



Transelectrica SA

Transmission and System Operator
of the Romanian Electrical Power System

We lead the power

Financial results

1H 2019

(01.01.2019 – 30.06.2019)

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.

FINANCIAL NUMBERS:

reporting period: 1st January 2019 – 30th June 2019

reporting standard: International Financial Reporting Standards (IFRS)

basis/scope: standalone (unconsolidated)

external audit: not audited 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. 3rd REGULATORY PERIOD (1st July 2014 – 30th 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 1st 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:

1H 2019 results

- Key numbers
- Operational results
- Financial results

Investments

- Investment delivered in 1H 2019

Q&A



Financials

1H y/y

• Revenues [mil lei]	1.184	▼	4%
• EBITDA [mil lei]	182	▼	31%
• Net income [mil lei]	30	▼	69%

- Lower revenues (profit-allowed +9%, pass-through -15%)
- Increased opex (profit-allowed +12%, pass-through -1%)
- Positive evolution in profit-allowed segment, fully offset by the loss incurred in pass-through segment

Operational

1H y/y

• Consumption* [TWh]	29.0	▼	0.6%
• Production* [TWh]	29.4	▼	4.2%
• Export net [TWh]	0.4	▼	71.9%

- Slight decline in domestic demand for electricity
- Drop in domestic production of electricity

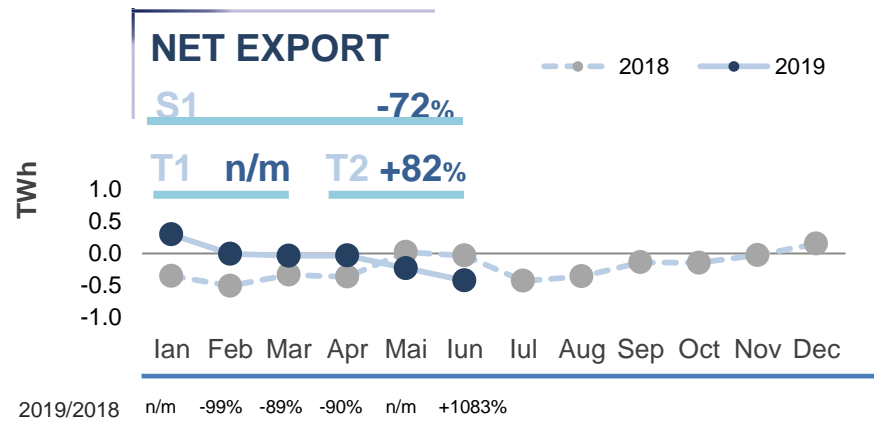
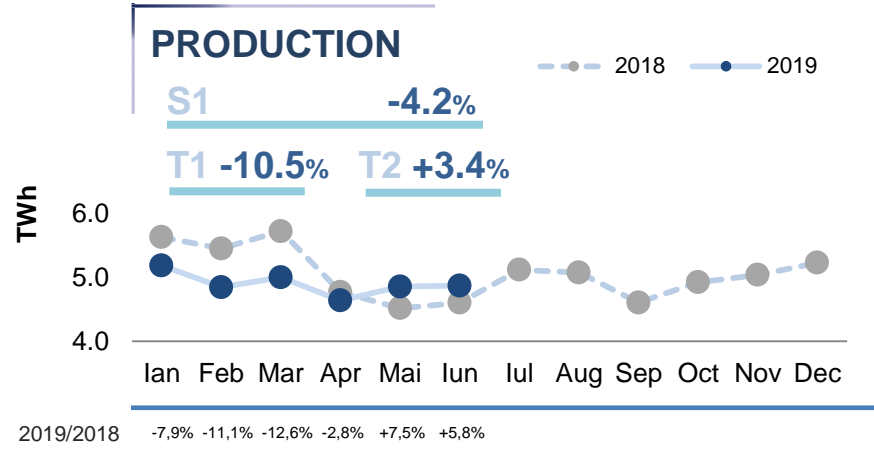
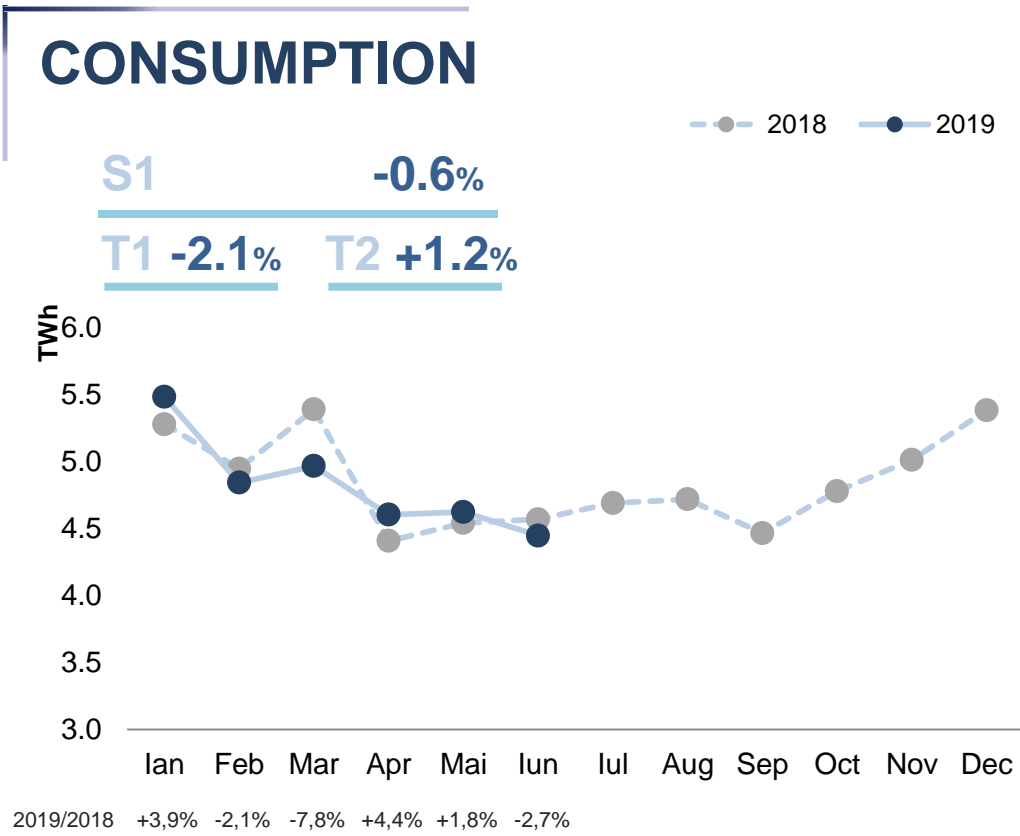
*consumption/generation numbers do not include power plants' own electricity consumption. Consumption includes (i) consumption for hydro pumped storage, and (ii) energy losses in transmission and distribution networks. Cross-border net flow is calculated based on physical flows (export-import) aggregated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

Regulatory framework

- Profit-allowed segment: higher y/y transmission tariffs applied 1H2019, 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 1H 2019 due to high input prices in the balancing capacity market

Domestic demand – slight decline in 1H 2019 (-0.6% y.o.y.)

Domestic production – significant drop in 1H 2019 (-4% y.o.y.)



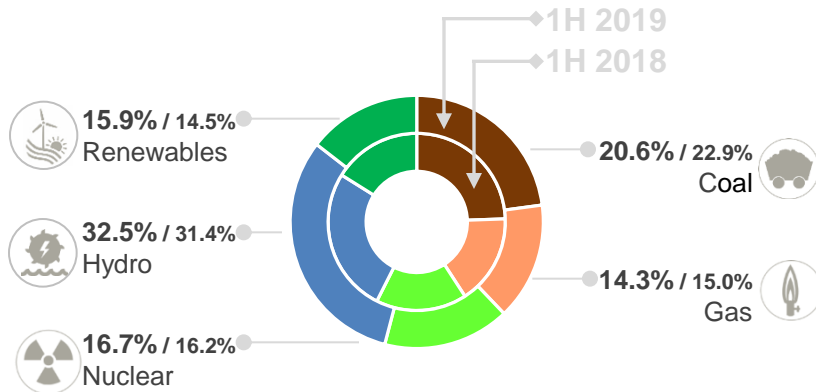
Consumption and generation numbers do not include power plants' own electricity consumption. Consumption includes (i) energy losses in transmission and distribution networks, and (ii) consumption for hydro pumped storage. Cross-border net flow is calculated based on physical flows (import-export).



Results 1H 2019

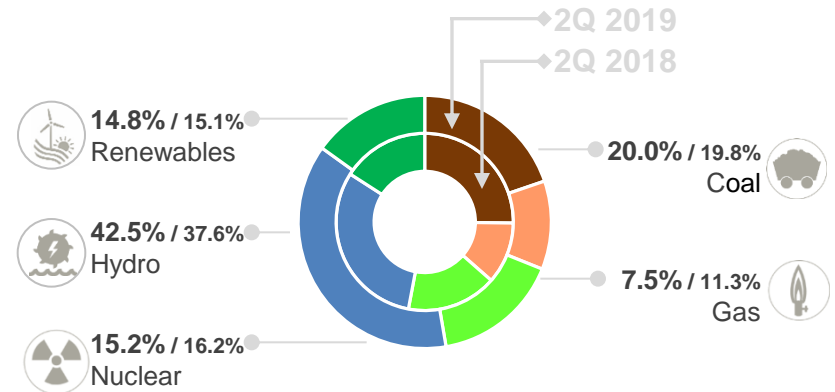
1H 2019 / 1H 2018

Electricity net production mix



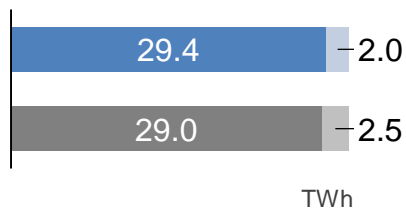
2Q 2019 / 2Q 2018

Electricity net production mix

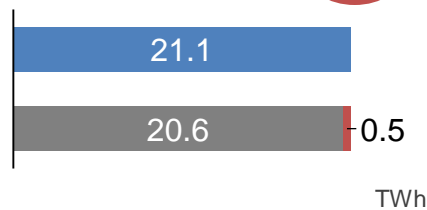


1H 2019

National electricity balance



Transmission losses **2.38%**

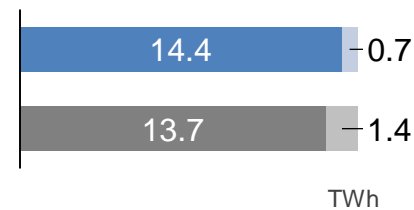


- National power plant output
- Imports
- National consumption
- Exports

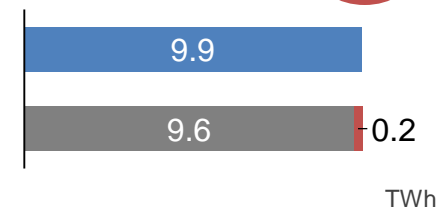
- Grid in-take volume
- Grid out-take volume
- Grid losses

2Q 2019

National electricity balance



Transmission losses **2.42%**



- National power plant output
- Imports
- National consumption
- Exports

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

Profit & Loss

[Lei m]	1H 2019	1H 2018	Δ%
Billed volume [TWh]	27.92	27.96	-0.1%
Profit-allowed operations			
Revenues	609	560	+8.7%
Costs	369	330	+11.9%
EBITDA	239	230	+4.1%
<i>EBITDA margin</i>	39%	41%	
Depreciation	142	151	-6.0%
EBIT	97	79	+23.3%
Pass-through operations			
Revenues	575	673	-14.5%
Costs	633	640	-1.1%
EBIT	-58	33	n/m
All operations			
Revenues	1,184	1,233	-4.0%
Costs	1,002	970	+3.3%
EBITDA	182	263	-30.9%
EBIT	40	112	-64.6%
Net Income	30	98	-69.2%

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)**
- **Increase in costs** – higher costs with grid losses (due to significantly higher market prices) and grid maintenance and personnel were partly compensated by a provision reversal

Pass-through segment

Stand-by balancing capacity services (balancing reserves) - loss incurred in 1H 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.

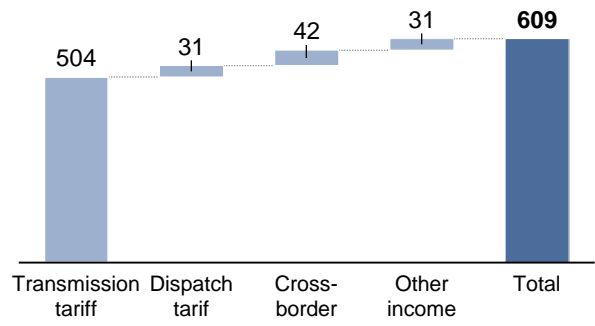
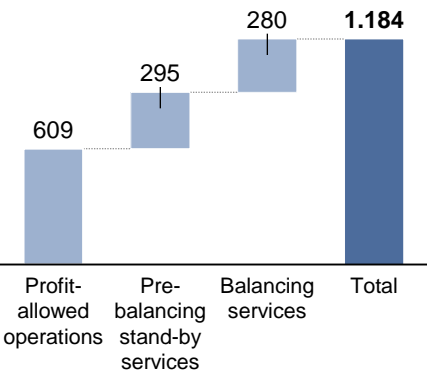
Operations | Revenues

Operational revenues

ALL OPERATIONS

PROFIT-ALLOWED OPERATIONS

H1 2019



H1 2018

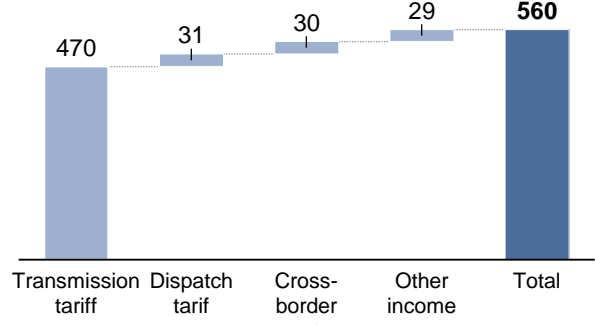
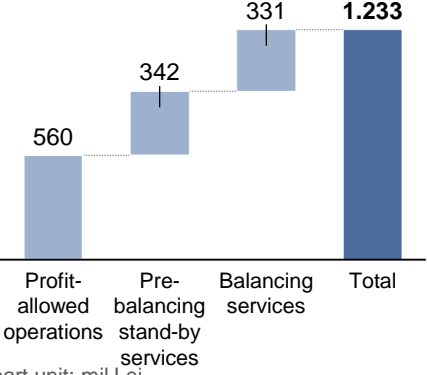
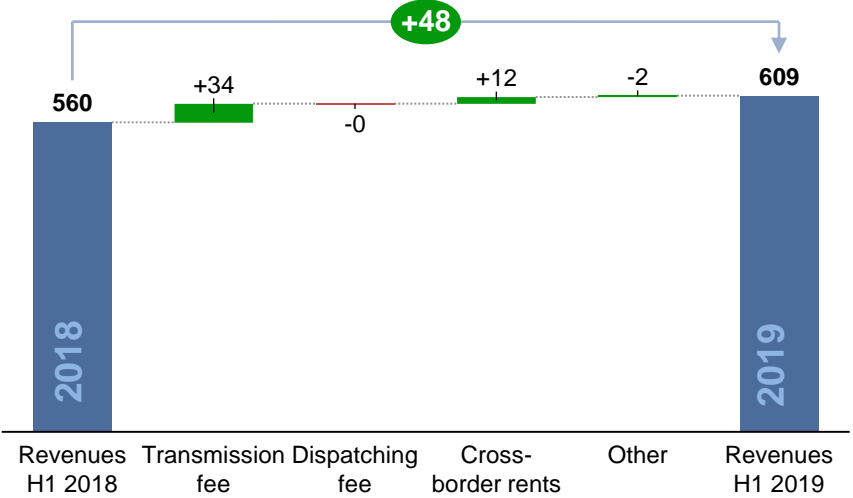


Chart unit: mil Lei

Operational revenues

PROFIT-ALLOWED OPERATIONS: BREAKDOWN



DRIVERS BEHIND THE INCREASE IN REVENUES
 Higher tariffs (+7.5% y/y) in 1H 2019 compensated for the decline in volumes due to the decrease in domestic electricity consumption.



Operations | Costs

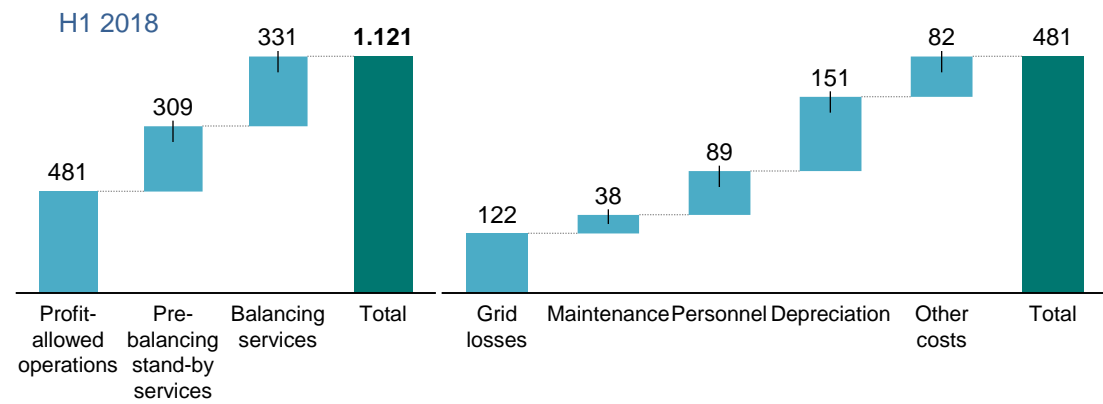
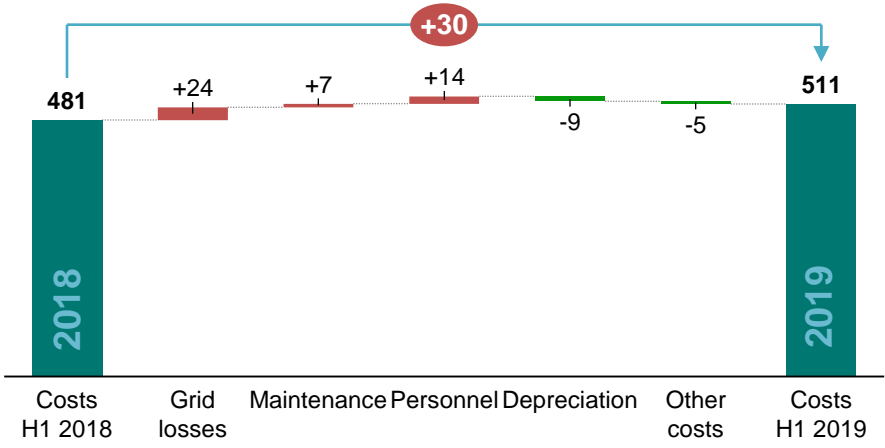
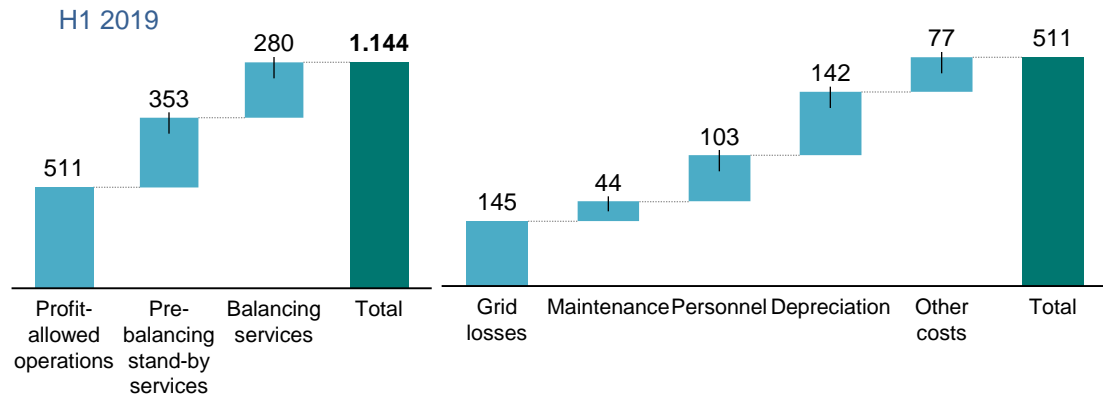
Operational expenses

Operational expenses

ALL OPERATIONS

PROFIT-ALLOWED OPERATIONS

PROFIT-ALLOWED OPERATIONS: BREAKDOWN



DRIVERS BEHIND THE OVERALL INCREASE IN COSTS

- ▲ 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)

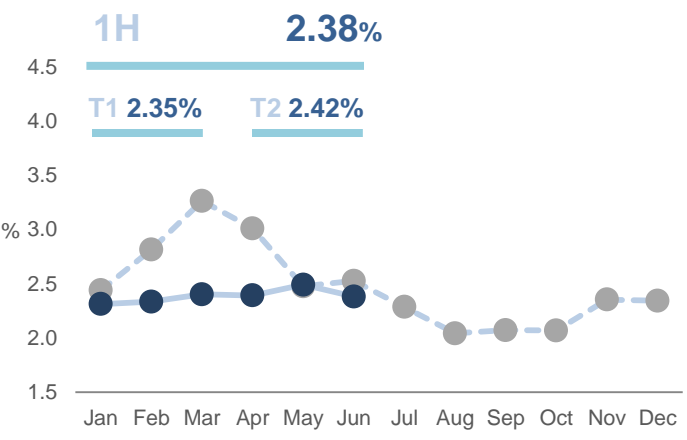
Chart unit: mil Lei



WE LEAD THE POWER

2019 / 2018
-0.38PP

2018: 2.76%
 2019: 2.38%



2019 2.31 2.34 2.40 2.39 2.49 2.38
 2018 2.44 2.81 3.26 3.01 2.48 2.53 2.29 2.04 2.07 2.07 2.35 2.34

GRID LOSSES

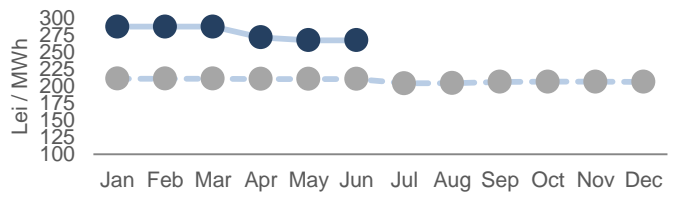
21.05 TWh
 GRID IN-TAKE VOLUME IN 1H 2019

20.55 TWh
 GRID OFF-TAKE VOLUME IN 1H 2019

2.38% (0.50 TWh)
 GRID LOSSES IN 1H 2019

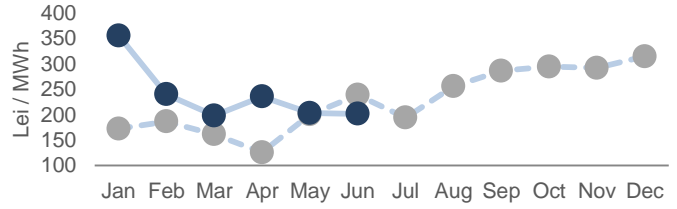
2019 / 2018
+32% FM

2018: 278 Lei
 2019: 211 Lei



2019 / 2018
+35% DAM

2018: 178 Lei
 2019: 240 Lei



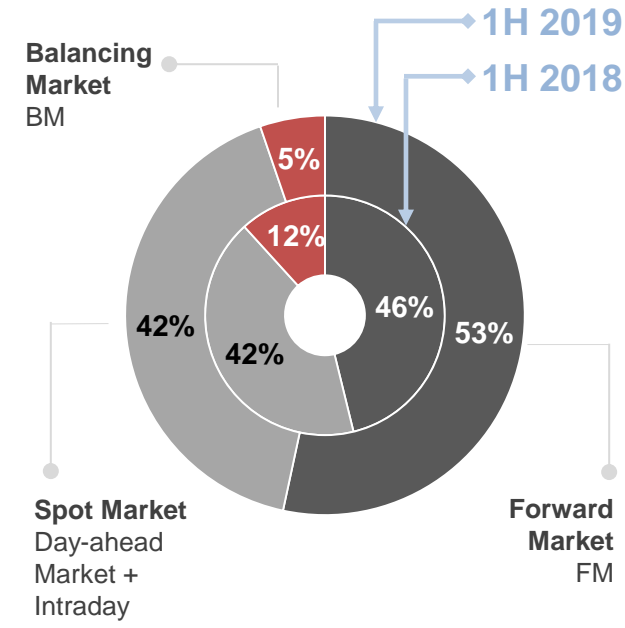
PRICES PAID PER MARKET

278 Lei/MWh (▲ 32%)
 FORWARD MARKET (FM)

240 Lei/MWh (▲ 54%)
 DAY-AHEAD MARKET (DAM)

613 Lei/MWh (▲ 178%)
 BALANCING MARKET (BM) (BRP fee included)

Operational costs | grid losses



AVERAGE PRICE / PURCHASE MIX

279 Lei/MWh (▲ 41%)
 CROSS-MARKET AVERAGE PRICE PAID

53%FM / 42%SPOT / 5%BM (1H 2019)
 PURCHASE MIX (VOLUMES)

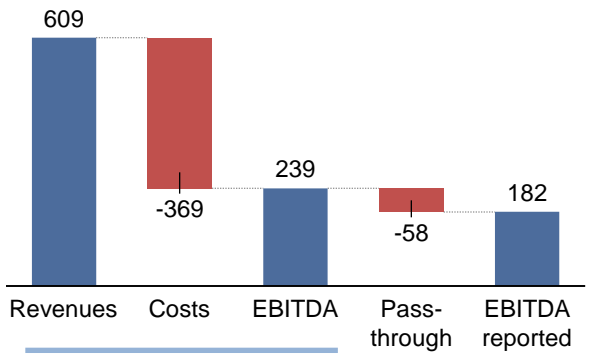
46%FM / 42%SPOT / 12%BM (1H 2018)
 PURCHASE MIX (VOLUMES)



Operational profit | EBITDA

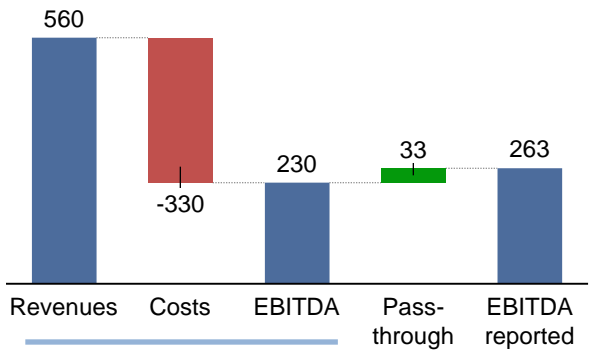
FROM REVENUES TO EBITDA

H1 2019



Profit-allowed

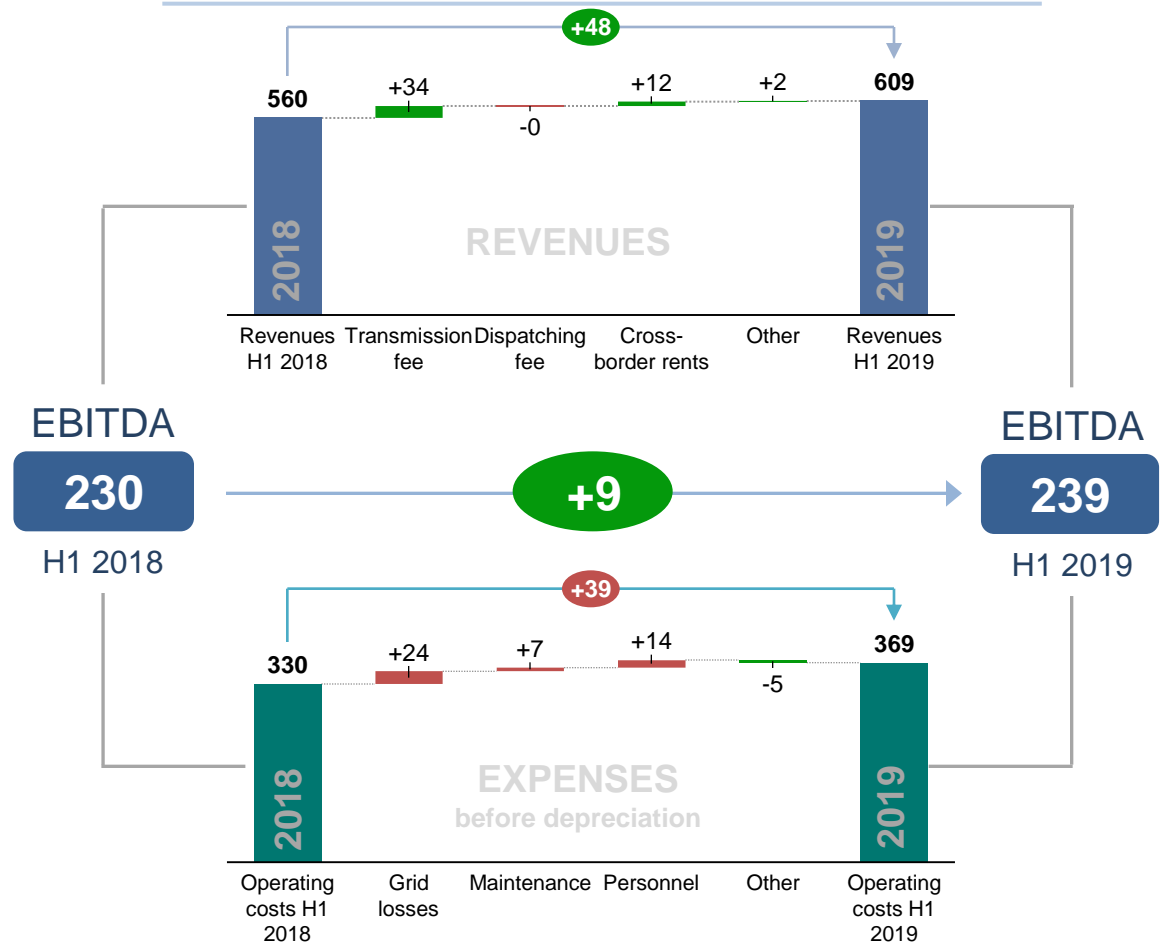
H1 2018



Profit-allowed

Chart unit: mil Lei

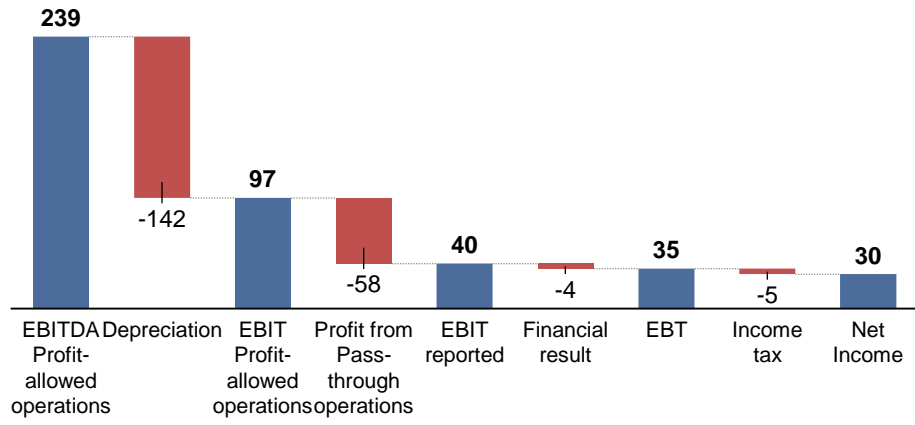
EBITDA BREAKDOWN (PROFIT-ALLOWED)



From EBITDA to Net income

FROM EBITDA TO NET INCOME

H1 2019



H1 2018

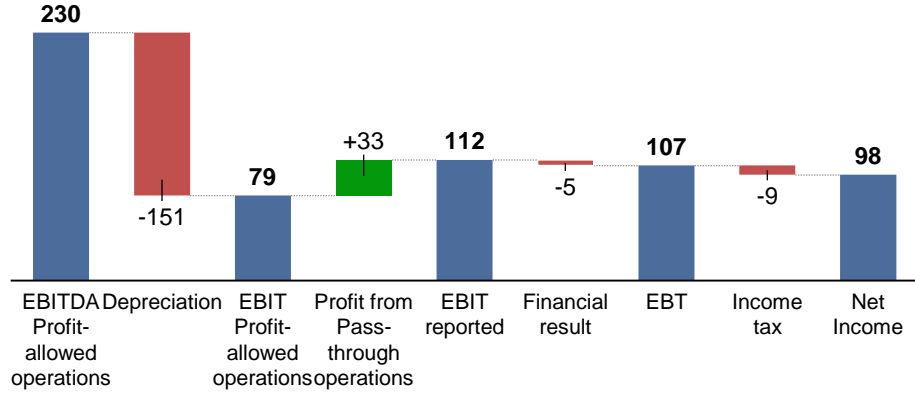
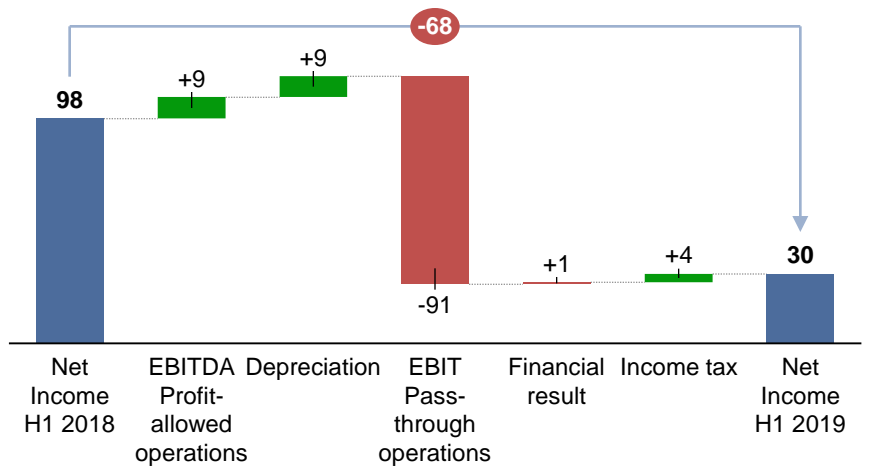


Chart unit: mil Lei

NET INCOME BREAKDOWN



MAIN DRIVERS BEHIND THE DECREASE IN NET INCOME

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



Delivered in 2018

257
Lei m

New contracts

Total aggregate amount for contracts signed in 1H 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
- 30.7 mil Lei – Investment works in 400/220/110/6KV Iernut substation



95
Lei m

Capital expenditure

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

Selected items:

- 27.8 mil Lei - Refurbishment of substation Domnesti 400/110/20kV
- 21.2 mil Lei - Connection cells 110 kV, 220 kV, 400 kV
- 5.3 mil Lei - Refurbishment of substation Turnu Severin Est 220/110 kV



18
Lei m

Assets commissioned

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

Selected items:

- 12.3 mil Lei - Refurbishment of substation Bradu 400/220/110/20 kV
- 1.5 mil Lei – Investment in protection of classified information



Procurement phase

537*
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 13.08.2019



Q&A

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]	1H2019	1H2018		2Q2019	2Q2018		1Q2019	1Q2018	
	IFRS	IFRS		IFRS	IFRS		IFRS	IFRS	
	unaudited	unaudited		unaudited	unaudited		unaudited	unaudited	
Billed volume [TWh]	27.92	27.96 ▼	0.1%	13.24	12.96 ▲	2.2%	14.68	15.00 ▼	2.1%
Profit-allowed operations									
Operational revenues	609	560 ▲	8.7%	291	260 ▲	12.1%	317	300 ▲	5.8%
Operational revenues Transmission	552	505 ▲	9.3%	262	233 ▲	12.4%	290	272 ▲	6.7%
Operational revenues Transmission Regulated fee	504	470 ▲	7.3%	239	217 ▲	10.2%	265	253 ▲	4.7%
Operational revenues Transmission Cross-border rents	42	30 ▲	41.3%	19	13 ▲	47.4%	23	17 ▲	36.4%
Operational revenues Transmission Other	6	5 ▲	13.1%	3	3 ▲	13.1%	3	2 ▲	13.1%
Operational revenues Dispatching	32	33 ▼	1.5%	16	15 ▲	3.4%	17	18 ▼	4.6%
Operational revenues Dispatching Regulated fee	31	31 ▼	0.1%	15	14 ▲	2.2%	16	17 ▼	2.1%
Operational revenues Dispatching Unplanned cross-border flows	1	2 ▼	26.6%	1	1 ▲	30.2%	0	1 ▼	49.8%
Operational revenues Other income	24	22 ▲	8.7%	14	12 ▲	18.0%	10	11 ▼	1.6%
Operational costs	369	330 ▲	11.9%	196	161 ▲	22.2%	173	170 ▲	2.1%
Operational costs System operation	180	150 ▲	19.9%	79	63 ▲	24.7%	101	87 ▲	16.5%
Operational costs System operation Grid losses	145	122 ▲	19.4%	64	54 ▲	17.9%	81	67 ▲	20.6%
Operational costs System operation Congestion relief	2	5 ▼		0	0 ▼		2	5 ▼	
Operational costs System operation Power consumption in grid substations	11	9 ▲	19.0%	4	3 ▲	27.2%	6	6 ▲	13.9%
Operational costs System operation Inter-TSO-Compensation	4	8 ▼	52.5%	2	3 ▼	15.9%	2	5 ▼	17.6%
Operational costs System operation Other	18	6 ▲	218.3%	8	3 ▲	215.3%	10	3 ▲	220.8%
Operational costs Maintenance	44	38 ▲	17.7%	25	25 ▼	1.5%	20	13 ▲	56.0%
Operational costs Personell	103	89 ▲	15.8%	55	46 ▲	21.1%	48	43 ▲	10.2%
Operational costs Other	42	54 ▼	21.2%	37	27 ▲	40.2%	5	27 ▼	82.0%
EBITDA	239	230 ▲	4.1%	95	99 ▼	4.2%	144	130 ▲	10.5%
Operational costs Depreciation and amortization	142	151 ▼	6.0%	70	76 ▼	7.7%	72	76 ▼	4.3%
EBIT	97	79 ▲	23.3%	25	24 ▲	7.1%	72	55 ▲	30.8%
Pass-through operations									
Operational revenues	575	673 ▼	14.5%	244	288 ▼	15.4%	332	385 ▼	13.9%
Operational revenues System service	295	342 ▼	13.7%	139	158 ▼	12.0%	157	184 ▼	15.1%
Operational revenues Balancing service	280	331 ▼	15.4%	105	130 ▼	19.5%	175	200 ▼	12.7%
Operational costs	633	640 ▼	1.1%	273	282 ▼	3.2%	360	358 ▲	0.5%
Operational costs System service	353	309 ▲	14.1%	168	152 ▲	10.9%	185	158 ▲	17.2%
Operational costs Balancing service	280	331 ▼	15.4%	105	130 ▼	19.5%	175	200 ▼	12.7%
EBIT	-58	33 ▼	-	-29	6 ▼	-	-28	27 ▼	-
All operations (profit-allowed and pass-through)									
Operational revenues	1,184	1,233 ▼	4.0%	535	548 ▼	2.4%	649	685 ▼	5.3%
Operational costs	1,002	970 ▲	3.3%	469	443 ▲	6.0%	533	528 ▲	1.0%
EBITDA	182	263 ▼	30.9%	66	106 ▼	37.7%	116	157 ▼	26.3%
Operational costs Depreciation and amortization	142	151 ▼	6.0%	70	76 ▼	7.7%	72	76 ▼	4.3%
EBIT	40	112 ▼	64.6%	-4	30 ▼	-	44	82 ▼	46.7%
Financial result	-4	-5 ▲	15.0%	0	-2 ▲	77.8%	-4	-4 ▼	11.1%
EBT	35	107 ▼	67.0%	-4	28 ▼	-	39	78 ▼	49.4%
Income tax	-5	-9 ▲	42.8%	-4	1 ▼	-	-1	-10 ▲	85.3%
Net Income	30	98 ▼	69.2%	-8	30 ▼	-	38	68 ▼	44.3%

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****Marius Danut Carasol****Chair (CEO)****Claudia Anastase****Member****Andreea Georgiana Florea****Member****Adrian Savu****Membru****Alina - Elena Teodoru****Membru**



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