



# Transelectrica SA

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

We lead the power

**PRESENTATION**

**1H2016 results**

01.01.2016 - 30.06.2016



## 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 2016 – 30 <sup>th</sup> June 2016
<i>reporting standard:</i>	International Financial Reporting Standards (IFRS)
<i>basis/scope:</i>	standalone (unconsolidated)
<i>external audit:</i>	unaudited
<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 July 2014 – 30 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).

### 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:

### 1H2016 results

- Highlights
- Operational results
- Financial results

### Tariffs - regulatory framework

- New tariffs as of 1 July 2016
- Statistics of the 2<sup>nd</sup> regulatory year (transmission)

### Investments

- Investments delivered in 1H2016
- 10-year Grid Development Plan 2016-2025

### Q&A



Financials	1H y/y			2Q y/y		
• Revenues	1,350 Lei m	▼ 5.4%		594 Lei m	▼ 8.1%	
• EBITDA	343 Lei m	▼ 16.5%		145 Lei m	▼ 20.1%	
• Net income	142 Lei m	▼ 32.6%		43 Lei m	▼ 49.2%	

Operational	1H y/y			2Q y/y		
• Power consumption*	27.6 TWh	▲ 0.6%		12.9 TWh	▼ 0.5%	
• Power production *	29.2 TWh	▼ 4.3%		13.6 TWh	▼ 4.7%	
• Net export	1.6 TWh	▼ 48.8%		0.7 TWh	▼ 46.9%	

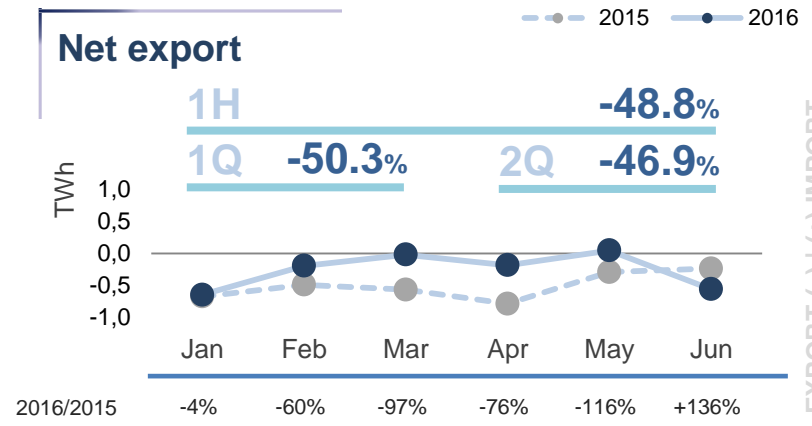
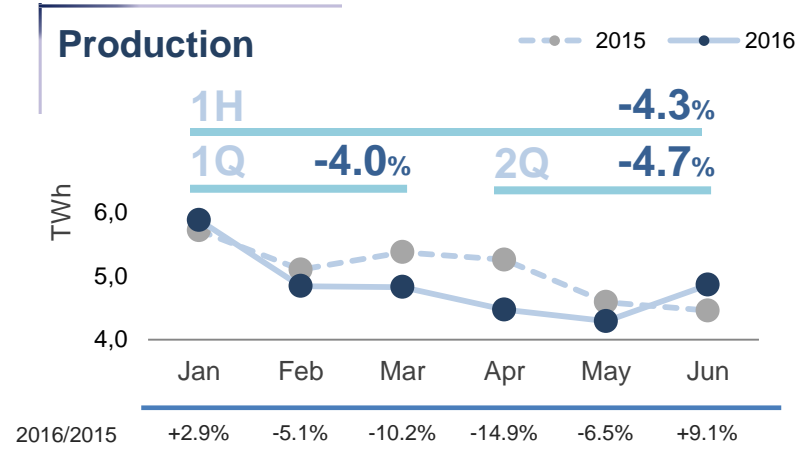
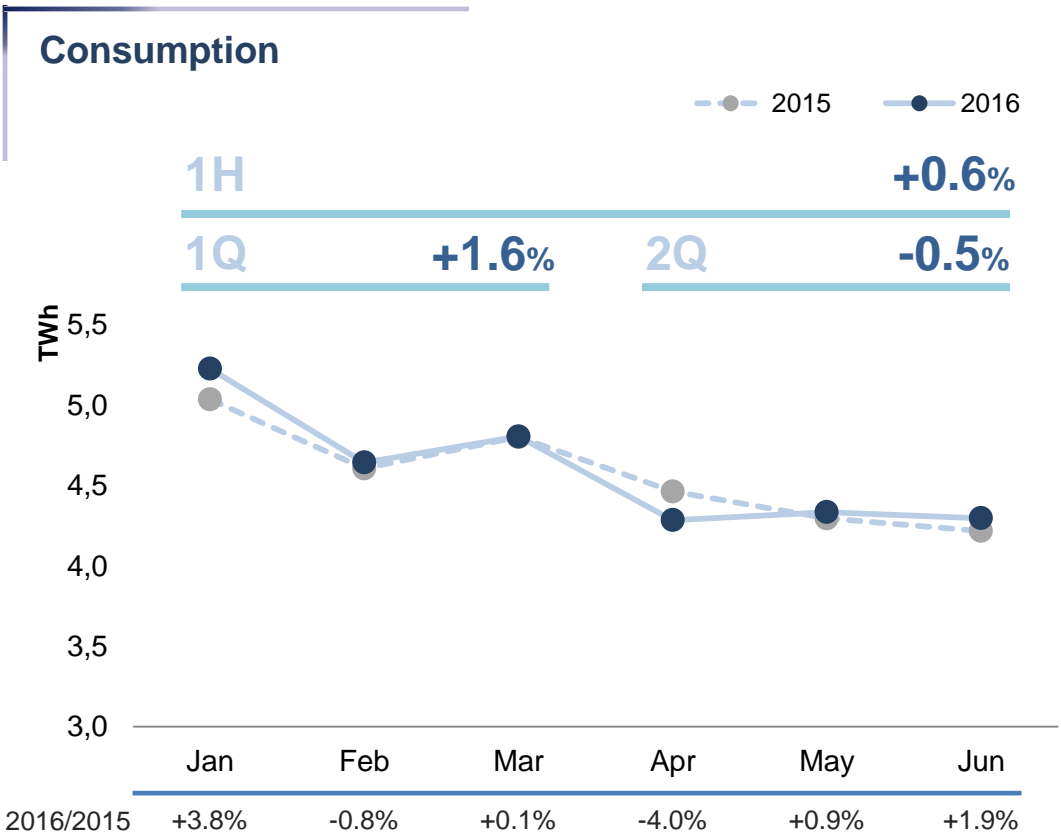
\*consumption/generation numbers do not include power plants' own electricity consumption. Consumption includes (i) consumption for hydro pumped storage, and (ii) energy losses in transmission and distribution networks. Cross-border net flow is calculated based on physical flows (export-import) aggregated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

## Regulatory framework

- Profit-allowed segment: lower tariffs applied in 1H2016 as compared to 1H2015, as per the annual tariff review at 1-Jul-2015 (Transmission ▼6.8%, Dispatching ▼17.6%), had a significant negative impact on the topline
- Pass-through segment: the loss incurred in 1Q2016 due to legally-imposed additional purchases of back-up generation for grid balancing purposes was fully offset in 2Q2016 due to low purchase prices in the market

## Slight increase in domestic demand for electricity

Falling export volumes led to a decline in domestic production



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).



## OPERATIONAL VOLUMES



1H 2016 / 1H 2015

### Consumption

**27.6<sup>TWh</sup> / 27.4<sup>TWh</sup>** ▲ **0.6%**  
**CONSUMPTION OF ELECTRICITY** (grid losses included)  
**6,289<sup>MW</sup> / 6,294<sup>MW</sup>** ▼ **0.1%**  
**HOURLY AVERAGE**

### Production

**29.2<sup>TWh</sup> / 30.5<sup>TWh</sup>** ▼ **4.3%**  
**TOTAL NET OUTPUT**  
**6,686<sup>MW</sup> / 7,025<sup>MW</sup>** ▼ **4.8%**  
**HOURLY AVERAGE**

### Export physical flows

**1.57<sup>TWh</sup>** ▼ **48.8%** → **3.06<sup>TWh</sup>**  
**NET EXPORT**  
**3.16<sup>TWh</sup> / 1.59<sup>TWh</sup>** → **3.74<sup>TWh</sup> / 0.67<sup>TWh</sup>**  
**EXPORT / IMPORT**

### Cross-border capacity usage

**52%<sup>RS</sup>, 67%<sup>HU</sup>** → **94%<sup>RS</sup>, 97%<sup>HU</sup>**  
**ACTUAL USAGE OF ALLOCATED EXPORT CAPACITY**

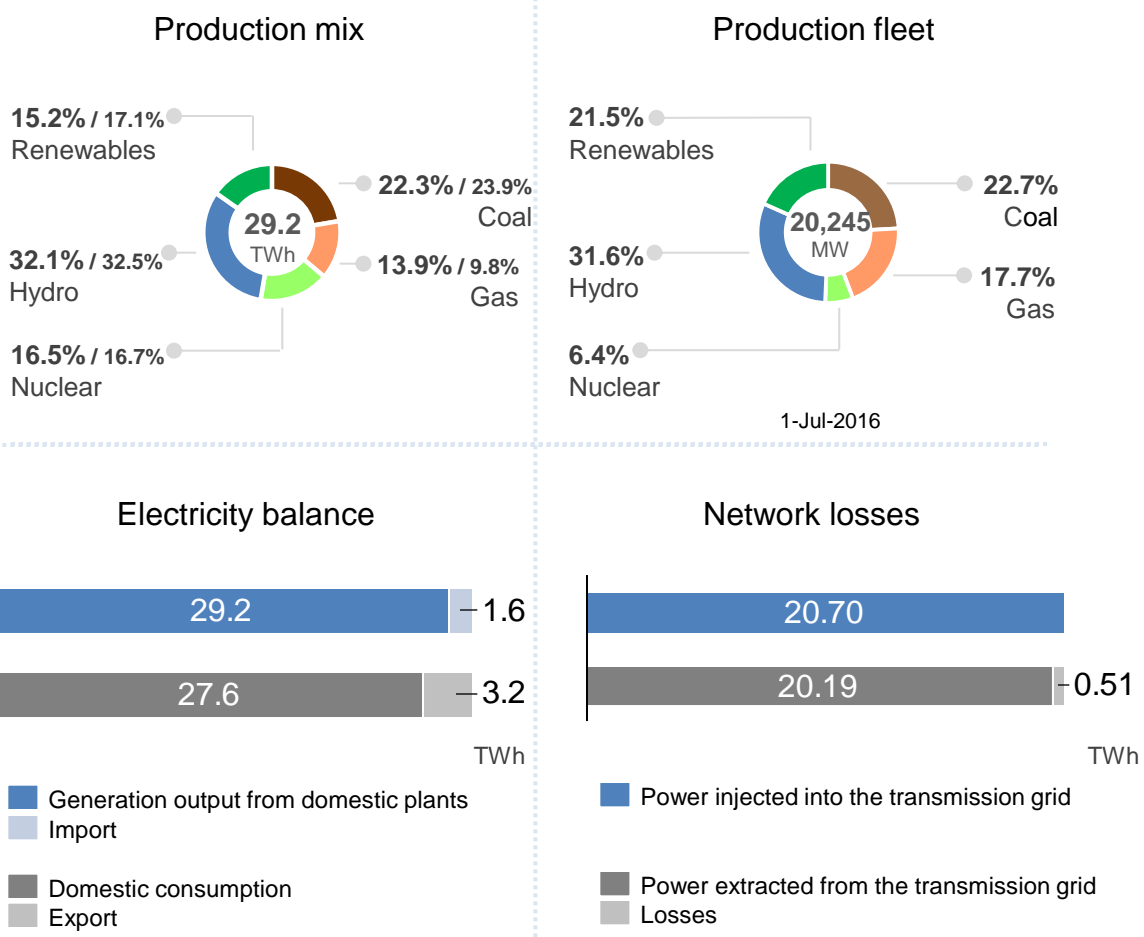
## OPERATIONAL VOLUMES 1H 2016 / 1H 2015

<b>29.2 TWh / 30.5 TWh</b>	<b>▼ 4.3%</b>
<b>NET PRODUCTION</b>	
<b>27.6 TWh / 27.4 TWh</b>	<b>▲ 0.6%</b>
<b>NET CONSUMPTION</b>	
<b>1.57 TWh / 3.06 TWh NET EXPORT</b>	<b>▼ 48.9%</b>
<b>NET CROSS-BORDER FLOW</b>	
<b>6,289 8,531 MW / 6,294 8,488 MW</b>	
<b>HOURLY CONSUMPTION (AVERAGE / HIGH)</b>	
<b>20,245 MW / 21,211 MW</b>	
<b>NET PRODUCTION CAPACITY CONNECTED TO RPS</b>	
<b>4,355 MW / 4,216 MW</b>	
<b>NET RES PRODUCTION CAPACITY CONNECTED TO RPS</b>	
<b>20.70 TWh / 20.57 TWh</b>	<b>▲ 0.6%</b>
<b>GRID INPUT VOLUME</b>	
<b>2.45 % / 2.59%</b>	<b>▼ 0.13 pp</b>
<b>NETWORK LOSSES</b>	

\*Renewable energy sources (RES) : Wind, Photovoltaic, Biomass, Geothermal.  
(Micro hydro power plants not included)

RPS: Romanian Power System

## 1H 2016 / 1H 2015



## 1H 2016 / 1H 2015

<b>2.5 / 26.3 TWh</b> VOLUME BILLED FOR GRID OFF-TAKES (T <sub>L</sub> )	<b>▲ 0.8%</b>
<b>27.1 / 28.5 TWh</b> VOLUME BILLED FOR GRID IN-TAKES (T <sub>E</sub> )	<b>▼ 4.9%</b>
<b>1,350 / 1,426 Lei m</b> REVENUES FROM OPERATIONS	<b>▼ 5.4%</b>
<b>648 / 743 Lei m</b> REVENUES FROM PROFIT-ALLOWED SEGMENT	<b>▼ 12.7%</b>
<b>343 / 410 Lei m</b> EBITDA	<b>▼ 16.5%</b>
<b>180 / 250 Lei m</b> EBIT	<b>▼ 28.0%</b>
<b>142 / 210 Lei m</b> NET INCOME	<b>▼ 32.6%</b>

## All operations

## 1H 2016 / 1H 2015 profit-allowed operations

▼ Lower tariffs as of 01.07.2015  
▲ Slight increase in domestic electricity consumption

▲ Provisions for doubtful debt  
▲ Transit (Inter-TSO-Compensation)  
▲ Grid congestions  
▲ Unplanned cross-border flows  
▼ Grid losses

PROFIT  
FROM OPERATIONS

### Revenues -94 Lei m

Lower tariffs (transmission ▼ 6.8%,  
dispatching ▼ 17.6%)  
Transmission fee - 73 Lei m  
Dispatching fee - 6 Lei m  
Cross-border rents - 11 Lei m  
Other income - 4 Lei m

### Expenses \* +7 Lei m

Transit +1 Lei m, unplanned cross-  
border flows +1 Lei m, provisions for  
doubtful debt (12 Lei m new provisions  
in 1H2016 vs. -5 Lei m reversals in  
1H2015)

*\*before depreciation and amortization*

### EBITDA -101 Lei m

**341 Lei m**  
(▼ 23% from 443 Lei m in 2015)

## Profit-allowed operations



## Profit & Loss

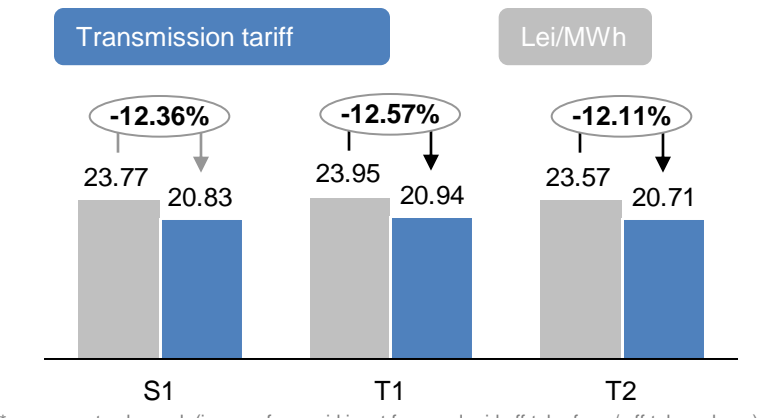
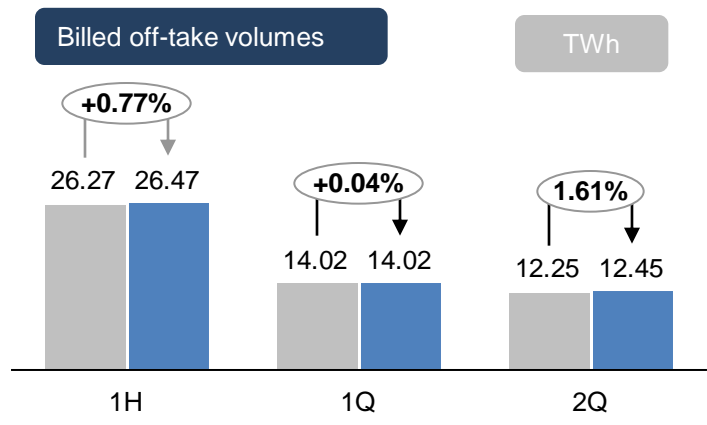
[Lei m]	1H2016	1H2015	Δ%	2Q2016	2Q2015	Δ%
Billed volume [TWh]	26.47	26.27	+0.8%	12.45	12.25	+1.6%
<b>Profit-allowed operations</b>						
Revenues	648	743	-12.7%	301	352	-14.7%
Costs	307	300	+2.4%	169	157	+7.7%
EBITDA	341	443	-22.9%	131	195	-32.7%
<i>EBITDA margin</i>	<i>53%</i>	<i>60%</i>		<i>44%</i>	<i>55%</i>	
EBIT	179	282	-36.8%	50	115	-56.5%
<b>Pass-through operations</b>						
Revenues	701	684	+2.6%	294	295	-0.3%
EBITDA	2	-32		14	-14	
<b>All operations</b>						
Revenues	1,350	1,426	-5.4%	594	647	-8.1%
EBITDA	343	410	-16.5%	145	181	-20.1%
EBIT	180	250	-28.0%	64	101	-37.1%
Financial result	-6	-2		-8	-3	
EBT	175	249	-29.8%	56	99	-43.0%
Net Income	142	210	-32.6%	43	84	-49.2%

electricity demand slightly higher

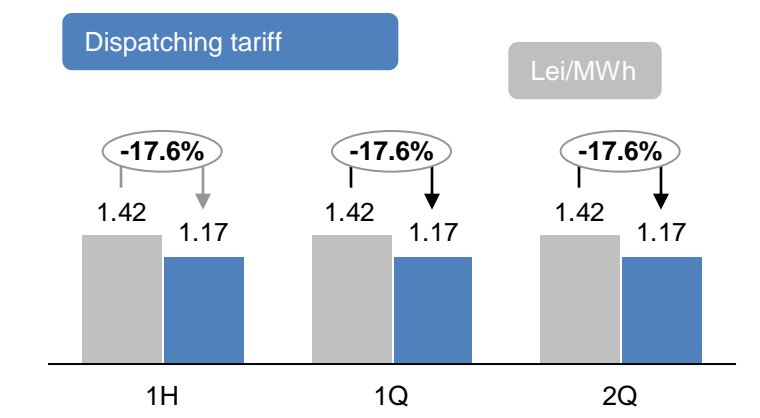
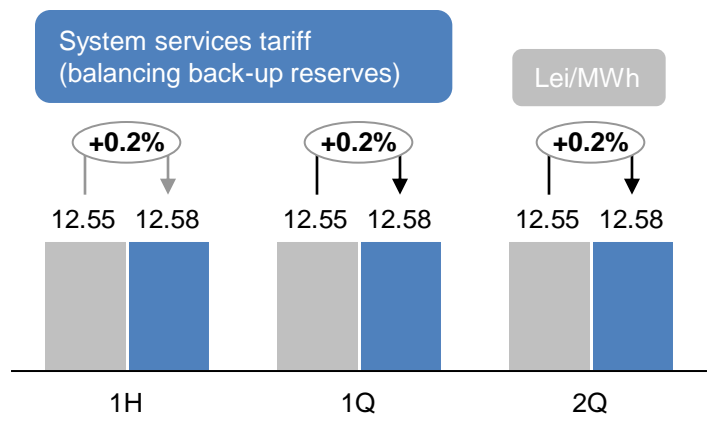
lower tariffs, stable cast base

marginal profit from system services. The loss in 1Q2016 was fully offset by the gain in 2Q2016

lower dividend and interest income



\*average rate charged (income from grid input fees and grid off-take fees / off-take volume)

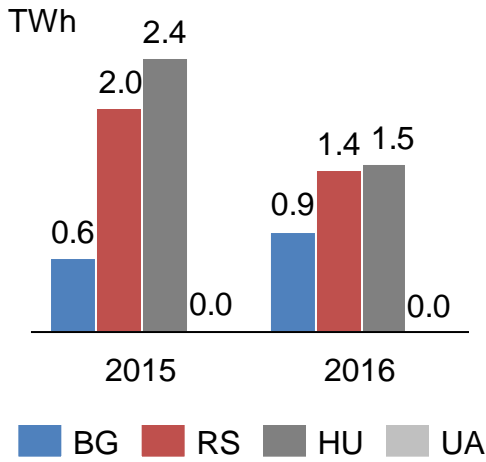


■ 2015 ■ 2016

■ 2015 ■ 2016

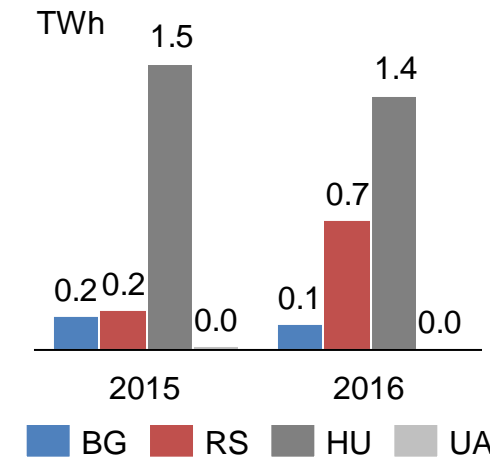
## Export vs. import. Income from the sale of cross-border network capacity

Export volumes (contract volumes)



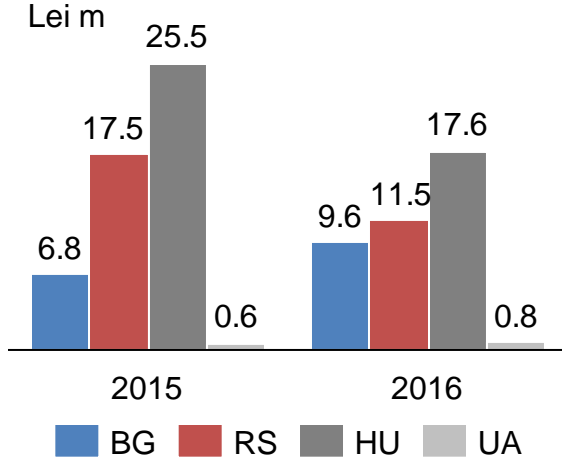
Lower exports on the Hungarian and Serbian borders. Higher exports on the Bulgarian border

Import volumes (contract volumes)



Higher y/y imports at the Hungarian and Serbian borders

Cross-border capacity rent income



Lower cross-border capacity rent income

Volumes (TWh) represent cross-border traded volumes aggregated across all trading timeframes (forward and spot). Cross-border income reflects the total amount of income earned by Tranelectrica in the explicit allocation (annual, monthly, day-ahead and intra-day auctions) and implicit allocation (day-ahead in the case of RO-HU border) of cross-border network capacity, aggregated for exports and imports.

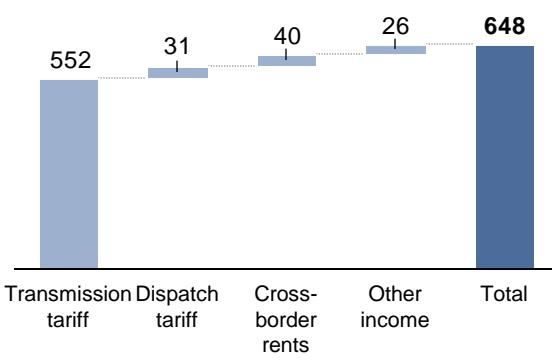
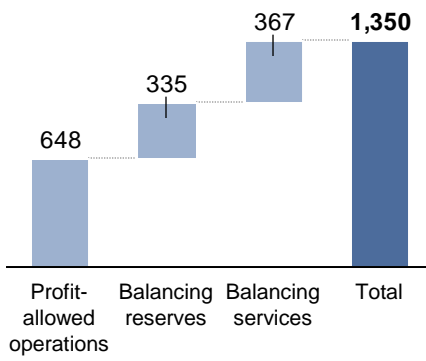
## Operations | Revenues

### OPERATING REVENUES

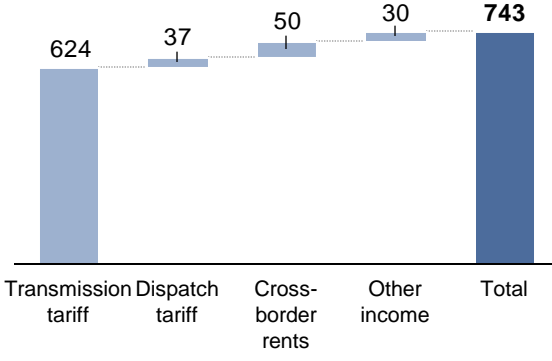
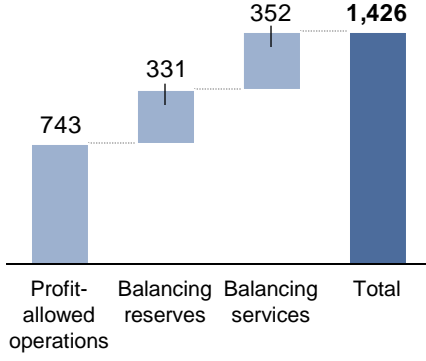
#### ALL OPERATIONS

#### PROFIT-ALLOWED OPERATIONS

1H2016

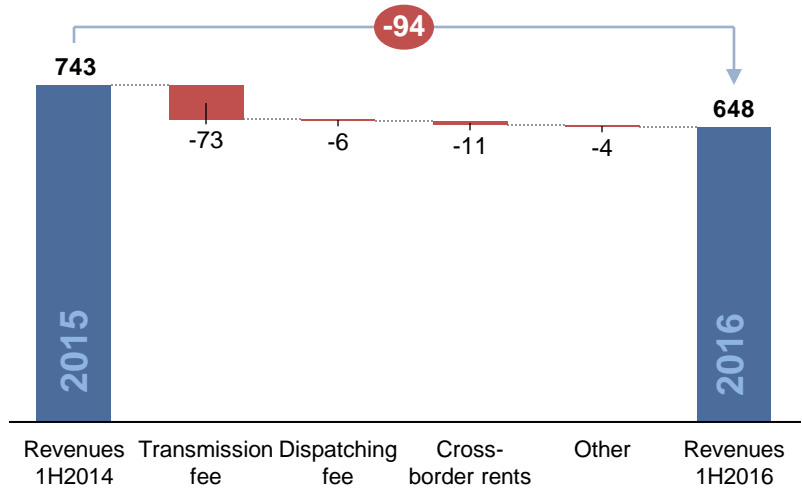


1H2015



### OPERATING REVENUES

#### PROFIT-ALLOWED OPERATIONS: BREAKDOWN



### DRIVERS BEHIND THE DECLINE IN REVENUES

▼ Revenues came under downward pressure due to tariff cuts as of mid-year 2015 (tariffs were curtailed to offset the excess income earned in the previous tariff year primarily due to higher-than-expected volumes)

Chart unit: Lei m

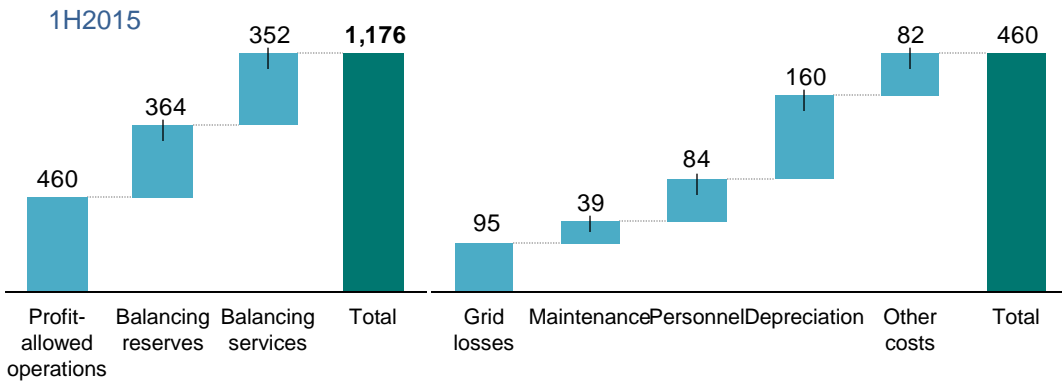
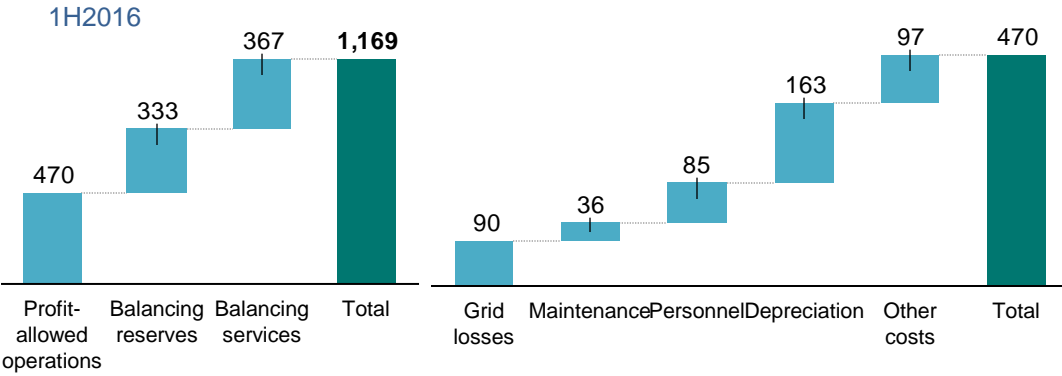


## Operations | Costs

### OPERATING EXPENSES

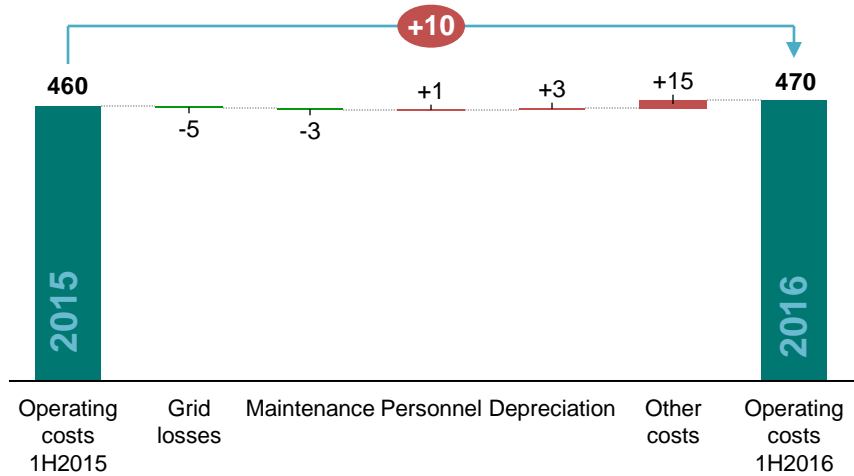
#### ALL OPERATIONS

#### PROFIT-ALLOWED OPERATIONS



### OPERATING EXPENSES

#### PROFIT-ALLOWED OPERATIONS: BREAKDOWN



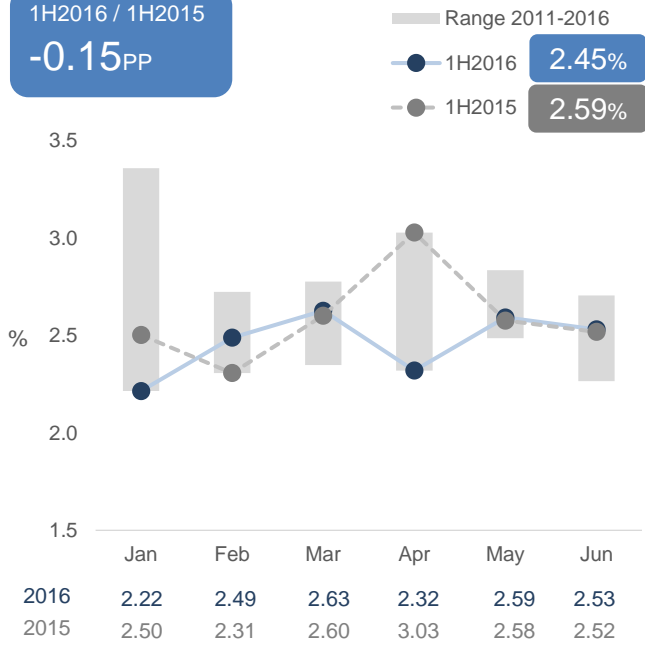
### DRIVERS BEHIND THE SLIGHT INCREASE IN COSTS

▲ Grid congestions (+2 Lei mil), cross-border transit (+1 Lei mil), unplanned cross-border energy flows (+1 Lei mil), provisions booked for doubtful debt (12 Lei mil new provisions in 1H2016 vs. 5 mil provision reversals in 1H2015)

Chart unit: Lei m



1H2016 / 1H2015  
-0.15PP



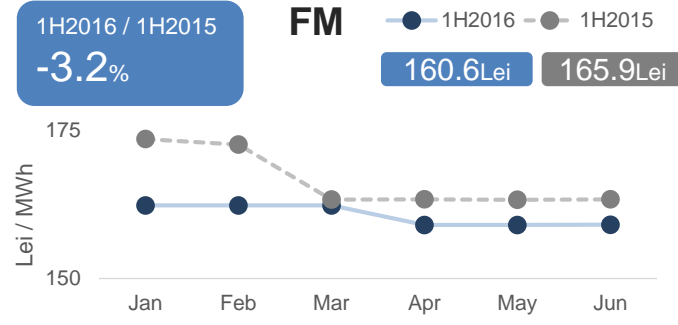
## GRID LOSSES

**20.70 TWh**  
GRID IN-TAKE VOLUME IN 1H2016

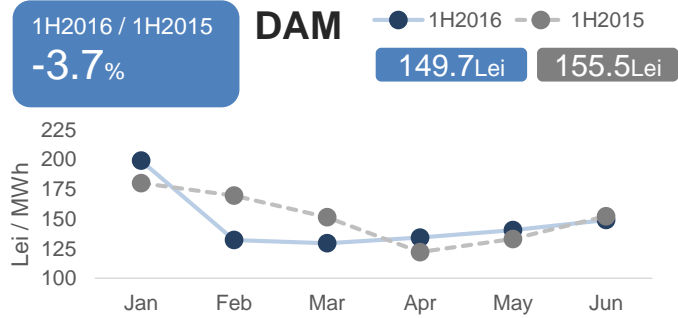
**20.19 TWh**  
GRID OFF-TAKE VOLUME IN 1H2016

**2.45% (0.51 TWh)**  
GRID LOSSES IN 1H2016

1H2016 / 1H2015  
-3.2%



1H2016 / 1H2015  
-3.7%



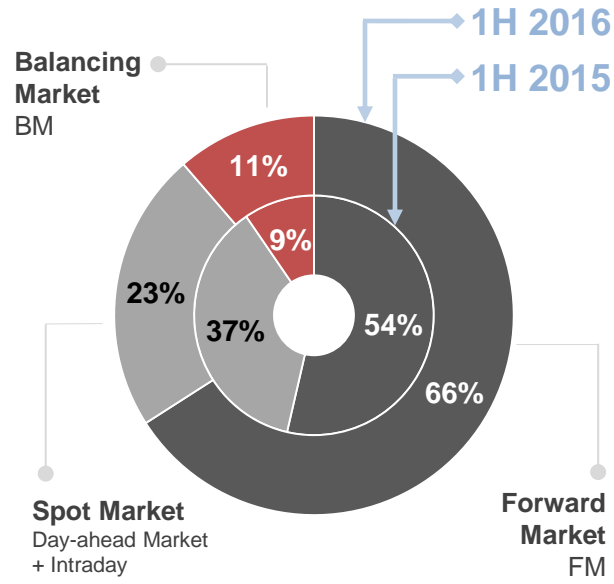
## PRICES PAID PER MARKET

**160.6 Lei/MWh (▼3.2%)**  
FORWARD MARKET (FM)

**149.7 Lei/MWh (▼3.7%)**  
DAY-AHEAD MARKET (DAM)

**317.2 Lei/MWh (▼4.0%)**  
BALANCING MARKET (BM)

## Operational costs | grid losses



## AVERAGE PRICE / PURCHASE MIX

**175.8 Lei/MWh (177.7 Lei/MWh in 1H2015)**  
CROSS-MARKET AVERAGE PRICE PAID

**66%PCCB / 23%SPOT / 11%PE (1H2016)**  
PURCHASE MIX (VOLUMES)

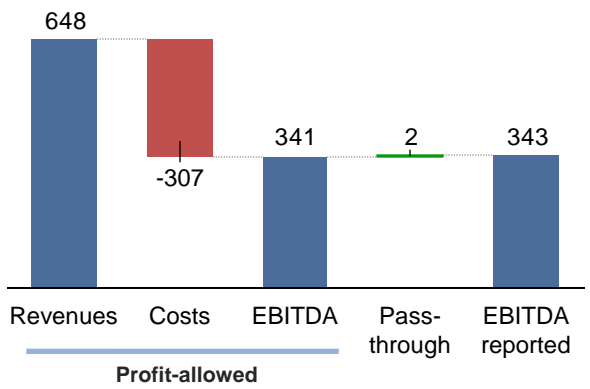
**54%PCCB / 37%SPOT / 9%PE (1H2015)**  
PURCHASE MIX (VOLUMES)



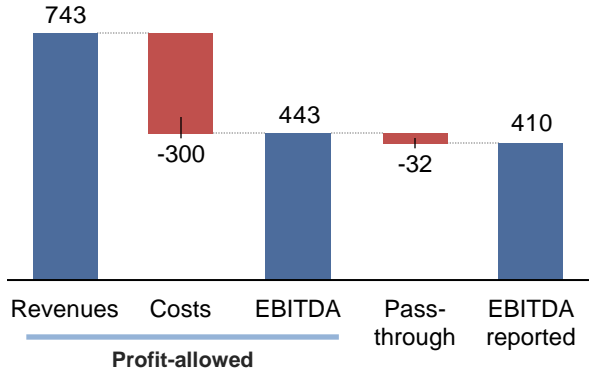
## Operational profit | EBITDA

### FROM REVENUES TO EBITDA

1H2016



1H2015



### EBITDA BREAKDOWN (PROFIT-ALLOWED)

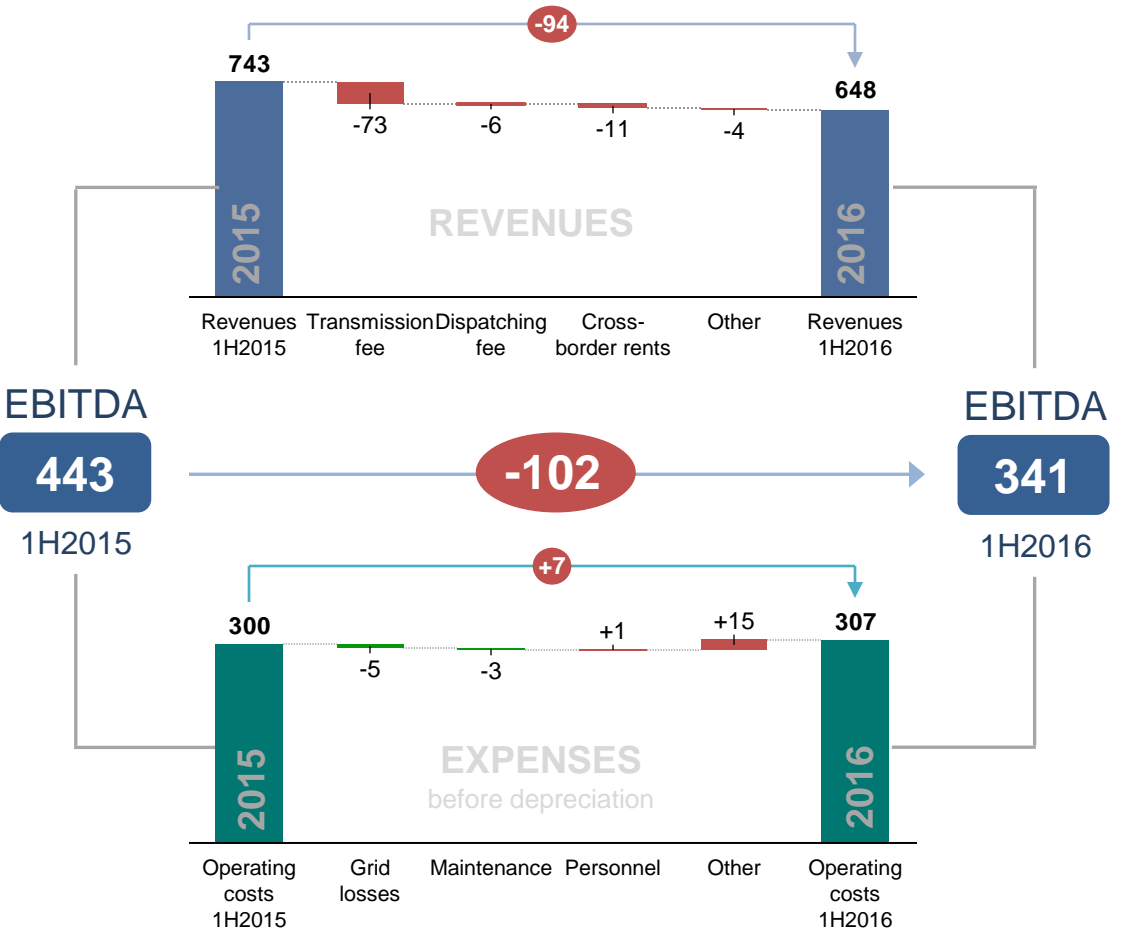


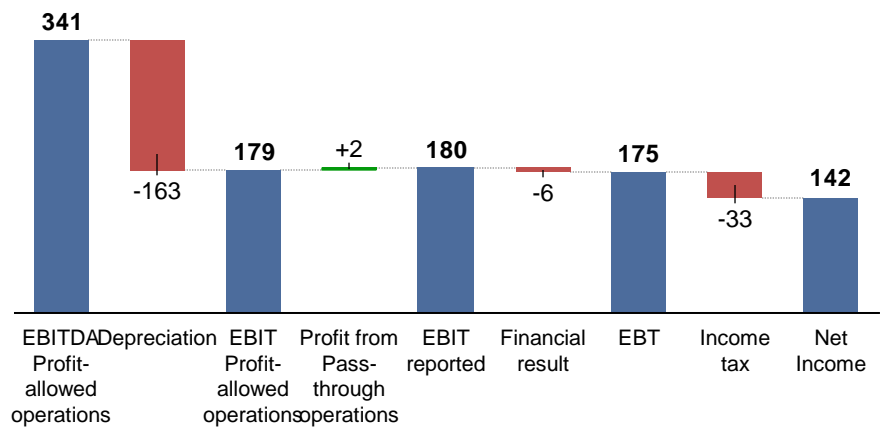
Chart unit: Lei m



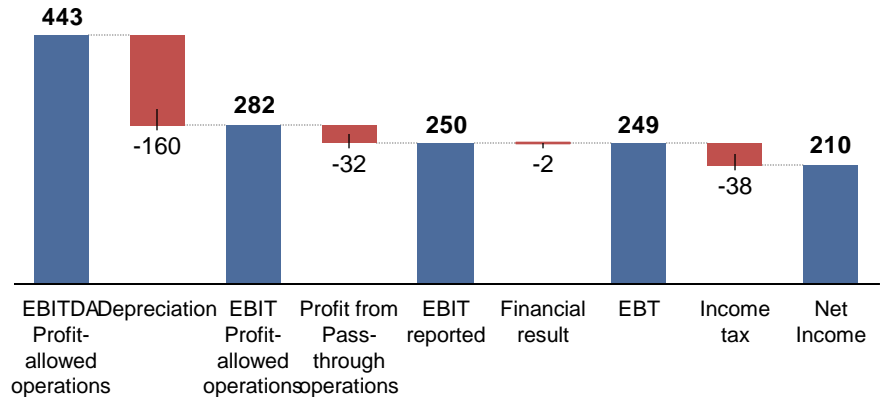
## Net income

### FROM EBITDA TO NET INCOME

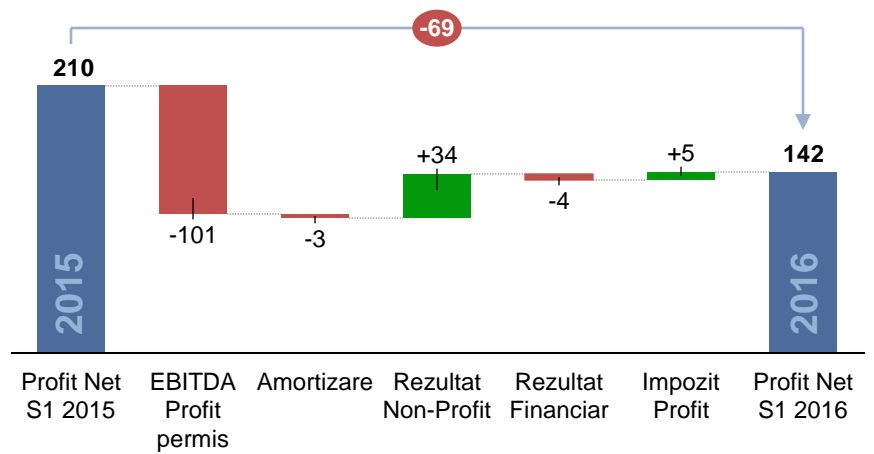
#### 1H2016



#### 1H2015



### NET INCOME BREAKDOWN



### DRIVERS BEHIND THE NET INCOME EVOLUTION

- ▼ Decline in EBITDA from profit-allowed operations due to lower tariffs as per the regulatory review at 1 July 2015
- ▲ Minor gain from pass-through segment (system services sub-segment) vs. loss incurred in 1H2015

Unitatea de măsură utilizată în grafice: mil Lei





30 June 2016

**Lei 726 m**

Gross financial debt  
(current portion included)

**Lei -70 m**

Net financial debt (net of cash\*)

**Lei 700 m**

EBITDA (most recent 4 quarters)

**0.24x** (capped at 0.95x by covenants)

Gross debt / Equity  
(current portion included)

**30.7x** (floored at 4.2x by covenants)

EBITDA / interest expense

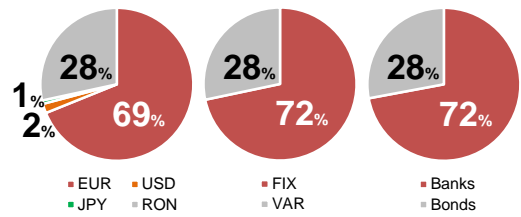
**Lei 2,829 m / Lei 2,449 m**

Maximum debt levels given covenant constraints  
D/E (left-hand side) and Net Debt/EBITDA (right-hand side)

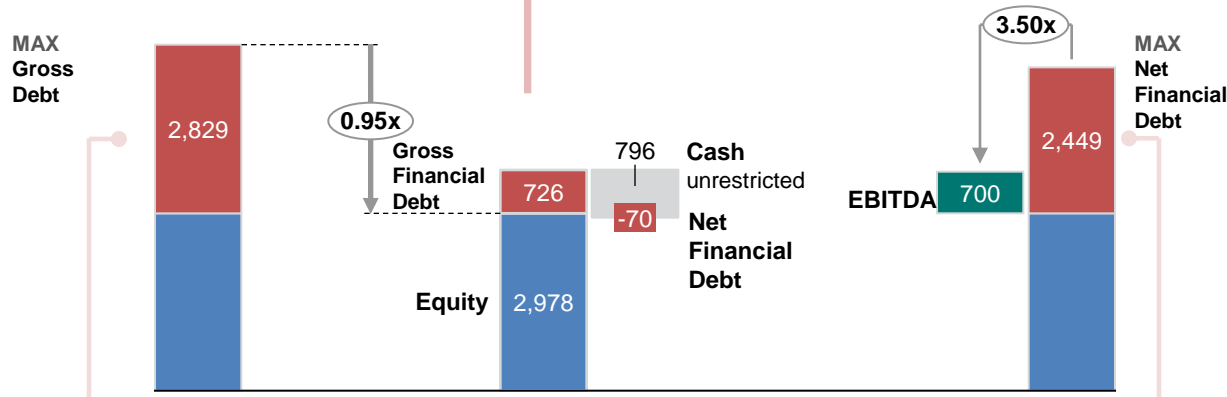
\*for the purpose of calculating Net financial debt, the cash balances from connection fees (Lei 31 m) and cogeneration clearing activities (Lei 52 m) were not included in cash and cash equivalents position. At 30 June 2016 the cash balance from cross-border rents is Lei 74 m

### Debt breakdown

(currency, interest rate, instrument)



mil Lei



**Significant debt capacity**



## REGULATED ACTIVITIES



### TRANSMISSION

TARIFF MODEL: REVENUE CAP, CPI-X, WACC x BAR  
REGULATORY PERIOD: 5 YEARS  
TARIFF UPDATE: YEARLY



### DISPATCHING

TARIFF MODEL : COST PLUS, WACC x BAR  
REGULATORY PERIOD : 1 YEAR  
TARIFF UPDATE: YEARLY



### SYSTEM SERVICES (BALANCING RESERVES)

TARIFF MODEL : NON-PROFIT (PASS-THROUGH)  
TARIFF UPDATE: YEARLY

## REGULATED TARIFFS (ANRE Order 27 /2016)

**18.70** Lei/MWh from **20.97** Lei/MWh ▼ 10.8%

Average tariff for transmission services

T<sub>G</sub>: 0.85 Lei/MWh from 2.57 Lei/MWh ▼ 66.9%

T<sub>L</sub>: 17.77 Lei/MWh from 18.14 Lei/MWh ▼ 2.0%

**1.30** Lei/MWh from **1.17** Lei/MWh ▲ 11.1%

Dispatching tariff

**11.58** Lei/MWh from **12.58** Lei/MWh ▼ 7.9%

System services tariff

## NEW TARIFF

The new tariffs entered into force as of 1<sup>st</sup> July 2016

52TWh assumed billed volume at network extraction points (T<sub>L</sub>, dispatching and system services tariff)

57TWh assumed billed volume at network injection points (T<sub>G</sub>)

## TRANSMISSION OF ELECTRICITY

Ex-ante regulatory settings (indexed with inflation\*)

1,090<sup>Lei m</sup>

REGULATED INCOME ALLOWANCE

52.00<sup>TWh</sup> / 57.30<sup>TWh</sup>

ASSUMED OFF-TAKE / IN-TAKE BILLED VOLUMES

18.14<sup>Lei/MWh</sup> / 2.57<sup>Lei/MWh</sup>

AVERAGE OFF-TAKE / IN-TAKE TARIFF

259<sup>Lei m</sup>

EX-ANTE ASSUMED NEW ASSETS COMMISSIONED

355<sup>Lei m</sup>

OPEX CONTROLLABLE

63<sup>Lei m</sup>

OPEX NON-CONTROLLABLE

2.475%

GRID LOSSES PERCENTAGE

43.32<sup>TWh</sup>

GRID IN-TAKE VOLUME

198<sup>Lei/MWh</sup>

GRID LOSSES PURCHASE PRICE

254<sup>Lei m</sup>

RRR x RAB

7.7%

RATE OF RETURN ON RAB

## TRANSMISSION OF ELECTRICITY

Actuals

1,101<sup>Lei m</sup>

TARIF INCOME

52.68<sup>TWh</sup> / 56.39<sup>TWh</sup>

OFF-TAKE / IN-TAKE BILLED VOLUMES

18.16<sup>Lei/MWh</sup> / 2.57<sup>Lei/MWh</sup>

AVERAGE OFF-TAKE / IN-TAKE TARIFF

100<sup>Lei m</sup>

NEW ASSETS COMMISSIONED

289<sup>Lei m</sup>

OPEX CONTROLLABLE

50<sup>Lei m</sup>

OPEX NON-CONTROLLABLE

2.291%

GRID LOSSES PERCENTAGE

43.89<sup>TWh</sup>

GRID IN-TAKE VOLUME

181<sup>Lei/MWh</sup>

GRID LOSSES PURCHASE PRICE

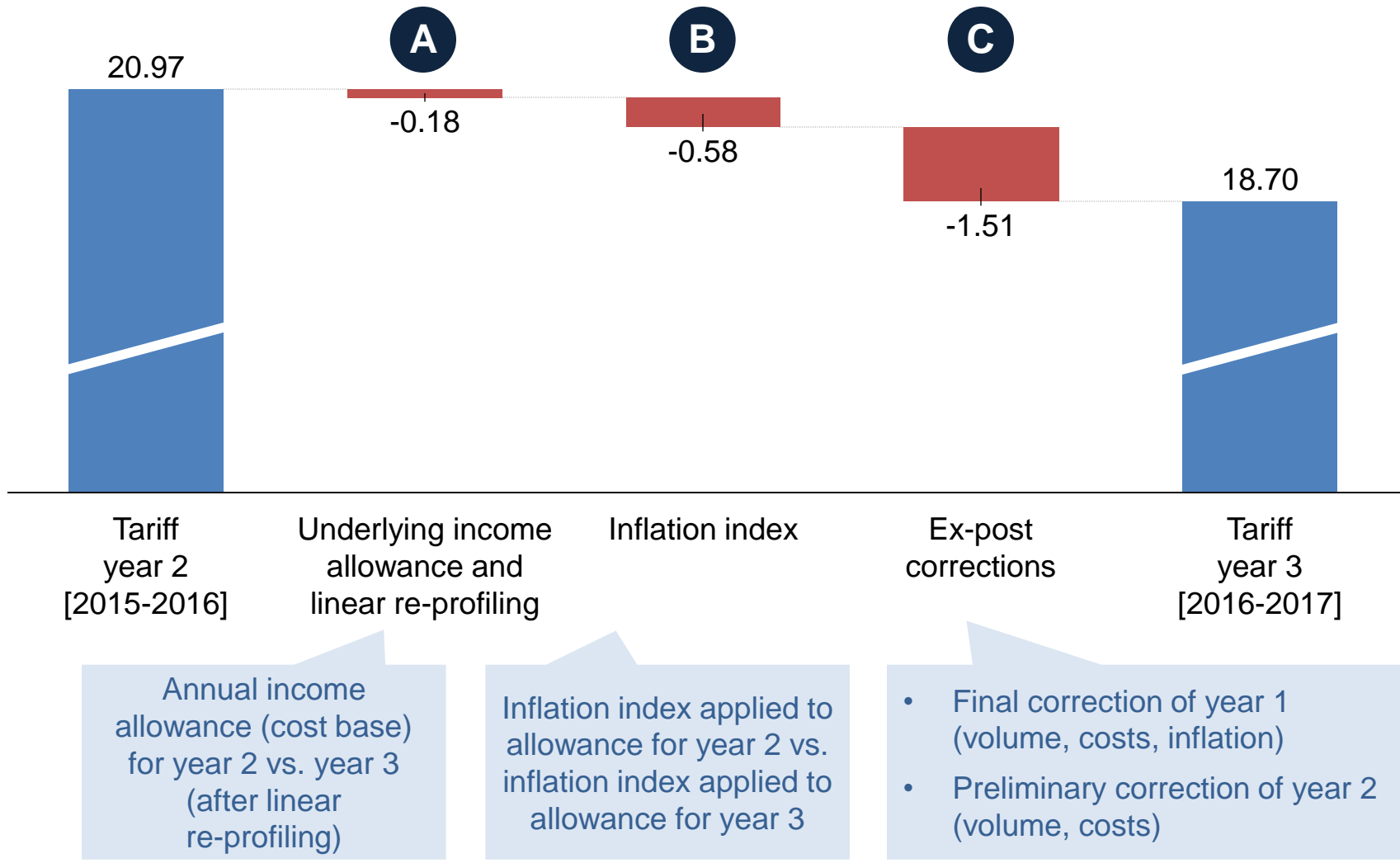
321<sup>Lei m</sup> (248<sup>Lei m</sup> cross-border rents stripped off)

OPERATING PROFIT EBIT

9.7% (7.5% cross-border rents stripped off)

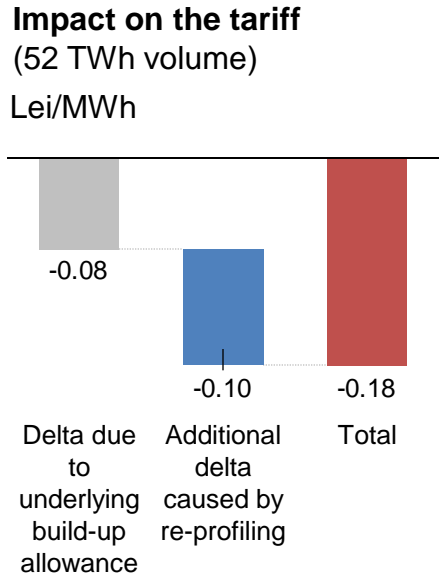
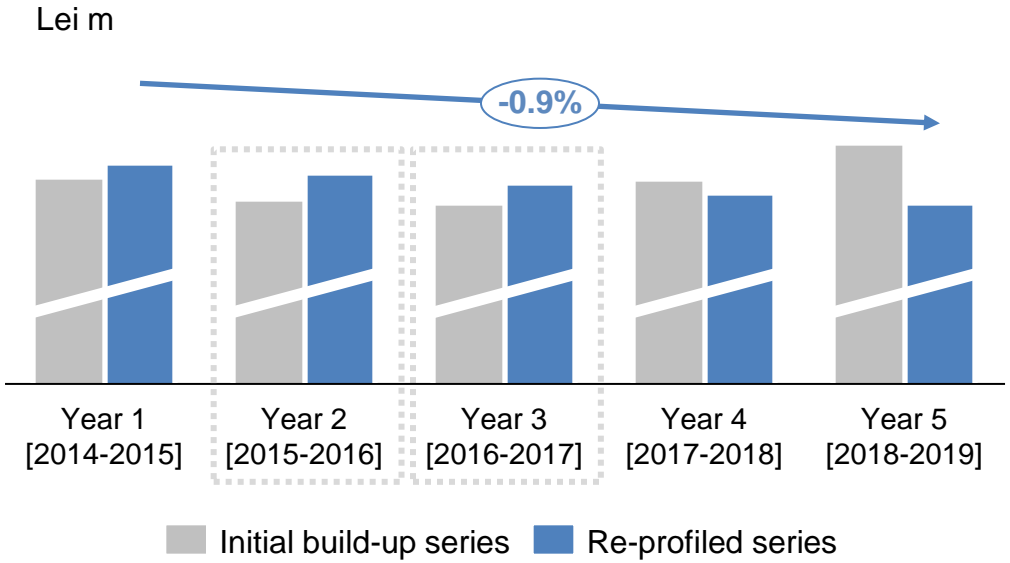
RATE OF RETURN ON RAB (against ex-ante RAB)

\*1.0446 = compounded inflation index for the first two regulatory years (official forecast)



**A** Underlying income allowance (after linear re-profiling) **-0.18** Lei/MWh **Tariff impact**

**Annual income allowance series set by the regulator for the 5-year price-control period**  
(no inflation expectations embedded into the 5-year build-up and re-profiling calculation steps)



- The initial income allowance (build-up) is calculated as sum of individual cost allowances (grid losses, OPEX, grid congestions, transit Inter-TSO-Compensation, depreciation of the RAB, return on the RAB)
- The linear re-profiled allowance series is derived from the initial build-up allowance series with the aim to smooth out potentially large differences between consecutive regulatory years within the 5-year price-control period (the re-profiling process is NPV-neutral). CAGR of the linear re-profiled series is negative (-0.9%)

**B** Inflation index

**-0.58** Tariff impact  
Lei/MWh

**When establishing the tariff for year N, the annual income set ex-ante by the Regulator for the year N (linearly reprofiled) is indexed with inflation\***

\*compound inflation index for the years before year N multiplied with forecast inflation index for year N

	<b>Year 2</b> <b>[2015-2016]</b> source: CNP report Feb-2015	<b>Year 3</b> <b>[2016-2017]</b> source: CNP report Apr-2016
Year 1 [2014-2015]	1.715%	-0,050%
Year 2 [2015-2016]	2.700%	-0,015%
Year 3 [2016-2017]	-	1,700%
Compound rate	4.461%	1,634%
<b>Compound index</b>	<b>1.04461</b>	<b>1,01634</b>

CNP: National Office for Macroeconomic Forecasts [www.cnp.ro](http://www.cnp.ro)



**C**

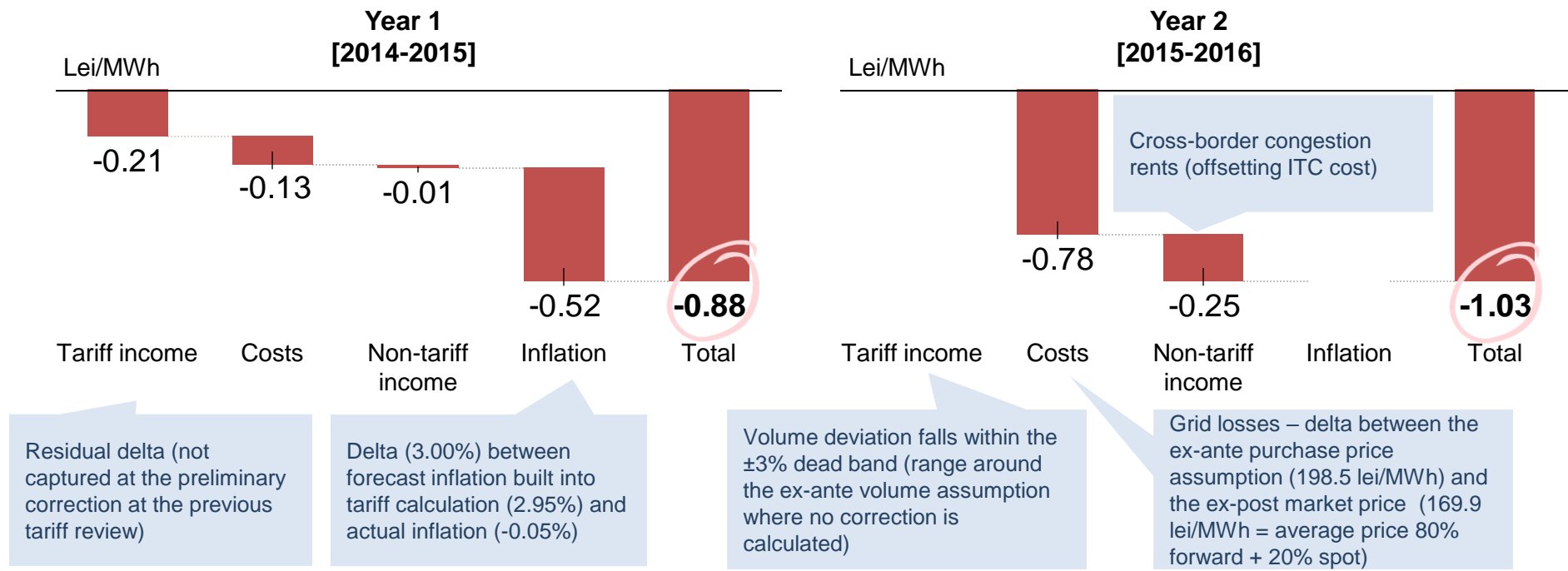
Ex-post corrections

**-1.51**  
Lei/MWh

**Tariff impact**

The new tariff for [2016-2017] regulatory year also includes ex-post corrections from the previous two regulatory years:

- Regulatory year [2014-2015]: final correction (billed volume, costs, non-tariff income, inflation)
- Regulatory year [2015-2016]: preliminary correction (billed volume, costs, non-tariff income)



Tariff set for the previous regulatory year included a -21 Lei m (or -0.40 Lei/MWh) one-off correction (accounting for the difference in the income allowance for the 1<sup>st</sup> regulatory year, after the set of parameters defining the whole 5-year period was subject to an interim revision at the end of the 1<sup>st</sup> year at 01.07.2015).

Given its one-off nature, the absence of such correction in the calculation of the new tariff translated into **+0.40 Lei/MWh y/y**.

## Under construction

Project	Expected year of delivery	Cost initial estimation [Lei m]	Cost post-tender contracted [Lei m]
New cross-border link Reșița (RO) – Pancevo (RS)	2017	136	81
Line Porțile de fier - Anina - Reșița*	2018	124	123
Substation Bradu 400/220/110 kV	2018	177	129
Substation Câmpia Turzii 220/110 kV	2017	86	42
Extension of substation 400 kV Medgidia Sud	2017	75	45
Substation Reșița 400/220/110 kV	2018	130	81
Substation Cluj Est 400/110 kV	2017	24	15
Substation Tihău 220/110 kV	2017	11	7
Modernization of substation Sărdănești	2018	21	11
Replacement of transforming units in various substations – phase II	2018-2019	46	40
Modernization of substation 110 and 20 kV Suceava	2017	31	25
Extension of sustation Medgidia 400 kV	2017	75	46
Modernization of substation 220/110kV Dumbrava	2019	30	22

\*In 1Q2016 a Lei 29.6 m advance payment was returned by the constructor. Payments will resume once a Governance Decision approving the technical and economical indicators for the project and land expropriation procedures is published

## In the pipeline (pre-construction)

### Contracts signed

Lei 44 m - contracts signed during 1H2016

- Substation Dumbrava 220/110 kV – modernization
- Fiber optic link between Bradu 400/220/100 kV and Stuparei 220/100 kV substations
- Fiber optic on line 220 kV Fundeni - Brazi Vest

### Procurement

Lei 343 m – total amount of ongoing procurement actions. 5 major substation rehabilitation projects entered procurement phase in 2Q2016

- Substation Raureni 220/110 kV
- Substation Arefu 220/110/20 kV
- Substation Turnu Severin Est 220/110 kV
- Substation Isaccea 400 kV - phase I - replacement of compensation coils
- Substation Domnesti 400/110/20 kV\*

### Permitting

Line projects currently pending Government approval / environmental permits / construction authorizations / land expropriation

- Line Porțile de Fier-Anina-Reșița-Timișoara-Săcălaz-Arad
  - **Phase I: Porțile de Fier-Anina-Reșița 118 km**
  - Phase II: Reșița-Timișoara-Săcălaz-Arad 173 km
- Line Gădălin-Suceava 260 km
- Line Smârdan-Gutinaș 140 km
- **Line Cernavodă-Stâlpu 160 km**
- Line Ostrovu Mare-RET 32 km
- Line Suceava-Bălți (MD) 90 km (subject to RO-MD MoU)
- **Connections of lines Isaccea-Varna and Isaccea - Dobrudja in substation Medgidia Sud 27 km**





**37**  
Lei m

**New contracts signed in 1H2016**

Total aggregate amount for 32 contracts

Selected items:

- 20.5 Lei m – Modernization of substation 220/110 kV Dumbrava
- 2.8 Lei m – Fiber optic link between substations 400/220/100 kV Bradu and 220/110 kV Stuparei
- 2.2 Lei m - Installation of optic fiber on overhead line Fundeni - Brazi Vest
- 1.8 Lei m - Software: Neplan (2 new licenses, 5 licenses for CIM/XML modules)
- 1.2 Lei m - Re-wiring of 220kV overhead line Craiova Nord - Isalnita (one circuit)



**80**  
Lei m

**Capital expenditure**

Amounts added to construction-work-in-progress

Selected items:

- 46.0 Lei m – Refurbishment of substation 400/220/110/20 kV Bradu
- 7.2 Lei m – cross-border 400 kV line between Resita (Romania) - Pancevo (Serbia)
- 4.7 Lei m – Refurbishment of substation 220/110/20 kV Campia Turzii
- 1.8 Lei m - Modernization of internal services in substation 400/110 kV Draganesti Olt



**14**  
Lei m

**New commissioned assets**

Assets put into service (amounts transferred from construction-work-in-progress to fixed assets)

Selected items:

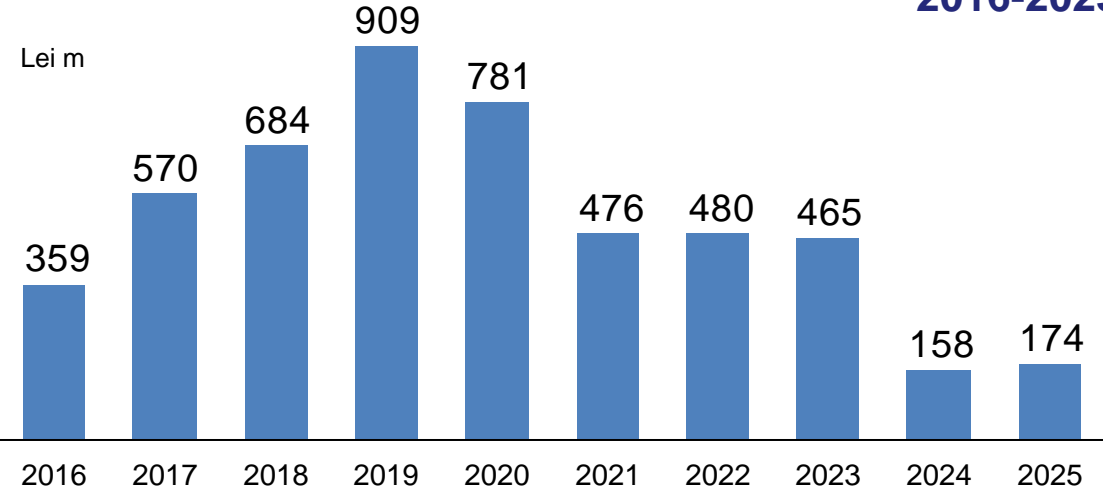
- 3.3 Lei m - Integrated security system installed in substation Constanta Nord 400/110kV
- 1.9 Lei m - Integrated security system installed in substation Stupina 400 kV
- 1.5 Lei m - Replacement of SCADA components in substation Gutinas 400/220 kV
- 1.2 Lei m - Modernization of industrial building at Timisoara branch
- 1.2 Lei m - Re-wiring of 220kV line Craiova Nord - Isalnita, circuit no. 1



2016-2025

≈5.1  
Lei bn

- total 10-year capex
- ≈500 Lei m average annual capex
- front-end loaded profile



## Main investment focus areas

- Upgrade of existing network assets
- Grid extension and upgrade to safely take additional generation from Dobrogea area
- Cross-border interconnectivity

## Selected projects

- Integrated dispatching platform
- Substations Domnesti 400/110/20 kV, Smardan 400/110/20 kV, Bradu 400/110/20 kV, Pelicanu 400/110 kV, Isaccea 400 kV etc.
- Line Gutinas-Smardan, Line Cernavoda-Stalpu, Line Constanta Nord - Medgidia Sud (new lines)
- Line Brazi Vest - Teleajen – Stalpu (upgrade to 400 kV voltage)
- Western internal route: Portile de Fier – Arad (upgrade to 400 kV voltage)
- Line Gadalini-Suceava (new line)
- Line Suceava (RO) – Balti (MD) (new line)





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



## THE 400 kV RING

[Lei millions]	1H2016	1H2015		2Q2016	2Q2015		1Q2016	1Q2015	
	IFRS	IFRS		IFRS	IFRS		IFRS	IFRS	
	unaudited	unaudited		unaudited	unaudited		unaudited	unaudited	
Billed volume [TWh]	26.47	26.27	▲ 0.8%	12.45	12.25	▲ 2%	14.02	14.02	▲ 0%
<b>Profit-allowed operations</b>									
<b>Operational revenues</b>	<b>648</b>	<b>743</b>	▼ 12.7%	<b>301</b>	<b>352</b>	▼ 15%	<b>348</b>	<b>390</b>	▼ 11%
Operational revenues   Transmission	595	679	▼ 12.4%	278	319	▼ 13%	317	361	▼ 12%
Operational revenues   Transmission   Regulated fee	552	624	▼ 11.7%	258	289	▼ 11%	294	336	▼ 13%
Operational revenues   Transmission   Cross-border rents	40	50	▼ 21.5%	18	28	▼ 36%	22	23	▼ 4%
Operational revenues   Transmission   Other	4	4	▼ 9.6%	2	2	▼ 0%	2	2	▼ 18%
Operational revenues   Dispatching	32	38	▼ 16.4%	15	18	▼ 17%	17	20	▼ 16%
Operational revenues   Dispatching   Regulated fee	31	37	▼ 17.0%	15	17	▼ 16%	16	20	▼ 18%
Operational revenues   Dispatching   Unplanned cross-border flows	1	1	▲ 5.2%	0	1	▼ 43%	1	0	▲ 74%
Operational revenues   Other income	21	25	▼ 14.6%	8	16	▼ 50%	14	9	▲ 44%
<b>Operational costs</b>	<b>307</b>	<b>300</b>	▲ 2.4%	<b>169</b>	<b>157</b>	▲ 8%	<b>138</b>	<b>143</b>	▼ 4%
Operational costs   System operation	120	122	▼ 0.9%	58	56	▲ 2%	63	65	▼ 4%
Operational costs   System operation   Grid losses	90	95	▼ 5.5%	41	44	▼ 7%	49	51	▼ 4%
Operational costs   System operation   Congestion relief	3	1	▲ 234.4%	0	0	▼ 4%	3	1	▲ 375%
Operational costs   System operation   Power consumption in grid substations	7	7	▲ 3.4%	7	3	▲ 117%	0	4	▼ 95%
Operational costs   System operation   Inter-TSO-Compensation	13	13	▲ 7.1%	7	6	▲ 16%	7	7	▼ 1%
Operational costs   System operation   Other	7	6	▲ 15.0%	3	3	▼ 15%	5	3	▲ 43%
Operational costs   Maintenance	36	39	▼ 8.4%	21	25	▼ 14%	15	14	▲ 2%
Operational costs   Personell	85	84	▲ 0.8%	43	44	▼ 1%	41	40	▲ 3%
Operational costs   Other	66	56	▲ 19.3%	47	32	▲ 46%	19	23	▼ 18%
<b>EBITDA</b>	<b>341</b>	<b>443</b>	▼ 22.9%	<b>131</b>	<b>195</b>	▼ 33%	<b>210</b>	<b>248</b>	▼ 15%
Operational costs   Depreciation and amortization	163	160	▲ 1.6%	81	80	▲ 1%	82	80	▲ 2%
<b>EBIT</b>	<b>179</b>	<b>282</b>	▼ 36.8%	<b>50</b>	<b>115</b>	▼ 57%	<b>129</b>	<b>167</b>	▼ 23%
<b>Pass-through operations</b>									
<b>Operational revenues</b>	<b>701</b>	<b>684</b>	▲ 2.6%	<b>294</b>	<b>295</b>	▼ 0%	<b>407</b>	<b>389</b>	▲ 5%
Operational revenues   System service	335	331	▲ 0.9%	157	155	▲ 2%	177	177	▲ 0%
Operational revenues   Balancing service	367	352	▲ 4.1%	137	140	▼ 2%	230	212	▲ 8%
<b>Operational costs</b>	<b>700</b>	<b>716</b>	▼ 2.3%	<b>280</b>	<b>308</b>	▼ 9%	<b>420</b>	<b>407</b>	▲ 3%
Operational costs   System service	333	364	▼ 8.4%	143	168	▼ 15%	190	195	▼ 3%
Operational costs   Balancing service	367	352	▲ 4.1%	137	140	▼ 2%	230	212	▲ 8%
<b>EBIT</b>	<b>2</b>	<b>-32</b>	▲ 105.0%	<b>14</b>	<b>-14</b>	▲ 202%	<b>-12</b>	<b>-19</b>	▲ 34%
<b>All operations (profit-allowed and pass-through)</b>									
Operational revenues	1,350	1,426	▼ 5.4%	594	647	▼ 8.1%	755	779	▼ 3%
Operational costs	1,007	1,016	▼ 0.9%	449	466	▼ 3%	557	550	▲ 1%
<b>EBITDA</b>	<b>343</b>	<b>410</b>	▼ 16.5%	<b>145</b>	<b>181</b>	▼ 20.1%	<b>198</b>	<b>229</b>	▼ 14%
Operational costs   Depreciation and amortization	163	160	▲ 1.6%	81	80	▲ 1%	82	80	▲ 2%
<b>EBIT</b>	<b>180</b>	<b>250</b>	▼ 28.0%	<b>64</b>	<b>101</b>	▼ 37%	<b>116</b>	<b>149</b>	▼ 22%
Financial result	-6	-2	▼ 223.3%	-8	-3	▼ 166%	2	1	▲ 81%
<b>EBT</b>	<b>175</b>	<b>249</b>	▼ 29.8%	<b>56</b>	<b>99</b>	▼ 43%	<b>118</b>	<b>150</b>	▼ 21%
Income tax	-33	-38	▲ 14.0%	-14	-15	▲ 7%	-19	-24	▲ 18%
<b>Net Income</b>	<b>142</b>	<b>210</b>	▼ 32.6%	<b>43</b>	<b>84</b>	▼ 49.2%	<b>99</b>	<b>126</b>	▼ 22%

## Separate statement of financial position

[Lei millions]	30 Jun 2016 IFRS neauditat	31 Dec 2015 IFRS auditat
<b>Assets</b>		
Property, plant and equipment	3,227	3,341
Intangible assets	34	35
Financial assets	56	56
<b>Total non-current assets</b>	<b>3,317</b>	<b>3,432</b>
Inventories	33	34
Trade and other receivables	741	723
Cash and cash equivalents	879	974
Other financial assets	0	70
<b>Total current assets</b>	<b>1,653</b>	<b>1,802</b>
<b>Total assets</b>	<b>4,970</b>	<b>5,234</b>
<b>Shareholders' equity</b>		
Share capital	733	733
Share premium	50	50
Legal reserve	99	99
Revaluation reserve	576	604
Other reserves	57	56
Retained earnings	1,463	1,488
<b>Total shareholders' equity</b>	<b>2,978</b>	<b>3,029</b>
Long-term deferred revenue	447	463
Borrowings   non-current	565	635
Other	67	69
<b>Total non-current liabilities</b>	<b>1,078</b>	<b>1,167</b>
Trade and other liabilities	655	776
Other tax and social security liabilities	20	7
Borrowings   current	162	167
Provisions	30	38
Short-term deferred revenue	33	33
Income tax payable	14	16
<b>Total current liabilities</b>	<b>914</b>	<b>1,038</b>
<b>Total liabilities</b>	<b>1,992</b>	<b>2,205</b>
<b>Total shareholders' equity and liabilities</b>	<b>4,970</b>	<b>5,234</b>

## Separate statement of cash flows

[Lei millions]	30 Jun 2016 IFRS unaudited	30 Jun 2015 IFRS unaudited
<b>Cash flows from operational activities</b>		
<b>Cash flows before changes in working capital</b>	<b>350</b>	<b>403</b>
Changes in:		
Trade and other receivables   core operations	68	285
Trade and other receivables   clearing within the cogeneration support scheme	-95	68
Inventories	1	0
Trade and other liabilities   core operations	-119	-271
Trade and other liabilities   clearing within the cogeneration support scheme	-16	-47
Other tax and social security liabilities	14	22
Deferred revenues	-15	-40
<b>Cash flows from operational activities</b>	<b>187</b>	<b>420</b>
Interest paid	-7	-11
Income tax paid	-38	-37
<b>Net cash flow from operational activities</b>	<b>141</b>	<b>373</b>
<b>Cash flow used in investments</b>		
Procurement of property, plant and equipment	-67	-54
Incasari avansuri neutilizate	30	0
Interest received	4	8
Dividends received	1	1
Other financial assets	70	0
<b>Net cash used in investments</b>	<b>37</b>	<b>-46</b>
<b>Cash flow used in financing activities</b>		
Repayments of long-term borrowings	-81	-103
Dividends paid	-193	-203
<b>Net cash used in financing activities</b>	<b>-274</b>	<b>-305</b>
<b>Net increase/(decrease) of cash and cash equivalents</b>	<b>-96</b>	<b>22</b>
<b>Cash and cash equivalents at 1 January</b>	<b>974</b>	<b>865</b>
<b>Cash and cash equivalents at 31 December</b>	<b>879</b>	<b>887</b>

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