



# Transelectrica SA

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

We lead the power

**Financial results**

**1Q 2019**

(01.01.2019 – 31.03.2019)

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 2019 – 31 <sup>st</sup> march 2019
<i>reporting standard:</i>	International Financial Reporting Standards (IFRS)
<i>basis/scope:</i>	standalone (unconsolidated)
<i>external audit:</i>	not audited 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, 3<sup>rd</sup> REGULATORY PERIOD (1<sup>st</sup> July 2014 – 30<sup>th</sup> June 2019):

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). Tariff ex-ante parameters for the current regulatory period were subject to an interim review by the Romanian Energy Regulator at 1<sup>st</sup> July 2015

### 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 2019 results

- Key numbers
- Operational results
- Financial results

### Investments

- Investment delivered in 1Q 2019

### Q&A



## Financials

1Q y/y

• Revenues [mil lei]	649	▼	5%
• EBITDA [mil lei]	116	▼	26%
• Net income [mil lei]	38	▼	44%

- Lower revenues (profit-allowed +6%, pass-through -14%)
- Increased opex (profit-allowed +2%, pass-through +0%)
- Positive evolution in profit-allowed segment, fully offset by the loss incurred in pass-through segment

## Operational

1Q y/y

• Consumption* [TWh]	15,3	▼	2,1%
• Production* [TWh]	15,0	▼	10,5%
• Export net [TWh]	0,3		n/a

- Slight decline in domestic demand for electricity
- Significant drop in domestic production of electricity
- Net import in 1Q 2019, net export in 1Q 2018

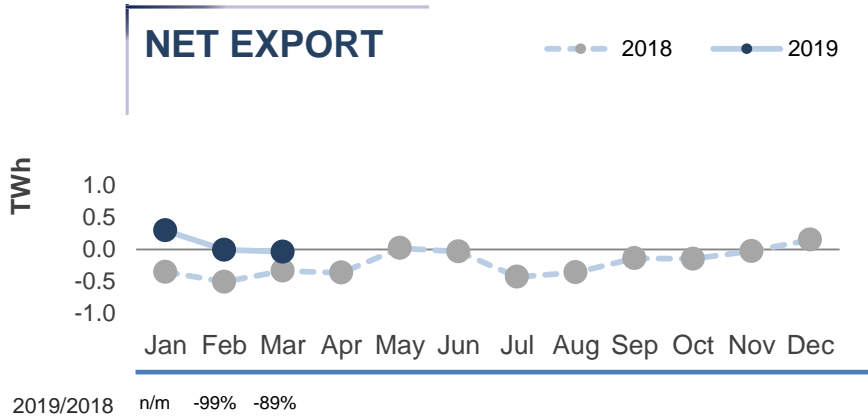
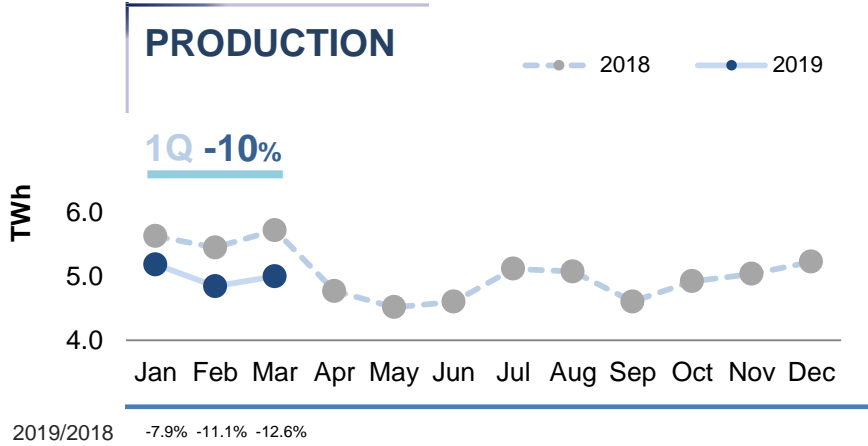
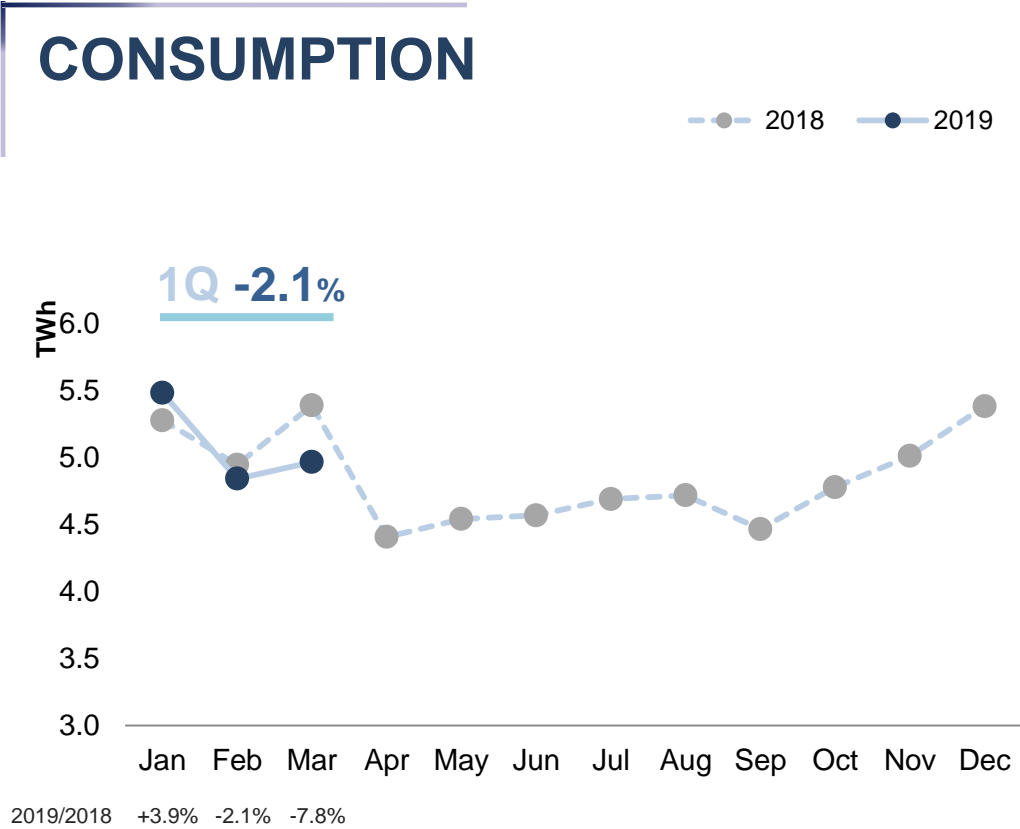
\*consumption/generation numbers do not include power plants' own electricity consumption. Consumption includes (i) consumption for hydro pumped storage, and (ii) energy losses in transmission and distribution networks. Cross-border net flow is calculated based on physical flows (export-import) aggregated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

## Regulatory framework

- Profit-allowed segment: higher y/y transmission tariffs applied 1Q 2019, as per the annual regulatory review at 1-Jul-2018 (Transmission ▲ 7.5%)
- Pass-through segment:  
Stand-by balancing back-up capacity services (balancing capacity services): loss incurred in 1Q 2019 due to high input prices in the balancing capacity market

## Domestic demand – slight decline in 1Q 2019 (-2.1% y.o.y.)

Domestic production – significant drop in 1Q 2019 (-10% y.o.y.)

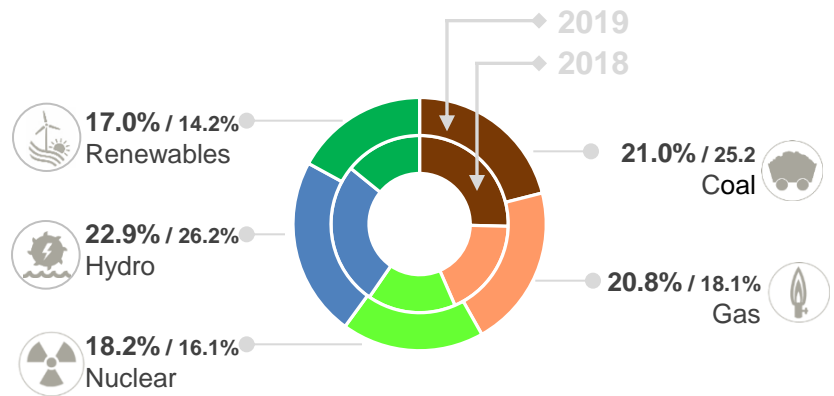


Consumption and generation numbers do not include power plants' own electricity consumption. Consumption includes (i) energy losses in transmission and distribution networks, and (ii) consumption for hydro pumped storage. Cross-border net flow is calculated based on physical flows (import-export).



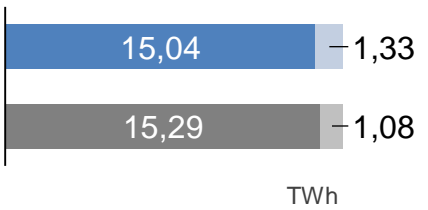
## 1Q 2019 / 1Q 2018

Electricity net production mix



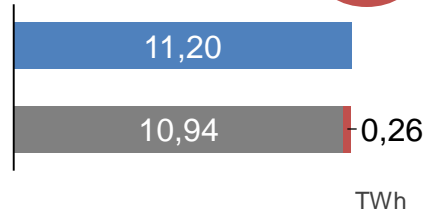
## 1Q 2019

National electricity balance



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

Transmission losses **2,35%**



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

## Profit & Loss

[mil Lei]	1Q 2019	1Q 2018	Δ%
Billed volume [TWh]	14.68	15.00	-2.1%
<b>Profit-allowed operations</b>			
Revenues	317	300	+5.8%
Costs	173	170	+2.1%
EBITDA	144	130	+10.5%
<i>EBITDA margin</i>	45%	43%	
Depreciation	72	76	-4.3%
EBIT	72	55	+30.8%
<b>Pass-through operations</b>			
Revenues	332	385	-13.9%
Costs	360	358	+0.5%
EBIT	-28	27	n/m
<b>All operations</b>			
Revenues	649	685	-5.3%
Costs	533	528	+1.0%
EBITDA	116	157	-26.3%
EBIT	44	82	-46.7%
Net Income	38	68	-44.3%

### Volumes

- **Lower volumes** (slight decline in domestic demand for electricity)

### Profit-allowed segment

- **Slight increase in revenues (higher y/y tariffs compensated for the decline in volumes)**
- **Slight increase in costs** – higher costs with grid losses (due to significantly higher market prices) and grid maintenance and personnel were compensated to a large extent by a provision reversal

### Pass-through segment

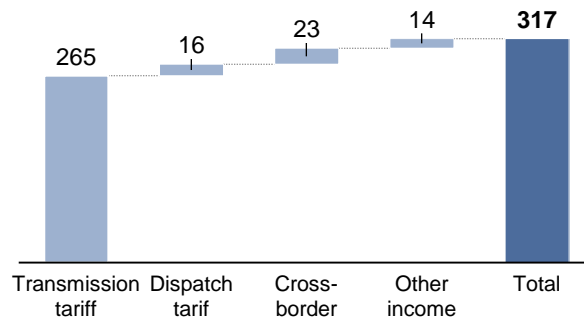
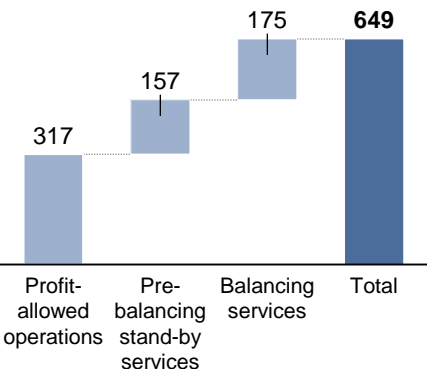
**Stand-by balancing capacity services (balancing reserves)** - loss incurred in 1Q 2019 due to high market prices starting summer 2018. The profit-claw-back two-year schedule designed by ANRE ends 30th-Jun-2019. Claw-back was completed 31-Dec-2018 i.e. six months ahead of schedule. Additional losses to be recovered starting 1 July 2019.

## Operations | Revenues

### Operational revenues

ALL OPERATIONS      PROFIT-ALLOWED OPERATIONS

Q1 2019



Q1 2018

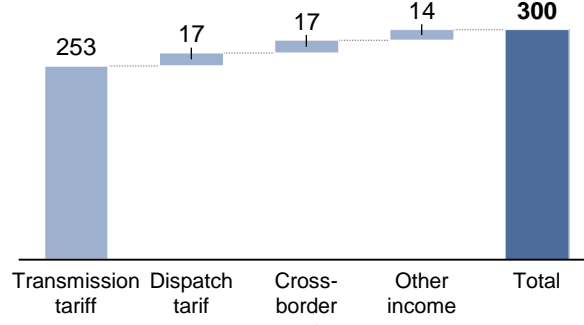
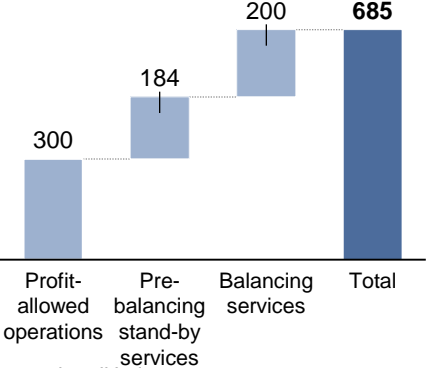
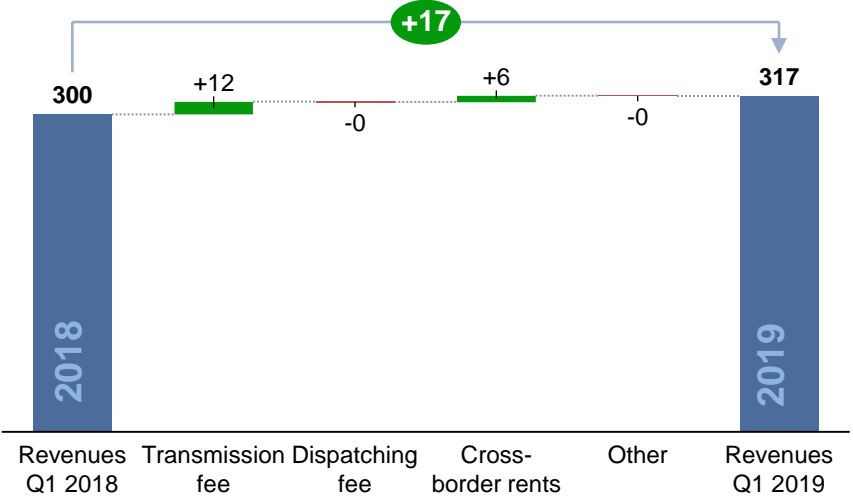


Chart unit: mil Lei

### Operational revenues

PROFIT-ALLOWED OPERATIONS: BREAKDOWN



**DRIVERS BEHIND THE INCREASE IN REVENUES**  
 Higher tariffs (+7.5% y/y) in 1Q 2019 compensated for the decline in volumes due to the decrease in domestic electricity consumption.  
 Higher cross-border capacity rent income driven by high market demand for import capacity

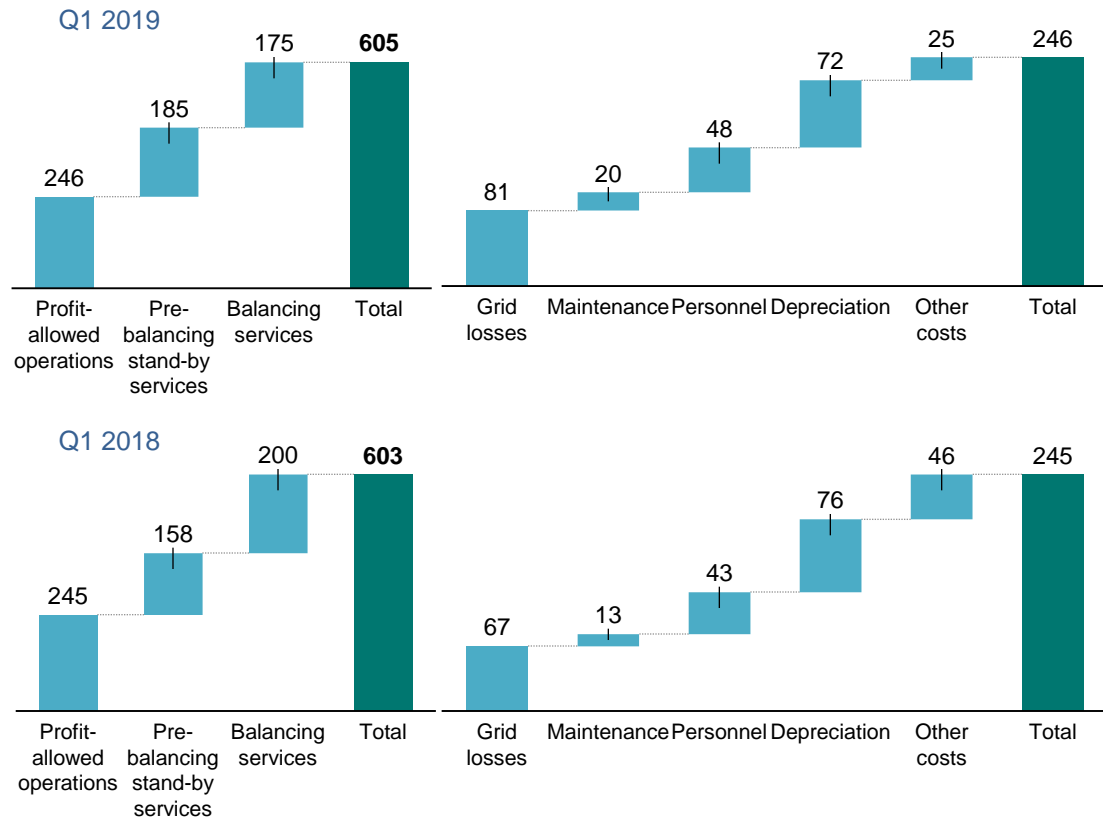




## Operations | Costs

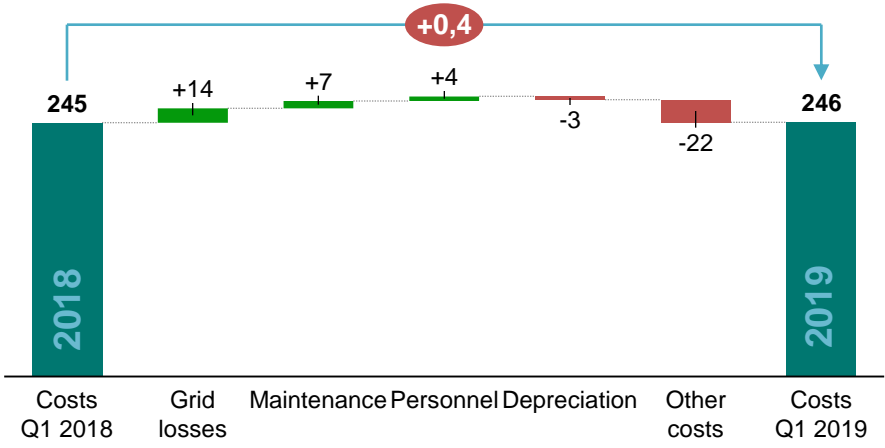
### Operational expenses

ALL OPERATIONS      PROFIT-ALLOWED OPERATIONS



### Operational expenses

PROFIT-ALLOWED OPERATIONS: BREAKDOWN



### DRIVERS BEHIND THE OVERALL INCREASE IN COSTS

- ▼ Other expenses – decline due to the reversal of a provision of cca. 31 mil Lei (insurance-backed prepayment made to a contractor who failed to deliver investment works; litigation with the insurance company ended with a favorable final court decision)
- ▲ Grid losses costs – driven by significantly higher y/y electricity market prices that fully offset the decrease in losses volumes
- ▲ Grid maintenance – driven by the execution of scheduled large-scale works (that do not recur on a yearly basis)

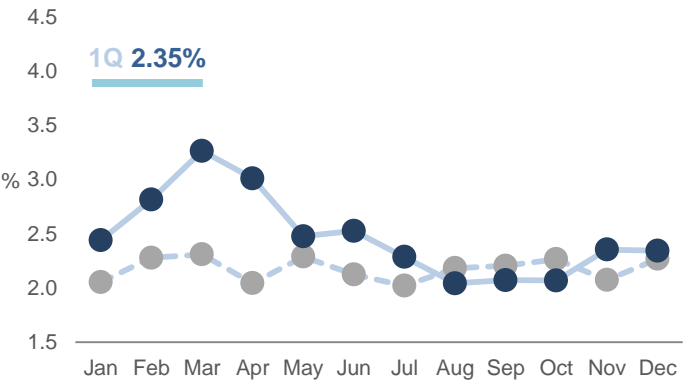
Chart unit: mil Lei



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2019 / 2018  
**-0,48PP**

2017 2,83%  
2018 2,35%



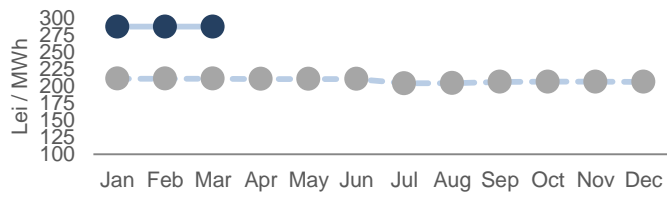
2019	2.31	2.34	2.40
2018	2.44	2.81	3.26

## GRID LOSSES

**11.20 TWh**  
GRID IN-TAKE VOLUME IN 1Q 2019  
**10.94 TWh**  
GRID OFF-TAKE VOLUME IN 1Q 2019  
**2.35% (0.26 TWh)**  
GRID LOSSES IN 1Q 2019

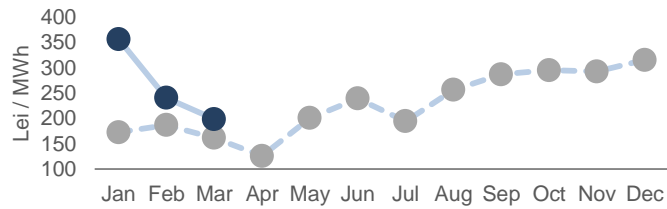
2019 / 2018  
**+36% PCCB**

2018 288 Lei  
2019 211 Lei



2019 / 2018  
**+54% PZU**

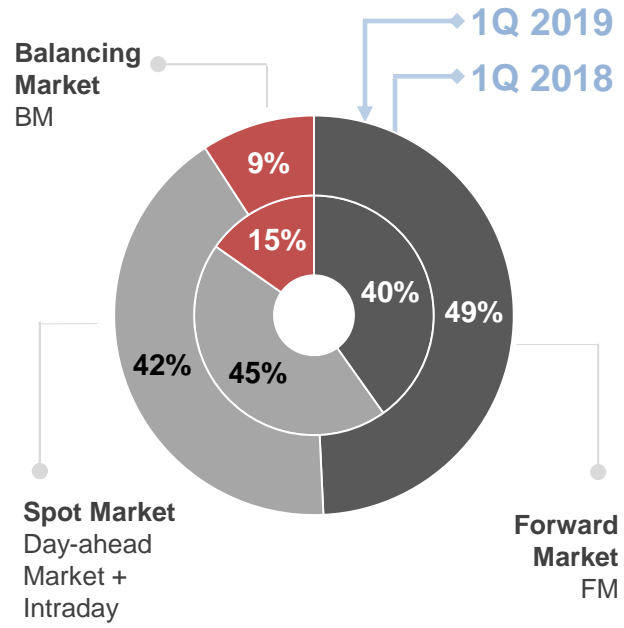
2018 173 Lei  
2019 265 Lei



## PRICES PAID PER MARKET

**288 Lei/MWh (▲ 36%)**  
FORWARD MARKET (FM)  
**265 Lei/MWh (▲ 54%)**  
DAY-AHEAD MARKET (DAM)  
**514 Lei/MWh (▲ 142%)**  
BALANCING MARKET (BM)

## Operational costs | grid losses



## AVERAGE PRICE / PURCHASE MIX

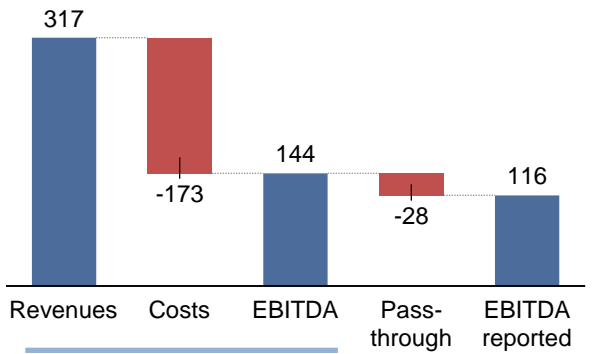
**299 Lei/MWh (▲ 54%)**  
CROSS-MARKET AVERAGE PRICE PAID  
**49%FM / 42%SPOT / 9%BM (1Q 2019)**  
PURCHASE MIX (VOLUMES)  
**40%FM / 45%SPOT / 15%BM (1Q 2018)**  
PURCHASE MIX (VOLUMES)



## Operational profit | EBITDA

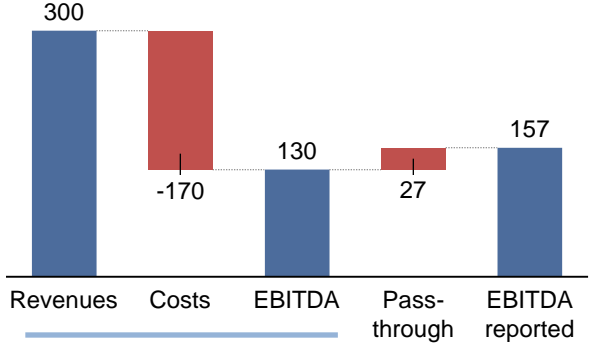
### FROM REVENUES TO EBITDA

Q1 2019



Profit-allowed

Q1 2018



Profit-allowed

### EBITDA BREAKDOWN (PROFIT-ALLOWED)

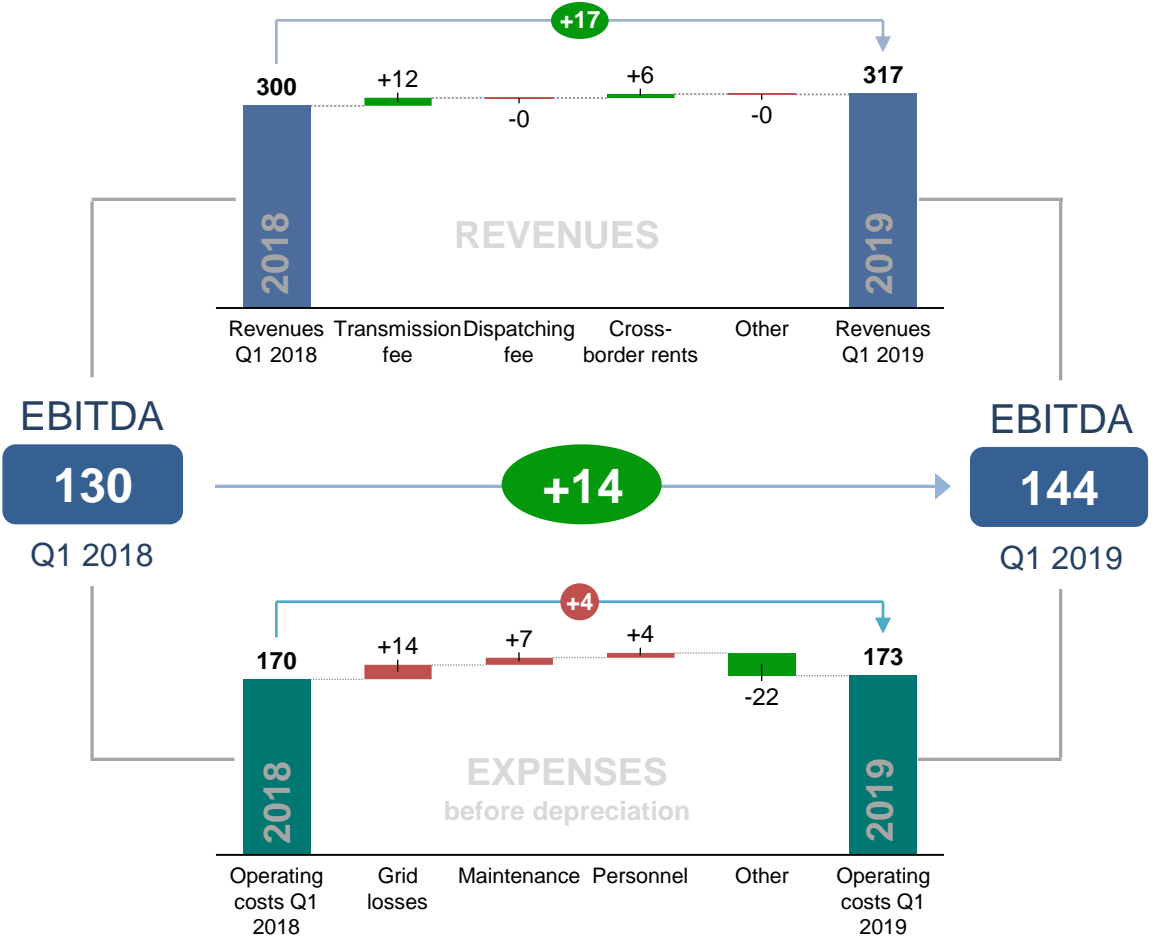


Chart unit: mil Lei

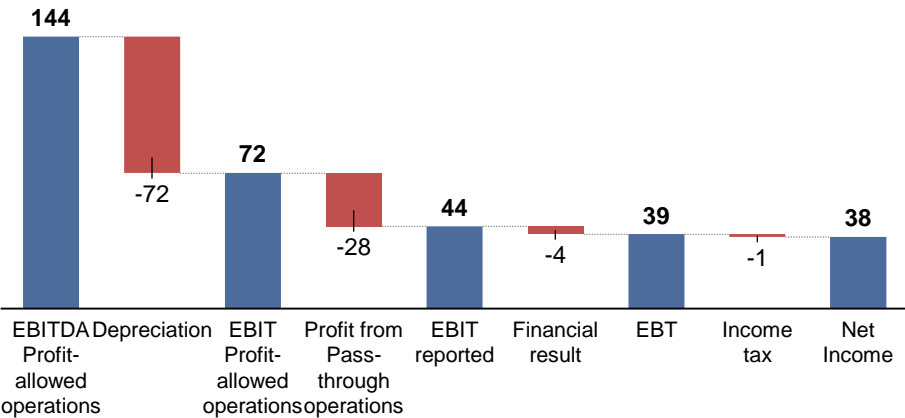


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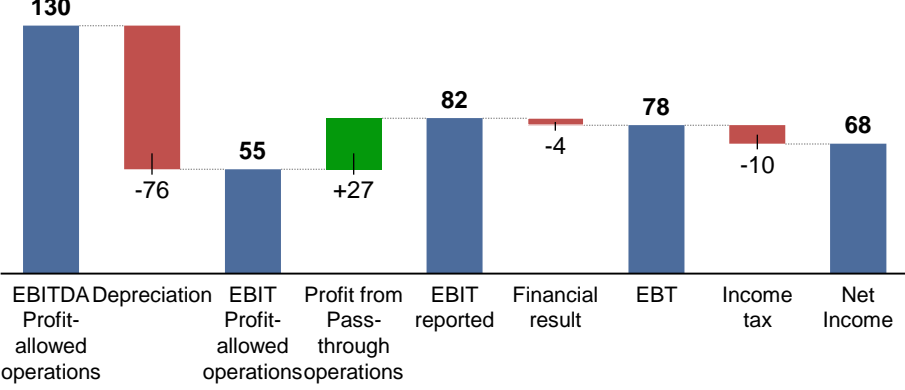
## From EBITDA to Net income

### FROM EBITDA TO NET INCOME

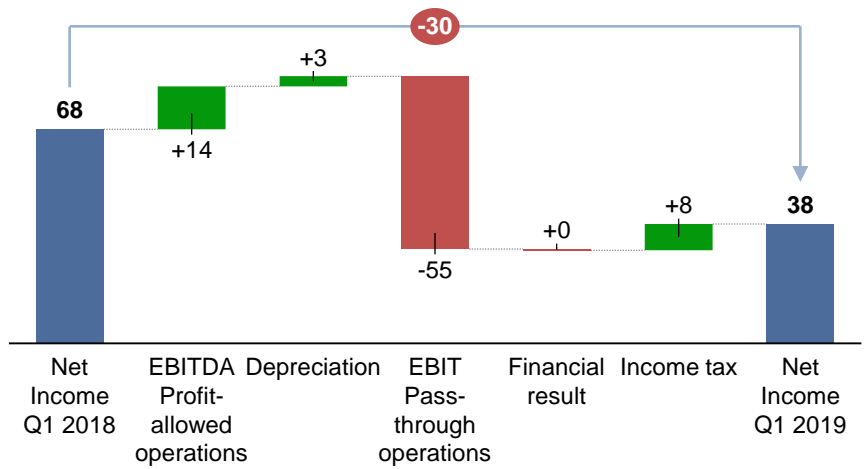
Q1 2019



Q1 2018



### NET INCOME BREAKDOWN



### MAIN DRIVERS BEHIND THE DECREASE IN NET INCOME

- ▼ The significant loss incurred in the pass-through segment in 1Q 2019 (as opposed to the profit earned in 1Q 2018) offset the y/y increase in EBITDA from profit-allowed segment and curbed net income

Chart unit: mil Lei



## Delivered in 2018

**195**  
Lei m

**New contracts**

Total aggregate amount for contracts signed in 1Q 2019

Selected items:

- 87.7 mil Lei – Refurbishment of substation Timisoara 110kV and upgrade to 400kV of internal route Porțile de Fier-Anina-Reșița-Timișoara-Săcălaz-Arad
- 54.8 mil Lei – Refurbishment of substation Medgidia Sud 400/110/20kV
- 49.7 mil Lei – Refurbishment of substation Hasdat 220/110kV



**44**  
Lei m

**Capital expenditure**

Amounts added to construction-work-in-progress in 1Q 2019

Selected items:

- 22.4 mil Lei - Refurbishment of substation Domnesti 400/110/20kV
- 6.0 mil Lei —Mobile cells 110 kV, 220 kV, 400 kV
- 5.3 mil Lei – Refurbishment of substation Isaccea 400 kV



**1**  
Lei m

**Assets commissioned**

Amounts transferred from construction-work-in-progress to fixed assets in 1Q 2019

Selected items:

- 0.5 mil Lei - Replacement of diesel group in substation Darste
- 0.3 mil Lei - Local network reconfiguration



## Procurement phase

**581\***  
Lei m

**In the pipeline**

Total aggregate amount for ongoing procurement actions for investment works (posted on the public online central register for public procurement actions)



\* as of 15.05.2019





# Q&A

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 2019	1Q 2018		
	IFRS	IFRS		
	unaudited	unaudited		
Billed volume [TWh]	14.68	15.00	▼	2.1%
<b>Profit-allowed operations</b>				
<b>Operational revenues</b>	<b>317</b>	<b>300</b>	<b>▲</b>	<b>5.8%</b>
Operational revenues   Transmission	290	272	▲	6.7%
<i>Operational revenues   Transmission   Regulated fee</i>	<i>265</i>	<i>253</i>	<i>▲</i>	<i>4.7%</i>
<i>Operational revenues   Transmission   Cross-border rents</i>	<i>23</i>	<i>17</i>	<i>▲</i>	<i>36.4%</i>
<i>Operational revenues   Transmission   Other</i>	<i>3</i>	<i>2</i>	<i>▲</i>	<i>13.1%</i>
Operational revenues   Dispatching	17	18	▼	4.6%
<i>Operational revenues   Dispatching   Regulated fee</i>	<i>16</i>	<i>17</i>	<i>▼</i>	<i>2.1%</i>
<i>Operational revenues   Dispatching   Unplanned cross-border flows</i>	<i>0</i>	<i>1</i>	<i>▼</i>	<i>49.8%</i>
Operational revenues   Other income	10	11	▼	1.6%
<b>Operational costs</b>	<b>173</b>	<b>170</b>	<b>▲</b>	<b>2.1%</b>
Operational costs   System operation	101	87	▲	16.5%
<i>Operational costs   System operation   Grid losses</i>	<i>81</i>	<i>67</i>	<i>▲</i>	<i>20.6%</i>
<i>Operational costs   System operation   Congestion relief</i>	<i>2</i>	<i>5</i>	<i>▼</i>	
<i>Operational costs   System operation   Power consumption in grid substations</i>	<i>6</i>	<i>6</i>	<i>▲</i>	<i>13.9%</i>
<i>Operational costs   System operation   Inter-TSO-Compensation</i>	<i>2</i>	<i>5</i>	<i>▼</i>	<i>71.6%</i>
<i>Operational costs   System operation   Other</i>	<i>10</i>	<i>3</i>	<i>▲</i>	<i>220.8%</i>
Operational costs   Maintenance	20	13	▲	56.0%
Operational costs   Personell	48	43	▲	10.2%
Operational costs   Other	5	27	▼	82.0%
<b>EBITDA</b>	<b>144</b>	<b>130</b>	<b>▲</b>	<b>10.5%</b>
Operational costs   Depreciation and amortization	72	76	▼	4.3%
<b>EBIT</b>	<b>72</b>	<b>55</b>	<b>▲</b>	<b>30.8%</b>
<b>Pass-through operations</b>				
<b>Operational revenues</b>	<b>332</b>	<b>385</b>	<b>▼</b>	<b>13.9%</b>
Operational revenues   System service	157	184	▼	15.1%
Operational revenues   Balancing service	175	200	▼	12.7%
<b>Operational costs</b>	<b>360</b>	<b>358</b>	<b>▲</b>	<b>0.5%</b>
Operational costs   System service	185	158	▲	17.2%
Operational costs   Balancing service	175	200	▼	12.7%
<b>EBIT</b>	<b>-28</b>	<b>27</b>	<b>▼</b>	<b>-</b>
<b>All operations (profit-allowed and pass-through)</b>				
Operational revenues	649	685	▼	5.3%
Operational costs	533	528	▲	1.0%
<b>EBITDA</b>	<b>116</b>	<b>157</b>	<b>▼</b>	<b>26.3%</b>
Operational costs   Depreciation and amortization	72	76	▼	4.3%
<b>EBIT</b>	<b>44</b>	<b>82</b>	<b>▼</b>	<b>46.7%</b>
Financial result	-4	-4	▼	11.1%
<b>EBT</b>	<b>39</b>	<b>78</b>	<b>▼</b>	<b>49.4%</b>
Income tax	-1	-10	▲	85.3%
<b>Net Income</b>	<b>38</b>	<b>68</b>	<b>▼</b>	<b>44.3%</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****Marius Carasol****Chair (CEO)****Claudia Anastase****Member****Andreea Georgiana Florea****Member****Constantin Saragea****Member****Adrian Savu****Member**



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