



THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR

1

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR 1Q2018

PREPARED IN ACCORDANCE WITH IFRS -UE

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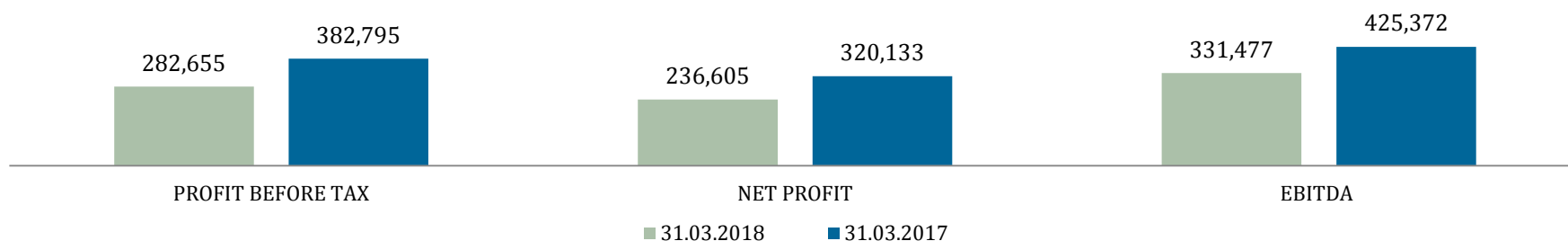
1. Interim Income statement as of 31.03.2018 (1)

MAIN INDICATORS
1Q2018 compared to 1Q2017

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thousand LEI	31.03.2018	31.03.2017	Changes 1Q2018/1Q2017	
			Absolute	Relative
Operational revenue before the balancing and construction activity according to IFRIC12	535,496	638,662	-103,166	-16%
Revenue from the balancing activity	72,328	46,982	25,346	54%
Revenue from the construction activity according to IFRIC12	16,354	7,421	8,933	120%
Venituri financiare	8,129	11,075	-2,946	-27%
Financial revenue	258,095	266,633	-8,538	-3%
Operational costs before the balancing construction activity according to IFRIC12	72,328	43,138	29,190	68%
Costs from the balancing activity	16,354	7,421	8,933	120%
Cost of assets built according to IFRIC12	16,354	7,421	8,933	120%
Financial costs	2,875	4,152	-1,277	-31%
Profit before tax	282,655	382,795	-100,140	-26%
Income tax	46,050	62,662	-16,612	-27%
Net profit	236,605	320,133	-83,528	-26%
EBITDA	331,477	425,372	-93,895	-22%
Turnover	592,200	671,699	-79,499	-12%

thousand LEI

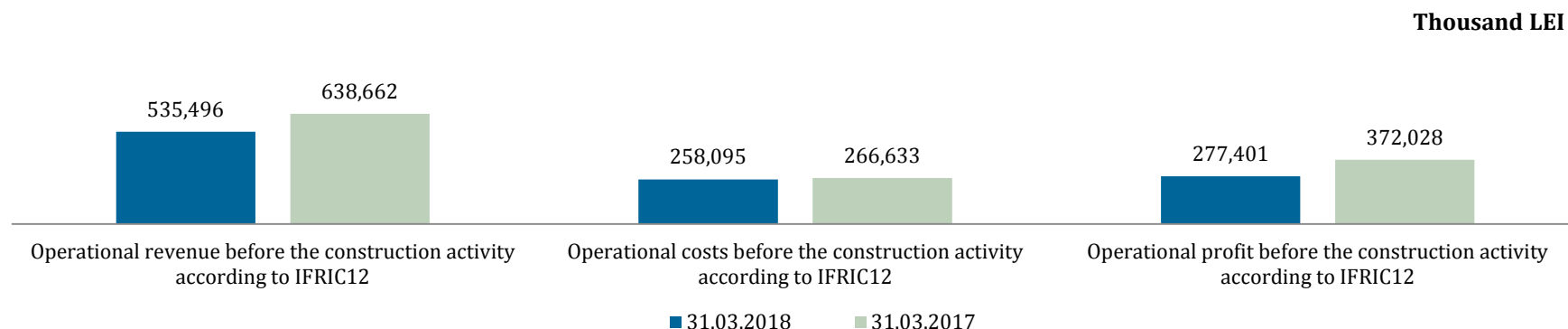


1. Interim Income statement as of 31.03.2018 (2)

OPERATING ACTIVITY

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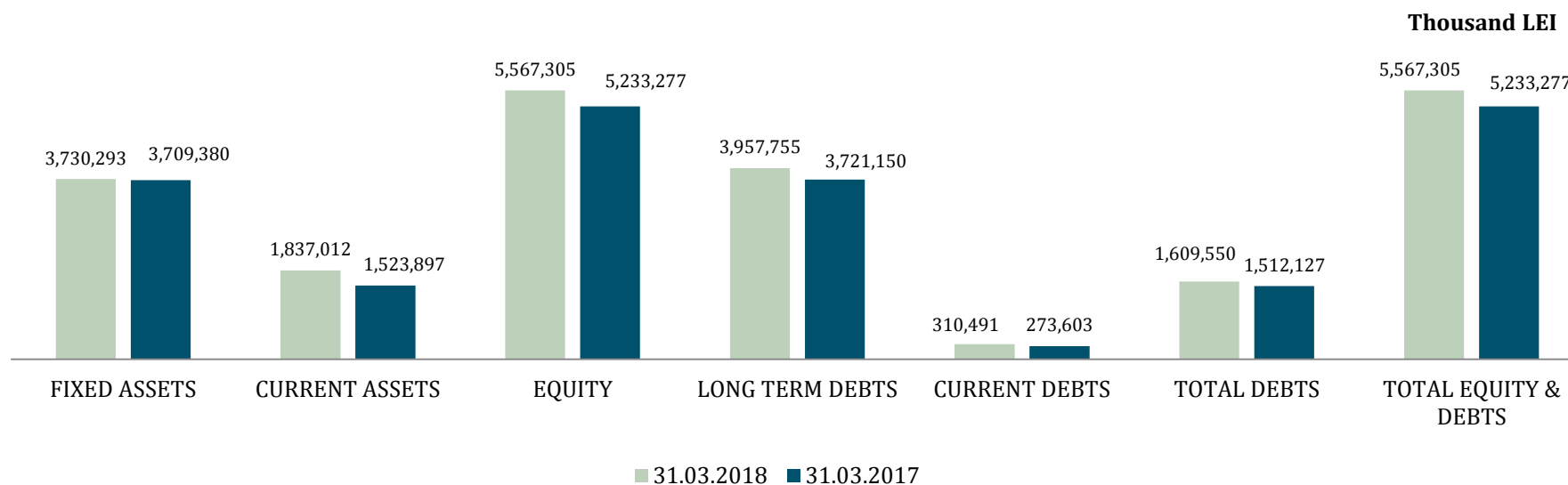
Thousand LEI	31.03.2018	31.03.2017	Changes 1Q2018 / 1Q2017	
			Absolute	Relative
Revenues from domestic gas transmission activity	438,663	532,226	-93,563	-18%
Revenues from international gas transmission activity	80,316	91,650	-11,334	-12%
Other revenues	16,517	14,785	1,732	12%
Operational revenue before the balancing and construction activity according to IFRIC12	535,496	638,662	-103,166	-16%
Employees costs	78,844	79,542	-698	-1%
Technological consumption, materials and consumables used	28,620	30,118	-1,498	-5%
Expenses with royalties	51,898	62,388	-10,490	-17%
Maintenance and transport	6,335	3,845	2,490	65%
Taxes and other amounts payable to the state	18,165	17,417	748	4%
Revenues / (Expenses) with provisions for risks and expenses	3,587	3,319	268	8%
Other operating expenses	16,571	16,660	-89	-1%
Depreciation	54,076	53,344	732	1%
Operational costs before the balancing and construction activity according to IFRIC12	258,095	266,633	-8,538	-3%
Operational profit before the balancing and construction activity according to IFRIC12	277,401	372,028	-94,627	-25%



2. Interim Balance Sheet as of 31.03.2018

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Thousand LEI	1Q2018	1Q2017	Changes	
			Absolute	Relative
FIXED ASSETS	3,730,293	3,709,380	20,913	1%
CURRENT ASSETS	1,837,012	1,523,897	313,115	21%
TOTAL ASSETS	5,567,305	5,233,277	334,028	6%
EQUITY	3,957,755	3,721,150	236,605	6%
LONG TERM DEBTS	1,299,059	1,238,525	60,534	5%
CURRENT DEBTS	310,491	273,603	36,888	13%
TOTAL DEBTS	1,609,550	1,512,127	97,423	6%
TOTAL EQUITY & DEBTS	5,567,305	5,233,277	334,028	6%



CURRENT ASSETS UP 21%

HIGHER TOTAL ASSETS & TOTAL EQUITY & DEBTS UP 6%

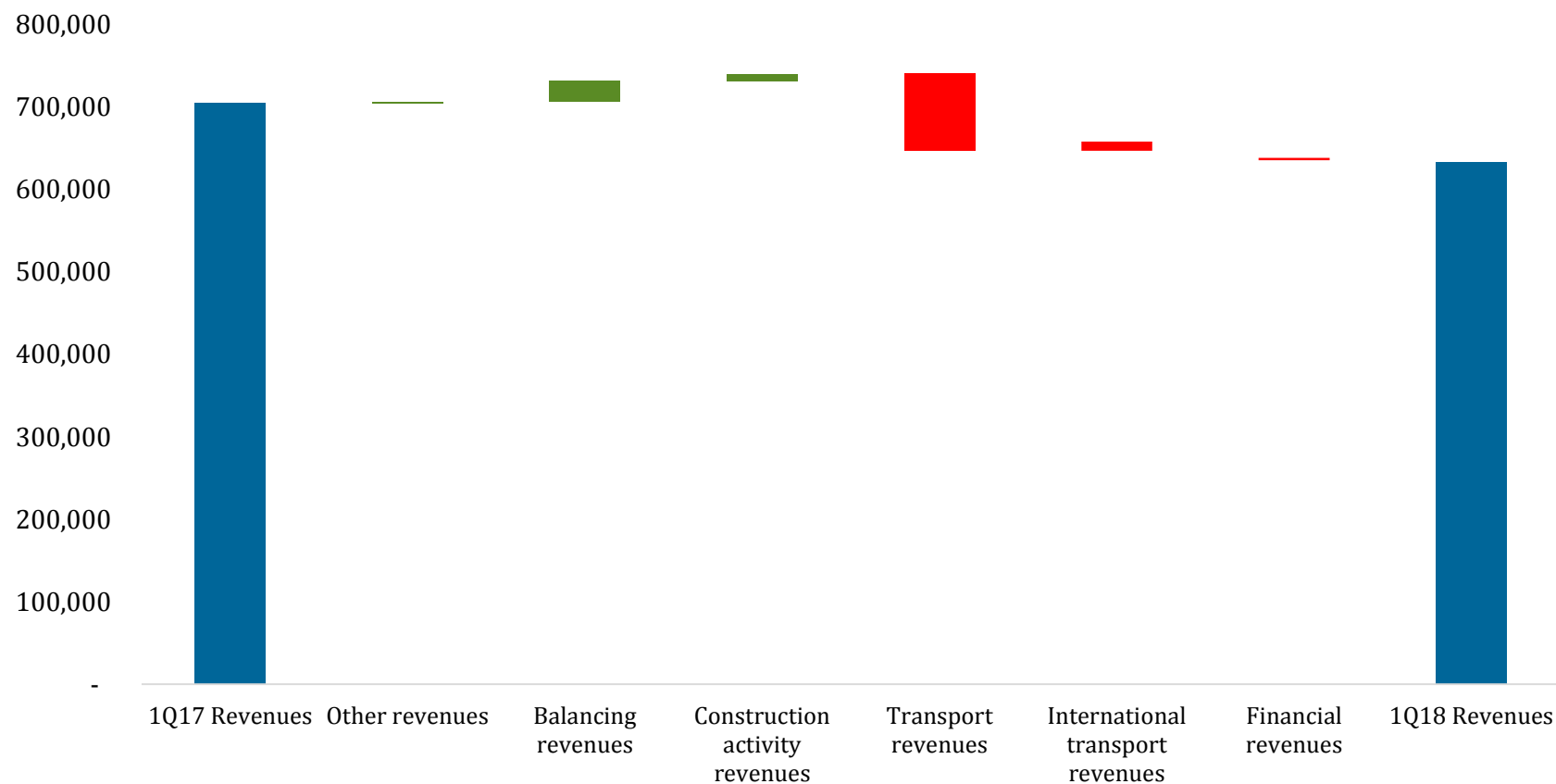
CURRENT DEBTS UP 13%

3. Main revenue drivers (1)

REVENUES

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1Q2018 vs. 1Q2017 Revenues ('000LEI)



3. Main revenue drivers (2)



1Q2018 compared to 1Q2017

Operating revenue before the balancing and construction activity, according to IFRIC12 decreased by **16%** as compared to the corresponding period of Q I 2017, which is lower by **LEI 103,166 thousand**.

The revenue was influenced mainly by the following factors:

- **commodity component revenue** lower by **LEI 54,717 thousand** due to:
 - the commodity transmission tariff lower by Lei 1.12 /MWh, with a negative influence of LEI 51,879 thousand;
 - the gas transmitted capacities lower by 586,735 MWh/51,306 thousand cm (▼1%), as compared to Q I 2017, with a negative influence of LEI 2,839 thousand, detailed by categories of consumers as follows:

	thousand lei	
	1Q2017	1Q2018
Revenues from domestic gas transmission, of which:	532,226	438,663
Commodity charge	177,891	123,173
Capacity booking charge	354,336	315,490

		1Q2017	1Q 2018	Differences
Quantity transmitted for direct consumers	MWh	12,554,087	11,554,374	-999,713
	thousand m ³	1,174,023	1,080,725	-93,298
Quantity transmitted for distribution	MWh	34,770,404	35,183,382	412,978
	thousand m ³	3,228,289	3,270,281	41,992
Total	MWh	47,324,490	46,737,756	-586,734
	thousand m ³	4,402,312	4,351,006	-51,306

- **revenue from capacity booking** lower by **LEI 38,846 thousand** due to:
 - booked capacities lower by 4,236,635 MWh, with a negative influence of LEI 12,536 thousand;
 - capacity booking tariff lower by LEI 0.23/MWh, with a negative influence of LEI 26,310 thousand;
- **international gas transmission revenue** lower by **LEI 11,334 thousand** due to the application of ANRE Order 34/19 July 2016;
- **other operating revenue** higher by **LEI 1,732 thousand**.

- **Revenue from the balancing activity** increased by **LEI 25,346 thousand** based on the following factors:
 - quantity higher by 164,420 MWh with a positive influence of LEI 13,814 thousand;
 - trading price higher by LEI 15.94 /MWh, with a positive influence of LEI 11,531 thousand.

- **Revenue from the construction activity** higher by **LEI 8,932 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 negative influence of **LEI 2,945 thousand** based on the foreign exchange gain

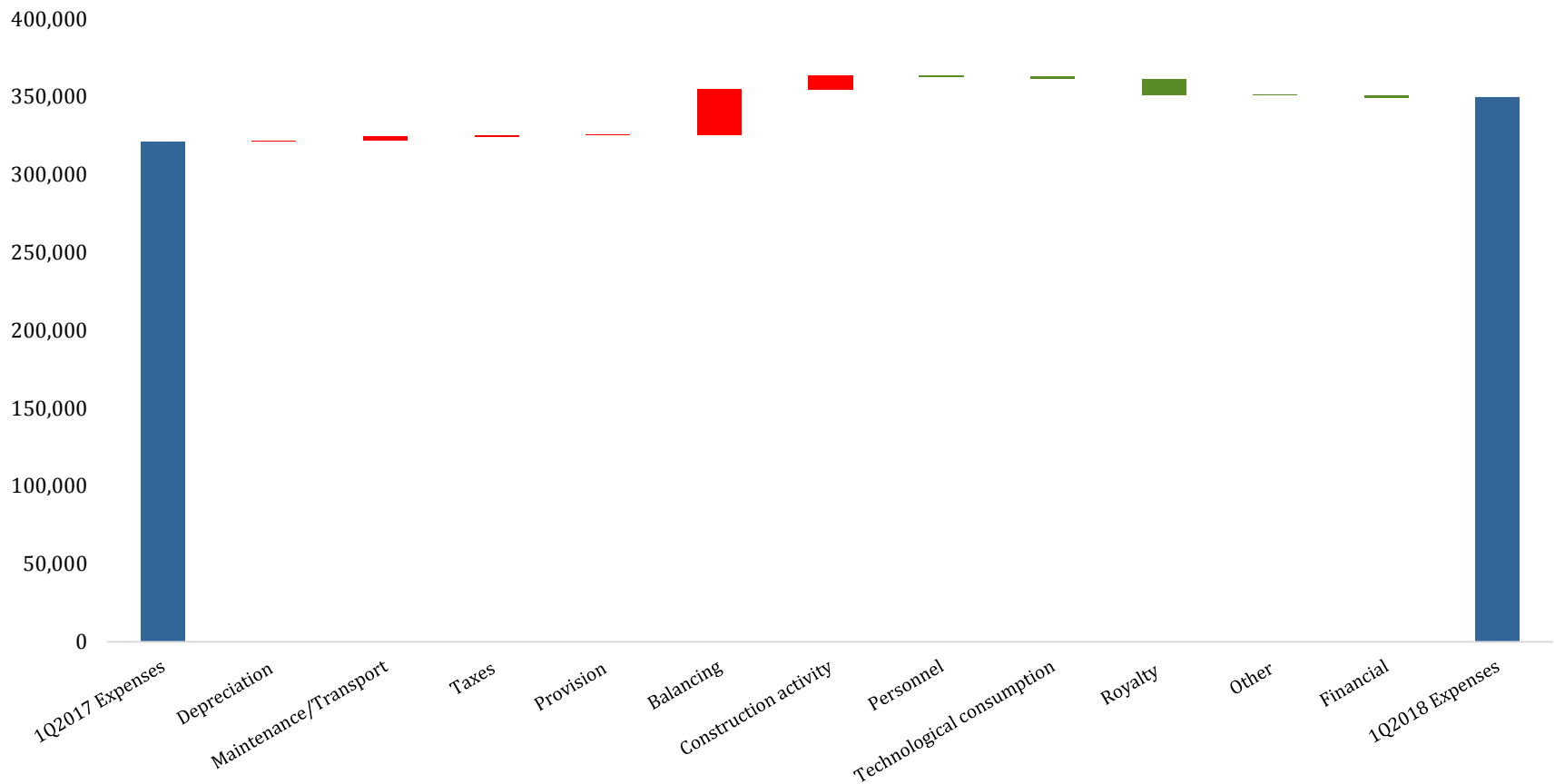
Operating revenue before the construction activity, according to IFRIC12 decreased by 16%, **LEI 103,166 thousand**, compared to 1Q2017

4. Main costs drivers (1)

EXPENSES

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1Q2018 vs. 1Q2017 ('000LEI)



4. Main costs drivers (2)

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1Q2018 compared to 1Q2017

Operating costs before the balancing and construction activity according to IFRIC12 decreased by 3% as compared to Quarter I 2017, which is lower by LEI 8,538 thousand.

The company made savings of LEI 12,775 thousand, mainly in relation to the following cost elements:

- **cost of royalty:** LEI 10,490 thousand;
- **transmission system technological gas consumption and loss** decreased by **LEI 1,261 thousand** due to the following:
 - amount of gas for technological consumption lower by 68,172 MWh (▼ 20%), with a positive influence of LEI 4,594 thousand;
 - average purchase price in Quarter I 2018 higher as compared to Quarter I 2017 by LEI 11.89 /MWh, with a negative influence of LEI 3,333 thousand;

		1Q2018	1Q2017	Changes
Quantities of technological consumption	MWh	280,187	349,277	-69,090
	thousand m ³	27,894	34,662	-6,768

- **cost of personnel:** LEI 698 thousand;
- **other material costs:** LEI 237 thousand;
- **other operating costs:** LEI 90 thousand.

An expense surplus of LEI 4,238 thousand was recorded mainly in relation to the following cost elements:

- **cost of maintenance and transmission:** LEI 2,490 thousand;
- **cost of taxes and duties:** LEI 748 thousand;
- **depreciation costs:** LEI 732 thousand;
- **cost of provision for risks and charges:** LEI 267 thousand.

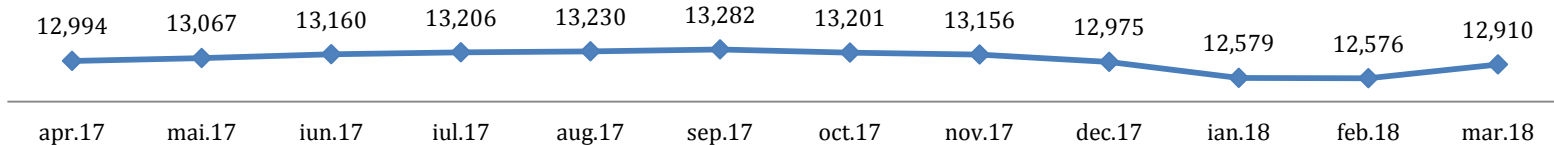
The financial cost is lower by **LEI 1,277 thousand** based on the foreign exchange gains.
As compared to Quarter I 2017 the gross profit obtained in Quarter I 2018 decreased by 26%, which is lower by LEI 100,140 thousand.

Operating costs before the construction activity, according to IFRIC12 **decreased by 3%, LEI 8,538 thousand**, as compared to 1Q2017

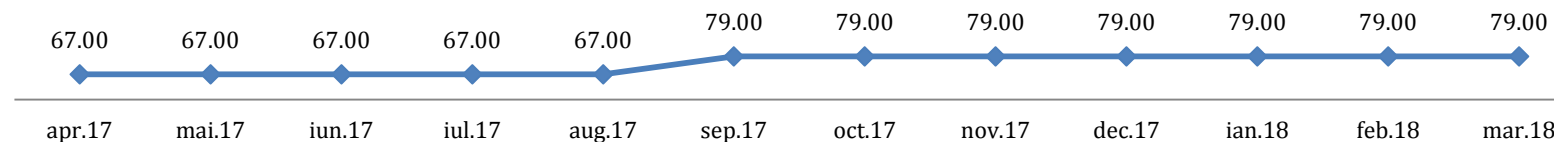
5. Main business drivers

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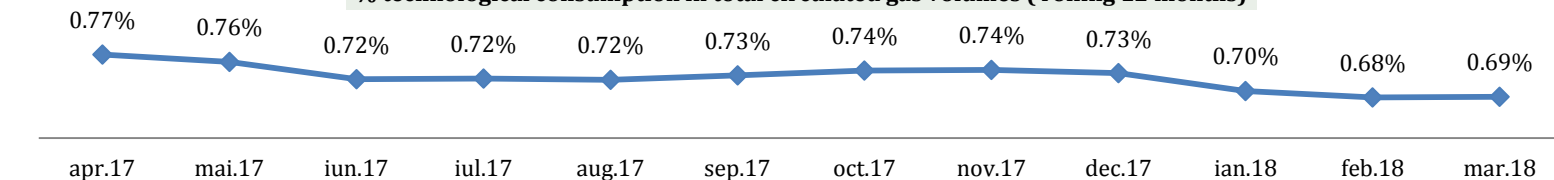
Natural gas volumes circulated (including storage quantities) - mil.cm - rolling 12 months



Natural gas acquisition price for technological consumption - LEI/MWh



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



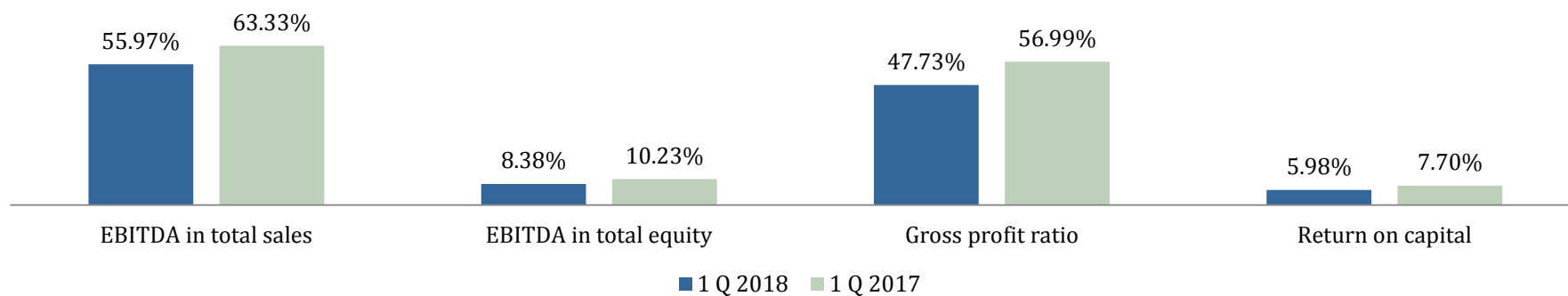
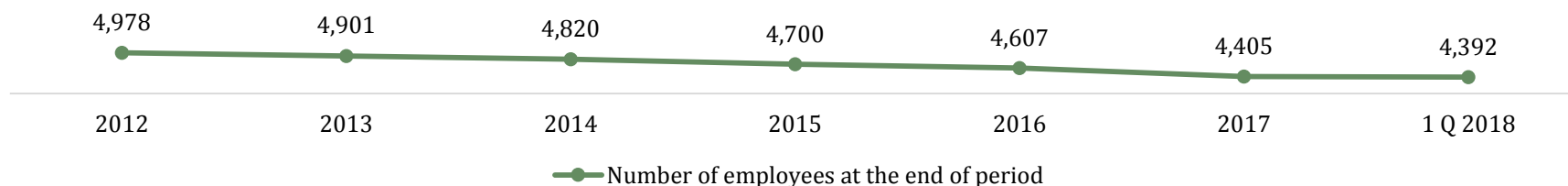
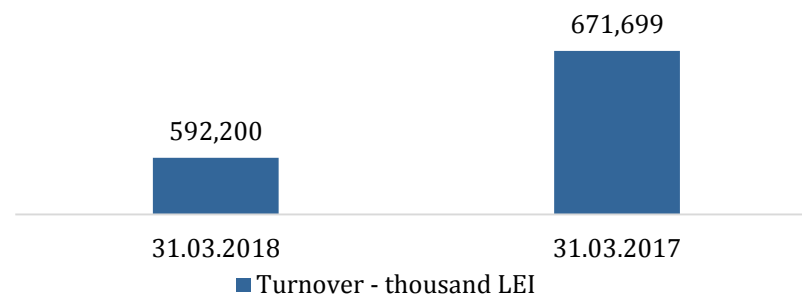
Circulated gas, our of which:		2018 January	2018 February	2018 March	1 st Quarter 2018
	MWh	16,500,525.820	15,285,575.697	15,189,134.984	46,975,236.501
	mii cm	1,535,320.978	1,423,683.493	1,415,853.687	4,374,858.158
	- storage				
	MWh	0	0	263,565.147	263,565.147
	mii cm	0	0	24,652.100	24,652.100
Circulated gas storage share		0	0	1.73%	0.56%

6. Main indicators

1Q2018 compared to 1Q2017

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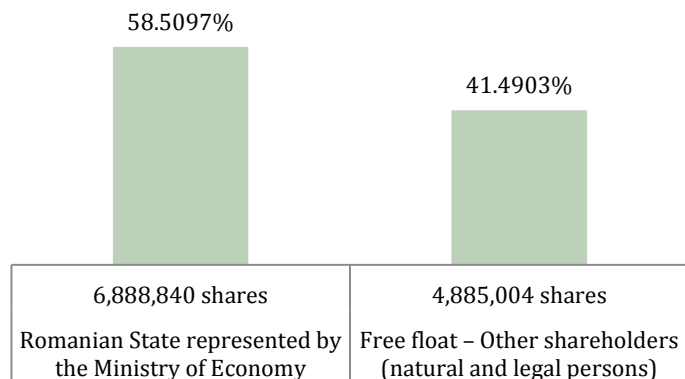
	1 Q 2018	1 Q 2017
EBITDA in total sales	55.97%	63.33%
EBITDA in total equity	8.38%	10.23%
Gross profit ratio	47.73%	56.99%
Return on capital	5.98%	7.70%
Current liquidity ratio	5.92	5.38
Quick liquidity ratio	5.68	5.14
Gearing	3.53%	0
Interest coverage ratio	921.13	0
Turnover speed for clients debit -days	105.34	102.45
Turnover speed for credit providers -days	16.16	12.82



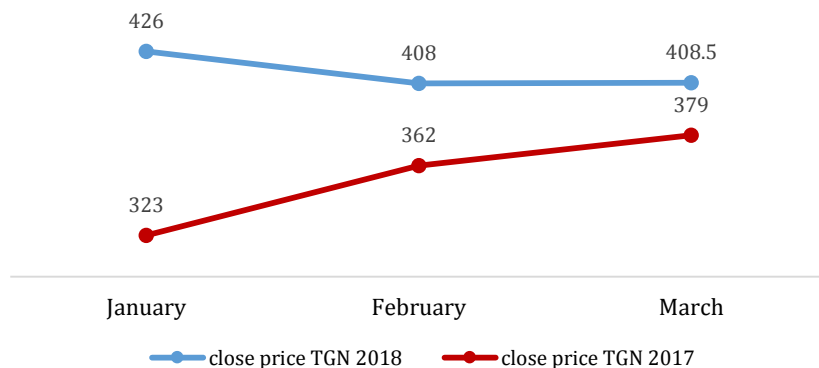
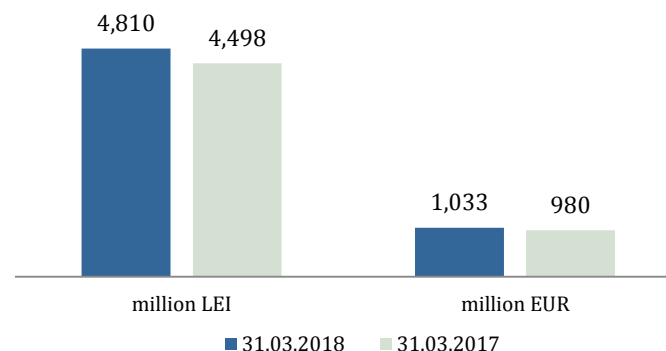
Stock Exchange TGN Evolution (1)

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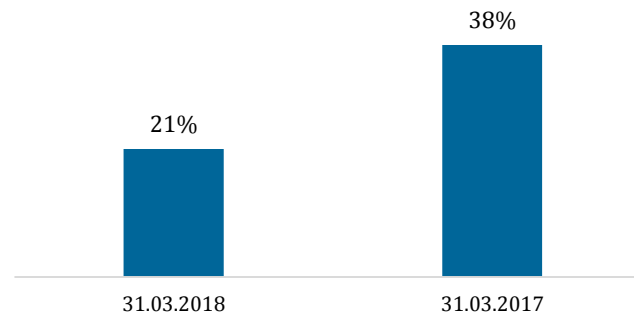
Shareholders structure



Market capitalization



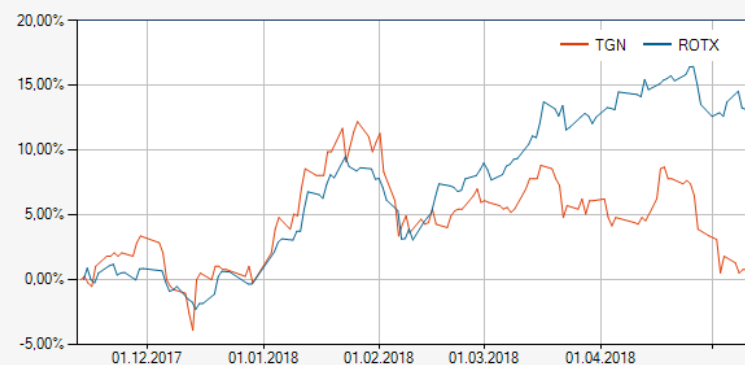
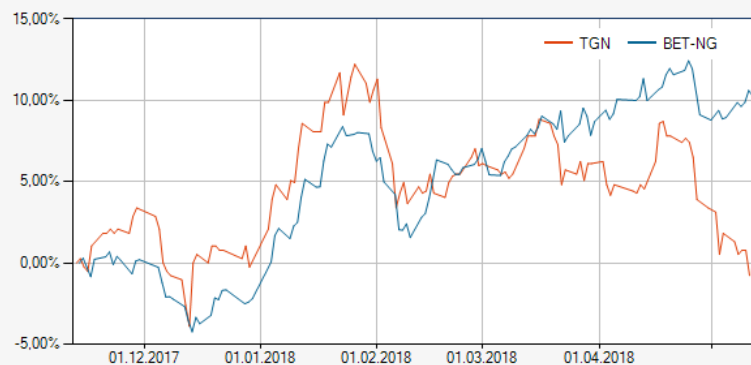
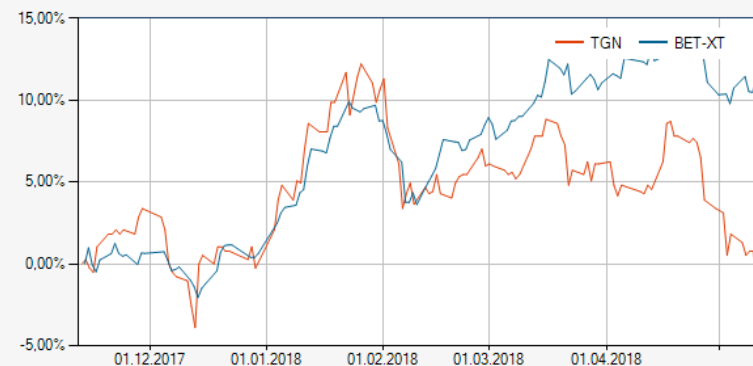
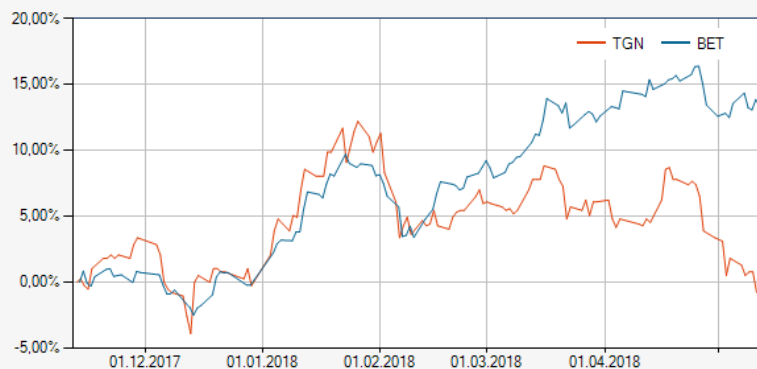
TGN share yield
2018 compared to 2017



Stock Exchange TGN Evolution (2)

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TGN vs BET, BETXT, BETNG, ROTX during 1Q2018

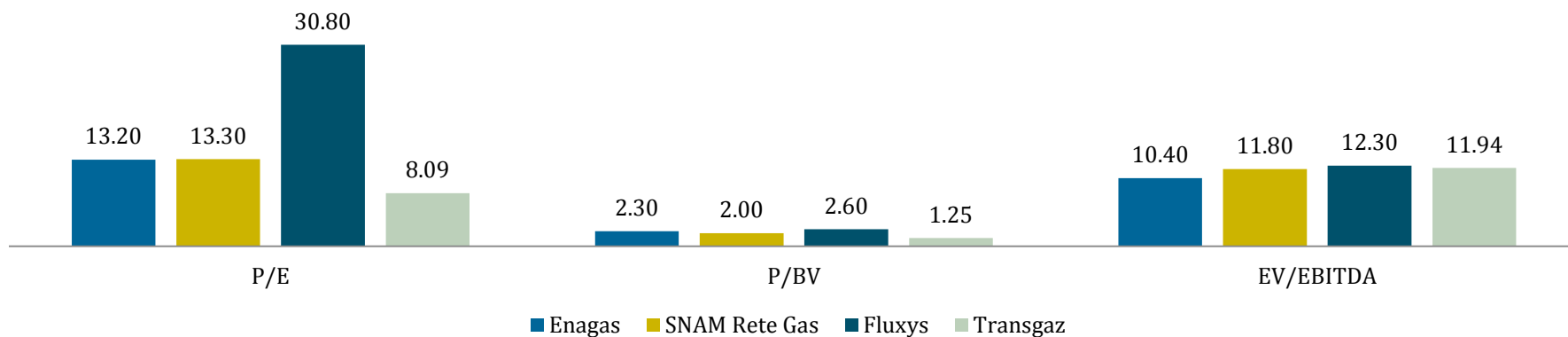
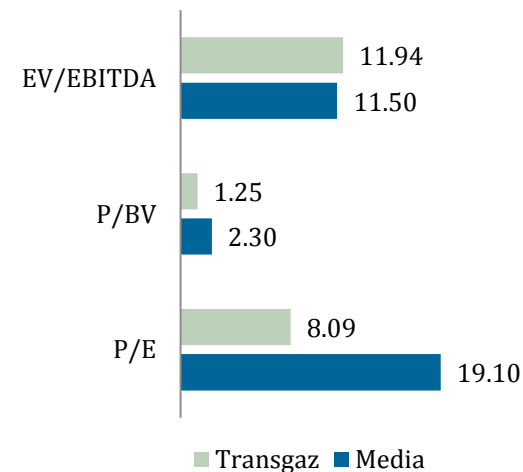


TRANSGAZ COMPARED TO PEERS

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Company	Country	P/E	P/BV	EV/EBITDA
Enagas	Spain	13.20	2.30	10.40
SNAM Rete Gas	Italy	13.30	2.00	11.80
Fluxys	Belgium	30.80	2.60	12.30
Media		19.10	2.30	11.50
Transgaz	Romania	8.09	1.25	11.94
Premium /Discount		-58%	-46%	4%

Sursa: Bloomberg





Thank you for your kind attention!

