



Transelectrica SA

Transmission and System Operator
of the Romanian Electrical Power System

We lead the power

Financial results

2020

(01.01.2020 – 31.12.2020)

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:

<i>reporting period:</i>	1 st January 2020 – 31 st December 2020
<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. 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:

2020 results

- Key numbers
- Operational results
- Financial results
- Investment

2020-2024 regulatory period (revised settings)

Q&A



Financials

	1-4Q y/y	4Q y/y	3Q y/y	2Q y/y	1Q y/y
• Revenues [mil lei]	2,367 ▼ 1%	704 ▲ 14%	574 ▼ 4%	487 ▼ 9%	603 ▼ 7%
• EBITDA [mil lei]	442 ▲ 12%	40 ▼ 58%	120 ▲ 2%	119 ▲ 80%	162 ▲ 40%
• Net income [mil lei]	140 ▲ 46%	-12 ▼ n/m	37 ▼ 15%	38 ▲ n/m	77 ▲ 103%

Operational

	1-4Q y/y	4Q y/y	3Q y/y	2Q y/y	1Q y/y
• Consumption* [TWh]	55.8 ▼ 3.0%	14.9 ▲ 2.2%	13.7 ▼ 1.6%	12.3 ▼ 10.8%	14.9 ▼ 2.5%
• Production* [TWh]	53.0 ▼ 5.3%	13.8 ▲ 0.2%	13.1 ▲ 3.0%	11.6 ▼ 19.5%	14.4 ▼ 4.2%
• Import net [TWh]	2.8 ▲ 83.5%	1.1 ▲ 38.9%	0.6 ▼ 49.8%	0.6 n/m	0.5 ▲ 94.5%

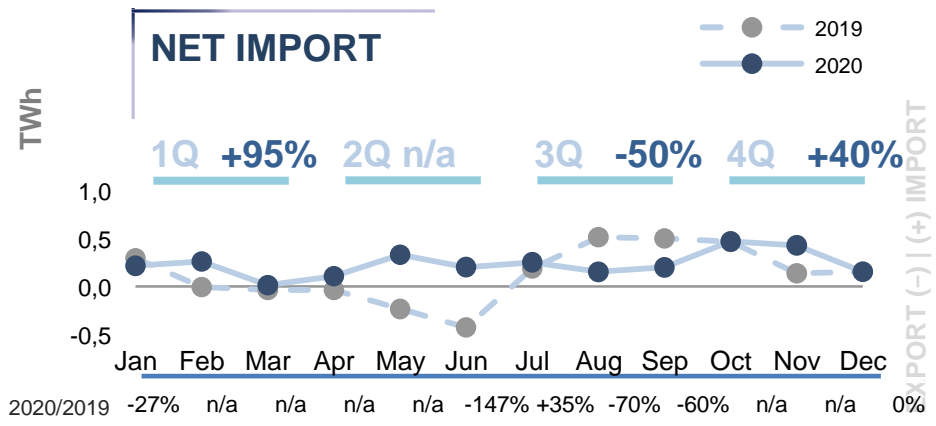
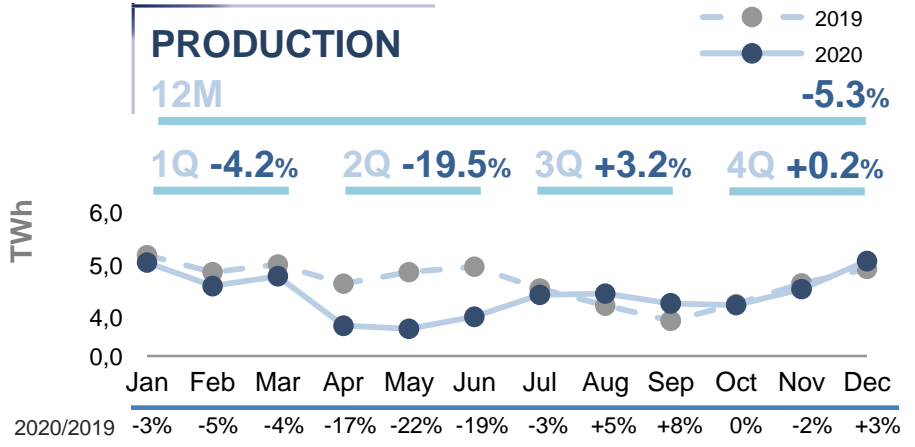
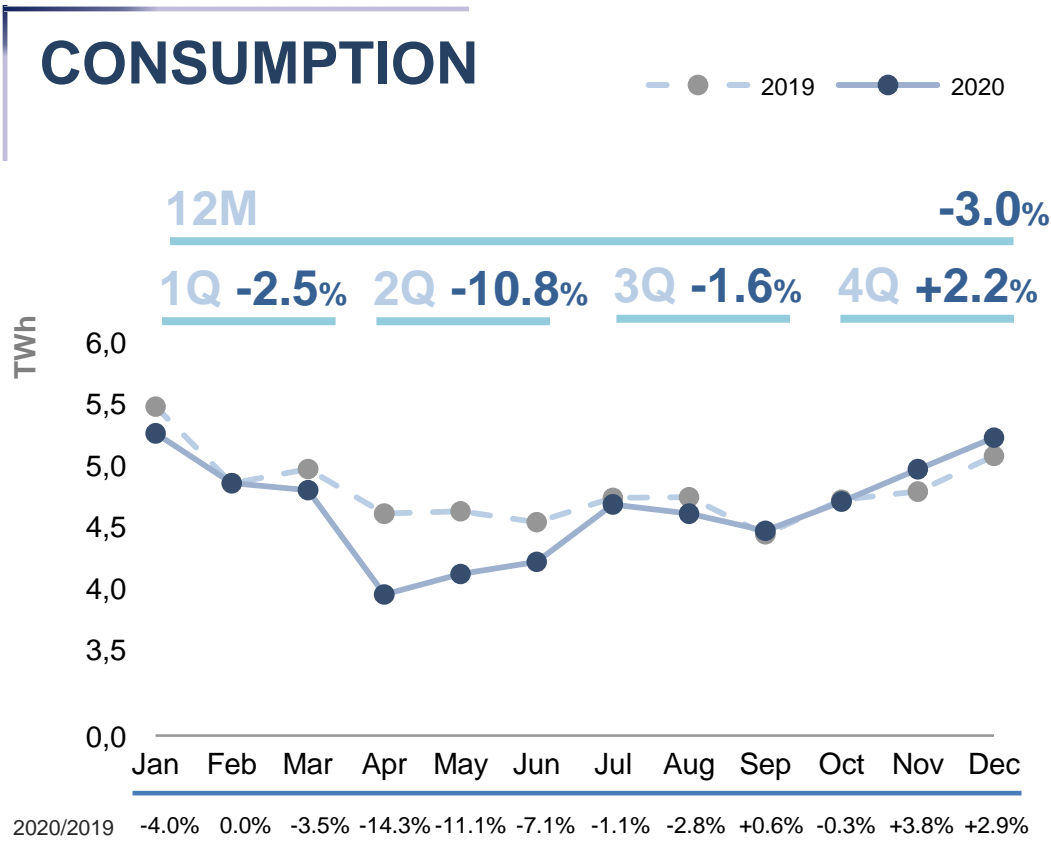
*consumption/generation numbers do not include power plants' own electricity consumption. Consumption includes (i) consumption for hydro pumped storage, and (ii) energy losses in transmission and distribution networks. Cross-border net flow is calculated based on physical flows (export-import) aggregated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

Regulatory framework

- Profit-allowed segment: higher y/y tariffs applied in 2020 as per regulatory reviews at 1-Jul-2019 (dispatch tariff), 1-Jan-2020 (transmission tariff) and 1-Jul-2020 (dispatch tariff)
- Pass-through segment:
 - Stand-by balancing back-up capacity services (balancing capacity services): significant gain in 2020 driven by y/y higher tariffs in 1H 2020 aimed at offsetting accrued losses (backlog) combined with y/y lower costs in 2H 2020 (less balancing stand-by service purchases due to lower demand for electricity)

Domestic demand – decline in 2020 (-3.0% y.o.y.)

Domestic production – drop in 2020 (-5.3% y.o.y.)

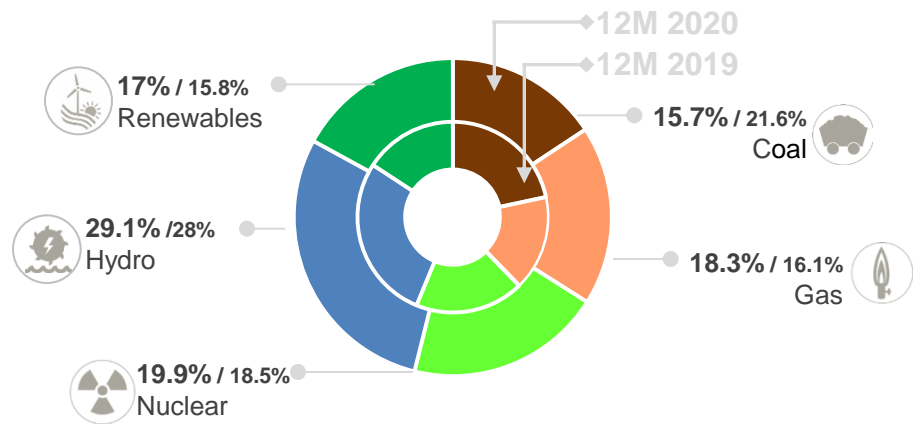


Consumption and generation numbers do not include power plants' own electricity consumption. Consumption includes (i) energy losses in transmission and distribution networks, and (ii) consumption for hydro pumped storage. Cross-border net flow is calculated based on physical flows (import-export).

Results 2020

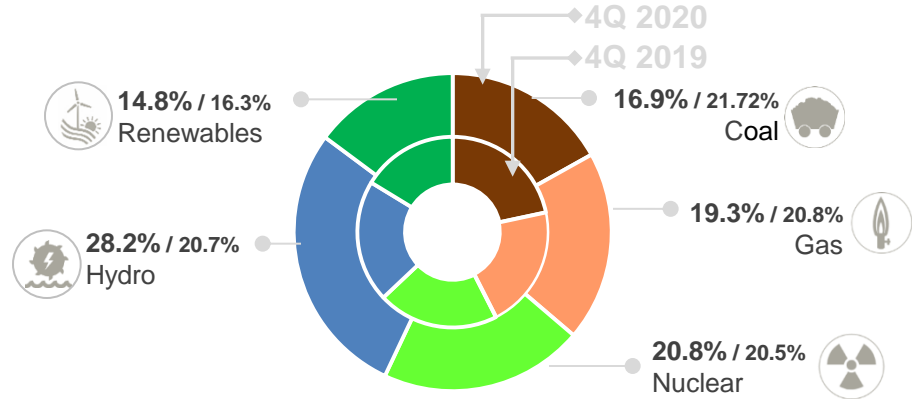
12M 2020 / 12M 2019

Electricity net production mix



4Q 2020 / 4Q 2019

Electricity net production mix

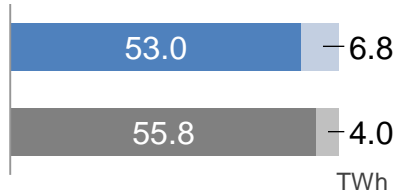


2.8TWh
Import net

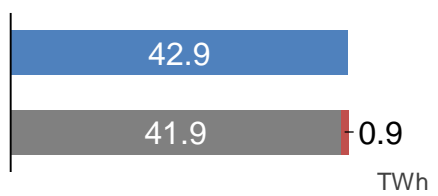
12M 2020

2.19%

National electricity balance



Transmission losses



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

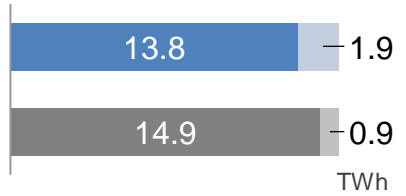
- Grid in-take volume
- Grid out-take volume
- Grid losses

1.1TWh
Import net

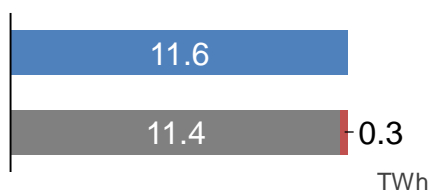
4Q 2020

2.29%

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]	2020	2019	Δ%	4Q2020	4Q2019	Δ%	3Q2020	3Q2019	Δ%	2Q2020	2Q2019	Δ%	1Q 2020	1Q 2019	Δ%
Billed volume [TWh]	53.85	55.34	-2.7%	14.37	14.05	+2.2%	13.23	13.37	-1.1%	11.84	13.24	-10.6%	14.41	14.68	-1.8%
Profit-allowed operations															
Revenues	1,198	1,221	-1.8%	323	313	+3.0%	295	299	-1.2%	263	291	-9.6%	317	317	-0.1%
Costs	865	802	+7.8%	310	220	+40.6%	210	212	-1.0%	168	196	-14.6%	177	173	+2.1%
EBITDA	334	418	-20.2%	13	93	-86.4%	85	86	-1.6%	96	95	+0.8%	140	144	-2.7%
<i>EBITDA margin</i>	28%	34%		4%	30%		29%	29%		36%	33%		44%	45%	
Depreciation	268	280	-4.3%	66	70	-6.4%	66	68	-2.6%	68	70	-2.9%	68	72	-5.3%
EBIT	66	138	-52.5%	-53	23	-333.5%	19	18	+2.0%	28	25	+11.0%	72	72	-0.1%
Pass-through operations															
Revenues	1,169	1,177	-0.7%	381	301	+26.4%	279	300	-7.3%	224	244	-8.3%	286	332	-13.8%
Costs	1,061	1,200	-11.6%	353	297	+18.8%	243	269	-9.6%	201	273		263	360	
EBIT	108	-22	n/m	28	4	n/m	35	31	n/m	23	-29		22	-28	
All operations															
Revenues	2,367	2,398	-1.3%	704	615	+14.5%	574	599	-4.2%	487	535	-9.0%	603	649	-7.1%
Costs	1,926	2,002	-3.8%	663	518	+28.1%	454	482	-5.8%	368	469	-21.5%	440	533	-17.4%
EBITDA	442	396	+11.6%	40	97	-58.4%	120	118	+2.2%	119	66	+80.6%	162	116	+40.3%
EBIT	174	116	+50.0%	-25	27	-194.9%	54	50	n/m	51	-4	-1400.6%	94	44	+116.1%
Net Income	140	96	+45.7%	-12	22	-155.6%	37	43	n/m	38	-8	-593.1%	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 in 2Q and 3Q)

Profit-allowed segment

- **Lower revenues** (decline in volumes driven by lower electricity demand due to Covid19)
- **Higher costs** – increase in personnel costs (salaries increase and one-offs in 4Q) partly offset by lower 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 historical loss from previous years was fully recovered by the end of 2Q 2020.

Sizeable gain in 3Q and 4Q due to lower costs (less stand-by service purchased and lower prices) to be settled by way of tariff reduction over 2021 (from March onward) and 2022.

Operations | Revenues

Operational revenues

ALL OPERATIONS

PROFIT-ALLOWED OPERATIONS

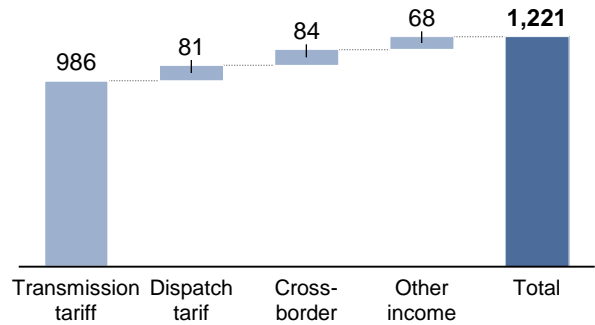
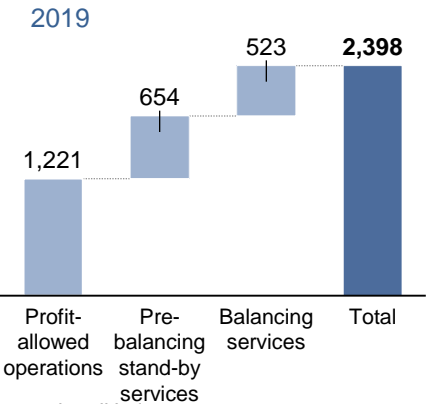
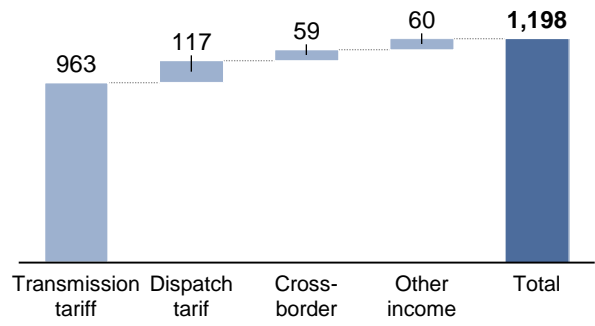
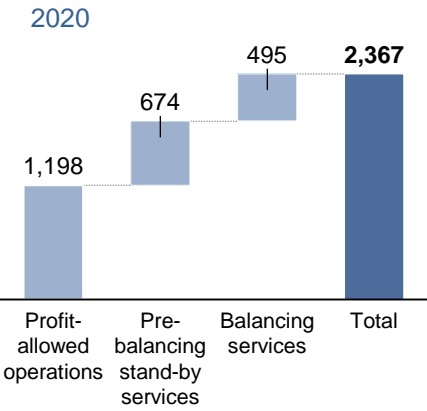
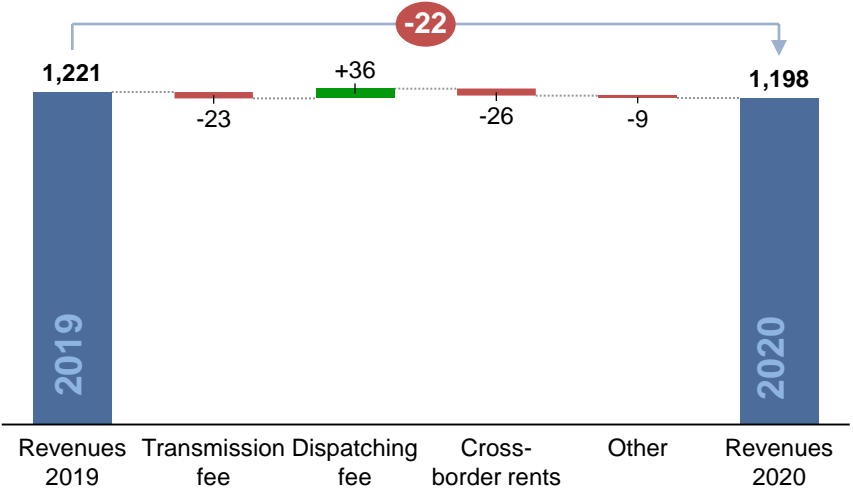


Chart unit: mil Lei

Operational revenues

PROFIT-ALLOWED OPERATIONS: BREAKDOWN



DRIVERS BEHIND THE DECREASE IN REVENUES

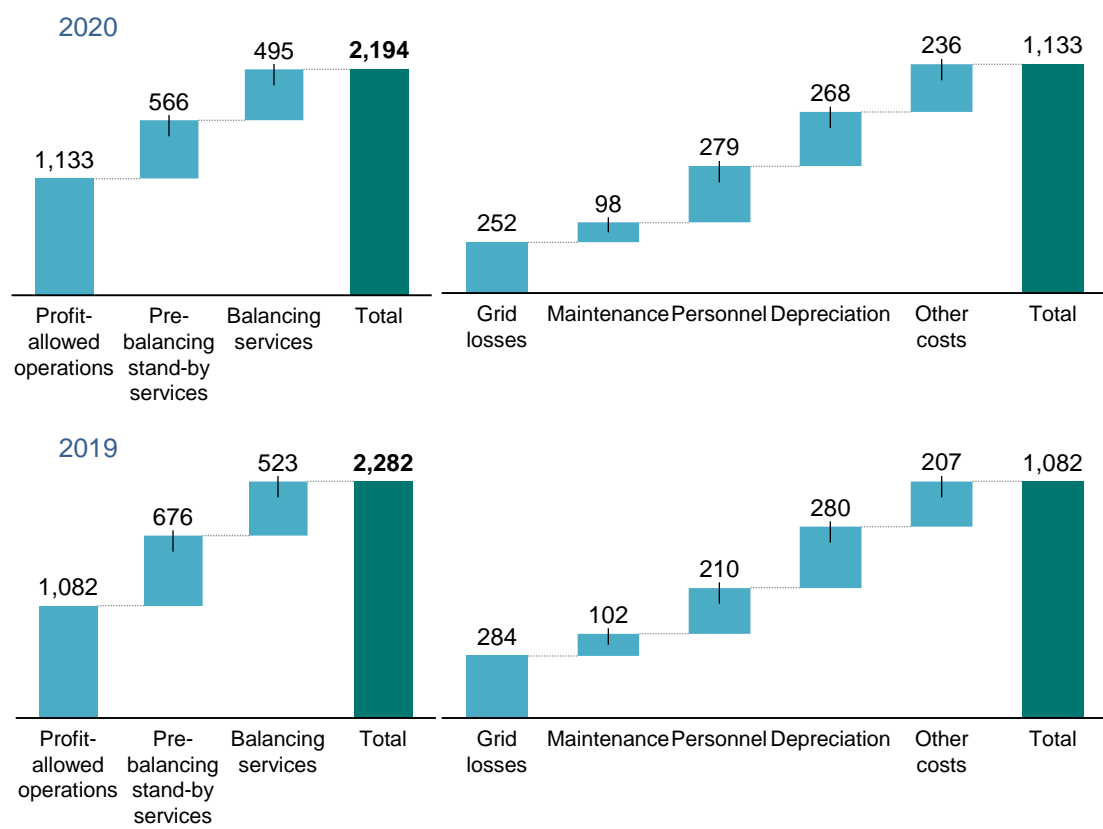
- Lower volumes (decreasing electricity demand - Covid19)
- Lower income generated from the sale of cross-border grid capacity (lower demand for electricity at a regional level - Covid19)
- Overall higher tariffs: transmission flat, dispatching higher – not enough to compensate for the drop in volumes and the lower demand for cross-border capacity



Operations | Costs

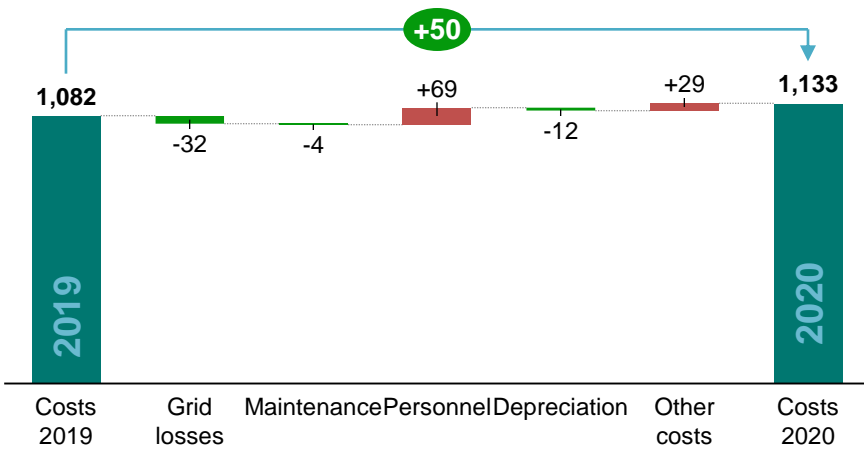
Operational expenses

ALL OPERATIONS PROFIT-ALLOWED OPERATIONS



Operational expenses

PROFIT-ALLOWED OPERATIONS: BREAKDOWN



DRIVERS BEHIND THE EVOLUTION OF COSTS

- ▲ Personnel costs (salaries increase + one-offs in Q4)
- ▲ Other costs – base effect due to a reversal in 1Q 2019 of a sizeable provision (cca. 31 mil Lei)
- ▼ Grid losses costs – lower costs driven by y/y lower grid volumes and y/y lower prices in the wholesale electricity market

Chart unit: mil Lei



WE LEAD THE POWER

—●— 2019
—●— 2020

2020 / 2019

-0.14PP

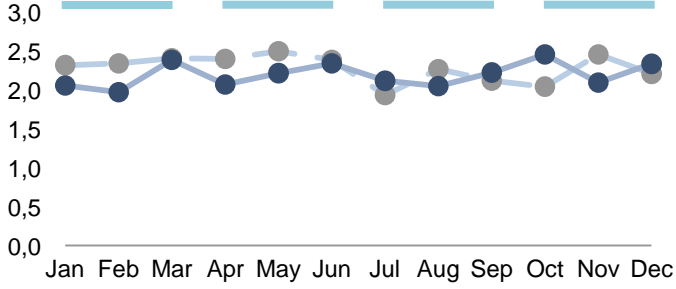
2.27%

2.19%

Regulatory cap 2020: 2.34% (annual average)

12M **2.19%**

1Q **2.13%** 2Q **2.21%** 3Q **2.13%** 4Q **2.29%**



2020	2.05	1.97	2.38	2.07	2.21	2.34	2.11	2.05	2.22	2.45	2.09	2.33
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

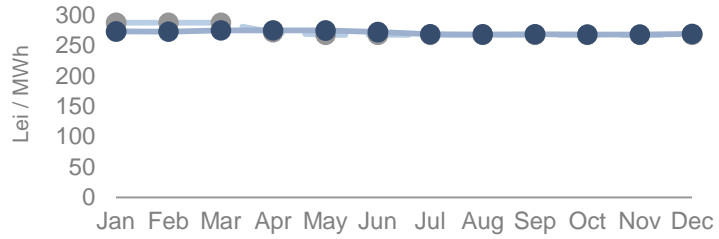
- 42.86 TWh**
GRID IN-TAKE VOLUME IN 2020
- 41.92 TWh**
GRID OFF-TAKE VOLUME IN 2020
- 2.19% (0.94 TWh)**
GRID LOSSES 2020

2020 / 2019

-0.1% FM

273 Lei

271 Lei

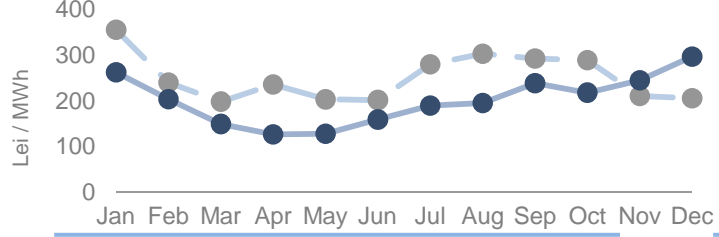


2020 / 2019

-15% DAM

248 Lei

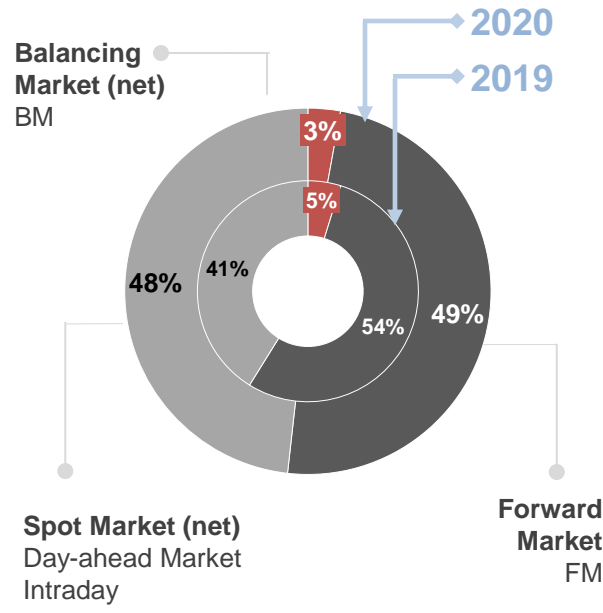
211 Lei



PRICES PAID PER MARKET

- 271 Lei/MWh (▼ 0%)**
FORWARD MARKET (FM)
- 211 Lei/MWh (▼ 15%)**
DAY-AHEAD MARKET (DAM)
- 843 Lei/MWh (▲ 34%)**
BALANCING MARKET (BM) (Net, BRP fee included)

Operational costs | grid losses



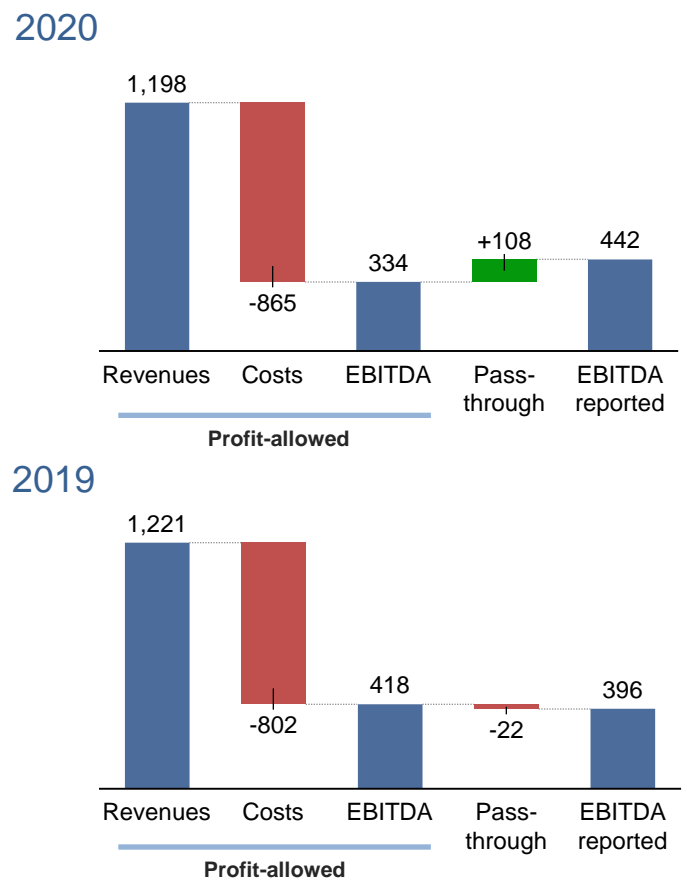
AVERAGE PRICE / PURCHASE MIX

- 259 Lei/MWh (▼ 7%)**
CROSS-MARKET AVERAGE PRICE PAID
- 49%FM / 48%SPOT / 3%BM (2020)**
PURCHASE MIX (VOLUMES)
- 54%FM / 41%SPOT / 5%BM (2019)**
PURCHASE MIX (VOLUMES)



Operational profit | EBITDA

FROM REVENUES TO EBITDA



EBITDA BREAKDOWN (PROFIT-ALLOWED)

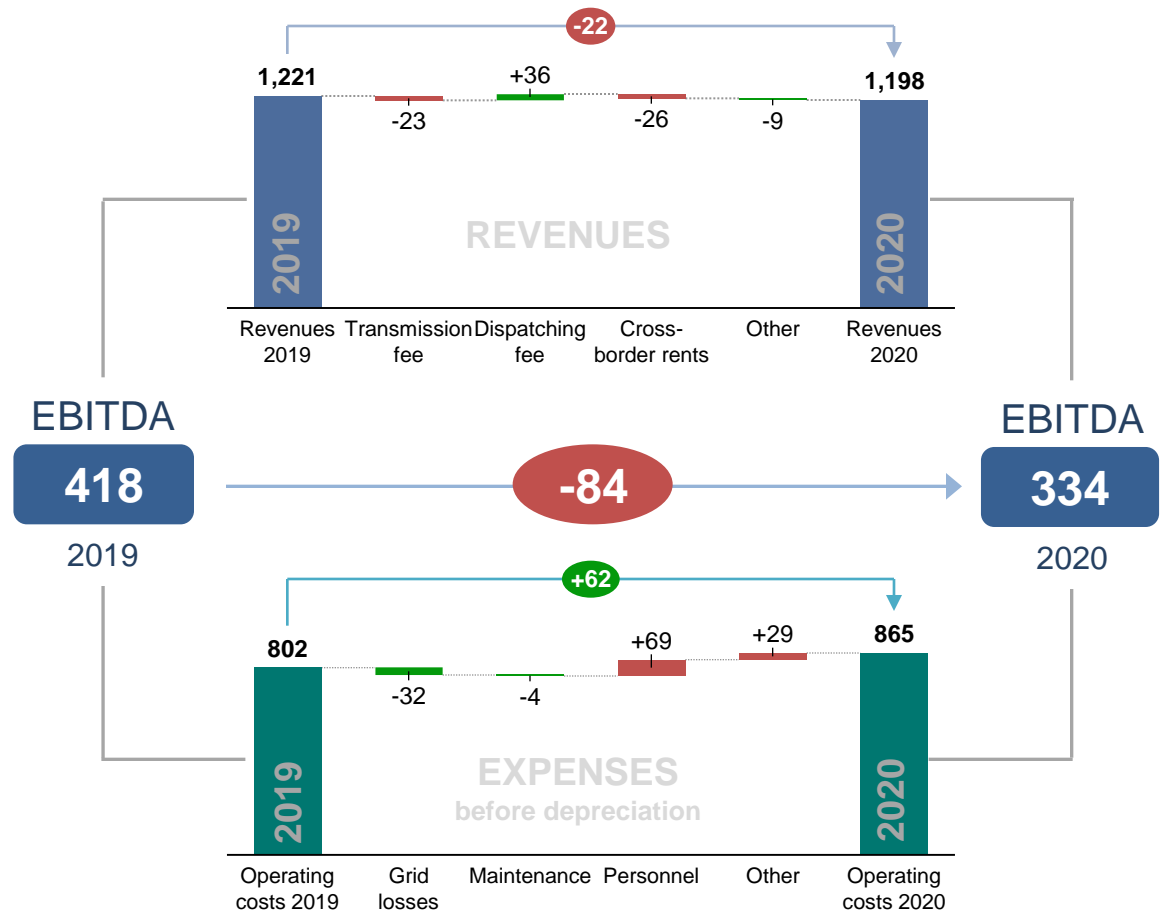


Chart unit: mil Lei



From EBITDA to Net income

FROM EBITDA TO NET INCOME

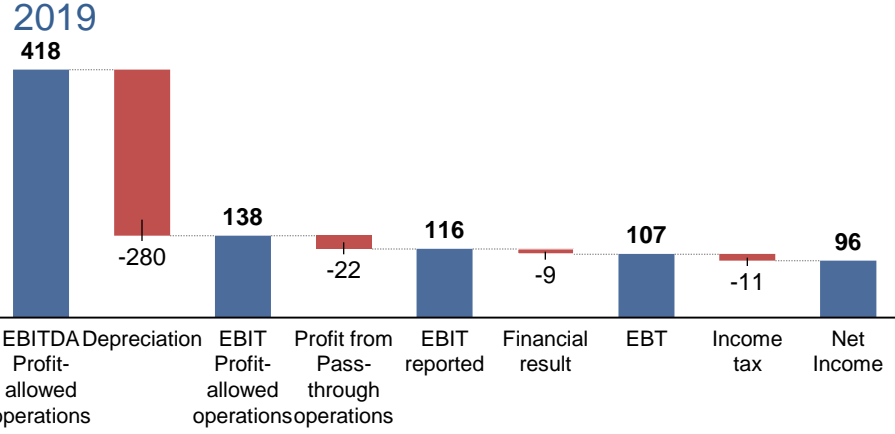
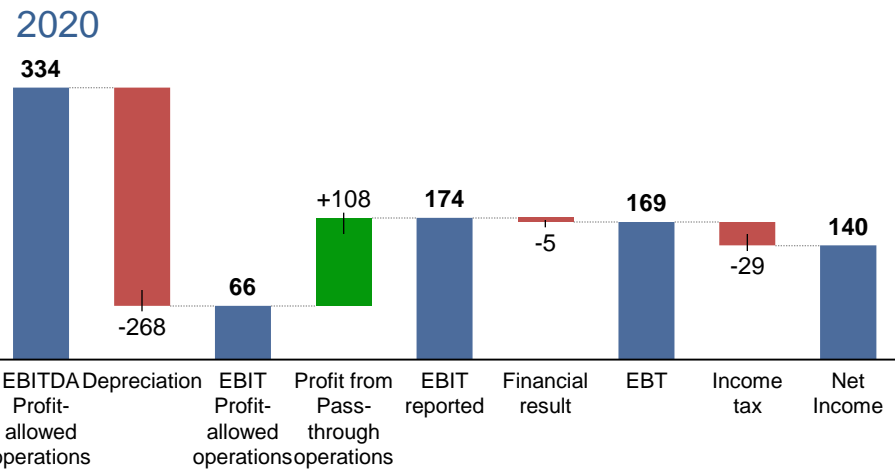
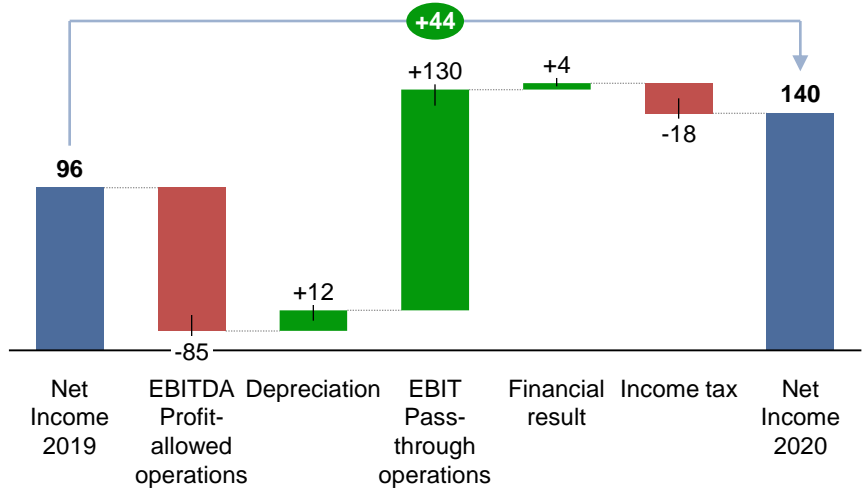


Chart unit: mil Lei

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) combined with y/y reduced costs in 3Q and 4Q 2020



subject to AGM approval

0.814 Lei total DPS, of which:

- **0.534 Lei** regular DPS from 2020 profit
- **0.280 Lei** additional DPS from reserves

Ex-date 3-Jun-2021

Payment 25-Jun-2021

Delivered in 2020

259
Lei m

New contracts

Total aggregate amount for contracts signed in 2020

- Selected items:
- 104 mil lei - Transmission grid substation Resita
 - 59 mil lei - Modernization of Baru Mare transmission grid substation
 - 22 mil lei - Extension works in Medgidia transmission grid substation



397
Lei m

Capital expenditure

Amounts added to construction-work-in-progress in 2020

- Selected items:
- 99 mil lei – New internal line Cernavoda-Stalpu
 - 45 mil lei - Modernization of Domnesti transmission grid substation
 - 27 mil lei - Modernization of Hasdat transmission grid substation



176
Lei m

Assets commissioned

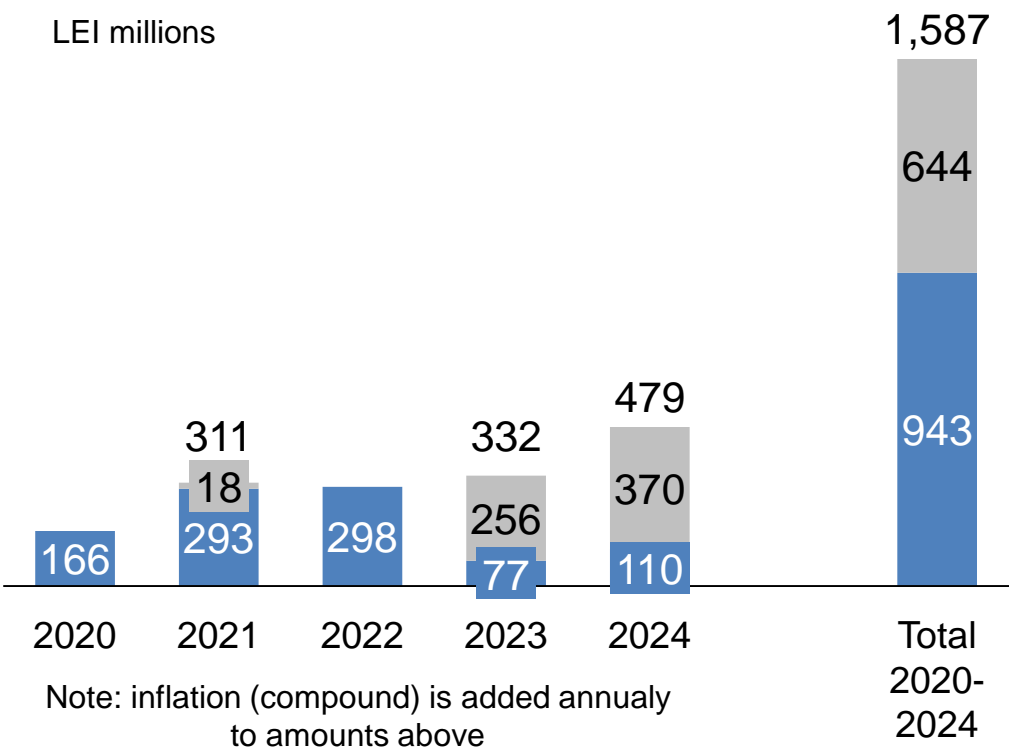
Amounts transferred from construction-work-in-progress to fixed assets in 2020

- Selected items:
- 32 mil lei - EMS SCADA system upgrade
 - 27 mil lei - Modernization of Craiova Nord transmission grid substation
 - 19 mil lei - Modernization of Domnesti transmission grid substation



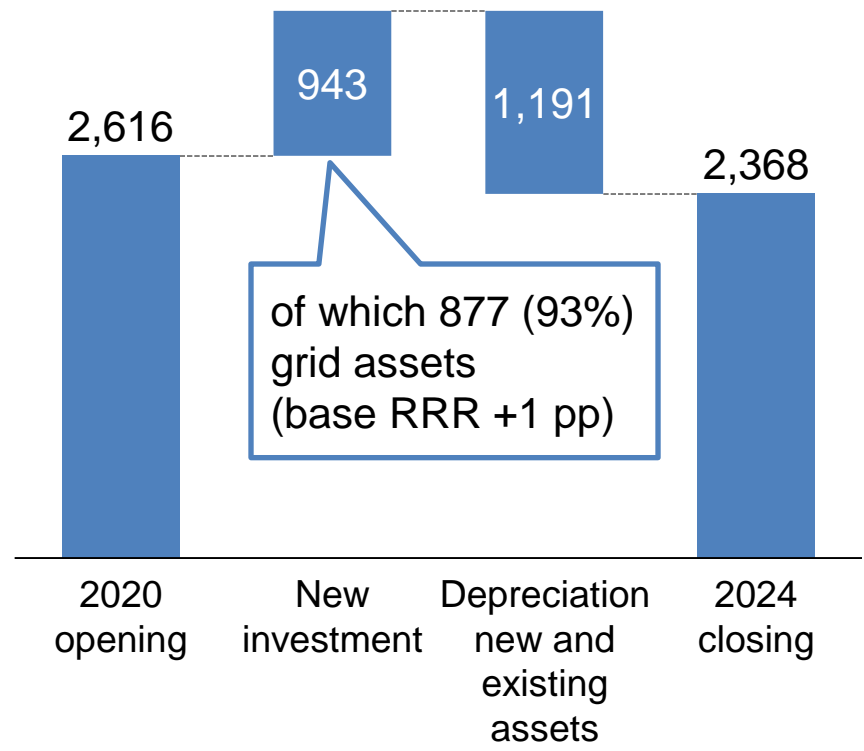
of which RAB: 169 Lei m

Investment plan approved by the Regulator



non-RAB* *funded with grants (subsidies) and/or cross-border capacity income
 RAB

RAB projection



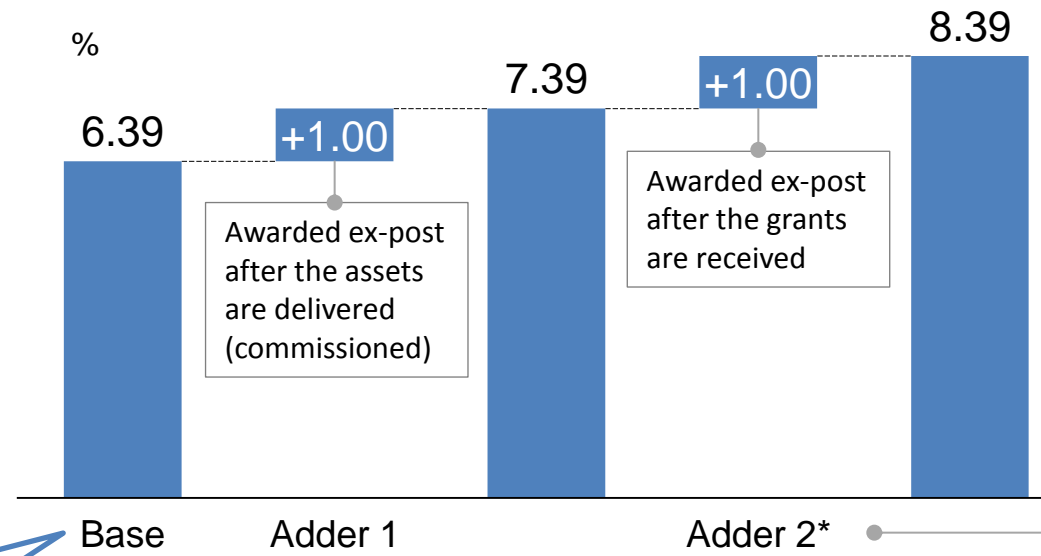
base RRR = 6.39%
(applies to opening + new non-grid assets)

Regulated Rate of Return

Base RRR lowered from 6.9% to 6.39% (starting May-2020)

From single-value RRR to multi-value blended RRR (uplifts added to base RRR)

≈ 6.6%
average RRR
over 2020-2024



*Note: New assets planned for the current period 2020-2024 that are partially financed with grants (EU subsidies) consist of new or upgrades to existing power lines of cross-border relevance. These assets are foreseen to be fully 100% funded with non-RAB sources (the remaining non-grant portion is planned to be financed with cross-border income). Hence adder 2 is not expected to be applied in the current period 2020-2024

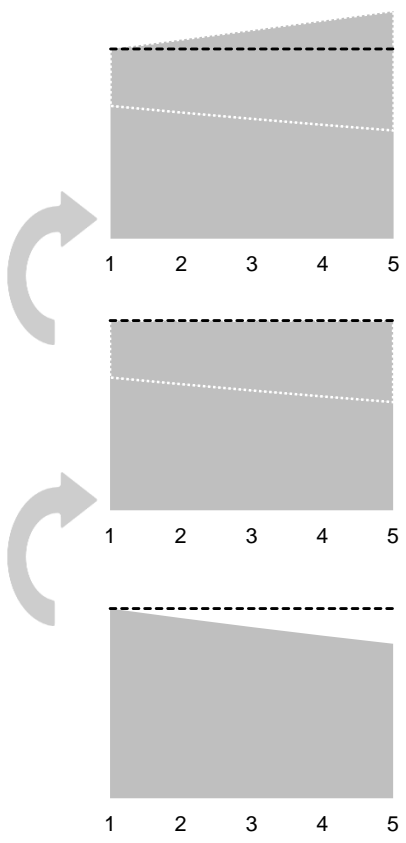
The biggest part of the RAB (existing assets reflected in the RAB 2020 opening balance) is remunerated with base RRR

Adder 1
New grid assets
New = assets commissioned starting May-2020 (regardless when capex started)
Grid investment = network + dispatching assets (core IT tools). Non-core assets e.g. cars, offices fall outside the scope of the RRR adder

Adder 2*
The non-grant part of new assets that are partially funded with investment grants e.g. EU subsidies
New assets = assets commissioned starting Feb-2021 (regardless when capex started)

Controllable OPEX projection

Evolution of regulatory approach to controllable OPEX



Current period (2020-2024)
 Revised setting
 Entire allowance subject to cap (only 2020), cap released 2021-2024
 Allowance break-down (some sub-components subject to X factor)

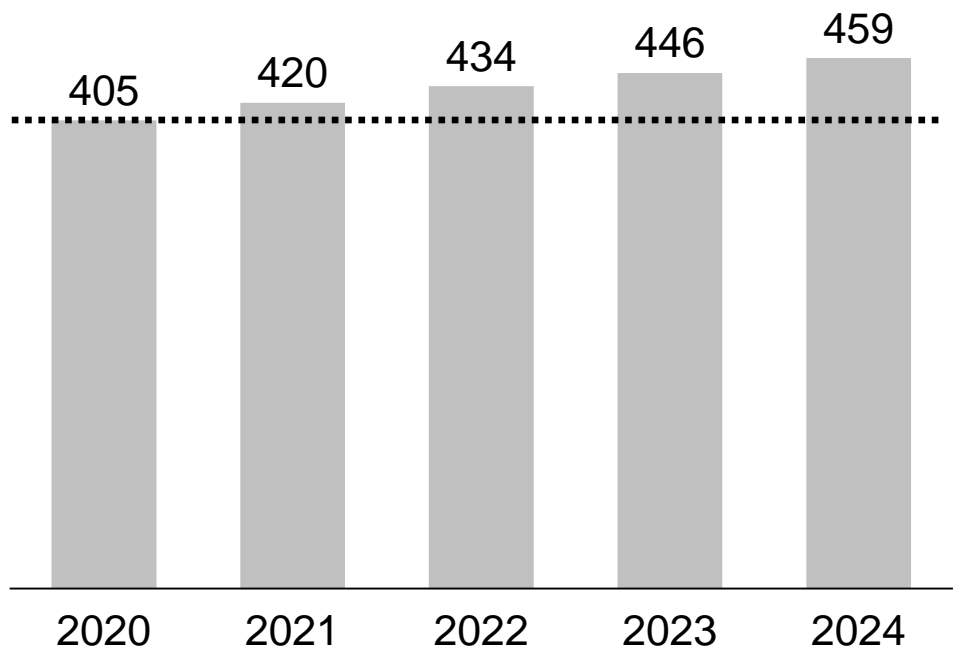
Current period (2020-2024)
 Initial setting
 Entire allowance subject to cap (across 2020-2024)
 Allowance break-down (some sub-components subject to X factor)

Previous period (2014-2019)
 Entire allowance subject to X factor
 No break-down (sub-component explicit projection)

Current revised setting

(controllable OPEX total allowance)

LEI millions



Note: inflation (compound) is added annually to amounts above



Cost efficiency incentive virtually gone
 No longer applies to grid maintenance and personnel
 Cost savings almost fully clawed-back

Grid losses - purchase price

price-setting principle unchanged (same as initial)
ex-ante value slightly changed

Evolution of regulatory approach to setting the price for grid losses



Current period (2020-2024)

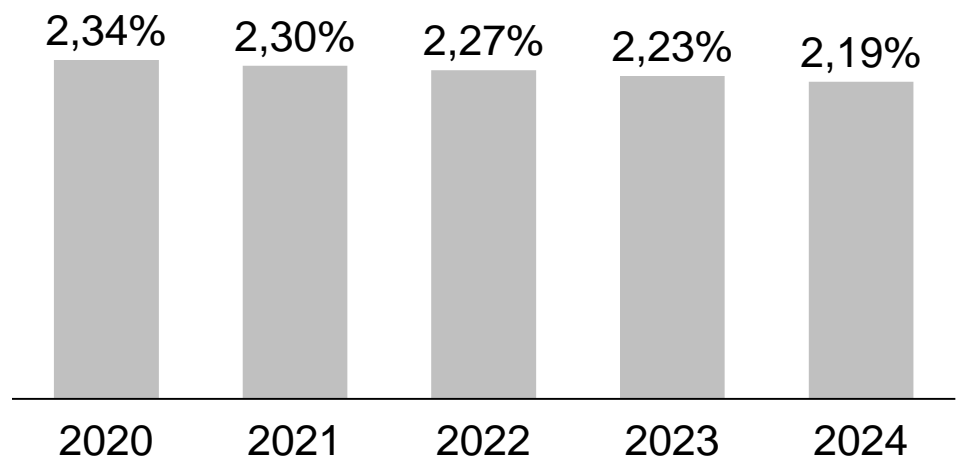
Price is based on an average of actual prices paid by all regulated power grid operators (transmission + distribution) imbalances included
This is more reflective of actual prices paid by grid operators
Ex-ante price assumption 263 LEI/MWh (ex-post price calculated annually based on the principle described above)

Previous period (2014-2019)

Price was based on a virtual average market price with no imbalance price component (notional purchase mix: 80% x average forward price + 20% x average spot price)
Price formula yielded consistently lower prices as compared to actual prices (due to the absence of imbalance price in the theoretical mix)

Grid losses - percentage target (cap)

(applied to total power grid intake \approx 43 TWh annually)
setting unchanged (same as initial)



Energy efficiency incentive (25% of savings)
Hard to obtain
Condition: beat the target in all 5 years (incentive awarded ex-post at the end of the 5-year period)



Q&A

Thank you for your attention!

[Lei m]	FY2020	FY2019		4Q2020	4Q2019		3Q2020	3Q2019		2Q 2020	2Q 2019		1Q 2020	1Q 2019		
	IFRS	IFRS		IFRS	IFRS		IFRS	IFRS		IFRS	IFRS		IFRS	IFRS		
	audited	audited		unaudited	unaudited		unaudited	unaudited		unaudited	unaudited		unaudited	unaudited		
Billed volume [TWh]	53.85	55.34 ▼	2.7%	14.37	14.05 ▲	2.2%	13.23	13.37 ▼	1.1%	11.84	13.24 ▼	11%	14.41	14.68 ▼	2%	
Profit-allowed operations																
Operational revenues	1,198	1,221 ▼	1.8%	323	313 ▲	3.0%	295	299 ▼	1.2%	263	291 ▼	10%	317	317 ▼	0%	
Operational revenues Transmission	1,035	1,082 ▼	4.3%	276	273 ▲	1.3%	252	257 ▼	2.1%	226	262 ▼	14%	281	290 ▼	3%	
Operational revenues Transmission Regulated fee	963	986 ▼	2.4%	257	248 ▼	3.6%	236	235 ▲	0.7%	211	239 ▼	12%	259	265 ▼	2%	
Operational revenues Transmission Cross-border rents	59	84 ▼	30.3%	15	22 ▼	32.7%	13	20 ▼	37.7%	13	19 ▼	30%	18	23 ▼	21%	
Operational revenues Transmission Other	13	11 ▲	19.6%	5	3 ▲	55.4%	2	2 ▲	34.0%	2	3 ▼	51%	4	3 ▲	49%	
Operational revenues Dispatching	121	88 ▲	38.1%	37	28 ▲	33.4%	35	27 ▲	26.3%	23	16 ▲	45%	27	17 ▲	59%	
Operational revenues Dispatching Regulated fee	117	81 ▲	43.7%	36	26 ▲	38.3%	33	25 ▲	33.9%	22	15 ▲	48%	27	16 ▲	63%	
Operational revenues Dispatching Unplanned cross-border flows	4	6 ▼	35.7%	2	2 ▼	27.2%	2	3 ▼	40.7%	1	1 ▼	12%	0	0 ▼	87%	
Operational revenues Other income	42	51 ▼	17.3%	9	12 ▼	28.5%	9	14 ▼	36.8%	15	14 ▲	6%	10	10 ▼	8%	
Operational costs	865	802 ▲	7.8%	310	220 ▲	40.6%	210	212 ▼	1.0%	168	196 ▼	15%	177	173 ▲	2%	
Operational costs System operation	310	352 ▼	11.9%	92	84 ▲	10.1%	75	88 ▼	15.2%	62	79 ▼	22%	81	101 ▼	19%	
Operational costs System operation Grid losses	252	284 ▼	11.3%	78	71 ▲	10.7%	60	68 ▼	11.5%	49	64 ▼	24%	65	81 ▼	20%	
Operational costs System operation Congestion relief	0	2 ▼		0	0 ▼		0	0 ▲		0	0 ▼		0	2 ▼		
Operational costs System operation Power consumption in grid substations	16	20 ▼	20.6%	4	5 ▼	23.7%	3	4 ▼	26.1%	5	4 ▲	9%	4	6 ▼	35%	
Operational costs System operation Inter-TSO-Compensation	11	13 ▼	13.4%	1	2 ▼	62.0%	2	7 ▼	66.1%	2	2 ▼	6%	6	2 ▲	283%	
Operational costs System operation Other	30	33 ▼	6.9%	9	6 ▲	61.8%	9	9 ▲	2.1%	6	8 ▼	27%	7	10 ▼	36%	
Operational costs Maintenance	98	102 ▼	3.6%	32	29 ▲	11.0%	29	29 ▲	2.9%	21	25 ▼	16%	16	20 ▼	19%	
Operational costs Personell	279	210 ▲	32.9%	103	51 ▲	99.8%	68	56 ▲	22.0%	56	55 ▲	2%	52	48 ▲	9%	
Operational costs Other	178	139 ▲	28.1%	83	57 ▲	47.0%	38	40 ▼	4.5%	29	37 ▼	23%	28	5 ▲	472%	
EBITDA	334	418 ▼	20.2%	13	93 ▼	86.4%	85	86 ▼	1.6%	96	95 ▲	1%	140	144 ▼	3%	
Operational costs Depreciation and amortization	268	280 ▼	4.3%	66	70 ▼	6.4%	66	68 ▼	2.6%	68	70 ▼	3%	68	72 ▼	5%	
EBIT	66	138 ▼	52.5%	-53	23 ▼	-	19	18 ▲	2.0%	28	25 ▲	11%	72	72 ▼	0%	
Pass-through operations																
Operational revenues	1,169	1,177 ▼	0.7%	381	301 ▲	26.4%	279	300 ▼	7.3%	224	244 ▼	8%	286	332 ▼	14%	
Operational revenues System service	674	654 ▲	3.1%	172	184 ▼	6.3%	159	175 ▼	9.4%	155	139 ▲	12%	188	157 ▲	20%	
Operational revenues Balancing service	495	523 ▼	5.4%	209	118 ▲	77.5%	120	125 ▼	4.4%	69	105 ▼	35%	98	175 ▼	44%	
Operational costs	1,061	1,200 ▼	11.6%	353	297 ▲	18.8%	243	269 ▼	9.6%	201	273 ▼	26%	263	360 ▼	27%	
Operational costs System service	566	676 ▼	16.3%	144	180 ▼	19.6%	123	144 ▼	14.2%	132	168 ▼	21%	166	185 ▼	10%	
Operational costs Balancing service	495	523 ▼	5.4%	209	118 ▲	77.5%	120	125 ▼	4.4%	69	105 ▼	35%	98	175 ▼	44%	
EBIT	108	-22 ▲	-	28	4 ▲	594.5%	35	31 ▲	12.6%	23	-29 ▲	-	22	-28 ▲	-	
All operations (profit-allowed and pass-through)																
Operational revenues	2,367	2,398 ▼	1.3%	704	615 ▲	14.5%	574	599 ▼	4.2%	487	535 ▼	9%	603	649 ▼	7%	
Operational costs	1,926	2,002 ▼	3.8%	663	518 ▲	28.1%	454	482 ▼	5.8%	368	469 ▼	22%	440	533 ▼	17%	
EBITDA	442	396 ▲	11.6%	40	97 ▼	58.4%	120	118 ▲	2.2%	119	66 ▲	81%	162	116 ▲	40%	
Operational costs Depreciation and amortization	268	280 ▼	4.3%	66	70 ▼	6.4%	66	68 ▼	2.6%	68	70 ▼	3%	68	72 ▼	5%	
EBIT	174	116 ▲	50.0%	-25	27 ▼	-	54	50 ▲	8.7%	51	-4 ▲	-	94	44 ▲	116%	
Financial result	-5	-9 ▲	42.7%	-3	-2 ▼	20.3%	0	-2 ▲	93.2%	0	0 ▲	6%	-2	-4 ▲	61%	
EBT	169	107 ▲	57.6%	-28	24 ▼	-	54	48 ▲	12.6%	51	-4 ▲	-	92	39 ▲	134%	
Income tax	-29	-11 ▼	161.0%	16	-2 ▲	-	-17	-4 ▼	286.8%	-12	-4 ▼	257%	-15	-1 ▼	961%	
Net Income	140	96 ▲	45.7%	-12	22 ▼	-	37	43 ▼	15.0%	38	-8 ▲	-	77	38 ▲	103%	

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