



Transelectrica SA

Transmission and System Operator
of the Romanian Electrical Power System

We lead the power

Financial results

1H2018

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.

FINANCIAL NUMBERS:

reporting period: 1st January 2018 – 30th June 2018

Numbers as of 31st of December 2017 are as per GMS no. 6 of 30.04.2018

reporting standard: International Financial Reporting Standards (IFRS)

basis/scope: standalone (unconsolidated)

external audit: numbers as of 31st of December 2017 and 30th of June 2018 are unaudited

rounded numbers: 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:

1H2018 results

- Key numbers
- Operational results
- Financial results

Tariffs

- Tariff year no. 4 - overview
- Tariff year no. 5 - new tariffs

Investments

- Delivered in 1H2018 and underway

Q&A



Financial

1H y/y

2Q y/y

1Q y/y

• Revenues [mil lei]	1,233 ▼29.1%	548 ▼10.7%	685 ▼39.1%
• EBITDA [mil lei]	263 ▼7.7%	106 ▼8.4%	157 ▼7.3%
• Net income [mil lei]	98 ▼0.4%	30 ▲8.4%	68 ▼4.0%

Operational

1H L y/y

2Q y/y

1Q y/y

• Consumption* [TWh]	29.1 ▲2.3%	13.5 ▲1.3%	15.6 ▲3.2%
• Production* [TWh]	30.7 ▲0.7%	13.9 ▼0.4%	16.8 ▲1.5%
• Net export [TWh]	1.6 ▼22.8%	0.4 ▼38.3%	1.2 ▼16.1%

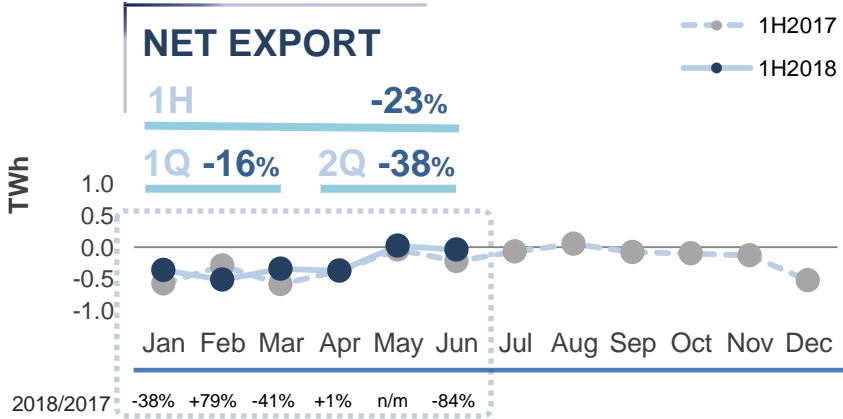
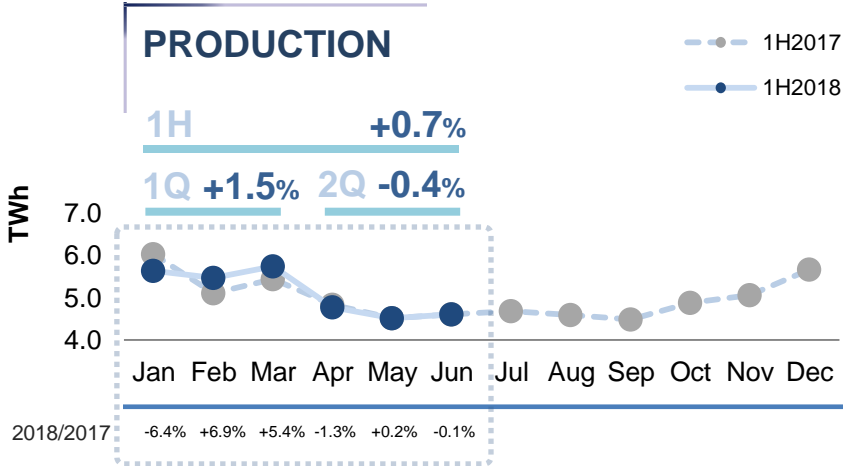
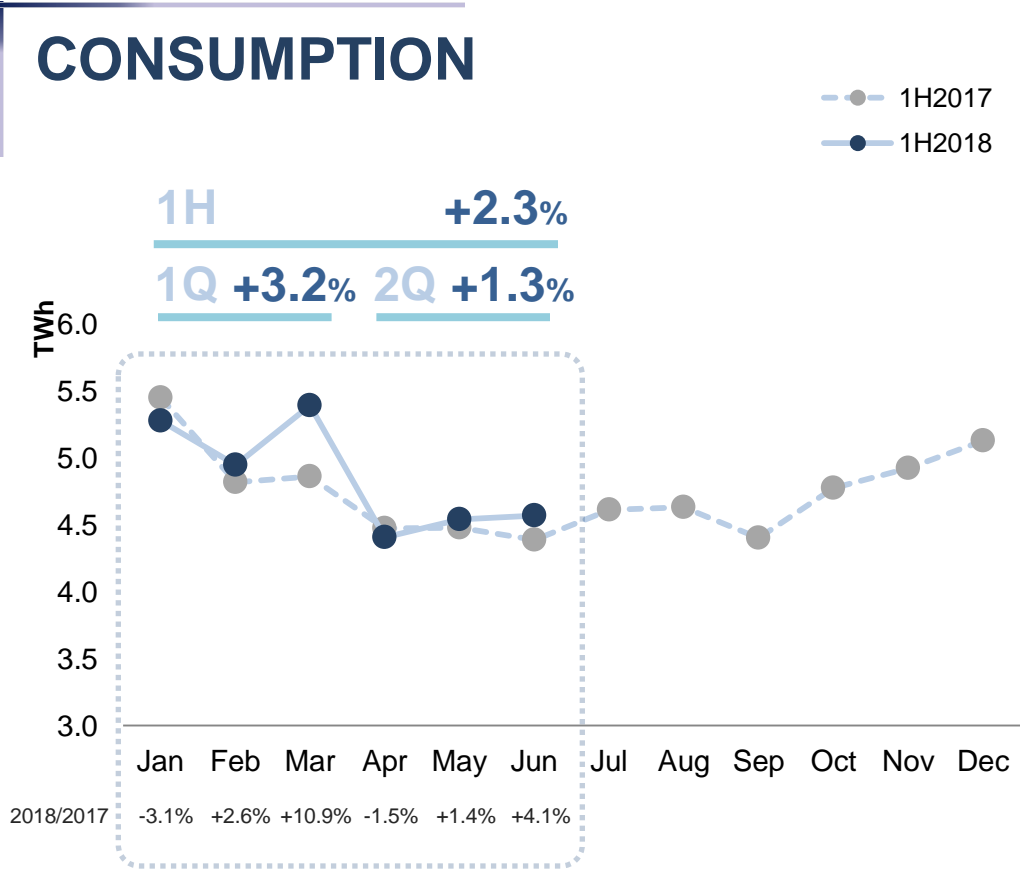
*consumption/generation numbers do not include power plants' own electricity consumption. Consumption includes (i) consumption for hydro pumped storage, and (ii) energy losses in transmission and distribution networks. Cross-border net flow is calculated based on physical flows (export-import) aggregated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

Regulatory framework

- Profit-allowed segment: lower transmission tariffs applied in 1H2018 as compared to 1H2017, 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 +2.0% increase in volumes driven by growing electricity consumption in Romania
- Pass-through segment:
Stand-by back-up capacity services (balancing capacity): the profit earned in 1H2018 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 1H2018 (+2.3% y.o.y.)

Domestic production – slight increase in 1H2018 (+0.7% y.o.y.)

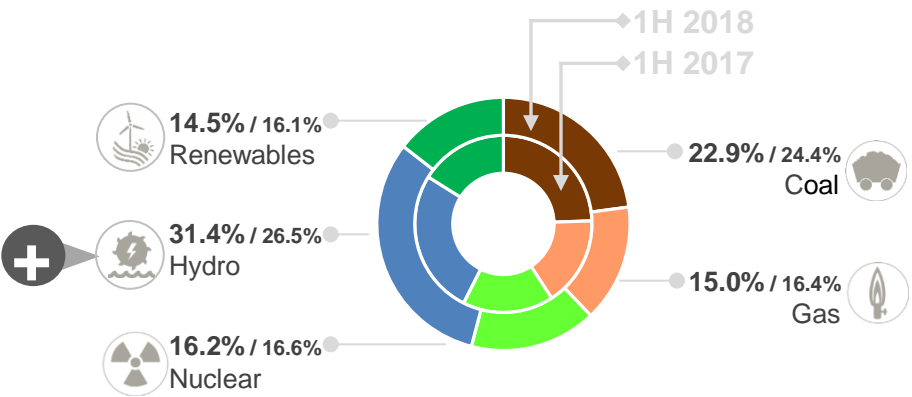


Consumption and generation numbers do not include power plants' own electricity consumption. Consumption includes (i) energy losses in transmission and distribution networks, and (ii) consumption for hydro pumped storage. Cross-border net flow is calculated based on physical flows (import-export).

Results 1H2018

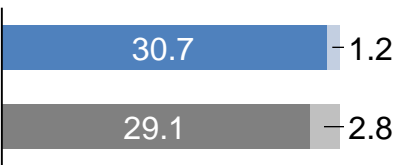
1H 2018 / 1H 2017

Electricity net production mix



1H 2018

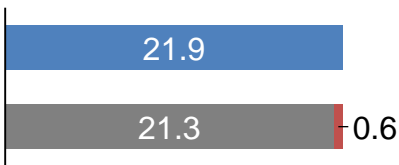
National electricity balance



■ National power plant output
■ Import

■ National consumption
■ Export

Transmission losses **2.76%**



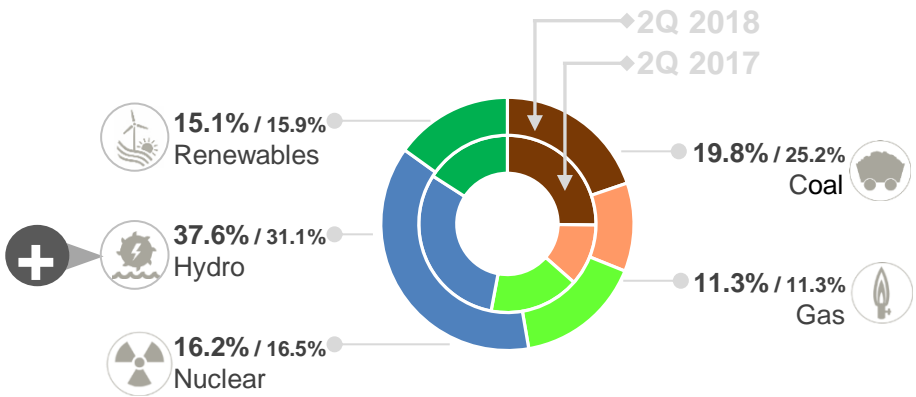
■ Grid in-take volume

■ Grid out-take volume
■ Grid losses

TWh

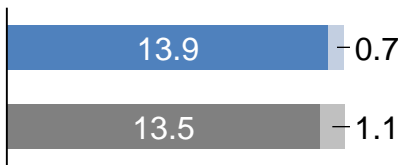
2Q 2018 / 2Q 2017

Electricity net production mix



2Q 2018

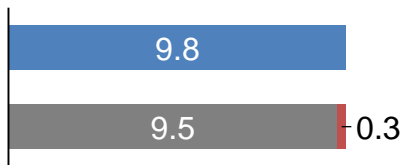
National electricity balance



■ National power plant output
■ Import

■ National consumption
■ Export

Transmission losses **2.67%**



■ Grid in-take volume

■ Grid out-take volume
■ Grid losses

TWh

Profit & Loss

Volumes:

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

Profit-allowed segment:

- **Lower revenues** (transmission tariff cut as of 1.07. 2017)
- **Flat costs**, higher grid losses (increasing electricity volumes handled by the grid, higher loss factor i.e. percent of in-take volume) offset by lower other costs (mainly allowances for doubtful debt in the balancing market)

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)

[Lei m]	1H 2018	1H 2017	Δ%	2Q 2018	2Q 2017	Δ%	1Q 2018	1Q 2017	Δ%
Billed volume [TWh]	27.96	27.40	+2.0%	12.96	12.80	+1.2%	15.00	14.60	+2.7%
Profit-allowed operations									
Revenues	560	615	-9.0%	260	283	-8.3%	300	332	-9.7%
Costs	330	330	-0.1%	161	157	+2.0%	170	173	-2.0%
EBITDA	230	285	-19.3%	99	126	-21.1%	130	159	-18.0%
<i>EBITDA margin</i>	41%	46%		38%	44%		43%	48%	
Depreciation	151	156	-3.2%	76	78	-2.9%	76	78	-3.5%
EBIT	79	129	-38.8%	24	48	-50.5%	55	81	-32.1%
Pass-through operations									
Revenues	673	1,124	-40.1%	288	331	-12.8%	385	793	-51.5%
Costs	640	1,124	-43.0%	282	341	-17.4%	358	783	-54.2%
EBIT	33	0	n/m	6	-11	n/m	27	11	+155.0%
All operations									
Revenues	1,233	1,739	-29.1%	548	614	-10.7%	685	1,125	-39.1%
Costs	970	1,454	-33.3%	443	499	-11.3%	528	956	-44.8%
EBITDA	263	285	-7.7%	106	115	-8.4%	157	170	-7.3%
EBIT	112	129	-13.1%	30	37	-19.9%	82	91	-10.5%
Net Income	98	98	-0.4%	30	27	+8.4%	68	71	-4.0%

Operations | Revenues

Operational revenues

ALL OPERATIONS PROFIT-ALLOWED OPERATIONS

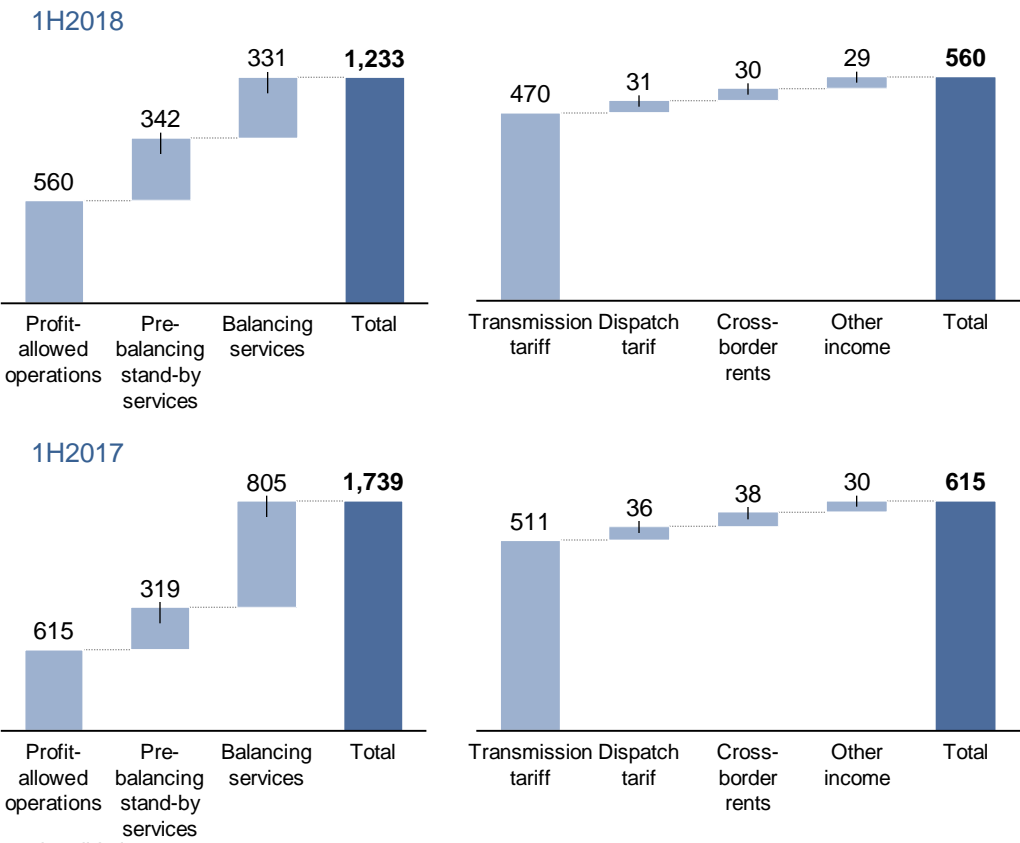
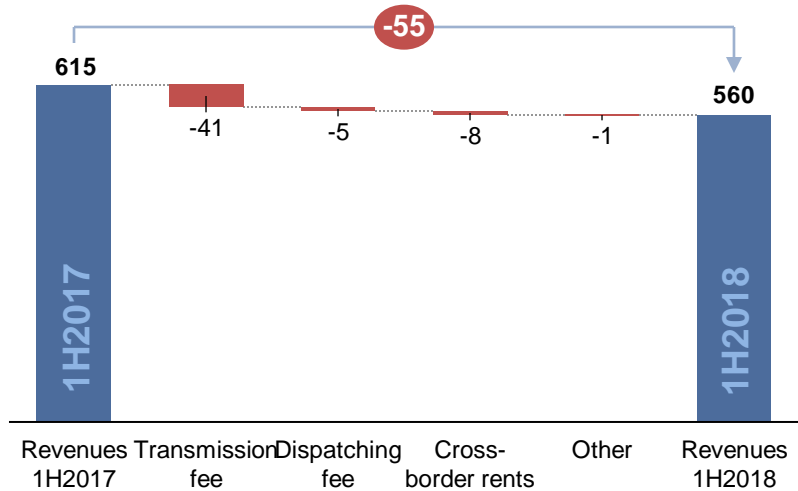


Chart unit: mil Lei

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

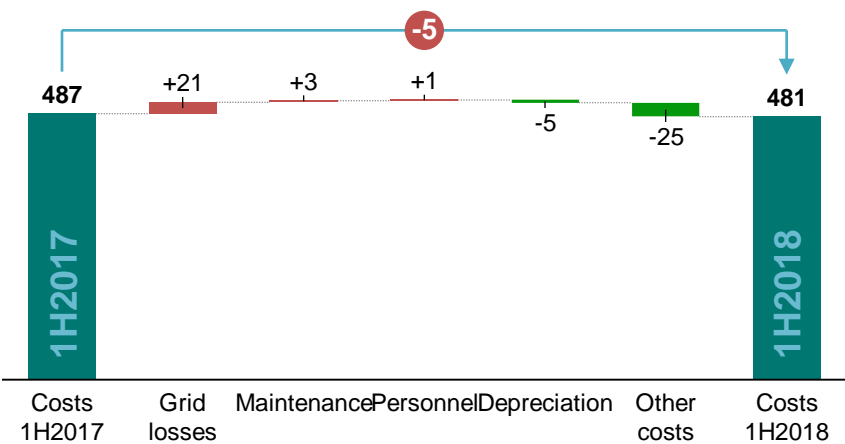
ALL OPERATIONS

PROFIT-ALLOWED OPERATIONS



Operational expenses

PROFIT-ALLOWED OPERATIONS: BREAKDOWN

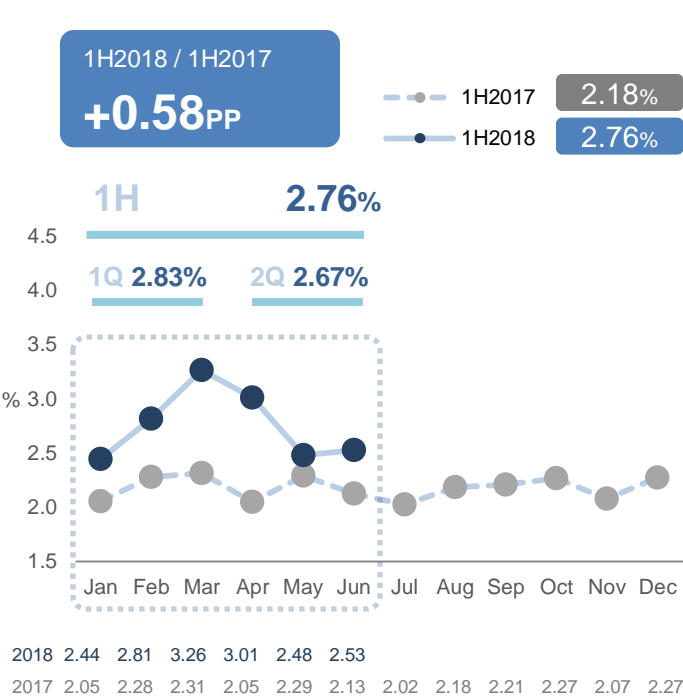


DRIVERS BEHIND THE OVERALL DECREASE IN COSTS

- ▼ Other costs – lower y/y (mainly due to a lower level of doubtful debt in the balancing market)
- ▲ Grid losses costs – driven by operating conditions (geographical pattern of production, cross-border physical electricity flows, weather conditions)

Chart unit: mil Lei

Operational costs | grid losses

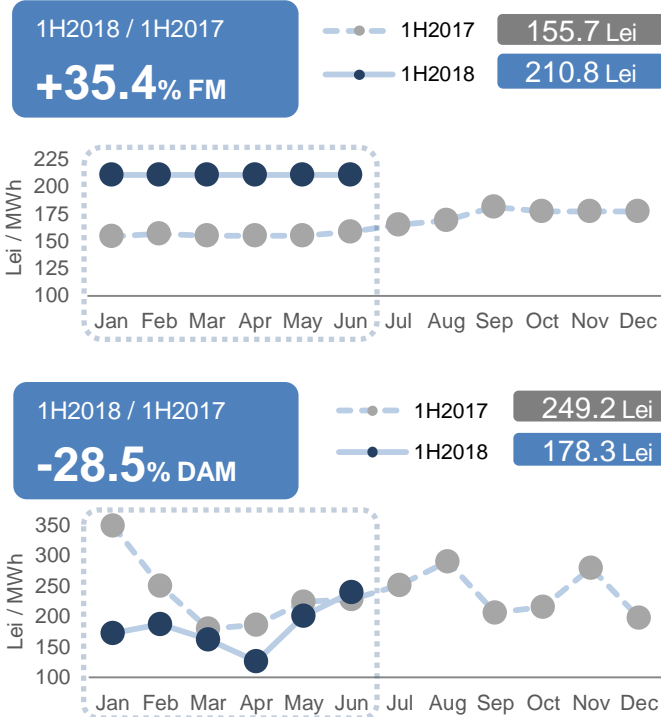


GRID LOSSES

21.91 TWh
GRID IN-TAKE VOLUME IN 1H2018

21.30 TWh
GRID OFF-TAKE VOLUME IN 1H2018

2.76% (0.60 TWh)
GRID LOSSES IN 1H2018

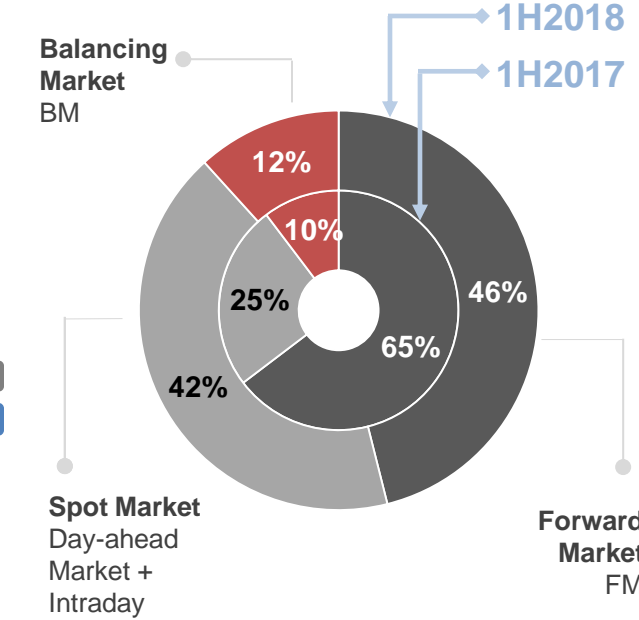


PRICES PAID PER MARKET

210.8 Lei/MWh (▲35.4%)
FORWARD MARKET (FM)

178.3 Lei/MWh (▼28.5%)
DAY-AHEAD MARKET (DAM)

220.4 Lei/MWh (▼53.7%)
BALANCING MARKET (BM)



AVERAGE PRICE / PURCHASE MIX

198 Lei/MWh (212 Lei/MWh in 1H2017)
CROSS-MARKET AVERAGE PRICE PAID

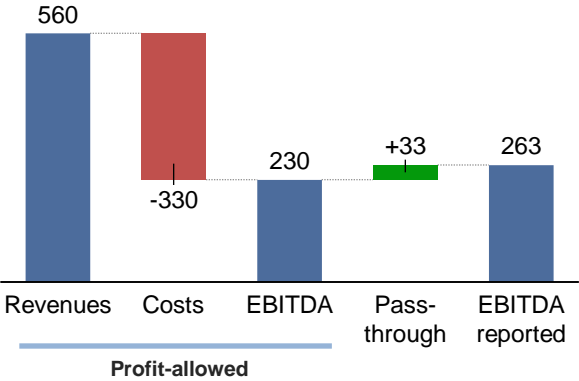
46%FM / 42%SPOT / 12%BM (1H2018)
PURCHASE MIX (VOLUMES)

65%FM / 25%SPOT / 10%BM (1H2017)
PURCHASE MIX (VOLUMES)

Operational profit | EBITDA

FROM REVENUES TO EBITDA

1H2018



1H2017

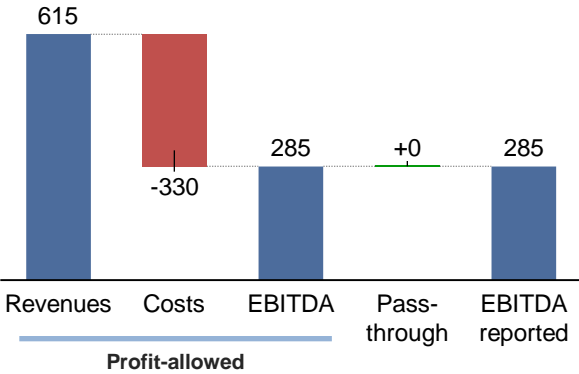
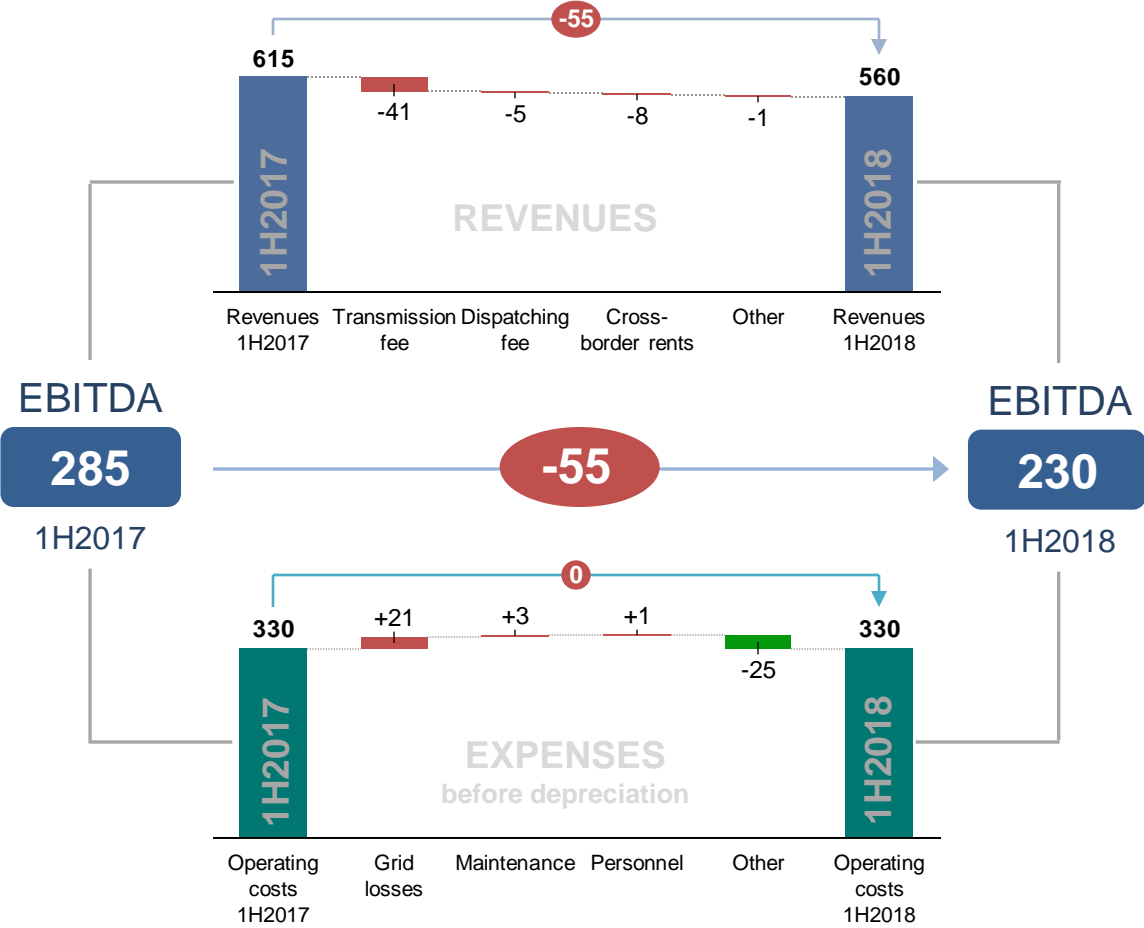


Chart unit: mil Lei

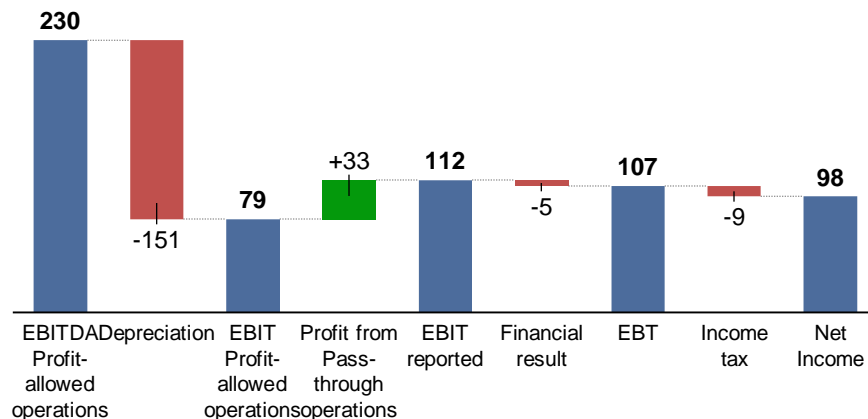
EBITDA BREAKDOWN (PROFIT-ALLOWED)



From EBITDA to Net income

FROM EBITDA TO NET INCOME

1H2018



1H2017

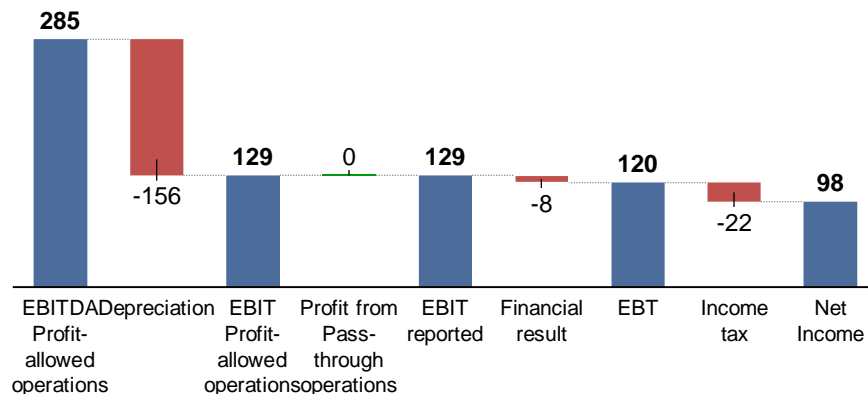
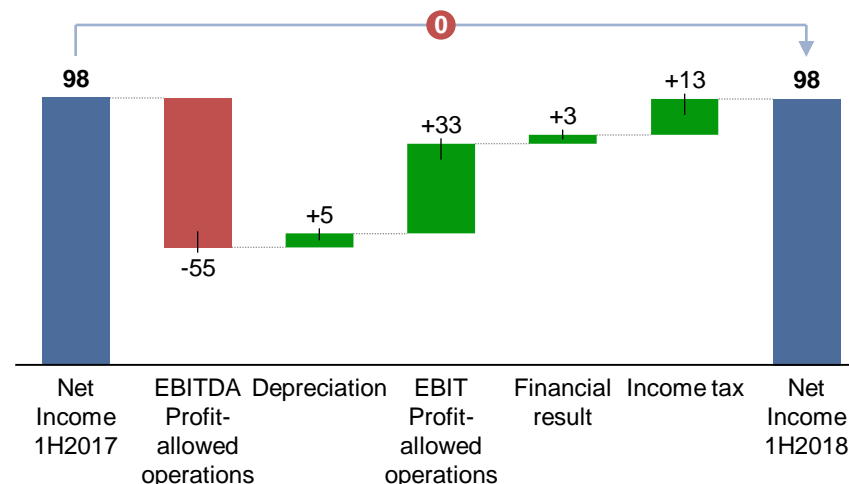


Chart unit: mil Lei

NET INCOME BREAKDOWN



DRIVERS BEHIND THE Y/Y FLAT 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 (generation re-dispatch transactions to relieve the congestion)
- Strong positive result from *pass-through* segment and lower income tax softened the drop in EBITDA generated from *profit-allowed* segment
- Lower income tax (due to tax deduction allowed by the government for new assets financed with profits not distributed to shareholders in previous years) further softened the drop in EBITDA generated from *profit-allowed* segment

TRANSMISSION OF ELECTRICITY

Actual numbers

926_{mil Lei}

TARIF INCOME

55.33 _{TWh} / **56.32** _{TWh}

OFF-TAKE / IN-TAKE BILLED VOLUMES

15.73 _{Lei/MWh} / **1.05** _{Lei/MWh}

AVERAGE OFF-TAKE / IN-TAKE TARIFF

243_{mil Lei} (**342** _{mil Lei non-RAB assets included})

NEW ASSETS COMMISSIONED*

317_{mil Lei}

OPEX CONTROLLABLE

33_{mil Lei}

OPEX NON-CONTROLLABLE

2.459%

GRID LOSSES PERCENTAGE

44.60_{TWh}

GRID IN-TAKE VOLUME

206_{Lei/MWh}

AVERAGE PURCHASE PRICE FOR GRID LOSSES

97 _{mil Lei} (**47** _{mil Lei cross-border rents stripped-off})

OPERATING PROFIT EBIT

3.0% (**1.5**% _{cross-border rents stripped-off})

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

TRANSMISSION OF ELECTRICITY

Ex-ante regulatory settings (Lei amounts indexed with inflation**)

910_{mil Lei}

TARIF INCOME

54.00 _{TWh} / **58.00** _{TWh}

OFF-TAKE / IN-TAKE BILLED VOLUMES

15.73 _{Lei/MWh} / **1.05** _{Lei/MWh}

AVERAGE OFF-TAKE / IN-TAKE TARIFF

724_{mil Lei}

NEW ASSETS COMMISSIONED

333_{mil Lei}

OPEX CONTROLLABLE

61_{mil Lei}

OPEX NON-CONTROLLABLE

2.425%

GRID LOSSES PERCENTAGE (TARGET)

43.32_{TWh}

GRID IN-TAKE VOLUME

194_{Lei/MWh}

AVERAGE PURCHASE PRICE FOR GRID LOSSES

264_{mil Lei}

RRR x RAB

7.7%

RATE OF RETURN ON RAB

*Volume of new assets shown above does not include new assets financed with EU grants and/or cross-border congestion rents

**1.01988 = compounded inflation index for the first three regulatory years (official macroeconomic statistics and forecasts)



REGULATED ACTIVITIES

TRANSMISSION

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



DISPATCHING

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



SYSTEM SERVICES (pre-balancing stand-by reserves)
TARIFF MODEL: NON-PROFIT (PASS-THROUGH)
REGULATORY PERIOD: 1 YEAR
TARIFF UPDATE FREQUENCY: ANNUALY

RAGULATED TARIFFS (ANRE Order 108/2018)

18.13 Lei/MWh de la 16.86 Lei/MWh ▲ 7.5%
Average tariff for transmission services

1.11 Lei/MWh de la 1.11 Lei/MWh 0.0%
Tariff for dispatching

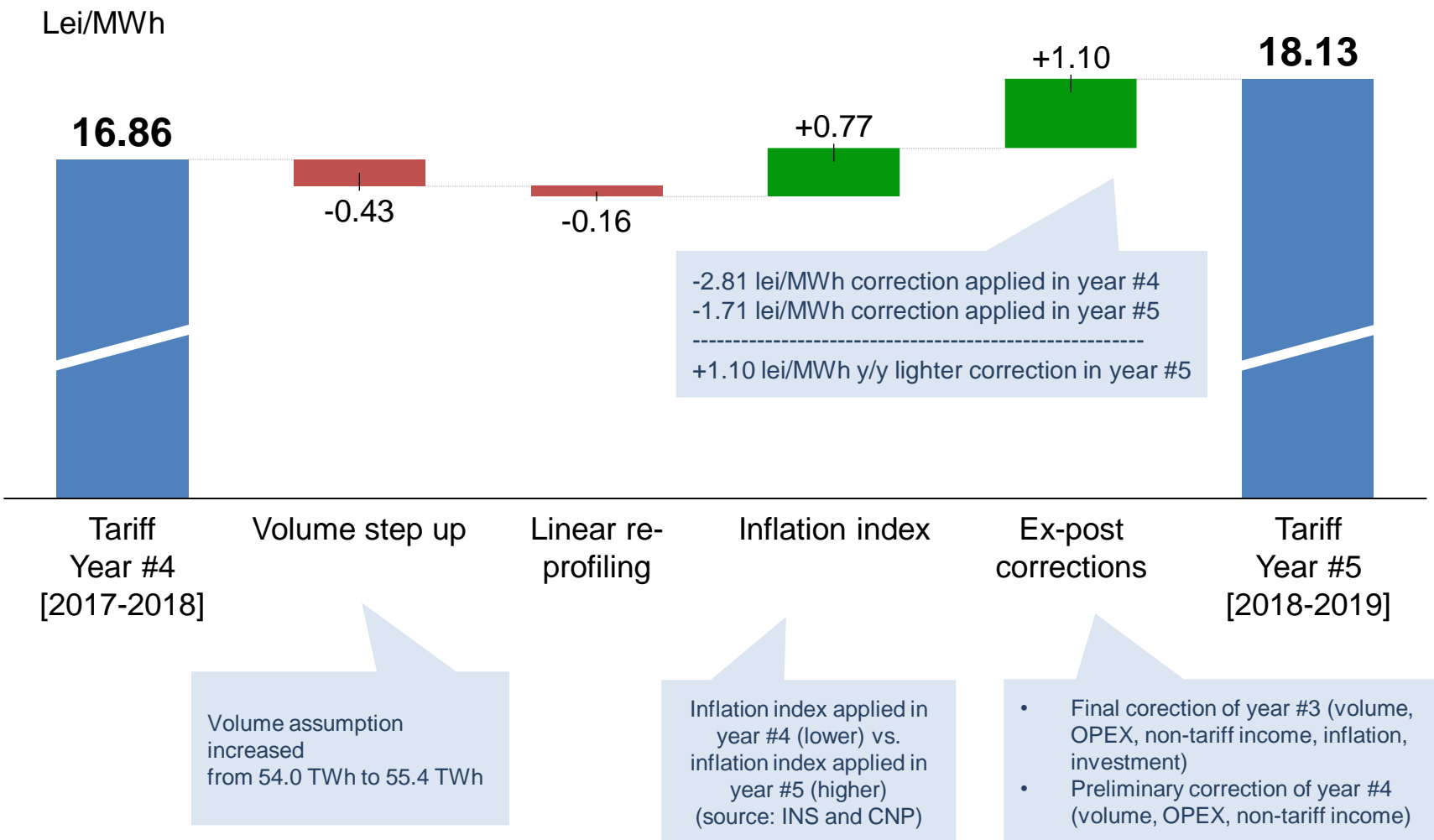
10.44 Lei/MWh de la 12.06 Lei/MWh ▼ 13.4%
Tariff for system services (stand-by service)

NEW TARIFFS

The new tariffs entered into force as of 1st July 2018

55,4 TWh assumed volume at the grid’s off-take points (transmission off-take fee, dispatching fee and system services fee)

58,0 TWh assumed volume at the grid’s in-take points (transmission in-take fee)



INS: National Office for Statistics www.insse.ro
CNP: National Office for Prognosis www.cnp.ro

Delivered in 1H 2018

325
mil Lei

New contracts

Total aggregate amount for contracts signed in 1H2018

- Selected items:
- 107.2 mil Lei – Refurbishment of substation Smardan 400/110/20kV
 - 49.7 mil Lei – Refurbishment of substation Hasdat 220/110kV
 - 46.1 mil Lei – Refurbishment of substation Craiova Nord 220/110kV



68
mil Lei

Capital expenditure

Amounts added to construction-work-in-progress in 1H2018

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



188
mil Lei

Assets commissioned

Amounts transferred from construction-work-in-progress to fixed assets in 1H2018

- Selected items:
- 98.6 mil Lei - Line Resita – Pancevo
 - 16.7 mil Lei - Modernization of substation Suceava 110kV and 20 kV
 - 13.4 mil Lei - Modernization of substation Cluj Est 400/110/10kV



In the pipeline

687
mil Lei

Procurement phase

Total aggregate amount for initiated procurement actions (currently in various phases of the procurement process)





Thank you for your attention!



The Electricity Transmission Grid of Romania

Company under Two-Tier Management System

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[Lei m]	1H 2018 IFRS unaudited	1H 2017 IFRS unaudited		2Q 2018 IFRS unaudited	2Q 2017 IFRS unaudited		1Q 2018 IFRS unaudited	1Q 2017 IFRS unaudited	
Billed volume [TWh]	27.96	27.40 ▲	2.0%	12.96	12.80 ▲	1%	15.00	14.60 ▲	3%
Profit-allowed operations									
Operational revenues	560	615 ▼	9.0%	260	283 ▼	8%	300	332 ▼	10%
Operational revenues Transmission	505	554 ▼	8.8%	233	255 ▼	9%	272	299 ▼	9%
Operational revenues Transmission Regulated fee	470	511 ▼	8.1%	217	239 ▼	9%	253	273 ▼	7%
Operational revenues Transmission Cross-border rents	30	38 ▼	22.2%	13	15 ▼	11%	17	24 ▼	29%
Operational revenues Transmission Other	5	4 ▲	21.2%	3	2 ▲	31%	2	2 ▲	12%
Operational revenues Dispatching	33	36 ▼	10.1%	15	17 ▼	13%	18	19 ▼	9%
Operational revenues Dispatching Regulated fee	31	36 ▼	12.8%	14	17 ▼	13%	17	19 ▼	12%
Operational revenues Dispatching Unplanned cross-border flows	2	1 ▲	102.2%	1	1 ▼	4%	1	0 ▲	341%
Operational revenues Other income	22	25 ▼	10.7%	12	11 ▲	10%	11	14 ▼	26%
Operational costs	330	330 ▼	0.1%	161	157 ▲	2%	170	173 ▼	2%
Operational costs System operation	150	129 ▲	16.1%	63	52 ▲	21%	87	77 ▲	13%
Operational costs System operation Grid losses	122	101 ▲	20.3%	54	39 ▲	39%	67	62 ▲	8%
Operational costs System operation Congestion relief	5	0 ▲		0	0 ▲		5	0 ▲	
Operational costs System operation Power consumption in grid substations	9	7 ▲	21.6%	3	3 ▲	10%	6	4 ▲	30%
Operational costs System operation Inter-TSO-Compensation	8	12 ▼	31.6%	3	7 ▼	58%	5	5 ▲	2%
Operational costs System operation Other	6	9 ▼	32.9%	3	4 ▼	26%	3	5 ▼	38%
Operational costs Maintenance	38	34 ▲	9.8%	25	20 ▲	24%	13	14 ▼	10%
Operational costs Personell	89	88 ▲	1.1%	46	46 ▼	2%	43	41 ▲	5%
Operational costs Other	54	79 ▼	32.1%	27	38 ▼	31%	27	41 ▼	34%
EBITDA	230	285 ▼	19.3%	99	126 ▼	21%	130	159 ▼	18%
Operational costs Depreciation and amortization	151	156 ▼	3.2%	76	78 ▼	3%	76	78 ▼	4%
EBIT	79	129 ▼	38.8%	24	48 ▼	51%	55	81 ▼	32%
Pass-through operations									
Operational revenues	673	1,124 ▼	40.1%	288	331 ▼	13%	385	793 ▼	51%
Operational revenues System service	342	319 ▲	7.4%	158	149 ▲	6%	184	170 ▲	8%
Operational revenues Balancing service	331	805 ▼	58.9%	130	182 ▼	28%	200	623 ▼	68%
Operational costs	640	1,124 ▼	43.0%	282	341 ▼	17%	358	783 ▼	54%
Operational costs System service	309	319 ▼	3.0%	152	160 ▼	5%	158	160 ▼	1%
Operational costs Balancing service	331	805 ▼	58.9%	130	182 ▼	28%	200	623 ▼	68%
EBIT	33	0 ▲	-	6	-11 ▲	-	27	11 ▲	155%
All operations (profit-allowed and pass-through)									
Operational revenues	1,233	1,739 ▼	29.1%	548	614 ▼	10.7%	685	1,125 ▼	39%
Operational costs	970	1,454 ▼	33.3%	443	499 ▼	11%	528	956 ▼	45%
EBITDA	263	285 ▼	7.7%	106	115 ▼	8.4%	157	170 ▼	7%
Operational costs Depreciation and amortization	151	156 ▼	3.2%	76	78 ▼	3%	76	78 ▼	4%
EBIT	112	129 ▼	13.1%	30	37 ▼	20%	82	91 ▼	11%
Financial result	-5	-8 ▲	37.9%	-2	-4 ▲	59%	-4	-5 ▲	21%
EBT	107	120 ▼	11.4%	28	34 ▼	16%	78	87 ▼	10%
Income tax	-9	-22 ▲	60.6%	1	-6 ▲	-	-10	-16 ▲	37%
Net Income	98	98 ▼	0.4%	30	27 ▲	8.4%	68	71 ▼	4%

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Chair (CEO)

Andreea Georgiana Florea

Member

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Member

Adrian Mircea Teodorescu

Member

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Member



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