



Transelectrica SA

Transmission and System Operator
of the Romanian Electrical Power System

We lead the power

Financial results

2019

(01.01.2019 – 31.12.2019)

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 – 31 st December 2019
<i>reporting standard:</i>	International Financial Reporting Standards (IFRS)
<i>basis/scope:</i>	standalone (unconsolidated)
<i>external audit:</i>	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:

2019 results

- Key numbers
- Operational results
- Financial results

Regulatory period 2020-2024

Q&A



Financials

12M y/y

- | | | | | |
|------------------------|-------|---|-----|--|
| • Revenues [mil lei] | 2.398 | ▼ | 12% | • Lower revenues (profit-allowed +3%, pass-through -24%)
• Increased opex (profit-allowed +8%, pass-through -24%) |
| • EBITDA [mil lei] | 396 | ▼ | 1% | |
| • Net income [mil lei] | 96 | ▲ | 18% | |

Operational

12M y/y

- | | | | | |
|----------------------|------|---|------|--|
| • Consumption* [TWh] | 57.5 | ▼ | 1.1% | • Slight decline in domestic demand for electricity
• Significant drop in domestic production of electricity
• Net import bridged domestic generation-demand gap |
| • Production* [TWh] | 56.0 | ▼ | 7.7% | |
| • Export net [TWh] | 1.5 | | n/m | |

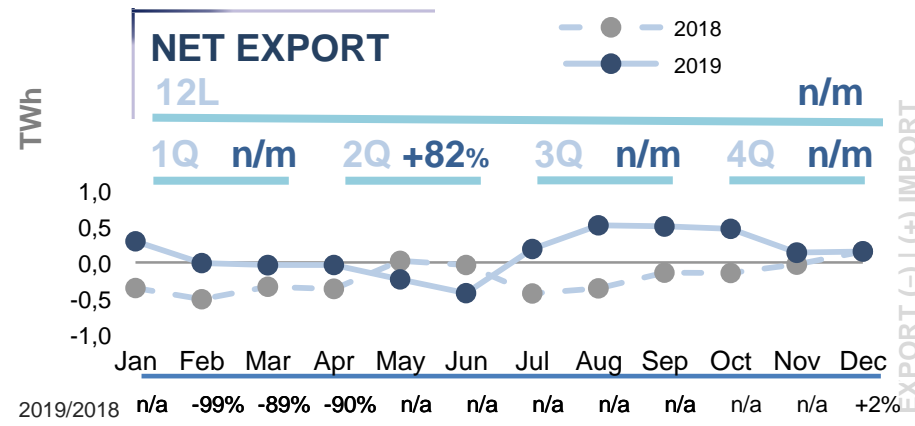
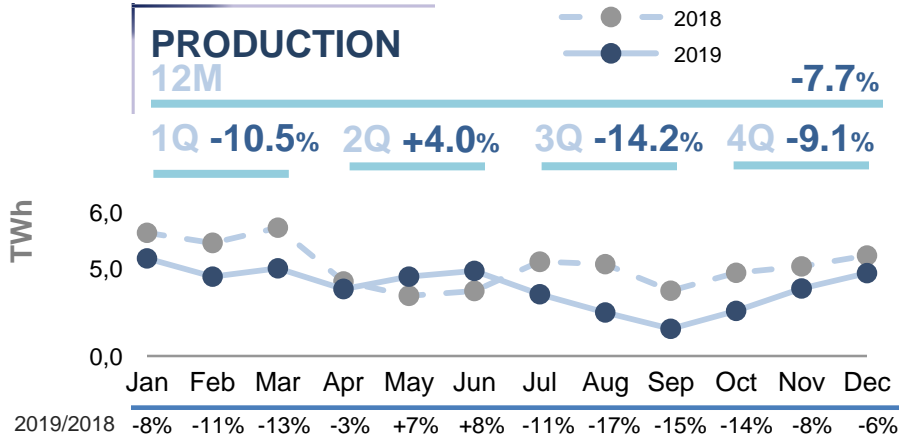
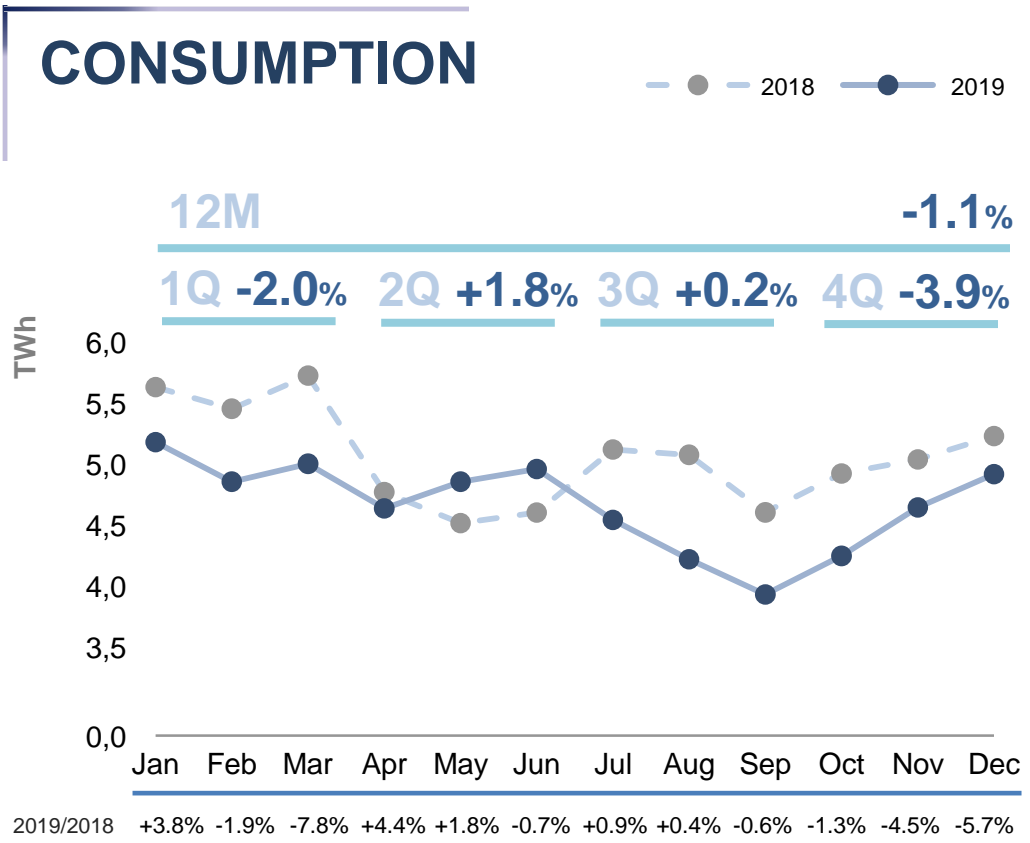
*consumption/generation numbers do not include power plants' own electricity consumption. Consumption includes (i) consumption for hydro pumped storage. and (ii) energy losses in transmission and distribution networks. Cross-border net flow is calculated based on physical flows (export-import) aggregated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

Regulatory framework

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

Domestic demand – slight decline in 2019 (-1.1% y.o.y.)

Domestic production – significant drop in 2019 (-7.7% y.o.y.)



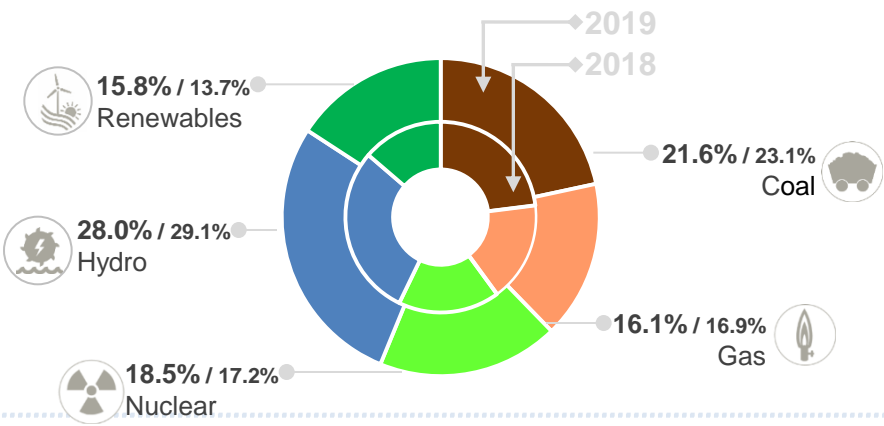
Consumption and generation numbers do not include power plants' own electricity consumption. Consumption includes (i) energy losses in transmission and distribution networks, and (ii) consumption for hydro pumped storage. Cross-border net flow is calculated based on physical flows (import-export).



Results 2019

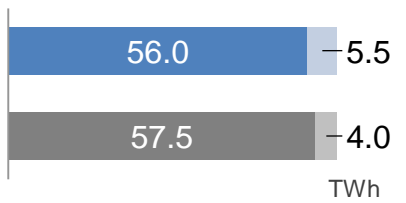
2019 / 2018

Electricity net production mix



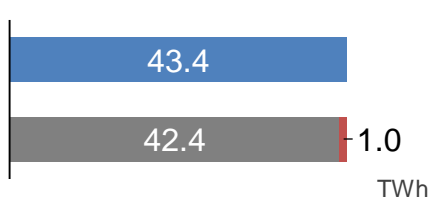
2019

National electricity balance



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

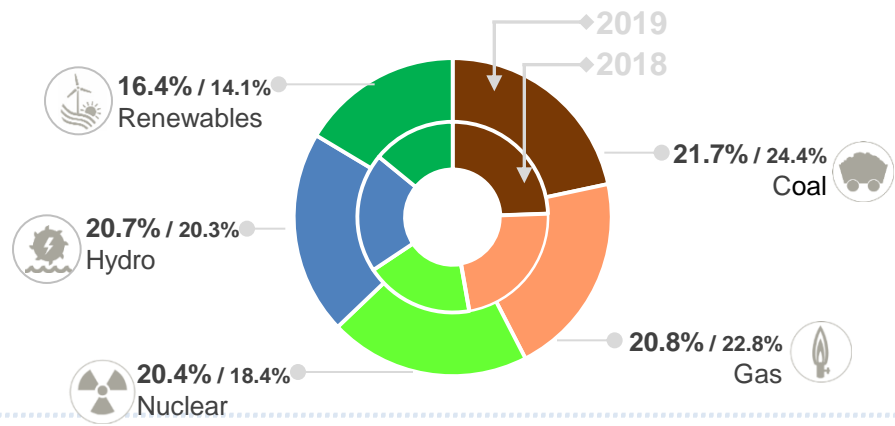
Transmission losses **2.27%**



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

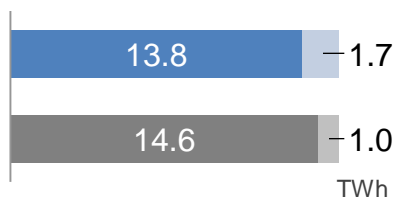
4Q 2019 / 4Q 2018

Electricity net production mix



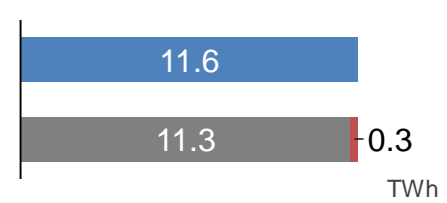
4Q 2019

National electricity balance



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

Transmission losses **2.23%**



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

Profit & Loss

[Lei m]	2019	2018	Δ abs	Δ %
Billed volume [TWh]	55.34	55.78	-0.43	-0.8%
Profit-allowed operations				
Revenues	1,221	1,180	+40	+3.3%
Costs	802	740	+62	+7.7%
EBITDA	418	440	-22	-5.2%
<i>EBITDA margin</i>	34%	37%	-0	
Depreciation	280	298	-18	-6.5%
EBIT	138	142	-3	-2.4%
Pass-through operations				
Revenues	1,177	1,541	-364	-30.9%
Costs	1,200	1,582	-382	-31.8%
EBIT	-22	-40	+18	
All operations				
EBITDA	396	400	-4	-0.9%
EBIT	116	101	+15	+12.5%
EBT	107	93	+14	+13.1%
Net Income	96	81	+15	+15.3%

Volumes

- Slightly lower

Profit-allowed segment

- **Slight increase in revenues** (higher y/y tariffs offset the slight decline in 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 (license fee)

Pass-through segment

Stand-by balancing capacity services (balancing reserves) - loss incurred in 2019 due to high market prices starting summer 2018. 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.

Operations | Revenues

Operational revenues

ALL OPERATIONS

PROFIT-ALLOWED OPERATIONS

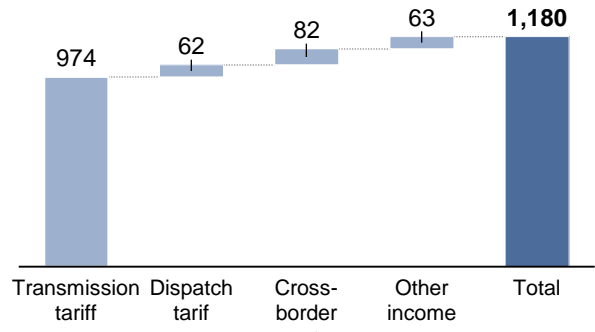
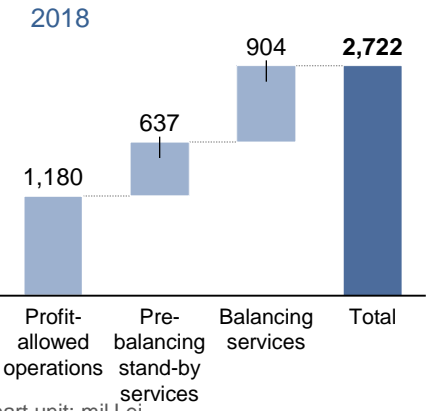
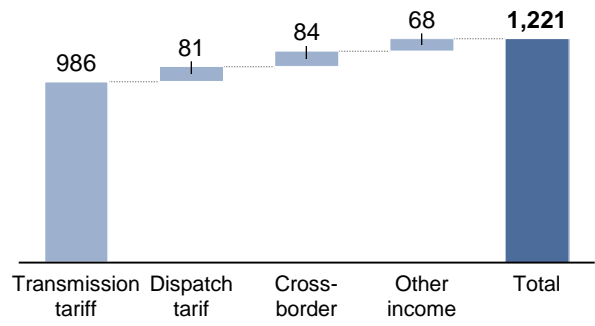
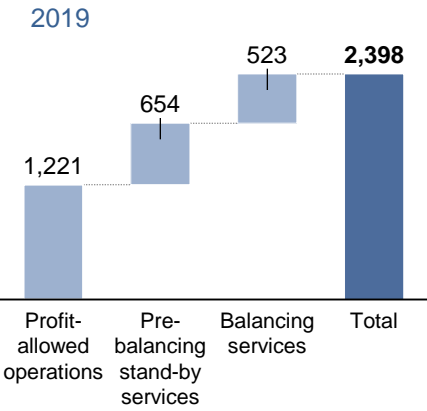
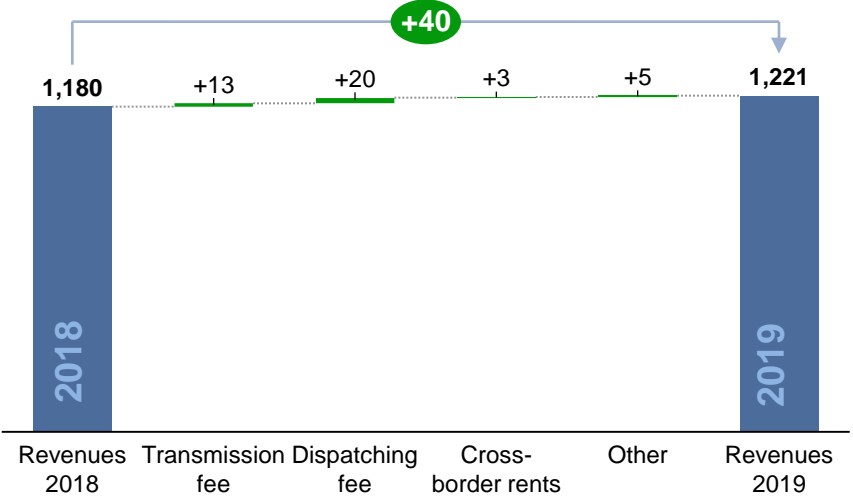


Chart unit: mil Lei

Operational revenues

PROFIT-ALLOWED OPERATIONS: BREAKDOWN



DRIVERS BEHIND THE INCREASE IN REVENUES

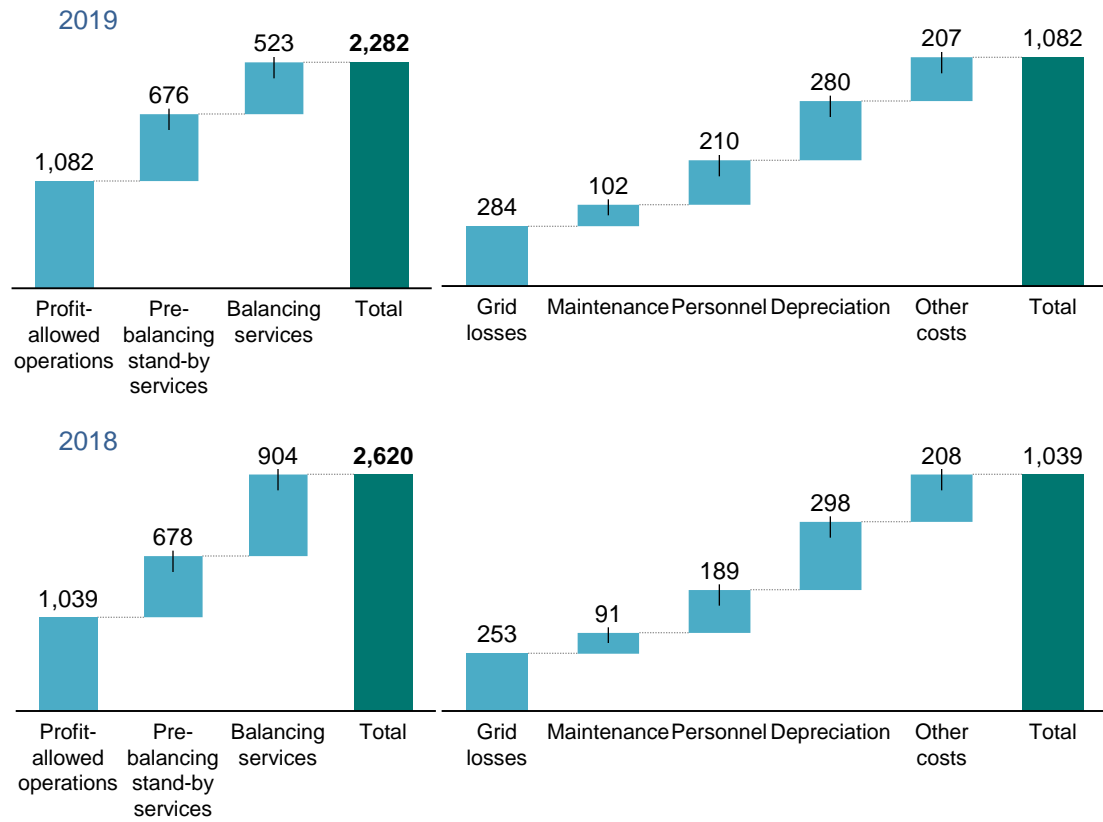
- Higher transmission and ancillary services tariffs
- Higher cross-border capacity rent income driven by high market demand for cross-border electricity trading



Operations | Costs

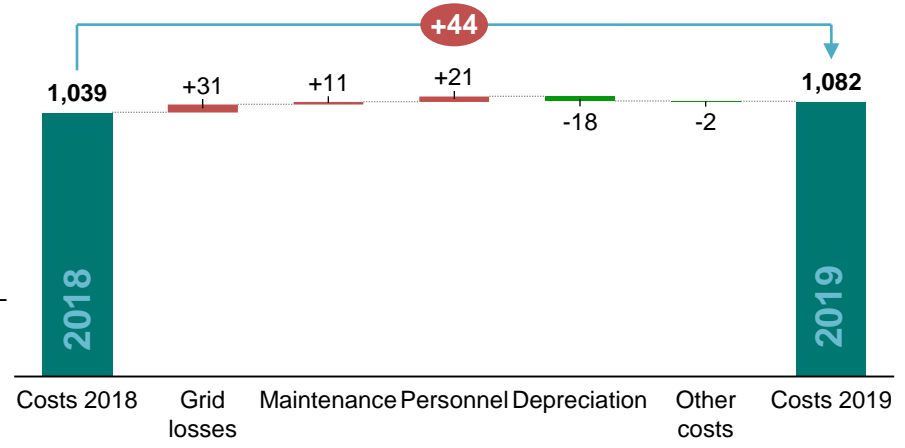
Operational expenses

ALL OPERATIONS PROFIT-ALLOWED OPERATIONS



Operational expenses

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

Chart unit: mil Lei



WE LEAD THE POWER

—●— 2018
—●— 2019

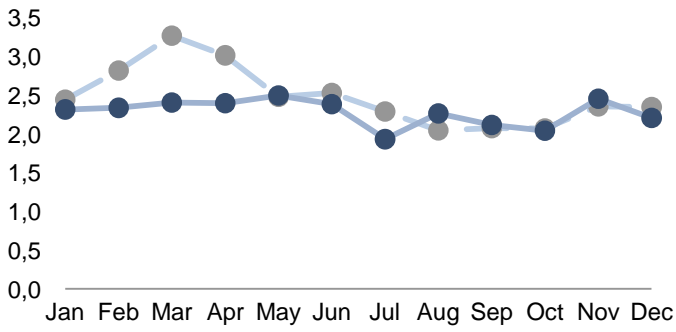
2019 / 2018
-0.20PP

2.47%
2.27%

12M

2.27%

Q1 2,35% Q2 2,42% Q3 2,10% Q4 2,20%



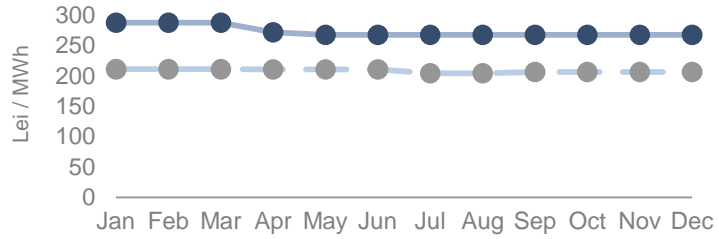
2019	2.31	2.34	2.40	2.39	2.49	2.38	1.93	2.26	2.11	2.04	2.45	2.20
2018	2.44	2.81	3.26	3.01	2.48	2.53	2.29	2.04	2.07	2.07	2.35	2.34

GRID LOSSES

43.36 TWh
GRID IN-TAKE VOLUME IN 2019
42.37 TWh
GRID OFF-TAKE VOLUME IN 2019
2.27% (0.99 TWh)
GRID LOSSES IN 2019

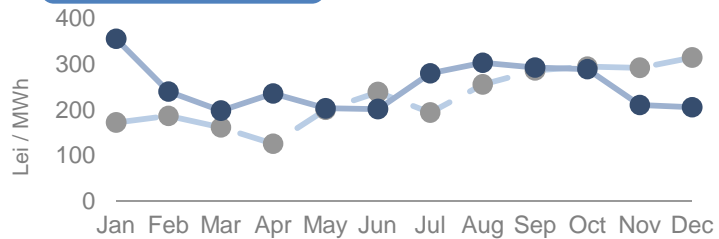
2019 / 2018
+31% FM

208 Lei
273 Lei



2019 / 2018
+11% DAM

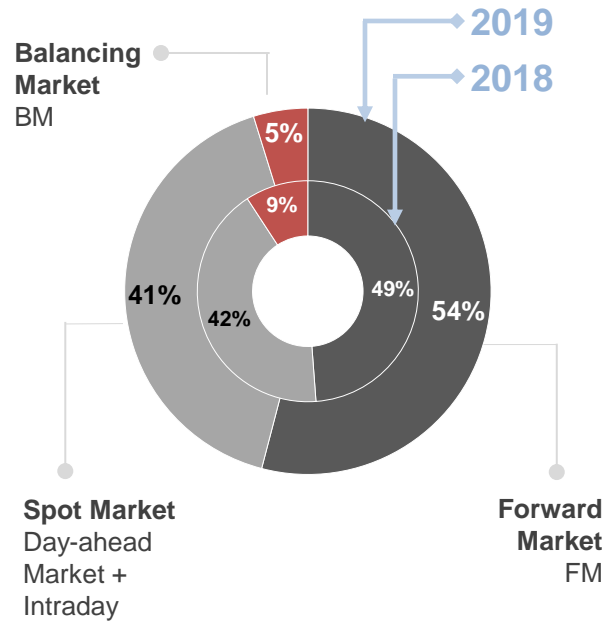
224 Lei
248 Lei



PRICES PAID PER MARKET

273 Lei/MWh (▲31%)
FORWARD MARKET (FM)
248 Lei/MWh (▲11%)
DAY-AHEAD MARKET (DAM)
629 Lei/MWh (▲101%)
BALANCING MARKET (BM) (BRP fee included)

Operational costs | grid losses

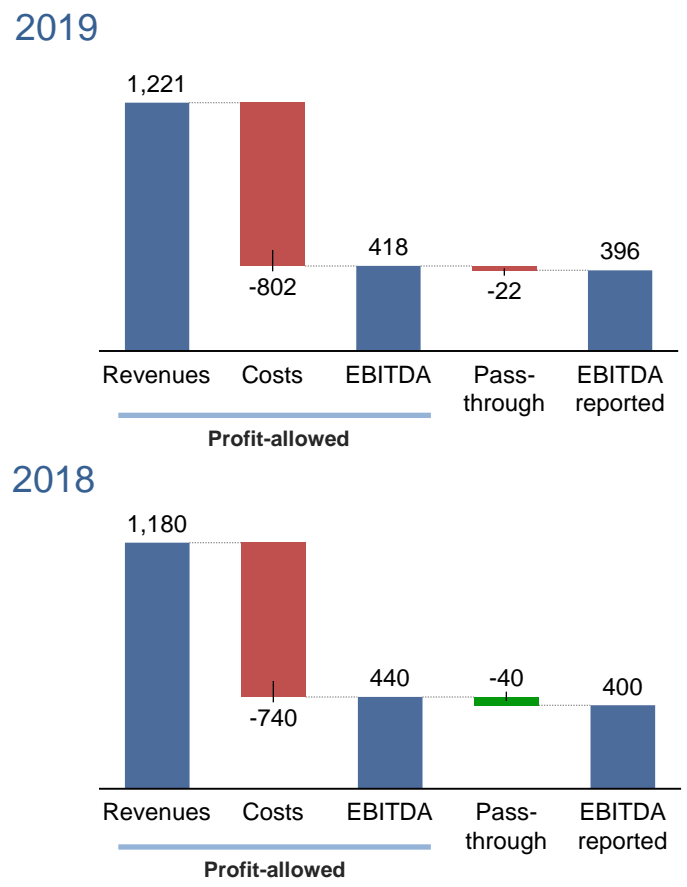


AVERAGE PRICE / PURCHASE MIX

280 Lei/MWh (▲25%)
CROSS-MARKET AVERAGE PRICE PAID
54%FM / 41%SPOT / 5%BM (2019)
PURCHASE MIX (VOLUMES)
49%FM / 42%SPOT / 9%BM (2018)
PURCHASE MIX (VOLUMES)



FROM REVENUES TO EBITDA



EBITDA BREAKDOWN (PROFIT-ALLOWED)

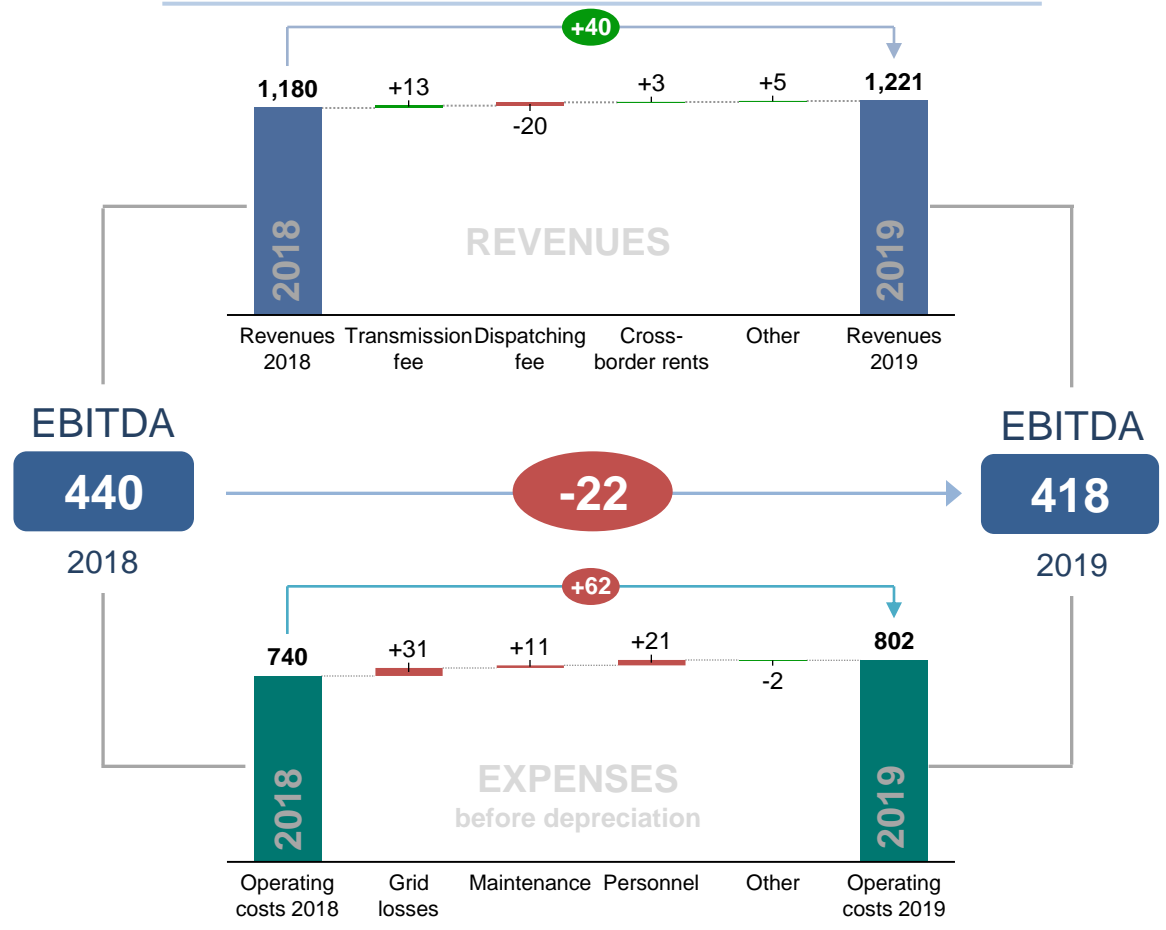
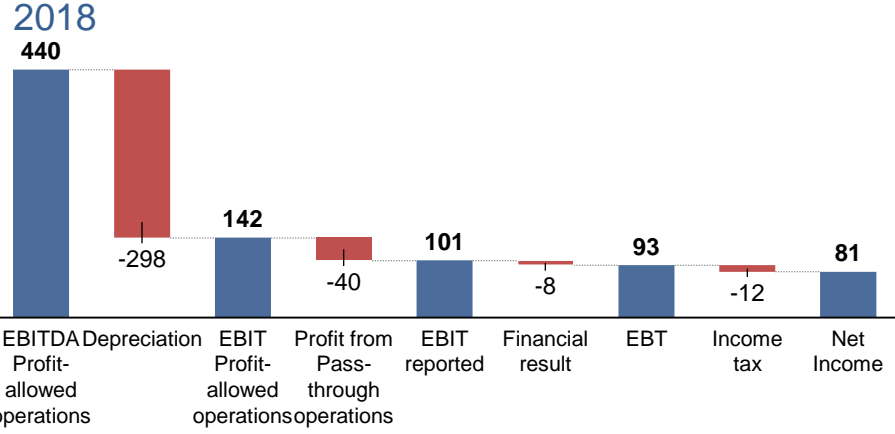
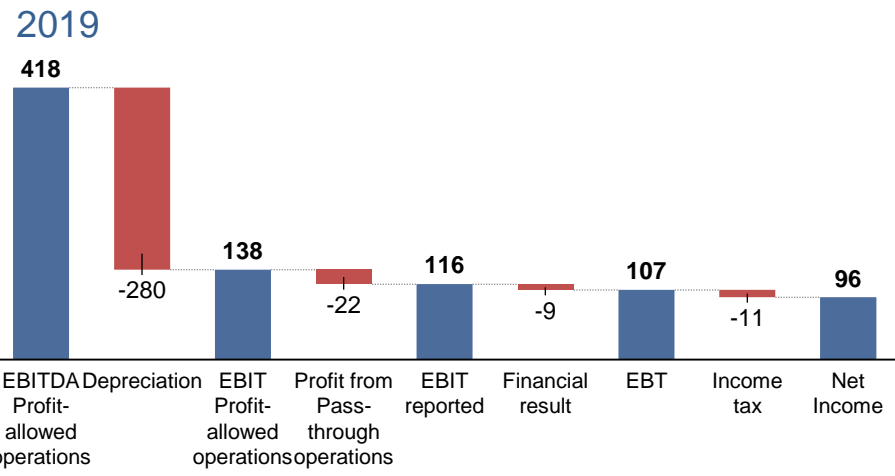


Chart unit: mil Lei

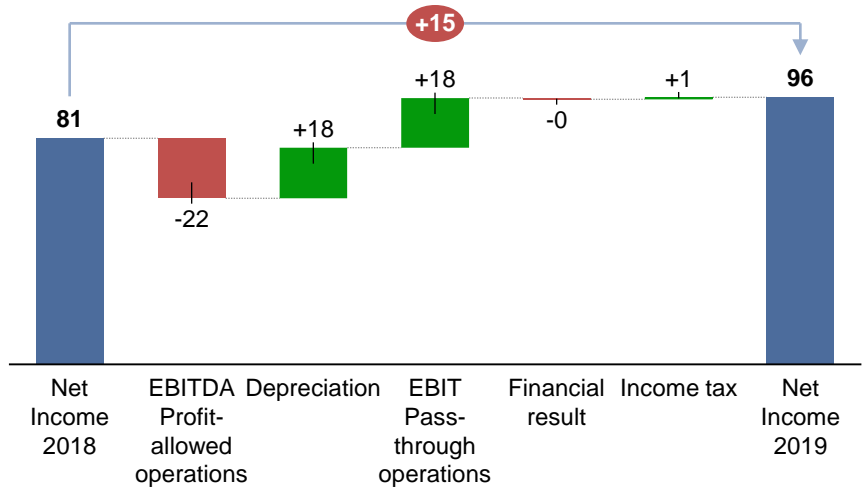


From EBITDA to Net income

FROM EBITDA TO NET INCOME



NET INCOME BREAKDOWN



MAIN DRIVERS BEHIND THE INCREASE IN NET INCOME

- ▲ Lower loss in pass-through segment
- ▼ Low depreciation expense

Chart unit: mil Lei

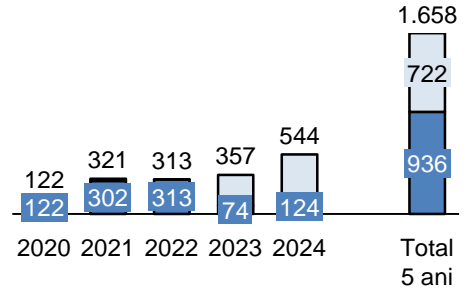


RAB: Return on capital invested in regulated assets (%)

6.9% per annum, real terms, pre-tax

RAB: recovery of capital invested in regulated assets (depreciation)

≈2.6 lei bn opening balance
 1,658 lei mn - Total investment, of which:
 936 lei mn - RAB
 722 lei mn - non-RAB



Operation and Maintenance CONTROLLABLE

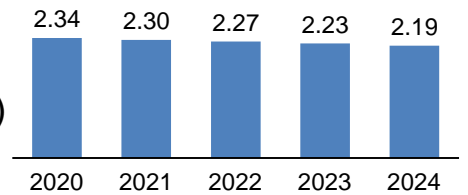
362 lei mn annual cap
 1.5% annual efficiency factor
 (personnel costs fall outside the scope of efficiency)

Operation and Maintenance NON-CONTROLLABLE

27 lei mn annual allowance (adjusted ex-post)
 2.0% ANRE license fee (cut to 0.2% in 2020)

Grid losses

2.34% (2020) → 2.19% (2024)
 Ex-ante price : 265 lei/MWh (before inflation)
 Price is adjusted ex-post



Grid congestions

1 lei mn (adjusted ex-post)

International electricity transit settlement mechanism (Inter-TSO-Compensation)

16 lei mn (adjusted ex-post)



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

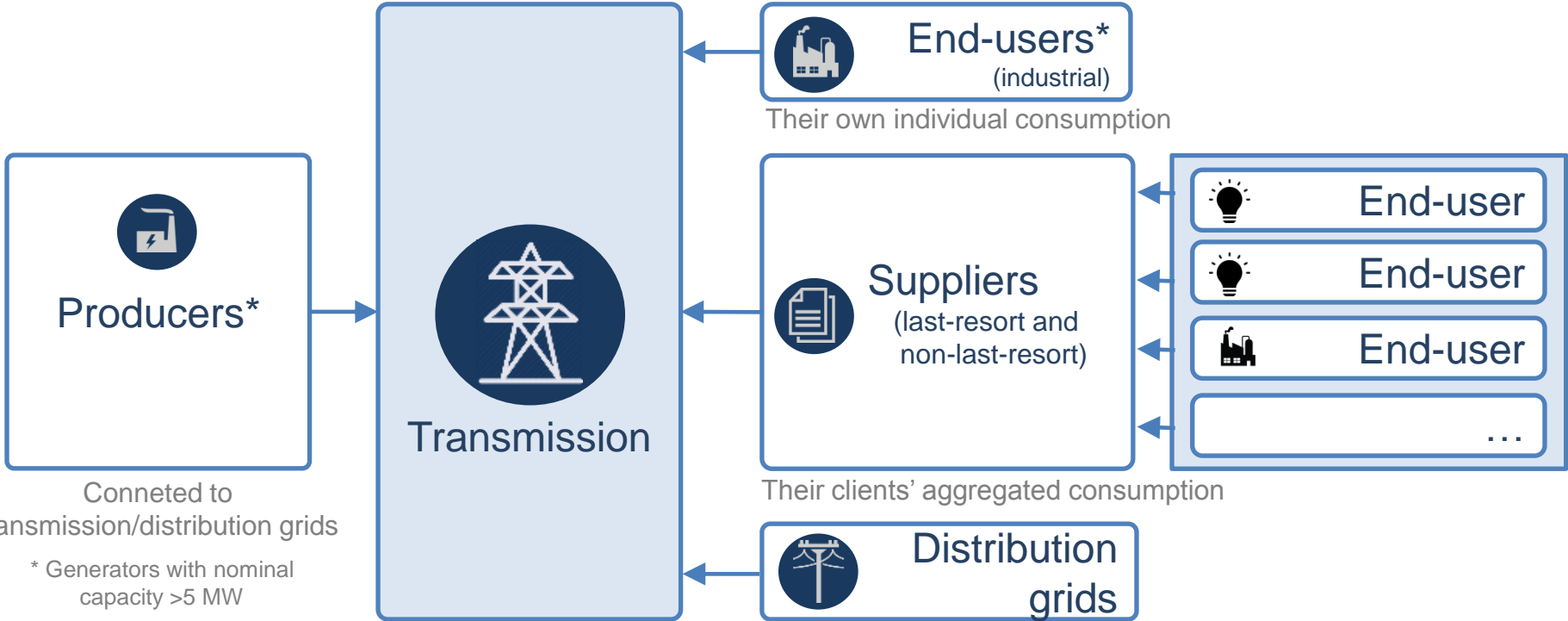


[Lei m]	2019	2018		4Q2019	4Q2018		3Q2019	3Q2018		2Q2019	2Q2018		1Q2019	1Q2018	
	IFRS	IFRS		IFRS	IFRS		IFRS	IFRS		IFRS	IFRS		IFRS	IFRS	
	audited	audited		unaudited	unaudited		unaudited	unaudited		unaudited	unaudited		unaudited	unaudited	
Billed volume [TWh]	55.34	55.78 ▼	0.8%	14.05	14.51 ▼	3.2%	13.37	13.31 ▲	0.5%	13.24	12.96 ▲	2%	14.68	15.00 ▼	2%
Profit-allowed operations															
Operational revenues	1,221	1,180 ▲	3.4%	313	328 ▼	4.6%	299	292 ▲	2.3%	291	260 ▲	12%	317	300 ▲	6%
Operational revenues Transmission	1,082	1,070 ▲	1.1%	273	299 ▼	8.7%	257	266 ▼	3.3%	262	233 ▲	12%	290	272 ▲	7%
Operational revenues Transmission Regulated fee	986	974 ▲	1.3%	248	263 ▼	5.7%	235	241 ▼	2.6%	239	217 ▲	10%	265	253 ▲	5%
Operational revenues Transmission Cross-border rents	84	82 ▲	3.1%	22	30 ▼	27.3%	20	22 ▼	7.1%	19	13 ▲	47%	23	17 ▲	36%
Operational revenues Transmission Other	11	15 ▼	22.4%	3	6 ▼	46.1%	2	3 ▼	36.8%	3	3 ▲	13%	3	2 ▲	13%
Operational revenues Dispatching	88	64 ▲	36.6%	28	16 ▲	70.4%	27	15 ▲	83.2%	16	15 ▲	3%	17	18 ▼	5%
Operational revenues Dispatching Regulated fee	81	62 ▲	31.5%	26	16 ▲	60.2%	25	15 ▲	66.6%	15	14 ▲	2%	16	17 ▼	2%
Operational revenues Dispatching Unplanned cross-border flows	6	2 ▲	181.7%	2	0 ▲	685.4%	3	0 ▲	1503.3%	1	1 ▲	30%	0	1 ▼	50%
Operational revenues Other income	51	46 ▲	9.8%	12	13 ▼	4.2%	14	11 ▲	28.2%	14	12 ▲	18%	10	11 ▼	2%
Operational costs	802	740 ▲	8.3%	220	243 ▼	9.2%	212	168 ▲	26.7%	196	161 ▲	22%	173	170 ▲	2%
Operational costs System operation	352	309 ▲	13.9%	84	97 ▼	13.6%	88	62 ▲	42.1%	79	63 ▲	25%	101	87 ▲	16%
Operational costs System operation Grid losses	284	253 ▲	12.4%	71	78 ▼	10.0%	68	53 ▲	29.3%	64	54 ▲	18%	81	67 ▲	21%
Operational costs System operation Congestion relief	2	8 ▼		0	2 ▼		0	1 ▼		0	0 ▼	92%	2	5 ▼	69%
Operational costs System operation Power consumption in grid substations	20	17 ▲	18.6%	5	5 ▲	8.9%	4	3 ▲	32.4%	4	3 ▲	27%	6	6 ▲	14%
Operational costs System operation Inter-TSO-Compensation	13	15 ▼	15.0%	2	5 ▼	61.0%	7	2 ▲	315.9%	2	3 ▼	16%	2	5 ▼	72%
Operational costs System operation Other	33	15 ▲	111.7%	6	6 ▼	5.3%	9	4 ▲	131.5%	8	3 ▲	215%	10	3 ▲	221%
Operational costs Maintenance	102	91 ▲	11.8%	29	26 ▲	10.0%	29	27 ▲	5.4%	25	25 ▼	2%	20	13 ▲	56%
Operational costs Personell	210	189 ▲	11.3%	51	52 ▼	0.2%	56	48 ▲	15.5%	55	46 ▲	21%	48	43 ▲	10%
Operational costs Other	139	152 ▼	8.7%	57	68 ▼	16.9%	40	30 ▲	32.1%	37	27 ▲	40%	5	27 ▼	82%
EBITDA	418	440 ▼	4.9%	93	86 ▲	8.3%	86	124 ▼	30.6%	95	99 ▼	4%	144	130 ▲	10%
Operational costs Depreciation and amortization	280	298 ▼	6.1%	70	72 ▼	3.3%	68	75 ▼	9.0%	70	76 ▼	8%	72	76 ▼	4%
EBIT	138	142 ▼	2.4%	23	13 ▲	72.8%	18	50 ▼	63.1%	25	24 ▲	7%	72	55 ▲	31%
Pass-through operations															
Operational revenues	1,177	1,541 ▼	23.6%	301	561 ▼	46.3%	300	307 ▼	2.2%	244	288 ▼	15%	332	385 ▼	14%
Operational revenues System service	654	637 ▲	2.6%	184	155 ▲	18.4%	175	140 ▲	25.0%	139	158 ▼	12%	157	184 ▼	15%
Operational revenues Balancing service	523	904 ▼	42.1%	118	406 ▼	71.0%	125	167 ▼	24.9%	105	130 ▼	20%	175	200 ▼	13%
Operational costs	1,200	1,582 ▼	24.2%	297	587 ▼	49.3%	269	354 ▼	24.1%	273	282 ▼	3%	360	358 ▲	0%
Operational costs System service	676	678 ▼	0.2%	180	181 ▼	0.7%	144	187 ▼	23.3%	168	152 ▲	11%	185	158 ▲	17%
Operational costs Balancing service	523	904 ▼	42.1%	118	406 ▼	71.0%	125	167 ▼	24.9%	105	130 ▼	20%	175	200 ▼	13%
EBIT	-22	-40 ▲	44.4%	4	-26 ▲	-	31	-47 ▲	-	-29	6 ▼	-	-28	27 ▼	-
All operations (profit-allowed and pass-through)															
Operational revenues	2,398	2,722 ▼	11.9%	615	889 ▼	30.9%	599	599 ▲	0.0%	535	548 ▼	2%	649	685 ▼	5%
Operational costs	2,002	2,322 ▼	13.8%	518	830 ▼	37.6%	482	522 ▼	7.8%	469	443 ▲	6%	533	528 ▲	1%
EBITDA	396	400 ▼	0.9%	97	60 ▲	62.0%	118	77 ▲	52.8%	66	106 ▼	38%	116	157 ▼	26%
Operational costs Depreciation and amortization	280	298 ▼	6.1%	70	72 ▼	3.3%	68	75 ▼	9.0%	70	76 ▼	8%	72	76 ▼	4%
EBIT	116	101 ▲	14.3%	27	-13 ▲	-	50	2 ▲	2131.4%	-4	30 ▼	-	44	82 ▼	47%
Financial result	-9	-8 ▼	6.0%	-2	-2 ▼	29.9%	-2	-1 ▼	61.2%	0	-2 ▲	78%	-4	-4 ▼	11%
EBT	107	93 ▲	15.1%	24	-15 ▲	-	48	1 ▲	4332.8%	-4	28 ▼	-	39	78 ▼	49%
Income tax	-11	-12 ▲	6.0%	-2	-2 ▼	11.8%	-4	-2 ▼	178.6%	-4	1 ▼	-	-1	-10 ▲	85%
Net Income	96	81 ▲	18.1%	22	-16 ▼	-	43	0 ▲	-	-8	30 ▼	-	38	68 ▼	44%

Grid in-take
(injection)



Grid off-take
(extraction)



*industrial consumers connected to distribution/transmission grids and having multiple suppliers for the same electricity off-take point

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****Adrian Moise****Member**



WE LEAD THE POWER

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