



Transelectrica SA

Transmission and System Operator
of the Romanian Electrical Power System

We lead the power

Financial results

1H 2020

(01.01.2020 – 30.06.2020)

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.

FINANCIAL NUMBERS:

reporting period: 1st January 2020 – 30th June 2020

reporting standard: International Financial Reporting Standards (IFRS)

basis/scope: standalone (unconsolidated)

external audit: unaudited by external auditor

rounded numbers: 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. 4th REGULATORY PERIOD (1st January 2020 – 31st 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:

1H 2020 results

- Key numbers
- Operational results
- Financial results
- Investment

Q&A



Financials

| | 1H y/y | 2Q y/y | 1Q y/y |
|------------------------|------------|-----------|-----------|
| • Revenues [mil lei] | 1.090 ▼ 8% | 487 ▼ 9% | 603 ▼ 7% |
| • EBITDA [mil lei] | 281 ▲ 55% | 119 ▲ 80% | 162 ▲ 40% |
| • Net income [mil lei] | 116 ▲ 282% | 38 ▲ n/m | 77 ▲ 103% |

Operational

| | 1H y/y | 2Q y/y | 1Q y/y |
|----------------------|--------------|--------------|-------------|
| • Consumption* [TWh] | 27,1 ▼ 6,7% | 12,2 ▼ 11,4% | 14,9 ▼ 2,5% |
| • Production* [TWh] | 26,0 ▼ 12,0% | 11,6 ▼ 20,1% | 14,4 ▼ 4,2% |
| • Export net [TWh] | 1,1 n/m | 0,6 n/m | 0,5 ▲ 94,5% |

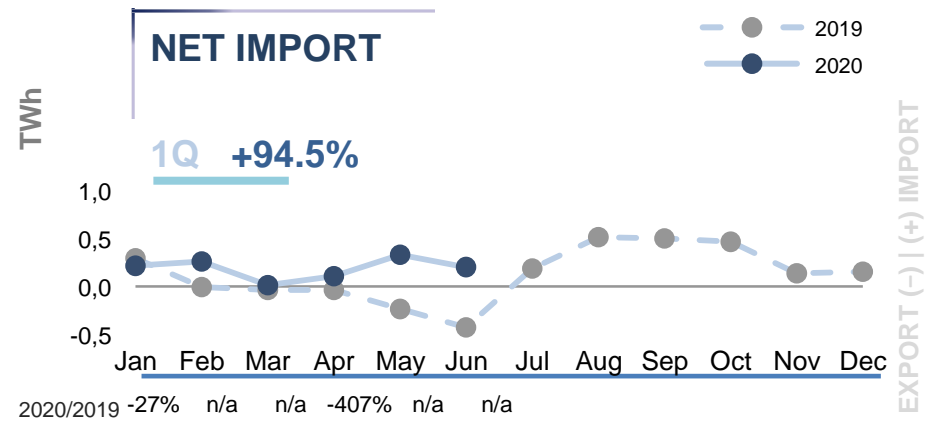
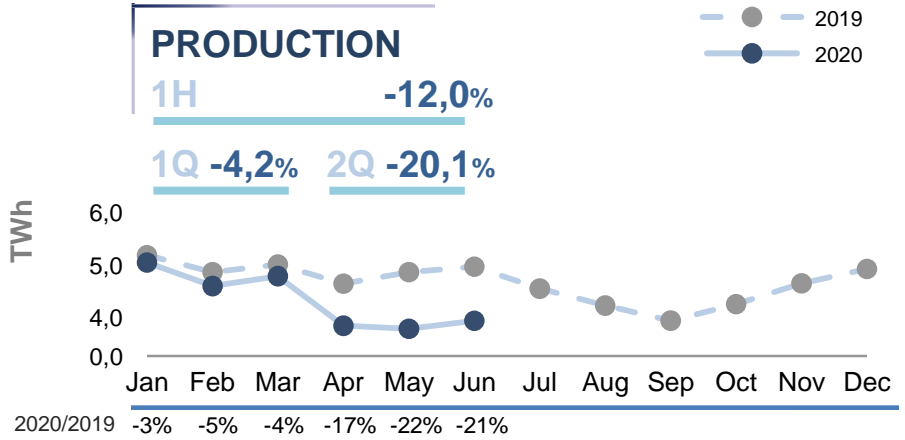
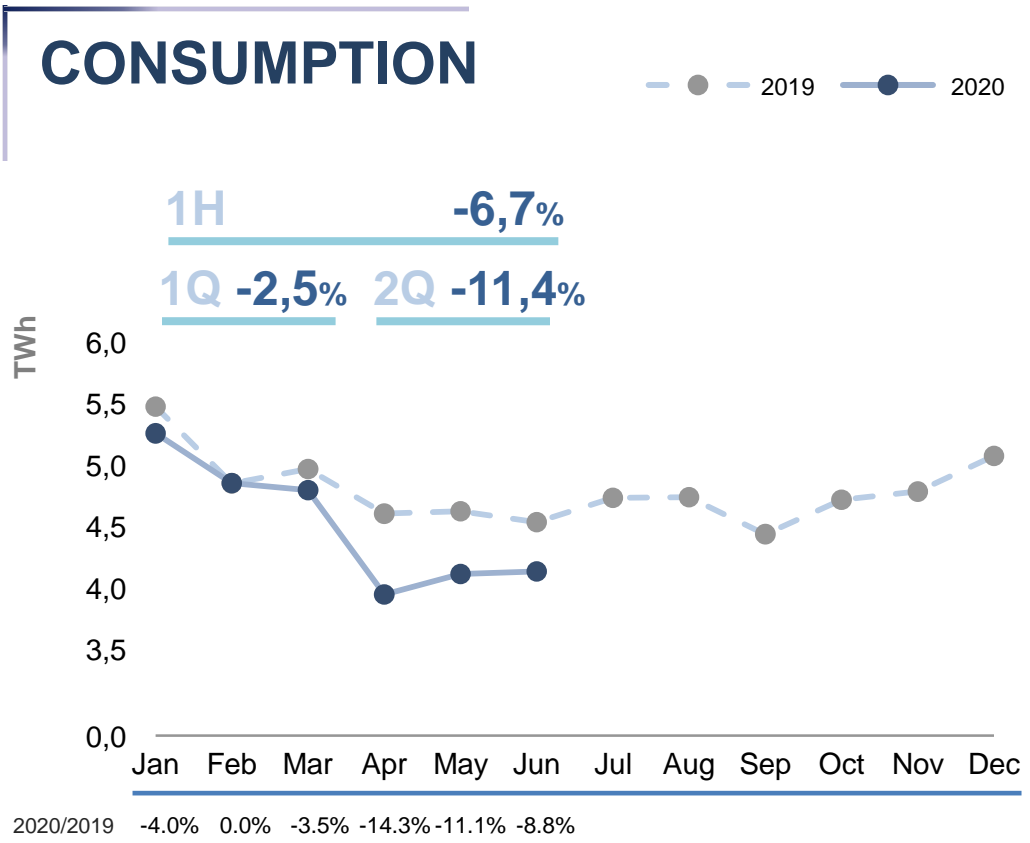
*consumption/generation numbers do not include power plants' own electricity consumption. Consumption includes (i) consumption for hydro pumped storage. and (ii) energy losses in transmission and distribution networks. Cross-border net flow is calculated based on physical flows (export-import) aggregated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

Regulatory framework

- Profit-allowed segment: higher y/y tariffs applied in 1H 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 1H 2020 driven by tariff adjustments aimed at offsetting accrued losses (backlog)

Domestic demand – decline in 1H 2020 (-6.7% y.o.y.)

Domestic production – drop in 1H 2020 (-12.0% y.o.y.)



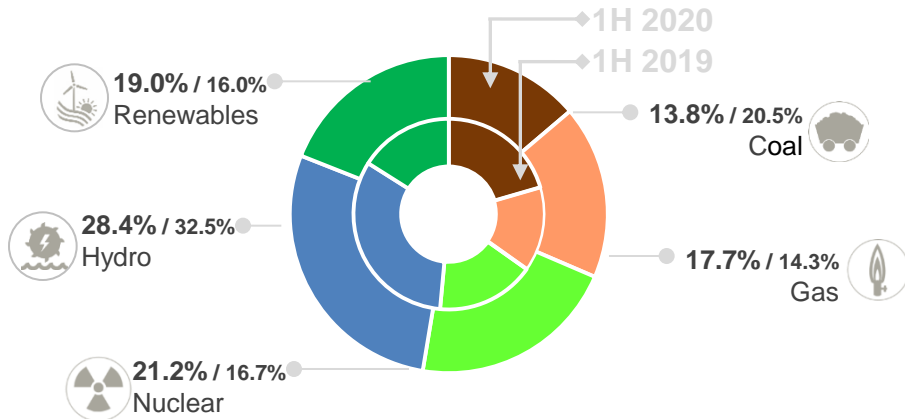
Consumption and generation numbers do not include power plants' own electricity consumption. Consumption includes (i) energy losses in transmission and distribution networks, and (ii) consumption for hydro pumped storage. Cross-border net flow is calculated based on physical flows (import-export).



Results 1H 2020

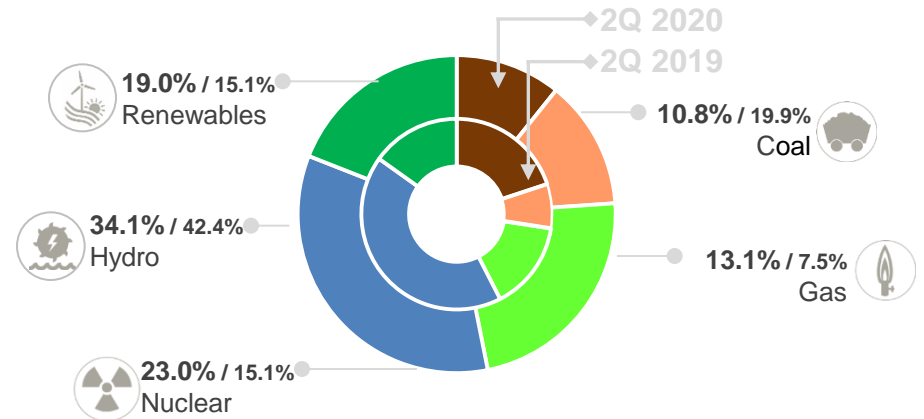
1H 2020 / 1H 2019

Electricity net production mix



2Q 2020 / 2Q 2019

Electricity net production mix

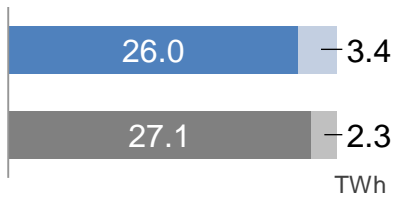


1.1TWh
Import net

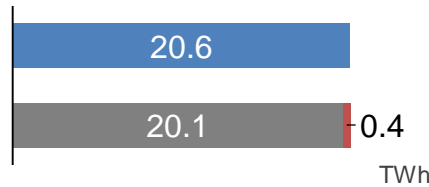
1H 2020

2.16%

National electricity balance



Transmission losses



National power plant output
Import

National consumption
Export

Grid in-take volume

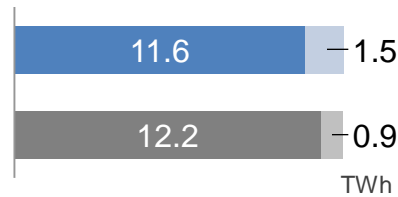
Grid out-take volume
Grid losses

0.6TWh
Import net

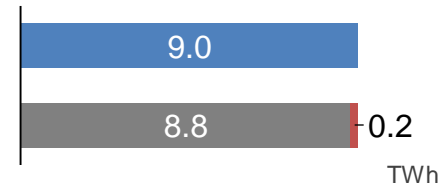
2Q 2020

2.21%

National electricity balance



Transmission losses



National power plant output
Import

National consumption
Export

Grid in-take volume

Grid out-take volume
Grid losses

Profit & Loss

| [Lei m] | 1H 2020 | 1H 2019 | Δ% | 2Q 2020 | 2Q 2019 | Δ% | 1Q 2020 | 1Q 2019 | Δ% |
|----------------------------------|---------|---------|---------|---------|---------|--------|---------|---------|---------|
| Billed volume [TWh] | 26.26 | 27.92 | -6.0% | 11.84 | 13.24 | -10.6% | 14.41 | 14.68 | -1.8% |
| Profit-allowed operations | | | | | | | | | |
| Revenues | 581 | 609 | -4.6% | 263 | 291 | -9.6% | 317 | 317 | -0.1% |
| Costs | 344 | 369 | -6.7% | 168 | 196 | -14.6% | 177 | 173 | +2.1% |
| EBITDA | 236 | 239 | -1.3% | 96 | 95 | +0.8% | 140 | 144 | -2.7% |
| <i>EBITDA margin</i> | 41% | 39% | | 36% | 33% | | 44% | 45% | |
| Depreciation | 136 | 142 | -4.1% | 68 | 70 | -2.9% | 68 | 72 | -5.3% |
| EBIT | 100 | 97 | +2.8% | 28 | 25 | +11.0% | 72 | 72 | -0.1% |
| Pass-through operations | | | | | | | | | |
| Revenues | 509 | 575 | -11.5% | 224 | 244 | -8.3% | 286 | 332 | -13.8% |
| Costs | 464 | 633 | -26.7% | 201 | 273 | -26.5% | 263 | 360 | -26.8% |
| EBIT | 45 | -58 | n/m | 23 | -29 | n/m | 22 | -28 | n/m |
| All operations | | | | | | | | | |
| Revenues | 1,090 | 1,184 | -7.9% | 487 | 535 | -9.0% | 603 | 649 | -7.1% |
| Costs | 809 | 1,002 | -19.3% | 368 | 469 | -21.5% | 440 | 533 | -17.4% |
| EBITDA | 281 | 182 | +54.9% | 119 | 66 | +80.6% | 162 | 116 | +40.3% |
| EBIT | 145 | 40 | +266.7% | 51 | -4 | n/m | 94 | 44 | +116.1% |
| Net Income | 116 | 30 | +282.2% | 38 | -8 | n/m | 77 | 38 | +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

- **Lower revenues** (decline in volumes driven by dropping electricity demand)
- **Reduced costs** – decrease in operational costs (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. The loss was fully recovered by the end of 2Q 2020.

Operations | Revenues

Operational revenues

ALL OPERATIONS

PROFIT-ALLOWED OPERATIONS

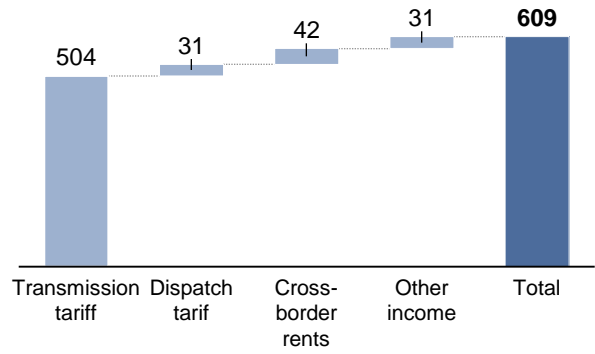
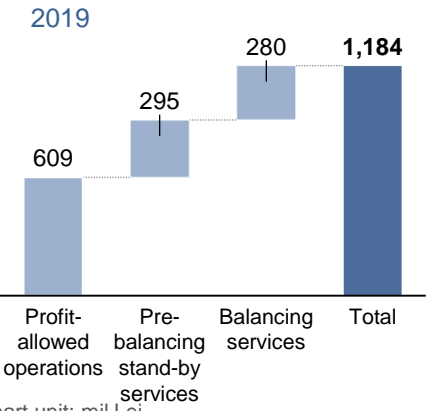
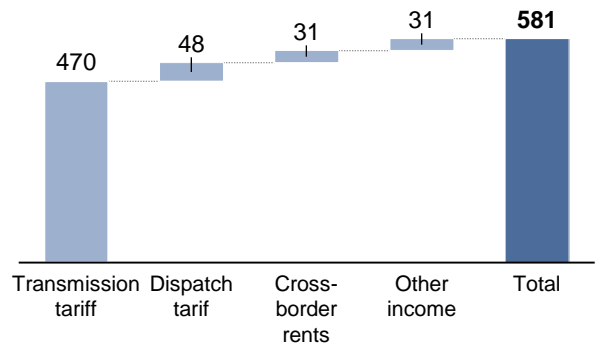
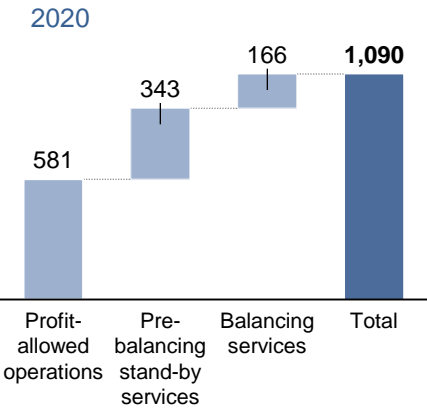
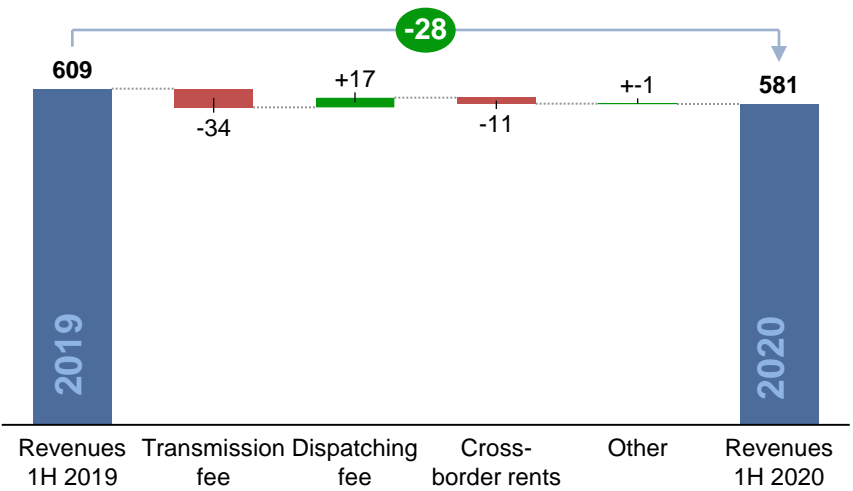


Chart unit: mil Lei

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

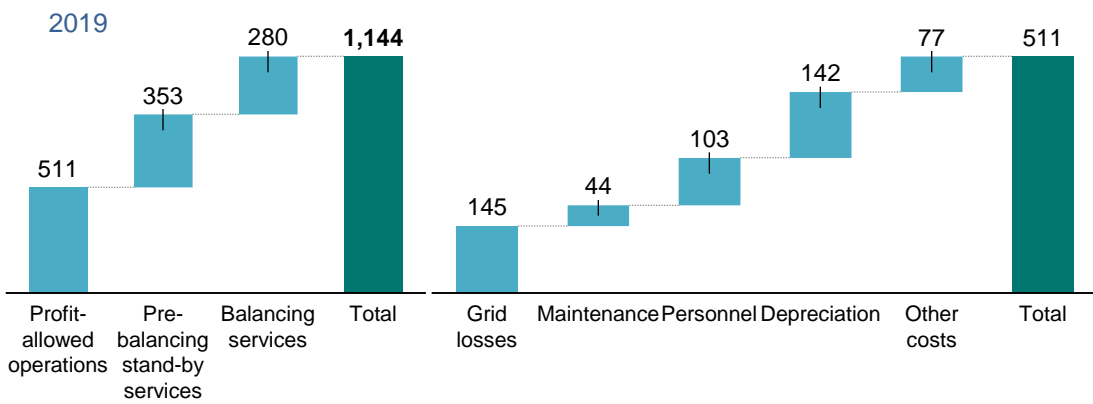
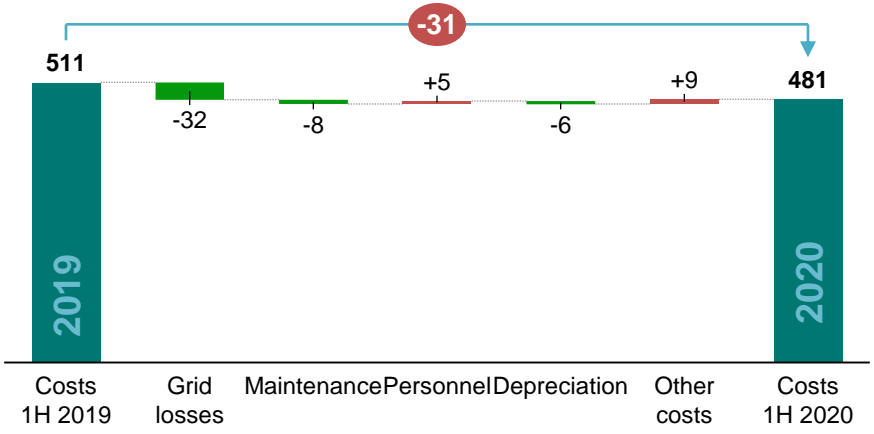
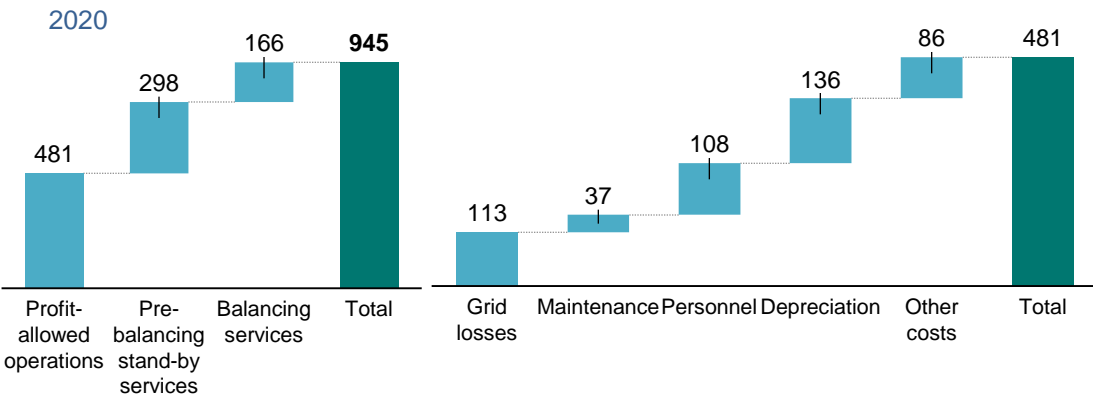
Operational expenses

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



WE LEAD THE POWER

—●— 2019
—●— 2020

2020 / 2019

-0.22PP

2.38%

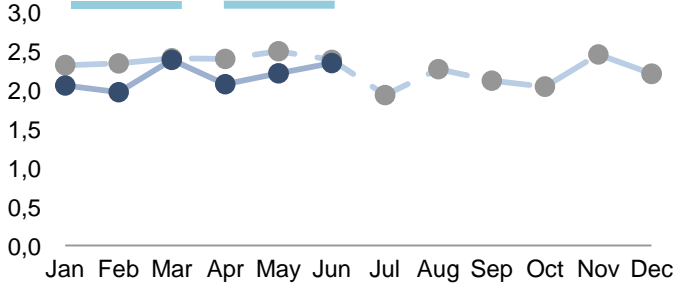
2.16%

Regulatory cap 2020: 2.34% (annual average)

1H 2,16%

1Q 2,13%

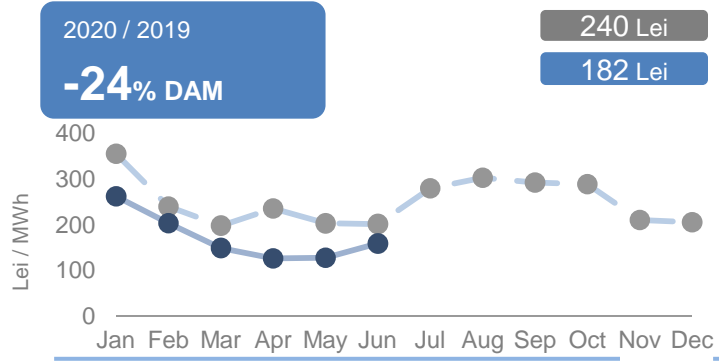
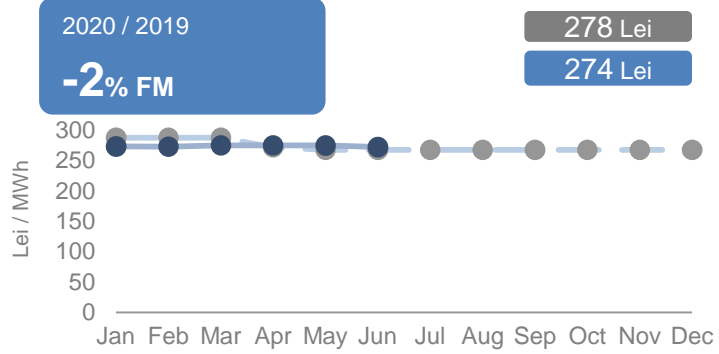
2Q 2,21%



2020 2.05 1.97 2.38 2.07 2.21 2.34
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

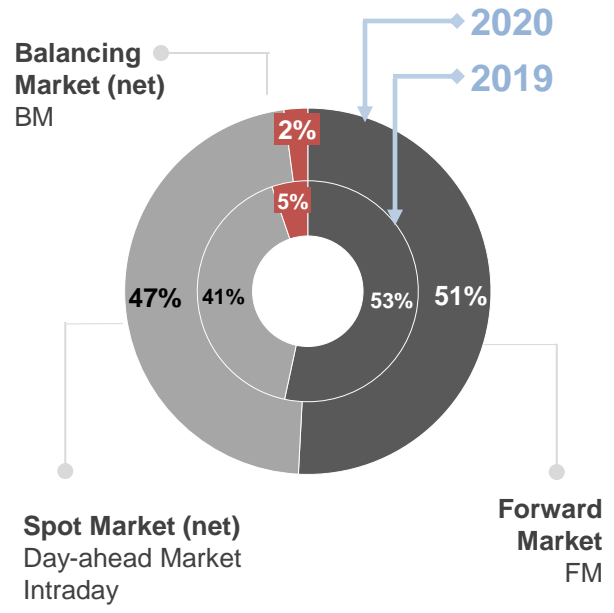
20.59 TWh
GRID IN-TAKE VOLUME IN 1H 2020
20.15 TWh
GRID OFF-TAKE VOLUME IN 1H 2020
2.16% (0.45 TWh)
GRID LOSSES 1H 2020



PRICES PAID PER MARKET

274 Lei/MWh (▼ 2%)
FORWARD MARKET (FM)
182 Lei/MWh (▼ 24%)
DAY-AHEAD MARKET (DAM)
1.021 Lei/MWh (▲ 66%)
BALANCING MARKET (BM) (Net, BRP fee included)

Operational costs | grid losses



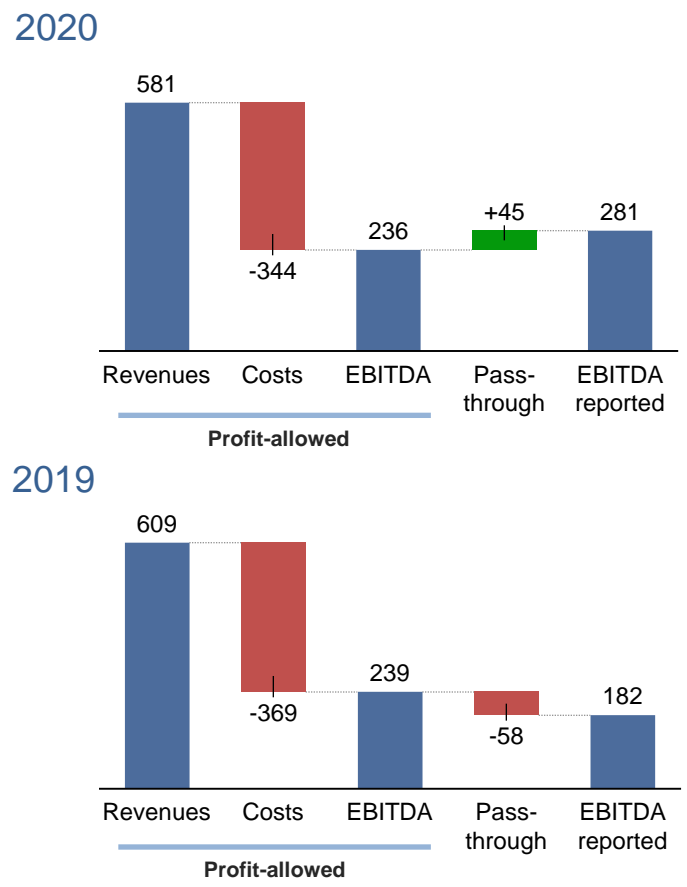
AVERAGE PRICE / PURCHASE MIX

246 Lei/MWh (▼ 12%)
CROSS-MARKET AVERAGE PRICE PAID
51%FM / 47%SPOT / 2%BM (1H 2020)
PURCHASE MIX (VOLUMES)
53%FM / 41%SPOT / 5%BM (1H 2019)
PURCHASE MIX (VOLUMES)



Operational profit | EBITDA

FROM REVENUES TO EBITDA



EBITDA BREAKDOWN (PROFIT-ALLOWED)

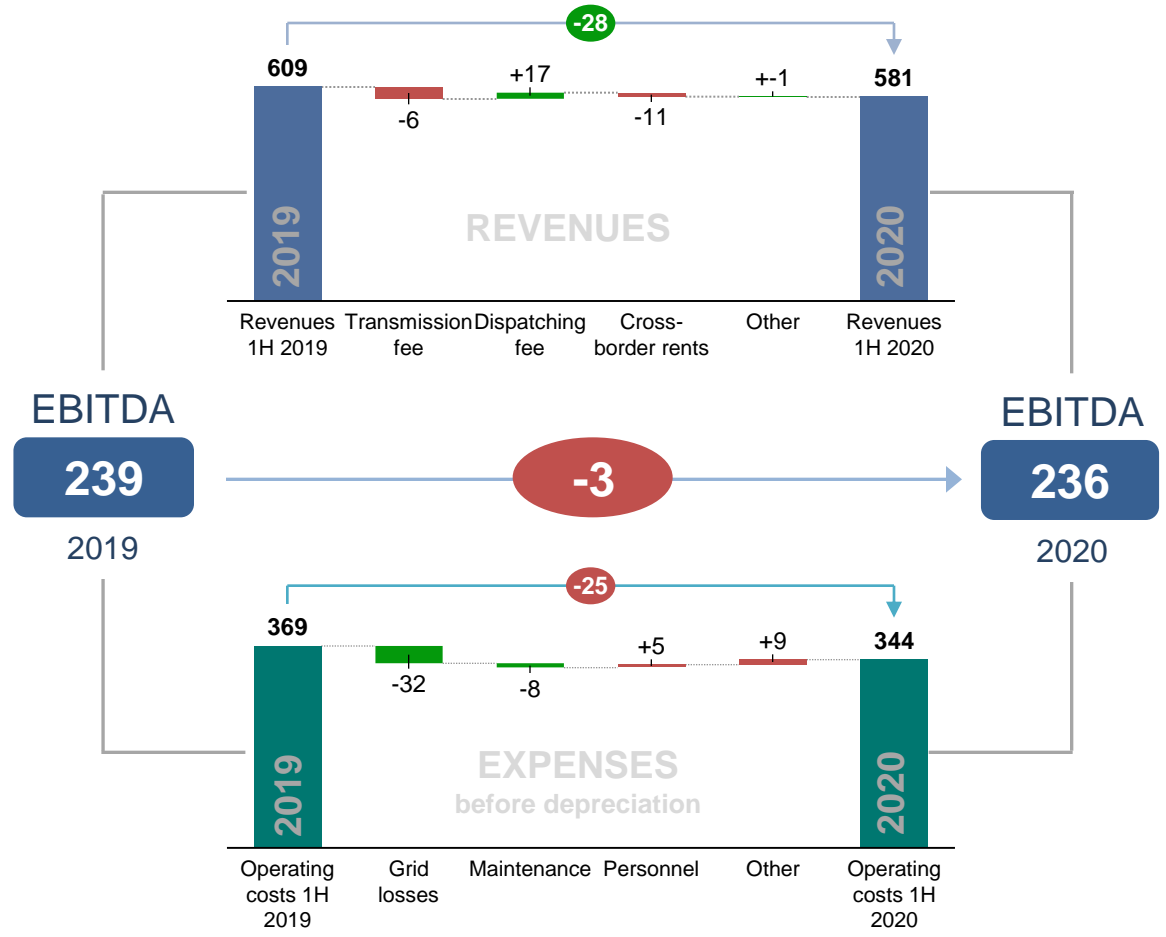


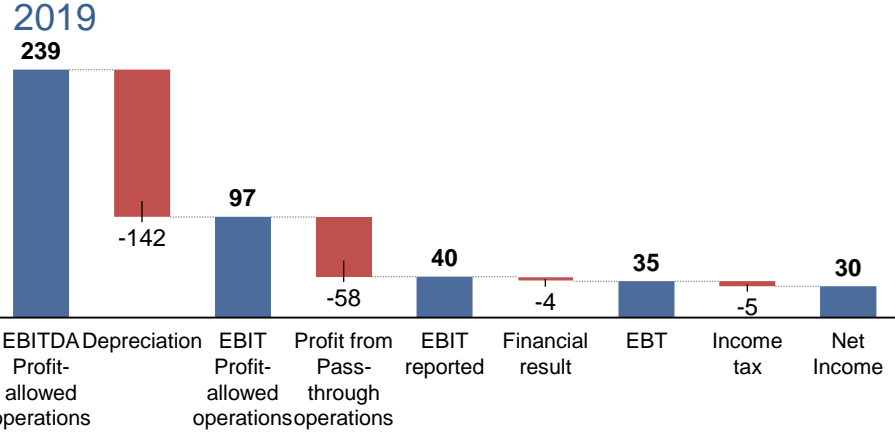
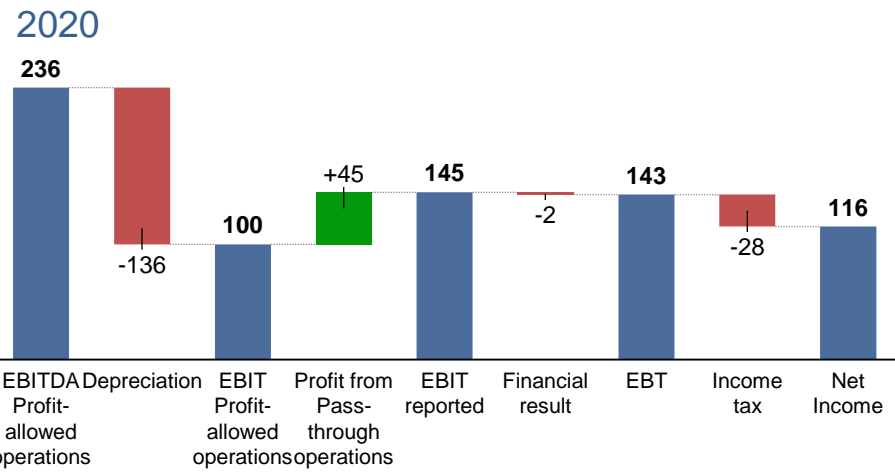
Chart unit: mil Lei



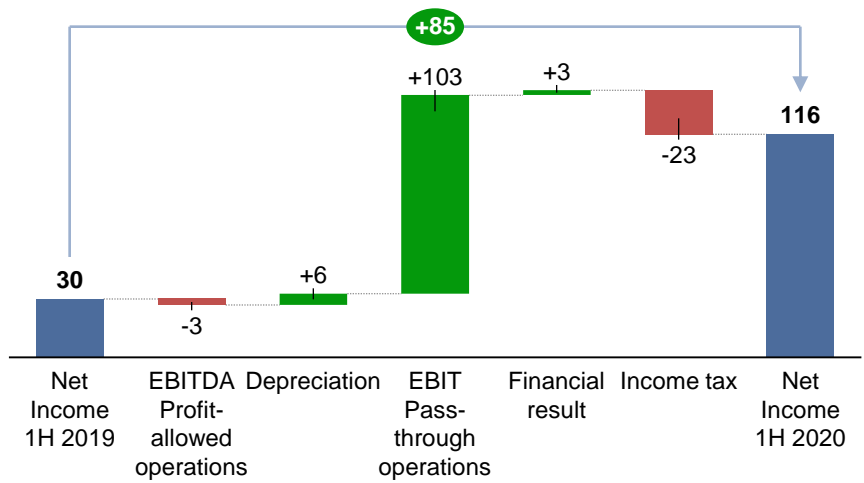
WE LEAD THE POWER

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 1H 2020

56
Lei m

New contracts
Total aggregate amount for contracts signed in 1H 2020

- Selected items:
- 22 mil lei - Extension works in Medgidia Sud transmission grid substation
 - 14 mil lei - Modernization of Raureni transmission grid substation
 - 5 mil lei - Extension works in Gura Ialomitei transmission grid substation



131
Lei m

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

- Selected items:
- 20 mil lei - New transmission line Cernavoda-Stalpu and connection in Gura Ialomitei substation
 - 14 mil lei - Modernization of Domnesti transmission grid substation
 - 13 mil lei - Installation of electrical equipment (compensation windings) in three grid substations



53
Lei m

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

- Selected items:
- 12 mil lei - Modernization of Otelarie Hunedoara transmission grid substation
 - 9 mil lei - Modernization of Ungheni transmission grid substation
 - 9 mil lei - Installation of electrical equipment (compensation windings) in three grid substations





Thank you for your attention!



The Electricity Transmission Grid of Romania

Company under Two-Tier Management System

WE LEAD THE POWER

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] | 1H 2020 IFRS unaudited | 1H 2019 IFRS unaudited | | 2Q2020 IFRS unaudited | 2Q2019 IFRS unaudited | | 1Q 2020 IFRS unaudited | 1Q 2019 IFRS unaudited | |
|---|------------------------------|------------------------------|---------------|-----------------------------|-----------------------------|--------------|------------------------------|------------------------------|---------------|
| Billed volume [TWh] | 26.26 | 27.92 ▼ | 6.0% | 11.84 | 13.24 ▼ | 10.6% | 14.41 | 14.68 ▼ | 1.8% |
| Profit-allowed operations | | | | | | | | | |
| Operational revenues | 581 | 609 ▼ | 4.6% | 263 | 291 ▼ | 9.6% | 317 | 317 ▼ | 0.1% |
| Operational revenues Transmission | 507 | 552 ▼ | 8.1% | 226 | 262 ▼ | 13.6% | 281 | 290 ▼ | 3.2% |
| <i>Operational revenues Transmission Regulated fee</i> | <i>470</i> | <i>504 ▼</i> | <i>6.7%</i> | <i>211</i> | <i>239 ▼</i> | <i>11.8%</i> | <i>259</i> | <i>265 ▼</i> | <i>2.2%</i> |
| <i>Operational revenues Transmission Cross-border rents</i> | <i>31</i> | <i>42 ▼</i> | <i>25.5%</i> | <i>13</i> | <i>19 ▼</i> | <i>30.4%</i> | <i>18</i> | <i>23 ▼</i> | <i>21.2%</i> |
| <i>Operational revenues Transmission Other</i> | <i>6</i> | <i>6 ▼</i> | <i>4.8%</i> | <i>2</i> | <i>3 ▼</i> | <i>51.3%</i> | <i>4</i> | <i>3 ▲</i> | <i>49.0%</i> |
| Operational revenues Dispatching | 49 | 32 ▲ | 52.1% | 23 | 16 ▲ | 45.0% | 27 | 17 ▲ | 58.7% |
| <i>Operational revenues Dispatching Regulated fee</i> | <i>48</i> | <i>31 ▲</i> | <i>55.9%</i> | <i>22</i> | <i>15 ▲</i> | <i>48.3%</i> | <i>27</i> | <i>16 ▲</i> | <i>62.8%</i> |
| <i>Operational revenues Dispatching Unplanned cross-border flows</i> | <i>1</i> | <i>1 ▼</i> | <i>38.8%</i> | <i>1</i> | <i>1 ▼</i> | <i>12.2%</i> | <i>0</i> | <i>0 ▼</i> | <i>87.3%</i> |
| Operational revenues Other income | 24 | 24 ▼ | 0.0% | 15 | 14 ▲ | 5.9% | 10 | 10 ▼ | 7.9% |
| Operational costs | 344 | 369 ▼ | 6.7% | 168 | 196 ▼ | 14.6% | 177 | 173 ▲ | 2.1% |
| Operational costs System operation | 143 | 180 ▼ | 20.5% | 62 | 79 ▼ | 22.0% | 81 | 101 ▼ | 19.4% |
| <i>Operational costs System operation Grid losses</i> | <i>113</i> | <i>145 ▼</i> | <i>21.9%</i> | <i>49</i> | <i>64 ▼</i> | <i>24.0%</i> | <i>65</i> | <i>81 ▼</i> | <i>20.2%</i> |
| <i>Operational costs System operation Congestion relief</i> | <i>0</i> | <i>2 ▼</i> | | <i>0</i> | <i>0 ▼</i> | | <i>0</i> | <i>2 ▼</i> | |
| <i>Operational costs System operation Power consumption in grid substations</i> | <i>9</i> | <i>11 ▼</i> | <i>16.8%</i> | <i>5</i> | <i>4 ▲</i> | <i>8.9%</i> | <i>4</i> | <i>6 ▼</i> | <i>34.5%</i> |
| <i>Operational costs System operation Inter-TSO-Compensation</i> | <i>8</i> | <i>4 ▲</i> | <i>107.3%</i> | <i>2</i> | <i>2 ▼</i> | <i>6.3%</i> | <i>6</i> | <i>2 ▲</i> | <i>283.0%</i> |
| <i>Operational costs System operation Other</i> | <i>13</i> | <i>18 ▼</i> | <i>31.9%</i> | <i>6</i> | <i>8 ▼</i> | <i>26.8%</i> | <i>7</i> | <i>10 ▼</i> | <i>36.0%</i> |
| Operational costs Maintenance | 37 | 44 ▼ | 17.2% | 21 | 25 ▼ | 15.7% | 16 | 20 ▼ | 19.2% |
| Operational costs Personell | 108 | 103 ▲ | 5.3% | 56 | 55 ▲ | 2.4% | 52 | 48 ▲ | 8.6% |
| Operational costs Other | 57 | 42 ▲ | 33.5% | 29 | 37 ▼ | 23.4% | 28 | 5 ▲ | 472.2% |
| EBITDA | 236 | 239 ▼ | 1.3% | 96 | 95 ▲ | 0.8% | 140 | 144 ▼ | 2.7% |
| Operational costs Depreciation and amortization | 136 | 142 ▼ | 4.1% | 68 | 70 ▼ | 2.9% | 68 | 72 ▼ | 5.3% |
| EBIT | 100 | 97 ▲ | 2.8% | 28 | 25 ▲ | 11.0% | 72 | 72 ▼ | 0.1% |
| Pass-through operations | | | | | | | | | |
| Operational revenues | 509 | 575 ▼ | 11.5% | 224 | 244 ▼ | 8.3% | 286 | 332 ▼ | 13.8% |
| Operational revenues System service | 343 | 295 ▲ | 16.2% | 155 | 139 ▲ | 11.7% | 188 | 157 ▲ | 20.2% |
| Operational revenues Balancing service | 166 | 280 ▼ | 40.7% | 69 | 105 ▼ | 34.7% | 98 | 175 ▼ | 44.3% |
| Operational costs | 464 | 633 ▼ | 26.7% | 201 | 273 ▼ | 26.5% | 263 | 360 ▼ | 26.8% |
| Operational costs System service | 298 | 353 ▼ | 15.6% | 132 | 168 ▼ | 21.4% | 166 | 185 ▼ | 10.2% |
| Operational costs Balancing service | 166 | 280 ▼ | 40.7% | 69 | 105 ▼ | 34.7% | 98 | 175 ▼ | 44.3% |
| EBIT | 45 | -58 ▲ | - | 23 | -29 ▲ | - | 22 | -28 ▲ | - |
| All operations (profit-allowed and pass-through) | | | | | | | | | |
| Operational revenues | 1,090 | 1,184 ▼ | 7.9% | 487 | 535 ▼ | 9.0% | 603 | 649 ▼ | 7.1% |
| Operational costs | 809 | 1,002 ▼ | 19.3% | 368 | 469 ▼ | 21.5% | 440 | 533 ▼ | 17.4% |
| EBITDA | 281 | 182 ▲ | 54.9% | 119 | 66 ▲ | 80.6% | 162 | 116 ▲ | 40.3% |
| Operational costs Depreciation and amortization | 136 | 142 ▼ | 4.1% | 68 | 70 ▼ | 2.9% | 68 | 72 ▼ | 5.3% |
| EBIT | 145 | 40 ▲ | 266.7% | 51 | -4 ▲ | - | 94 | 44 ▲ | 116.1% |
| Financial result | -2 | -4 ▲ | 56.9% | 0 | 0 ▲ | 5.9% | -2 | -4 ▲ | 61.1% |
| EBT | 143 | 35 ▲ | 307.3% | 51 | -4 ▲ | - | 92 | 39 ▲ | 134.4% |
| Income tax | -28 | -5 ▼ | 461.5% | -12 | -4 ▼ | 256.7% | -15 | -1 ▼ | 960.9% |
| Net Income | 116 | 30 ▲ | 282.2% | 38 | -8 ▲ | - | 77 | 38 ▲ | 103.2% |

TRANSELECTRICA S.A.**Web:****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****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**



WE LEAD THE POWER

WWW.TRANSELECTRICA.RO