



Transelectrica SA

Transmission and System Operator
of the Romanian Electrical Power System

We lead the power

Financial results

2018

(01.01.2018 – 31.12.2018)

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:

reporting period: 1st January 2018 – 31st December 2018

reporting standard: International Financial Reporting Standards (IFRS)

basis/scope: standalone (unconsolidated)

external audit: 2018 audited. 2017 as per GMS no. 6 of 30.04.2018

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:

2018 results

- Key numbers
- Operational results
- Financial results

Investments

- Investment delivered in 2018

Q&A



Financial

	2018 y/y	4Q y/y	3Q y/y	2Q y/y	1Q y/y
• Revenues [mil lei]	2,722 ▼ 11%	889 ▲ 38%	599 ▼ 11%	548 ▼ 11%	685 ▼ 39%
• EBITDA [mil lei]	400 ▲ 5%	60 ▲ 32%	77 ▲ 55%	106 ▼ 8%	157 ▼ 7%
• Net income [mil lei]	81 ▲ 188%	-16	-0	30 ▲ 8%	68 ▼ 4%

Operational

	2018 y/y	4Q y/y	3Q y/y	2Q y/y	1Q y/y
• Consumption* [TWh]	58.2 ▲ 2,2%	15.2 ▲ 2,3%	13.9 ▲ 1,7%	13.5 ▲ 1,3%	15.6 ▲ 3,2%
• Production* [TWh]	60.7 ▲ 1,5%	15.2 ▼ 2,4%	14.8 ▲ 7,7%	13.9 ▼ 0,4%	16.8 ▲ 1,5%
• Export net [TWh]	2.5 ▼ 12,3%	0.0 ▼ 96,8%	0.9 ▲ 822,8%	0.4 ▼ 38,3%	1.2 ▼ 16,1%

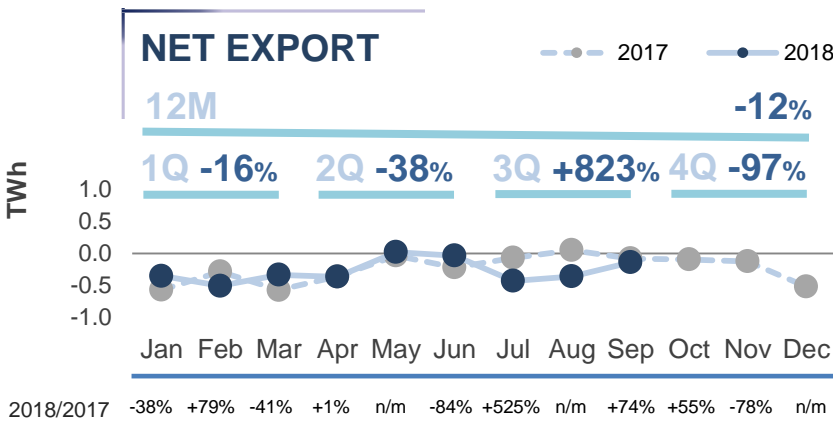
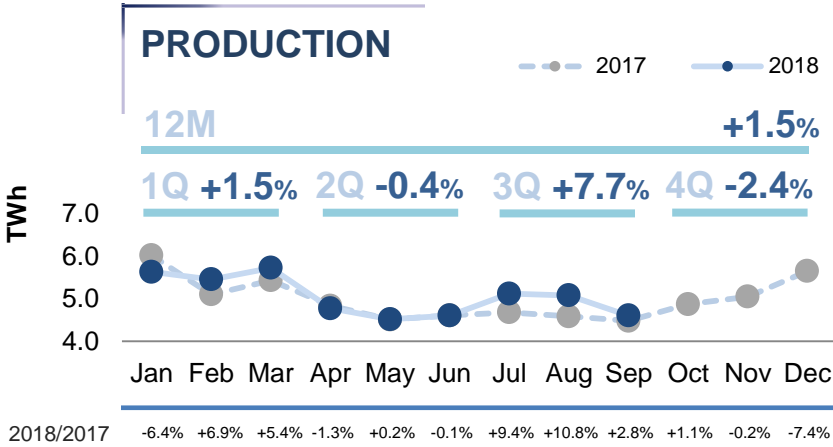
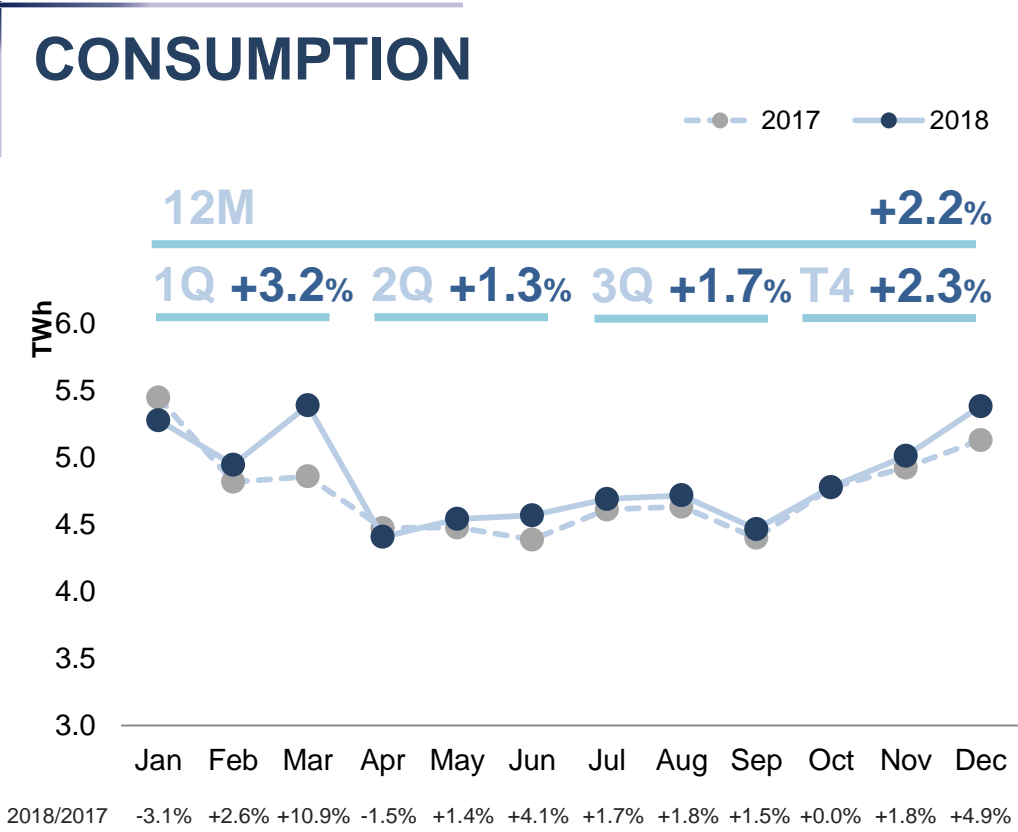
*consumption/generation numbers do not include power plants' own electricity consumption. Consumption includes (i) consumption for hydro pumped storage, and (ii) energy losses in transmission and distribution networks. Cross-border net flow is calculated based on physical flows (export-import) aggregated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

Regulatory framework

- Profit-allowed segment: lower transmission tariffs applied in 2018 as compared to 2017, as per the annual regulatory review at 1-Jul-2017 (Transmission ▼9.8 %, Dispatching ▼14.5%); the impact on revenues was offset by the +1.9% increase in volumes driven by growing electricity consumption in Romania
- Pass-through segment:
Stand-by balancing back-up capacity services (balancing capacity services): loss incurred in 9M 2018 due to increasing prices in the balancing capacity market

Domestic demand – slight growth in 2018 (+2.2% y.o.y.)

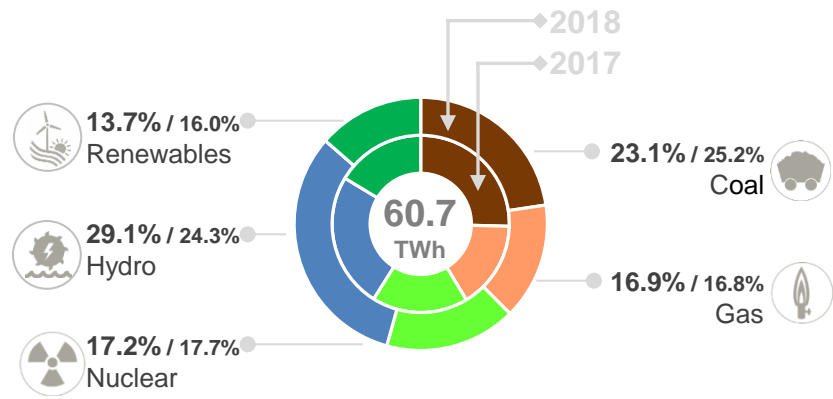
Domestic production – slight increase in 2018 (+1.5% y.o.y.)



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).

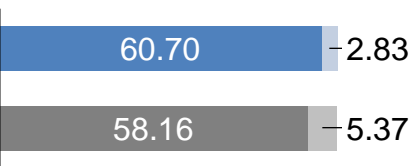
2018 / 2017

Electricity net production mix



2018

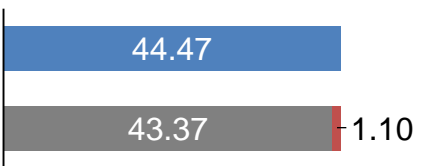
National electricity balance



■ National power plant output
■ Import

■ National consumption
■ Export

Transmission losses **2.47%**

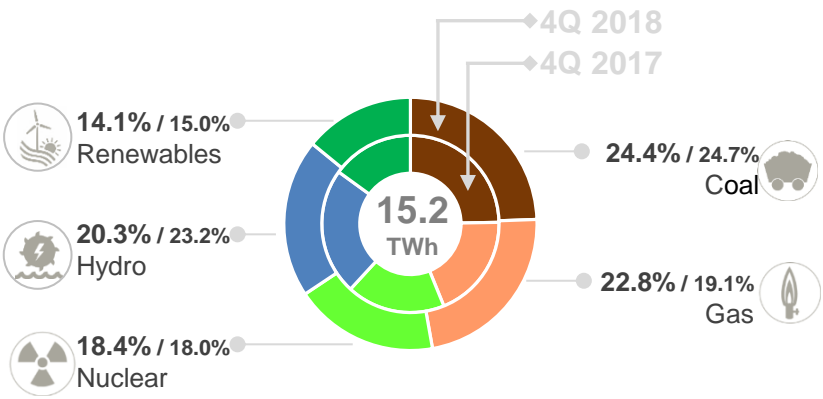


■ Grid in-take volume

■ Grid out-take volume
■ Grid losses

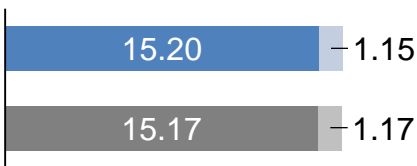
4Q 2018 / 4Q 2017

Electricity net production mix



4Q 2018

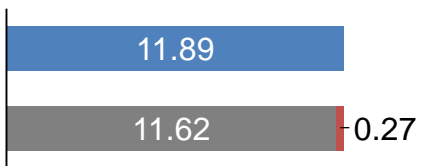
National electricity balance



■ National power plant output
■ Import

■ National consumption
■ Export

Transmission losses **2.26%**



■ Grid in-take volume

■ Grid out-take volume
■ Grid losses

Profit & Loss

[mil Lei]	2018	2017	Δ%	4Q 2018	4Q 2017	Δ%	3Q 2018	3Q 2017	Δ%	2Q 2018	2Q 2017	Δ%	1Q 2018	1Q 2017	Δ%
Billed volume [TWh]	55.78	54.75	+1.9%	14.51	14.25	+1.9%	13.31	13.11	+1.5%	12.96	12.80	+1.2%	15.00	14.60	+2.7%
Profit-allowed operations															
Revenues	1,180	1,173	+0.6%	328	290	+13.3%	292	268	+8.8%	260	283	-8.3%	300	332	-9.7%
Costs	740	715	+3.6%	243	222	+9.4%	168	162	+3.2%	161	157	+2.0%	170	173	-2.0%
EBITDA	440	459	-4.1%	86	68	+26.1%	124	106	+17.3%	99	126	-21.1%	130	159	-18.0%
EBITDA margin	37%	39%		26%	23%		43%	39%		38%	44%		43%	48%	
Depreciation	298	312	-4.3%	72	78	-6.9%	75	78	-4.0%	76	78	-2.9%	76	78	-3.5%
EBIT	142	147	-3.7%	13	-10	-231.4%	50	28	+76.1%	24	48	-50.5%	55	81	-32.1%
Pass-through operations															
Revenues	1,541	1,887	-18.3%	561	356	+57.4%	307	407	-24.5%	288	331	-12.8%	385	793	-51.5%
Costs	1,582	1,966	-19.6%	587	379	+54.9%	354	463	-23.4%	282	341		358	783	
EBIT	-40	-79	n/m	-26	-23	n/m	-47	-56	-15.8%	6	-11		27	11	
All operations															
Revenues	2,722	3,060	-11.1%	889	646	+37.7%	599	675	-11.2%	548	614	-10.7%	685	1,125	-39.1%
Costs	2,322	2,680	-13.4%	830	601	+38.1%	522	625	-16.5%	443	499	-11.3%	528	956	-44.8%
EBITDA	400	380	+5.2%	60	45	+31.8%	77	50	+54.9%	106	115	-8.4%	157	170	-7.3%
EBIT	101	68	+49.0%	-13	-33	-60.8%	2	-28	-107.9%	30	37	-19.9%	82	91	-10.5%
Net Income	81	28	+187.6%	-16	-37	-55.6%	0	-34	-98.5%	30	27	+8.4%	68	71	-4.0%

Volumes:

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

Profit-allowed segment:

- **Revenues - slight increase**
- **Costs - slight increase**, higher grid losses (unfavorable weather conditions, unfavorable grid flow patterns), higher congestion costs (grid outages due to extreme disruptive natural events as well as planned grid outages due to granting requests by the Ukrainian peer to temporarily take the cross-border link offline for maintenance work) were partially offset by the decrease in other costs

Pass-through segment:

- **Stand-by balancing capacity services (balancing reserves) -** loss in 2018 (gain in 1H due to tariff increase at 1th-Jan and loss in 2H due to tariff cut at 1th-Jul). The profit-claw-back two-year schedule designed by ANRE ends 30th-Jun-2019. Claw-back was completed 31th-Dec-2018 that is six months ahead of schedule.
- **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

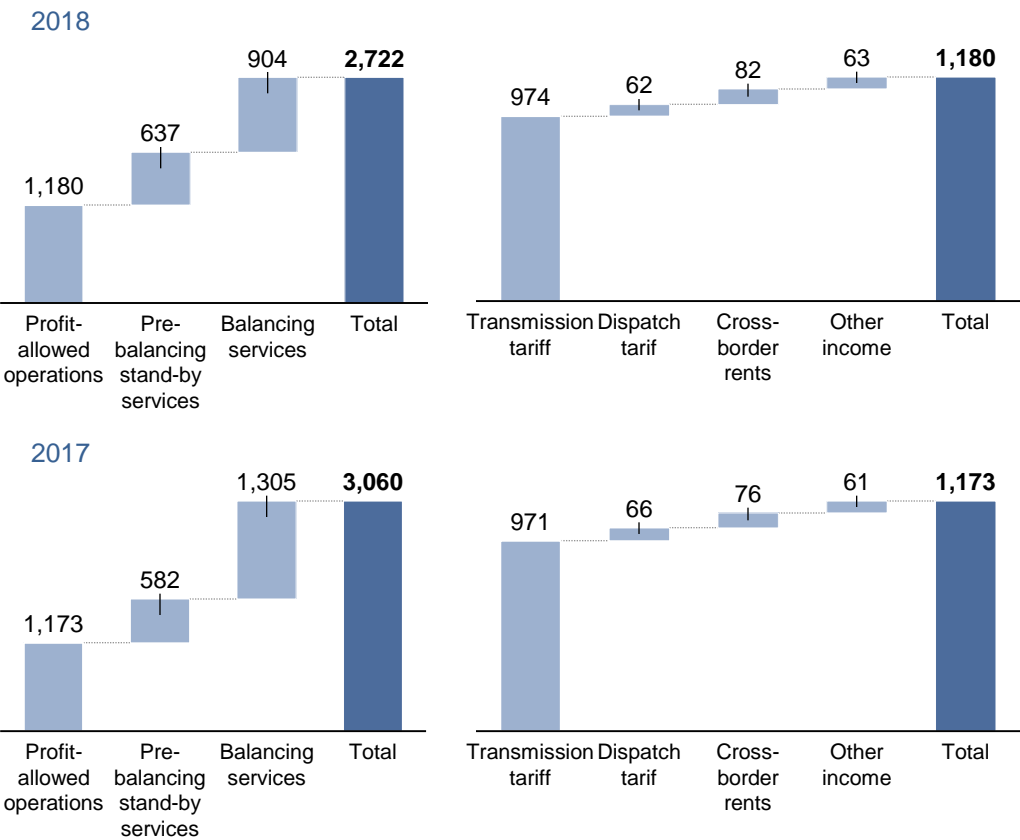
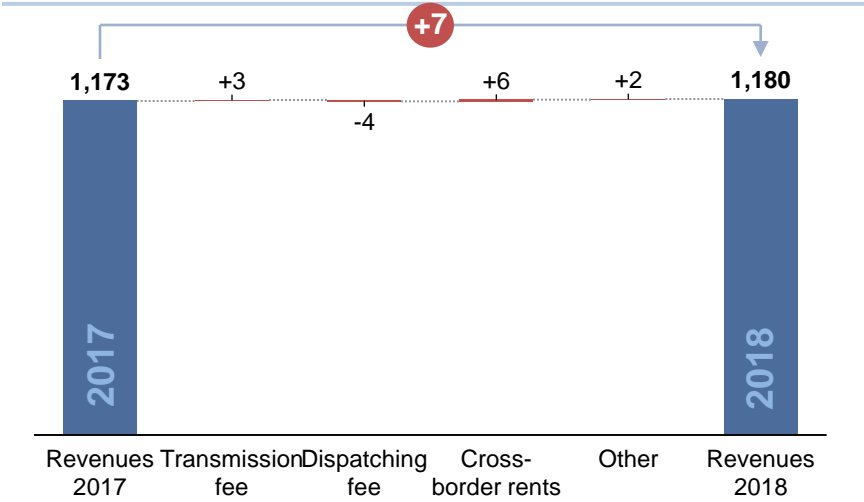


Chart unit: mil Lei

Operational revenues

PROFIT-ALLOWED OPERATIONS: BREAKDOWN



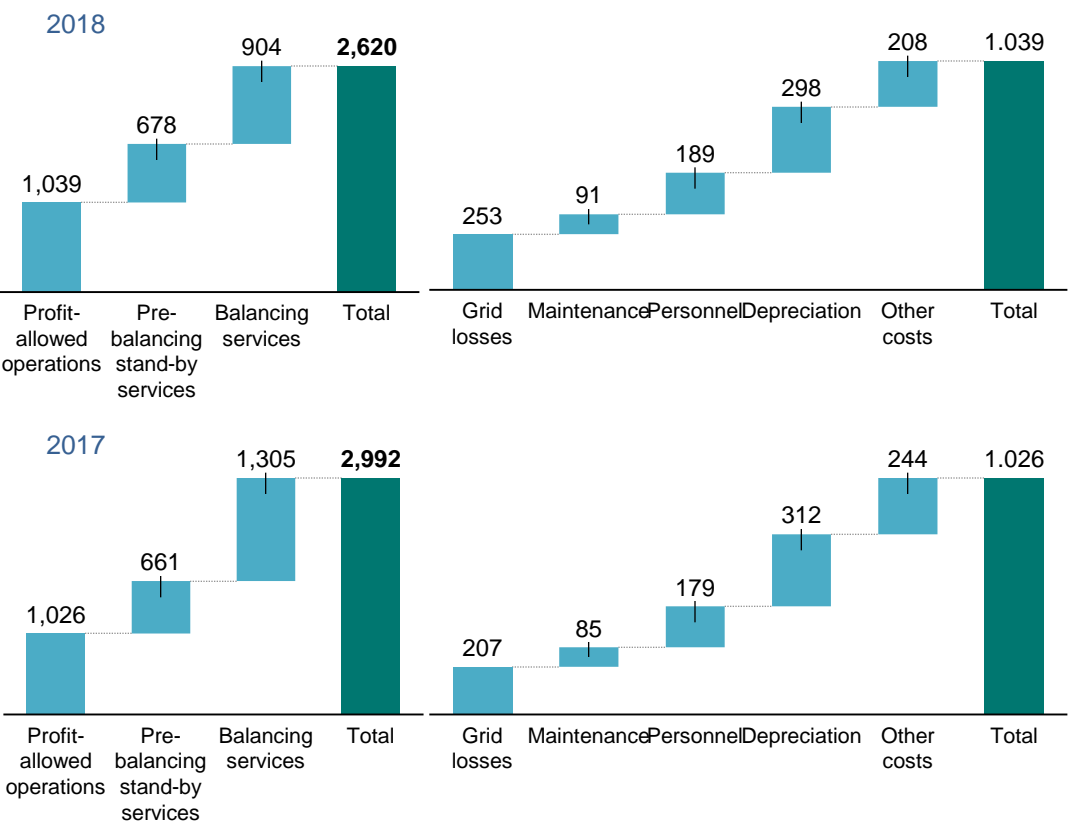
DRIVERS BEHIND THE EVOLUTION OF REVENUES

The overall lower transmission tariff in 2018 (the tariff increase as of 1 July 2018 followed a tariff cut as of 1 July 2017, the increase in 2018 was smaller as compared to the cut in 2017) was offset by the increase in electricity demand

Operations | Costs

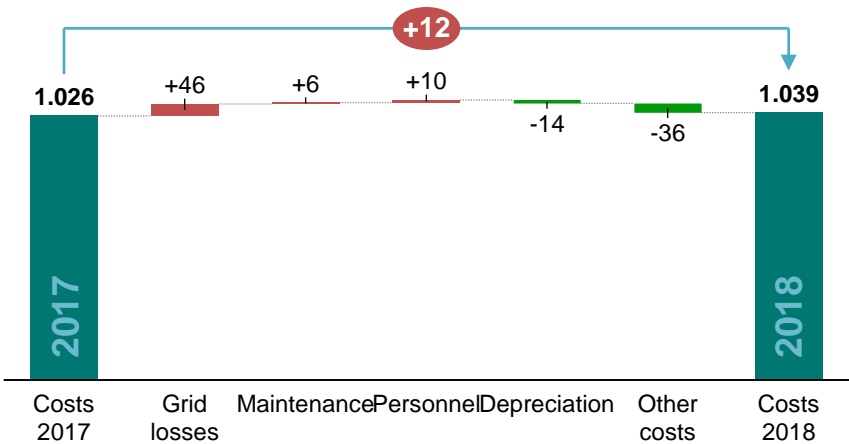
Operational expenses

ALL OPERATIONS PROFIT-ALLOWED OPERATIONS



Operational expenses

PROFIT-ALLOWED OPERATIONS: BREAKDOWN

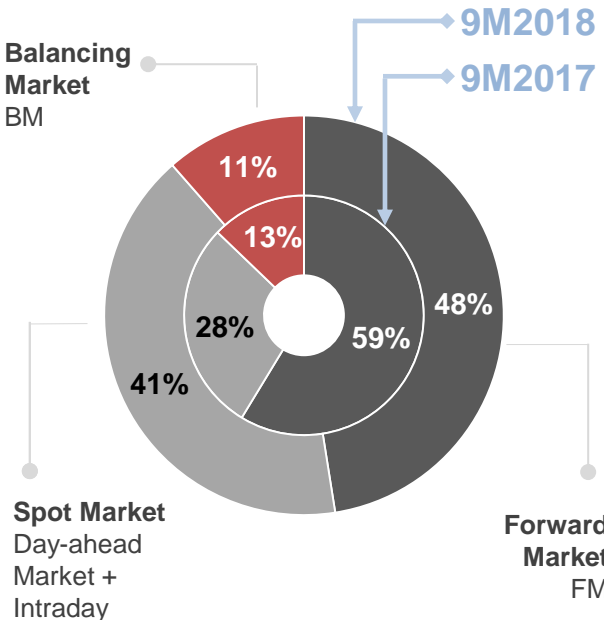
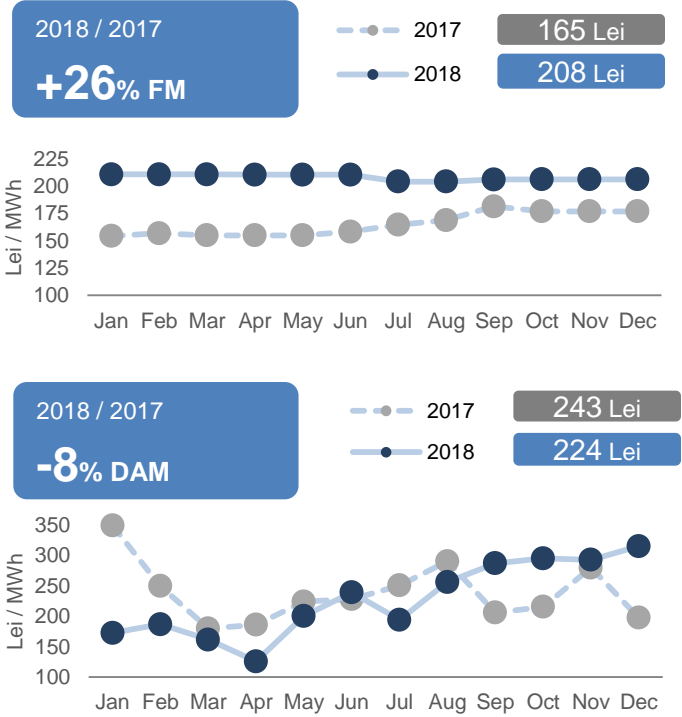
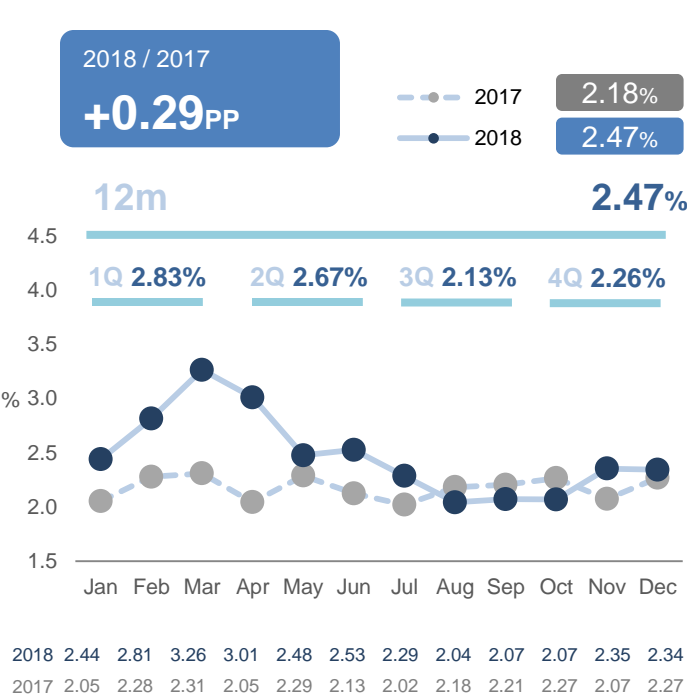


DRIVERS BEHIND THE OVERALL INCREASE IN COSTS

- ▲ Grid losses costs – driven by operating conditions
- ▲ Grid congestions – driven by operating conditions (including extremely disruptive natural events i.e. force majeure)
- ▼ Other expenses – smaller amounts booked as doubtful debt in market balancing operations

Chart unit: mil Lei

Operational costs | grid losses



GRID LOSSES

44.47 TWh
GRID IN-TAKE VOLUME IN 2018

43.37 TWh
GRID OFF-TAKE VOLUME IN 2018

2.47% (1.10 TWh)
GRID LOSSES IN 2018

PRICES PAID PER MARKET

208 Lei/MWh (▲26%)
FORWARD MARKET (FM)

224 Lei/MWh (▼8%)
DAY-AHEAD MARKET (DAM)

313 Lei/MWh (▼23%)
BALANCING MARKET (BM)

AVERAGE PRICE / PURCHASE MIX

224 Lei/MWh (▲5%)
CROSS-MARKET AVERAGE PRICE PAID

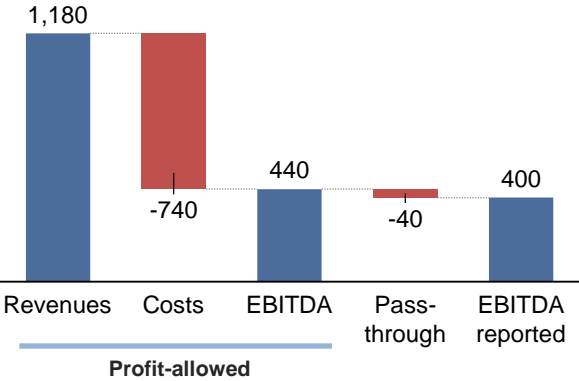
48%FM / 41%SPOT / 11%BM (2018)
PURCHASE MIX (VOLUMES)

59%FM / 28%SPOT / 13%BM (2017)
PURCHASE MIX (VOLUMES)

Operational profit | EBITDA

FROM REVENUES TO EBITDA

2018



2017

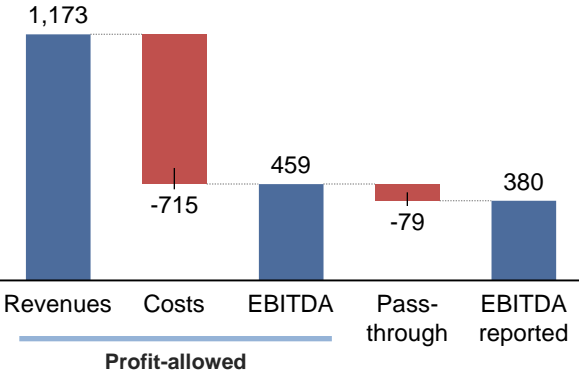
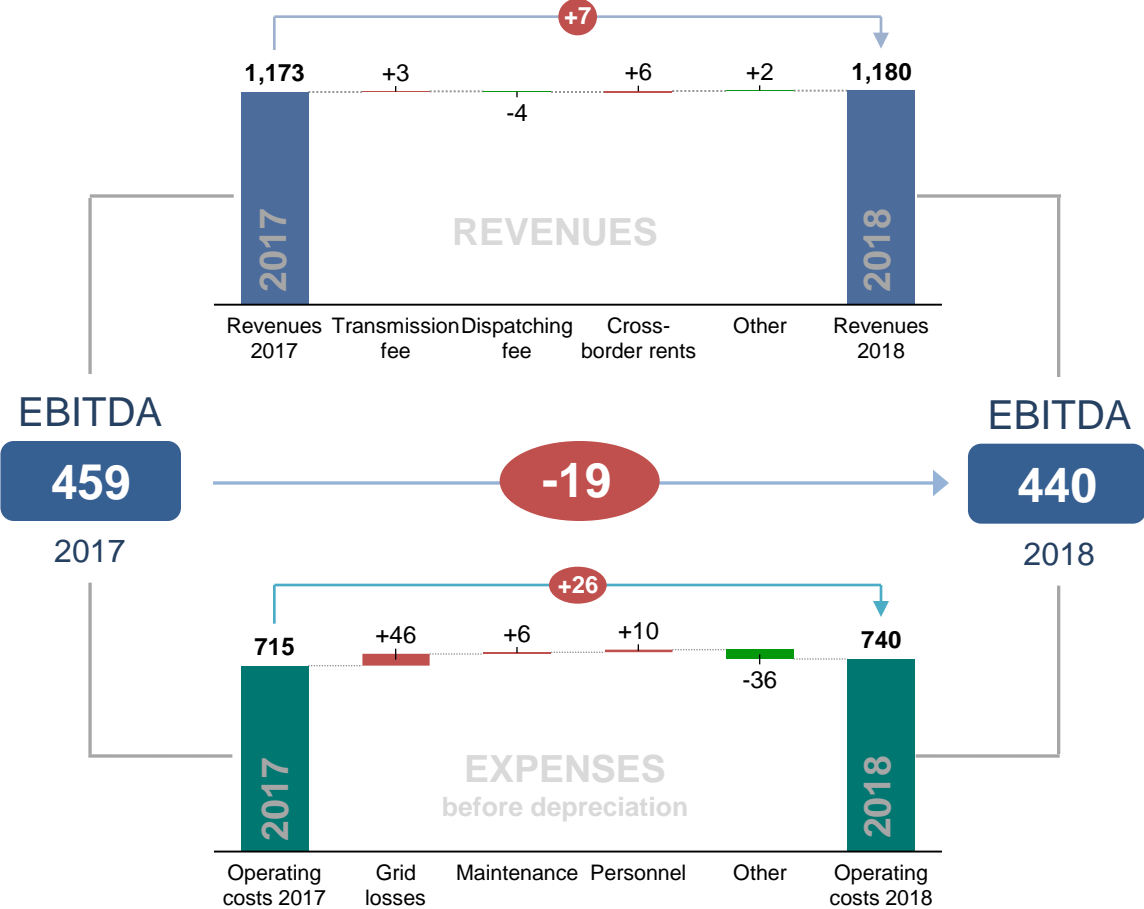


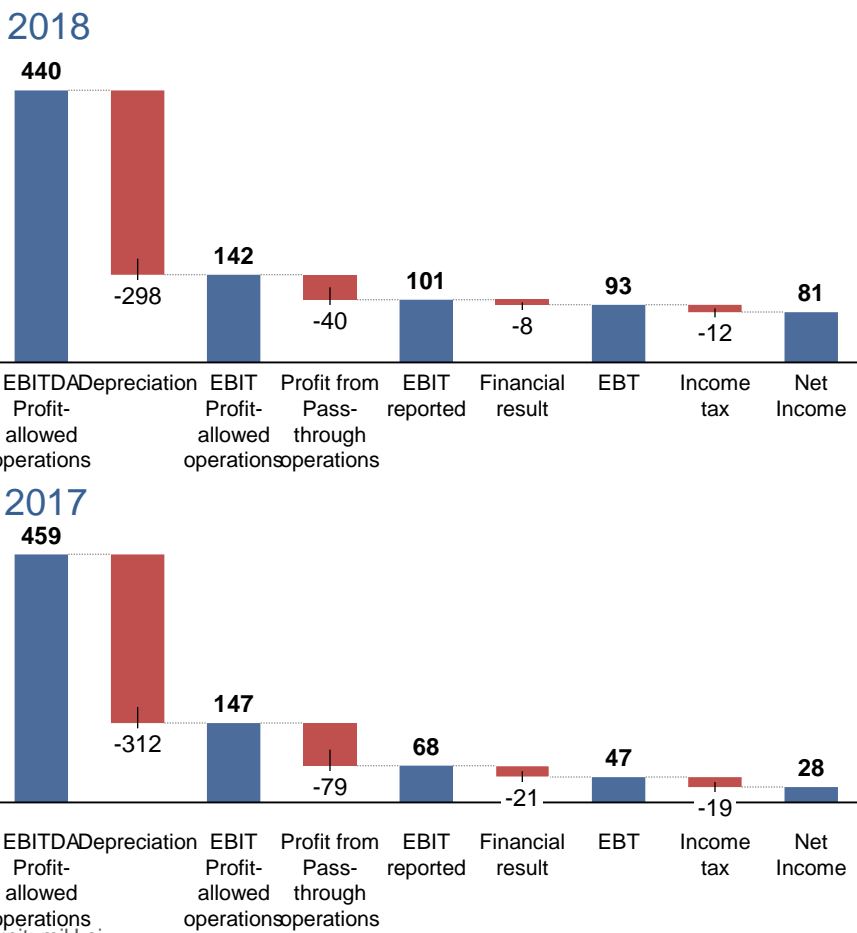
Chart unit: mil Lei

EBITDA BREAKDOWN (PROFIT-ALLOWED)

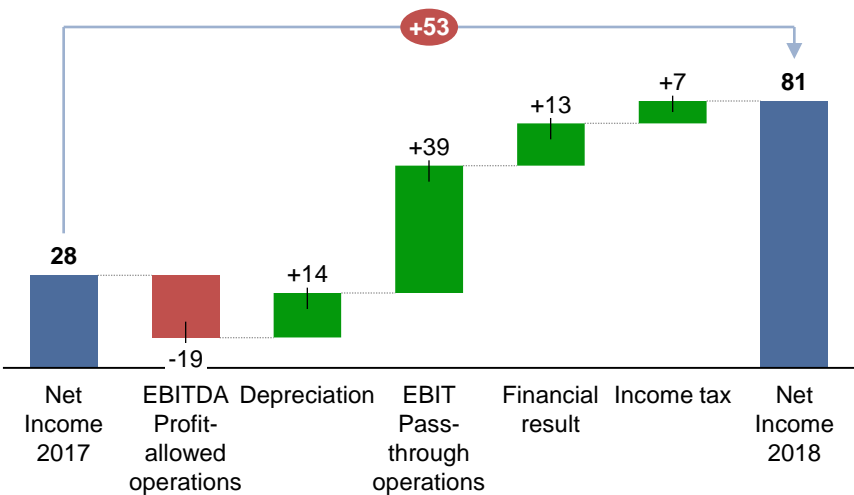


From EBITDA to Net income

FROM EBITDA TO NET INCOME



NET INCOME BREAKDOWN



MAIN DRIVERS BEHIND THE INCREASE IN NET INCOME

- ▲ A softer loss incurred in *pass-through* segment, lower net financial expenses, lower depreciation expense and lower income tax compensated the drop in EBITDA generated from *profit-allowed* segment and pushed net income up
- ▼ Deterioration of EBITDA from profit-allowed operations – mainly driven by higher grid losses, grid congestions, maintenance and personnel costs

Delivered in 2018

481
Lei m

New contracts

Total aggregate amount for contracts signed in 2018

Selected items:

- 107.2 mil Lei – Refurbishment of substation Smardan 400/110/20kV
- 49.7 mil Lei – Refurbishment of substation Medgidia Sud 400/110/20kV
- 49.7 mil Lei – Refurbishment of substation Hasdat 220/110kV




169
Lei m

Capital expenditure

Amounts added to construction-work-in-progress in 2018

Selected items:

- 22.2 mil Lei - Refurbishment of substation Isaccea 400kV
- 20.1 mil Lei - Refurbishment of substation Turnu Severin Est 220/110kV
- 11.4 mil Lei - Replacement of components of the EMS SCADA AREVA system , hardware and software



249
Lei m

Assets commissioned

Amounts transferred from construction-work-in-progress to fixed assets in 2018

Selected items:

- 98.6 mil Lei - Line Resita – Pancevo
- 31.4 mil Lei - Refurbishment of substation Bradu 400/220/110/20kV
- 16.7 mil Lei - Refurbishment of substation Suceava 110/20kV

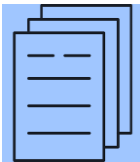


Procurement phase

606*
Lei m

In the pipeline

Total aggregate amount for ongoing procurement actions for investment works (posted on the public online central register for public procurement actions)



* as of 20.03.2019



Thank you for your attention!



The Electricity Transmission Grid of Romania

Company under Two-Tier Management System

WE LEAD THE POWER



[Lei m]	FY2018 IFRS audited	FY2017 IFRS unaudited		4Q2018 IFRS unaudited	4Q2017 IFRS unaudited		3Q2018 IFRS unaudited	3Q2017 IFRS unaudited		2Q2018 IFRS unaudited	2Q2017 IFRS unaudited		1Q2018 IFRS unaudited	1Q2017 IFRS unaudited	
Billed volume [TWh]	55.78	54.75 ▲	1.9%	14.51	14.25 ▲	2%	13.31	13.11 ▲	2%	12.96	12.80 ▲	1%	15.00	14.60 ▲	3%
Profit-allowed operations															
Operational revenues	1,180	1,173 ▲	0.6%	328	290 ▲	13%	292	268 ▲	9%	260	283 ▼	8%	300	332 ▼	10%
Operational revenues Transmission	1,070	1,055 ▲	1.4%	299	261 ▲	15%	266	240 ▲	11%	233	255 ▼	9%	272	299 ▼	9%
Operational revenues Transmission Regulated fee	974	971 ▲	0.3%	263	240 ▲	10%	241	220 ▲	10%	217	239 ▼	9%	253	273 ▼	7%
Operational revenues Transmission Cross-border rents	82	76 ▲	7.9%	30	19 ▲	58%	22	18 ▲	19%	13	15 ▼	11%	17	24 ▼	29%
Operational revenues Transmission Other	15	8 ▲	76.8%	6	2 ▲	162%	3	1 ▲	105%	3	2 ▲	31%	2	2 ▲	12%
Operational revenues Dispatching	64	68 ▼	6.3%	16	16 ▲	1%	15	16 ▼	4%	15	17 ▼	13%	18	19 ▼	9%
Operational revenues Dispatching Regulated fee	62	66 ▼	6.1%	16	16 ▲	2%	15	15 ▲	1%	14	17 ▼	13%	17	19 ▼	12%
Operational revenues Dispatching Unplanned cross-border flows	2	2 ▼	10.4%	0	0 ▼	46%	0	1 ▼	84%	1	1 ▼	4%	1	0 ▲	341%
Operational revenues Other income	46	50 ▼	7.9%	13	12 ▲	6%	11	13 ▼	15%	12	11 ▲	10%	11	14 ▼	26%
Operational costs	740	715 ▲	3.6%	243	222 ▲	9%	168	162 ▲	3%	161	157 ▲	2%	170	173 ▼	2%
Operational costs System operation	309	258 ▲	19.8%	97	65 ▲	48%	62	63 ▼	2%	63	52 ▲	21%	87	77 ▲	13%
Operational costs System operation Grid losses	253	207 ▲	22.1%	78	55 ▲	42%	53	51 ▲	4%	54	39 ▲	39%	67	62 ▲	8%
Operational costs System operation Congestion relief	8	0 ▲		2	0 ▲		1	0 ▲		0	0 ▲	9472%	5	0 ▲	#####
Operational costs System operation Power consumption in grid substations	17	14 ▲	19.6%	5	4 ▲	25%	3	3 ▲	8%	3	3 ▲	10%	6	4 ▲	30%
Operational costs System operation Inter-TSO-Compensation	15	20 ▼	23.4%	5	3 ▲	91%	2	5 ▼	67%	3	7 ▼	58%	5	5 ▲	2%
Operational costs System operation Other	15	16 ▼	5.3%	6	3 ▲	83%	4	4 ▼	16%	3	4 ▼	26%	3	5 ▼	38%
Operational costs Maintenance	91	85 ▲	7.2%	26	27 ▼	3%	27	23 ▲	16%	25	20 ▲	24%	13	14 ▼	10%
Operational costs Personell	189	179 ▲	5.6%	52	47 ▲	11%	48	44 ▲	9%	46	46 ▼	2%	43	41 ▲	5%
Operational costs Other	152	193 ▼	21.2%	68	83 ▼	18%	30	31 ▼	3%	27	38 ▼	31%	27	41 ▼	34%
EBITDA	440	459 ▼	4.1%	86	68 ▲	26%	124	106 ▲	17%	99	126 ▼	21%	130	159 ▼	18%
Operational costs Depreciation and amortization	298	312 ▼	4.3%	72	78 ▼	7%	75	78 ▼	4%	76	78 ▼	3%	76	78 ▼	4%
EBIT	142	147 ▼	3.7%	13	-10 ▲	-	50	28 ▲	76%	24	48 ▼	51%	55	81 ▼	32%
Pass-through operations															
Operational revenues	1,541	1,887 ▼	18.3%	561	356 ▲	57%	307	407 ▼	24%	288	331 ▼	13%	385	793 ▼	51%
Operational revenues System service	637	582 ▲	9.5%	155	137 ▲	13%	140	126 ▲	11%	158	149 ▲	6%	184	170 ▲	8%
Operational revenues Balancing service	904	1,305 ▼	30.7%	406	219 ▲	85%	167	280 ▼	40%	130	182 ▼	28%	200	623 ▼	68%
Operational costs	1,582	1,966 ▼	19.6%	587	379 ▲	55%	354	463 ▼	23%	282	341 ▼	17%	358	783 ▼	54%
Operational costs System service	678	661 ▲	2.5%	181	160 ▲	13%	187	183 ▲	3%	152	160 ▼	5%	158	160 ▼	1%
Operational costs Balancing service	904	1,305 ▼	30.7%	406	219 ▲	85%	167	280 ▼	40%	130	182 ▼	28%	200	623 ▼	68%
EBIT	-40	-79 ▲	49.1%	-26	-23 ▼	15%	-47	-56 ▲	16%	6	-11 ▲	-	27	11 ▲	155%
All operations (profit-allowed and pass-through)															
Operational revenues	2,722	3,060 ▼	11.1%	889	646 ▲	37.7%	599	675 ▼	11%	548	614 ▼	11%	685	1,125 ▼	39%
Operational costs	2,322	2,680 ▼	13.4%	830	601 ▲	38%	522	625 ▼	16%	443	499 ▼	11%	528	956 ▼	45%
EBITDA	400	380 ▲	5.2%	60	45 ▲	31.8%	77	50 ▲	55%	106	115 ▼	8%	157	170 ▼	7%
Operational costs Depreciation and amortization	298	312 ▼	4.3%	72	78 ▼	7%	75	78 ▼	4%	76	78 ▼	3%	76	78 ▼	4%
EBIT	101	68 ▲	49.0%	-13	-33 ▲	61%	2	-28 ▲	-	30	37 ▼	20%	82	91 ▼	11%
Financial result	-8	-21 ▲	60.9%	-2	-7 ▲	74%	-1	-5 ▲	79%	-2	-4 ▲	59%	-4	-5 ▲	21%
EBT	93	47 ▲	98.5%	-15	-40 ▲	63%	1	-34 ▲	-	28	34 ▼	16%	78	87 ▼	10%
Income tax	-12	-19 ▲	36.8%	-2	3 ▼	-	-2	0 ▼	3127%	1	-6 ▲	-	-10	-16 ▲	37%
Net Income	81	28 ▲	187.6%	-16	-37 ▲	55.6%	0	-34 ▲	99%	30	27 ▲	8%	68	71 ▼	4%

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