



Transelectrica SA

Transmission and System Operator
of the Romanian Electrical Power System

We lead the power

Financial results

9M 2019

(01.01.2019 – 30.09.2019)

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:

<i>reporting period:</i>	1 st January 2019 – 30 th September 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. 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:

9M 2019 results

- Key numbers
- Operational results
- Financial results

Investments

- Investment delivered in 9M 2019

Q&A



Financials

9M y/y

- | | | | | |
|------------------------|-------|---|-----|--|
| • Revenues [mil lei] | 1.783 | ▼ | 3% | • Lower revenues (profit-allowed +6%, pass-through -11%) |
| • EBITDA [mil lei] | 299 | ▼ | 12% | • Increased opex (profit-allowed +17%, pass-through -9%) |
| • Net income [mil lei] | 74 | ▼ | 25% | |

Operational

9M y/y

- | | | | | |
|----------------------|------|---|------|--|
| • Consumption* [TWh] | 42.9 | ▼ | 0.2% | • Slight decline in domestic demand for electricity |
| • Production* [TWh] | 42.1 | ▼ | 7.4% | • Significant drop in domestic production of electricity |
| • Export net [TWh] | 0.8 | | n/m | • Net import bridged domestic generation-demand gap |

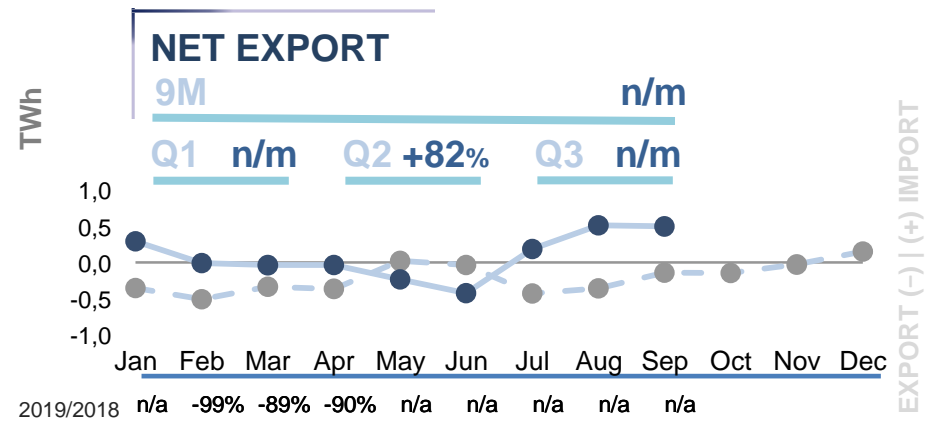
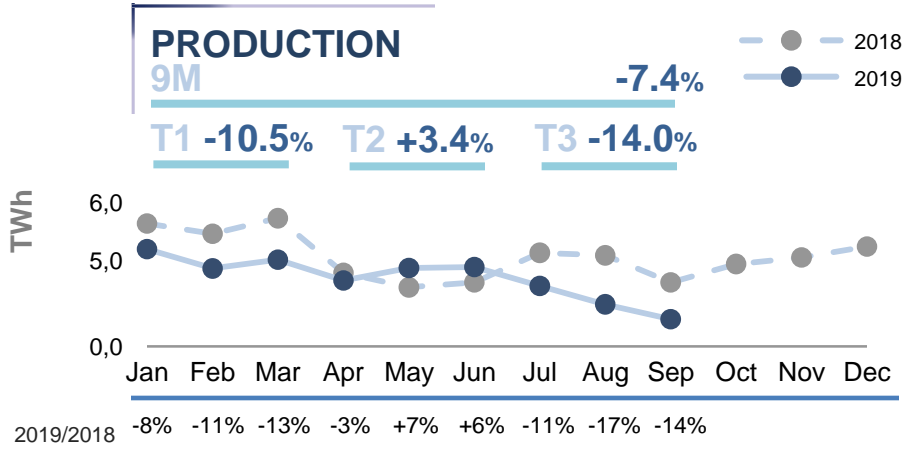
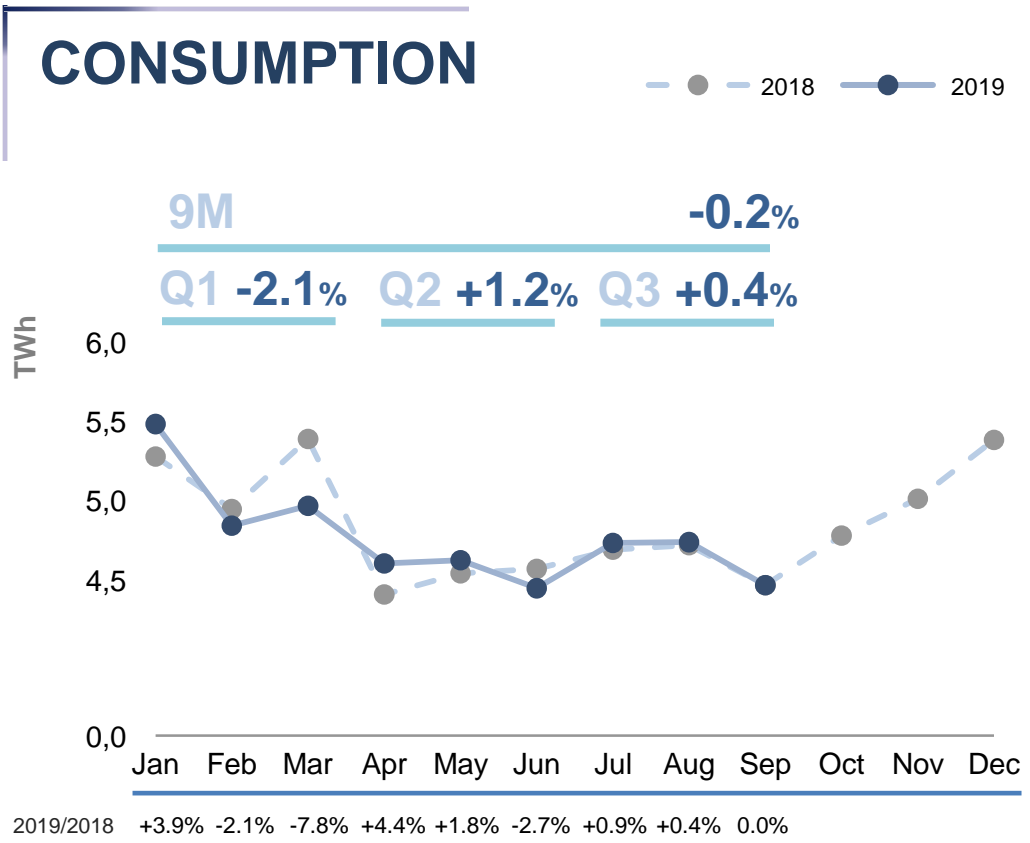
*consumption/generation numbers do not include power plants' own electricity consumption. Consumption includes (i) consumption for hydro pumped storage, and (ii) energy losses in transmission and distribution networks. Cross-border net flow is calculated based on physical flows (export-import) aggregated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

Regulatory framework

- Profit-allowed segment: higher y/y transmission tariffs applied 9M2019, 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 9M 2019 due to high input prices in the balancing capacity market

Domestic demand – slight decline in 9M 2019 (-0.2% y.o.y.)

Domestic production – significant drop in 1H 2019 (-7% y.o.y.)



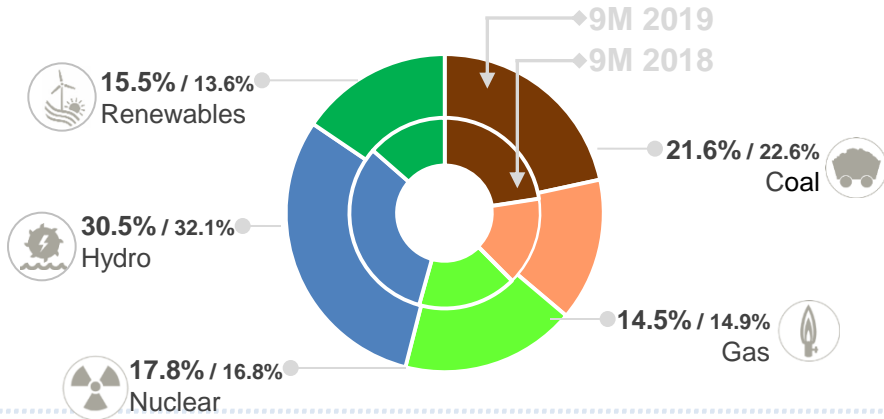
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Results 9M 2019

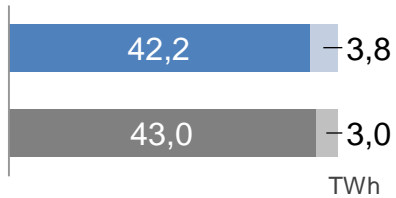
9M 2019 / 9M 2018

Electricity net production mix



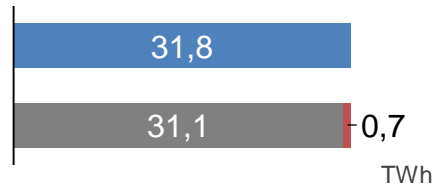
9M 2019

National electricity balance



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

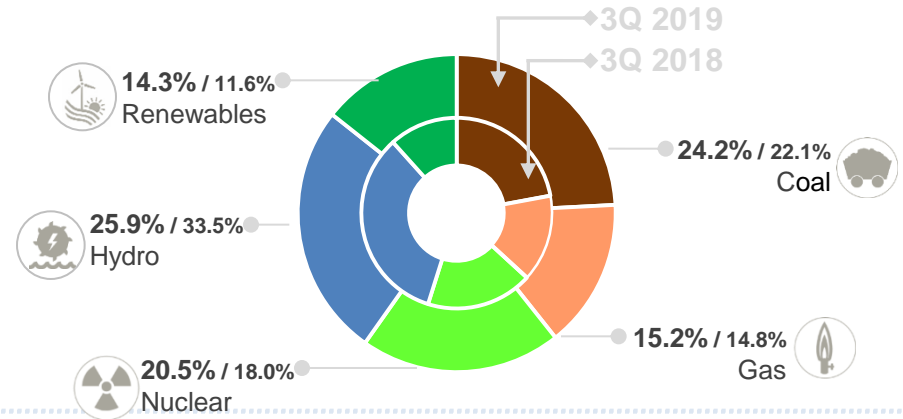
Transmission losses **2.29%**



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

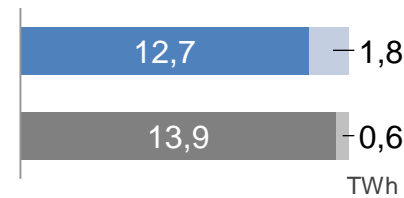
3Q 2019 / 3Q 2018

Electricity net production mix



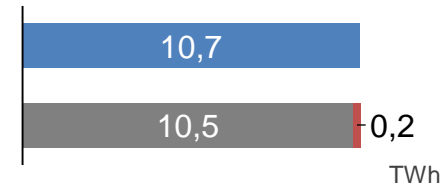
3Q 2019

National electricity balance



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

Transmission losses **2.10%**



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

Profit & Loss

[Lei m]	30-Sep-2019	30-Sep-2018	Δ%
Billed volume [TWh]	41.29	41.27	+0.1%
Profit-allowed operations			
Revenues	907	852	+6.5%
Costs	582	498	+16.9%
EBITDA	325	354	-8.1%
<i>EBITDA margin</i>	36%	42%	
Depreciation	210	226	-7.0%
EBIT	116	128	-10.0%
Pass-through operations			
Revenues	876	980	-10.7%
Costs	902	995	-9.3%
EBIT	-26	-14	n/m
All operations			
Revenues	1,783	1,832	-2.7%
Costs	1,484	1,493	-0.6%
EBITDA	299	340	-12.0%
EBIT	89	114	-21.8%
Net Income	74	98	-24.5%

Volumes

- Slightly higher

Profit-allowed segment

- **Slight increase in revenues (higher y/y tariffs combined with slightly higher volumes)**
- **Increase in costs** – higher costs with grid losses and other expenses incurred in running the transmission system (unplanned cross-border electricity flows, own electricity consumption in the transmission grid substations) due to significantly higher electricity market prices, higher costs with grid maintenance and personnel, higher taxes (transmission license fee)

Pass-through segment

Stand-by balancing capacity services (balancing reserves) - loss incurred in 9M 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 incurred in 1H 2019 to be recovered starting 1 July 2019.

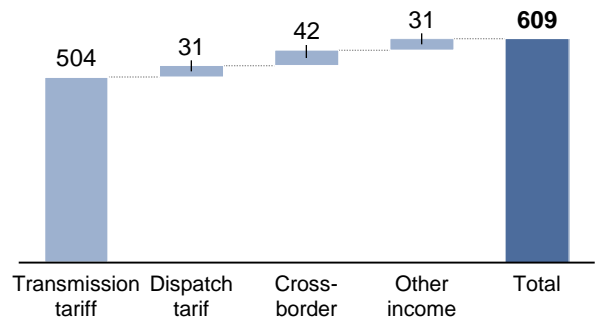
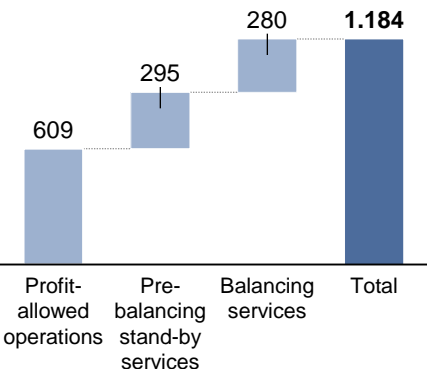
Operations | Revenues

Operational revenues

ALL OPERATIONS

PROFIT-ALLOWED OPERATIONS

H1 2019



H1 2018

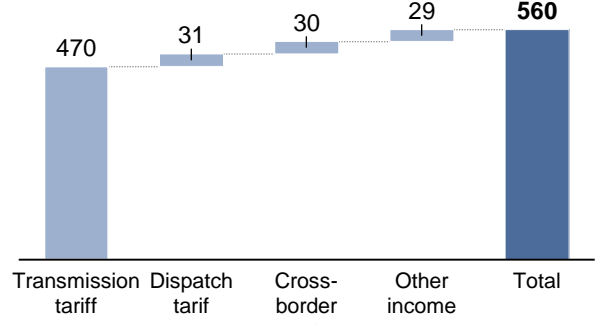
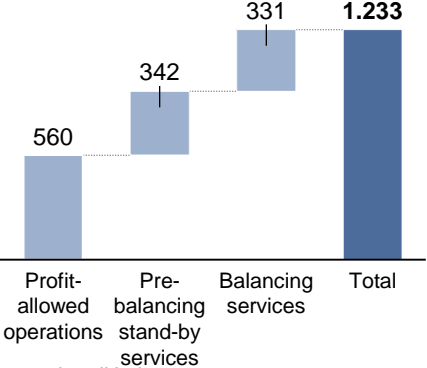
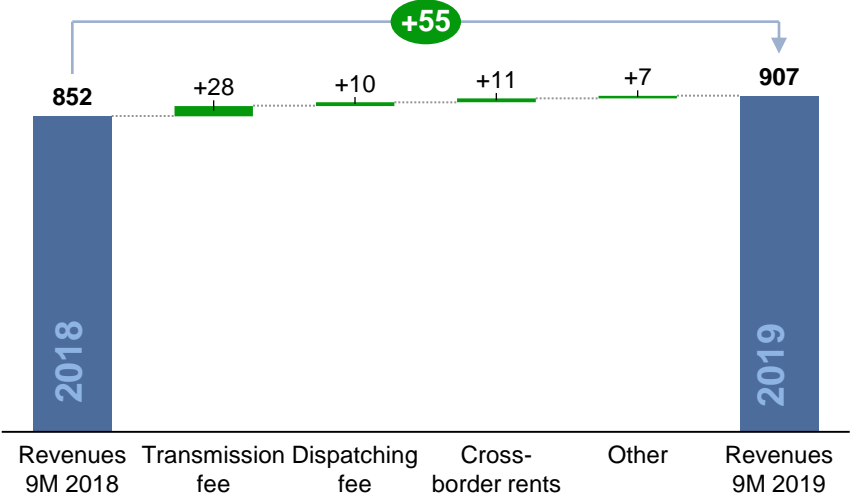


Chart unit: mil Lei

Operational revenues

PROFIT-ALLOWED OPERATIONS: BREAKDOWN



DRIVERS BEHIND THE INCREASE IN REVENUES

- Higher transmission and ancillary services tariffs
- Slightly higher volumes
- Higher cross-border capacity rent income driven by high market demand for cross-border electricity trading



Operations | Costs

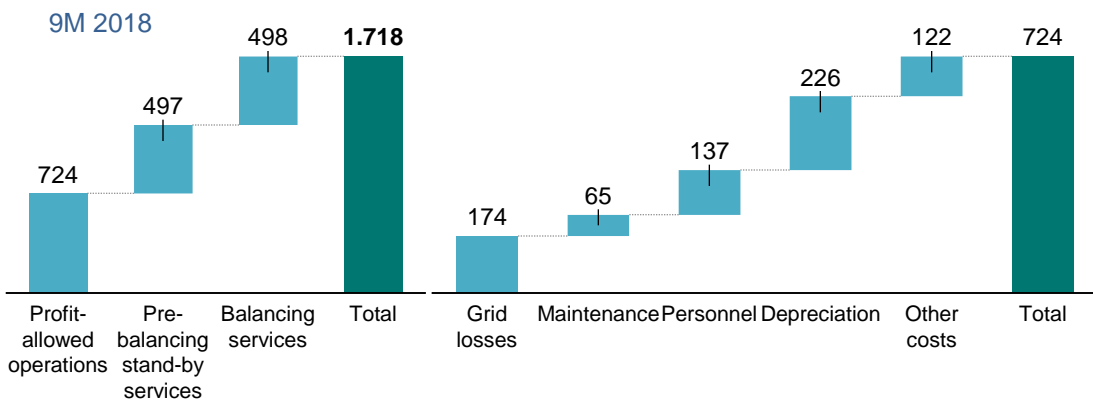
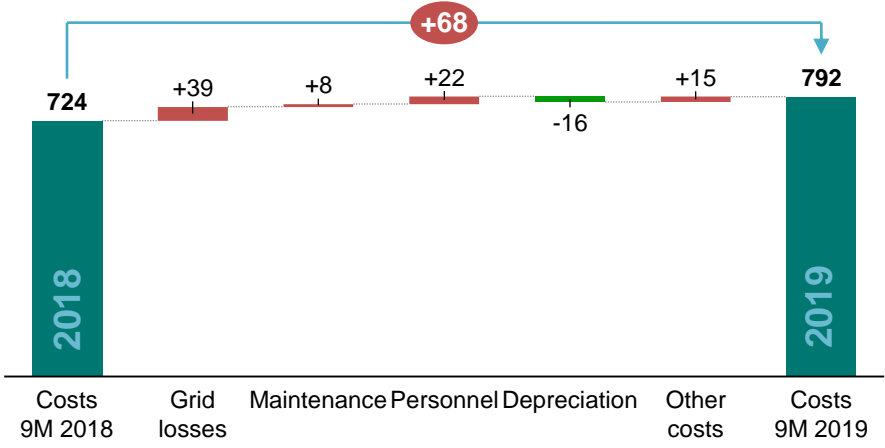
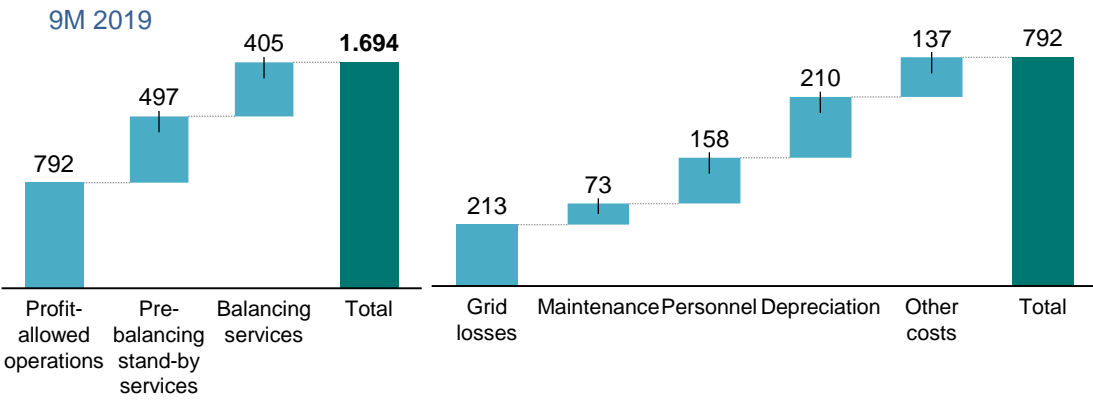
Operational expenses

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
- ▲ Personnel – salary increases to catch up with industry average
- ▲ Other costs – primarily driven by growing electricity prices e.g. own electricity consumption in the network substations, settlement of unplanned cross-border electricity flows

Chart unit: mil Lei

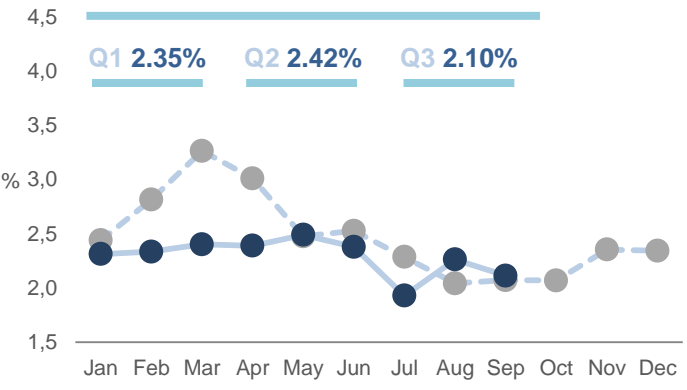


2019 / 2018
-0.26PP

2018 2.55%
2019 2.29%

9M **2.29%**

Q1 2.35% Q2 2.42% Q3 2.10%



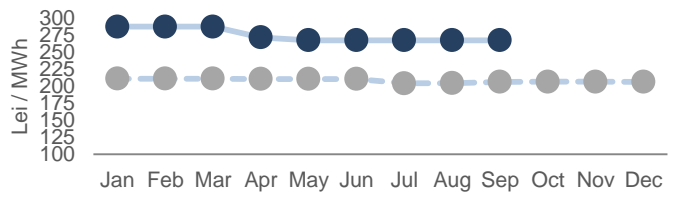
2019	2.31	2.34	2.40	2.39	2.49	2.38	1.93	2.26	2.11			
2018	2.44	2.81	3.26	3.01	2.48	2.53	2.29	2.04	2.07	2.07	2.35	2.34

GRID LOSSES

31.79 TWh
GRID IN-TAKE VOLUME IN 9M 2019
31.06 TWh
GRID OFF-TAKE VOLUME IN 9M 2019
2.29% (0.73 TWh)
GRID LOSSES IN 9M 2019

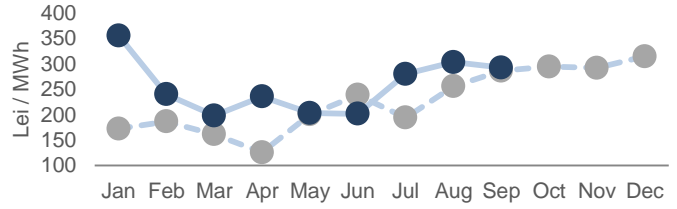
2019 / 2018
+31% FM

2018 209 Lei
2019 275 Lei



2019 / 2018
+32% DAM

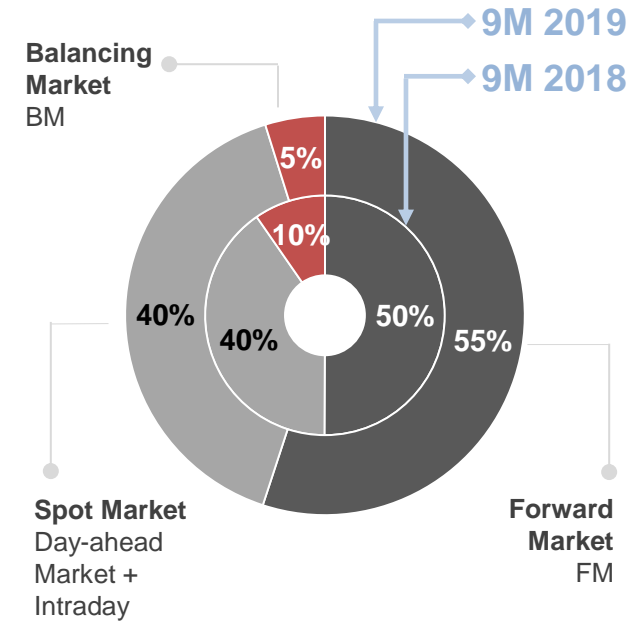
2018 194 Lei
2019 255 Lei



PRICES PAID PER MARKET

275 Lei/MWh (▲31%)
FORWARD MARKET (FM)
255 Lei/MWh (▲32%)
DAY-AHEAD MARKET (DAM)
648 Lei/MWh (▲172%)
BALANCING MARKET (BM) (BRP fee included)

Operational costs | grid losses



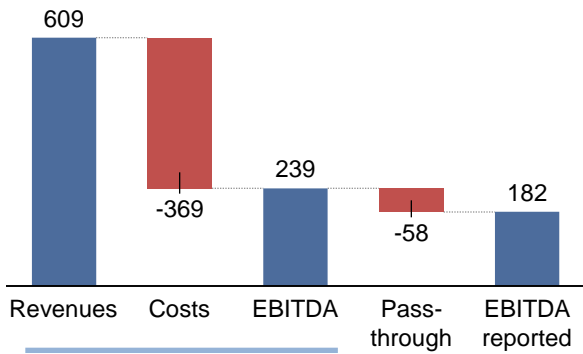
AVERAGE PRICE / PURCHASE MIX

285 Lei/MWh (▲39%)
CROSS-MARKET AVERAGE PRICE PAID
55%FM / 40%SPOT / 5%BM (9M 2019)
PURCHASE MIX (VOLUMES)
50%FM / 40%SPOT / 10%BM (9M 2018)
PURCHASE MIX (VOLUMES)



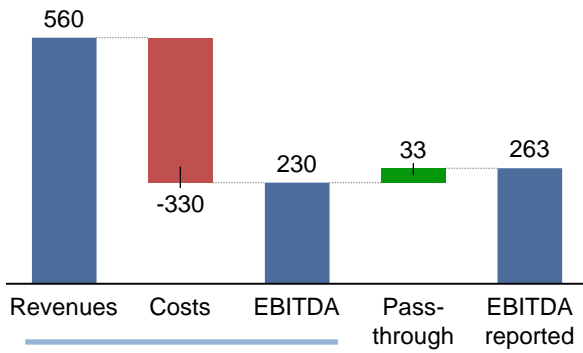
FROM REVENUES TO EBITDA

9M 2019



Profit-allowed

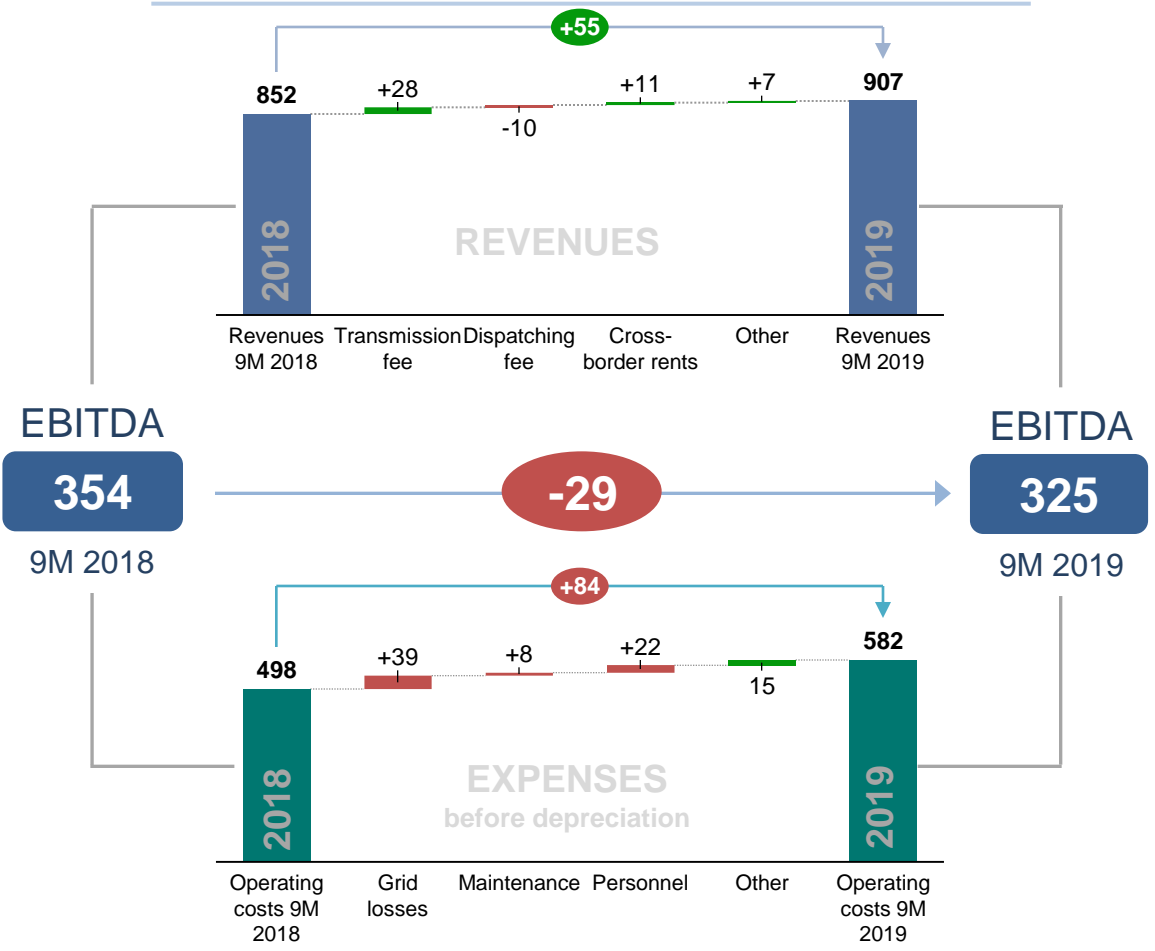
9M 2018



Profit-allowed

Chart unit: mil Lei

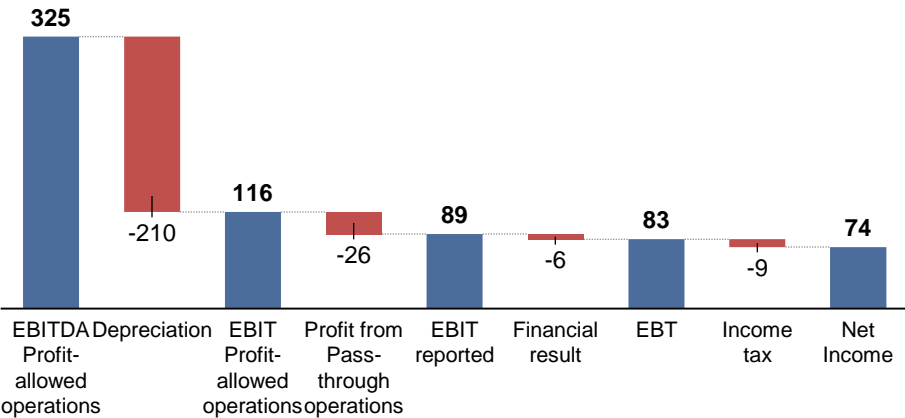
EBITDA BREAKDOWN (PROFIT-ALLOWED)



From EBITDA to Net income

FROM EBITDA TO NET INCOME

9M 2019



9M 2018

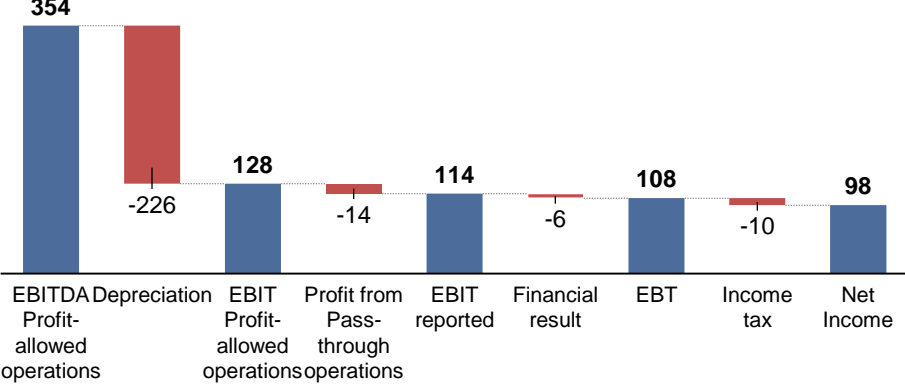
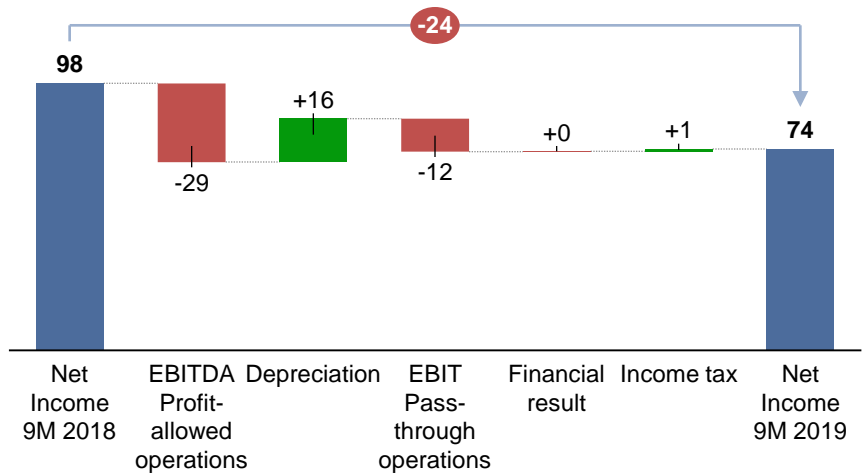


Chart unit: mil Lei

NET INCOME BREAKDOWN



MAIN DRIVERS BEHIND THE DECREASE IN NET INCOME

- ▼ Decline in EBITDA from profit-allowed operations due to increasing costs
- ▼ The y/y higher loss incurred in the pass-through segment



Delivered in 9M 2019

274
Lei m

New contracts

Total aggregate amount for contracts signed in 9M 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



158
Lei m

Capital expenditure

Amounts added to construction-work-in-progress in 9M 2019

Selected items:

- 27.8 mil Lei - Refurbishment of substation Domnesti 400/110/20kV
- 21.2 mil Lei - Mobile cells 110 kV, 220 kV, 400 kV
- 13,9 mil Lei - Refurbishment of substation Turnu Severin Est 220/110 kV



57
Lei m

Assets commissioned

Amounts transferred from construction-work-in-progress to fixed assets in 9M 2019

Selected items:

- 31.8 mil Lei – Refurbishment of substation Domnesti 400/110/20 kV
- 12.3 mil Lei – Refurbishment of substation Bradu 400/220/110/20 kV





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 (operated 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]	9M2019	9M2018		3Q2019	3Q2018		2Q2019	2Q2018		1Q2019	1Q2018	
	IFRS	IFRS		IFRS	IFRS		IFRS	IFRS		IFRS	IFRS	
	unaudited	unaudited		unaudited	unaudited		unaudited	unaudited		unaudited	unaudited	
Billed volume [TWh]	41.29	41.27 ▲	0.1%	13.37	13.31 ▲	0.5%	13.24	12.96 ▲	2.2%	14.68	15.00 ▼	2%
Profit-allowed operations												
Operational revenues	907	852 ▲	6.5%	299	292 ▲	2.3%	291	260 ▲	12.1%	317	300 ▲	6%
Operational revenues Transmission	809	771 ▲	5.0%	257	266 ▼	3.3%	262	233 ▲	12.4%	290	272 ▲	7%
Operational revenues Transmission Regulated fee	739	711 ▲	3.9%	235	241 ▼	2.6%	239	217 ▲	10.2%	265	253 ▲	5%
Operational revenues Transmission Cross-border rents	62	52 ▲	20.7%	20	22 ▼	7.1%	19	13 ▲	47.4%	23	17 ▲	36%
Operational revenues Transmission Other	8	8 ▼	4.6%	2	3 ▼	36.8%	3	3 ▲	13.1%	3	2 ▲	13%
Operational revenues Dispatching	60	48 ▲	25.0%	27	15 ▲	83.2%	16	15 ▲	3.4%	17	18 ▼	5%
Operational revenues Dispatching Regulated fee	56	46 ▲	21.4%	25	15 ▲	66.6%	15	14 ▲	2.2%	16	17 ▼	2%
Operational revenues Dispatching Unplanned cross-border flows	4	2 ▲	111.7%	3	0 ▲	1503.3%	1	1 ▲	30.2%	0	1 ▼	50%
Operational revenues Other income	39	33 ▲	15.3%	14	11 ▲	28.2%	14	12 ▲	18.0%	10	11 ▼	2%
Operational costs	582	498 ▲	16.9%	212	168 ▲	26.7%	196	161 ▲	22.2%	173	170 ▲	2%
Operational costs System operation	268	212 ▲	26.4%	88	62 ▲	42.1%	79	63 ▲	24.7%	101	87 ▲	16%
Operational costs System operation Grid losses	213	174 ▲	22.4%	68	53 ▲	29.3%	64	54 ▲	17.9%	81	67 ▲	21%
Operational costs System operation Congestion relief	2	6 ▼		0	1 ▼		0	0 ▼		2	5 ▼	69%
Operational costs System operation Power consumption in grid substations	15	12 ▲	22.6%	4	3 ▲	32.4%	4	3 ▲	27.2%	6	6 ▲	14%
Operational costs System operation Inter-TSO-Compensation	11	10 ▲	10.0%	7	2 ▲	315.9%	2	3 ▼	15.9%	2	5 ▼	72%
Operational costs System operation Other	27	10 ▲	184.2%	9	4 ▲	131.5%	8	3 ▲	215.3%	10	3 ▲	221%
Operational costs Maintenance	73	65 ▲	12.6%	29	27 ▲	5.4%	25	25 ▼	1.5%	20	13 ▲	56%
Operational costs Personell	158	137 ▲	15.7%	56	48 ▲	15.5%	55	46 ▲	21.1%	48	43 ▲	10%
Operational costs Other	82	84 ▼	2.0%	40	30 ▲	32.1%	37	27 ▲	40.2%	5	27 ▼	82%
EBITDA	325	354 ▼	8.1%	86	124 ▼	30.6%	95	99 ▼	4.2%	144	130 ▲	10%
Operational costs Depreciation and amortization	210	226 ▼	7.0%	68	75 ▼	9.0%	70	76 ▼	7.7%	72	76 ▼	4%
EBIT	116	128 ▼	10.0%	18	50 ▼	63.1%	25	24 ▲	7.1%	72	55 ▲	31%
Pass-through operations												
Operational revenues	876	980 ▼	10.7%	300	307 ▼	2.2%	244	288 ▼	15.4%	332	385 ▼	14%
Operational revenues System service	470	482 ▼	2.5%	175	140 ▲	25.0%	139	158 ▼	12.0%	157	184 ▼	15%
Operational revenues Balancing service	405	498 ▼	18.6%	125	167 ▼	24.9%	105	130 ▼	19.5%	175	200 ▼	13%
Operational costs	902	995 ▼	9.3%	269	354 ▼	24.1%	273	282 ▼	3.2%	360	358 ▲	0%
Operational costs System service	497	497 ▲	0.0%	144	187 ▼	23.3%	168	152 ▲	10.9%	185	158 ▲	17%
Operational costs Balancing service	405	498 ▼	18.6%	125	167 ▼	24.9%	105	130 ▼	19.5%	175	200 ▼	13%
EBIT	-26	-14 ▼	83.7%	31	-47 ▲	-	-29	6 ▼	-	-28	27 ▼	-
All operations (profit-allowed and pass-through)												
Operational revenues	1,783	1,832 ▼	2.7%	599	599 ▲	0.0%	535	548 ▼	2.4%	649	685 ▼	5%
Operational costs	1,484	1,493 ▼	0.6%	482	522 ▼	7.8%	469	443 ▲	6.0%	533	528 ▲	1%
EBITDA	299	340 ▼	12.0%	118	77 ▲	52.8%	66	106 ▼	37.7%	116	157 ▼	26%
Operational costs Depreciation and amortization	210	226 ▼	7.0%	68	75 ▼	9.0%	70	76 ▼	7.7%	72	76 ▼	4%
EBIT	89	114 ▼	21.8%	50	2 ▲	2131.4%	-4	30 ▼	-	44	82 ▼	47%
Financial result	-6	-6 ▲	1.2%	-2	-1 ▼	61.2%	0	-2 ▲	77.8%	-4	-4 ▼	11%
EBT	83	108 ▼	23.0%	48	1 ▲	4332.8%	-4	28 ▼	-	39	78 ▼	49%
Income tax	-9	-10 ▲	8.8%	-4	-2 ▼	178.6%	-4	1 ▼	-	-1	-10 ▲	85%
Net Income	74	98 ▼	24.5%	43	0 ▲	-	-8	30 ▼	-	38	68 ▼	44%

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****Claudia Anastase****Chair (CEO)****Andreea Georgiana Florea****Member****Luca Iacobici****Member****Virgiliu Ivan****Member****Adrian Savu****Member**



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