



# Transelectrica SA

**Transmission and System Operator**  
of the Romanian Electrical Power System

We lead the power

## Financial results

**1Q 2020**

(01.01.2020 – 31.03.2020)

unconsolidated accounts



## Purpose, disclaimer and other cautionary statements

### DOCUMENT PURPOSE:

This presentation has been prepared with the sole intention to facilitate the understanding of Transelectrica's operational and financial results by the general investing public (shareholders, creditors, analysts, financial media). Therefore it is of a purely informative nature. **This presentation is not an offer, invitation or a recommendation to trade in securities issued by the Company.** The detailed financial statements and the full report prepared in accordance with capital market regulations are available online at [www.transelectrica.ro](http://www.transelectrica.ro).

### FINANCIAL NUMBERS:

<i>reporting period:</i>	1 <sup>st</sup> January 2020 – 31 <sup>st</sup> March 2020
<i>reporting standard:</i>	International Financial Reporting Standards (IFRS)
<i>basis/scope:</i>	standalone (unconsolidated)
<i>external audit:</i>	unaudited by external auditor
<i>rounded numbers:</i>	for the ease of reading, certain figures used in this presentation (tables and charts) are displayed in millions and rounded to such unit or to one or two decimals. In some cases this led to minor differences between totals and the sum of the individual elements thereof (rounding errors)

### REGULATED TARIFFS. 4<sup>th</sup> REGULATORY PERIOD (1<sup>st</sup> January 2020 – 31<sup>st</sup> December 2024):

The presented figures (calculation components of regulated tariffs) are presented as disclosed to us by the Romanian Energy Regulator (the public office that sets the network tariffs charged by Transelectrica for the services performed on the domestic electric energy market, in accordance with the license granted by the regulator).

### LANGUAGE DISCLAIMER:

This document represents the English-language version of the original Romanian-language document. The English version has been created for English readers' convenience. Reasonable efforts have been made to provide an accurate translation, however, discrepancies may occur. The Romanian version of this document is the original official document. If any questions arise related to the accuracy of the information contained in the English version, please refer to the Romanian version of the document.

## Agenda:

### 1Q 2020 results

- Key numbers
- Operational results
- Financial results
- Investment

### Q&A



## Financials

1Q y/y

- |                        |     |   |      |   |
|------------------------|-----|---|------|---|
| • Revenues [mil lei]   | 603 | ▼ | 7%   | • Lower revenues (profit-allowed 0%, pass-through -14%) |
| • EBITDA [mil lei]     | 162 | ▲ | 40%  | • Lower opex (profit-allowed +2%, pass-through -27%)    |
| • Net income [mil lei] | 77  | ▲ | 103% | • Higher profit driven by pass-through segment backlog  |

## Operational

1Q y/y

- |                      |      |   |       |   |
|----------------------|------|---|-------|---|
| • Consumption* [TWh] | 14,8 | ▼ | 2,9%  | • Decline in domestic demand for electricity        |
| • Production* [TWh]  | 14,4 | ▼ | 4,5%  | • Decline in domestic production of electricity     |
| • Export net [TWh]   | 0,5  | ▲ | 94,5% | • Net import bridged domestic generation-demand gap |

\*consumption/generation numbers do not include power plants' own electricity consumption. Consumption includes (i) consumption for hydro pumped storage. and (ii) energy losses in transmission and distribution networks. Cross-border net flow is calculated based on physical flows (export-import) aggregated across borders

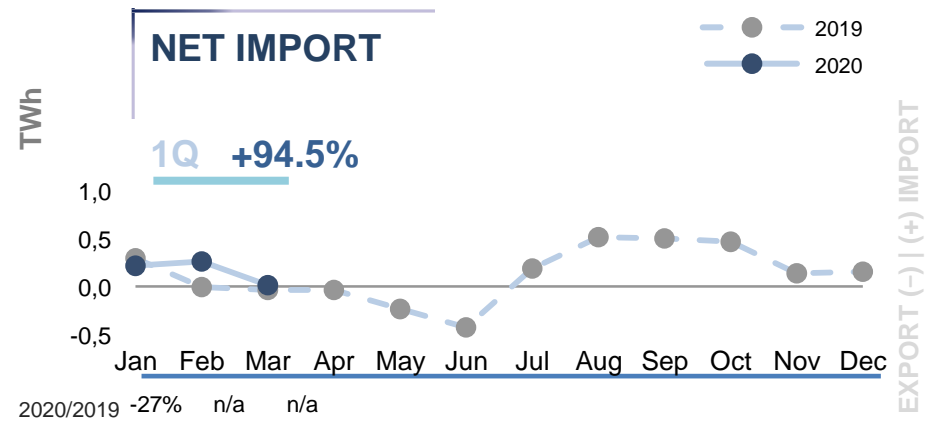
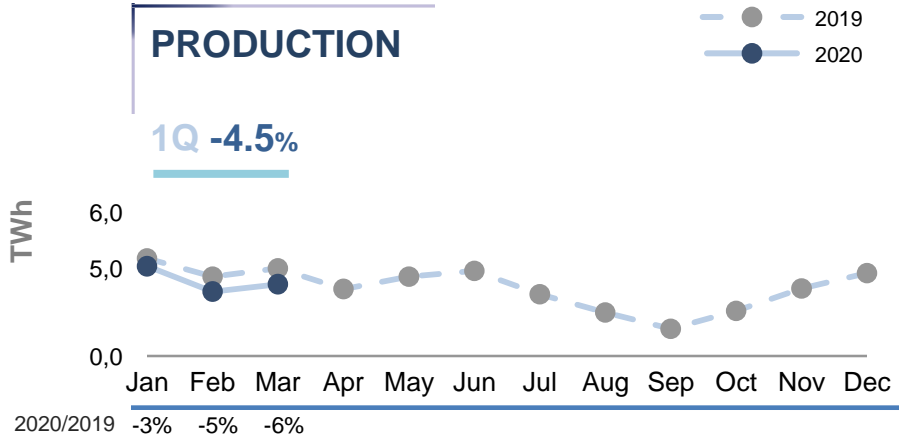
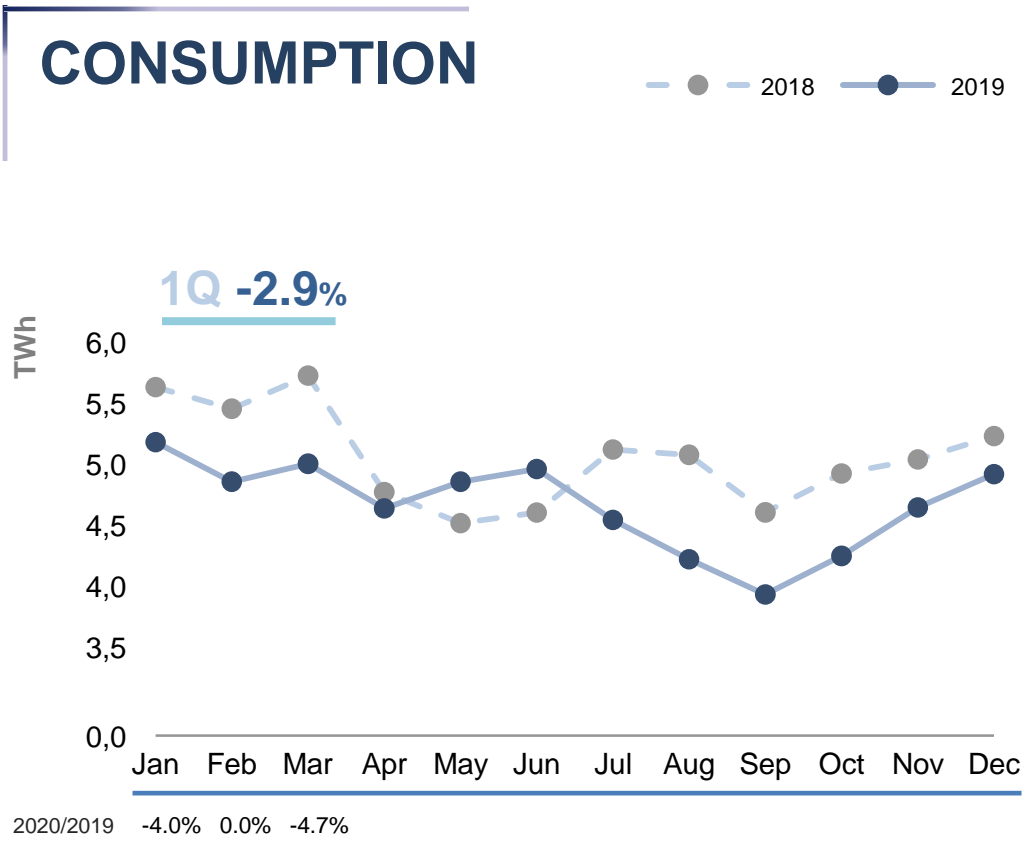
## Regulatory framework

- Profit-allowed segment: higher y/y tariffs applied in 1Q 2020 as per regulatory reviews at 1-Jul-2019 (dispatch tariff) and 1-Jan-2020 (transmission tariff)
- Pass-through segment:  
Stand-by balancing back-up capacity services (balancing capacity services): gain in 1Q 2020 driven by tariff adjustments aimed at offsetting accrued losses (backlog)



## Domestic demand – decline in 2020 (-2.9% y.o.y.)

Domestic production – drop in 2020 (-4.5% y.o.y.)

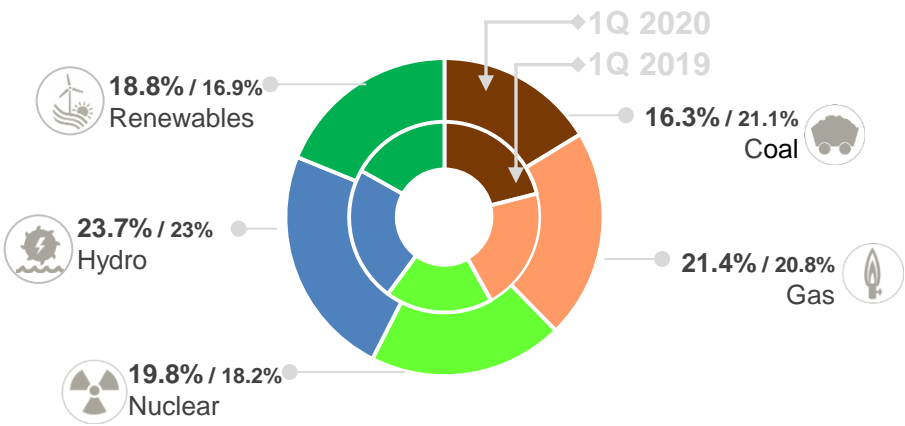


Consumption and generation numbers do not include power plants' own electricity consumption. Consumption includes (i) energy losses in transmission and distribution networks, and (ii) consumption for hydro pumped storage. Cross-border net flow is calculated based on physical flows (import-export).



## 1Q 2020 / 1Q 2019

Electricity net production mix

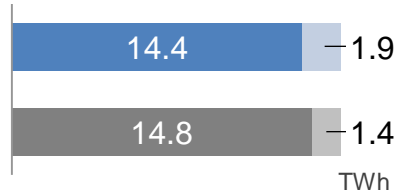


0,5TWh  
import

### 1Q 2020

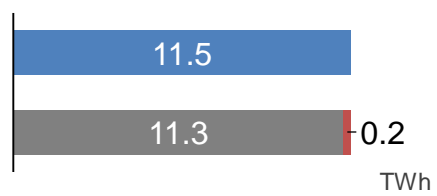
2.13%

National electricity balance



- National power plant output
- Import
- National consumption
- Export

Transmission losses



- Grid in-take volume
- Grid out-take volume
- Grid losses

## Profit & Loss

[Lei m]	1Q 2020	1Q 2019	Δ abs	Δ %
Billed volume [TWh]	14.41	14.68	-0.27	-1.8%
<b>Profit-allowed operations</b>				
Revenues	317	317	-0	-0.1%
Costs	177	173	+4	+2.1%
EBITDA	140	144	-4	-2.7%
<i>EBITDA margin</i>	44%	45%	-0	-2.6%
Depreciation	68	72	-4	-5.3%
EBIT	72	72	-0	-0.1%
<b>Pass-through operations</b>				
Revenues	286	332	-46	-13.8%
Costs	263	360	-96	-26.8%
EBIT	22	-28	+51	
<b>All operations</b>				
EBITDA	162	116	+47	+40.3%
EBIT	94	44	+51	+116.1%
EBT	92	39	+53	+134.4%
Net Income	77	38	+39	+103.2%

### Volumes

• **Lower volumes** (general reduction in electricity consumption as a result of y/y warmer weather in 1Q and the impact of the Covid-19 pandemic starting March)

### Profit-allowed segment

- **Flat revenues** (higher y/y tariffs offset by the decline in volumes)
- **Slight increase in costs (lower operating costs)** – the base effect of a reversal in 1Q 2019 of a sizeable provision fully compensated the decrease in operational costs in 1Q 2020 (grid losses, unplanned cross-border electricity flows, operational electricity consumption in transmission grid substations)

### Pass-through segment

**Stand-by balancing capacity services (balancing reserves)** - the profit-claw-back two-year schedule designed by ANRE ended 30th-Jun-2019. Claw-back was completed by 31-Dec-2018 i.e. six months ahead of schedule. Tariff was increased as of 1 July 2019 to enable recovery of the extra losses incurred in 1H 2019. 1Q 2020 is part of the the cost recovery time schedule that is due end of 2Q 2020.

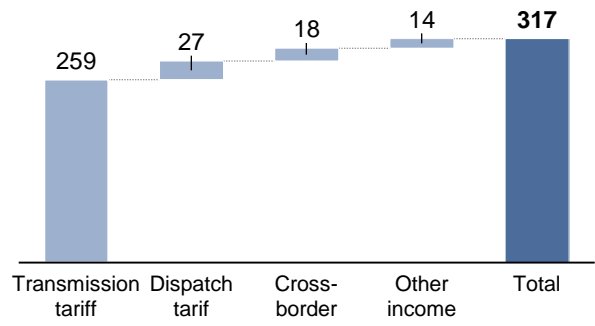
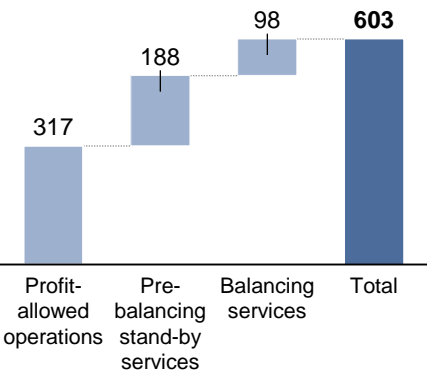
## Operations | Revenues

### Operational revenues

#### ALL OPERATIONS

#### PROFIT-ALLOWED OPERATIONS

2020



2019

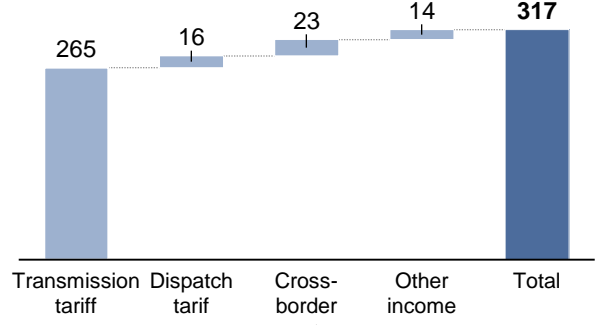
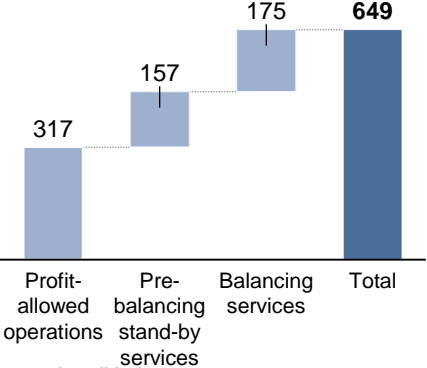
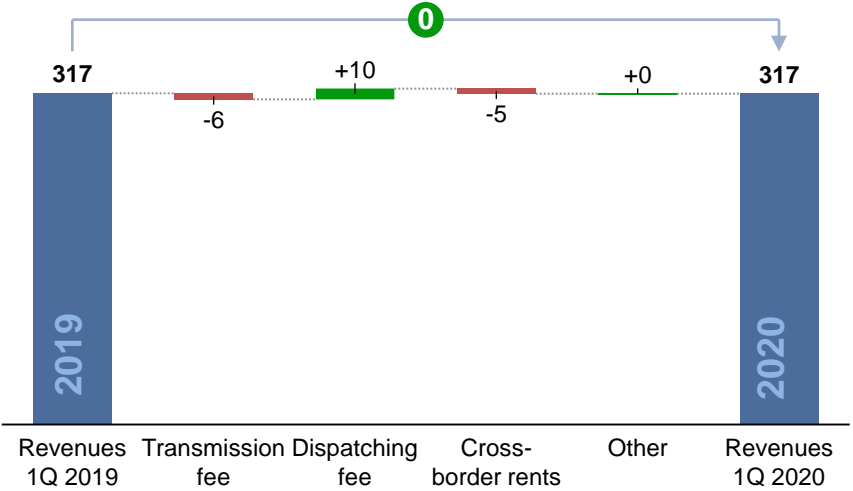


Chart unit: mil Lei

### Operational revenues

#### PROFIT-ALLOWED OPERATIONS: BREAKDOWN



**DRIVERS BEHIND THE INCREASE IN REVENUES**

- Overall higher tariffs: transmission lower, dispatching higher
- Lower volumes (decreasing electricity demand)
- Lower income generated from the sale of cross-border grid capacity (lower demand for electricity at a regional level)





## Operations | Costs

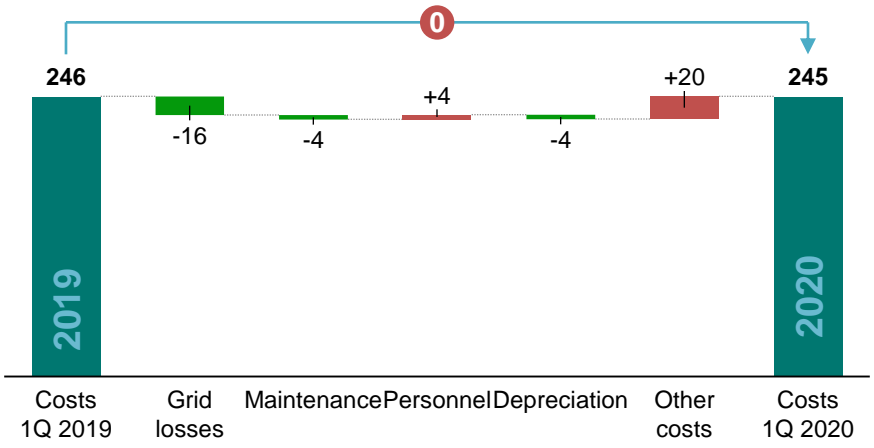
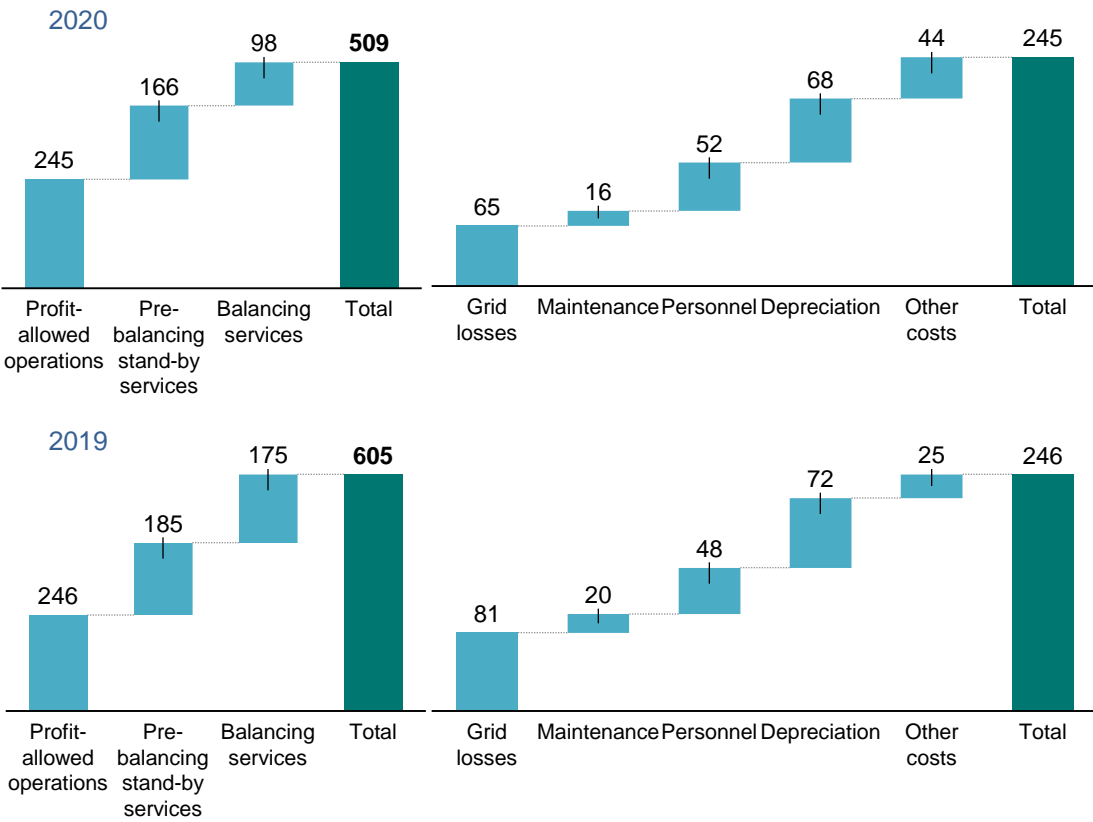
### Operational expenses

### Operational expenses

ALL OPERATIONS

PROFIT-ALLOWED OPERATIONS

PROFIT-ALLOWED OPERATIONS: BREAKDOWN



### DRIVERS BEHIND THE EVOLUTION OF COSTS

- ▼ Grid losses costs – lower costs driven by y/y lower grid volumes and y/y lower prices in the wholesale electricity market
- ▲ Other costs – base effect due to a reversal in 1Q 2019 of a sizeable provision (cca. 31 mil Lei)

Chart unit: mil Lei



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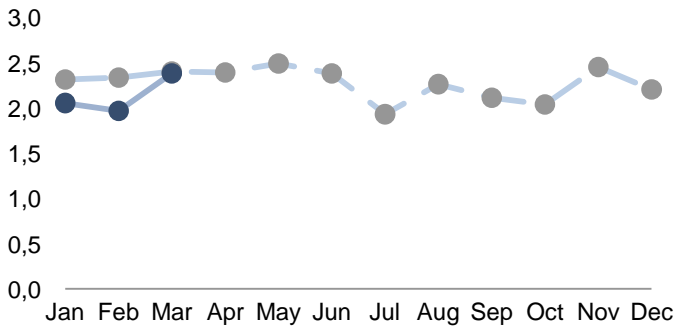
—●— 2019  
—●— 2020

2020 / 2019  
**-0.22PP**

2.35%  
2.13%

Regulatory cap 2020: 2.34% (annual average)

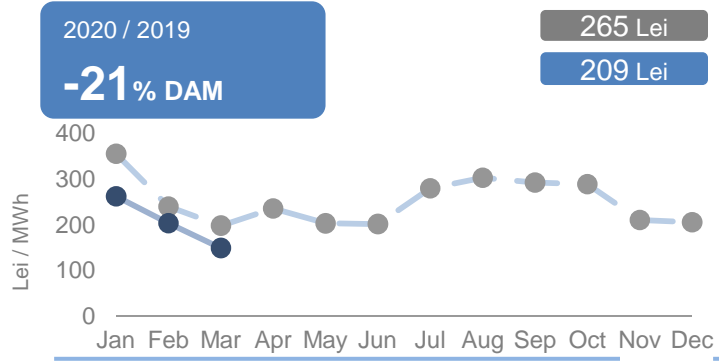
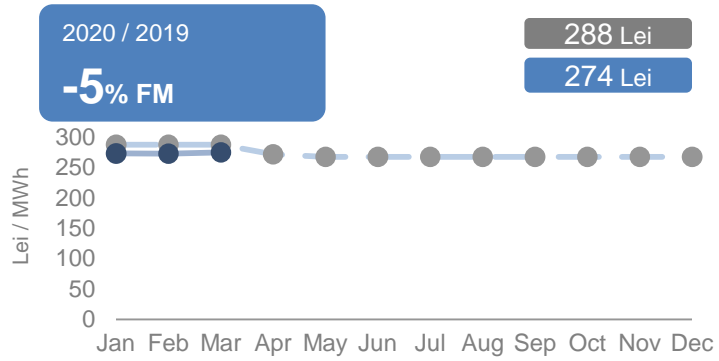
1Q 2,13%



2020 2.05 1.97 2.38  
2019 2.31 2.34 2.40 2.39 2.49 2.38 1.93 2.26 2.11 2.04 2.45 2.20

## GRID LOSSES

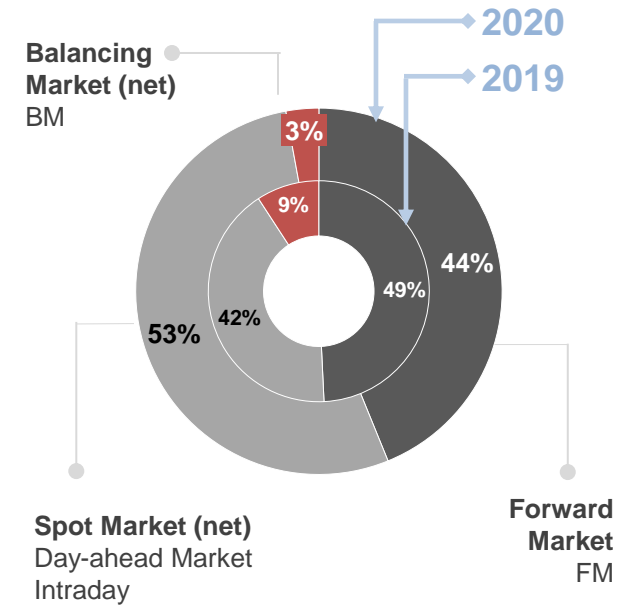
**11.55 TWh**  
GRID IN-TAKE VOLUME IN 1Q 2020  
**11.20 TWh**  
GRID OFF-TAKE VOLUME IN 1Q 2020  
**2.13% (0.25 TWh)**  
GRID LOSSES 1Q 2020



## PRICES PAID PER MARKET

**274 Lei/MWh (▼ 5%)**  
FORWARD MARKET (FM)  
**209 Lei/MWh (▼ 21%)**  
DAY-AHEAD MARKET (DAM)  
**790 Lei/MWh (▲ 50%)**  
BALANCING MARKET (BM) (BRP fee included)

## Operational costs | grid losses



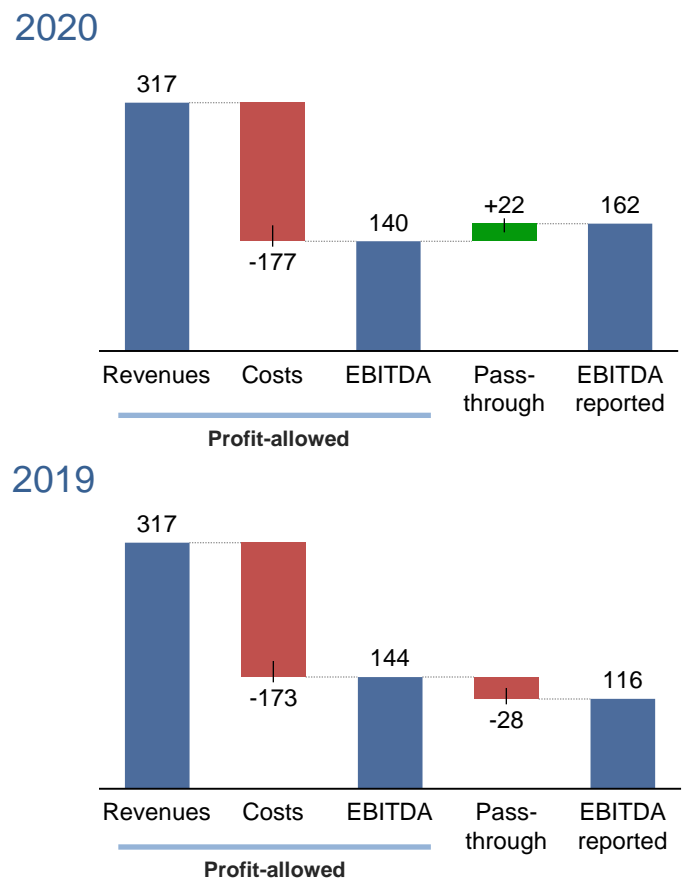
## AVERAGE PRICE / PURCHASE MIX

**254 Lei/MWh (▼ 15%)**  
CROSS-MARKET AVERAGE PRICE PAID  
**44%FM / 53%SPOT / 3%BM (1Q 2020)**  
PURCHASE MIX (VOLUMES)  
**49%FM / 42%SPOT / 9%BM (1Q 2019)**  
PURCHASE MIX (VOLUMES)



## Operational profit | EBITDA

### FROM REVENUES TO EBITDA



### EBITDA BREAKDOWN (PROFIT-ALLOWED)

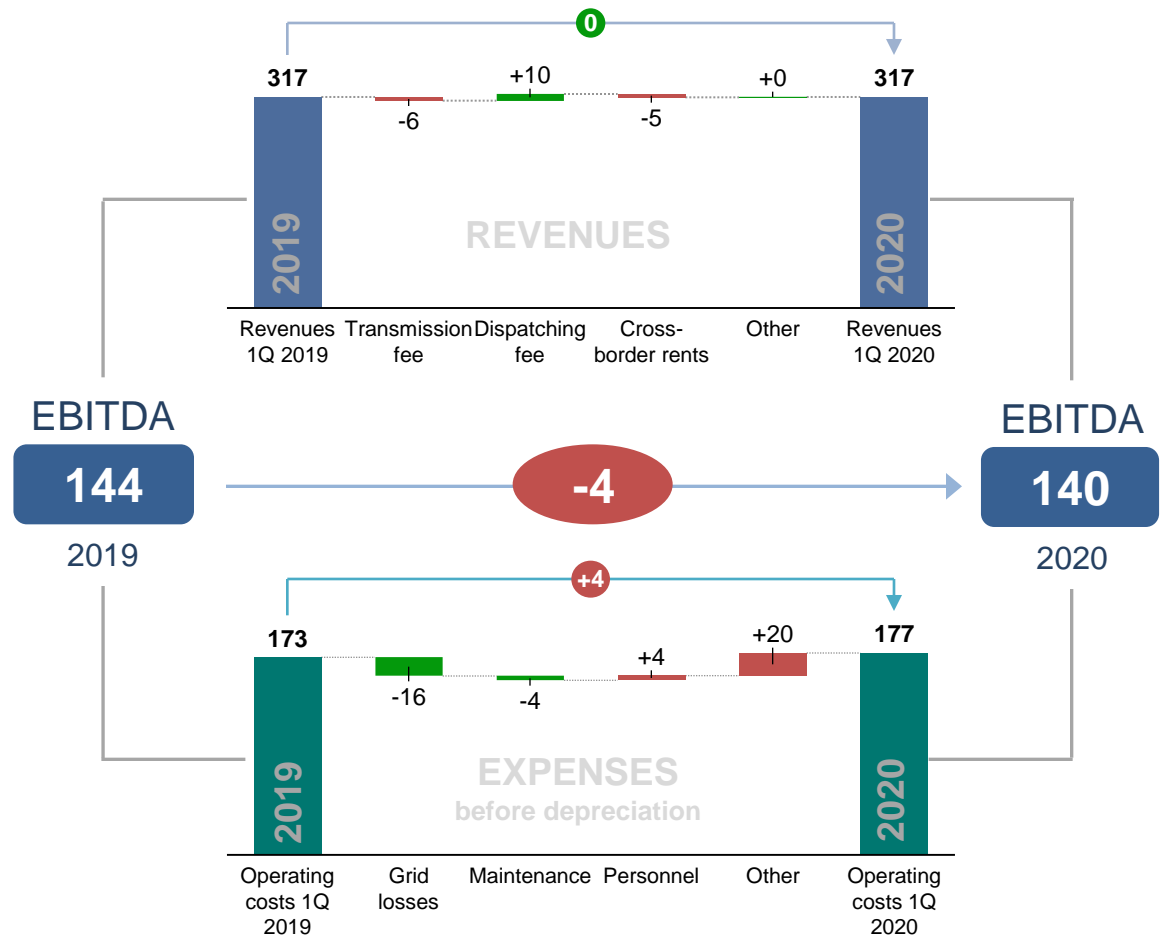


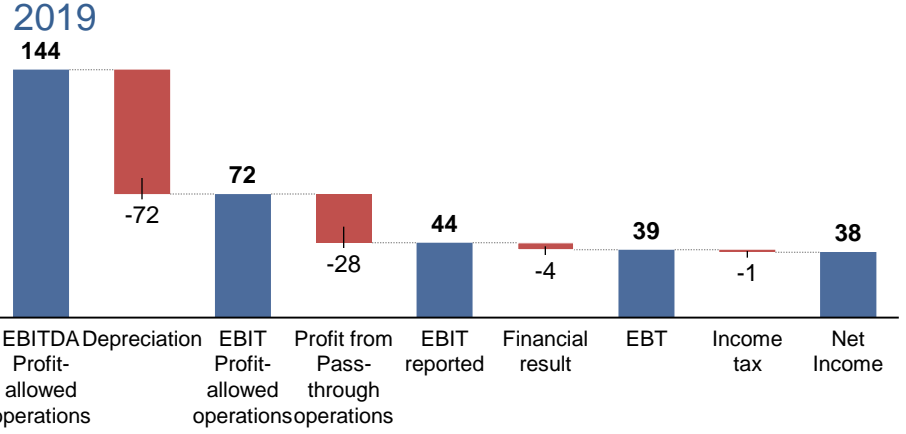
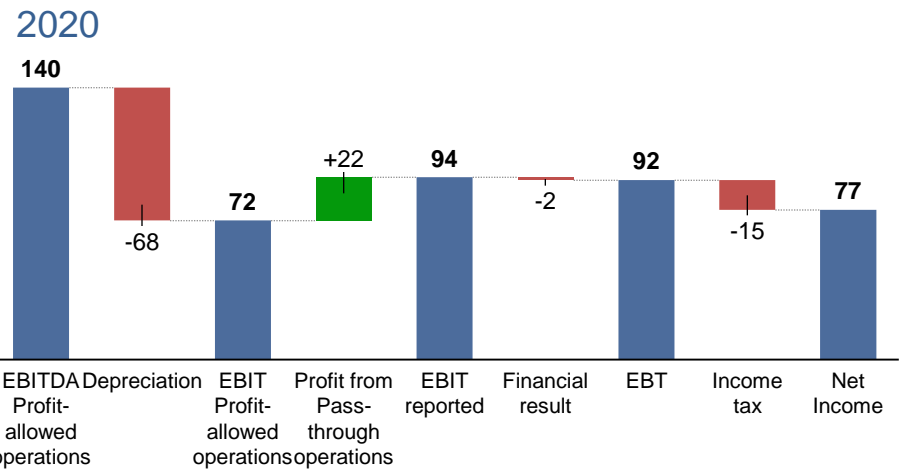
Chart unit: mil Lei



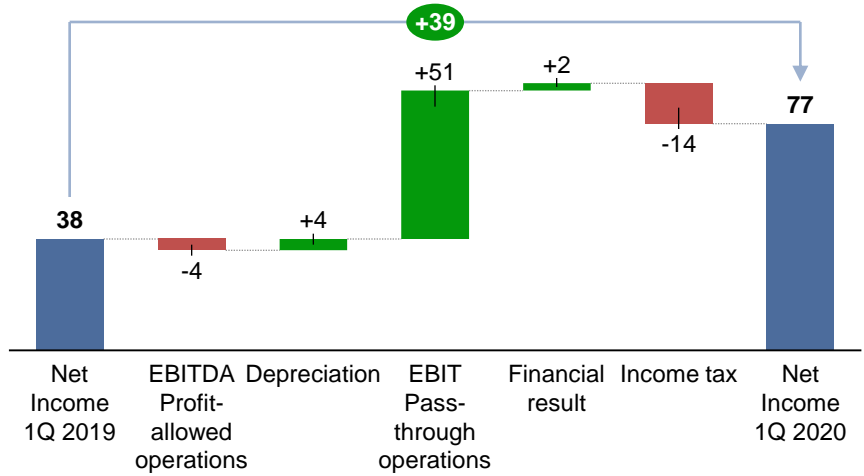
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## From EBITDA to Net income

### FROM EBITDA TO NET INCOME



### NET INCOME BREAKDOWN



### MAIN DRIVERS BEHIND THE INCREASE IN NET INCOME

- ▲ The dynamics in the pass-through segment driven by several regulatory tariff adjustments aimed at offsetting temporary gains or losses from previous periods (backlogs)

Chart unit: mil Lei



## Delivered in 1Q 2020

**6**  
Lei m

**New contracts**  
Total aggregate amount for contracts signed in 1Q 2020

Selected items:  
4 mil lei - dedicated R&D unit for electricity live work technologies (phase 2)  
1 mil lei – air conditioning equipment for server rooms at power dispatch centers  
0.5 mil lei - upgrade (hardware and software) of SCADA system in Stuparei grid substation



**52**  
Lei m

**Capital expenditure**  
Amounts added to construction-work-in-progress in 1Q 2020

Selected items:  
10 mil lei - upgrade of Domnesti grid substation  
10 mil lei –replacement of electrical equipment (voltage shifting units) across grid substations (phase 2)  
8 mil lei – installation of electrical equipment (compensation windings) in three grid substations



**11**  
Lei m

**Assets commissioned**  
Amounts transferred from construction-work-in-progress to fixed assets in 1Q 2020

Selected items:  
4 mil lei - Instalarea de echipamente electrice (bobine de compensare) in trei statii electrice  
4 mil lei - Modernizarea statiei electrice Munteni







Thank you for your attention!





# The Electricity Transmission Grid of Romania

Company under Two-Tier Management System

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## Legend

- 400/20 kV Transformer substation
- 220/110 kV Transformer substation
- 400/110 kV Transformer substation
- 400/220/110 kV Transformer substation
- 400/220 kV Transformer substation
- 750/400 kV Transformer substation
- 400 kV Connection substation
- Substation not managed by TEL
- 400 kV Ring
- 400 kV Bucharest's ring
- 220 kV OHL
- 400 kV OHL
- 750 kV OHL (operational at 400 kV)
- Proposed 400kV OHL
- 110 kV OHL
- 750 kV OHL (in conservation)
- 110 kV Interconnection substation with neighbouring countries
- Proposed 400/110 kV Transformer substation
- Proposed 220/110 kV Transformer substation
- Submarine cable

[Lei m]	1Q 2020	1Q 2019	
	IFRS	IFRS	
	unaudited	unaudited	
Billed volume [TWh]	14.41	14.68 ▼	1.8%
<b>Profit-allowed operations</b>			
<b>Operational revenues</b>	<b>317</b>	<b>317 ▼</b>	<b>0.1%</b>
Operational revenues   Transmission	281	290 ▼	3.2%
Operational revenues   Transmission   Regulated fee	259	265 ▼	2.2%
Operational revenues   Transmission   Cross-border rents	18	23 ▼	21.2%
Operational revenues   Transmission   Other	4	3 ▲	49.0%
Operational revenues   Dispatching	27	17 ▲	58.7%
Operational revenues   Dispatching   Regulated fee	27	16 ▲	62.8%
Operational revenues   Dispatching   Unplanned cross-border flows	0	0 ▼	87.3%
Operational revenues   Other income	10	10 ▼	7.9%
<b>Operational costs</b>	<b>177</b>	<b>173 ▲</b>	<b>2.1%</b>
Operational costs   System operation	81	101 ▼	19.4%
Operational costs   System operation   Grid losses	65	81 ▼	20.2%
Operational costs   System operation   Congestion relief	0	2 ▼	
Operational costs   System operation   Power consumption in grid substations	4	6 ▼	34.5%
Operational costs   System operation   Inter-TSO-Compensation	6	2 ▲	283.0%
Operational costs   System operation   Other	7	10 ▼	36.0%
Operational costs   Maintenance	16	20 ▼	19.2%
Operational costs   Personell	52	48 ▲	8.6%
Operational costs   Other	28	5 ▲	472.2%
<b>EBITDA</b>	<b>140</b>	<b>144 ▼</b>	<b>2.7%</b>
Operational costs   Depreciation and amortization	68	72 ▼	5.3%
<b>EBIT</b>	<b>72</b>	<b>72 ▼</b>	<b>0.1%</b>
<b>Pass-through operations</b>			
<b>Operational revenues</b>	<b>286</b>	<b>332 ▼</b>	<b>13.8%</b>
Operational revenues   System service	188	157 ▲	20.2%
Operational revenues   Balancing service	98	175 ▼	44.3%
<b>Operational costs</b>	<b>263</b>	<b>360 ▼</b>	<b>26.8%</b>
Operational costs   System service	166	185 ▼	10.2%
Operational costs   Balancing service	98	175 ▼	44.3%
<b>EBIT</b>	<b>22</b>	<b>-28 ▲</b>	<b>-</b>
<b>All operations (profit-allowed and pass-through)</b>			
Operational revenues	603	649 ▼	7.1%
Operational costs	440	533 ▼	17.4%
<b>EBITDA</b>	<b>162</b>	<b>116 ▲</b>	<b>40.3%</b>
Operational costs   Depreciation and amortization	68	72 ▼	5.3%
<b>EBIT</b>	<b>94</b>	<b>44 ▲</b>	<b>116.1%</b>
Financial result	-2	-4 ▲	61.1%
<b>EBT</b>	<b>92</b>	<b>39 ▲</b>	<b>134.4%</b>
Income tax	-15	-1 ▼	960.9%
<b>Net Income</b>	<b>77</b>	<b>38 ▲</b>	<b>103.2%</b>



**TRANSELECTRICA S.A.****Web:****[www.transelectrica.ro](http://www.transelectrica.ro)****Stock:****ISIN ROTSELACNOR9. Bloomberg TEL RO. Reuters ROTEL.BX****Post:****Olteni 2-4. Bucharest 3. Romania****E-mail:****[relatii.investitori@transelectrica.ro](mailto:relatii.investitori@transelectrica.ro)****Tel:****+40 213035611****Fax:****+40 213035610****Executive Board****Catalin Nitu****Chair (CEO)****Ionut Bogdan Grecia****Member****Corneliu Bogdan Marcu****Member****Andreea Mihaela Miu****Member****Marius Stanciu****Member**



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