has been almost unchanged in the last 3.5 years. 81% of them are active in the executive branch, 13% in middle management while only 6% reached top management positions.



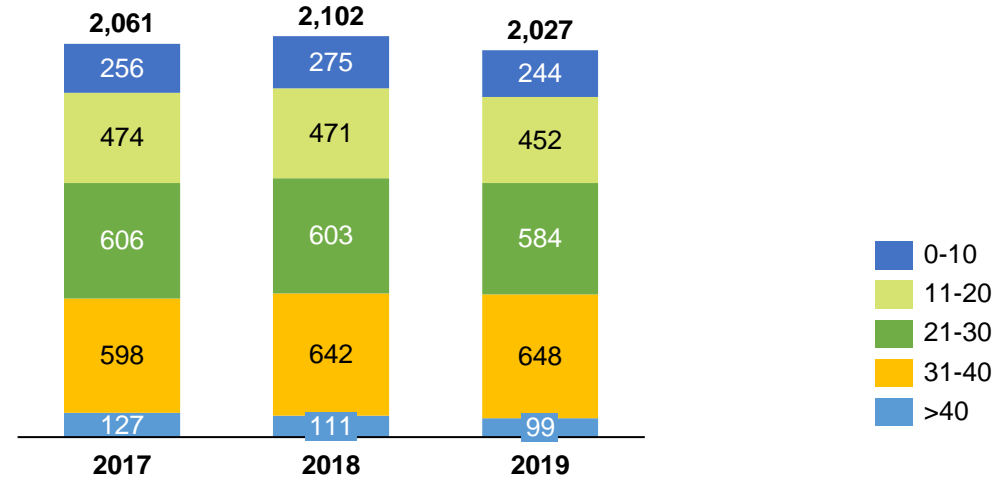
III Strategic analysis of the Company – Human resources

On 30 June 2020 personnel of over 30 years' seniority represented 37% of the employee structure. If we add the staff of more than 10 years' employment in the Company we can find 88% of personnel have considerable age in the Company. Mention should be made such employee category comes from the structures before establishing Transelectrica as Company (RENEL structures). In terms of human resources it can be an advantage in the light of their gathered experience and knowledge which Transelectrica benefits fully of such technical expertise, however as regards resistance to change, it might be great.

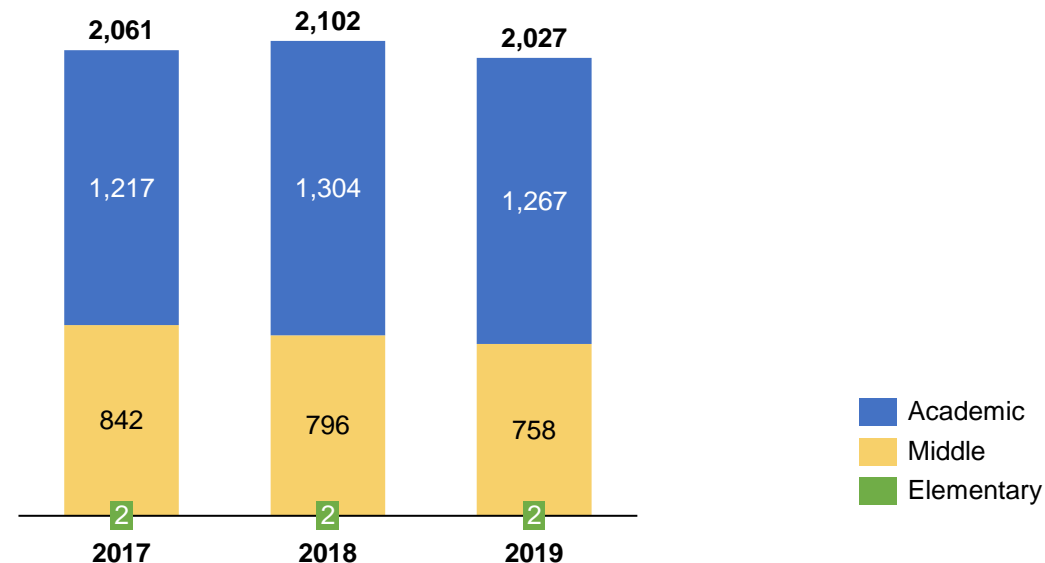
Personnel of lesser employment in the Company and therefore less experienced represent only 12% in the total employee structure. The two analyses showed the need to replace the personnel that are about to leave the Company naturally (retired or voluntary departures) with young employees with academic education that can prove adapted to the cultural changes the Company is about to pass through to the new macro economic environment, where the key word will be 'digitalisation'.

In terms of studies the analysed period points out a higher share of personnel with university education to the detriment of employees with middle high school studies. Thus if in 2017 high school educated personnel represented 41% of total employees, in 2019 such employee category accounted only for 37%.

Personnel seniority in the Company - Total



Personnel education level - Total



III Strategic analysis of the Company – Human resources

Professional training

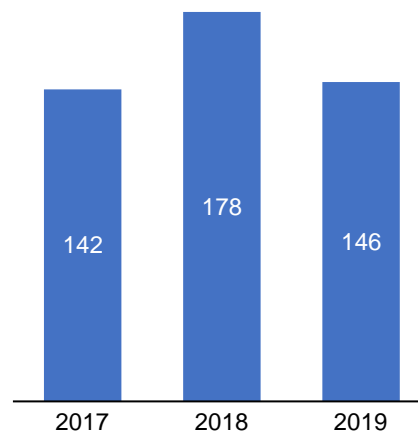
The vision of a company includes the human factors as driver that enables transposing it into one's own business, into the success or failure of an organisation.

Its people in a brand organisational culture and professional context determine the company's long-term resistance and visibility on a dynamic labour market under permanent change.

Transelectrica has foreseen in its reference documents the need to set up an attractive stable motivating work environment which is also safe and healthy, with the daring goal of becoming the preferred employer of power engineering experts, a think tank and strategic action to develop the Romanian energy sector.

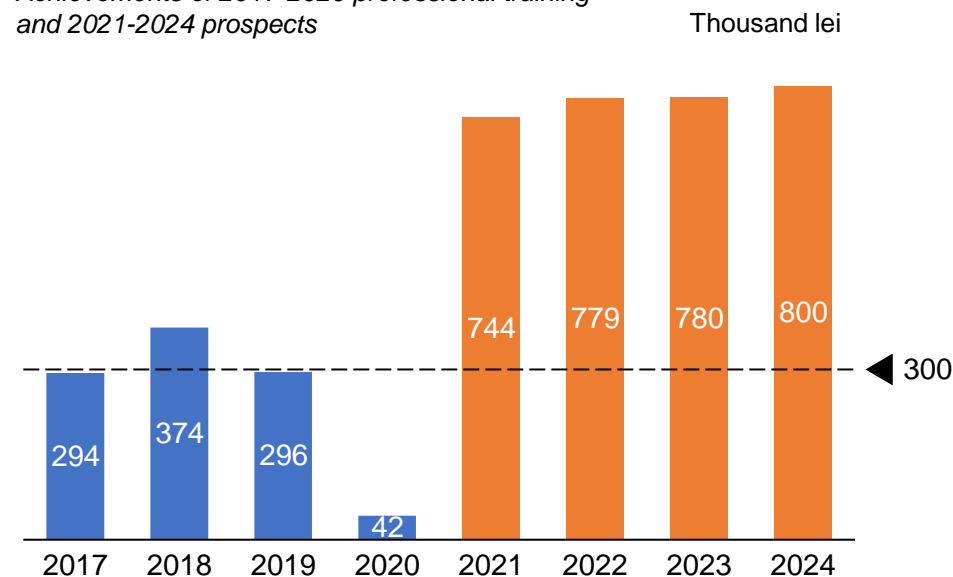
In historical terms of professional training Transelectrica spent 0.32 mill. Lei in 2017 – 2019.

1,995 employees benefitted of such amounts, which means a 155 Lei average per employee, a low value compared to the detected need and to the existing gaps between personnel categories of the Company and of other companies in the energy sector.



Amounts spent per employee (Lei)

Achievements of 2017-2020 professional training and 2021-2024 prospects



Amounts spent 2020-2024 objectives

III. Strategic analysis of the Company – Corporate governance

PRINCIPLES



III. Strategic analysis of the Company – Corporate governance

Scope

The Company is subjected to the application of corporate governance and legal exigencies of this matter from a triple perspective:

- The Company is a joint stock company managed under two-tier system according to the provisions of article 1531 and follow. from Law 31/1990, by a directorate and supervisory board;
- The Company has been listed on the BVB since 29 August 2006;
- The Company is public enterprise in accordance with article 2 para (2) let. b) of GEO 109/2011.

Terms:

- corporate governance of public enterprises: ensemble of rules governing the administration and control system of a public enterprise, the relations between the coordinating public authority and the enterprise's bodies, directors or directorate, shareholders and other stakeholders (article 2, pt. 1 of GEO 109/2011);
- Public enterprises: national companies and societies, companies where the state or an administrative-territorial unit is single majority

shareholder or where it holds control (article 2, pt. 2 let. b) of GEO 109/2011);

- Company management: internal management side of company businesses and its legal representation;
- Internal managerial control: ensemble of control forms exercised in the public entity, including internal audit, as established by management in accordance with its objectives and with legal regulations in order to provide funds administration in economic efficient efficacious mode; separating attributions of operations performed between persons so that approval, control and recording attributions be entrusted to a proper extent to different people; accurate separation of operation initiation, verification, endorsement and approval functions.

Joint stock company submitted to the legal auditing obligation¹

Company listed on the BVB²

Public enterprise³

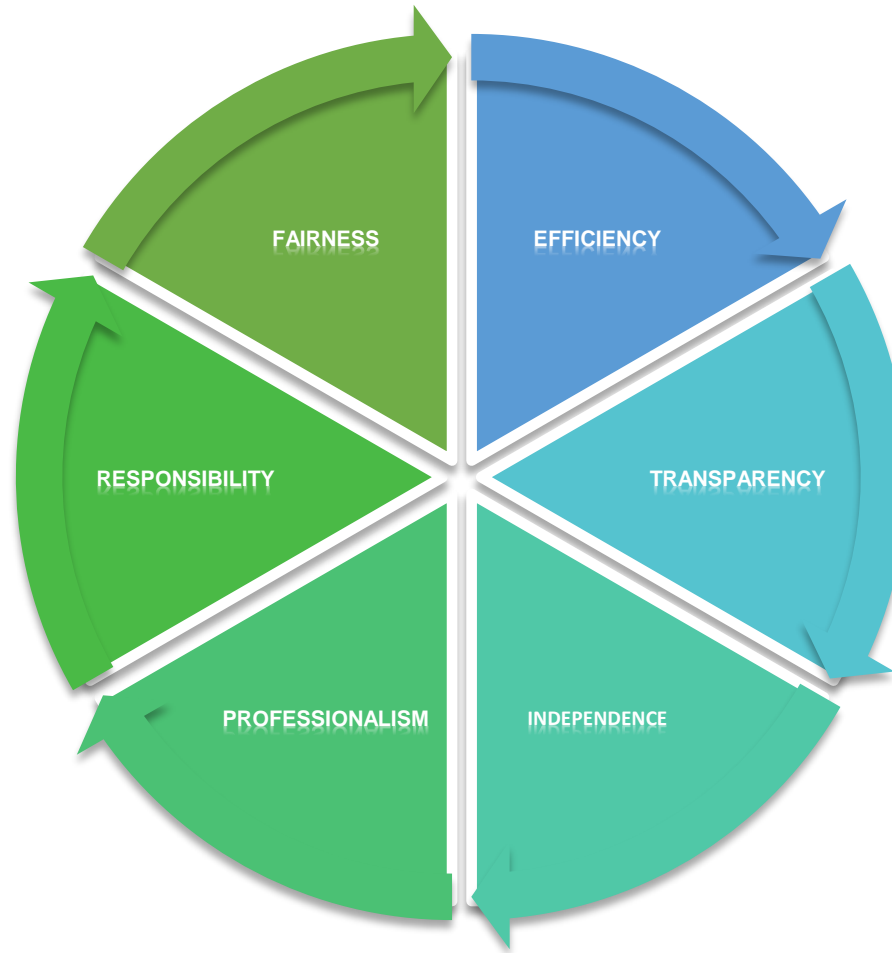
III. Strategic analysis of the Company – Corporate governance

Pillars of corporate governance



III. Strategic analysis of the Company – Corporate governance

The purpose of corporate governance strategy is to provide Company operation in efficient transparent responsible manner by means of Company's society bodies achieving responsibilities in responsible independent manner equitable to all stakeholders and, implicitly, to shareholders.



III. Strategic analysis of the Company – Corporate governance

Strategic corporate governance goals

1. Devising systems to monitor the compliance with applicable corporate governance standards; increasing the Company's credibility on the market;
2. Ensuring transparency regarding the appointment of the Supervisory Board and Directorate members, as well as regarding the remuneration policy;
3. Implementing mechanisms to avoid conflicts of interests which might prevent Supervisory Board and Directorate members from performing their duties in an objective manner;
4. Developing mechanisms to assess and maintain the efficacy of the Supervisory Board's and Directorate's performance and independence;
5. Clear distinction of administration/management activities from control;
6. Updating decision-making processes;
7. Implementing quality insurance mechanisms and information control, digitalisation included;
8. Efficient allocation of resources;
9. Providing an information system for all stakeholders and establishing mechanisms and procedures to protect them;
10. Providing fair treatment of shareholders by observing a high transparency degree, including as general rule the disclosure of equal simultaneous information to all shareholders;
11. Developing an active communication policy and consulting with all shareholders;
12. Providing internal and external communication and cooperation, as well as national and international representation;
13. Providing an effective risk management and internal control system (development and supervision of effective risk management policies and procedures regarding financial and operational risks, but also in terms of human rights, employment, environmental issues etc.)
14. Elaborating efficient internal audit procedures;
15. Providing appropriate evaluation methods to monitor the results of the corporate governance strategy's implementation based on the established objectives (benchmarking).

IV. Administration strategy and action plan – Methodology

The Administration Plan aims at defining the strategic directions and performance goals in the modern context of the Balanced Scorecards approach. Strategic goals grouped into the four perspectives specific to the BSC method are turned into action lines that will be included in the Management Plan and thus turning the company's vision and strategy into efficient and profitable operational processes.

Considering the assumed mission, role and importance of Transelectrica, the Company's administration strategy for 2020-2024 aims at the sustainable growth increasing of the Company's efficacy in agreement with the conditions generated by the Romanian energy sector in this period.

- Taking into account the national company capacity with sustainable activities in terms of social liabilities to the communities it gets in touch with and of environmental protection Transelectrica has got as general objectives an orientation towards permanent value growth for shareholders with predictable profitable business at the superior limit of values admitted by applicable regulations for core activities, namely to the extent of potentials and hazards associated to other complementary unregulated activities;
- Choosing to provide performant services of usage value the Company also aims at being counted among the providers of transmission and system services performing activities under high technical quality and safety at European level.

The administration strategy intends to harmoniously join the technical with the financial management, both exercised at maximum professional excellence in order to provide SEN safety and RET adequacy by extending and expediting the investment plan using diversified financing sources and increasing financial performance by reducing operational

costs within the upper limit provided in the existing regulatory framework.

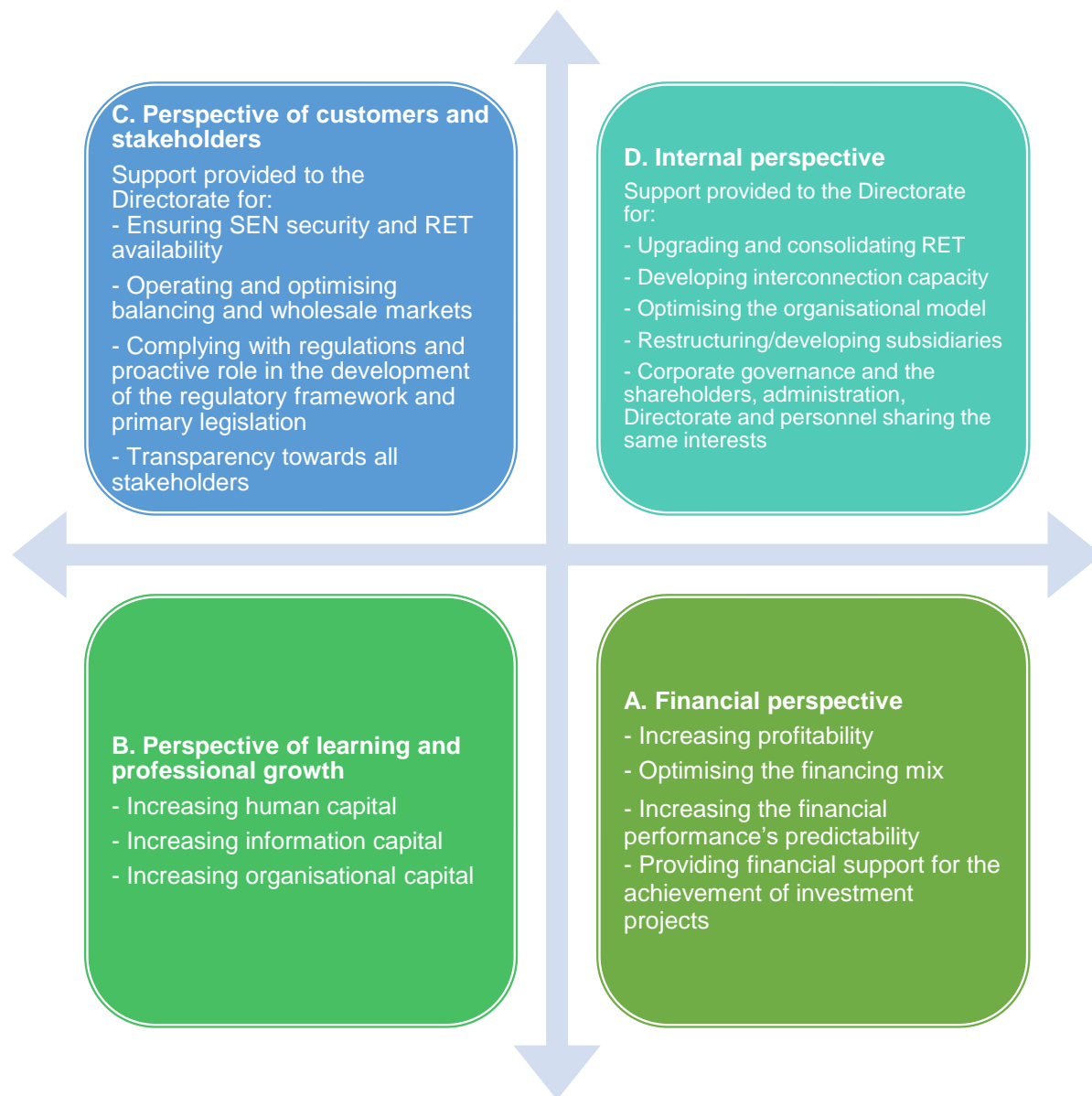
Strategic objectives measurable by associated indicators are defined in the specific framework of each BSC perspective, following which the set of actions and timeline used in order to reach the selected objectives are defined for each strategic goal. The proposed action lines become guidelines required for the Management Plan's elaboration by the Directorate.

The ensemble of strategic goals and performance indicators will constitute the construction base of the Company's key performance indicators (KPI) in the MBO (management by objectives) approach and building up a modern pay system joining the annual performance plans with the Company's long-term ones (during the mandate).

Also the relevant strategic objectives and associated performance indicators will be proposed to represent the set of performance objectives and criteria from mandate contracts.

Taking into account the particular Company's character of provider of public national interest services, regulated monopoly activity, it follows the Company's financial performance is strongly dependent on the developments of other perspectives (clients' and stakeholders' perspective, internal perspective, professional learning and growth perspective), the fundamental priority being to provide safe SEN operation and consequently public services according to the regulatory-established standards.

IV. Administration strategy and action plan – Strategic objectives



Transelectrica, beyond the exogenous, positive and negative aspects, following the recession/slow economy development and, part of it, of the energy sector at internal and European level, has significant room for recovery and development, to increase its performance at all levels, both technically speaking and in terms of operational efficiency and financial performance, all correlated with the current methodological and value limits of the regulatory framework established by ANRE.

Based on the 4 perspectives from the BSC methodology (fundamental operating pillars of Transelectrica) and the specific criteria for each, the strategic objectives, this administration strategy's essence, are identified, as well as the necessary actions to achieve them, together being the necessary support to the Administration Plan in order to transform the strategic vision into the satisfaction and trust of shareholders, customers and main stakeholders, as well as the company's employees.

IV. Administration strategy and action plan – Transelectrica strategic objectives

Perspective of customers and important stakeholders

Strategic objective 1.1 – Operational security of SEN and electricity transmission at quality levels corresponding to the standard conditions in the ANRE TSO license, the RET Technical Code and the Performance Standard for electricity transmission and system services (Transelectrica: TSO).

Performance goals and indicators

In order to ensure the operational security of SEN and electricity transmission at quality levels corresponding to the standard conditions, the Supervisory Board shall ensure the:

- Compliance with the standard conditions in the RET technical code, license, performance standard and European requirements (ENTSO-E, EU),
- Compliance with conditions established by European regulations or European conventions (see ENTSO-E network codes)

Moreover, Transelectrica aims, through internal processes (see internal perspective), to improve service quality, as well as continuous monitoring of electricity quality.

Strategic objective 1.2 - Balancing market operation under quality conditions on BM trading platforms (Transelectrica, Balancing Market Operator)

The significant development of wind power plants and, in recent years, the advent of large power plants (hundreds of MW) connected to RET through transformer substations HV>400 kV or to RED through substations HV>110kV, means wind power capacity can no longer be treated only as distributed production, but also as production concentrated and injected into RET nodes by large transformer units.

The integration of plants with intermittent (volatile) operation makes it necessary to improve the electricity market mechanisms and their implementation tools.

Performance goals and indicators

Transelectrica aims to operate the balancing market in quality conditions on

BM trading platforms in accordance with the requirements of the secondary legislation in force.

Strategic objective 1.3 - Within Transelectrica, OMEPA Metering Division (OMEPA MD) acts as the electricity metering and electricity quality monitoring operator. MD OMEPA is responsible for the activity of electricity metering and electricity quality monitoring that is carried out both at the Central Point and in the territory, through the OMEPA Metering Systems Operation Workshops.

The activity is structured on four main pillars:

- administration of the metering platform for the wholesale electricity market;
- management of local metering systems;
- monitoring the electricity quality;
- metrological checks in zonal metrology laboratories.

Performance goals and indicators

The Supervisory Board shall make all necessary efforts for the:

- Development of metering and energy quality monitoring systems in line with technological progress and the requirements of secondary legislation on the balancing market, necessary for both the company and the OPCOM subsidiary (which settles on this market),
- Optimisation of the measurement activity on the wholesale market based on the modernisation of specific infrastructure.

IV. Administration strategy and action plan –Transelectrica strategic objectives

Perspective of customers and important stakeholders

Strategic objective 1.4 - Fulfilling the agreed actions regarding market coupling for the integration in the European single market (Transelectrica, Operator of the Centralised Market for the Allocation of Interconnection Capacities).

Strategic objective 1.5 - Fulfilling the role of administrator of the support scheme on promoting high efficiency cogeneration and issuing green certificates for electricity from renewable resources, applying the provisions of Law no. 220/2008 (Transelectrica, administrator of support schemes for renewable energy and promotion of high efficiency cogeneration).

Context: The objective of this support scheme is to promote high-efficiency cogeneration electricity generation systems, the advantage being energy production with low pollutant emissions. The aim is to facilitate market access of high-efficiency cogeneration production systems by granting a cogeneration bonus, given that the production costs of electricity and heat in cogeneration plants are higher than the market prices of the two forms of energy.

The scheme is intended for electricity and thermal energy producers who own or commercially operate high-efficiency cogeneration plants, in order to stimulate new investments in cogeneration systems as well as to upgrade existing plants. ANRE approved the values of the reference bonuses, MW/h of electricity produced and delivered to the network from high efficiency cogeneration plants. The beneficiaries are producers who meet certain criteria established by ANRE.

The necessary funds for granting the bonus are provided by the monthly collection of a contribution by Transelectrica from the electricity suppliers. The contribution is established by ANRE, KW/h of electricity consumed by all electricity consumers, as well as by suppliers that export electricity. This business segment does not influence the Company's profit and loss account, Transelectrica collecting the contribution for high efficiency

cogeneration from electricity consumers' suppliers, in order to pay the bonus to high efficiency cogeneration electricity and thermal energy producers.

Transelectrica's role as administrator of the support scheme is to ensure an uninterrupted flow of bonus payments to high-efficiency cogeneration producers. The seasonality of high-efficiency cogeneration electricity production leads to a fluctuating bonus payment flow during the year while the flow of contribution receipts from electricity suppliers is relatively constant throughout the year. To ensure the smooth flow of liquidity from suppliers to qualified producers, Transelectrica uses a banking line to pay the cogeneration bonus during periods when the scheme's cash balance is negative.

Performance goals and indicators

As Administrator of the support scheme on the promotion of high efficiency cogeneration, Transelectrica will ensure:

- The neutrality of the cash flow related to the support scheme on high-efficiency cogeneration compared to the cash flows from the basic activities carried out by the Company.
- The secure recovery of amounts paid in advance to qualified producers through an appropriate system of guarantees to cover the financial risks of the support scheme's administrator.
- The modification, as appropriate, of the regulatory framework to ensure the above two objectives;

IV. Administration strategy and action plan –Transelectrica strategic objectives

Perspective of customers and important stakeholders

Strategic objective 1.6 - Managing the relationship with important stakeholders

Relationship with ANRE

We repeat and emphasize that Transelectrica's activities have the features of a natural monopoly, being therefore regulated, at European (ACER) and national (ANRE) level. Therefore, the Transelectrica - ANRE relationship is crucial both in terms of strategy (Administration Plan and Management Plan) and operation.

Basically, the Company's overall performance depends on both its own effort and its regulatory framework and constraints.

In general, the Transelectrica-ANRE relationship was based on correct institutional principles and fundamentals, provided by law, in accordance with European legislation. Transelectrica has supported and will continue to support the fulfilment of ANRE's duties through the activities of prime importance carried out for SEN as well as through technical expertise of the highest quality.

However, scarce transparency in the timely clarification of past decisions with a negative impact on the Company's financial results has contributed to an enhanced perception of financial risk by financial markets (e.g. Moody's ratings on the regulatory regime) and the capital markets (investors and financial analysts).

Also, the pricing parameters established by ANRE beyond the limits of reasonable requirements have over time had a negative impact on the Company's ability to perform financially up to the financial market expectations.

IV. Administration strategy and action plan – Transelectrica strategic objectives

Perspective of customers and important stakeholders

Strategic objective 1.7 - Corporate governance

Within Transelectrica, Corporate governance implies the good development of the relationship with all parties involved in the Company's activity and the pursuit of achieving the Company's objectives. Corporate governance is used to verify the concordance between objectives and results, as well as to motivate the Company to improve its business by aligning the different behaviors of all stakeholders.

Performance goals and indicators

- Establishing systems to monitor compliance with applicable corporate governance standards;
- Ensuring transparency regarding the appointment of the Directorate members and the Supervisory Board members, as well as the remuneration policy;
- Implementing mechanisms to avoid conflicts of interest that could prevent Supervisory Board and Directorate members from carrying out their duties objectively;
- Developing mechanisms to assess and maintain the effectiveness of the performance and independence of the Supervisory Board and the Directorate;
- Ensuring an information system for all stakeholders and establishing mechanisms and procedures for their protection;
- Ensuring a fair treatment of shareholders, while respecting a high degree of transparency, including as a general rule, the disclosure of equal and simultaneous information to all shareholders;
- Developing an active communication and consultation policy with all

shareholders;

- Ensuring an effective risk management and internal control system (elaboration and supervision of effective risk management policies and procedures regarding financial and operational risks, but also regarding human rights, labor, environmental issues, etc.)
- Ensuring appropriate evaluation methods to monitor the results of the implementation of the corporate governance strategy based on the established objectives.

IV. Administration strategy and action plan – Transelectrica strategic objectives

Internal perspective

Strategic objective 2.1 - Technical and operational management of SEN so as to ensure continuous supply, in normal conditions of electricity quality, safety and stability in operation

The current regulations in Romania (Performance Standard and RET Code) require the Transmission System Operator to monitor and report compliance with the quality of electricity in its own grid.

According to CEER (Council of European Energy Regulators - 2001) and EURELECTRIC (2006), issues related to electricity quality fall into the following categories:

- Voltage quality – referring to the technical characteristics of the voltage;
- Continuity of supply – referring to continuity in the supply of consumers;
- Commercial quality – referring to the commercial relations between suppliers, namely, between distributors and users in terms of providing different services.

Based on the above, the Supervisory Board shall ensure the:

- Efficient use of the existing structure,
- Update of the RET Technical Code and internal procedures as necessary,
- Introduction of the forecasting system and technical support for dispatcher management of the quantities of energy produced in CEE,
- Compliance with the conditions regulated by the RET Technical Code, license, performance standard and European requirements (ENTSO-E, EU),
- Compliance with the conditions established by European regulations or international conventions

Strategic objective 2.2 - Strengthening RET and increasing its operational efficiency

The analysis of the SEN evolution scenarios in the 10-Year Development

Plan (TYNDP, in ENTSO-E language) highlighted the existence of some associated structural congestions:

- providing output discharge from the new capacities to be installed in SEN;
- supplying consumption at the standard quality and safety parameters;
- integrating future energy storage facilities into SEN

Although an intense modernisation/refurbishment programme has taken place in recent years, a great part of the equipment still has a high degree of physical and moral wear and tear, the commissioning year being before 1990 (over 20 years old), therefore it is based on outdated technological solutions. Under these conditions, a large part of SEN installations must be refurbished/modernised or repaired, as the case may be.

Physical and moral wear and tear negatively influence maintenance costs, reliability, incident behavior, environmental impact, parameter measurement accuracy, etc. Also, the inferior characteristics of the equipment installed in the past do not allow the implementation of telecontrol in all substations.

Performance goals and indicators

The Supervisory Board ensures:

- Investments are made in order to eliminate structural congestions, according to the Development Plan;
- RET strengthening and equipment replacement, applying the efficiency principles, based on rigorous cost-benefit analyses.

IV. Administration strategy and action plan – Transelectrica strategic objectives

Internal perspective

Strategic objective 2.3 – Critical infrastructure protection

Critical infrastructure protection aims to ensure the functionality, continuity and integrity of the national and European ICN/ICE critical infrastructure operated by CNTEE Transelectrica SA and is carried out in compliance with all legal requirements in force.

The strategic objectives and lines of action regarding critical infrastructure protection are established in accordance with the National Strategy on Critical Infrastructure Protection approved by Governmental Decision GD 718/2011, to ensure the implementation of specific measures and actions to reduce the negative effects of specific risk factors on critical infrastructure, at national and regional level. The National Strategy stipulates that, with regard to critical infrastructure protection, the state and society's efforts must target, mainly, two main categories of threats: the terrorist one and the one generated by natural disasters/calamities, which have an increasing impact on critical infrastructure.

In the context of the energy security's importance for national security, Transelectrica takes full account of the implementation of legislation related to integrated security systems for the protection of classified information and critical infrastructure.

Development in the last two decades has shown an increase in the Company's vulnerabilities caused by malfunction, destruction and/or disruption of technological infrastructure (transport, energy, IT, etc.) caused by acts of terrorism, natural disasters, negligence, accidents, criminal activities.

Transelectrica performance goals and indicators

- fully meet the minimum legal requirements for critical infrastructure protection
- establishing and operating a security management framework as an

integral part of the Company's management system.

Strategic objective 2.4 – Sustainable development of own infrastructure (Investment programme)

- Context
- According to the legislation in force, Transelectrica, as a transmission system operator:
- ensures the long-term capacity of the transmission grid to meet reasonable electricity transmission demands and operates, maintains, rehabilitates and economically develops the transmission grid to ensure its safety, reliability and efficiency, while respecting environmental protection standards;
- guarantees the appropriate means for fulfilling the public service obligations;
- contributes to electricity supply security, by ensuring adequate transmission capacities and by maintaining their reliability;

The development of one's own infrastructure aims at satisfying the users' requirements, while maintaining the quality of the transmission system service and the operational security of SEN in accordance with the regulations in force. The provision of a favourable support infrastructure for the economy's development and the decrease of electricity prices contribute, at national level, to the sustainable development and the support of social welfare.

The development plans will contain the proposed modalities to finance and achieve investments for the transmission networks, taking into account the plans of systematisation and planning of the territory crossed by them, while observing the environmental protection standards.

IV. Administration strategy and action plan – Transelectrica strategic objectives

Internal perspective

The company aims to:

- Promote technically and economically efficient investment projects,
- Use robust and flexible solutions in the investment planning process, know-how transfer from TYNDP developed by ENTSO-E at European level,
- Improve the performance of the investment project implementation process,
- Adopt technical solutions meant to reduce impact on the environment, depending on the newest accessible technologies and the legislation in force.

Strategic objective 2.7 – Unregulated activities

Transelectrica has the potential to grow by getting involved in unregulated activities, observing the rules of separation from regulated ones.

The Supervisory Board aims to support and advise the Company in identifying regulated/unregulated business that may constitute business opportunities and analysing their efficiency through rigorous cost-benefit analyses.

Strategic objective 2.8 – Research and innovation

The operational management of electricity networks requires a consolidated vision on long-term objectives, as well as the ability to test, learn and put into practice the most effective technologies and concepts in the application of strategic options.

Utilities are of great interest to the Romanian State. In order to adapt the business model and to quickly respond to the dynamics of opportunities and threats in their field (their workforce evolves, their customers' expectations change), operators providing this type of service must show flexibility and promote innovative technological solutions.

At macro European level, the trend in the energy sector is characterised by a paradigm shift in the electricity production's center of mass, from conventional fuel plants to production using renewable sources. Besides the trend of migration to smart grids, EU wholesale market integration plans for all time intervals (forward, day-ahead, intraday and balance) also dominate the EU agenda, and a structured framework for network operating systems will be established to enable storage, for example.

Therefore, when it comes to research, the main challenges for Romania and the electricity transmission system operators, concern:

- increasing technical and human capabilities to develop methodologies and tools for using the network to its full capacity, but without jeopardizing its security;
- using new materials and technologies to increase network flexibility and identifying data extraction techniques and HPC (High Performance Computing) to better manage the network and closer to maximum capacity.

Thus, the Supervisory Board will take into account the existence, at Company level, of plans for the development of technical and human skills in the field of research-innovation, but also studies, development and research programmes pertaining to “digitalisation”, as main driver of sustainable development.

IV. Administration strategy and action plan – Strategic objectives

Internal perspective

Strategic objective 2.9 – Measures to enhance cyber security

Context

The Company's information security policy includes cyber security. Thus', cyber security of IT&C infrastructure contributes to achieving the Company's missions and objectives by detecting and preventing risks, vulnerabilities and threats to the IT resources and processes of the Company, achieved by means of information and communication technology.

The current dynamics of cyber threats in the context of the impact such threats might have over the Company and implicitly over national economy require addressing cyber security by multiple perspectives.

In this context, the Supervisory Board will monitor the existence at Company level of:

- An effective strategy of constantly updating security systems and equipment, continuous training of employees on the compliance with security protocols and procedures to prevent or mitigate the effects of possible cyber attacks;
- An internal organisational environment to make room for security structures with disjoint qualities: standardisation, application and audit matched with investments to ensure increased capacity to respond to cyber attacks, but also the specialised security operational assistance services;
- Projects to upgrade the IT&C platforms within a reasonable amount of time;
- SOC type – Security Operation Centre service centre

IV. Administration strategy and action plan – Strategic objectives

Learning and growth perspective

Strategic objective 3.1 – Optimising processes and turning activities efficient

Although the organisational structure underwent many changes these last years, one can further notice a loaded structure by heavy oversized administrative staff. .

Obiective și indicatori de performanță

Beginning with the conclusions drawn after past interventions to the organisational charter, Transelectrica intends setting up new structural charters tailored to current needs and structured by the main Company businesses in agreement with the current activities.

To the same extent, the Company intends taking an important step against the background of digitalisation investments that should lead to processes turned efficient and a better traceability of documents/activities etc. by implementing a digitalised project management system.

Strategic objective 3.2 - Professional improvement

Transelectrica provides personnel training and instruction by elaborating professional training, education and instruction plans in accordance with the Professional personnel training plan attached to the Company's CCM and with the annual Professional training and education plan for employees.

Performance goals and indicators

The Supervisory Board aims at:

- Enhancing the quality of professional training and education;
- Indexing the amounts allocated to professional training and education compared to the 2020 average.

Strategic objective 3.3 – Augmenting employees' motivation

Developing a human resources strategy centred on the employee's

permanent development and his/her motivation to perform at high professionalism levels.

Implementing a salary strategy in accordance with the trends of the specific industry, with professional efficiency indicators of the ENTSOE partners.

Implementing motivational mechanisms which should comprise both the financial and the professional components to develop the professional competence range.

Strategic objective 3.4 - Remaking and developing organisational culture

As complement to the human capital growth where emphasis is laid on the individual human capital, the organisational capital grows by emphasising the team work, communication leadership, company culture issues which should be aligned to the new performance requirements proposed in the Administration strategy.

Performance goals and indicators

- Supervising the implementation of a performance management system relying on predefined professional competences, qualitative/quantitative objectives and performance indicators;
- Supervising the implementation of career management as part of the motivation increase plan and employees' affiliation to the Company;
- Resetting the Company's mission, vision and values according to the strategic goals assumed by the top management team in the next 4 years;
- Supervising the implementation of a development project for organisational culture which should generate change of quality in the formal and informal working environment and should motivate employees to reach their working goals.

IV. Administration strategy and action plan – Strategic objectives

Learning and growth perspective

Strategic objective 3.5 – Optimising the process information system

The communication infrastructure is the key factor in terms of functionality and security of IT applications in the Company. Telecommunication equipment forms a national integrated communication infrastructure.

Performance goals and indicators

The permanent consolidation and expansion of the IT&C infrastructure must be one of Transelectrica's major concerns. The IT&C infrastructure represents an important support for the Company's activity in top quality conditions, through its modernisation with state-of-the-art technologies through various information and telecommunication technology projects.

Strategic objective 3.6 – Performance management

In fact, performance management encompasses all human resource processes that might contribute to improving the performance of Company employees, supposing a series of different but converging processes.

The Supervisory Board will make certain such a system is implemented and added with an employee development system (including without limitation education, training, coaching etc.) but also a system for performance reward where it can be found.

The final goal is not only individual performance but also Company-wide performance of all employees, taking into account the entire unit as sum of the parties.

IV. Administration strategy and action plan – Strategic objectives

Financial perspective

Strategic objective 4.1 – providing a reasonable profitability degree

For the four-year mandate, providing a reasonable profitability degree is a goal in itself. Achieved profitability will enable on the one hand to provide the necessary conditions for the dividend payment to shareholders and it will equally provide the funds required to carry out the investment plan.

In terms of financial markets, in order to attract loans (bank and/or bondholder credits), the amount of profit and its low volatility represent an indication of the amounts that can be attracted but also of financing costs.

CONTUL DE REZULTATE

Venituri

Total venituri

	2020	2021	2022	2023	2024
	estimat	estimat	estimat	estimat	estimat
RONm	2.628,8	2.812,7	2.780,7	2.875,7	2.937,0

Total cheltuieli din exploatare

RONm	2.560,2	2.724,7	2.693,3	2.785,8	2.828,8
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Profit din exploatare (EBIT)

RONm	68,6	88,0	87,4	89,9	108,2
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EBITDA

RONm	324,4	319,9	305,4	311,1	341,5
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EBITDA %

%	12%	11%	11%	11%	12%
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Rezultat financiar net

RONm	2,9	(0,3)	0,9	(2,7)	(16,3)
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Profit inainte de impozitul pe profit (EBT)

RONm	71,5	87,7	88,3	87,2	91,8
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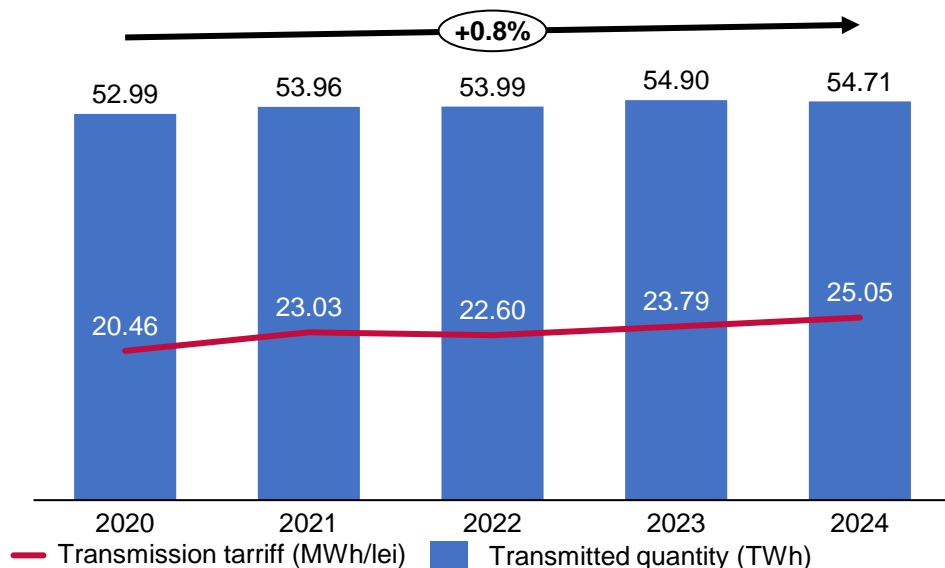
Impozit pe profit

RONm	10,1	14,0	14,6	13,5	14,7
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Profitul exercitiului

RONm	61,4	73,7	73,8	73,7	77,1
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Basic assumptions for the transmitted amounts of electricity and tariff developments



IV. Administration strategy and action plan – Strategic objectives

Financial perspective

Strategic objective 4.5 – Maintaining and/or improving the credit rating

The determining factors for the credit rating development of Transelectrica are represented by:

- the development of Romania's sovereign rating;
- The potential significantly deteriorating of credit matrices (digital indicators used in the credit analysis to rating companies (Moody's Investor Services, Fitch or Standard & Poors).

The Company's internal analysis determined the main vulnerabilities detected in the basic credit profile component and mainly targets: (i) the regulatory environment and (ii) credit foundations. Consequently:

- the regulatory environment refers to:
 - the tariff-setting mechanism, a potential to improve the recovery of operational costs and investment-associated costs;
 - coherence and transparency of regulatory actions.
- individual credit foundations refer to:
 - high exposure of results to the hard currency exchange rate;
 - significant demand of Company liquidities for the future launch of a wide investment plan (the Company's capacity to generate liquidities from core activities and access funds on the financial market becomes key element to mitigate such risk);
 - credit facilities and/or protection instruments for exchange rate differences.

Performance goals and indicators

In the context of Transelectrica's rating being strongly related to Romania's sovereign rating, the Company aims at partially reaching at least the maximum notch compared to the sovereign minimum (investment grade rating), with the intermediary goal of a notch under the sovereign rating, while also paying attention to improve the financial performance indicators, the stability and predictability of their time development and the independence of finance sources.

IV. Administration strategy and action plan – Dividend policy

As far as the dividend policy is concerned, practice shows that in general companies use three indicators: DPS (dividend per share), dividend payout and/or dividend yield.

Transelectrica's 2020-2024 dividend distribution policy proposes using the dividend payout indicator by applying 75% rate calculated on the profit remaining to be distributed between shareholders, reserves and employees.

Thus, it will provide (i) optimum balance to maintain solid sound Company's financing structure, which should keep the solvability and liquidity indicators within comfortable limits, and (ii) will enable as priority the provision of funds needed to carry out the investment plan while distributing dividends in line with the shareholders' expectations for such asset type.

The current legislative framework on reserves establishment and the Company's capacity to generate positive cash flows enable a comfortable 75% dividend payout while also allocating sufficient reserves to investment projects. Mention should be made Transelectrica has got sound cash position and its leverage is one of the lowest among European TSOs.

Dividende plătite (lei)	2020	2019	2018	2017
Număr de acțiuni	73.303.142	73.303.142	73.303.142	73.303.142
Dividend pe acțiune	0,48	0,91	0,02	2,26
Dividend special pe acțiune	0	0	0	2,32
Dividende plătite	35.185.508	67.042.208	1.462.282	165.540.607
Dividende speciale plătite				169.798.704
Dividende plătite statului	20.649.671	39.345.731	858.184	97.152.471
Dividende speciale plătite statului				99.651.463
Dividende plătite celorlalți acționari	14.535.837	27.696.477	604.098	68.388.136
Dividende speciale plătite celorlalți acționari				70.147.241

Dividend/acțiune plătit (lei)	2020	2019	2018	2017
OMV PETROM S.A.	0,031	0,027	0,02	0,015
S.N.G.N. ROMGAZ S.A. - dividend	1,61	4,17	4,99	3,82
S.N.G.N. ROMGAZ S.A. - dividend suplimentar	0	0	1,86	1,94
S.N.T.G.N. TRANSGAZ S.A. -dividend	15,47	21,66	45,38	46,33
S.N.T.G.N. TRANSGAZ S.A. -dividend suplimentar	0	0	1,14	14,52
SOCIETATEA ENERGETICA ELECTRICA S.A.	0,72	0,73	0,72	0,74
S.N. NUCLEARELECTRICA S.A. - dividend	1,65	1,26	0,90	0,33
S.N. NUCLEARELECTRICA S.A. - dividend suplimentar	0,00	0,00	1,61	0,36
CONPET SA - dividend	7,05	7,47	8,04	16,58
CONPET SA - dividend suplimentar	0	0	0	9,82
ROMPETROL RAFINARE S.A.	N/A	N/A	N/A	N/A
OIL TERMINAL S.A.	0,001952	0,000078	0,007745	0,024424
ROMPETROL WELL SERVICES S.A.	0,0437	0,018	0,0026	N/A

IV. Administration strategy and action plan – Ethics, integrity and corporate governance

Ethics in business

As regards the conformity management system, an integrity plan was elaborated Transelectrica-wide, which was approved at the end of 2019.

- At the same time, Transelectrica designated representative that participated to the Annual Anti-Corruption Conference organised by the Ministry of Justice on “Consolidating the administrative capacity of the technical secretariat for the 2016-2020 National Anticorruption Strategy to support the implementation of anticorruption measures”;
- In 2019 measures were taken as included in the National Anticorruption Strategy (SNA) and next, emphasis will be laid on their application and improvement. Mention should be made the norms applied according to the SNA have not been trespassed and no complaints or notifications were sent;
- The Company has also paid particular attention to knowing the norms applicable to such activities, which has led to a year with no discipline infringements by employees and no conflicts of interests, in accordance with SNA's specifications.

Conduct and ethical code

The Ethical and Professional Conduct Code of Transelectrica Personnel was reviewed in 2017 and represents the general document including the internal regulatory frameworks for Company employees; it provides information about the manner in which they shall behave in moral professional terms both during job activities and beyond. At the same time it is a guarantee Transelectrica personnel have all the information required for an ethical behaviour and equally an evidence for the Company's serious treatment of partners. The review performed has cleared some aspects of corruption fighting, professional obligations and the compliance with the legal framework and internal norms. The Ethical and Professional Conduct Code is available on the

Company's internet page

The protection of personal data

Taking into account legal provisions on personal data, especially the application of (EU) Regulation 2016/679 of the European Parliament and Council of 27 April 2016 on the protection of natural persons as regards processing their personal data and the free circulation of such data, called GDPR, mention should be made in 2019 Transelectrica has permanently attempted to comply with applicable provisions. Consequently, there were no confirmed complaints about violations of personal data protection or about their loss.

Anti-competitive or anti-trust behaviour

Taking into account the specific Transelectrica activities and its special feature of Company holding natural monopoly on the electricity transmission market, there have been no anti-competitive or anti-trust occurrences. Consequently, in 2019 there were no legal proceedings in this respect.

IV. Administration strategy and action plan – Ethics, integrity and corporate governance

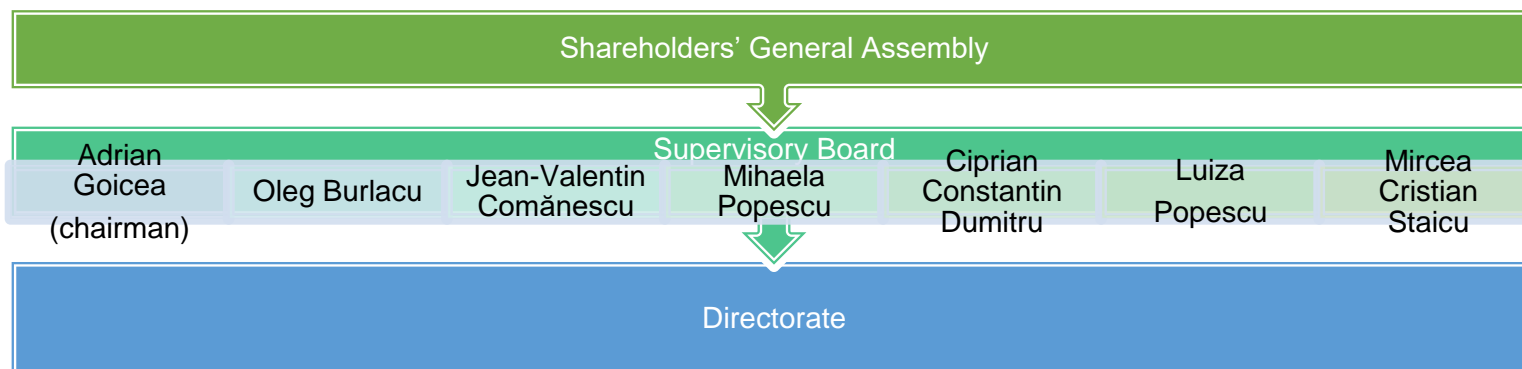
Corporate governance – Management system

The Shareholders' General Assembly (SGA) is Transelectrica's governing body, with explicit and limiting powers. The SGA may be ordinary or extraordinary, its specific attributions being provided in the Articles of Association. All shareholders have the right to participate in the SGA and to cast their vote.

The company is managed under a two-tier system, according to Company Law no. 31/1990, republished, with later amendments and additions, by a Directorate, monitored by a Supervisory Board. The Supervisory Board consists of seven members, appointed following a selection procedure, for a maximum period of four years. The Supervisory Board Chairman is elected by its members. The Supervisory Board members are appointed by the Shareholders' Ordinary General Assembly, in compliance with the provisions applicable to companies admitted to trading and are selected in accordance with the provisions of GEO no. 109/2011 on the corporate governance of public enterprises. According to OECD principles, the implementation of an effective corporate governance regime must lead to transparency and efficiency on the markets, be compatible with the rule of law and clearly define the division of responsibilities between the courts

responsible for supervision, regulation and enforcement of legal provision.

A corporate governance regime must protect and facilitate the exercise of shareholders' rights and ensure fair treatment of all shareholders, including minority and foreign shareholders. The Shareholders' General Assembly approved in the meeting of 26.09.2017 substantial amendments to the Articles of Association in order to increase the effectiveness of corporate governance Company-wide by reference to the applicable legal framework (Decision of the Shareholders' Extraordinary General Assembly no. 10/2017), including to clarify the separation of the Company's management from the control over the management so that each company body fulfills its lawful mission, as well as to avoid potential confusions between the attributions of the Supervisory Board and those of an Administrative Board. At the same time, the regulation in principle of the statutory acts on the delegation of some powers and the specialised coordination of some fields, while still being the Directorate's responsibility, were taken into account.



IV. Administration strategy and action plan – Ethics, integrity and corporate governance

Assuming the governance principles

Once its shares have been listed on the regulated market of the Bucharest Stock Exchange (BVB) the Company assumed the principles of BVB's Corporate Governance Code. In accordance with BVB requirements Transelectrica placed the Company's reviewed Corporate Governance at the investors' disposal.

The compliance with corporate governance principles is mirrored in the Conformity Statement with BVB's corporate Governance Code, which the Company elaborates and prints next to the Annual Report.

Also the Company's Supervisory Board has established within it the Nomination and remuneration committee, Audit committee and Energy security committee. The appointed persons should meet the eligibility criteria and not be found in incompatibility circumstances established in the applicable law or statutory provisions during their entire mandates of Supervisory Board/Directorate members of the Company. In correlation with such obligations the Company is entitled to request Board members reasonably assurance about their compliance with such obligations.

National and international affiliations

Taking into account Transelectrica's important role of SEN operation and electricity market management, activities with strong natural and international nature, the Company is member in specific national and international organisations and bodies and intends further participating to them. In capacity of members, Company representatives belong in the committees and working groups of such organisations and participate to decision-making, to elaborating studies and technical expertise.

Transelectrica is also involved into projects with regional and pan-European impact.

The Company has representatives in different specific national organisations and associations, which belong into such organisations' committees and working groups and thus participate to decision-making, the elaboration of studies and scientific expertise. Also, Transelectrica is involved in the development of projects with regional and paneuropean impact.

Also it is possible to facilitate direct contacts, exchanges of information, experience and expertise, to state and recognise the Company's leader position in Romania's electricity transmission by means of such national associations and organisations.

IV. Administration strategy and action plan - Constraints, risks and limitations

Technical and operational hazards



- Loss of SEN stability
- Malfunctions of systems and platforms used for operative management
- Failure to provide security and protection of ICN/ICE critical infrastructures
- Failure to comply with legal provisions
- Unavailable monitoring and electricity metering and access to metering data
- Incomplete achievement of RET's Maintenance Plan
- Failure/unavailability of installations and equipment
- Failure to comply with legal mothballing requirements
- Failure to comply with legal requirements on labour health and safety/environmental protection
- Failure to provide environmental protection
- Failure to provide security and protection of cyber infrastructures
- Breaches in the provision of business continuity during emergency situations
- Failure/breakdown/unavailability of 220 kV and 400 kV OHLs, of protection and automation systems, of the command - control - monitoring systems (SCC)
- Failure/breakdown/unavailability of primary equipment in transformer substations, of shunt reactors, direct and alternating current auxiliary services, fire prevention and fighting installations, communication/telecommunication systems
- Emissions/spills of substances noxious to the environment (smoke, SF6, oil, fuel etc.)

Financial risks



- Financial risks and associated to electricity markets (price risk, payment default risk and forecast risk)
- Interest rate risk
- Hard currency risk
- Risk of covenants from finance and investment agreements; liquidity risk
- Risk of deteriorated credit rating
- Counterpart risk

Strategic risks



- Achieving the Annual Investment Plan below the scheduled quantitative or qualitative levels
- Failure to comply with EU regulations
- Failure to provide security to classified information
- Incomplete achievement of RET's Maintenance Plan
- Influencing the personnel's health and security
- Difficulties in personnel recruitment, professional training and motivation
- Delays to observe work terms, or poor quality work

IV. Administration strategy and action plan - Constraints, risks and limitations

Company activities are sensitive to general economic conditions, which can influence the quantity of transmitted electricity and implicitly operational revenues and results. Moreover the demand of electricity and its price depend on a variety of factors the Company has no control on, of which:

- National and regional economic and political developments;
- The demand of industrial consumers;
- Climatic conditions;
- Existent laws and regulations.

Political and legislative risk:

- In relation with delays of Governmental update and approval of the national energy strategy;
- Late application of the European legislative framework, both in terms of transposing it into national legislation and of its implementations (see the certification process), which might lead to infringement.

Regulatory risk:

- next to the political and legislative risk, it has dimensional structure (low flexibility of the mechanism establishing the transmission tariff to fully promptly recover costs) and defective run of the tariff-setting mechanism, both components contributing to absent predictability of Company's financial results.

Rigidity/limits of the tariff-setting mechanism lead to:

- Difficult/late recovery of costs (current costs: actual inflation > forecasted inflations included in the tariff, achieved needed investments not included in the plan initially approved for a regulatory period);
- Unsustainable level of CPT recognised in the tariff;
- Possible occurrence of 'sunk costs' (failure to fully recover the capital

invested in certain projects initially approved by ANRE but revaluated later as unjustified by the authority and excluded from the RAB);

- No possibility to adjust the cost of capital within a 5 years regulatory period depending on the development of financial markets;
- Failure to recover costs of capital in the period going from capital commitment and RAB recognition of the resulting asset;
- Limited possibilities of the current mechanism to compensate by tariff the induced effect on regulated revenues of possible significant contractions in the electricity amounts that can be billed (regulated revenue is exclusively allocated to electricity, in comparison with the distribution by energy and power).

Risk of deteriorated credit rating of the Company: it shows a complex of factors with potential effect over higher financing costs on the credit market, which might significantly impact the Company taking into account the substantial amount of capital that has to be drawn to finance the investment plan for the following years. On the other hand the Company rating is strongly dependent on Romania's sovereign rating.

Volume risk (quantity of electricity that can be billed): potential unforeseen contractions of electricity amounts transmitted within SEN from one year to another, even if they are later adjusted (year $n+1$), produce direct disturbances on the revenues obtained from regulated tariffs because in accordance with the current regulatory framework, regulated revenues established ex-ante are fully distributed to energy by estimated quantities.

IV. Administration strategy and action plan - Constraints, risks and limitations

Counterpart risk: it represents the non-collection risk of the value of services provided on the electricity market. In case of the centralised market allocating interconnection capacities the risk was treated by concluding Agreements on capacity allocation with the transmission and system operators of neighbouring countries and work is in progress for the interconnection of markets with Hungary, Czech Republic, Slovakia and Poland.

Risk of financing interest rate fluctuations and of hard currency:

- The Company can be exposed to fluctuations in the hard currency exchange rates by cash and cash equivalents, non-current borrowings or trading liabilities expressed in hard currency (Euro). Hard currency loans are later on expressed in Lei at the exchange rate as of the balance sheet date, which is notified by BNR;
- Mainly because of non-current loans in hard currency the contracts from external financing banks to finance investments – the risk of interest rate increase; most loans drawn to finance investments are bearers of variable interest connected to international indexes; interest increase on international inter-banking markets determine indexed financing cost, with implications over the results.

Other risks (Covid 19)

In the recent period EU/EEA countries and UK registered significant increase of Covid-19 cases and the current situation represents major threat to public health. In this context, beyond the impact on the economy, the contagion risk of Transelectrica personnel is high. Consequently, the Company will take all the measures requested by specific bodies in order to limit the impact over employees.

Changes in such measures and their implementation will generate

additional costs compared to regular times.

The new operational paradigm also requires changing the working mode and expediting investment plans for digitalisation and cyber security.

In terms of achievement rates of investment projects, the future negative developments of the pandemic over the population can determine delays in investment projects, determined by late equipment delivery, slowing down works etc.

CNTEE Transelectrica SA

Company managed under two-tier system

ADMINISTRATION PLAN

2020 – 2024

MANAGEMENT COMPONENT

ELABORATED BY THE DIRECTORATE

CHAIRMAN:
Catalin NITU

MEMBERS:

- Andreea-Mihaela MIU
- Marius Viorel STANCIU
- Corneliu-Bogdan MARCU



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Introduction

Transelectrica was established as Romanian legal person by means of GD 627/13 July 2000 on reorganising the National Electricity Company CONEL SA, published in Romania's Official Gazette no. 357/31.07.2000. This decision was issued in accordance with GD 138/2000 on the restructuring programme in the energy domain, whereby the electricity transmission and dispatch activities were fully separated from electricity generation, distribution and supply.

When it was established the Company had a share capital of 495,982,200 Lei, fully paid on establishment and divided into 49,598,220 nominative shares of 10 Lei .

In accordance with the Electricity and Natural Gas Law 123/2012, with later amendments and additions, electricity transmission constitutes public service of national interest. Electricity transmission is performed by transmission and system operators, legal persons certified by the competent authority according to legal provisions. The Electricity Transmission Grid (RET) existent on Romania's territory is the public property of the Romanian State as regards the assets assigned to Transelectrica and constitutes returnable goods, according to the assignment nature and legal provisions.

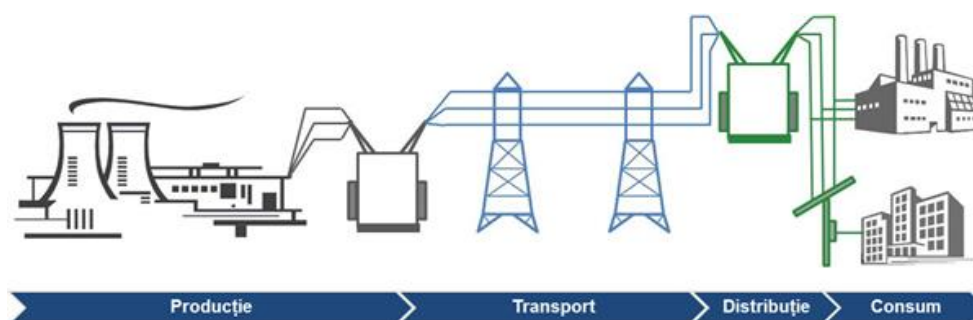
In its capacity of transmission and system operator Transelectrica operates under Licence 161/2000 for provision of electricity transmission services, system services and for balancing market administration, amended by ANRE Decision 641/25.04.2018.

The concession over RET and the lands it is located on was granted for 49 under the concession contract 1/29.06.2004, concluded between the Ministry of Economy as conceding authority and CNTEE Transelectrica SA as concessionaire.

In the value chain of electricity activities Transelectrica holds the central place of transmission and system operator, natural monopoly

activities, situated between producers and respectively suppliers that constitute the main players on the competitive electricity markets. Electricity transmission is not the only natural monopoly in the value chain of electricity, since distribution as network activity is also a natural monopoly.

Value chain of electricity



I. Governing principles - Mission

CNTEE Transelectrica SA contributes to the good operation of the electricity market, providing non-discriminating treatment to all market participants. The Company contributes to developing the internal electricity transmission network and the interconnection, to implementing the national sustainable development policy by acting to support the integration of electricity output from renewable sources and to limit the greenhouse gas emissions.

The mission of CNTEE Transelectrica SA is defined in the Electricity and Natural Gas Law 123/2012, with later amendments and additions, and detailed in the terms associated to Licence 161/2000 for electricity transmission and provisions of system services, Revision 2, issued by the National Regulatory Authority in the Energy Domain (ANRE).

CNTEE Transelectrica SA has the mission:

- To provide the public electricity transmission service for all users of the transmission grid under non-discriminating terms, providing regulated access to it to each applicant compliant with legal provisions, while observing the conditions and performance provided in applicable regulations;
- To provide system services under non-discriminating terms to all users of the National Power System (SEN) with a view to maintain its safe operation and the electricity quality according to applicable norms;
- To provide maintenance, upgrade, refurbishment, sustainable development and operation of electricity transmission networks; to develop telecommunication networks and systems; data acquisition; monitoring; control, automation and protections in order to provide the steady-state and safe operation of SEN under high economic efficiency conditions;

- To provide non-regulated activities and services on the competitive market, which are not under ANRE regulation (to establish the transmission tariff), activities performed Company-wide, to better use the existing human and material resources with a view to draw additional revenues, others than what is strictly related to its main activity.

The mission is added under the impact of energy legislation and policies of Romania and the European Union.

The mission of CNTEE Transelectrica SA is also regulated by the national primary legislative framework (company law, regulations on the capital market, the electricity and natural gas law, the law on the juridical regime of the state public property etc.) as well as by the secondary legislative framework issued by ANRE.

The Company's mid- and long-term commitment is to carry out its public service mission in exemplary responsible manner, relying on a modern efficient infrastructure system, both for transmission and for dispatch and support, integrating the latest available technologies (Smart Grid, protection of critical infrastructures, etc.).

I. Governing principles - Vision

In accordance with Romania's Energy Strategy, the main action lines, converging with those of the European Union's energy policy, which will be taken into account by CNTEE Transelectrica SA are as follows:

- Enhancing the safe energy supply in terms of network infrastructure;
- Increasing the energy efficiency along the entire chain: extraction – generation – transmission – distribution – consumption; without wasting energy against the background of reduced availability and higher costs for energy resources; energy efficiency is the most profitable method of emission reduction, security and competition improvement and reduction of energy service invoices;
- Improving the competitiveness of electricity markets, their correlation and active participation to establishing the internal energy market in the European Union, as well as to developing cross-border exchanges while considering the interests of Romanian consumers and Romanian companies;
- Providing market conditions which should stimulate greater energy savings; OPCOM the electricity market operator will provide the short-term reference price (spot market) and the reference price (forward market), under liquidity terms provided by focused transactions on the managed markets;
- Turning the electricity transmission and distribution networks into smart grids and implementing smart metering systems on a wide scale;
- Increasing the innovation capacity and technological development;
- Reducing the vulnerability and improving the security of critical infrastructures from the energy sector of transmission networks;
- Proactive participation to the European Union's efforts to formulate an energy strategy for Europe, while following and promoting the interests of Romania;
- Sustaining research & development in the domain of new technologies and increasing the efficiency of electricity generation and consumption while protecting the environment, as well as the specific educational domain;

I. Governing principles - Transelectrica, regional player

Electricity transmission networks play a crucial role in reaching the European desiderata, especially as regards safe consumers' supply, creating the common energy market and integrating renewable sources. On the one hand transmission networks have an important task in reaching such objectives in terms of increasing the interconnectivity of electric power systems from European states (as support factor for higher safe supply and more possibilities of cross-border energy trading).

Europe-wide there is integrated coordinated planning of developments for the continental electricity transmission infrastructures (ENTSO-E: 10 years' European masterplan of the transmission network), the main corridors and priority projects are identified (EC: establishing the list of projects of common interest, PCI) and incentive mechanisms are used in order to expedite their implementation (the single nation-wide desk to get endorsements, community financial assistance such as e.g. the Connecting Europe Facility instrument).

On the other hand the central role played by transmission operators is notices, in their joint effort to elaborate European network codes and the common as well as individual efforts to implement them at national and regional level, sustained by regulatory authorities and the market participants.

Network codes in the electricity sector includes eight regulations approved to date at European Union level, which cover the following three domains: market development, users' connection to the network and operation of electric power systems.

Transelectrica has been involved in the implementation of all

network codes in the three fore-mentioned domains. Beginning with the time when it adhered to the regional spot electricity market in Central-Eastern Europe (4MMC: Czech Republic, Slovakia, Hungary, Romania), CNTEE Transelectrica SA made efforts and obtained adhesion to the regional coordinated transfer capacity calculation projects of Central-Western Europe (Core region), being also involved in the South-Eastern region of Europe (SEE). Thus the Company's part in the region can be important, namely to operate as turning plate between the two regions.

I. Governing principles - Relationship with shareholders and stakeholders

In the context of the implementation of rules and good practice of corporate governance Transelectrica has committed into active communication with shareholders and investors, using in this respect several communication channels and dedicated interfaces. The Company is aware of the important responsibility it has in terms of its capacity of publicly traded company.

The divers shareholders and its presence in the main stock exchange indexes published by the Bucharest Stock Exchange (BVB) point out the exigencies in terms of transparency, relevance of information and celerity in disseminating it, as well as maintaining a permanent dialogue with the investor public.

Thus shareholders and investors can access the relevant information for investment decision-making by selecting the dedicated section on the internet page of Transelectrica (financial statements, reports and periodical presentations), written electronic correspondence and over the phone by means of dedicated contacts.

The Company is also keeping in touch with investors or their representatives by direct meetings organised periodically by the Company to present its results, direct reunions upon the investors' request or their brokers' as well as direct meetings occasioned by Company participation to events dedicated to individual or institutional investors, organised by the Bucharest Stock Exchange or by the financial investment service companies.

In accordance with the financial calendar published by the Company at the beginning of the calendar year Transelectrica is organising quarterly meetings/tele-conferences with shareholders, investors, financial analysts and the competent press in view of submitting the relevant financial points.

The action of Transelectrica is monitored by the research

departments of the main financial investment service companies active on the regulated market managed by the Bucharest Stock Exchange. The Company keeps in touch with the analysis of companies that hold Transelectrica in their research portfolio.

At the same time in the first quarter of 2019 the Association Liaising with Stock Exchange Investors in Romania (ARIR) took over from BVB the "White Charter of listed companies" project and coordinated a working team dedicated to reviewing the methodology on the communication of Stock Exchange-listed companies, which was renamed VEKTOR. The proposed methodology aims at assessment using objective clear criteria including provisions about: the investor relation office, corporate governance, transparency, proactive approach in the investor relation, interactive IR instruments, coverage by financial analysts and non-financial reporting.

On 20 October 2020 Transelectrica received the award for best company in terms of 'Investor Relations' in the AR&IR Gala, an event organised in online format by the Association Liaising with Stock Exchange Investors in Romania (ARIR).

II. Presentation of the Company - Shareholders

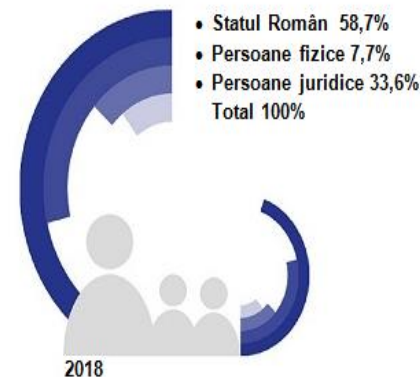
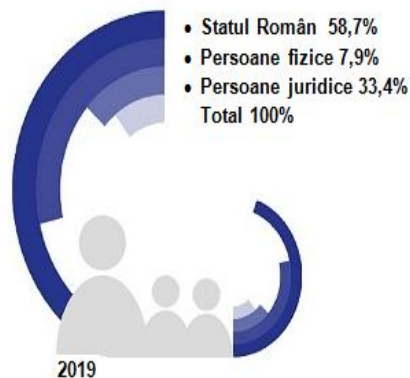
CNTEE Transelectrica SA is a company of national and strategic interest with 58.69% state capital, found under the authority of the Secretariat General of the Government, being Romania's transmission and system operator with a key role on the Romanian electricity market.

The shares of CNTEE Transelectrica SA are listed on the Bucharest Stock Exchange.

The Company's share capital subscribed is of 733,031,420 Lei, fully paid.

Shareholders structure on 20 October 2020

Accionari la 30-09-2020	Acțiuni	Procent
STATUL ROMAN PRIN SECRETARIATUL GENERAL AL GUVERNULUI	43,020,309	58.6882
PAVAL HOLDING	4,503,567	6.1438
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.	4,007,688	5.4673
Persoane Juridice	16,334,695	22.2838
Persoane Fizice	5,436,883	7.4170
TOTAL	73,303,142	100



II. Presentation of the Company - Credit rating

The National Power Grid Company Transelectrica SA obtained in 2020, for the third consecutive year, rating Ba1 (Corporate Family Rating) of positive outlook, from the International Rating Agency Moody's Investors Service.

Rating Ba1 of positive outlook mirrors a lower business risk profile of CNTEE Transelectrica SA, taking into account the Company's strategic importance of natural monopoly in the context of uninterrupted improvement of the regulatory framework.

Obtaining the Ba1 rating with positive outlook consolidates the favourable position regarding the Company's capacity to cover its current and future financial liabilities, showing that Transelectrica has got sound financial profile with low leverage and strong stable predictable financial values, in the context of a road where it permanently consistently applies the key principles of the regulatory framework.

Also expectations are to maintain the Company's strong financial

profile by keeping the financial discipline and financial management compliant with the requirements of a BVB-listed company.

Moreover, the Company's individual rating (Baseline Credit Assessments) also has improved by upgrading from Ba2 to Ba1.

The individual rating represents the intrinsic capacity of a company to cope with financial obligations without governmental support.

Transelectrica wants to maintain and consolidate such credibility by seriousness, professionalism and consistency in implementing its investment plans.

Agencia de rating	2020	2019	2018	2017
Moody's Investors Service	Ba1 pozitiv	Ba1 pozitiv	Ba1 pozitiv	Ba1 stabil
Fitch	-		BBB stabil	BBB stabil

II. Presentation of the Company - Business

Taking into account its capacity of national company with sustainable activities meaning social liabilities to the communities it gets in touch with CNTEE Transelectrica SA has got as general objectives its direction towards continuous value increase for shareholders, with predictable profitable business at the upper limit of values admitted by regulations for basic activities, namely to the extent of its potential and associated risks of complementary non-regulated business.

Selecting to provide performing services of usable value CNTEE Transelectrica SA also aims at being counted among the suppliers of transmission and system services that perform activities at high technical quality standards and security at European level.

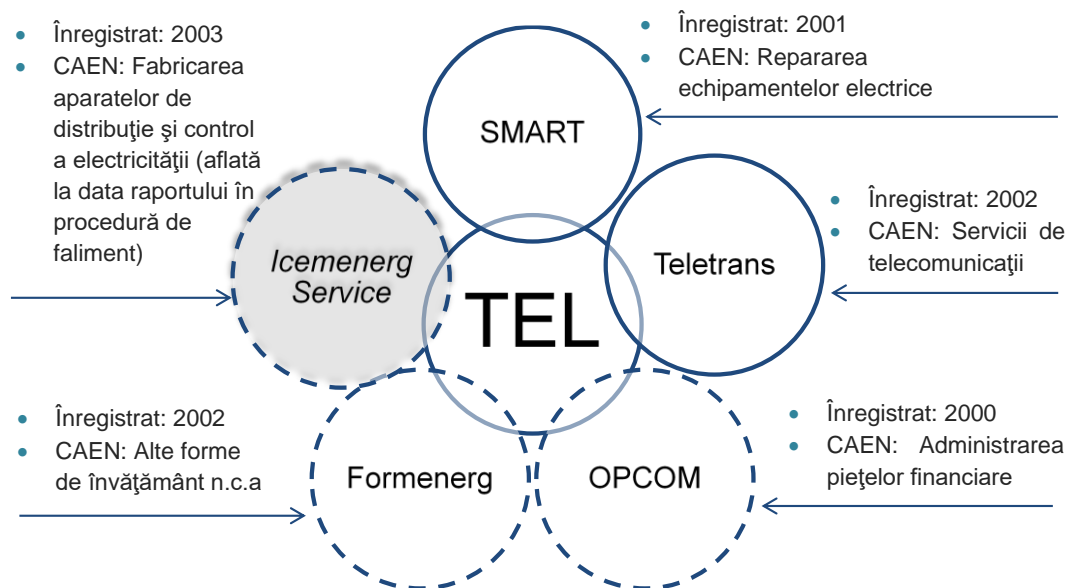
The main objectives of CNTEE Transelectrica SA are as follows:

- Providing electricity transmission and system services according to clients' requirements and expectations and in compliance with performance standards defined in regulations and contracts;
- Optimising the operation of RET infrastructure in order to provide qualitative electricity transmitted in accordance with ENTSO-E's requirements and the RET Technical Code, while reducing the negative environmental impact admissible in Europe;
- Providing access to RET participants as support of the wholesale electricity market in transparent equidistant non-discriminating manner;
- Developing and modernising RET, in accordance with the users' needs;
- Sustaining the development and diversification of the internal and regional electricity market towards the prospect of its integration in the European one;
- Major contribution to the sustainable development of the national economy;

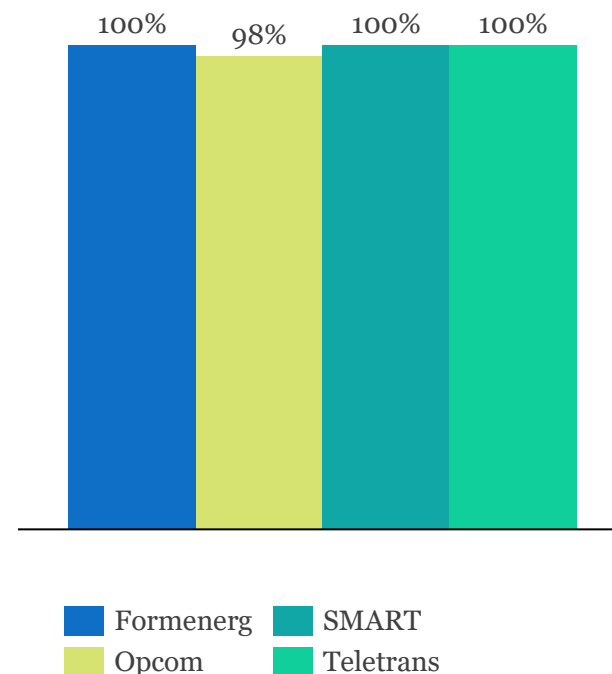
- Developing the electricity markets as required in the European Union regulations 2015/1222, 2016/1719, 2017/2195, whereby the member states are obliged to implement such new guidelines for the allocation of interconnection capacities and congestion management, the balancing market and capacities for coordinated balancing at pan-European and regional level directly through the Transmission and System Operator (TSO) and the Designated Electricity Market Operators (OPEED) together with the national regulatory authorities.
- Selecting and promoting human resources using competence criteria, motivation, their training and providing occupational health and security conditions;
- Augmenting the Company's credibility as trusted and long-term partner for investors, the participants on the electricity market, social partners and the entire Romanian society;
- Observing and promoting the interests of Company shareholders and of other stakeholders;
- Providing a security level for tangible and intangible shares corresponding to the requirements and threats over SEN operation;
- Protecting the national and European critical infrastructures managed by CNTEE Transelectrica SA;
- By its permanent commitment towards professional excellence and by establishing a performance culture based on procedures, recognition of individual and team contribution, it provides high-level technical expertise within SEN with a view to reach the proposed objectives.

II. Presentation of the Company - Subsidiaries

Filialele CNTEE Transelectrica SA¹



Transelectrica holdings



CNTEE Transelectrica SA has got 5 subsidiaries of which one, Icemenerg Service, is under bankruptcy.

The 'Electricity and Natural Gas Market Operator Company OPCOM SA' was established under GD 627/2000 as subsidiary whose shareholder is CNTEE Transelectrica SA. The company's mission consists of providing an organised framework to perform commercial electricity transactions.

SMART SA was established by reorganising CNTEE Transelectrica SA as subsidiary fully held by it according to GD 710/2001.

SMART SA has as business to provide reviews and repairs to the primary and secondary equipment of electrical networks, measurements and remedy of incidents within electrical installations.

FORMENERG SA has as business the training of power engineering personnel.

FORMENERG SA was established on 1 April 2002 as subsidiary 100% held by CNTEE Transelectrica SA.

TELETRANS SA is a subsidiary having as business the provision of communication and IT services in order to manage electricity transmission networks.

II. Presentation of the Company - Subsidiaries

SMART SA

SMART SA has as business the provision of revisions and repairs to primary and secondary equipment of electric networks, including prophylactic metering, remedy of incidents to electric installations, services in the energy domain, micro-production of electric payment equipment for market participants in accordance with the transactions performed.

In accordance with financial data SMART has been facing financial difficulties. The company registered annual losses beginning with 2015, and the cumulated loss amounts to 29,000 thousand Lei.

The frequent management changes, the absence of consistency in terms of a recovery / restructuring plan have led to circumstances when operational costs exceed revenues. One can also notice the almost exclusive dependency (93%) on the revenues generated from its relation with Transelectrica.

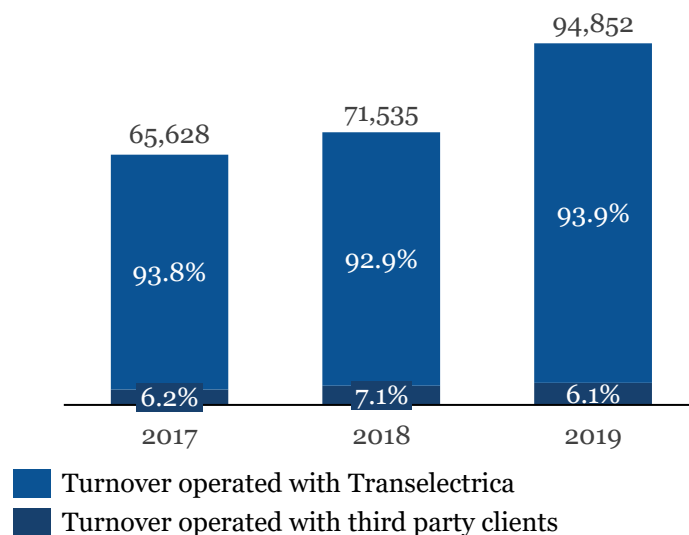
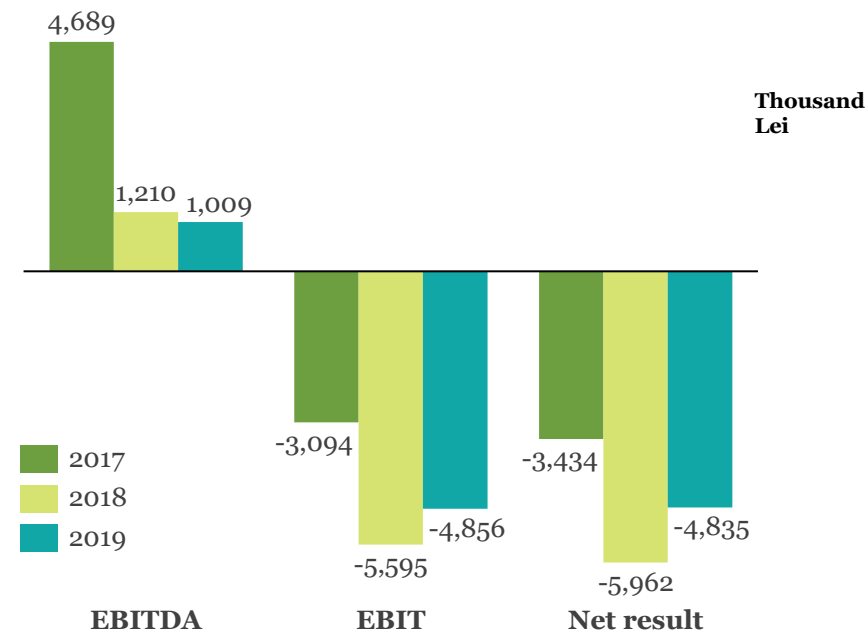
On the other hand the revenues which SMART can generate under contracts with Transelectrica (maintenance + investments) do not cover the expense basis of SMART Company.

The chronic low liquidity, the absence of profitability in the last 5.5 years, financial efficiency indicators found under the admitted levels in the banking environment make SMART a non-banking company.

In this respect internal analysis is required pertaining to:

- Risks and the capacity of SMART to provide RET maintenance under optimum economic efficiency conditions;
- Provision of RET maintenance in the short-, mid- and long-term;
- Review of business options SMART has for economic relaunch.

Such analysis can be made with personnel from Transelectrica and if such cannot be found, competent companies will be resorted to with international experience in order to address restructuring / recovery good practice for a company similar to SMART.



II. Presentation of the Company - Subsidiaries

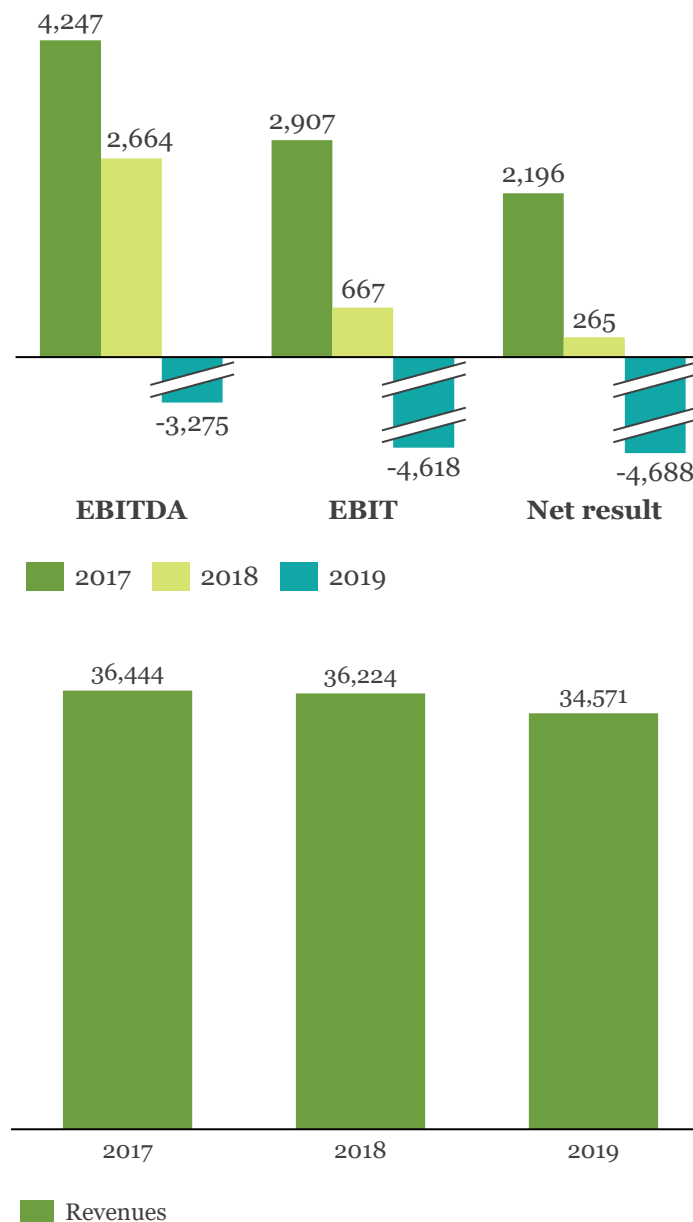
Thousand Lei

TELETRANS SA

TELETRANS is a subsidiary whose main business is the provision of communication and IT services in order to manage electricity transmission networks.

The competences of TELETRANS are structured by the following main lines:

- Telecommunication services, mainly as administrator of the Company's core optical fibre network, which is approximately 5000 km long and covers the whole territory of Romania;
- Process information services, especially for the energy domain;
- Managerial information services, full range, including consultancy, design, implementation, maintenance, technical assistance and training on complex systems, software applications, Oracle database, communication equipment, structured cabling, and Internet/Intranet;
- Providing information security for the critical infrastructure of CNTEE Transelectrica SA.



II. Presentation of the Company - Subsidiaries

FORMENERG SA

FORMENERG is a company with main business of professional training (initial and uninterrupted) for personnel with attributions in the energy domain from all national economy sectors. The share capital is of 1,948,420 Lei fully subscribed by Transelectrica as single shareholder.

The clients portfolio includes Transelectrica, ENGIE Romania, Romgaz, Transgaz Medias, Nuclearelectrica and Hidroelectrica.

The offered services include:

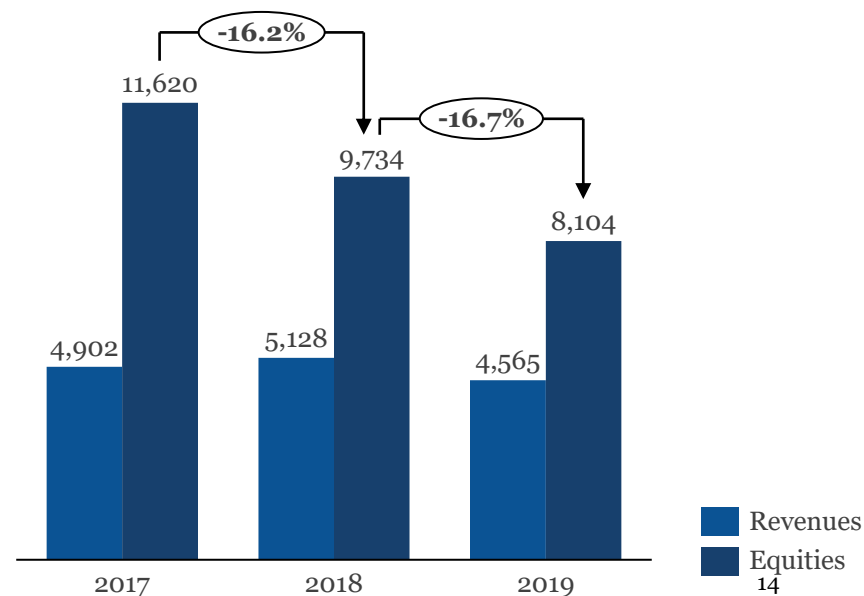
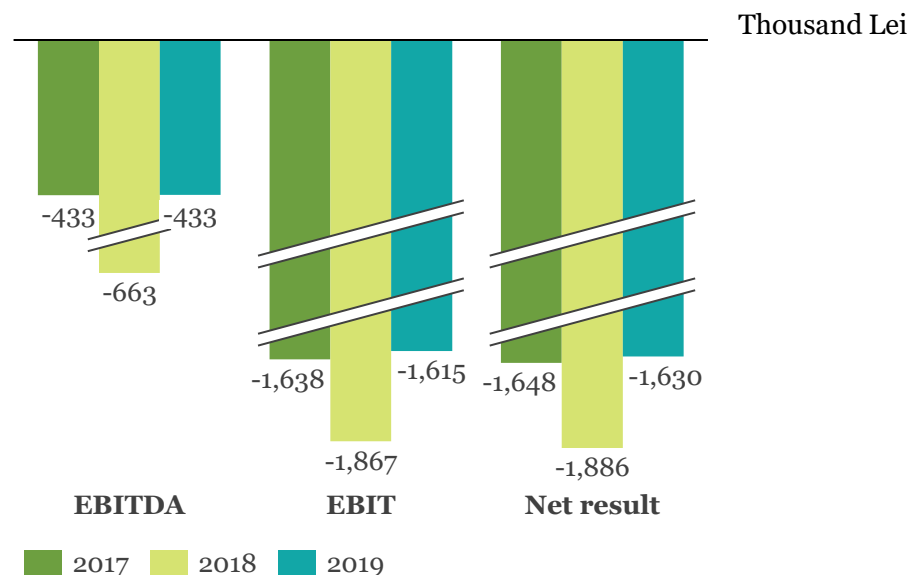
- Professional training services (training);
- Building administration services (building + hostel).

Analysing the financial results of the last three years the subsidiary generated revenues in the average of 4.865 thousand Lei each year and a 1.700 thousand Lei loss, annually.

Similar to SMART subsidiary, Formenerg does not succeed to cover operational expenses from generated revenues. Thus on the study date Formenerg diminished its equities about 60% compared to 2016.

In this respect internal analysis is required with a view to find a solution to provide the subsidiary's economic recovery.

Such analysis can be made with personnel from Transelectrica and if such cannot be found, competent companies will be resorted to which provide specific experience.



II. Presentation of the Company - Subsidiaries

OPCOM SA was established under GD 627/2000 on reorganising the National Electricity Company SA, as subsidiary whose single shareholder was Transelectrica. The structure of OPCOM SA shareholders is as follows:

- National Power Grid Company Transelectrica SA holding 97.84%;
- The Romanian State represented by the Ministry of Economy, holding 2.16%.

Transelectrica does not exercise actual direct control over the decision-making mechanisms of OPCOM, whose administration is governed according to ANRE-established regulations.

In accordance with the provisions of applicable national primary and secondary legislation the Electricity and Natural Gas Market Operator Company OPCOM SA plays the role of electricity market administrator, providing an organised viable efficient framework for commercial transactions on the wholesale electricity market and it also performs administration activities of centralised markets in the natural gas sector, under consistent, fair, objective, independent, equidistant, transparent and non-discriminating conditions.

As an objective for 2020-2024 OPCOM will carry out the necessary actions to perform its mission of providing reference electricity prices and forward price signals for electricity and natural gas, while also providing overall market conditions as required to reach the objectives of the national energy strategy and meant to increase the general transparency and integrity of the wholesale electricity market in Romania, supporting the completion of market liberalisation and its integration in the single European market.

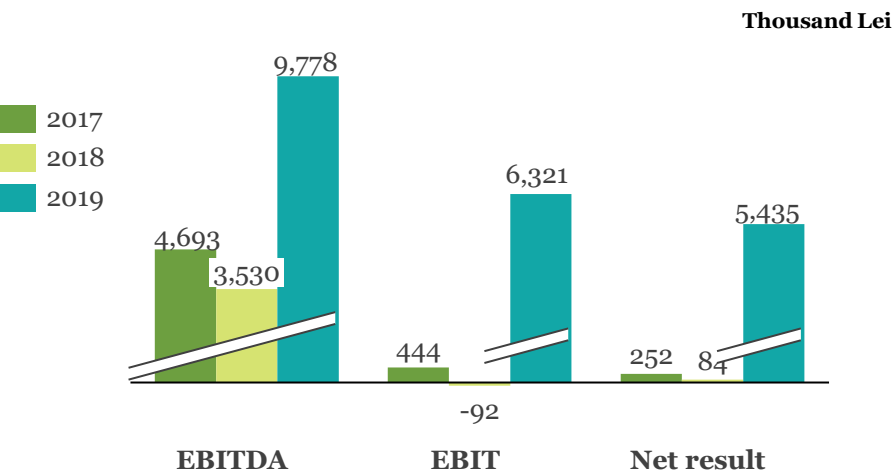
The global development strategy of OPCOM aims at least at:

- Safe reliable efficient fair administration of centralised markets by means of the services provided to market participants;
- Enhancing regional and pan-European cooperation also including non-EU states; participating in compliance with its stock exchange profile to

furthering the regional and pan-European coupling of day-ahead and intraday markets with the markets of other European Union member states, in the context of European single market mechanisms being implemented;

- Furthering the steps for implementing in Romania the Central Counterpart which should provide associated compensation services both for electricity derived products and for electricity transactions concluded by means of standard products for physical electricity delivery;
- Maintaining transparency, equidistance and non-discrimination;

At the same time OPCOM will continue performing, in cooperation with involved Romanian entities and with European partners, the necessary actions in the context of the application of provisions from European legislation dedicated to establishing and operating the single European electricity market, including participation into bilateral cooperation regional and pan-European projects dedicated to coupling electricity markets in the day-ahead and intraday timeframes.



II. Presentation of the Company - Company's financial investments

Europe-wide the energy sector is undergoing a change process, with emphasis being laid on the transition from a predominant national evolution and development process of the energy sector to the European integrated and coordinated development model, which should provide uniform development at continental level but also enable adapting national specificities, while observing the legitimate interests of European states.

In the light of such desiderata Transelectrica has become shareholder of a series of regional centres distributed Europe-wide targeting the above objectives. These are, briefly:

TSCNET

It was constituted in order to serve the Transmission and System Operators (TSO) from Eastern-Central-Western Europe (CORE region) in order to implement in coordinated manner the European network codes. Such affiliation is performed participating to TSCNET shareholders by purchase transaction of shares in the company.

Decision 9 of AGEA of 05 June 2018 approved the Company's affiliation to the Security Coordination Centre of CORE region, TSCNET by participating to its share capital with contribution of 470,500 Euro (1 share – 2,500 EUR).

JAO

Beginning with 2019 auctions allocating long-term capacities are coordinated by JAO, which was designated as Operator of the Single Allocation Platform (SAP).

Transelectrica was invited by JAO to become a shareholder of it.

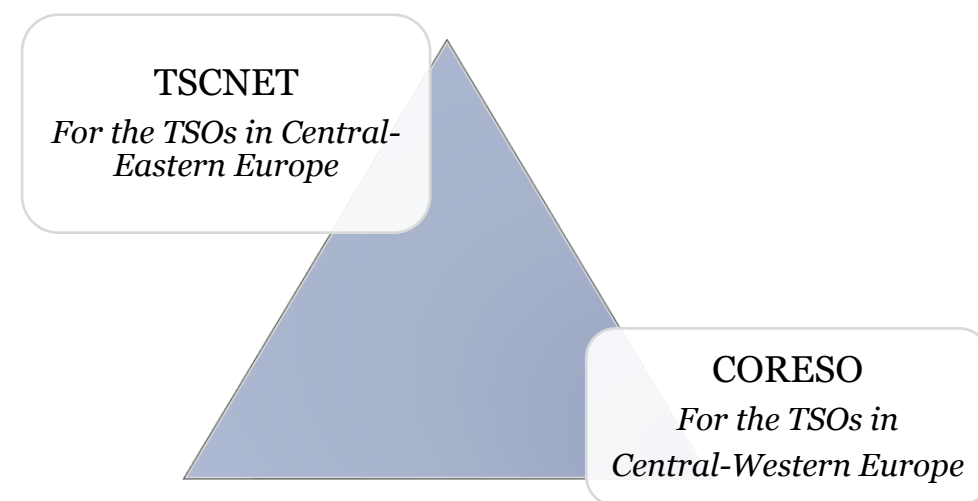
Decision 10 of AGEA of 20 August 2018 approved the Company's affiliation to the shareholders of the Joint Allocation Office (JAO) by cash subscription amounting to 259,325 Euro, being allotted 50

shares.

SEE RSC

Romania through the Romanian – Bulgarian border belongs in the coordinated calculation region of cross-border transfer capacities in South-East Europe ('SEE'). In terms of regional coordination services for operational security, this region will be served by an independent juridical entity acting as regional centre coordinating operational security (hereinafter called SEE RSC).

The Company's affiliation to the shareholders of SEE RSC became effective on 22.05.2020 with cash subscription amounting to 50,000 Euro, being allotted 50,000 shares.



II. Presentation of the Company - Administration structure

Supervisory Board

The National Power Grid Company Transelectrica SA ('CNTEE Transelectrica SA', 'Transelectrica' or 'the Company') is a joint stock company organised and operating in accordance with the laws of Romania, being managed under two-tier system according to the decision of the Shareholders' General Extraordinary Assembly of 18 July 2012 by a Directorate (including 5 members) under supervision of a Supervisory Board (7 members). The Supervisory Board will closely watch to see the shareholders' vision on the Company's role in the national economy and in a larger context of the European one transposed into objectives measurable in the mid-term, the board's role being to make certain such objectives will be the results.

Following approval of the Shareholders' General Assembly (AGA) on 31 July 2020 to launch the selection procedure for Supervisory Board members the National Power Grid Company Transelectrica SA, while applying the provisions of article 29 para (1), para (2) and para (5) from Governmental Emergency Ordinance 109/2011, current Supervisory Board members were appointed by AGA Decision 9/28.09.2020 compared to AGA Decision 9/28.09.2020, in accordance with the terms of GEO 109/2011, with mandate term of 4 (four) years beginning with 30 September 2020.

In the meeting of 30 September 2020 the Supervisory Board designated the members of consultative committees within the Board as follows:

Nomination and remuneration committee consisting of:

Oleg BURLACU – chairman
Adrian GOICEA – member
Jean - Valentin COMANESCU – member
Luiza POPESCU – member
Ciprian Constantin DUMITRU – member
Mircea Cristian STAICU – member
Mihaela POPESCU – member.

Audit committee consisting of:

Jean - Valentin COMANESCU – chairman
Adrian GOICEA – member
Luiza POPESCU – member

Ciprian Constantin DUMITRU – member
Mircea Cristian STAICU – member
Oleg BURLACU – member.

Energy security committee:

Luiza POPESCU - chairperson
Ciprian Constantin DUMITRU – member
Adrian GOICEA - member
Oleg BURLACU – member
Mihaela POPESCU – member.

Directorate

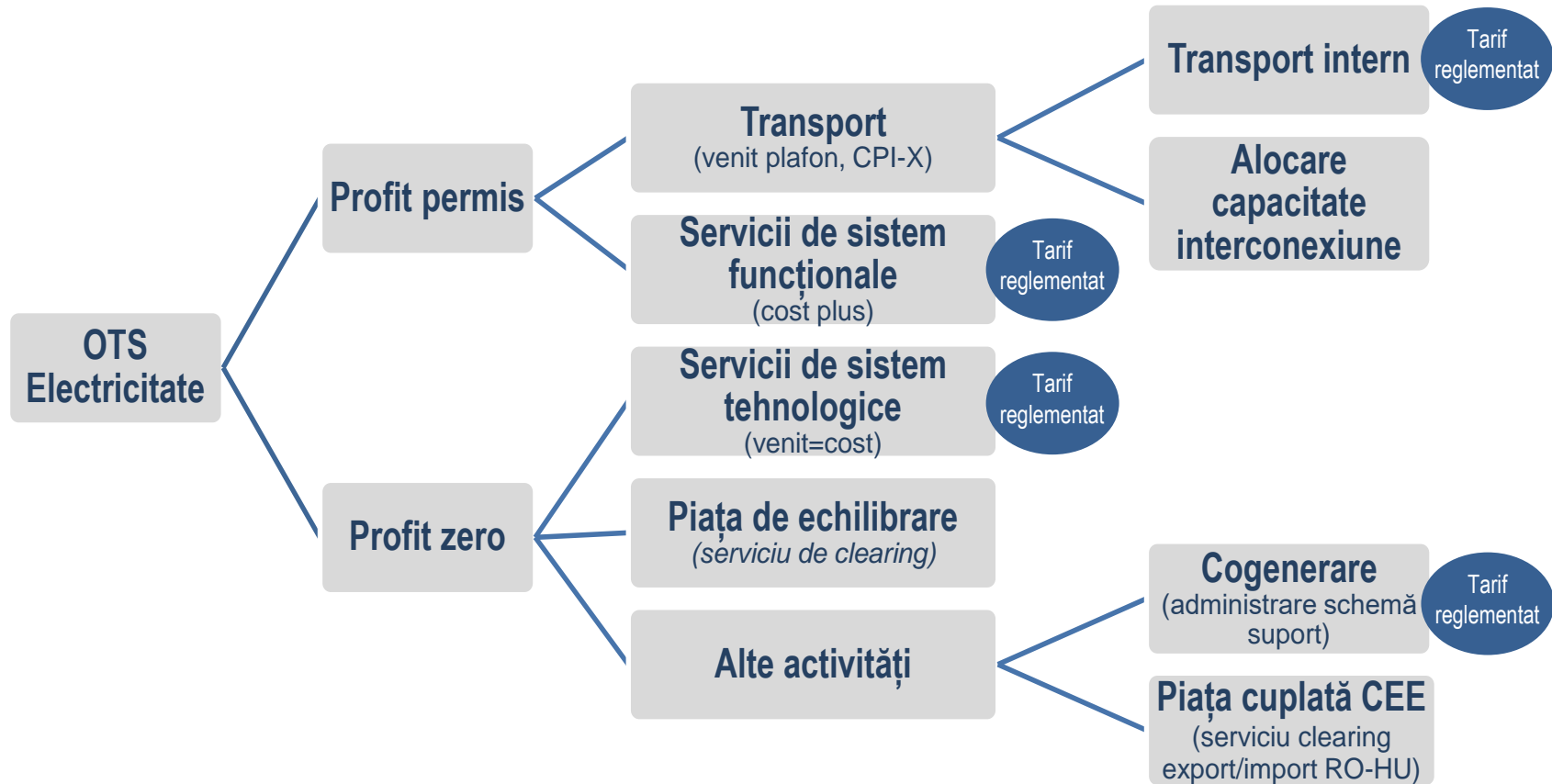
On 16 November 2020 the Supervisory Board, in accordance with the provisions of article 35 para (4)-(9) and (11) from GEO 109/2011 on the corporate governance of public enterprises, following the selection procedure of candidates to take the positions of Directorate members in CNTEE Transelectrica SA, appointed Mr. Catalin NITU, Mrs. Andreea-Mihaela MIU, Mr. Corneliu-Bogdan MARCU and Mr. Marius Viorel STANCIU as Directorate members.

At the same time the Supervisory Board elected Mr. Catalin NITU as Directorate chairman, alternatively called Executive Director General or Chief Executive Officer, 'CEO' of the National Power Grid Company Transelectrica SA.

The fore-mentioned Directorate members were appointed in accordance with article 23 para (1) and (2) of the Articles of association for a mandate term of 4 years beginning with 17 November 2020.

In accordance with the Supervisory Board's decision the mandate of MR. Ovidiu ANGHEL of provisional Directorate member stays valid until 20 December 2020.

II. Presentation of the Company - Business model



II. Presentation of the Company - Business model

Profit-allowed activities

Domestic transmission

- ANRE-regulated activity;
- Tariff is annually reviewed and updated;
- The transmission activity tariff is set using pre-established settings by multi-annual periods (usually 5 years), using a stimulating revenue cap model;
- The revenue cap model enables recovering the operational and investment costs and getting a financial efficiency meant to properly remunerate the financiers in compliance with the general risk of regulated activities performed by Transelectrica;
- Certain cost components included in tariff calculations have been capped at ANRE pre-established levels (according to operational efficiency requirements); the higher efficiencies achieved by Transelectrica being partially withheld by the Company using a mechanism distributing the additional profit with the users of transmission services.

Management of interconnections

- Activity allocating the available cross-border transfer capacities on the interconnection lines with neighbouring power systems;
- The allocation mechanism is based on a competitive system relying

on the price that market participants offer for the available cross-border transmission capacity, applicable in cases when the capacity demand exceeds the available amount offered on the market.

Functional system services

- ANRE-regulated activity;
- SEN dispatching activities in order to maintain a safe system operation (keeping a steady generation-consumption balance in the system, which enables safe steady-state operation of the SEN; operational scheduling to cover consumption) using the technical operational management infrastructure of SEN represented by the EMS – SCADA system and by the telecommunication, remote control, protection and control systems;
- The tariff of functional system services is established every year ex-ante by ANRE based on a cost plus model enabling recovery of operational and investment costs and getting a financial efficiency meant to properly remunerate the financiers in accordance with the general risk of regulated activities performed by Transelectrica;

II. Presentation of the Company - Business model

Zero profit activities

Technological system services

- ANRE-regulated activity;
- Planning and power reserves procurement operations as necessary to permanently provide generation-consumption balance with a view to provide safe SEN operation from interruptible producers or consumers;
- Tariff of technological system services;

Balancing market

- Market administration activities on the market where the generation-consumption balance is performed in real time;
- Procurement of control power from dispatchable generating units and full recovery of balancing costs from balancing responsible parties;
- Cost recovery is zero-profit based;
- It is established yearly ex ante by ANRE using a zero-profit (pass-through) model devised to fully recover costs necessary to procure system reserves with the possibility to withhold a part from possible savings achieved when procuring power reserves by means of competitive mechanisms;

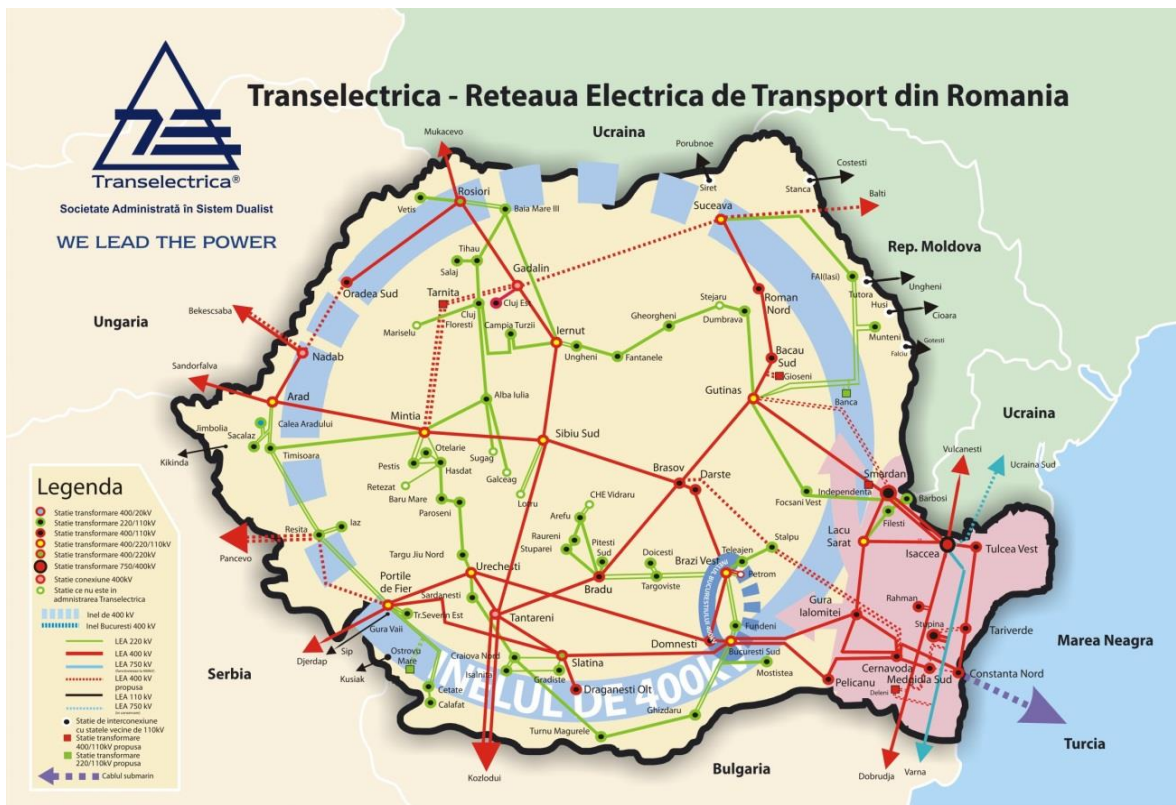
Other activities - Cogeneration

- Administrating the support scheme to promote high efficiency cogeneration; the objective of such support scheme is to promote electricity generation systems under high efficiency cogeneration with the benefit of generating electricity with low pollutant emissions;
- Under the support scheme Transelectrica collects the contribution from the suppliers of electricity consumers and pays the bonus to the qualified electricity and heat producers by cogeneration;
- Costs are zero-profit recovered, except for the administration costs recognised by ANRE.

Transfer agent in the Romanian-Hungary relation within the regional electricity market

Compensation-settlement activity (transfer agent role) on the regional electricity market (price-coupled markets of the Central-Eastern European region consisting of the markets of: the Czech Republic, Slovakia, Hungary and Romania) in the transaction timeframe of the day before delivery (day-ahead market); Transelectrica performs a financial clearing function on the Hungarian border, an important part in the settlement chain of transacted electricity on the wholesale market between Romania and Hungary (export and import).

II. Presentation of the Company - Electric installations managed



The volume of electricity capacities according to the licence for provision of electricity transmission services

Voltage (kV)	Substations (no.)	Installed capacity (MVA)	OHL (km)
400	39	21,435	4,971.70
220	42	14,274	3,875.64
750	-	-	3.11
110	-	-	40.42
Total	81	35,709	8,890.87

II. Presentation of the Company - Electric installations managed

The electricity transmission grid ('RET') is the electric network of national strategic interest of nominal line voltage above 110 kV, being constituted of all the lines with their supports, control and protection devices, all electric substations and other interconnected power equipment.

RET provides interconnection of the producers, distribution networks, large consumers and neighbouring power systems.

A good part of overhead lines ('OHL') and electric transformer substations making up the RET was built in the 1960-1980 with the technology of those years.

The Company aims at providing qualitative transmission and system services under economic efficiency conditions, as well as safe operation of the national power system in accordance with applicable regulations and the jointly assumed standards in Europe.

The investments made to date enabled maintaining a proper dispatch management infrastructure as well as the infrastructure required for electricity markets operation: national optical fibre network, monitoring system and EMS – SCADA management; metering system for the electricity amounts transacted on the wholesale market; IT transaction and settlement platforms.

The EMS/SCADA system of DEN provides the main specific functions:

- Data acquisition,
- Monitoring,
- Alarms and event management,
- Energy management, secondary frequency-exchange power control,
- Optimisation and safe operation of the national power system,
- Remote control of equipment,

- Archive and complex software environment for dispatchers' training;

At the same time it represents the automation system at the higher level of a hierarchy of sub-systems. The central EMS/SCADA system exchanges information with the regional control systems, the producers' control systems, the automation & control systems of substations, market systems as well as with external systems, making a compound global operational structure.

The entire network upgrade is in progress using the highest European standards, including upgrade and refurbishment works in the most important RET substations, as well as development of transmission capacities on interconnection lines.

To properly maintain network adequacy so that it can be adequately sized for the transmission of electricity forecasted to be generated, imported, exported and transited in the context of occurred changes, the 10 years' RET Development Plan includes them with two categories of investments to be performed:

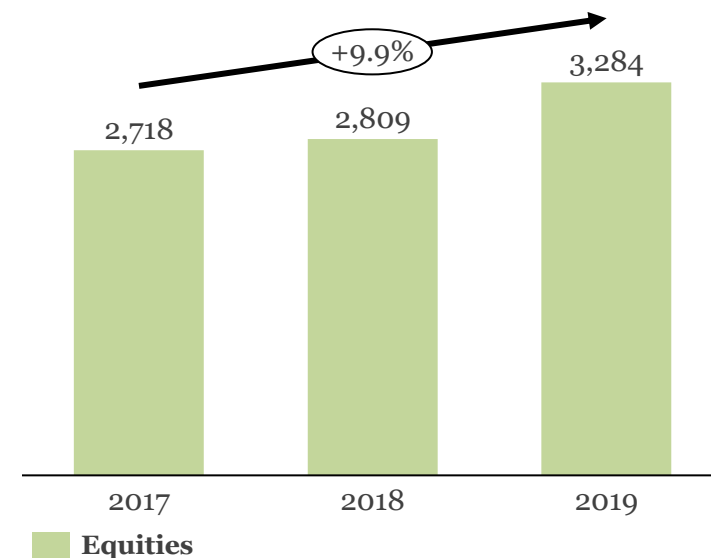
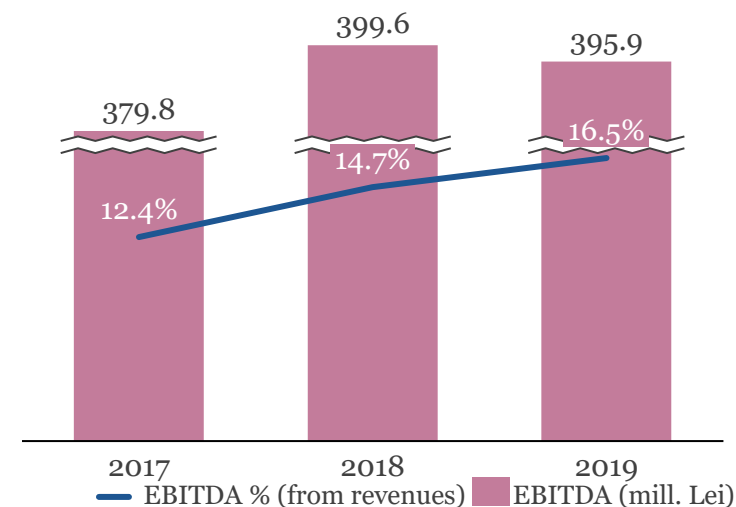
- Refurbishment of existent substations;
- RET extension by building new lines; increasing the transmission capacity of existing liens; extending the existing substations and enhancing their transformer capacity;

II. Presentation of the Company - History of financial performance

CONTUL DE REZULTATE	RONm	2017	2018	2019
Total venituri	RONm	3.060,3	2.721,7	2.397,7
Evolutie perioada	%	12%	-11%	-12%
Total cheltuieli din exploatare	RONm	2.992,3	2.620,4	2.281,9
Profit din exploatare (EBIT)	RONm	68,0	101,3	115,8
Evolutie perioada	%	-81%	49%	14%
EBITDA	RONm	379,8	399,6	395,9
EBITDA %	%	12%	15%	17%
Rezultat financiar net	RONm	(21,1)	(8,3)	(8,7)
Profit inainte de impozitul pe profit (EBT)	RONm	46,9	93,1	107,1
Impozit pe profit	RONm	18,6	11,8	11,0
Profitul exercitiului	RONm	28,3	81,3	96,0
Evolutie perioada	%	-90%	188%	18%

		2017	2018	2019
Cantitate tarifata	TWh	54,75	55,78	55,34
Tarif transport	lei/MWh	17,73	17,46	17,82
Tarif servicii sistem	lei/MWh	11,85	12,54	13,29

Situatia Patrimoniului		2017	2018	2019 6M	2020
Total active imobilizate	RONm	3.138,0	3.091,3	3.550,8	3.540,3
Total active circulante	RONm	1.371,3	1.580,5	1.149,6	1.174,2
Total active	RONm	4.509,3	4.671,8	4.700,5	4.714,6
Total datorii pe termen scurt	RONm	1.108,1	1.199,3	732,3	678,7
Total datorii pe termen lung	RONm	683,5	663,5	684,0	672,1
Total datorii	RONm	1.791,6	1.862,8	1.416,4	1.350,8
Total capitaluri proprii	RONm	2.717,6	2.809,0	3.284,1	3.363,7
Total datorii & capitaluri	RONm	4.509,3	4.671,8	4.700,5	4.714,6



III. Strategic analysis of the Company - Analysis of activities

Profit allowed activities

The main source of revenues is represented by transmission activities whereby revenues of regulated tariffs are the majority component. They are added revenues achieved from the allocation of cross-border interconnection capacities and other marginal revenue sources from activities associated to electricity transmission (supply of reactive power, international transits compensated by the ITC).

However the revenue sources complementing the tariff do not constitute additional profits compared to the regulated profit included in the transmission tariff calculation.

The sum of revenues obtained by Transelectrica from transmission tariffs and the revenues achieved from other activities using resources to perform electricity transmission cover the ANRE-recognised costs for transmission activities (including the cost of capital).

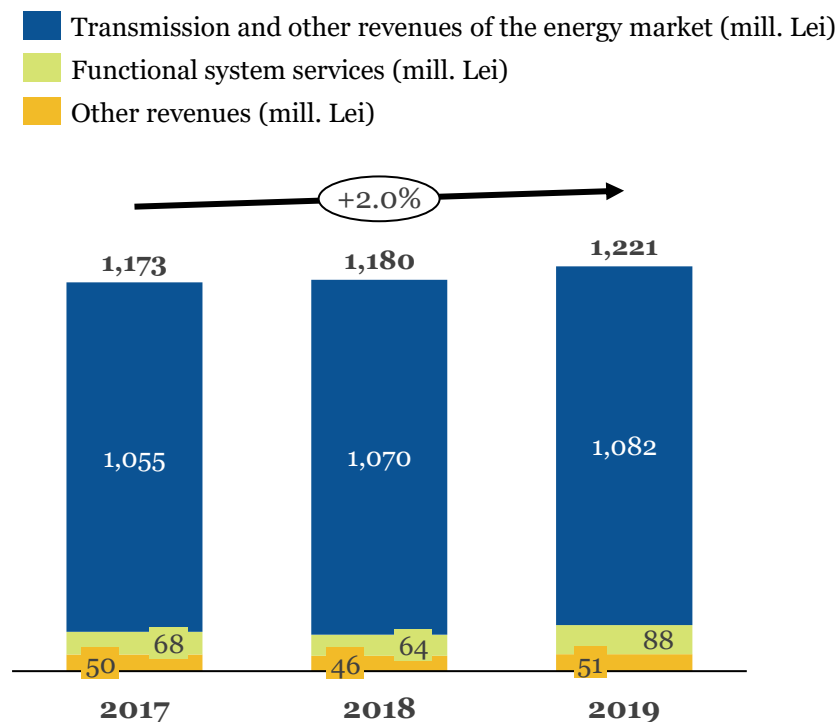
The transmission tariff is regulated according to article 75 para 1) let. b) of the Electricity and natural gas law 123/2012. Article 76 stipulates the regulated electricity transmission tariff is established under a method approved by ANRE; tariff calculation takes into account the justified costs, development expenses and environmental protection expenses, as well as a reasonable profit share.

The methodology establishing the regulated transmission tariff (approved by ANRE Order 171/2019 with later amendments and additions) does not directly distinctly explain the profit but includes a profitability in the regulated revenue formula, calculated as multiplication between the Regulated Asset Base (RAB) and the Regulated Rate of Return (RRR).

The regulated RRR was of 7.7% in the third regulatory period, 2014-2019, specifying that legislative changes of such interval (GEO 19/2019) led to a resulting 7.49% RRR in 2018-2019 and later on it

was established at 6.9% in semester II 2019 by applying the provisions of GEO 19/2019.

RRR is of 6.39% in the 2020-2024 fourth regulatory period by ANRE Order 75/2020.



III. Strategic analysis of the Company - Analysis of activities

Zero-profit (pass-through) activities

Regulated activities: technological system services, real time generation-consumption balancing services (in methodological terms) have no direct impact over the Company's profit as the revenues related to such activities are sized according to costs.

Technological system services can generate additional expenses / revenues with temporary effects of diminishing / increasing the profit achieved from profit-allowed activities.

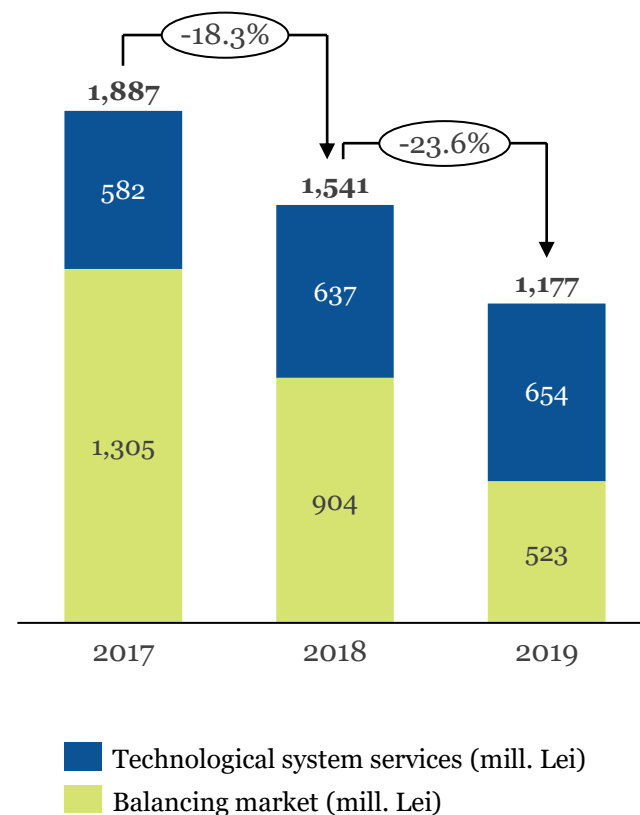
The operational safety of SEN can lead to the need to procure grater technological resources than those recognised ex ante by ANRE by forecasting them at the beginning of a tariff period, generating expense greater than revenue; the other way round, savings of technological service procurement generate a revenue surplus compared to the actual expense.

In both cases a tariff adjustment mechanism is applied in the next tariff year with a view to restore the neutrality of such services compared to the Company's profit.

Balancing market administration services draw risks substantiated in uncertain collection of trading receivables from balancing responsible parties and in late payments with penalties from dispatchable units, providing direct negative impact over the Company's profit by constituting provisions for uncertain clients.

Company-wide operational profit has been influenced by zero-profit activities:

- Minor profits/losses from technological system services;
- Provision expenses, as constituted for uncertain clients against a background of difficult trade receivable collection on the balancing market;



III. Strategic analysis of the Company - Analysis of activities

Structure of revenues and expenses

Revenues

Transelectrica achieves its main revenues impacting the Company's profitability from regulated tariffs of transmission services and the regulated tariff of system services, functional service component corresponding to the dispatcher management of SEN, which is added revenues from other regulated activities resulting from the allocation of interconnection capacities by auction as well as from other provisions, of small share in the total. Also the financial compensation for network utilisation between TSO can generate both revenues and expenses.

Costs

Major individual items of operational costs are: electricity procured to cover CPT (losses), transmission grid maintenance and personnel costs.

Non-current costs are the dominant component of cost structure

- Operating the transmission system services requires massive support from infrastructures. Current costs to maintain the technical condition of the electricity transmission network, the amortisement cost of installations & equipment and the general cost of Company administration are major cost items independent of the amount of electricity transmitted through the grid.

Non-current costs are under double pressure:

- Continuous efficiency requirement imposed in the regulatory framework; it is substantiated in year-to-year reduction of controllable operation & maintenance costs recognised in the transmission tariff;

- Extending the transmission grid: the prospective network extension provided in the RET Development Plan of the next 10 years institutes the premises for greater maintenance efforts against a background of higher amounts of installations and equipment; the implementation of new technologies, replacement of obsolete and worn out equipment and installing equipment of higher reliability and efficiency will partially compensate the increasing trend of maintenance expenses;
- In addition, the provision of uninterrupted systems operation and the integrity of equipment which is essential for the availability of transmission services requires developing systems dedicated to the protection of critical infrastructure with specific operation and maintenance costs;

The main variable costs are CPT and congestion removal costs. Electricity losses in the grid represent the main variable cost. Although the physical share of CPT in the electricity transmitted within RET is found around 2.5% average (representing about 1.9% share in the billed electricity), the total cost share of electricity necessary to cover CPT represents approx. 25% of the revenues achieved from transmission activities.

The difference is explained by the electricity unit (MWh) carried within SEN which Transelectrica bills based on a regulated unit price (tariff) charged for transmission services, while the Company procures the CPT against a unit price established by market mechanisms.

Structura venituri		2017	2018	2019
Venituri din serviciul de transport	RONm	1.054,6	1.069,8	1.082,0
Evolutie %	%	-8,0%	1,4%	1,1%
Venituri din servicii de sistem	RONm	650,7	701,6	741,7
Evolutie %	%	-9,2%	7,8%	5,7%
Venituri privind piata de echilibrare	RONm	1.304,6	903,9	523,1
Evolutie %	%	60,3%	-30,7%	-42,1%
Alte venituri	RONm	50,3	46,4	50,9
Evolutie %	%	9,8%	-7,9%	9,8%
Total venituri	RONm	3.060,3	2.721,7	2.397,7
Evolutie %		12,4%	-11,1%	-11,9%

Cheltuieli din exploatare		2017	2018	2019
Cheltuieli pentru operarea sistemului	RONm	257,9	308,9	351,7
Cheltuieli privind piata de echilibrare	RONm	1.304,6	903,9	523,1
Cheltuieli privind serviciile de sistem tehnologice *	RONm	661,3	677,7	676,5
Amortizare	RONm	311,9	298,3	280,0
Salarii și alte retribuiții	RONm	178,6	188,5	209,9
Reparatii si mentenanta	RONm	84,8	90,8	129,1
Cheltuieli cu materiale si consumabile	RONm	8,3	11,7	8,5
Alte cheltuieli din exploatare	RONm	185,0	140,6	102,9
Total cheltuieli din exploatare	RONm	2.992,3	2.620,4	2.281,9
Evolutie %		26,6%	-12,4%	-12,9%

III. Strategic analysis of the Company - Stock exchange performance

Share price development

Beginning with 5 January 2015 the Company has been classified in the Premium category of the regulated market managed by BVB.

Transelectrica shares belong to BET index showing the development of the 10 most transacted companies on the regulated market managed by BVB, except for financial investment companies (SIF), which are transacted on the regulated market managed by the Bucharest Stock Exchange at I category under TEL symbol.

Transelectrica has been included in the local stock exchange indexes (BET, BET-BK, BET-NG, BET-TR, BET-XT, BET-XT-TR, and BET Plus).

Throughout 2019 the Transelectrica share had a quite stable development with price oscillations from 19.48 Lei/share on 31 January 2019 to 22.15 Lei, the maximum reached on 14 February 2019.

Romania was included in the list of countries providing a substantial potential to pass from the 'emerging market' to 'frontier market' status as the decision of FTSE Russell was published on 29 September 2016. Such decision comes after the changes and modifications made both into the capital market legislation and in the regulations specific to such market, as well as following the conjugated efforts made by BNR, BVB, ASF, SGG and the Central Depository.

Shares liquidity is the main indicator for investors.

Liquidity is defined as the possibility of an investor to turn a financial placement into monetary availabilities in the shortest time interval possible, without thus reducing the value of his placement. Thus liquidity is one of the most important issues targeted on capital markets and at the same time a feature taken into account by any kind of investment.

For such considerations in case of a listed company the liquidity its shares

contain constitutes a highly important issue, which should be taken into account for shareholders' benefit.

Besides risk and profitability, the liquidity makes up the golden triangle of investments, constituting one of the most pursued indicators for a stock exchange placement. Most investors desire getting as high yields as possible with the least likely risks.

In 2019 Transelectrica registered total BVB transactions amounting to 107,701,724 mill. Lei achieved after 10,353 transactions. Consequently the average transaction value was of 10,402 Lei.

This represents a significant (barrier) indicator for investment funds to invest in Transelectrica shares. Mention should be made the first 5 liquid shares on the Bucharest Stock Exchange achieved 85% of the 2019 turnover, but Transelectrica was not among them.

Finance volatility refers to measuring the size of price variations in a financial instrument. This is also the basis of risk assessment.

The daily average volatility of Transelectrica shares is of 1.28%. The average value of purchase and sale offers on the market amounted to 20,000 EUR within the $\pm 1.28\%$ range (10,000 EUR BID and 10,000 EUR ASK).

In case of Transelectrica shares there are frequent cases when no counterpart is found for a significant volume. Liquidity growth leads to volatility drop and implicitly to increasing the share performance.

The higher share quotation will also bring financial benefits to the Company, thus being able to draw more significant capital at lower costs.

III. Strategic analysis of the Company - Stock exchange performance

Companie	Media valori tranzactionate zilnic (eur)	P/E	P/BV
Transelectrica	89,288	18.17	0.53
ENEL Americas SA	1,732,666	8.23	1.63
PPL Corp	15,757,173	14.98	2.19
United Power Generation and Distribution Co Ltd	62,102,802	34.37	9.59
RED Electrica Corp SA	35,134,464	13.62	2.83
National Grid PLC	38,570,024	23.25	1.82
Terna Rete Elettrica Nazionale SpA	129,101,422	17.18	3.01
Mediana	36,852,244	16.08	2.51



The comparative analysis above (TSO-type companies listed on stock exchanges) shows the following:

- Transelectrica is the only Company transacted at discount (below the net accounting value);
- As a matter of fact the P/BV median is of 2.51 Euro while the Transelectrica share is transacted at 0.53 Euro;
- A correlation analysis between transacted volumes and share prices one can notice the stock exchange liquidity (transaction volume) influences the price.

In other words, shares of higher liquidity are transacted at higher price multiples that those Transelectrica shares are transacted at.

In conclusion a liquidity growth of Transelectrica shares provides premises for share value increase and implicitly of stock exchange capitalisation.

	min	max
TEL	12.32	33.7
TEL %	-8.94%	148.08%
Date	7-May-13	27 Feb 2017 and 1 March 2017

Maximum, minimum values of the entire period

	min	max
TEL	15	24.5
TEL %	10.86%	81.08%
Date	16-Mar-20	27-Aug-20 31-Aug-20

Maximum and minimum values of 2020

III. Strategic analysis of the Company

Human resources

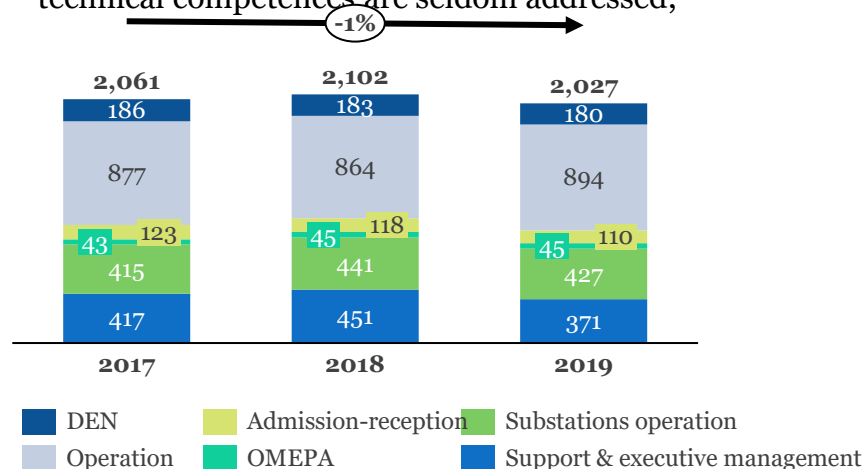
At present the operation of RET substations and provision of SEN dispatching services are performed by operative / operational personnel organised under permanent shift schedules.

The structure of operational personnel cover 44% of the total employees hired, while DEN personnel represent 9%.

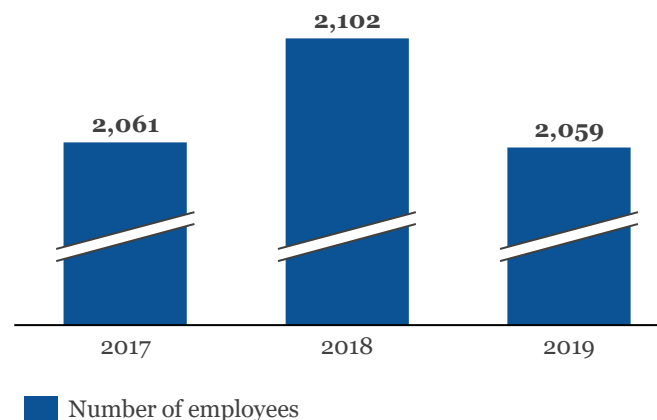
A significant change is represented by substation operational personnel that passes to support and executive management after the efficiency increase processes of S1 2020.

The Directorate's internal analysis pointed out the following: the need to implement a development plan and a strategy for the Company's human resources. The conclusions rely on:

- Current salary levels lack support in the business environment specific for the energy industry, not yet aligned to the needs of the organisational structure;
- Personnel training is limited to technical competences, conditioned by recurrent accreditations or refurbishment. Non-technical competences are seldom addressed;



- There are no motivational instruments and strategies;
- Absence of competence associated to each position, defined by several speciality levels;
- Recruitment is reactive without participation to profiled events or on specific sites;
- The absence of performance management able to generate career plans; competence developing mechanisms and detecting the deficit processes and procedures within the Company;
- The relationship with the social partner is strictly limited to negotiating the collective labour contract and other documents conditioned by it;
- The absence of a development plan with new competences for the HR Division's employees so that they can extend their working area in relation to the other Company employees;
- The absence of an informational system that should expedite all administrative-type procedures within the HR Division.



III. Strategic analysis of the Company

Human resources

A brief analysis of personnel structure by age categories points out that 70% are employees aged between 41 and 60. Also 6% of personnel are getting near retirement, while 13% are aged from 18 to 35 with potential career advance inside Transelectrica, if by the human resources policy we will succeed retaining and recruiting young staff.

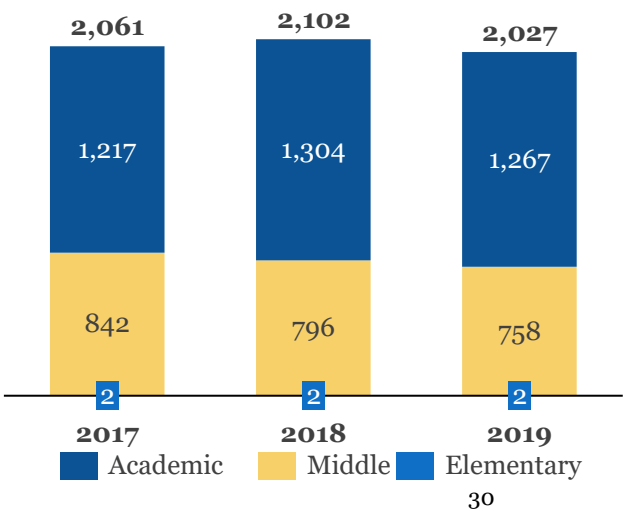
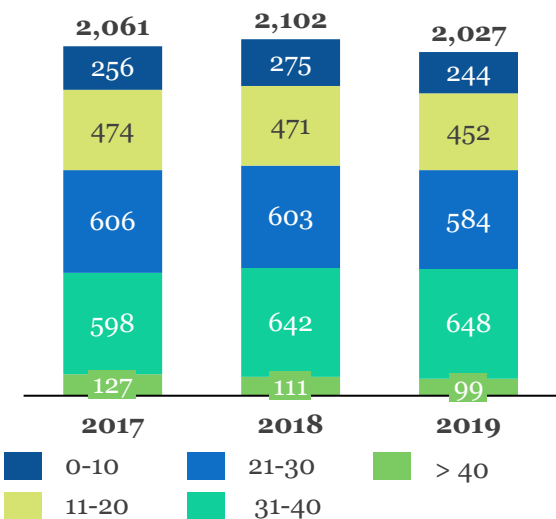
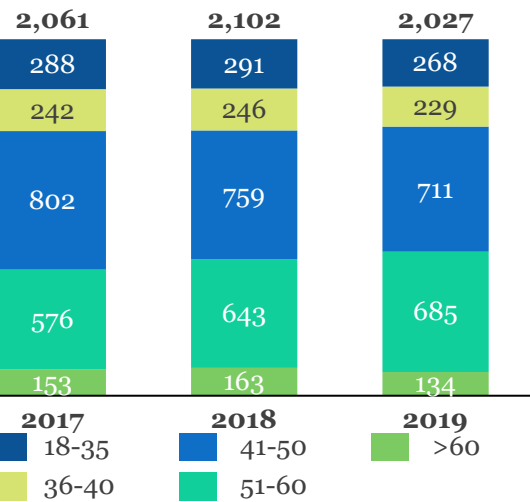
In terms of gender structure women represent 27% of total personnel, which has been almost unchanged in the last 3.5 years. 81% of them are active in the executive branch, 13% in middle management while only 6% reached top management positions.

On 30 June 2020 personnel of over 30 years' seniority represented 37% of the employee structure. If we add the staff of more than 10 years' employment in the Company we can find 88% of personnel have considerable age in the Company. Mention should be made such employee category comes from the structures before establishing Transelectrica as Company (RENEL structures). In terms of human resources it can be an advantage in the light of their gathered experience and knowledge which Transelectrica benefits fully of such technical expertise, however as regards resistance to change, it might be great.

Personnel of lesser employment in the Company and therefore less experienced represent only 12% in the total employee structure.

The two analyses showed the need to replace the personnel that are about to leave the Company naturally (retired or voluntary departures) with young employees with academic education that can prove adapted to the cultural changes the Company is about to pass through to the new macro economic environment, where the key word will be 'digitalisation'.

In terms of studies the analysed period points out a higher share of personnel with university education to the detriment of employees with middle high school studies. Thus if in 2017 high school educated personnel represented 41% of total employees, in 2019 such employee category accounted only for 37%.



III. Strategic analysis of the Company

Human resources

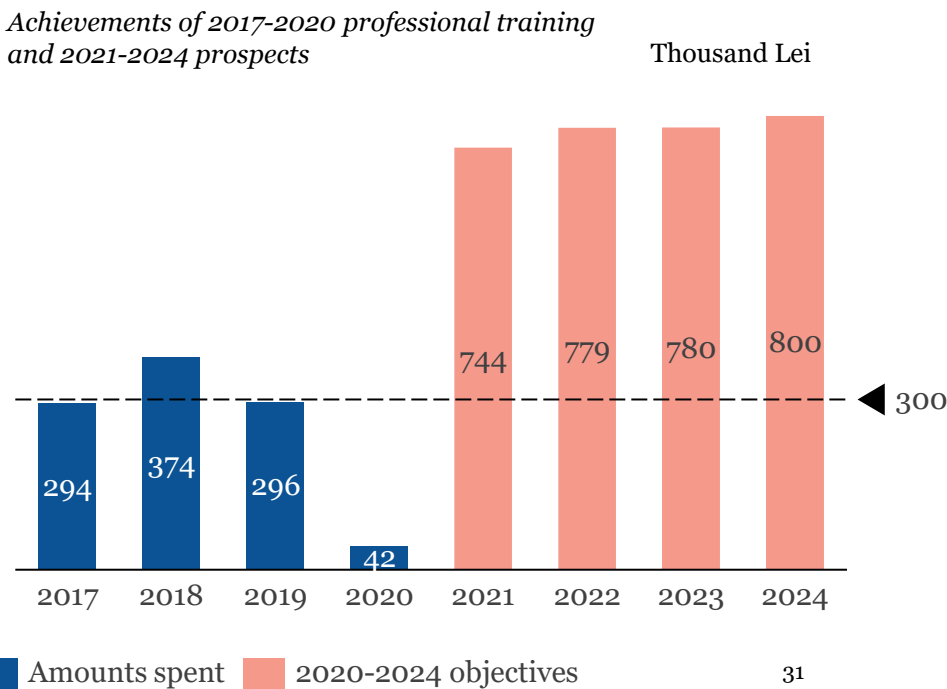
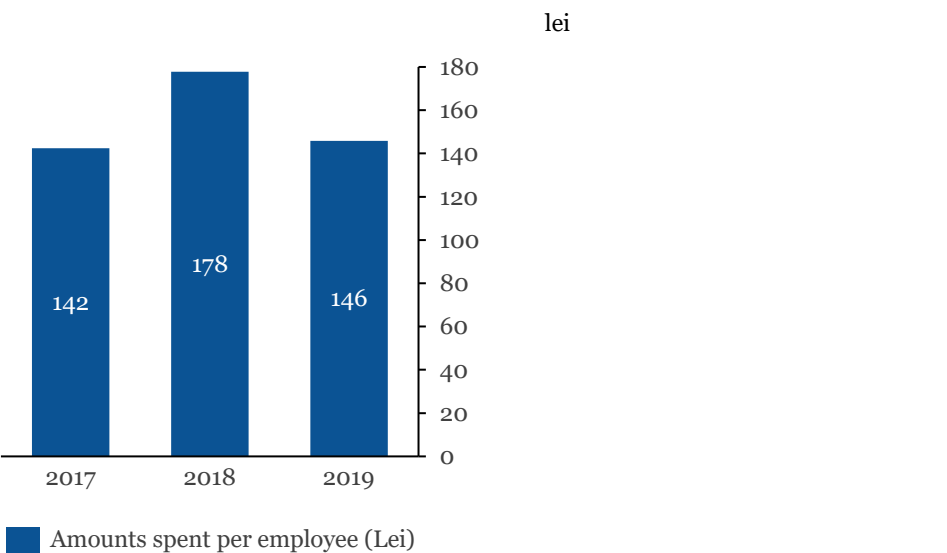
Professional training

The vision of a company includes the human factors as driver that enables transposing it into one’s own business, into the success or failure of an organisation.

Its people in a brand organisational culture and professional context determine the company’s long-term resistance and visibility on a dynamic labour market under permanent change.

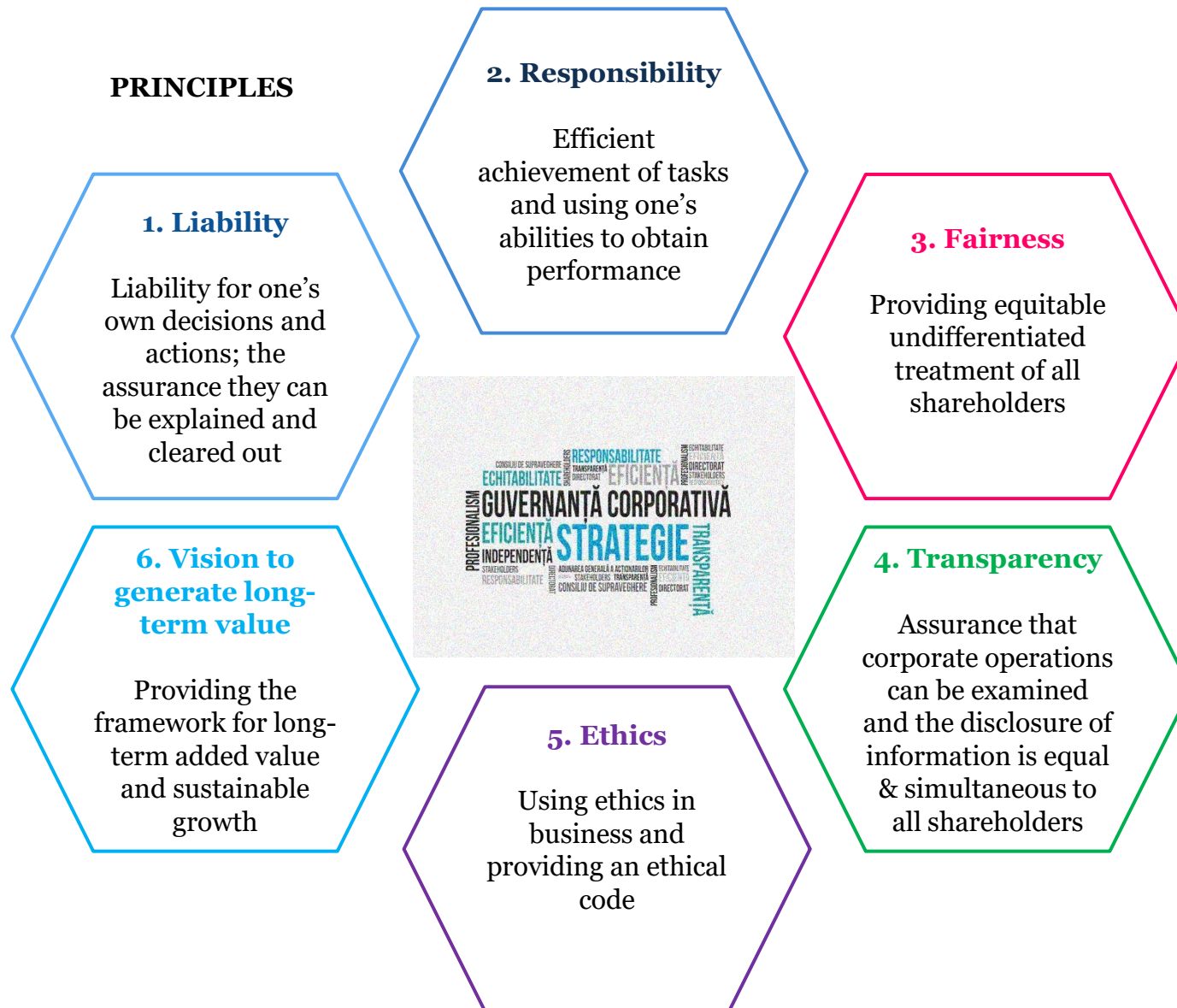
Transelectrica has foreseen in its reference documents the need to set up an attractive stable motivating work environment which is also safe and healthy, with the daring goal of becoming the preferred employer of power engineering experts, a think tank and strategic action to develop the Romanian energy sector.

In historical terms of professional training Transelectrica spent 0.32 mill. Lei in 2017 – 2019. 1,995 employees benefitted of such amounts, which means a 155 Lei average per employee, a low value compared to the detected need and to the existing gaps between personnel categories of the Company and of other companies in the energy sector.



III. Strategic analysis of the Company

corporate governance



III. Strategic analysis of the Company

corporate governance

The Company is subjected to the application of corporate governance and legal exigencies of this matter from a triple perspective:

- The Company is a joint stock company managed under two-tier system according to the provisions of article 1531 and follow. from Law 31/1990, by a directorate and supervisory board;
- The Company has been listed on the BVB since 29 August 2006;
- The Company is public enterprise in accordance with article 2 para (2) let. b) of GEO 109/2011.

Terms:

corporate governance of public enterprises: ensemble of rules governing the administration and control system of a public enterprise, the relations between the coordinating public authority and the enterprise's bodies, directors or directorate, shareholders and other stakeholders (article 2, pt. 1 of GEO 109/2011)

Public enterprises: national companies and societies, companies

where the state or an administrative-territorial unit is single majority shareholder or where it holds control (article 2, pt. 2 let. b) of GEO 109/2011)

Company management: internal management side of company businesses and its legal representation;

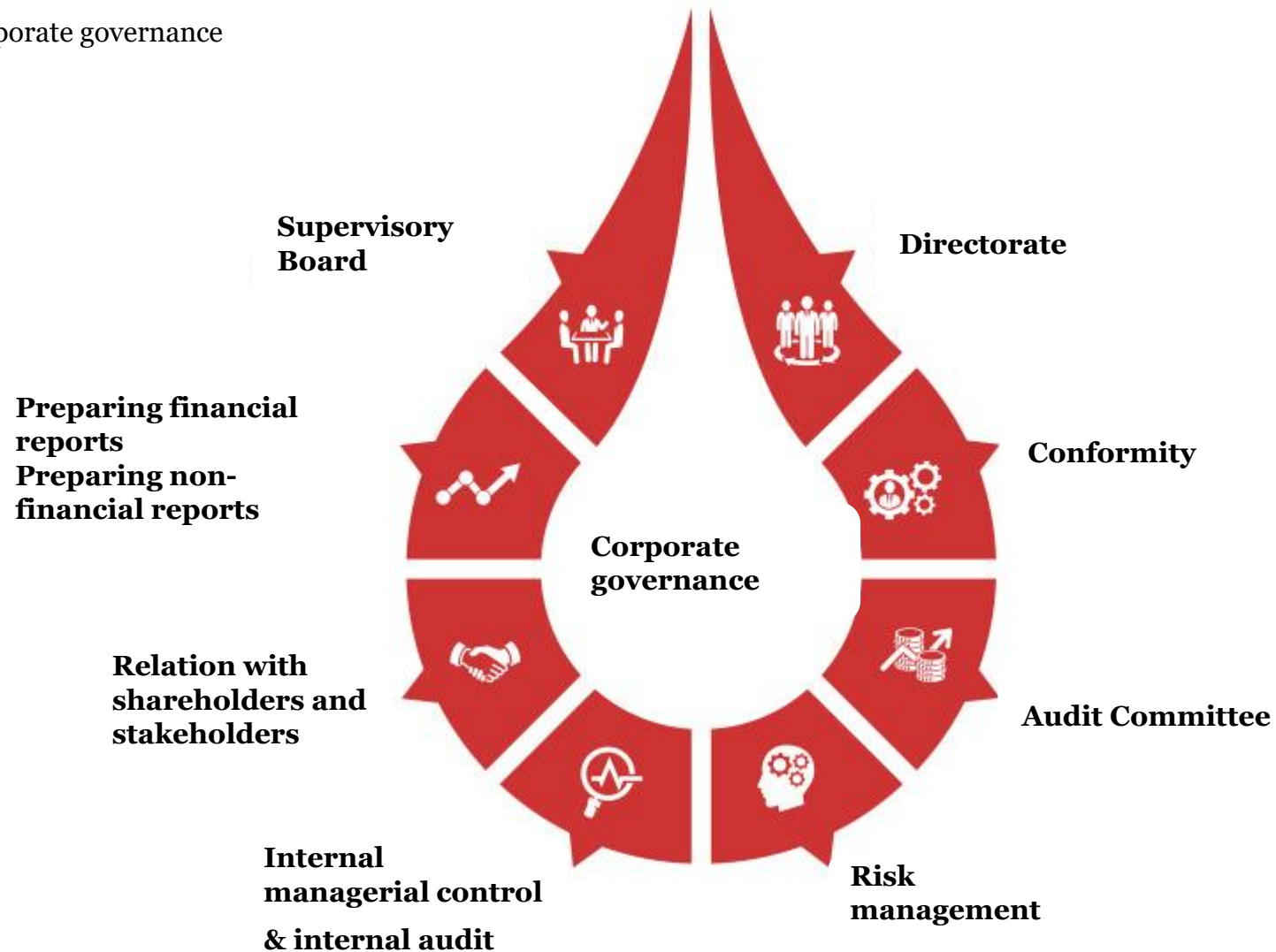
Internal managerial control: ensemble of control forms exercised in the public entity, including internal audit, as established by management in accordance with its objectives and with legal regulations in order to provide funds administration in economic efficient efficacious mode; separating attributions of operations performed between persons so that approval, control and recording attributions be entrusted to a proper extent to different people; accurate separation of operation initiation, verification, endorsement and approval functions;



III. Strategic analysis of the Company

Corporate governance

Pillars of corporate governance



III. Strategic analysis of the Company

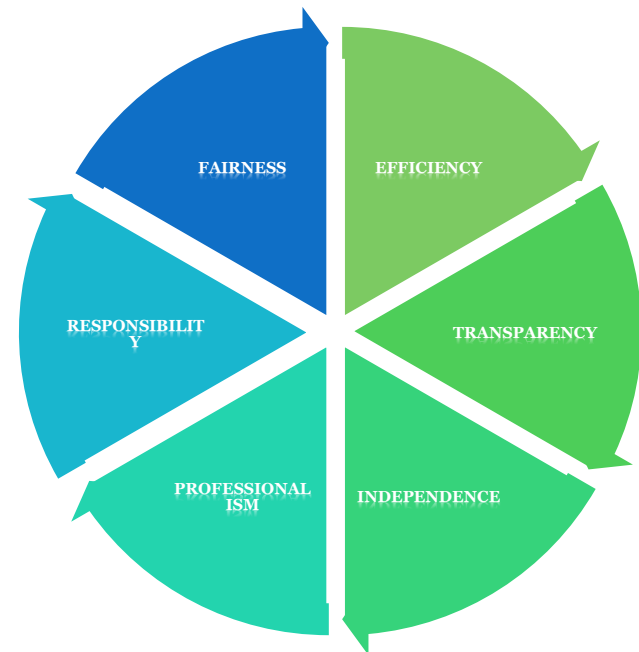
Corporate governance

The purpose of corporate governance strategy is to provide Company operation in efficient transparent responsible mode by means of Company's society bodies achieving responsibilities in responsible independent manner equitable to all stakeholders and, implicitly, to shareholders.

Strategic corporate governance goals

- Devising systems to monitor the compliance with applicable corporate governance standards; increasing the Company's credibility on the market;
- Implementing mechanisms to avoid conflicts of interests which might prevent Supervisory board and Directorate members from performing their duties in objective manner;
- Developing mechanisms to assess and maintain the efficacy of the Supervisory board's and Directorate's performance and independence;
- Clear distinction of administration/management activities from control;
- Implementing quality insurance mechanisms and information control, digitalisation included;
- Providing an information system for all stakeholders and establishing mechanisms and procedures to protect them;
- Providing fair treatment of shareholders by observing a high transparency degree, including as general rule the disclosure of equal simultaneous information to all shareholders;
- Developing an active communication policy and consulting with all shareholders;
- Providing internal and external communication and cooperation, as

well as national and international representation;



IV. Administration strategy and action plan

Methodology

- Taking into account the national company capacity with sustainable activities in terms of social liabilities to the communities it gets in touch with and of environmental protection Transelectrica has got as general objectives an orientation towards permanent value growth for shareholders with predictable profitable business at the superior limit of values admitted by applicable regulations for core activities, namely to the extent of potentials and hazards associated to other complementary unregulated activities;
- Choosing to provide performant services of usage value the Company also aims at being counted among the providers of transmission and system services performing activities under high technical quality and safety at European level;

The management and administration strategy intends to harmoniously join the technical with the financial management, both exercised at maximum professional excellence in order to provide SEN safety and RET adequacy by extending and expediting the investment plan using diversified financing sources and increasing financial performance by reducing operational costs within the upper limit provided in the existing regulatory framework.

Strategic objectives measurable by associated indicators are defined in the specific framework of each BSC perspective,

following which the set of actions used in order to reach the selected objectives is defined for each strategic goal.

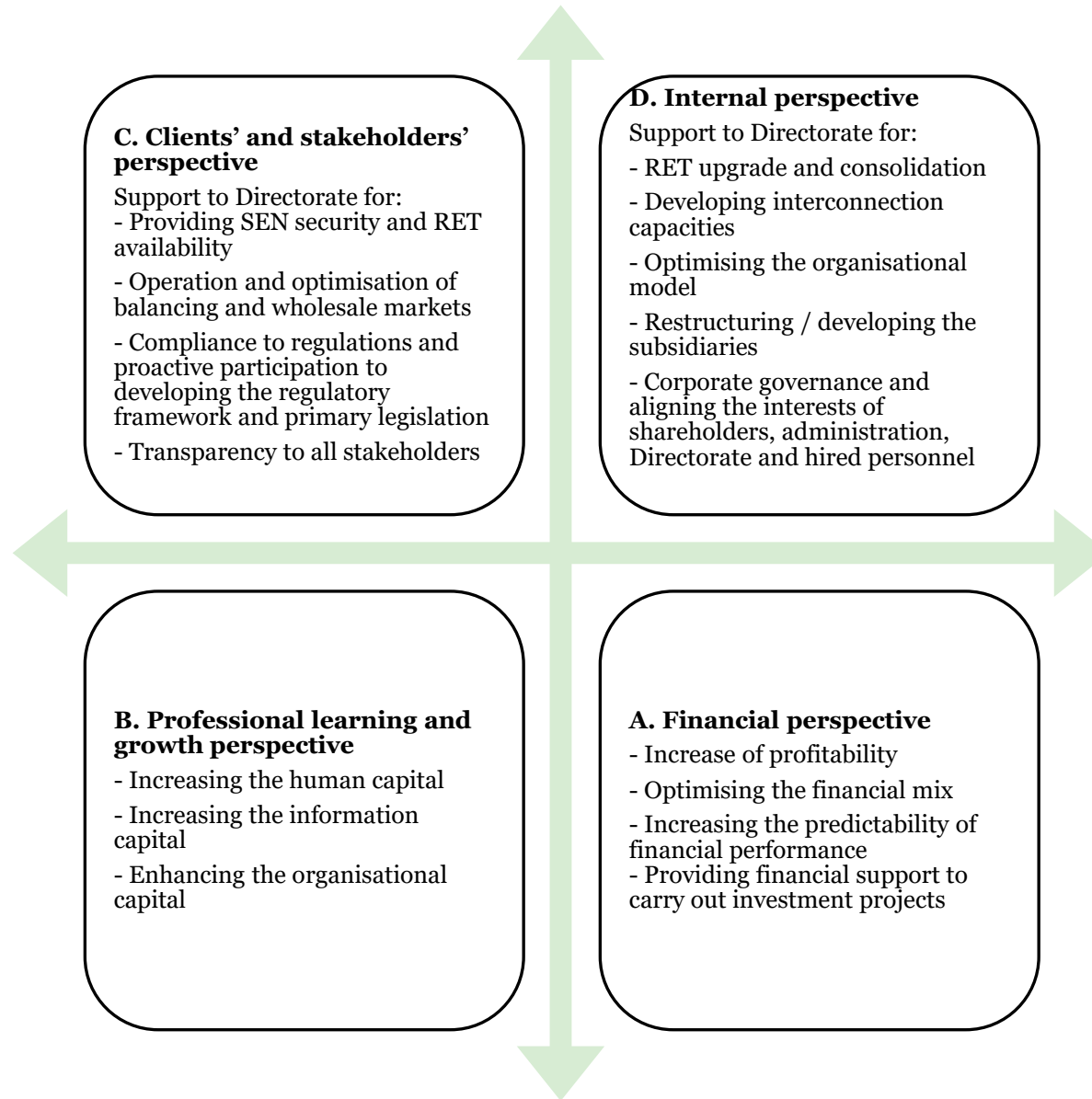
The ensemble of strategic goals and performance indicators will constitute the construction base of the Company's key performance indicators (KPI) in the MBO (management by objectives) approach and building up a modern pay system joining the annual performance plans with the Company's long-term ones (during the mandate).

Also the relevant strategic objectives and associated performance indicators will be proposed to represent the set of performance objectives and criteria from mandate contracts.

Taking into account the particular Company's character of provider of public national interest services, regulated monopoly activity, it follows the Company's financial performance is strongly dependent on the developments of other perspectives (clients' and stakeholders' perspective, internal perspective, professional learning and growth perspective), the fundamental priority being to provide safe SEN operation and consequently public services according to the regulatory-established standards.

IV. Administration strategy and action plan

Methodology



IV. Administration strategy and action plan - Strategic objectives

Perspective of clients and important stakeholders

Strategic objective 1.1 - Safe operation of SEN and electricity transmission at proper qualitative levels corresponding to the rated terms in the TSO licence of ANRE, the Technical RET Code and the Performance standard for electricity transmission and system services (Transelectrica: TSO).

Performance goals and indicators

In order to provide safe operation of SEN and electricity transmission at proper qualitative levels according to rated conditions the Directorate watch over the:

- Compliance with the rated terms in the RET Technical Code, licence, performance standard and European requirements (ENTSO-E, EU),
- Compliance with the conditions set in European regulations or agreements (see ENTSO-E's network codes)

As a matter of fact Transelectrica by its internal processes (see the internal perspective) intends improving service quality and permanently monitoring the electricity quality.

Strategic objective 1.2 - Operating the balancing market under qualitative terms on PE's transaction platforms (Transelectrica, Operator of the Balancing Market)

The significant development of wind power parks and the recent occurrence of high capacity power plants of hundred MW, connected to RET by transformer substations above 400 kV or to RED by substations above 110 kV is such that wind power can no longer be treated as distributed output but as concentrated generation injected into RET nodes by means of high power transformer units.

The integration of intermittent (volatile) operation parks requires improving the electricity market mechanisms and their implementation instruments.

Performance goals and indicators

Transelectrica aims at operating the balancing market under qualitative terms on the balancing platforms of PE in accordance with the requirements of applicable secondary legislation.

Strategic objective 1.3 - Within Transelectrica the function of electricity metering operator also monitoring its quality is performed by the Metering Division OMEPA (DM OMEPA). DM OMEPA answers for electricity metering and electricity quality monitoring, which are performed both in the Central Point and on site as well by means of OMEPA's Metering Systems Operation Workshops .

The activity is structured according to four main poles:

- Administrating the metering platform of the wholesale electricity market;
- Management of local metering systems;
- Monitoring electricity quality;
- Metrological check-ups in territorial metrological laboratories;

Performance goals and indicators

The Directorate will make all diligence for:

- Developing the metering and electricity quality monitoring systems in agreement with technical progress and the requirements of secondary legislation on the balancing market, necessary for both the Company and OPCOM (that performs settlement on this market),
- Improving metering activities on the wholesale market by means of upgrades in the specific infrastructure;

IV. Administration strategy and action plan - Strategic objectives

Perspective of clients and important stakeholders

Strategic objective 1.4 - Achieving the agreed actions regarding markets coupling in view of their integration into the single European market (Transelectrica, Operator of the Centralised Market Allocating Interconnection Capacities).

Strategic objective 1.5 - Performing the role of support scheme administrator to promote high efficiency cogeneration and issue green certificates for electricity generated from renewable sources by applying the provisions of Law 220/2008 (Transelectrica, administrator of the support schemes for renewable energy and promoting high efficiency cogeneration)

Context: The objective of such support scheme is to promote electricity generation systems under high efficiency cogeneration, with the advantage of generating with low pollutant emissions. The goal is to facilitate the market access of systems generating under high efficiency cogeneration by granting a cogeneration bonus when the generating costs of electricity and heat in cogeneration plants are higher than the market prices of the two forms of energy

The scheme is dedicated to electricity and heat producers holding or operating high efficiency cogeneration plants with a view to stimulate new investments into cogeneration systems and to refurbish the existent plants. ANRE has approved values of reference bonuses by megawatt hour of electricity generated and delivered from high efficiency cogeneration plants. The beneficiaries are producers compliant with certain ANRE-established criteria.

The funds necessary to grant the bonus are provided by Transelectrica's monthly collecting of a contribution from electricity suppliers. Such contribution is established by ANRE for each kilowatt hour of electricity consumed by all electricity consumers, and by the suppliers exporting electricity. This activity segment does not impact the Company's profit and loss account as Transelectrica collects the contribution for high efficiency

cogeneration from the electricity suppliers in order to pay the bonus to electricity and heat generators under high efficiency cogeneration.

The role of Transelectrica as administrator of the support scheme is to provide an uninterrupted flow of bonus payments to producers under high efficiency cogeneration. The seasonal nature of electricity output under high efficiency cogeneration is translated into a fluctuating bonus payment flow throughout the year, while the collection flow of contributions from electricity suppliers is quite constant during the year. To provide fluidity of the liquidity circuit from suppliers to qualified producers Transelectrica uses a bank line to pay the cogeneration bonus during the time intervals when the cash balance of the scheme is negative.

Performance goals and indicators

In its capacity of support scheme administrator to promote high efficiency cogeneration Transelectrica will make certain to:

- Provide neutrality of the cash flow associated to the support scheme to promote high efficiency cogeneration compared to the cash flows from the Company's core activities;
- Securing the recovery of amounts paid in advance to qualified producers using a proper security system covering the financial risks of the support scheme administrator;
- Amending the regulatory framework as applicable in order to provide the two fore-mentioned objectives;

IV. Administration strategy and action plan - Strategic objectives

Perspective of clients and important stakeholders

Strategic objective 1.6 - Managing the relation with important stakeholders

Relation with ANRE

We reiterate and point out that Transelectrica's activities are natural monopoly therefore regulated at European (ACER) and national level (ANRE). This is why the Transelectrica – ANRE relation is crucial both in strategic terms (Administration and Management Plans) and in the operational domain.

Essentially the overall Company performance depends both on its own efforts and on the regulatory framework with its constraints.

The Transelectrica-ANRE relation has developed in general according to law-provided fair institutional principles and bases, according to European legislation. Transelectrica by its utmost important activities performed for SEN and by the highest quality of technical expertise has always supported and will further support ANRE attributions.

However, insufficient transparency of timely explanations for certain past decisions of negative impact over the Company's financial results contributed to accented perception of regulatory risks by financial markets (e.g. assessments of Moody's rating agency for the regulatory regime) and the capital markets (investors and financial analysts).

Also the tariff setting parameters established by ANRE beyond the limits of reasonable exigencies had in time negative impact over the Company's financial capacity on a par with the expectations of financial markets.

Strategic objective 1.7 - Corporate governance

Corporate governance within Transelectrica involves good relations with all stakeholders involved in Company activities and supervision over the achievement of Company objectives. Corporate governance is used in order to verify the coherence between goals and results and to motivate the Company to improve activities by aligning the different behaviours of all stakeholders.

Performance goals and indicators

- Establishing systems monitoring the compliance with applicable corporate governance standards;
- Providing transparency when appointing Directorate and Supervisory board members, as well as in the remuneration policy;
- Implementing mechanisms to avoid conflicts of interests that might prevent Supervisory board and Directorate members to objectively perform their tasks;
- Developing mechanisms to assess and maintain the efficacy of Supervisory board's and Directorate's performance and independence;
- Providing an information system for all stakeholders and establishing mechanisms and procedures to protect them;
- Providing fair treatment of shareholders by observing a high transparency degree, including as general rule the disclosure of equal simultaneous information to all shareholders;
- Developing an active communication and consulting policy for all shareholders;
- Providing proper assessment methods to monitor the results from the implementation of the corporate governance strategy based on established objectives;

IV. Administration strategy and action plan - Strategic objectives

Internal perspective

Strategic objective 2.1 - Technical and operative management of SEN so that it can provide permanent electricity supply at rated quality terms, operational safety and stability

The current regulations of Romania (performance standard and RET Code) require the Transmission and System Operator to monitor and report its compliance with electricity quality in its own network.

In accordance with CEER (Council of European Energy Regulators - 2001) and EURELECTRIC (2006) the issues related to electricity quality are classified into the following categories:

- Voltage quality referring to the technical features of voltage;
- Supply continuity meaning continuous supply of consumers;
- Commercial quality meaning the trading relations between suppliers, namely distributors and users as regards provision of various services;

In accordance with the above the Directorate makes certain of:

- Efficient utilisation of existent structures;
- Updating the RET Technical Code and internal procedures according to needs;
- Introducing the forecast system and technical support for dispatcher management of electricity quantities generated in CEE;
- Observing the conditions rated in the RET Technical Code, licence, performance standard and European requirements (ENTSO-E, EU);
- Observing the conditions established in European regulations or international agreements;

Strategic objective 2.2 - Enhancing the RET and increasing the operational efficiency of RET

Reviewing the SEN development scenarios in the Development Plan

for the following ten years (TYNDP in ENTSO-E language) pointed out some associated structural congestions:

- Providing discharge of output from the new capacities foreseen to be installed within SEN;
- Supplying the consumption at rated quality and safety parameters;
- SEN integration of the future energy storage installations;

Although an intensive upgrade/refurbishment plan was developed these last years many pieces of equipment provide high wear and obsolescence, being commissioned before 1990 (over 20 years) and including outdated technological solutions.

Under such circumstances a great part of SEN installations have to be refurbished / upgraded or repaired, as applicable.

Obsolescence and wear have negative impact over maintenance costs, reliability, incident behaviour, environmental impact etc. Also, the lower characteristics of equipment installed in the past do not allow remote control to be implemented in all substations.

Performance goals and indicators

Directorate makes certain of:

- Investments made with a view to remove structural congestions according to the Development plan;
- Enhancing the RET and replacing equipment by applying efficiency principles and relying on thorough cost-benefit analyses;

IV. Administration strategy and action plan - Strategic objectives

Internal perspective

Strategic objective 2.3 - Protection of critical infrastructures

Critical infrastructures are protected in order to provide functionality, continuity and integrity of ICN/ICE national and European infrastructures operated by CNTEE Transelectrica SA, being compliant with all applicable legal requirements.

Strategic objectives and action lines in the critical infrastructure protection domain are established according to the National Strategy to protect critical infrastructures approved by Governmental Decision GD 718/2011 providing implementation of specific measures and actions in order to reduce negative effects induced by specific risk factors occurring over critical infrastructures at national and regional level. The National Strategy provides in matters of critical infrastructure protection that the state's and society's efforts should be mainly directed towards two great threats: terrorism and natural disasters/calamities, with ever increasing impact over infrastructures considered critical.

In the context of energy security's significance for national security Transelectrica pays full attention to implementing the legislation regarding integrated security systems for classified information and critical infrastructures' protection.

The developments of the last two decades showed higher Company vulnerabilities caused by the failure, destruction and /or disconnection of technological infrastructures (transports, electricity, information etc.) caused by terrorist acts, natural disasters, neglect, accidents, and criminal activities.

Performance goals and indicators of Transelectrica

- Complying with the minimum legal requirements regarding the protection of critical infrastructures;

- Training and operating a security management framework as integrant part in the Company's management system;

Strategic objective 2.4 - Sustainable development of one's own infrastructures (Investment plan)

Context

In accordance with applicable legislation Transelectrica, in its capacity of transmission and system operator:

- Provides the long-term capacity of the transmission grid to cover the reasonable electricity transmission demands and operates, maintains, rehabilitates and develops the transmission grid under economic conditions in order to provide its safety, reliability and efficiency while observing environmental protection norms;
- Secures proper means to provide public service obligations;
- Contributes to safe electricity supply by providing proper transmission capacities and maintaining their reliability;

Developing one's own infrastructure aims at satisfying the users' requirements while maintaining qualitative transmission and system services and the operational safety of SEN according to applicable regulations. Providing the Company with a support infrastructure favourable to economic development and reduced electricity prices contributes nation-wide to the sustainable development and social welfare.

The development plans will contain the proposed financing and investment achievement methods for transmission networks while taking into account the development and systematisation plans for the lands they pass through, also observing the environmental protection norms.

IV. Administration strategy and action plan - Strategic objectives

Internal perspective

Strategic objective 2.7 - Non-regulated activities

Transelectrica has got growth potential by getting involved into unregulated activities, while observing their separation from regulated ones.

The Supervisory Board & Directorate intend sustaining and advising the Company to detect separate regulated / unregulated businesses, which might constitute business opportunities and analyse their efficiency by thorough cost-benefit studies.

Strategic objective 2.8 - Research and innovation

The operational management of electricity networks requires consolidated vision of long-term objectives, as well as the ability to test, learn and put in practice the most efficient technologies and concepts when applying strategic options.

Utilities provide particular interest for the Romanian State. In order to tailor the business model and provide fast response to the dynamic opportunities and threats in their operating environment (their working force is evolving, their clients' expectations change) the operators providing such services should have flexible behaviour and promote innovative technological solutions.

At macro European level the trend of the energy sector is shown in paradigm change of the gravity centre for electricity generation from conventional fuel-fired plants to the output of renewable sources. Also EU's plans to integrate the wholesale markets in all timeframes (forward, day-ahead, intraday and balance) dominate the EU agenda and a structured framework follows for network operation which should enable storage for instance but also the migration trend towards smart grids.

Consequently the main challenges facing the operators of electricity transmission systems and Romania as well in research terms are targeting: higher technical and human capabilities to develop methodologies and instruments in view of using the grid at maximum capacity without endangering its security; using new materials and technologies to increase grid flexibility and detecting data extraction and HPC (High Performance Computing) techniques in order to better manage the network closer to its maximum capacity.

Therefore the Directorate will take into account to have in the Company development plans for technical and human capabilities of research-innovation but also studies, development and research plans pertaining to 'digitalisation' as main driver of sustainable development.

IV. Administration strategy and action plan - Strategic objectives

Internal perspective

Strategic objective 2.9 - Measures to enhance cyber security

Context

The Company's information security policy includes cyber security. Thus cyber security of IT&C infrastructures contributes to achieving the Company's missions and objectives by detecting and preventing risks, vulnerabilities and threats to the IT resources and processes of the Company, achieved by means of information and communication technology.

The current dynamics of cyber threats in the context of the impact such threats might have over the Company and implicitly over national economy require addressing cyber security by multiple perspectives.

In this context the Directorate will elaborate and implement an efficient strategy approaching at least:

- Compliance with the provisions of Law 362/2018 on providing high common security degree for information networks and systems;
- Updating the cyber security systems and the cyber protection mechanisms implemented to equipment;
- Elaborating a procedural framework model regarding the IT preventive conduct which should at least target the methodology amending all internal procedures requiring interaction with IT&C;
- Implementing employees training programmes with respect to observing the security protocols and procedures in view of preventing or reducing the effects of possible cyber threats;
- Internal organisation solutions to enable organisational

development of cyber security with distinct abilities of norm setting, application and audit tailored to the labour market context in this domain;

- Investment projects providing prevention of cyber attacks but also increasing the response capacity in case of such occurrence, as well as providing specific high level assistance services of cyber security;
- Projects to upgrade the IT&C platforms;
- SOC type (Security Operation Centre) service centre that will provide cyber security monitoring and fast response to IT&C security incidents, but also cooperation with national regulatory bodies and with the similar ENTSO-E centres;

IV. Administration strategy and action plan - Strategic objectives

Learning and growth perspective

Strategic objective 3.1 - Optimising processes and turning activities efficient

Although the organisational structure underwent many changes these last years one can further notice a loaded structure by heavy oversized administrative staff.

Performance goals and indicators

Beginning with the conclusions drawn after past interventions to the organisational charter Transelectrica intends setting up new structural charters tailored to current needs and structured by the main Company businesses in agreement with the current activities.

To the same extent the Company intends taking an important step against the background of digitalisation investments that should lead to processes turned efficient and a better traceability of documents/activities etc. by implementing a digitalised project management system.

Strategic objective 3.2 - Professional improvement

Transelectrica provides personnel training and instruction by elaborating professional training, education and instruction plans in accordance with the Professional personnel training plan attached to the Company's CCM and with the annual Professional training and education plan for employees.

Performance goals and indicators

The Directorate aims at:

- Enhancing the quality of professional training and education;
- Indexing the amounts allocated to professional training and education compared to the 2020 average ;

Strategic objective 3.3 - Augmenting employees' motivation

Developing a human resources strategy centred on the employee's

permanent development and his/her motivation to perform at high professionalism levels.

Performance goals and indicators

Elaborating and implementing a salary strategy in accordance with the trends of the specific industry, with professional efficiency indicators of the ENTSOE partners.

Implementing motivational mechanisms which should comprise both the financial and the professional components to develop the professional competence range.

Strategic objective 3.4 - Remaking and developing organisational culture

As complement to the human capital growth where emphasis is laid on the individual human capital the organisational capital grows by emphasising the team work, communication leadership, company culture issues which should be aligned to the new performance requirements proposed in the Management and administration strategy.

Performance goals and indicators

- Elaborating and implementing a performance management system relying on predefined professional competences, qualitative / quantitative objectives and performance indicators;
- Implementing career management as part of the motivation increase plan and employees' affiliation to the Company;
- Adapting the Company's mission, vision and values according to the strategic goals assumed by the top management team in the next 4 years;
- Implementing a development project for organisational culture which should generate change of quality in the formal and informal working environment and should motivate employees to reach their working goals;

IV. Administration strategy and action plan - Strategic objectives

Learning and growth perspective

Strategic objective 3.5 - Performance management

In fact performance management encompasses all human resource processes that might contribute to improving the performance of Company employees, supposing a series of different but converging processes.

The Directorate will make certain such a system is implemented and added with an employee development system (including without limitation education, training, coaching etc.) but also a system for performance reward where it can be found.

The final goal is not only individual performance but also Company-wide performance of all employees, taking into account the entire unit as sum of the parties.

Strategic objective 3.6 - Optimising the process information system

- Introduction of uniform administration and maintenance of SCADA infrastructures (management platform, protections, remote control, manoeuvre signals, indicators, metering);
- Equal treatment of data exchanges with producers, distributors or, as applicable, consumers interconnecting to RET;
- Detecting, setting the priority and equal treatment of data exchanges under the European cooperation initiatives;

IV. Administration strategy and action plan - Strategic objectives

Financial perspective

Strategic objective 4.1 - Providing the profitability degree

Providing the expected profitability degree is a goal in itself for the four mandate years. Achieved profitability will enable on the one hand to provide the necessary conditions for dividend payment to shareholders and it will equally provide funds required to carry out the investment plan.

In terms of financial markets loans are drawn (bank and/or bondholder credits) .

2020 – 2024 financial projections were mainly elaborated based on the assumed electricity amounts transmitted within RET, on

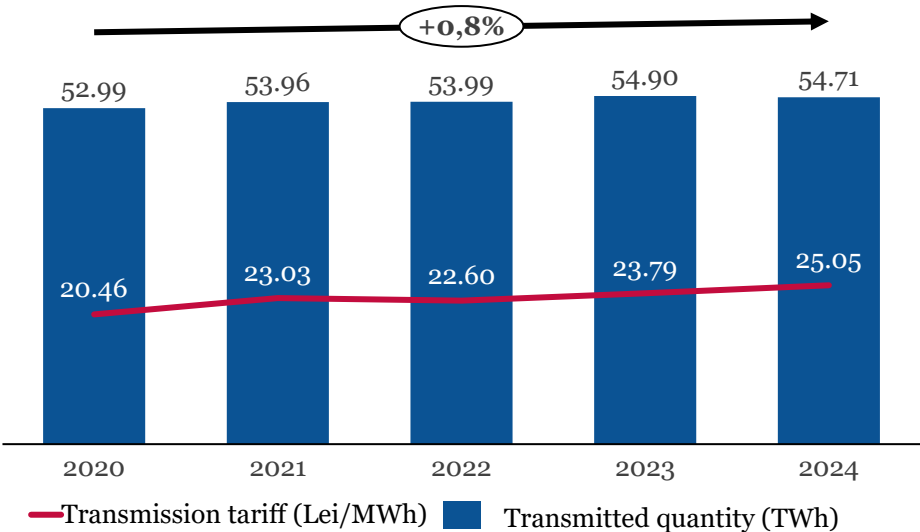
estimated tariffs to be applied for transmitted electricity, the balancing market estimations and the controllable and uncontrollable costs as defined in the tariff-setting methodology.

The result account of the 2020 – 2024 interval used in such working assumptions is provided below.

Performance goals and indicators

Achieving a gross operational profit exclusive of amortisement (EBITDA) of minimum 70%, according to the data below.

Basic assumptions for the transmitted amounts of electricity and tariff developments



CONTUL DE REZULTATE					
Venituri					
	2020	2021	2022	2023	2024
	estimat	estimat	estimat	estimat	estimat
Total venituri	RONm 2.628,8	2.812,7	2.780,7	2.875,7	2.937,0
Total cheltuieli din exploatare					
	RONm 2.560,2	2.724,7	2.693,3	2.785,8	2.828,8
Profit din exploatare (EBIT)	RONm 68,6	88,0	87,4	89,9	108,2
EBITDA	RONm 324,4	319,9	305,4	311,1	341,5
EBITDA %	% 12%	11%	11%	11%	12%
Rezultat financiar net	RONm 2,9	(0,3)	0,9	(2,7)	(16,3)
Profit inainte de impozitul pe profit (EBT)	RONm 71,5	87,7	88,3	87,2	91,8
Impozit pe profit	RONm 10,1	14,0	14,6	13,5	14,7
Profitul exercitiului	RONm 61,4	73,7	73,8	73,7	77,1

IV. Administration strategy and action plan - Strategic objectives

Financial perspective

Strategic objective 4.2 – Maintaining and/or improving the credit rating

The determining factors for the credit rating development of Transelectrica are represented by:

- The development of Romania's sovereign rating;
- The potential significantly deteriorating of credit matrices (digital indicators used in the credit analysis to rating companies (Moody's Investor Services, Fitch or Standard & Poors);

The Company's internal analysis determined the main vulnerabilities detected in the basic credit profile component and mainly targets: (i) the regulatory environment, and (ii) credit foundations.

Consequently:

i. The regulatory framework mainly refers to:

- The tariff-setting mechanism, a potential to improve the recovery of operational costs and investment-associated costs;
- Coherence and transparency of regulatory actions;

ii. The Company's individual credit foundations refer to:

- High exposure of results to the hard currency exchange rate;
- Significant demand of Company liquidities for the future launch of a wide investment plan (the Company's capacity to generate liquidities from core activities and access funds on the financial market becomes key element to mitigate such risk);
- Credit facilities and/or protection instruments for exchange rate differences;

sovereign rating (international rating agencies grant in very seldom situations a credit rating superior to the country's rating in case of local companies where the Romanian state is shareholder), the Company intends to maintain at least a notch under the sovereign rating (investment grade rating) while also paying attention to improve the financial performance indicators, the stability and predictability of their time development and the independence of finance sources.

Performance goals and indicators

In the context of Transelectrica's rating strongly correlated with Romania's

IV. Administration strategy and action plan - Strategic objectives

Financial perspective

Strategic objective 4.3 - Optimising the finance mix

Financing optimisation is an essential item in view of improving the financial performance. Thus consideration is given to have a balanced financing mix from one's own sources, non-current loans and current borrowings. Moreover the capacity of Transelectrica to access financial markets at low costs is an essential pre-requisite for fully implementing the investment plan.

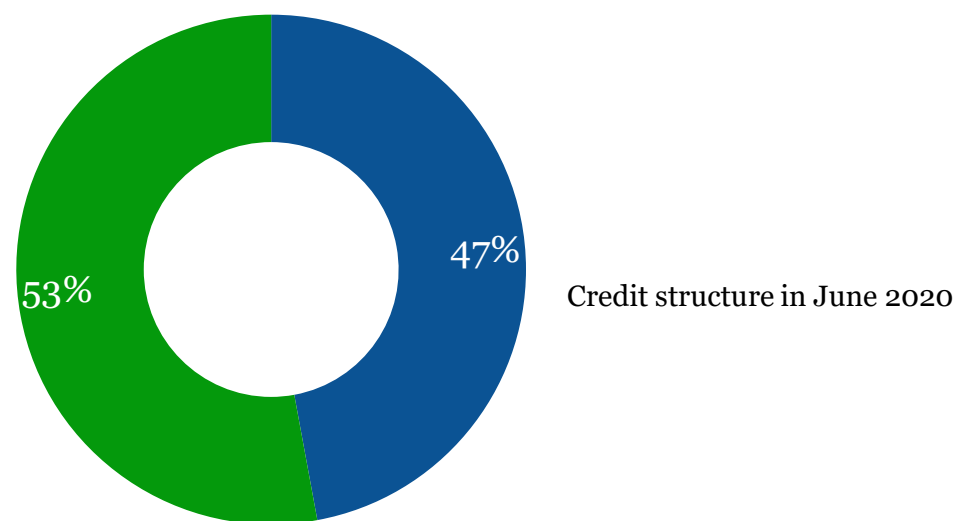
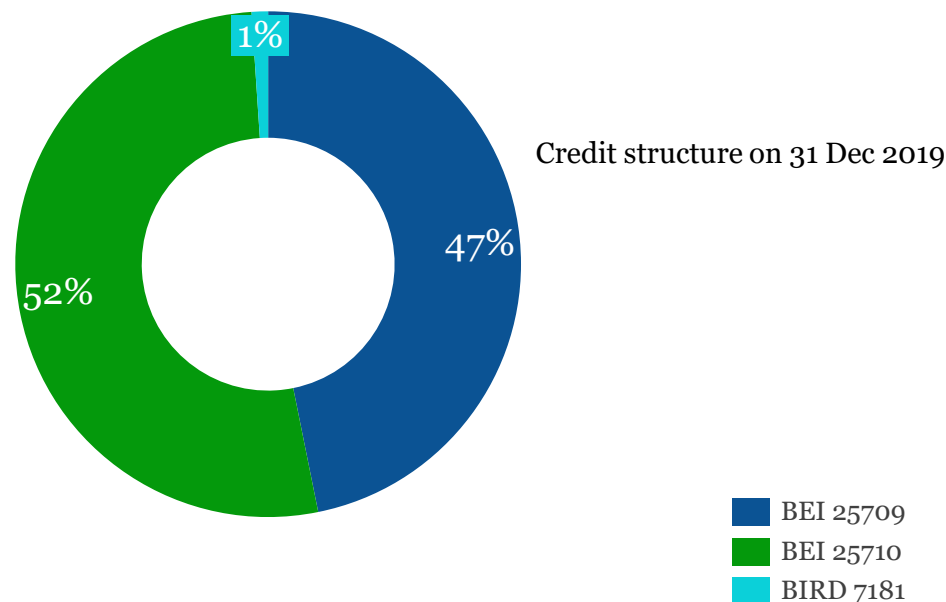
The Company uses current loans according to the requirements of the secondary legislation regarding the obligation to provide credit facilities and bank security letters to sustain the support scheme (Transelectrica is the state aid scheme administrator).

As of this date the Company has concluded the following credit facilities:

- Credit line to finance the support scheme, 175 mill. Lei;
- SGB cap in favour of ANRE, 27 mill. Lei;
- SGB cap of 33 mill. Lei for the electricity market;
- Transelectrica uses non-current borrowings (we can include here bondholder loans) to finance investment projects developing the RET.

On 31 December 2019 the balance of bank loans for investments amounted to 147.4 million Lei and on 30 June 2020 it was 136.1 million Lei. The last instalment of the IBRD 7181 loan was also paid during this time interval.

To add its financing sources Transelectrica also resorts to European funds.



IV. Administration strategy and action plan - Strategic objectives

Financial perspective

Strategic objective 4.4 - Leverage indicators

The net liability / EBITDA ratio of a company rates its capacity to pay debts. It is an useful instrument for investors attempting to estimate a base for the accurate time an issuer asks to pay its dues without taking into account variables such as amortisement, depreciation, taxes and interest rates.

Debt / EBITDA is one of the most frequent financial methods used by credit rating agencies such as Standard & Poor's, Moody's and Fitch Ratings in order to assess the payment failure risk of an issuer. When an issuer's liability / EBITDA ratio is high agencies are intending to lower the company's ratings because it is usually an indicator which can indeed provide difficulties in paying its financial obligations and liabilities.

EBITDA indicator is the acronym for Earnings Before Interest, Taxes, Depreciation and Amortisation.

The net debt ratio represents all the interest-bearing loans, of which bank cash amounts are deducted.

The interest coverage ratio (EBITDA/Interest) is used in order to assess a company's financial durability and it shows its capacity to pay expenses by the interest rates of contracted credits. A higher ratio than 1 indicates the company has debt coverage more than enough to pay expenses by interests.

Performance goals and indicators

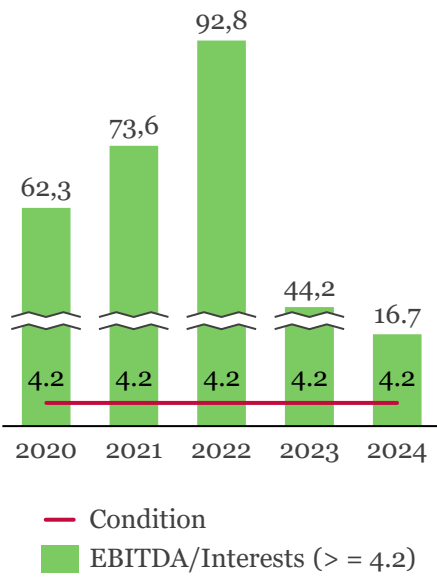
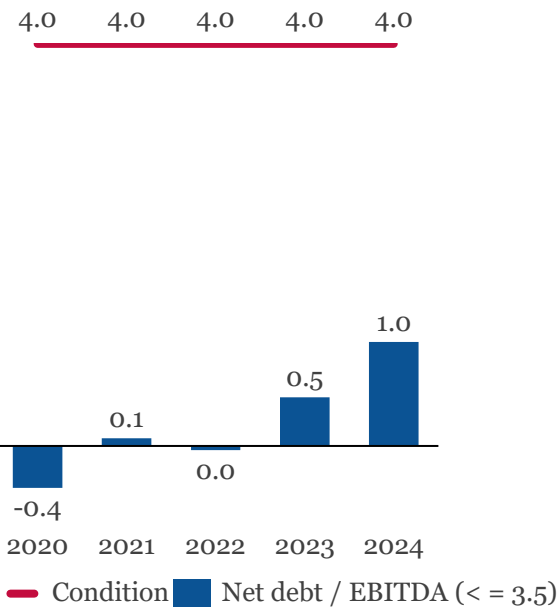
The Company's Directorate aims at having the previously-mentioned financial indicators within safety limits both in terms of financial risks and also to provide enhanced comfort to potential financiers, rating agencies as well as the capital market (please remember Transelectrica is listed on the Bucharest Stock Exchange) entirely (institutional investors, private investors, market analysts etc.) as follows:

A. Net debt/EBITDA ratio <=4.0

B. EBITDA/Interest rates >=4.2

Performance goals and indicators

During its mandate term the Directorate aims at never exceeding the net debt / EBITDA ratio of 4.0.



IV. Administration strategy and action plan - Strategic objectives

RET planning

RET planning aims at maintaining qualitative transmission and system services and the operational safety of the national power system under economic efficiency terms in accordance with applicable regulations and standards assumed Europe-wide by the transmission operators associated within ENTSO-E.

Transelectrica develops and upgrades the transmission network in order to provide its adequacy to the needs of SEN development. Thus RET planning takes into account at least the following:

- The development of the national and regional consumption;
- The occurrence of new generating units (in general renewable sources but not only them);
- The demand for cross-border electricity exchanges;
- Obsolete worn out transmission equipment;
- Generating capacities taken out of operation;
- Increased volatility of power flows in the grid;

In technical terms robust flexible solutions are searched taking into account the uncertainties of system development; such solutions should cope with several possible scenarios this mitigating risks.

A few strategic directions are also followed that aim at increasing the efficiency and efficacy of provided services:

- Implementing new performant technologies;
- Promoting tele management of installations from Transelectrica substations;
- Providing proper infrastructures in accordance with the developments on the electricity market;
- Promoting technical and operational solutions leading to reduced RET losses;
- Reducing congestions within RET;

RET is developed in accordance with the requirements and priorities

provided in the national energy strategy and policy. They are determining references to find priority directions and to forecast the development trends in the energy sector taken into account for planning.

The Directorate acknowledge the investment pressure determined by SEN development in the last regulatory period and took into account expediting the investment plan.

Consequently RET development in 2020 - 2024 provides investment projects that will generate cash outputs amounting to 2,070 million Lei and commissioning of 1,579 million Lei.

Investment projects are grouped by destination as follows:

-
- A. Retehnologizarea RET existente
 - B. Alte investiții la nivel de sucursale și executiv
 - C. Siguranța alimentării consumului
 - D. Integrarea producției din SRE și centrale noi - Dobrogea și Moldova
 - E. Integrarea producției din centrale - alte zone
 - F. Creșterea capacității de interconexiune
 - G. Inlocuire componente sistem EMS SCADA AREVA, DAMAS
 - H. Sisteme integrate de securitate
 - J. Management sisteme informatice și telecomunicații
 - L. Alte cheltuieli de investiții
-

IV. Administration strategy and action plan - Strategic objectives

RET planning

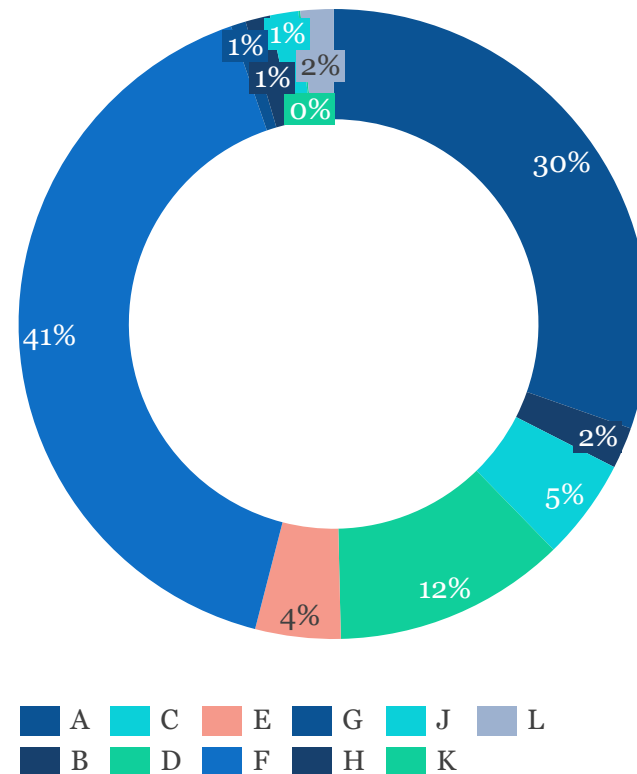
CAPEX (iesiri de numerar)		2020	2021	2022	2023	2024
A. Retehnologizarea RET existente	RONm	166,4	182,7	134,1	93,0	52,9
B. Alte investiții la nivel de sucursale și executiv	RONm	11,4	11,6	7,1	7,0	7,0
C. Siguranța alimentării consumului	RONm	19,1	23,5	18,5	20,7	25,9
D. Integrarea producției din SRE și centrale noi - Dobrogea și Moldova	RONm	20,1	18,5	78,3	63,0	67,2
E. Integrarea producției din centrale - alte zone	RONm	0,0	1,5	4,6	23,5	60,9
F. Creșterea capacității de interconexiune	RONm	98,9	140,0	182,7	207,6	213,5
G. Înlocuire componente sistem EMS SCADA AREVA, DAMAS	RONm	6,4	0,0	9,6	0,0	0,0
H. Sistem de contorizare și de management al datelor de măsurare a energiei electrice pe piața angro	RONm	0,0	0,3	10,0	10,0	6,0
J. Management sisteme informatice și telecomunicații	RONm	13,3	4,5	9,4	3,0	0,0
K. Infrastructură critică	RONm	2,0	0,0	0,0	0,0	0,0
L. Alte cheltuieli de investiții	RONm	4,8	4,5	9,5	6,3	10,0
Total	RONm	342,3	387,0	463,7	434,0	443,5

PUNERI IN FUNCTIUNE		2020	2021	2022	2023	2024
A. Retehnologizarea RET existente	RONm	116,1	177,9	160,7	92,8	27,9
B. Alte investiții la nivel de sucursale și executiv	RONm	10,1	10,2	2,4	0,3	5,3
C. Siguranța alimentării consumului	RONm	-	66,7	1,6	2,8	-
D. Integrarea producției din SRE și centrale noi - Dobrogea și Moldova	RONm	-	-	55,1	-	133,9
E. Integrarea producției din centrale - alte zone	RONm	-	-	-	-	-
F. Creșterea capacității de interconexiune	RONm	-	2,8	-	395,1	198,3
G. Înlocuire componente sistem EMS SCADA AREVA, DAMAS	RONm	32,0	-	9,6	-	-
H. Sisteme integrate de securitate	RONm	5,2	4,5	-	-	-
J. Management sisteme informatice și telecomunicații	RONm	2,0	16,7	1,1	0,1	0,1
L. Alte cheltuieli de investiții	RONm	12,3	9,0	9,4	13,9	3,5
Total PIF	RONm	177,7	287,7	239,9	504,9	368,9

The RET development plan for 2020 – 2024 places emphasis on the projects targeting refurbishment of existing substations (30% of the total amount allotted to 2020 - 2024) namely the increase of interconnection capacity with neighbouring countries (41% of the allocated value) in line with the requirements of European energy policies.

As regards equipment commissioning the establishment rate of non-current assets contributing to the Regulated Asset Base (RAB) is lower. Thus commissioning estimated in 2020 – 2024 amount to 1,579 million Lei.

Mention should be made however the RAB analysis in previous regulatory periods and the investment plan achieved lead to the conclusion investments were achieved below planned levels, which led to diminished RAB.



Such circumstances were arrived at by causes external to the Company over which the Company management has no control, and by internal causes as well.

The Directorate review has lead to the following main causes: (i) certain procurement procedures were cancelled or resumed, (ii) savings from contracts granted at lower values than estimations, (iii) execution delays of contractors, (iv) late issuance of endorsements, agreements, licences or governmental decisions.

IV. Administration strategy and action plan - Strategic objectives

RET planning

Strategic objective 4.5 - RET upgrade

Project commissioning is a measure for the replacement rate and RET development. The Company’s financial and human efforts are directed to upgrading and to making RET a modern reliable system adapted to European requirements.

Practice shows the investment projects of Transelectrica are complex in technical terms, extend to long time intervals and are implemented under deficit legislative terms.

Performance goals and indicators

Taking into account the multiple variable and equally the risks derived from such numerous variables (external but also internal to the Company) the Directorate aims at achieving at least 70% of the investment plan achieved and reviewed each year in 2020 -2024 (Annex 4 to the BVC approved by AGA).

Strategic objective 4.6 - RAB growth

Repairing the decreasing RAB trend is a major objective of the Directorate’s mandate (2020-2024), both in terms of the Company’s long-term sustainability and as regards the short-term support for the transmission tariff.

The RAB formula is as follows:

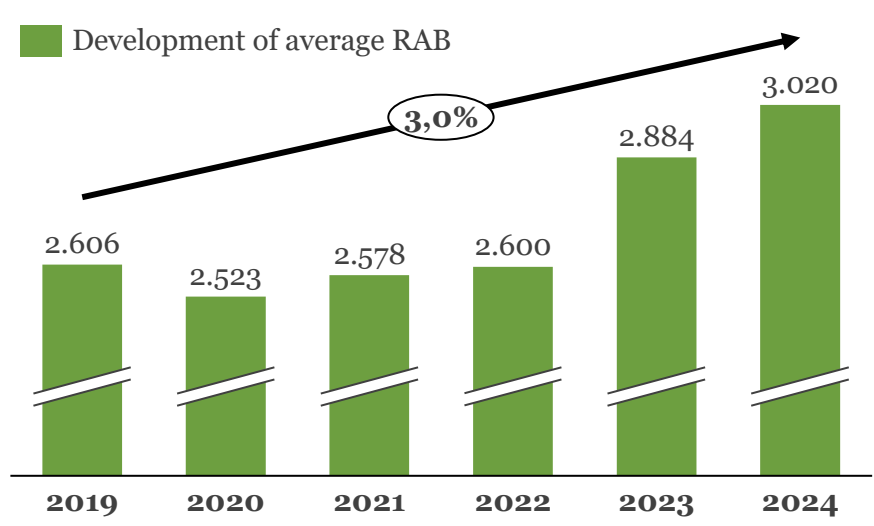
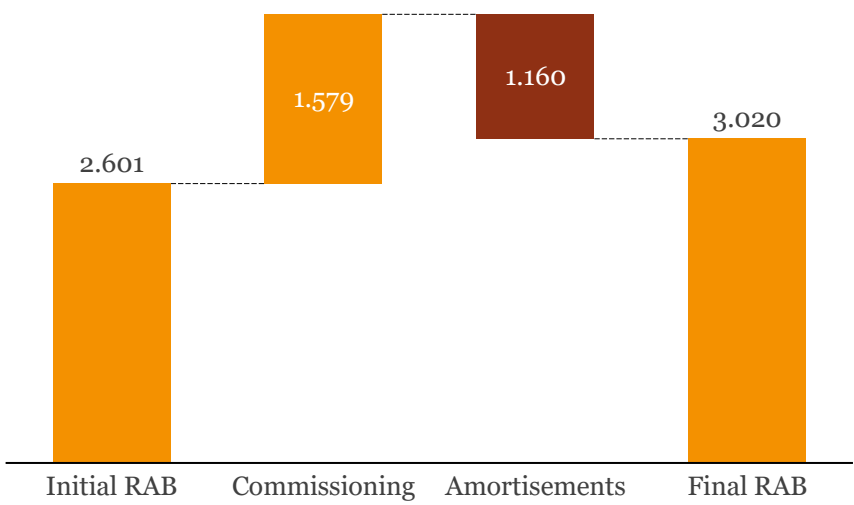
$$BAR = BAR_{\text{per precedentă}} + PIF_{\text{per curentă}} - amortizare_{\text{per curentă}}$$

In 2020 - 2024 the projected commissioning amounting to 1,579 million Lei, which are deducted the amortisements of the time interval amounting to 1,160 million Lei provide BAR growth by 419 million Lei compared to 2019.

Performance goals and indicators

Stopping and reversing the decreasing trend of the regulated asset base (RAB) and reaching 3.0% average annual growth in 2020 - 2024.

		2020	2021	2022	2023	2024
Puneri in functiune	RONm	177,7	287,7	239,9	504,9	368,9
Amortizari	RONm	255,8	231,9	218,0	221,2	233,3



IV. Administration strategy and action plan - Strategic objectives

Technical objectives of the mandate

Strategic objective 4.7 - Maintaining the safety and continuity indicators according to RET's Technical Code

ANRE has elaborated the Performance Standard for electricity transmission and system services in order to comply with the quality terms stipulated in the Licence for Transmission and System Operator and in the Technical Code of RET. Transelectrica is permanently monitoring the established performance indicators by observing the above-mentioned standard and reporting to ANRE the compliance with it.

In 2017-2019 as far as OHLs are concerned reduction was noticed in the average unavailability, mainly because of minor preventive maintenance. As regards time scheduled unavailability (of OHL), it was actually constant in 2017-2019, showing the relatively constant volume of planned preventive (both minor and major) maintenance. One can also find a significant reduction of the average interruption (AIT) during the studied period.

In general accidental events occurred within RET have not impacted the continuity of consumers' supply or the quality of delivered electricity.

Safety indicators calculation enables both the network operators and users to assess the influence of the respective node's RET connection (by determining the associated safety level) and the reliability parameters of equipment (by determining the intrinsic safety degree).

Safety indicators determined in each electric substation of Transelectrica are as follows:

- Annual average interruption time (h/year);
- Average number of long interruptions (removed by repairs);
- Maximum number of long interruptions (removed by repairs);

- Average number of interruptions removed by manoeuvres;
- Maximum number of interruptions removed by manoeuvres;
- Maximum interval of an interruption;

As regards the continuity of supply, mention should be made indicators near the European values are maintained with high costs of preventive and corrective maintenance in the non-refurbished/non-upgraded substations.

Indicators will improve, especially as regards the time interval of (average and maximum) interruptions by refurbishing/upgrading lines and substations and by reducing the remedial times of defects using management technologies and systems of higher performance. Operational regimes of the transmission network are under uninterrupted examination and make the basis of the 10 years' RET Development Plan.

Indicator	2017	2018	2019
Indisponibilitatea medie în timp a LEA și Trafo / AT			
LEA – INDLIN [ore/an]	158,10	154,42	136,2
Neprogramată (accidentală)	11,67	9,25	7,19
Programată	146,43	145,17	129,01
Trafo / AT – INDTRA [ore/an] TOTALA	182,01	129,53	236,44
Neprogramată (accidentală)	18,51	3,11	27,56
Programată	163,5	126,42	208,88
Număr de incidente	546	578	428
Energia nelivrată consumatorilor / blocata in centrale, în urma incidentelor produse în RET [MWh]	289,46/1105,56	118,81/3565,49	91,79/6,53
Număr de incidente însoțite de energie nelivrată	22	32	27
Timp mediu de întrerupere TMI (AIT) [min/an]	2.762	1.127	0,905

IV. Administration strategy and action plan - Strategic objectives

Network maintenance

Strategic objective 4.8 - Providing RET maintenance

Electric lines and substations making the national transmission system were mostly built in the 1960-1970, using the technology of that decade. However mention should be made the installations' actual technical condition is maintained at proper level due to a rigorous maintenance plan and to sustained development, refurbishment and upgrade plans for installations and equipment.

Maintenance activities are in agreement with Transelectrica's asset management policy and, according to world practice, are a part of it. Such management is an up-to-date notion applied to a large extent starting from the operation and maintenance of existing installations while also providing qualitative services at highest standards under acceptable risk terms.

PAM application and the management of maintenance activities are performed by Company personnel based on operational procedures, specifications, technological forms, internal technical norms and specific working guidelines.

All such activities will be continuously reviewed and updated.

The Maintenance Provision Plan for RET targets the following purposes:

- Observing ANRE's requirements for maintenance activities made by licence holders, which are regulated by the Management and Organisation Regulation for maintenance activities;
- Establishing the strategy, the mid- and long-term objectives, the responsibilities, requirements and achievement manner;
- Establishing the performance criteria for maintenance operations, while

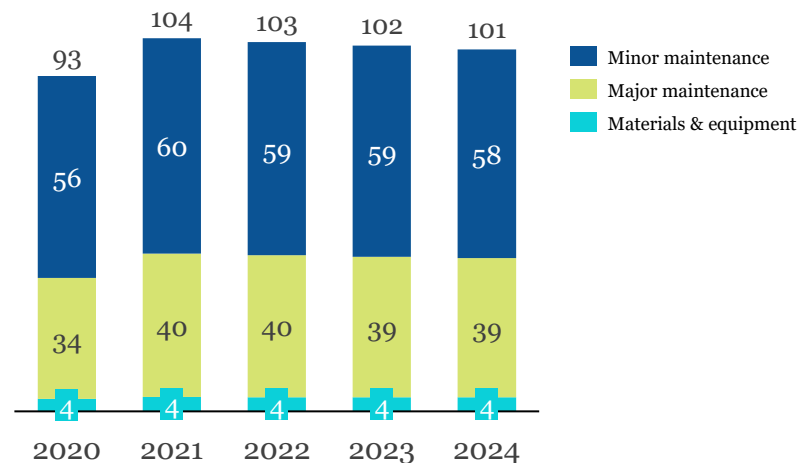
also identifying costs;

- Elaborating, issuing and updating regulations, procedures, guidelines, plans, technological forms specific for certain activities and/or domains associated to RET maintenance;

Performance goals and indicators

The amounts allocated both to minor and to major maintenance are provided below. The Directorate intend setting 90% achievement of the maintenance plan to be approved by ANRE as indicator during their mandate.

Note: submitted values are approved by ANRE and can undergo changes after analysis and decision.



IV. Administration strategy and action plan - Strategic objectives

Energy efficiency and new technologies

Strategic objective 4.9 - Technological innovation

The need to expedite technical innovation is an obvious need for CNTEE Transelectrica SA. Developing new technologies for network equipment and new modelling methods will enable the Company to fulfill its mission in a developing power system. The Company needs support, research and consulting studies to ground decisions and implement new technologies like the international ones and/or specific to the Romanian power system in line with European requirements, with a view to provide SEN operation under maximum safety and stability terms according to the quality standards provided in the transmission licence.

Such studies provide good conditions for activities and for one's responsibilities, for increased technical-economic performance of Company organisational activities.

The annual study and research plan will be sized taking into account:

- Current goals, projects and priorities in agreement with one's assignments and responsibilities;
- The need to continue certain work and programmes initiated in previous years (further studies);
- Opportunity to restructure and update work, both proposed and under elaboration;
- The need to get higher efficiency of allocated funds;

The work proposed for the 2020 – 2024 Annual Study Programme mainly refers to the following objectives:

- Cost management, CPT reduction;
- Establishing cost-benefit analysis indicators for RET development projects according to ENTSO-E methodologies;

- Technological engineering and technical expertise;
- Operative SEN scheduling and control, its steady-state and dynamic stability;
- Providing the regulations and procedures needed for Company operation;
- The impact of RET's mid- and long-term development, 2026-2031;
- RET development in Bucharest City's metropolitan area;
- Optimum utilisation of RET infrastructure, providing electricity transmission services while observing the performance standards defined in regulations and in the contracts concluded with the beneficiaries of such services;
- Developing a new kind of network in Europe which promotes the market of electricity from renewable sources, enabling free access to market participants while increasing SEN's operational stability;
- Hourly profiling the amounts of system technological reserves in line with European codes by establishing sizing means for active power reserve quantities;

Performance goals and indicators

The Directorate fully understand the need and importance of RET development lines but also the expectations to reduce operational costs under European operation and integration. Consequently the Directorate intend launching a series of at least 26 studies as performance indicator during their mandate.

Descriere	2021	2022	2023	2024
Nr studii propuse	8	6	6	6
Valoare estimata	1,213,000	649,000	689,000	900,000

IV. Administration strategy and action plan - Strategic objectives

Ethics, integrity and corporate governance

Ethics in business

As regards the conformity management system, an integrity plan was elaborated Transelectrica-wide, which was approved at the end of 2019.

- At the same time Transelectrica designated representative that participated to the Annual Anti-Corruption Conference organised by the Ministry of Justice on 'Consolidating the administrative capacity of the technical secretariat for the 2016-2020 National Anticorruption Strategy to support the implementation of anticorruption measures;
- In 2019 measures were taken as included in the National Anticorruption Strategy (SNA) and next, emphasis will be laid on their application and improvement. Mention should be made the norms applied according to the SNA have not been trespassed and no complaints or notifications were sent;
- The Company has also paid particular attention to knowing the norms applicable to such activities, which has led to a year with no discipline infringements by employees and no conflicts of interests, in accordance with SNA's specifications;

Conduct and ethical code

The Ethical and Professional Conduct Code of Transelectrica Personnel was reviewed in 2017 and represents the general document including the internal regulatory frameworks for Company employees; it provides information about the manner in which they shall behave in moral professional terms both during job activities and beyond. At the same time it is a guarantee Transelectrica personnel have all the information required for an ethical behaviour and equally an evidence for the Company's serious treatment of partners.

The review performed has cleared some aspects of corruption fighting, professional obligations and the compliance with the legal framework and internal norms. The Ethical and Professional Conduct Code is available on the Company's internet page.

The protection of personal data

Taking into account legal provisions on personal data, especially the application of (EU) Regulation 2016/679 of the European Parliament and Council of 27 April 2016 on the protection of natural persons as regards processing their personal data and the free circulation of such data, called GDPR, mention should be made in 2019 Transelectrica has permanently attempted to comply with applicable provisions.

Consequently there were no confirmed complaints about violations of personal data protection or about their loss.

Anti-competitive or anti-trust behaviour

Taking into account the specific Transelectrica activities and its special feature of Company holding natural monopoly on the electricity transmission market, there have been no anti-competitive or anti-trust occurrences. Consequently in 2019 there were no legal proceedings in this respect.

IV. Administration strategy and action plan - Strategic objectives

Ethics, integrity and corporate governance

Assuming the governance principles

Once its shares have been listed on the regulated market of the Bucharest Stock Exchange (BVB) the Company assumed the principles of BVB's Corporate Governance Code. In accordance with BVB requirements Transelectrica placed the Company's reviewed Corporate Governance at the investors' disposal.

The compliance with corporate governance principles is mirrored in the Conformity Statement with BVB's Corporate Governance Code, which the Company elaborates and prints next to the Annual Report.

Also the Company's Supervisory Board has established within it the Nomination and remuneration committee, Audit committee and Energy security committee. The appointed persons should meet the eligibility criteria and not be found in incompatibility circumstances established in the applicable law or statutory provisions during their entire mandates of Supervisory Board/Directorate members of the Company. In correlation with such obligations the Company is entitled to request Board members reasonably assurance about their compliance with such obligations.

National and international affiliations

Taking into account Transelectrica's important role of SEN operation and electricity market management, activities with strong natural and international nature, the Company is member in specific national and international organisations and bodies and intends further participating to them. In capacity of members, Company representatives belong in the committees and working groups of such organisations and participate to decision-making, to elaborating studies and technical expertise. Transelectrica is also involved into projects with regional and pan-European impact.

The Company has representatives in different specific national organisations and associations, which belong into such organisations' committees and working groups and thus participate to decision-making, the elaboration of studies and scientific expertise.

Also it is possible to facilitate direct contacts, exchanges of information, experience and expertise, to state and recognise the Company's leader position in Romania's electricity transmission by means of such national associations and organisations.

V. Administration strategy and action plan - Strategic objectives

Dividend policy

As far as the dividend policy is concerned, practice shows that in general companies use three indicators: DPS (dividend per share), dividend payout and/or dividend yield.

Transelectrica's 2020-2024 dividend distribution policy proposes using the dividend payout indicator by applying 75% rate calculated on the profit remaining to be distributed between shareholders, reserves and employees.

Thus it will provide (i) optimum balance to maintain solid sound Company's financing structure, which should keep the solvability and liquidity indicators within comfortable limits, and (ii) will enable as priority the provision of funds needed to carry out the investment plan while distributing dividends in line with the shareholders' expectations for such asset type.

The current legislative framework on reserves establishment and the Company's capacity to generate positive cash flows enable a comfortable 75% dividend payout while also allocating sufficient reserves to investment projects.

Mention should be made Transelectrica has got sound cash position and its leverage is one of the lowest among European TSOs.

Dividende plătite (lei)	2020	2019	2018	2017
Număr de acțiuni	73,303,142	73,303,142	73,303,142	73,303,142
Dividend pe acțiune	0.48	0.91	0.02	2.26
Dividend special pe acțiune	0	0	0	2.32
Dividende plătite	35,185,508	67,042,208	1,462,282	165,540,607
Dividende speciale plătite				169,798,704
Dividende plătite statului	20,649,671	39,345,731	858,184	97,152,471
Dividende speciale plătite statului				99,651,463
Dividende plătite celorlalți acționari	14,535,837	27,696,477	604,098	68,388,136
Dividende speciale plătite celorlalți acționari				70,147,241

Dividend/acțiune plătit (lei)	2020	2019	2018	2017
OMV PETROM S.A.	0.031	0.027	0.02	0.015
S.N.G.N. ROMGAZ S.A. - dividend	1.61	4.17	4.99	3.82
S.N.G.N. ROMGAZ S.A. - dividend suplimentar	0	0	1.86	1.94
S.N.T.G.N. TRANSGAZ S.A. -dividend	15.47	21.66	45.38	46.33
S.N.T.G.N. TRANSGAZ S.A. -dividend suplimentar	0	0	1.14	14.52
SOCIETATEA ENERGETICA ELECTRICA S.A.	0.72	0.73	0.72	0.74
S.N. NUCLEARELECTRICA S.A. - dividend	1.65	1.26	0.90	0.33
S.N. NUCLEARELECTRICA S.A. - dividend suplimentar	0.00	0.00	1.61	0.36
CONPET SA - dividend	7.05	7.47	8.04	16.58
CONPET SA - dividend suplimentar	0	0	0	9.82
ROMPETROL RAFINARE S.A.	N/A	N/A	N/A	N/A
OIL TERMINAL S.A.	0.001952	0.000078	0.007745	0.024424
ROMPETROL WELL SERVICES S.A.	0.0437	0.018	0.0026	N/A

VI. Constraints, risks and limitations

Technical and operational hazards

- Loss of SEN stability
- Malfunctions of systems and platforms used for operative management
- Failure to provide security and protection of ICN/ICE critical infrastructures
- Failure to comply with legal provisions
- Unavailable monitoring and electricity metering and access to metering data
- Incomplete achievement of RET's Maintenance Plan
- Failure / unavailability of installations and equipment
- Failure to comply with legal mothballing requirements
- Failure to comply with legal requirements on labour health and safety / environmental protection
- Failure to provide environmental protection
- Failure to provide security and protection of cyber infrastructures
- Breaches in the provision of business continuity during emergency situations
- Failure/breakdown/unavailability of 220 kV and 400 kV OHLs, of protection and automation systems, of the command - control - monitoring systems (SCC)
- Failure/breakdown/unavailability of primary equipment in transformer substations, of shunt reactors, direct and alternating current auxiliary services, fire prevention and fighting installations, communication/telecommunication systems
- Emissions/spills of substances noxious to the environment (smoke, SF6, oil, fuel etc.)

Financial risks

- Financial risks and associated to electricity markets (price risk, payment default risk and forecast risk)
- Interest rate risk

- Hard currency risk
- Risk of covenants from finance and investment agreements; liquidity risk
- Risk of deteriorated credit rating
- Counterpart risk

Strategic risks

- Achieving the Annual Investment Plan below the scheduled quantitative or qualitative levels
- Failure to comply with EU regulations
- Failure to provide security to classified information
- Incomplete achievement of RET's Maintenance Plan
- Influencing the personnel's health and security
- Difficulties in personnel recruitment, professional training and motivation
- Delays to observe work terms, or poor quality work;

VI. Constraints, risks and limitations

Company activities are sensitive to general economic conditions, which can influence the quantity of transmitted electricity and implicitly operational revenues and results. Moreover the demand of electricity and its price depend on a variety of factors the Company has no control on, of which:

- National and regional economic and political developments;
- The demand of industrial consumers;
- Climatic conditions;
- Existent laws and regulations;

Political and legislative risk

- In relation with delays of Governmental update and approval of the national energy strategy;
- Late application of the European legislative framework, both in terms of transposing it into national legislation and of its implementations (see the certification process), which might lead to infringement;

Regulatory risk: next to the political and legislative risk, it has dimensional structure (low flexibility of the mechanism establishing the transmission tariff to fully promptly recover costs) and defective run of the tariff-setting mechanism, both components contributing to absent predictability of Company's financial results.

Rigidity/limits of the tariff-setting mechanism lead to:

- Difficult/late recovery of costs (current costs: actual inflation > forecasted inflations included in the tariff, achieved needed investments not included in the plan initially approved for a regulatory period);
- Unsustainable level of CPT recognised in the tariff;
- Possible occurrence of 'sunk costs' (failure to fully recover the capital invested in certain projects initially approved by ANRE but revaluated

later as unjustified by the authority and excluded from the RAB);

- No possibility to adjust the cost of capital within a 5 years regulatory period depending on the development of financial markets;
- Failure to recover costs of capital in the period going from capital commitment and RAB recognition of the resulting asset;
- Limited possibilities of the current mechanism to compensate by tariff the induced effect on regulated revenues of possible significant contractions in the electricity amounts that can be billed (regulated revenue is exclusively allocated to electricity, in comparison with the distribution by energy and power);

Risk of deteriorated credit rating of the Company shows a complex of factors with potential effect over higher financing costs on the credit market, which might significantly impact the Company taking into account the substantial amount of capital that has to be drawn to finance the investment plan for the following years. On the other hand the Company rating is strongly dependent on Romania's sovereign rating.

Volume risk (quantity of electricity that can be billed): potential unforeseen contractions of electricity amounts transmitted within SEN from one year to another, even if they are later adjusted (year $n+1$), produce direct disturbances on the revenues obtained from regulated tariffs because in accordance with the current regulatory framework, regulated revenues established ex-ante are fully distributed to energy by estimated quantities.

VI. Constraints, risks and limitations

Counterpart risk: it represents the non-collection risk of the value of services provided on the electricity market. In case of the centralised market allocating interconnection capacities the risk was treated by concluding Agreements on capacity allocation with the transmission and system operators of neighbouring countries and work is in progress for the interconnection of markets with Hungary, Czech Republic, Slovakia and Poland.

Risk of financing interest rate fluctuations and of hard currency:

- The Company can be exposed to fluctuations in the hard currency exchange rates by cash and cash equivalents, non-current borrowings or trading liabilities expressed in hard currency (Euro). Hard currency loans are later on expressed in Lei at the exchange rate as of the balance sheet date, which is notified by BNR;
- Mainly because of non-current loans in hard currency the contracts from external financing banks to finance investments – the risk of interest rate increase; most loans drawn to finance investments are bearers of variable interest connected to international indexes; interest increase on international inter-banking markets determine indexed financing cost, with implications over the results;

Other risks (Covid 19)

In the recent period EU/EEA countries and UK registered significant increase of Covid-19 cases and the current situation represents major threat to public health. In this context, beyond the impact on the economy, the contagion risk of Transelectrica personnel is high. Consequently, the Company will take all the measures requested by specific bodies in order to limit the impact over employees.

Changes in such measures and their implementation will generate additional costs compared to regular times.

The new operational paradigm also requires changing the working mode

and expediting investment plans for digitalisation and cyber security.

In terms of achievement rates of investment projects, the future negative developments of the pandemic over the population can determine delays in investment projects, determined by late equipment delivery, slowing down works etc.

VII. Annexes - financial projections

CONTUL DE REZULTATE

Venituri

Total venituri

	2020	2021	2022	2023	2024
	estimat	estimat	estimat	estimat	estimat
RONm	2.628,8	2.812,7	2.780,7	2.875,7	2.937,0

Cheltuieli din exploatare

Cheltuieli pentru operarea sistemului

RONm	310,2	372,7	370,7	387,5	411,2
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Cheltuieli privind piata de echilibrare

RONm	790,5	790,5	790,5	790,5	790,5
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Cheltuieli privind serviciile de sistem

RONm	648,5	693,9	684,6	693,2	690,6
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Amortizare

RONm	255,8	231,9	218,0	221,2	233,3
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Salarii și alte retribuiții

RONm	262,0	278,8	304,4	340,3	389,6
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Reparatii si mentenanta

RONm	132,5	162,6	160,8	165,1	164,4
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Cheltuieli cu materiale si consumabile

RONm	15,4	14,1	12,2	12,2	12,2
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Alte cheltuieli din exploatare

RONm	145,2	180,2	152,2	175,8	137,0
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Total cheltuieli din exploatare

RONm	2.560,2	2.724,7	2.693,3	2.785,8	2.828,8
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Profit din exploatare (EBIT)

RONm	68,6	88,0	87,4	89,9	108,2
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EBITDA

RONm	324,4	319,9	305,4	311,1	341,5
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EBITDA %

%	12%	11%	11%	11%	12%
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Rezultat financiar net

RONm	2,9	(0,3)	0,9	(2,7)	(16,3)
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Profit inainte de impozitul pe profit (EBT)

RONm	71,5	87,7	88,3	87,2	91,8
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Impozit pe profit

RONm	10,1	14,0	14,6	13,5	14,7
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Profitul exercitiului

RONm	61,4	73,7	73,8	73,7	77,1
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VII. Annexes - financial projections

PROIECTIA FLUXURILOR DE NUMERAR

		S2 2020	2021	2022	2023	2024
EBITDA	RONm	324,4	319,9	305,4	311,1	341,5
Impozit profit	RONm	(10,1)	(14,0)	(14,6)	(13,5)	(14,7)
Modificari ale capitalului	RONm	<u>42,5</u>	<u>(40,0)</u>	<u>169,0</u>	<u>(123,0)</u>	<u>(89,0)</u>
Flux de numerar operational	RONm	356,8	265,9	459,8	174,6	237,8
Investitii financiare	RONm	(24,5)	-	-	-	-
Investitii in RET (din surse proprii)	RONm	(243,4)	(247,0)	(281,0)	(226,4)	(230,0)
Investitii in proiecte interconexiune	RONm	(98,9)	(140,0)	(182,7)	(207,6)	(213,5)
Investitii in proiecte din taxa de racordare	RONm	-	-	-	-	-
Iesiri de numerar pentru plata proiectelor de investitii	RONm	(366,8)	(387,0)	(463,7)	(434,0)	(443,5)
Free cash flow	RONm	(10,0)	(121,1)	(3,9)	(259,5)	(205,7)
Finantari suplimentare (credite sau obligatiuni)	RONm	-	-	-	100,0	300,0
Finantari EU	RONm	<u>-</u>	<u>9,1</u>	<u>34,6</u>	<u>111,3</u>	<u>22,1</u>
Total finantari	RONm	-	9,1	34,6	211,3	322,1
Plati de principal	RONm	(24,8)	(23,3)	(23,3)	(33,3)	(33,3)
Cheltuieli financiare (dobanzi)	RONm	(5,2)	(4,3)	(3,5)	(7,1)	(20,8)
Venituri financiare (dobanzi+dividende)	RONm	<u>8,1</u>	<u>4,1</u>	<u>4,4</u>	<u>4,4</u>	<u>4,4</u>
Total iesiri de numerar din financiar	RONm	(21,9)	(23,5)	(22,3)	(36,0)	(49,6)
Flux net de numerar	RONm	<u>(31,9)</u>	<u>(135,6)</u>	<u>8,4</u>	<u>(84,1)</u>	<u>66,7</u>
Plata dividende aferente exercitiului financiar	RONm	-	-	(0,8)	(0,9)	(0,8)
Plata dividende (din rezerve)	RONm	-	-	-	-	-
Sold initial	RONm	320,8	288,9	153,3	160,9	75,9
Sold final	RONm	<u>288,9</u>	<u>153,3</u>	<u>160,9</u>	<u>75,9</u>	<u>141,8</u>

VII. Annexes - financial projections

		estimat 2020	estimat 2021	estimat 2022	estimat 2023	estimat 2024
SITUATIA PATRIMONIULUI						
Active						
Active imobilizate						
<u>Total active imobilizate</u>	RONm	<u>— 3.661,8</u>	<u>— 3.816,9</u>	<u>— 4.062,6</u>	<u>— 4.275,4</u>	<u>— 4.485,6</u>
Active circulante						
Stocuri	RONm	35,0	38,0	36,0	35,0	36,0
Clienti si conturi asimilate	RONm	879,0	993,0	809,0	995,0	789,0
Alte active financiare (depozite bancare)	RONm	92,0	92,0	92,0	92,0	92,0
Numerar si echivalente de numerar	RONm	288,9	153,3	160,9	75,9	141,8
<u>Total active circulante</u>	RONm	<u>— 1.294,9</u>	<u>— 1.276,3</u>	<u>— 1.097,9</u>	<u>— 1.197,9</u>	<u>— 1.058,8</u>
Total active	RONm	4.956,7	5.093,2	5.160,5	5.473,3	5.544,4
<u>Total capitaluri proprii</u>	RONm	<u>— 3.345,6</u>	<u>— 3.418,4</u>	<u>— 3.491,4</u>	<u>— 3.564,2</u>	<u>— 3.638,1</u>
<u>Total datorii pe termen lung</u>	RONm	<u>— 662,0</u>	<u>— 647,8</u>	<u>— 649,1</u>	<u>— 827,2</u>	<u>— 1.115,9</u>
Datorii curente						
Imprumuturi	RONm	52,8	52,8	62,8	62,8	62,8
Alte impozite si obligatii pentru asigurari sociale	RONm	10,0	10,0	10,0	10,0	10,0
Venituri in avans pe termen scurt	RONm	34,0	28,0	30,0	25,0	34,0
Alte imprumuturi-leasing cladire	RONm	6,3	6,3	6,3	6,3	6,3
Datorii comerciale si alte datorii	RONm	776,0	859,0	840,0	907,0	604,0
Provizioane	RONm	70,0	70,0	70,0	70,0	70,0
Impozit pe profit de plata	RONm	-	-	-	-	-
Dividende de plata	RONm	-	0,8	0,9	0,8	3,2
<u>Total datorii pe termen scurt</u>	RONm	<u>— 949,1</u>	<u>— 1.027,0</u>	<u>— 1.020,0</u>	<u>— 1.082,0</u>	<u>— 790,4</u>
Total datorii	RONm	1.611,1	1.674,7	1.669,1	1.909,1	1.906,3
Total datorii & capitaluri	RONm	4.956,7	5.093,2	5.160,5	5.473,3	5.544,4

VIII. Performance indicators

Beyond all the strategic objectives defined in the Management Component with a view to achieve both the Company's mission but also its mission of public service provider the Directorate take into consideration the following indicators during the mandate:

1. Strategic objective 4.1 – providing the profitability degree

Achieving at least 70% of EBITDA (gross result of operations), calculated annually using the approved 2020 – 2024 Revenue and Expense Budget;

Minimum annual threshold: EBITDA achieved x 70%

2. Strategic objective 4.4 – leverage indicators

During the mandate, net liability/EBITDA indicator should not exceed in any year 4.0, where:

Formula: Net liability rate/EBITDA \leq 4.0 where:

Net liability rate = all interest-bearer borrowings, of which bank cash is subtracted;

EBITDA = profit before interest, tax, depreciation and amortisement;

3. Strategic objective 4.8 – providing RET

During the mandate RET maintenance should be provided 90%, calculated annually using the approved 2020 – 2024 Revenue and Expense Budget;

Minimum annual threshold = approved maintenance budget x 90%

4. Strategic objective 4.6 – RET upgrade/development

Achieving at least 70% of the annual investment plan for 2020 - 2024 (Annex 4 to the Revenue and Expense Budget approved by AGA);

Minimum annual threshold = approved investment plan x 70%

5. Performance objective: Outstanding payments to the state budget in 2020 -2024: “zero” thousand Lei

Note:

1. In case there will be possible distortions of performance indicators provided in mandate contracts, distortions that might come from conjectural activities as provided in the State budget law 5/2020, article 48, para (1) and (3) stating that, when determining the forecasted/estimated gross result “no account will be taken of the revenues and/or expenses achieved from conjectural situations or activities”, they will not be taken into consideration.

2. Also any negative impact over the key performance indicators established above, which is owed to past events with negative influence in the Company's current and future results, will not be taken into consideration.