



THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR



UNAUDITED FINANCIAL STATEMENTS FOR 1Q2017

PREPARED IN ACCORDANCE WITH THE IFRS - EU

Bucharest, May 23, 2017

Summary

2

1. Income statement as of 31.03.2017

2. Balance sheet as of 31.03.2017

3. Factors influencing revenues

4. Factors influencing costs

5. Main business drivers

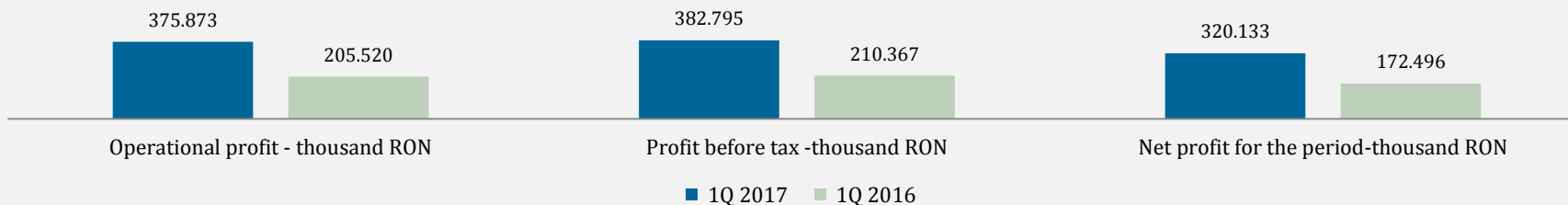
6. Main indicators

7. Other information

1. Income statement as of 31.03.2017(1)

3

COMPREHENSIVE INCOME -RON	1Q2017	1Q2016	CHANGES	
	unaudited	unaudited	absolute	relative
Operational income before balancing and the construction activity according to IFRIC12	638,661,518	464,846,142	173,815,376	37%
Operational costs before balancing and the construction activity according to IFRIC12	266,632,791	261,275,447	5,357,344	2%
Operational profit before balancing and the construction activity according to IFRIC12	372,028,727	203,570,695	168,458,032	83%
Revenues from the balancing activity	46,982,058	17,522,541	29,459,517	168%
Expenses with balancing gas	43,138,060	15,573,348	27,564,712	177%
Income from the construction activity according to IFRIC12	7,421,425	7,300,188	121,237	2%
Cost of assets constructed according to IFRIC12	7,421,425	7,300,188	121,237	2%
Operational profit	375,872,725	205,519,888	170,352,837	83%
Financial revenues	11,074,534	6,982,120	4,092,414	59%
Financial expenses	4,152,071	2,134,877	2,017,194	94%
Financial income, net	6,922,463	4,847,243	2,075,220	43%
Profit before tax	382,795,188	210,367,131	172,428,057	82%
Profit tax expense	62,662,377	37,871,034	24,791,343	65%
Net profit for the period	320,132,811	172,496,097	147,636,714	86%



Operational income before balancing and the construction activity according to IFRIC12 increased by 37%

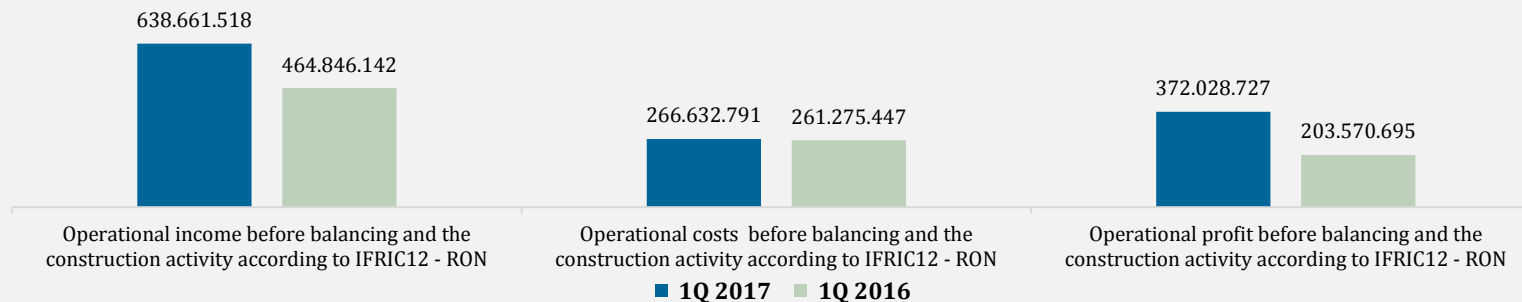
Operational costs before balancing and the construction activity according to IFRIC12 increased by 2%

Net Profit increased by 86%

1. Income statement as of 31.03.2017(2) -Operating activity

4

OPERATING ACTIVITY-RON	1Q2017	1Q2016	CHANGES	
	unaudited	unaudited	absolute	relative
Revenues from domestic gas transmission activity	532,226,455	371,374,491	160,851,964	43%
Revenues from international gas transmission activity	91,650,179	80,548,213	11,101,966	14%
Other revenues	14,784,884	12,923,438	1,861,446	14%
Operational income before balancing and the construction activity according to IFRIC12	638,661,518	464,846,142	173,815,376	37%
Depreciation	53,343,721	51,368,807	1,974,914	4%
Employees costs	79,541,892	79,719,840	-177,948	-1%
Technological consumption, materials and consumables used	30,118,394	37,045,761	-6,927,367	-19%
Royalty expenses	62,387,664	45,192,272	17,195,392	38%
Maintenance and transport	3,844,652	3,466,418	378,234	11%
Taxes and other amounts owed to the State	17,416,880	13,795,647	3,621,233	26%
Expenses with the provision for risks and expenses	3,319,210	2,664,751	654,459	25%
Other operating expenses	16,660,378	28,021,951	-11,361,573	-41%
Operational costs before balancing and the construction activity according to IFRIC12	266,632,791	261,275,447	5,357,344	2%
Operational profit before balancing and the construction activity according to IFRIC12	372,028,727	203,570,695	168,458,032	83%



2. Balance sheet on 31.03.2017(1)

5

ASSETS	31/3/2017	31/12/2016	CHANGES	
	unaudited		absolute	relative
Intangible assets	2,532,164,163	2,583,472,652	-51,308,489	-2%
Tangible assets	598,862,246	588,078,005	10,784,241	2%
Financial assets available for sale	-	-	-	-
Trade receivables and other receivables	634,114,835	626,403,203	7,711,632	1%
Fixed assets	3,765,141,244	3,797,953,860	-32,812,616	-1%
Inventories	86,760,243	83,714,634	3,045,609	4%
Commercial receivables and other receivables	538,249,180	523,488,266	14,760,914	3%
Cash and cash equivalents	1,344,562,743	949,293,236	395,269,507	42%
Current assets	1,969,572,166	1,556,496,136	413,076,030	27%
TOTAL ASSETS	5,734,713,410	5,354,449,996	380,263,414	7%



The value of Regulated Asset Base as set at the beginning of the third regulatory period is RON 2,602,118 thousand

2. Balance sheet on 31.03.2017(2)

6

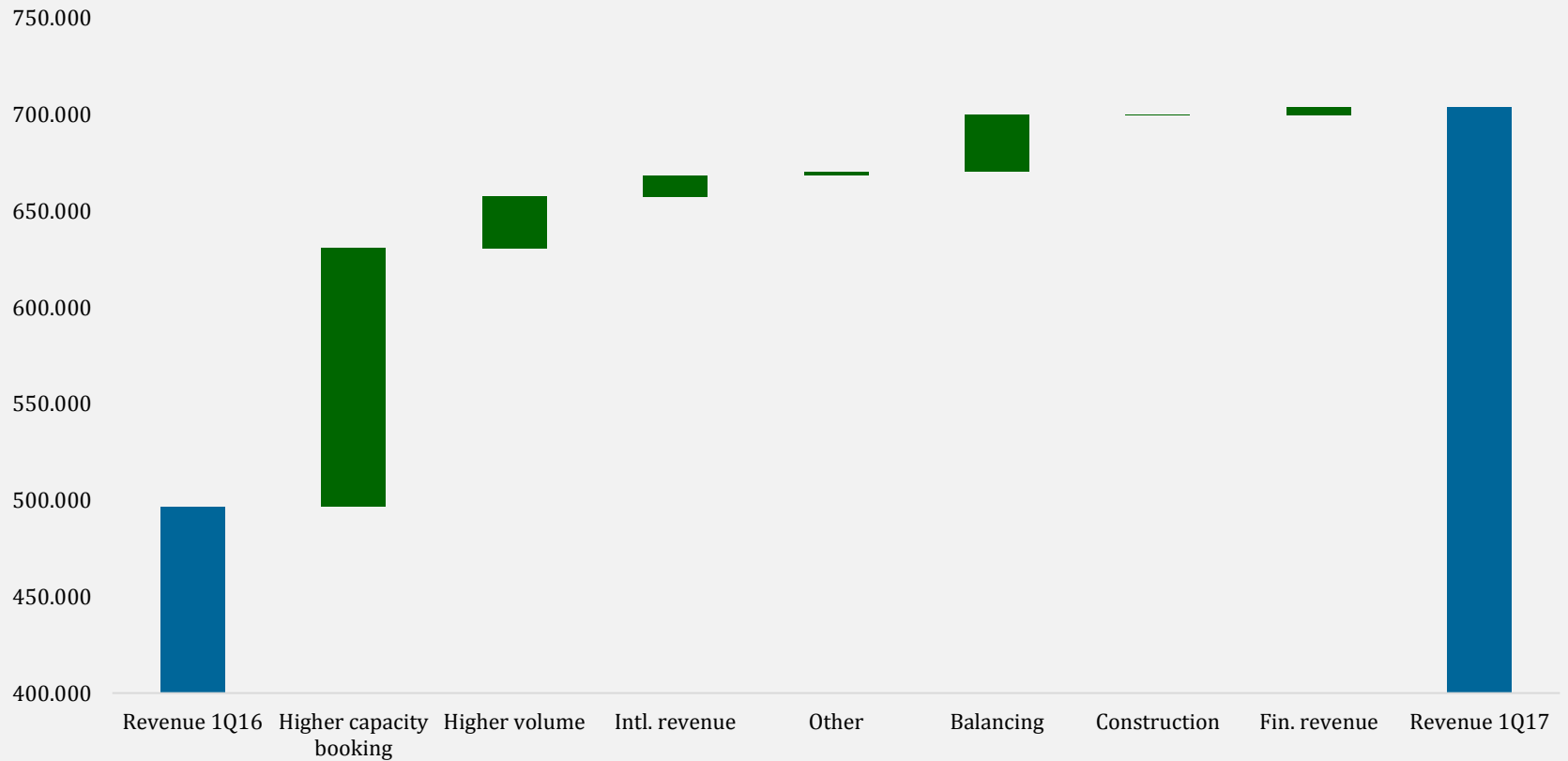
EQUITY AND DEBTS	31/3/2017	31/12/2016	CHANGES	
			absolute	relative
Share capital	117,738,440	117,738,440	-	-
Hyperinflation adjustment of share capital	441,418,396	441,418,396	-	-
Share premium	247,478,865	247,478,865	-	-
Other reserves	1,265,796,861	1,265,796,861	-	-
Retained earnings	2,085,401,684	1,765,268,873	320,132,811	18%
Equity	4,157,834,246	3,837,701,435	320,132,811	8%
Provision for employee benefits	109,128,058	109,128,058	-	-
Deferred income	1,037,159,135	1,036,619,965	539,170	0,05%
Deferred tax payment	64,542,048	65,668,155	-1,126,107	-2%
Long term debts	1,210,829,241	1,211,416,178	-586,937	-0,05%
Commercial debts and other debts	278,804,856	251,110,230	27,694,626	11%
Provision for risks and charges	18,698,721	15,379,511	3,319,210	22%
Current tax payment	63,788,484	34,084,780	29,703,704	87%
Provision for employee benefits	4,757,862	4,757,862	-	-
Current debts	366,049,923	305,332,383	60,717,540	20%
Total debts	1,576,879,164	1,516,748,561	60,130,603	4%
TOTAL EQUITY AND DEBTS	5,734,713,410	5,354,449,996	380,263,414	7%



3. Factors influencing revenues (1)

7

Revenues: 1Q17 vs. 1Q16



3. Factors influencing revenues (2)

Comparison to 1Q2016

8

Operating revenue before the balancing and construction activity, according to IFRIC12 increased by 37% as compared to 1Q 2016, which is higher by RON 173,815 thousand.

The revenue was mainly influenced by the following factors:

- *capacity booking revenue higher by RON 134,034 thousand due to:*
 - *The increasing of the capacity booked by 2,534,904 MWh, mainly due to the invoicing of the booking capacity surplus for Q I 2017 according to ANRE Order 1/18.01.2016, ANRE Order 14/30 March 2016 and ANRE Order 160/26 November 2015;*
- *volumetric component revenue higher by RON 26,818 thousand due to:*
 - *the gas transmitted capacities higher by 7,536,391 MWh/676,812 thousand cm (▲ 19%), as compared to Q I 2016, detailed by categories of consumers as follows:*

		Q I 2016	Q I 2017	Change
Quantity transmitted for direct consumers	MWh	30,931,744	34,770,404	3,838,660
	thousand m ³	2,890,176	3,228,289	338,113
Quantity transmitted for distribution	MWh	8,856,355	12,554,086	3,697,731
	thousand m ³	835,324	1,174,023	338,699
Total	MWh	39,788,099	47,324,490	7,536,391
	thousand m ³	3,725,500	4,402,312	676,812

- *international gas transmission revenues higher by RON 11,102 thousand due to the changes in the foreign currency of the contracts and to the application of ANRE Order 34/19 July 2016;*
- *other operating revenues higher by RON 1,861 thousand;*

Revenue from the balancing activity increased by **RON 29.460 thousand** based on the following factors:

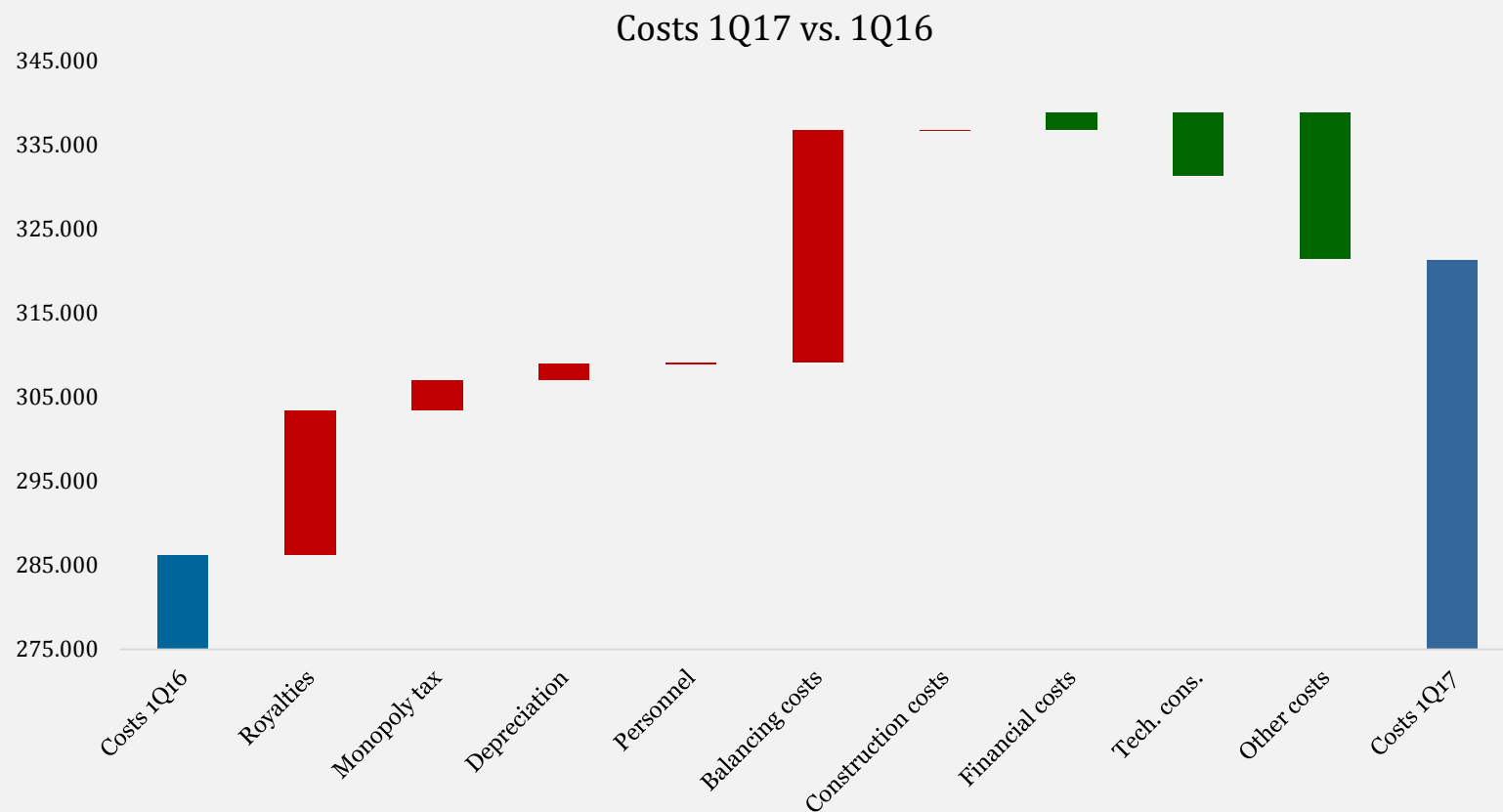
- quantity higher by 385.112 MWh with a positive influence of RON 38.765 thousand;
- trading price lower by RON 16,64/MWh, with a negative influence of RON 9.306 thousand.

Revenue from the construction activity higher by **RON 121 thousand**, registered in line with IFRIC 12, according to which revenue and costs related to the construction activity or the improvement of the transmission network, in exchange of which the intangible asset is registered, must be acknowledged in line with IAS 11, Construction Contracts.

Financial revenue has a positive influence of **RON 4.092 thousand** based on the changes in the foreign exchange rates.

4. Factors influencing costs (1)

9



4. Factors influencing costs (2)

Comparison to 1Q2016

10

The operating costs before the balancing and construction activity, according to IFRIC₁₂ increased by 2% as compared to 1Q2016, which is higher by RON 5,357 thousand.

The company made savings of RON 18,289 thousand, mainly in relation to the following cost elements:

- Transmission system technological consumption and loss decreased by RON 7,473 thousand, the gas quantity for the technological consumption is lower as compared to quarter I of 2016, as follows:

		Q I 2016	Q I 2017	Change
Quantities of technological consumption	MWh	433,665	348,360	-85,305
	thousand m ³	40,430	34,575	-5,855

- Other operating costs: RON 11,362 thousand;

An expense surplus of RON 23,646 thousand was recorded mainly in relation to the following cost elements:

- royalty tax costs: RON 17,195;
- monopoly tax costs: RON 3,527 thousand;
- depreciation costs: RON 1,975 thousand;
- cost of personnel: RON 159 thousand;

The financial cost is higher by **RON 2,017 thousand** based on the foreign exchange gain.

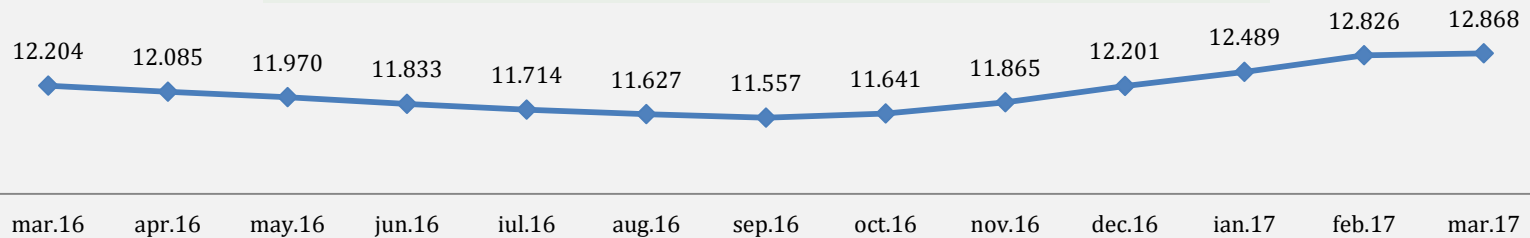
As compared to Quarter I 2016 the gross profit obtained in Quarter I 2017 increased by 82%, which was higher by RON 172,428 thousand.

Operational costs before the construction activity according to IFRIC₁₂ increased by 2% compared to 1Q 2016, by RON 5,357 thousand.

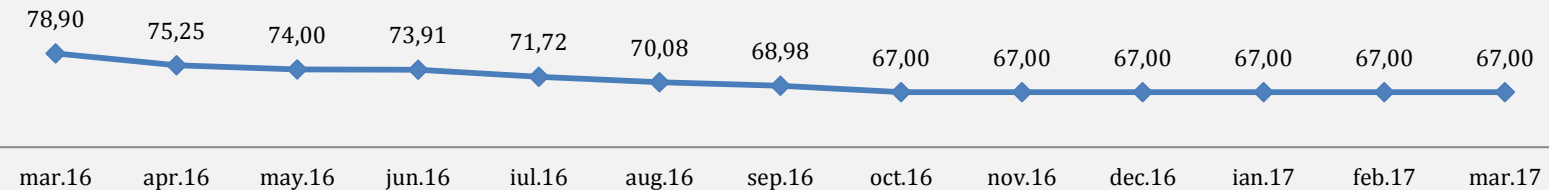
5. Main business drivers

11

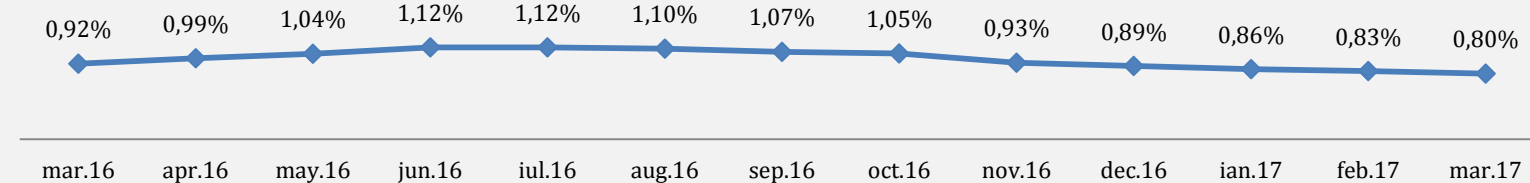
Natural gas volumes circulated (including storage quantities) - mill.cm - rolling 12 months



Natural gas acquisition price for technological consumption - RON/MWh



% technological consumption in total circulated gas volumes (rolling 12 months)

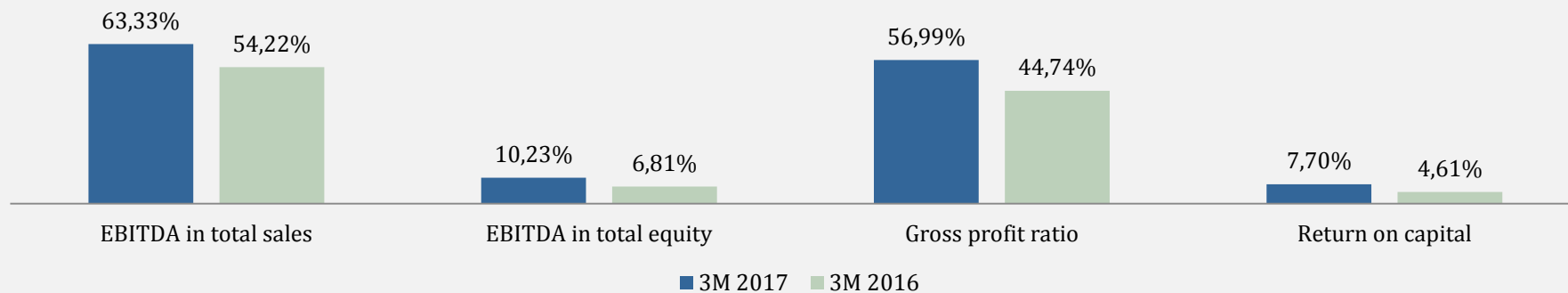
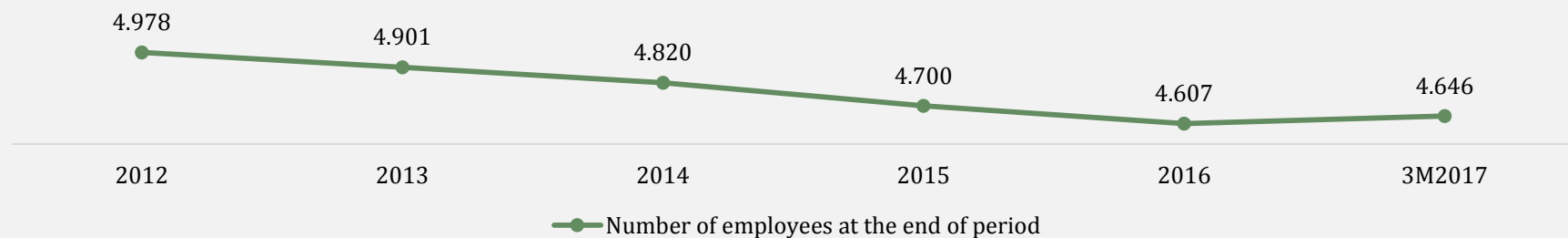
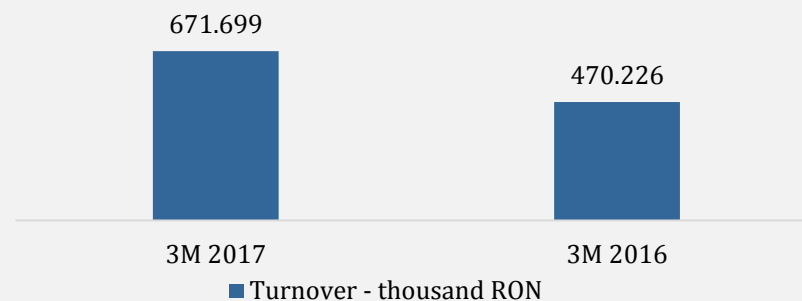


6. Main indicators

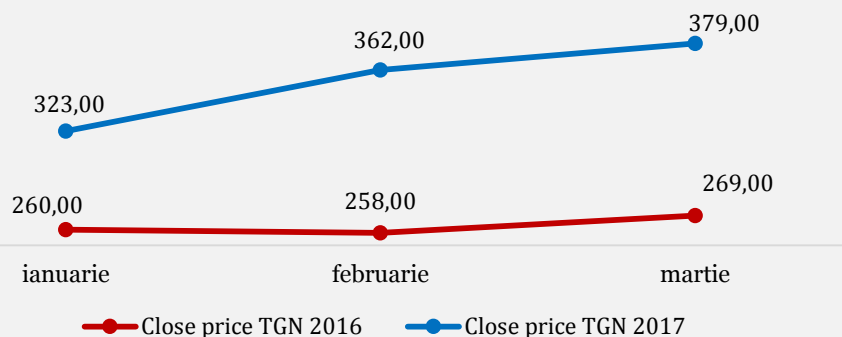
3M2017 compared to 3M2016

12

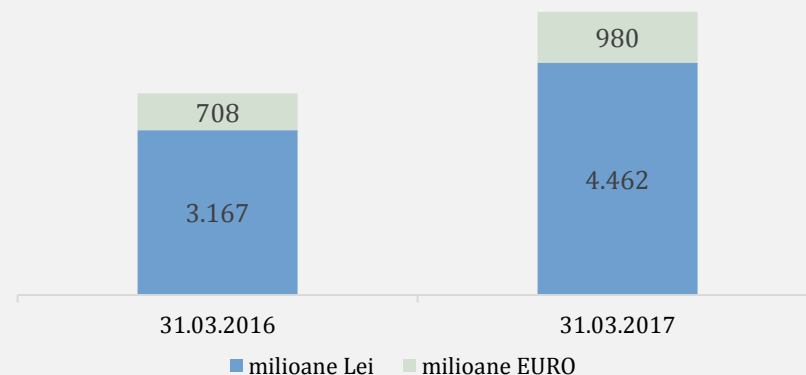
	3M 2017	3M 2016
EBITDA in total sales	63.33%	54.22%
EBITDA in total equity	10.23%	6.81%
Gross profit ratio	56.99%	44.74%
Return on capital	7.70%	4.61%
Current liquidity ratio	5.38	4.57
Quick liquidity ratio	5.14	4.30
Gearing	0	0
Interest coverage ratio	0	0
Turnover speed for clients debit -days	102.45	93.56
Turnover speed for credit providers -days	12.82	17.05



7. Other information



TGN Close price 2017Q1 - 2016Q1



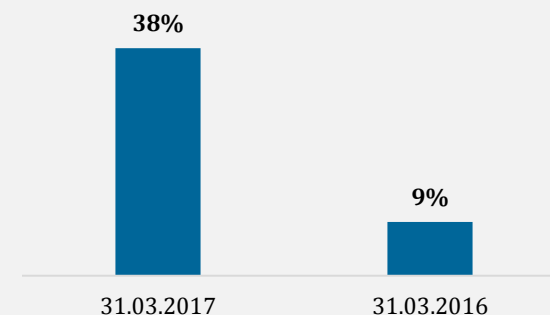
Evolution of Transgaz' market capitalization on 2017Q1 vs. 2016Q1

The value of the stock - index futures of Transgaz as compared to similar companies in Europe

Compania		P/E	P/BV	EV/EBITDA
Enagas	Spania	13,1	2,4	10,3
SNAM Rete Gas	Italia	15,2	2,2	12,5
Fluxys	Belgia	35,0	2,7	11,9
Media		21,1	2,43	11,56
Transgaz	Romania	10,9	1,2	5,0
Premium /Discount		-48%	-51%	-57%

Source: Bloomberg 20.04.2017

The yield on TGN assets 2017 compared to 2016





Thank you for your kind attention!