



# Transelectrica SA

Transmission and System Operator  
of the Romanian Electrical Power System

We lead the power

## Financial results

**1Q2018**

unconsolidated interim accounts  
unaudited



## 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 2018 – 31 <sup>st</sup> March 2018
	Numbers as of 31 <sup>st</sup> of December 2017 are as per GMS no. 6 of 30.04.2018
<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<sup>st</sup> July 2014 – 30<sup>th</sup> 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 1<sup>st</sup> 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:

### 1Q2018 results

- Key numbers
- Operational results
- Financial results

### Investments

- Investment delivered in 9M2017
- Investment - current status

### Q&A



## Financials

- |                        |             |                                                          |
|------------------------|-------------|----------------------------------------------------------|
| • Revenues [mil lei]   | 685 ▼ 39.1% | • Lower income (profit-allowed -10%, pass-through -51%)  |
| • EBITDA [mil lei]     | 167 ▼ 7.3%  | • Reduced opex (profit-allowed -2%, pass-through -54%)   |
| • Net income [mil lei] | 68 ▼ 4.0%   | • Lower EBITDA (profit-allowed -18%, pass-through +155%) |

## Operations

- |                      |             |                                         |
|----------------------|-------------|-----------------------------------------|
| • Consumption* [TWh] | 15.6 ▲ 3.2% | • Slight increase in electricity demand |
| • Production* [TWh]  | 16.8 ▲ 1.5% |                                         |
| • Net export [TWh]   | 1.2 ▼ 16.1% |                                         |

\*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

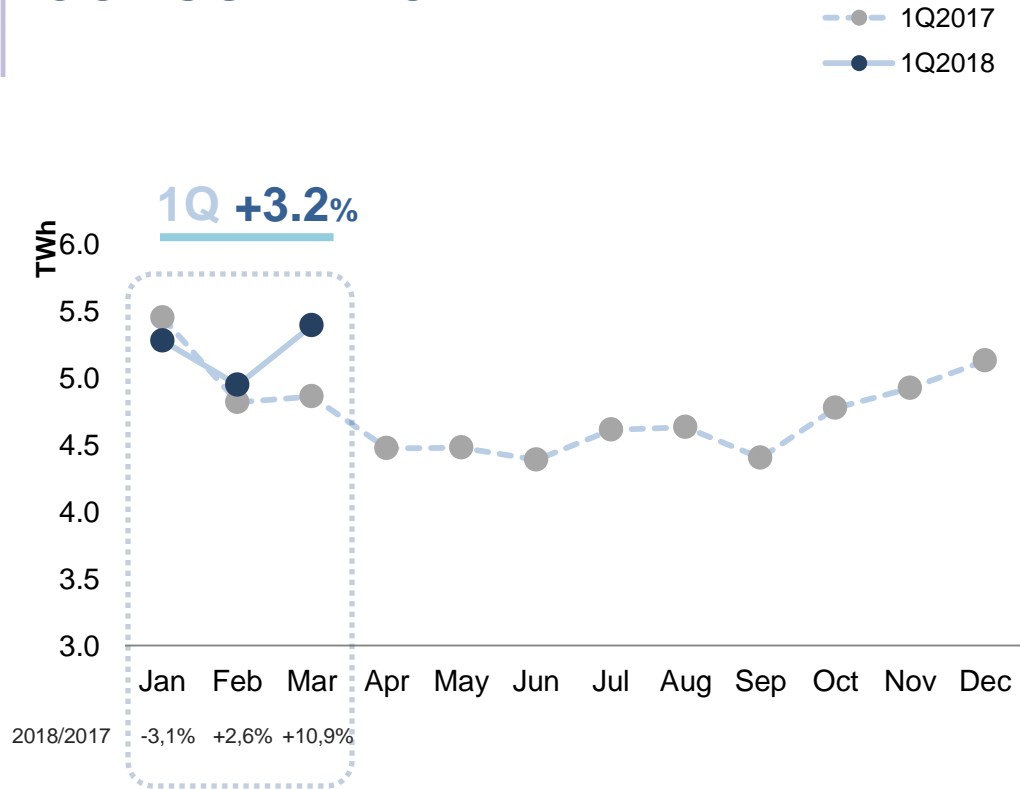
## Regulatory framework

- Profit-allowed segment: lower transmission tariffs applied in 1Q2018 as compared to 1Q2017, as per the annual regulatory review at 1-Jul-2017 (Transmission ▼9.8 %, Dispatching ▼14.5%); the impact on revenues was partly offset by the +2.7% increase in volumes driven by growing electricity consumption in Romania
- Pass-through segment:
  - Stand-by back-up capacity services (balancing capacity): the gain in 1Q2018 was mainly driven by the tariff increase by ANRE at the interim review at 01.01.2018 . The interim review was aimed at containing the loss in the current tariff year to the amount calculated ex-ante by ANRE

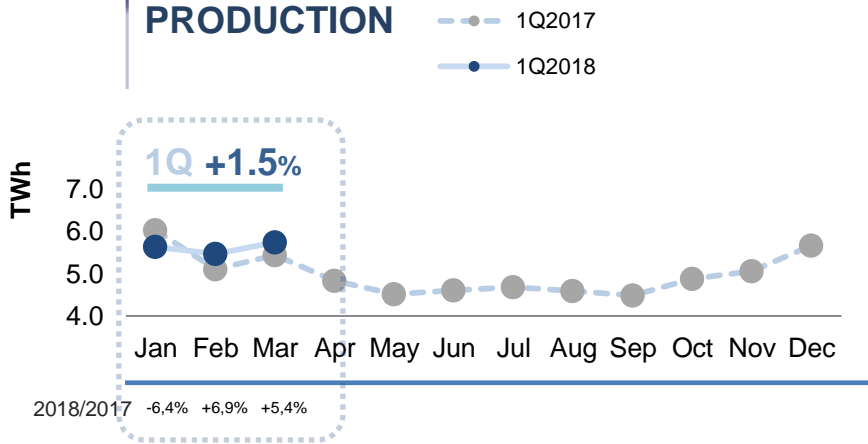
## Domestic demand – slight growth in 1Q2018 (+3.2% y.o.y.)

Domestic production – slight increase in 1Q2018 (+1.5% y.o.y.)

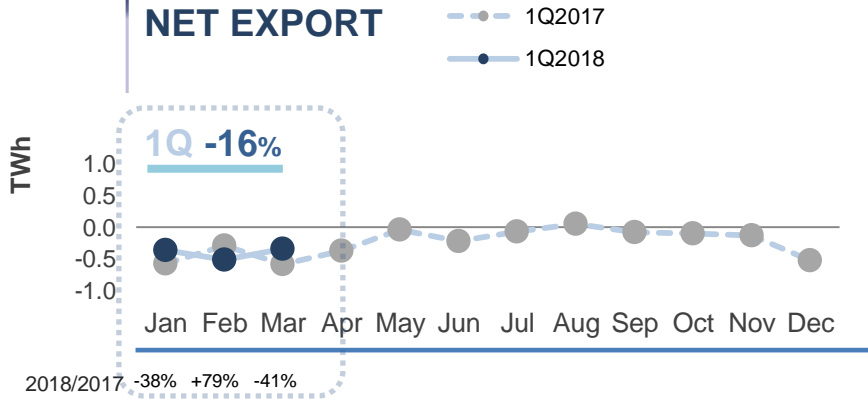
### CONSUMPTION



### PRODUCTION



### NET EXPORT

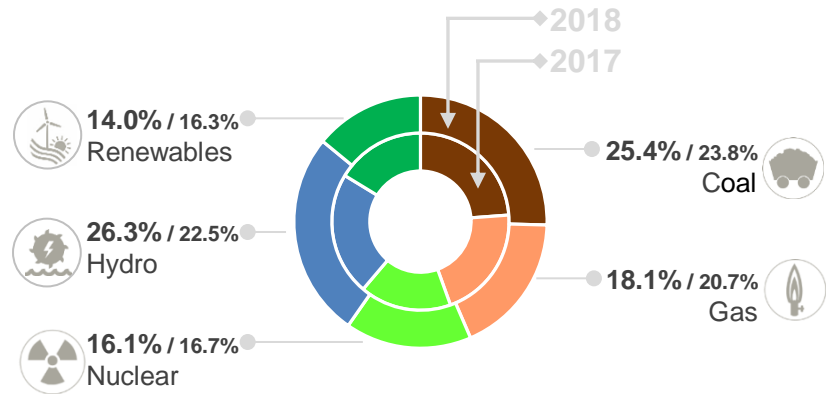


EXPORT (-) | (+) IMPORT

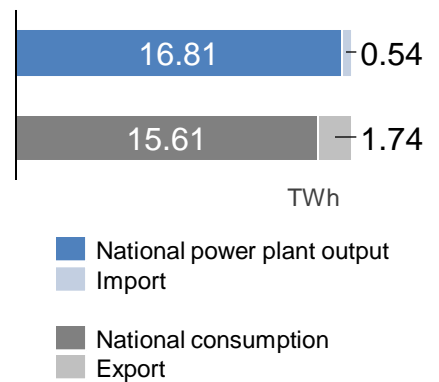
Consumption and generation numbers do not include power plants' own electricity consumption. Consumption includes (i) energy losses in transmission and distribution networks, and (ii) consumption for hydro pumped storage. Cross-border net flow is calculated based on physical flows (import-export).

## 1Q 2018 / 1Q 2017

Electricity production mix

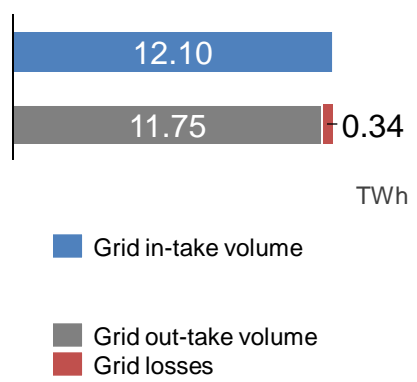


National electricity balance



Grid losses

**2.83%**



## Profit & Loss

[mil Lei]	1Q2018	1Q2017	Δ%
Billed volume [TWh]	15.00	14.60	+2.7%
<b>Profit-allowed operations</b>			
Revenues	300	332	-9.7%
Costs	170	173	-2.0%
EBITDA	130	159	-18.0%
<i>EBITDA margin</i>	43%	48%	
Depreciation	76	78	-3.5%
EBIT	55	81	-32.1%
<b>Pass-through operations</b>			
Revenues	385	793	-51.5%
Costs	358	783	-54.2%
EBIT	27	11	+155.0%
<b>All operations</b>			
Revenues	685	1,125	-39.1%
Costs	528	956	-44.8%
EBITDA	157	170	-7.3%
EBIT	82	91	-10.5%
Net Income	68	71	-4.0%

### Volumes:

- **Higher volumes** (growing demand for electricity in Romania)

### Profit-allowed segment:

- **Lower revenues** (transmission tariff cut as of 1.07. 2017)
- **Increased costs**, mainly grid losses (increasing electricity volumes handled by the grid, higher loss factor i.e. percent of in-take volume)

### Pass-through segment:

- **Stand-by capacity services (balancing reserves)**  
Positive result due to the tariff increase at 01.01.2018 aimed at adjusting the interim loss incurred in 2H2017 (-79 mil Lei) to the ex-ante full-tariff-year set by ANRE (-53 mil Lei)
- **Balancing market**  
Pass-through (revenues=expenses) with financial flows back to normal from the abnormally high levels in the previous year due to major supply-demand imbalances generated by difficult operating conditions (weather conditions, generation availability, hydrolicity)

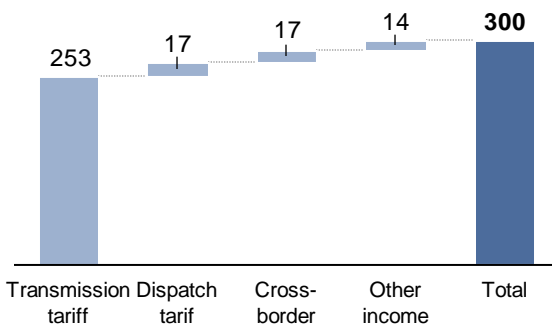
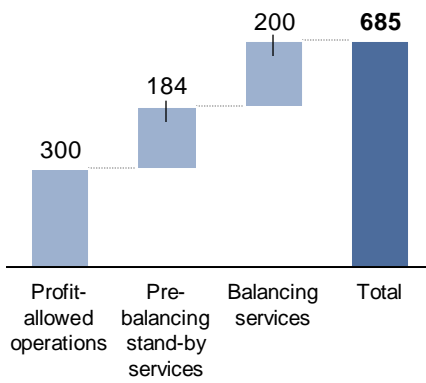
## Operations | Revenues

### Operational revenues

#### ALL OPERATIONS

#### PROFIT-ALLOWED OPERATIONS

1Q2018



1Q2017

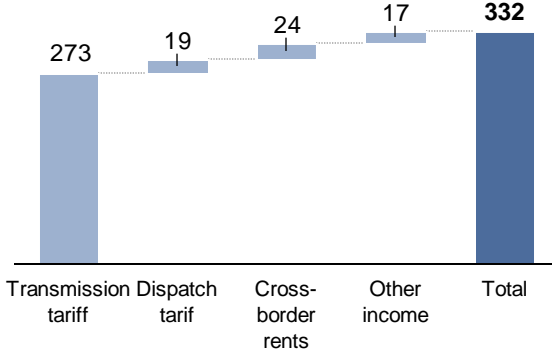
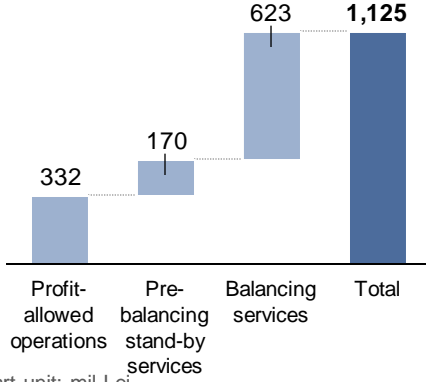
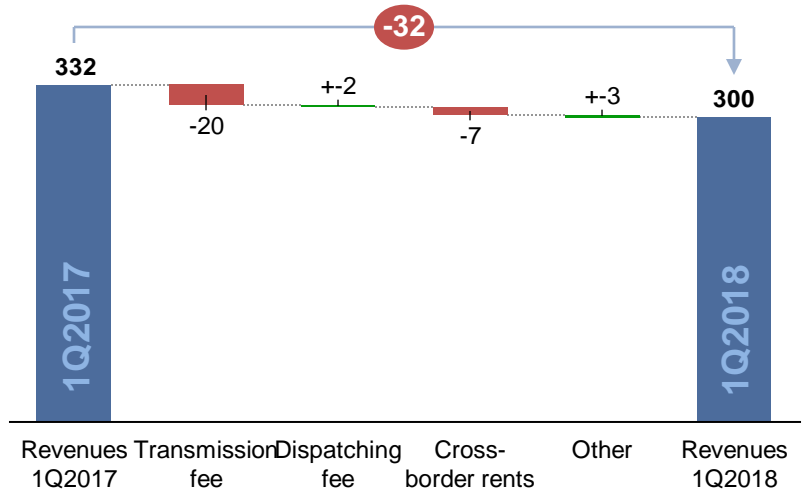


Chart unit: mil Lei

### Operational revenues

#### PROFIT-ALLOWED OPERATIONS: BREAKDOWN



#### DRIVERS BEHIND THE DECLINE IN REVENUES

▼ The decrease in revenues was mainly due to the tariff cut at 1.07.2017 which was primarily caused by ex-post adjustments of ex-ante assumptions for grid losses purchase price, inflation rate and excess volume

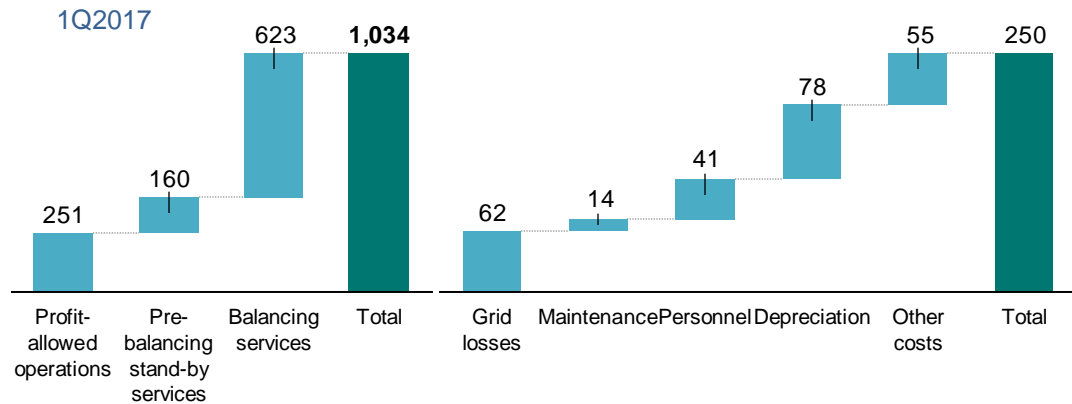
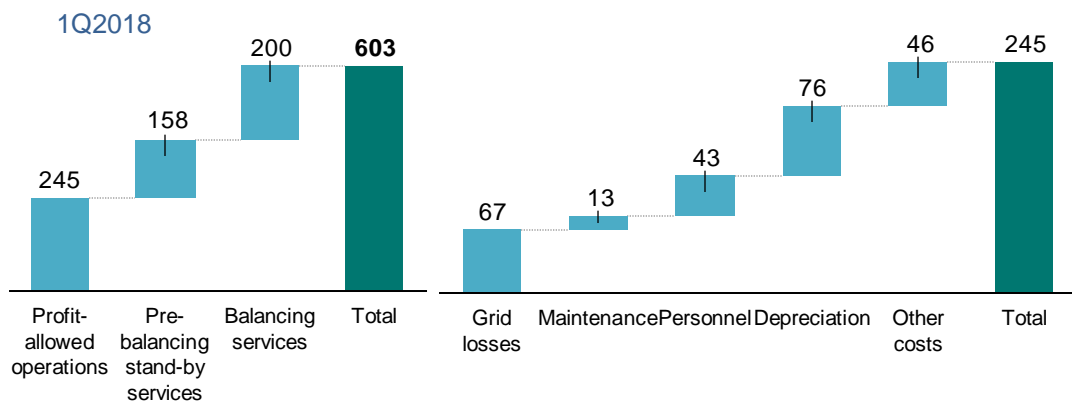




## Operations | Costs

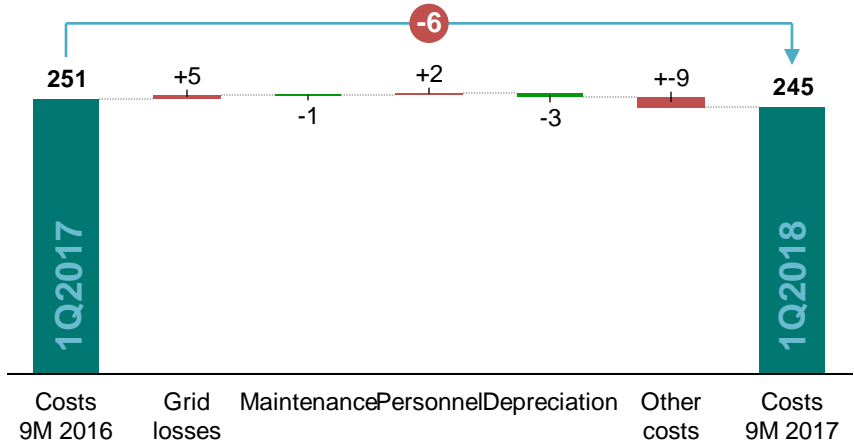
### Operational expenses

ALL OPERATIONS      PROFIT-ALLOWED OPERATIONS



### Operational expenses

PROFIT-ALLOWED OPERATIONS: BREAKDOWN



### DRIVERS BEHIND THE OVERALL INCREASE IN COSTS

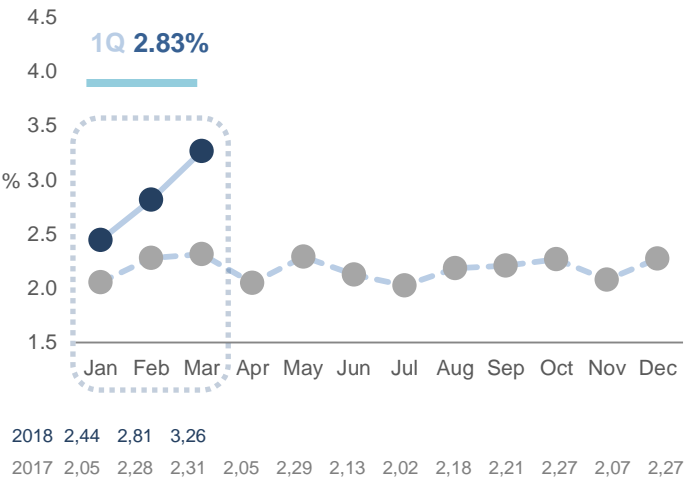
▲ Grid losses costs – driven by increasing grid volumes and different operating conditions (geographical pattern of production, cross-border physical electricity flows, weather conditions)

Chart unit: mil Lei



1Q2018 / 1Q2017

**+0.62PP**



## GRID LOSSES

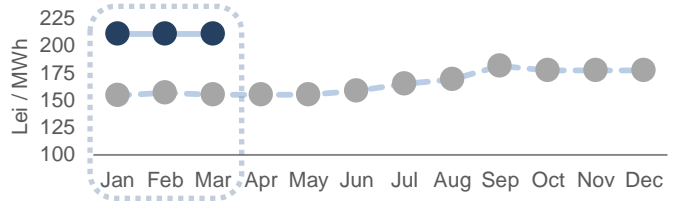
**12.10 TWh**  
GRID IN-TAKE VOLUME IN 1Q2018

**11.75 TWh**  
GRID OFF-TAKE VOLUME IN 1Q2018

**2.83% (0.34 TWh)**  
GRID LOSSES IN 1Q2018

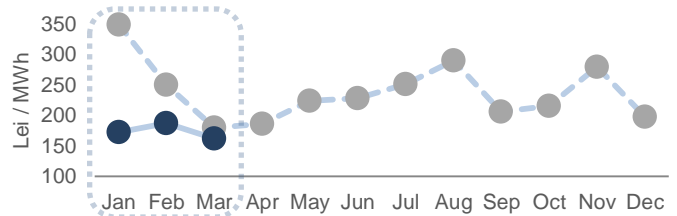
1Q2018 / 1Q2017

**+36.0% FM**



1Q2018 / 1Q2017

**-34.3% DAM**



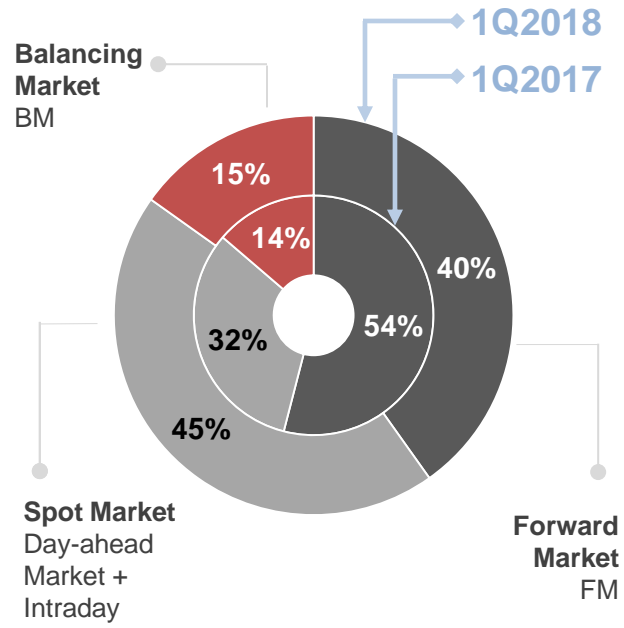
## PRICES PAID PER MARKET

**211.0 Lei/MWh (▲36.0%)**  
FORWARD MARKET (FM)

**172.8 Lei/MWh (▼34.3%)**  
DAY-AHEAD MARKET (DAM)

**225.3 Lei/MWh (▼56.4%)**  
BALANCING MARKET (BM)

## Operational costs | grid losses



## AVERAGE PRICE / PURCHASE MIX

**196 Lei/MWh (240 Lei/MWh in 1Q2017)**  
CROSS-MARKET AVERAGE PRICE PAID

**40%FM / 45%SPOT / 15%BM (1Q2018)**  
PURCHASE MIX (VOLUMES)

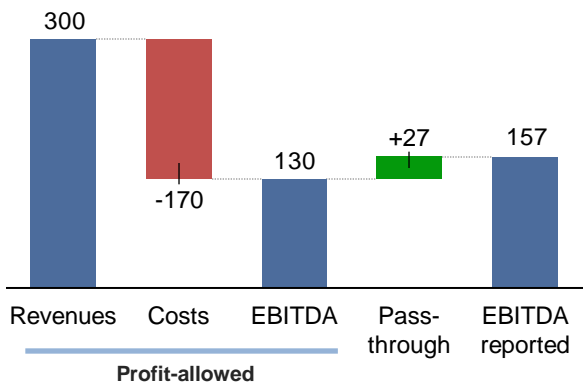
**54%FM / 32%SPOT / 14%BM (1Q2017)**  
PURCHASE MIX (VOLUMES)



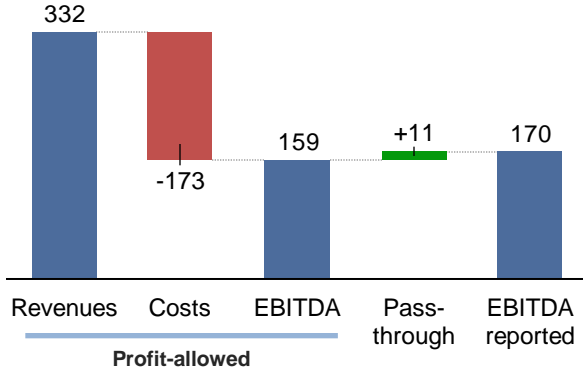
## Operational profit | EBITDA

### FROM REVENUES TO EBITDA

1Q2018



1Q2017



### EBITDA BREAKDOWN (PROFIT-ALLOWED)

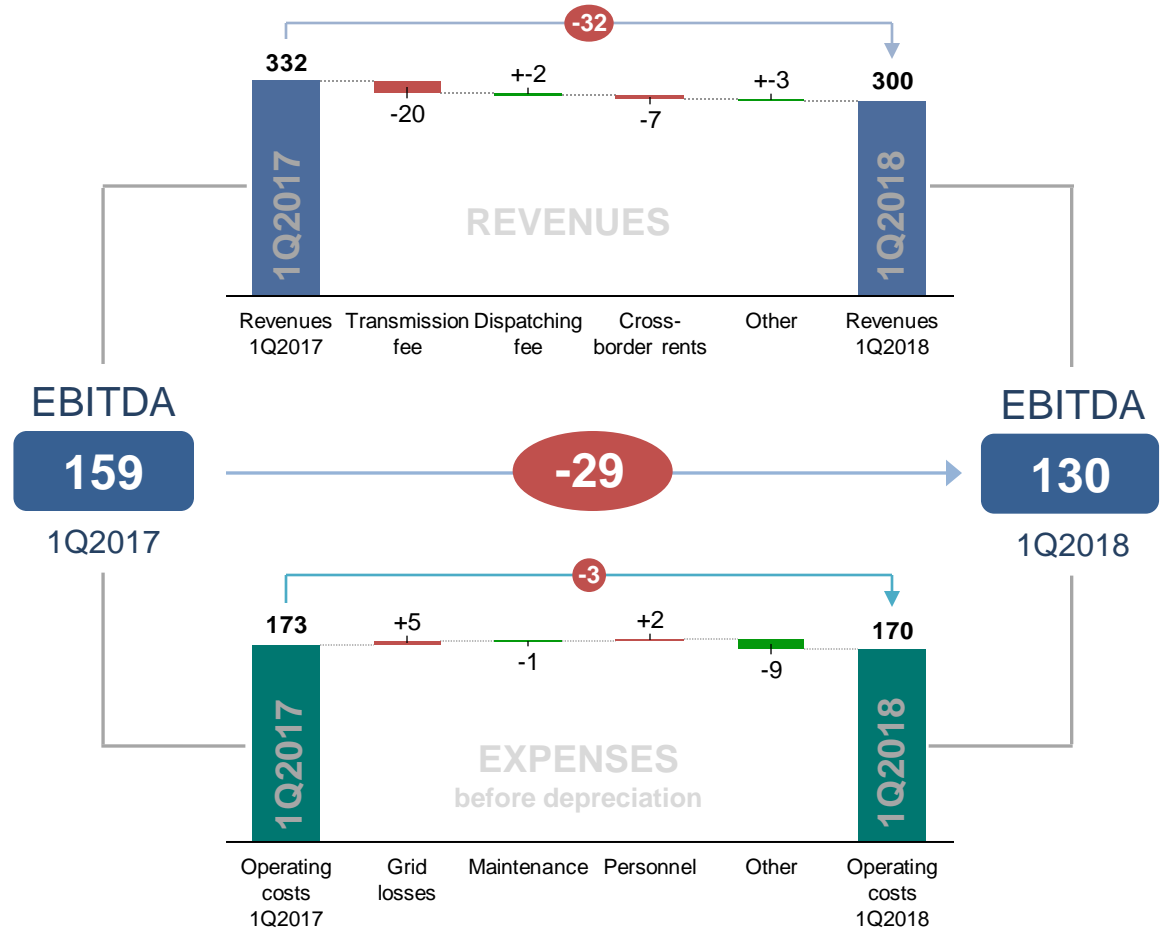


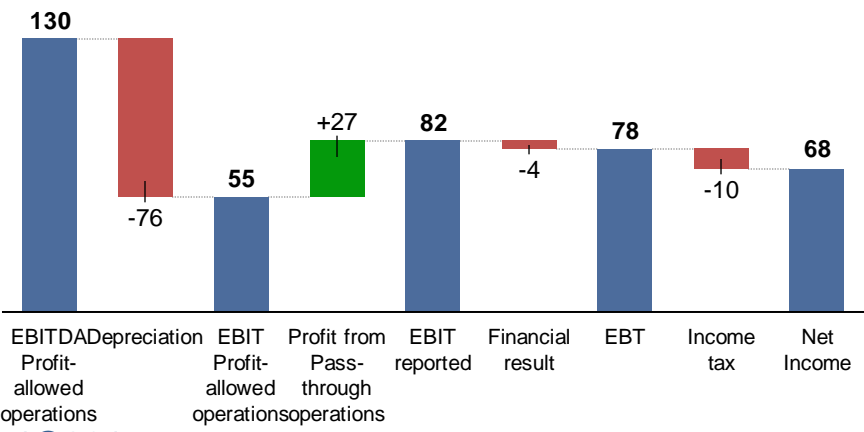
Chart unit: mil Lei



## From EBITDA to Net income

### FROM EBITDA TO NET INCOME

1Q2018



1Q2017

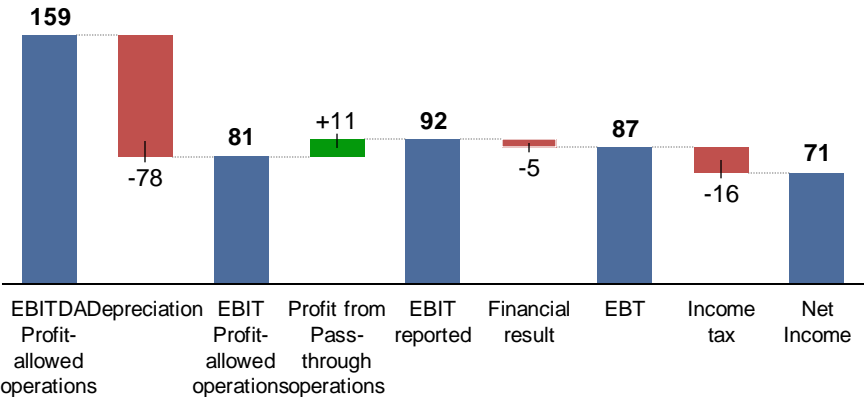
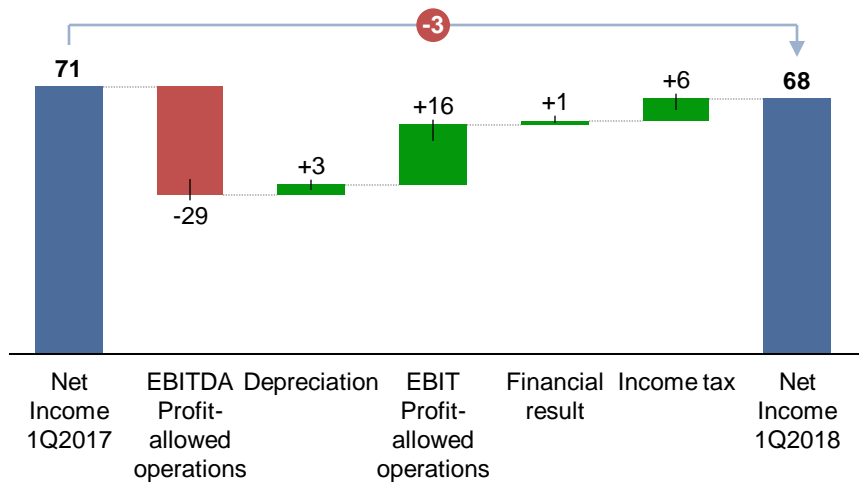


Chart unit: mil Lei

### NET INCOME BREAKDOWN



### DRIVERS BEHIND THE DECLINE IN NET INCOME

- Deterioration of EBITDA from profit-allowed operations - due to lower tariffs as per the regulatory review 1 July 2017, higher grid losses and congestion costs (costly generation re-dispatch transactions to relieve the congestion)
- Stronger positive result from *pass-through* segment softened the drop in EBITDA generated from *profit-allowed* segment



**121**  
mil Lei

**New contracts signed**  
Total aggregate amount for 1Q2018 contracts

Selected items:  
49.7 mil Lei – Refurbishment of substation Hasdat 220/110kV  
46.1 mil Lei – Refurbishment of substation Craiova Nord 220/110kV  
12.6 mil Lei – Refurbishment of substation Otelarie Hunedoara 220kV



**25**  
mil Lei

**Capital expenditure**  
Amounts added to construction-work-in-progress in 1Q2018

Selected items:  
5.1 mil Lei - Modernization of control-protection systems in substation Sardanesti 220/110/20 kV  
4.5 mil Lei - Line Resita – Pancevo  
2.7 mil Lei - Modernization of substation Suceava 110kV and 20 kV



**131**  
mil Lei

**New commissioned assets**  
Amounts transferred from construction-work-in-progress to fixed assets in 1Q2018

Selected items:  
98.6 mil Lei - Line Resita – Pancevo  
13.4 mil Lei - Modernization of substation Cluj Est 400/110/10kV  
5.6 mil Lei - Replacement of transforming units in several substations – phase 2



## Under construction

Investment project	Estimated year of commissioning	Initial cost estimation [mil Lei]	Actual cost as per contract signed [mil Lei]
Line Portile de fier - Anina - Resita*	2020	124	123
Substation Bradu 400/220/110 kV	2018	177	129
Extension of substation 400 kV Medgidia Sud	2018	75	45
Substation Resita 400/220/110 kV	2020	130	81
Substation Raureni 220/110 kV	2019	28	17
Replacement of transforming units in various substations – phase II	2018-2019	46	40
Modernization of substation 110 and 20 kV Suceava	2018	31	25
Modernization of substation 220/110kV Dumbrava	2019	30	20
Substation Domnesti 400/110/20kV	2020	144	112
Substation Turnu Severin 220/110kV	2019	63	43
Substation Arefu 220/110/20kV	2020	38	24

## Contracts

Procurement	Pre-procurement	Permitting
<p>At this time, procurements totaling an estimated <b>650 mil Lei</b> are initiated and in progress</p> <ul style="list-style-type: none"> <li>Substation Smardan 400/110/20kV (cost estimate 116.8 mil Lei)</li> <li>Substation Timisoara 110kV (cost estimate 98.7 mil Lei)</li> <li>Substation Stalpu 400kV (cost estimate 78.4 mil Lei)</li> <li>Substation Medgidia Sud 110kV (cost estimate 60.1 mil Lei)</li> <li>Replacement of transforming units in substations – phase 2 (cost estimate 58.4 mil Lei)</li> <li>Connections in Substation Medgidia Sud 110kV (cost estimate 54.0 mil Lei)</li> <li>Substation Munteni 400/110/20kV (cost estimate 53.3 mil Lei)</li> <li>Substation Iaz 220/110kV (cost estimate 50.0 mil Lei)</li> <li>Substation Medgidia Sud 400kV – phase I extension (estimated cost 46.9 mil Lei)</li> <li>Mobile electric cells 110kV, 220kV and 400kV (cost estimate 21.6 mil Lei)</li> <li>Substation Resita 400/220/110 kV (cost estimate 11.4 mil Lei)</li> </ul>	<p>At this time, procurements totaling an estimated <b>154 mil Lei</b> are being initiated</p> <ul style="list-style-type: none"> <li>Replacement of transforming units in substations, stage 2 (estimated cost 58.4 mil lei)</li> <li>Substation Munteni 400(220)/110/20 kV (estimated cost 53.3 mil Lei)</li> <li>Transforming unit in substation 400/110 kV Sibiu Sud (estimated cost 14.8 mil Lei)</li> </ul>	<p>Line projects currently pending Government approval / environmental permits / construction authorizations / land expropriation</p> <ul style="list-style-type: none"> <li>Line Portile de Fier-Anina-Resita-Timisoara-Sacalaz-Arad                             <ul style="list-style-type: none"> <li>Phase I: Portile de Fier-Anina-Resita 118 km</li> <li>Phase II: Resita-Timisoara-Sacalaz-Arad 173 km</li> </ul> </li> <li>Line Gadalin-Suceava 260 km</li> <li>Line Smardan-Gutinas 140 km</li> <li>Line Cernavoda-Stalpu 160 km</li> <li>Line Ostrovu Mare-RET 32 km</li> <li>Line Suceava-Balti (MD) 90 km (subject to RO-MD MoU)</li> <li>Connections of lines Isaccea-Varna and Isaccea Dobrudja in substation Medgidia Sud 27 km</li> </ul>







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





[mil Lei]	1Q2018 IFRS unaudited	1Q2017 IFRS unaudited		
Billed volume [TWh]	15.00	14.60	▲	2.7%
<b>Profit-allowed operations</b>				
<b>Operational revenues</b>	<b>300</b>	<b>332</b>	▼	<b>9.7%</b>
Operational revenues   Transmission	272	299	▼	8.9%
Operational revenues   Transmission   Regulated fee	253	273	▼	7.3%
Operational revenues   Transmission   Cross-border rents	17	24	▼	29.2%
Operational revenues   Transmission   Other	2	2	▲	11.6%
Operational revenues   Dispatching	18	19	▼	8.5%
Operational revenues   Dispatching   Regulated fee	17	19	▼	12.3%
Operational revenues   Dispatching   Unplanned cross-border flows	1	0	▲	341.2%
Operational revenues   Other income	11	14	▼	26.4%
<b>Operational costs</b>	<b>170</b>	<b>173</b>	▼	<b>2.0%</b>
Operational costs   System operation	87	77	▲	12.8%
Operational costs   System operation   Grid losses	67	62	▲	8.4%
Operational costs   System operation   Congestion relief	5	0	▲	13070.4%
Operational costs   System operation   Power consumption in grid substations	6	4	▲	30.4%
Operational costs   System operation   Inter-TSO-Compensation	5	5	▲	1.8%
Operational costs   System operation   Other	3	5	▼	37.5%
Operational costs   Maintenance	13	14	▼	10.3%
Operational costs   Personell	43	41	▲	4.6%
Operational costs   Other	27	41	▼	33.6%
<b>EBITDA</b>	<b>130</b>	<b>159</b>	▼	<b>18.0%</b>
Operational costs   Depreciation and amortization	76	78	▼	3.5%
<b>EBIT</b>	<b>55</b>	<b>81</b>	▼	<b>32.1%</b>
<b>Pass-through operations</b>				
<b>Operational revenues</b>	<b>385</b>	<b>793</b>	▼	<b>51.5%</b>
Operational revenues   System service	184	170	▲	8.5%
Operational revenues   Balancing service	200	623	▼	67.8%
<b>Operational costs</b>	<b>358</b>	<b>783</b>	▼	<b>54.2%</b>
Operational costs   System service	158	160	▼	1.2%
Operational costs   Balancing service	200	623	▼	67.8%
<b>EBIT</b>	<b>27</b>	<b>11</b>	▲	<b>155.0%</b>
<b>All operations (profit-allowed and pass-through)</b>				
Operational revenues	685	1,125	▼	39.1%
Operational costs	528	956	▼	44.8%
<b>EBITDA</b>	<b>157</b>	<b>170</b>	▼	<b>7.3%</b>
Operational costs   Depreciation and amortization	76	78	▼	3.5%
<b>EBIT</b>	<b>82</b>	<b>91</b>	▼	<b>10.5%</b>
Financial result	-4	-5	▲	21.2%
<b>EBT</b>	<b>78</b>	<b>87</b>	▼	<b>9.9%</b>
Income tax	-10	-16	▲	37.0%
<b>Net Income</b>	<b>68</b>	<b>71</b>	▼	<b>4.0%</b>

## TRANSELECTRICA S.A.



**Web:**

**[www.transelectrica.ro](http://www.transelectrica.ro)**

**Stock:**

**ISIN ROTSELACNOR9, Bloomberg TEL RO, Reuters ROTEL.BX**

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### **Executive Board**

**Adrian Constantin Rusu**

**Chairperson (CEO)**

**Dan Valeriu Ardelean**

**Member**

**Andreea Georgiana Florea**

**Member**

**Corina Georgeta Popescu**

**Member**

**Florin Cristian Tataru**

**Member**



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