



THE NATIONAL GAS TRANSMISSION COMPANY



UNAUDITED FINANCIAL STATEMENTS FOR 1H2017

PREPARED IN ACCORDANCE WITH THE IFRS - EU

Bucharest, August 22, 2017

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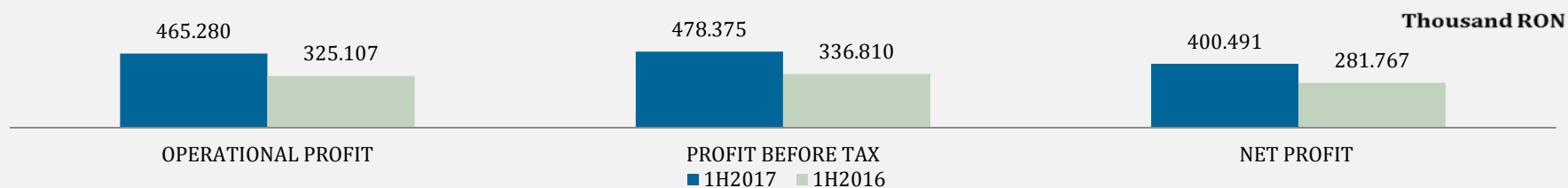
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1. Income statement as of 30.06.2017(1)

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COMPREHENSIVE INCOME -RON	1H2017	1H2016	CHANGES	
	unaudited	unaudited	absolute	relative
Operational income before balancing and the construction activity according to IFRIC12	980,477,322	870,468,571	110,008,751	13%
Operational costs before balancing and the construction activity according to IFRIC12	519,976,678	546,425,193	-26,448,515	-5%
Operational profit before balancing and the construction activity according to IFRIC12	460,500,644	324,043,378	136,457,266	42%
Revenues from the balancing activity	76,691,831	22,012,034	54,679,797	248%
Expenses with balancing gas	71,912,519	20,948,122	50,964,397	243%
Income from the construction activity according to IFRIC12	17,531,795	33,671,167	-16,139,372	-48%
Cost of assets constructed according to IFRIC12	17,531,795	33,671,167	-16,139,372	-48%
Operational profit	465,279,956	325,107,290	140,172,666	43%
Financial revenues	21,767,336	14,624,562	7,142,774	49%
Financial expenses	8,671,971	2,921,371	5,750,600	197%
Financial income, net	13,095,365	11,703,191	1,392,174	12%
Profit before tax	478,375,321	336,810,481	141,564,840	42%
Profit tax expense	77,884,762	55,043,643	22,841,119	41%
Net profit for the period	400,490,559	281,766,838	118,723,721	42%



Operating revenues before balancing and construction pursuant to IFRIC12 increased by 13%

Operating expenses before balancing and construction pursuant to IFRIC12 decreased by 5 %

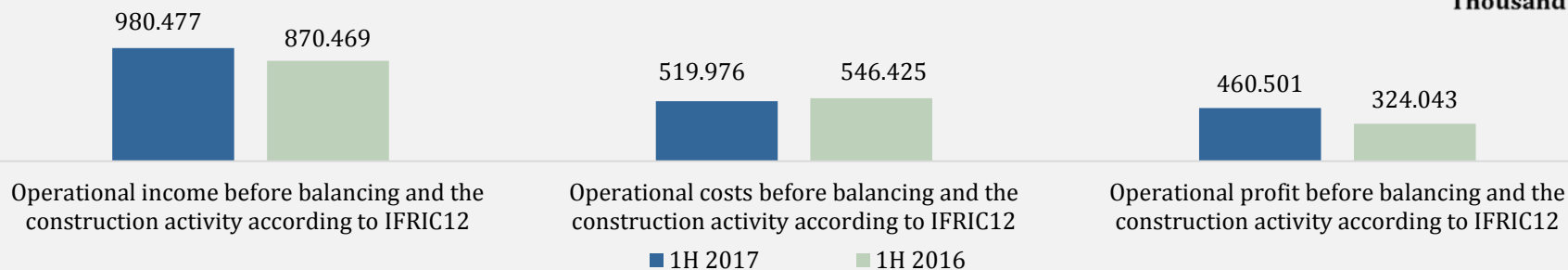
The net profit increased by 42%

1. Income statement as of 30.06.2017(2)–Operating activity

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OPERATING ACTIVITY-RON	1H2017	1H2016	CHANGES	
	unaudited	Unaudited	absolute	relative
Revenues from domestic gas transmission activity	774,342,254	630,318,247	144,024,007	23%
Revenues from international gas transmission activity	174,642,830	160,727,757	13,915,073	9%
Other revenues	31,492,238	79,422,567	-47,930,329	-60%
Operational income before balancing and the construction activity according to IFRIC12	980,477,322	870,468,571	110,008,751	13%
Depreciation	106,869,486	103,384,256	3,485,230	3%
Employees costs	184,475,413	179,915,930	4,559,482	3%
Technological consumption, materials and consumables used	51,346,118	64,362,448	-13,016,330	-20%
Royalty expenses	94,898,509	79,100,122	15,798,387	20%
Maintenance and transport	11,054,976	13,824,044	-2,769,068	-20%
Taxes and other amounts owed to the State	34,372,663	29,852,315	4,520,348	15%
Expenses with the provision for risks and expenses	-8,588,323	16,511,542	X	X
Other operating expenses	45,547,836	59,474,536	-13,926,700	-23%
Operational costs before balancing and the construction activity according to IFRIC12	519,976,322	546,425,193	-26,448,871	-5%
Operational profit before balancing and the construction activity according to IFRIC12	460,500,644	324,043,378	136,457,266	42%

Thousand RON

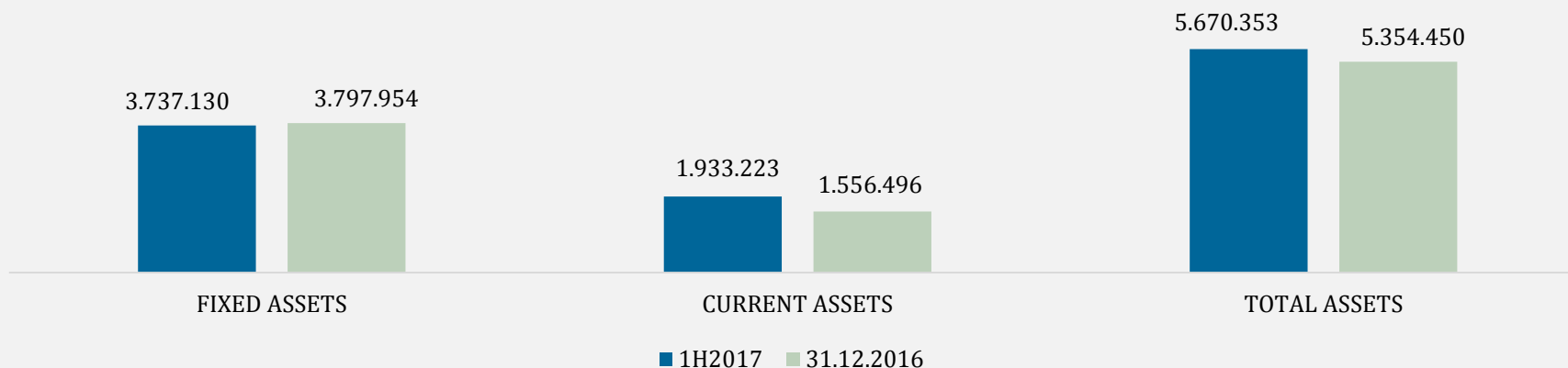


2. Balance sheet on 30.06.2017(1)

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	30/6/2017 Unaudited	31/12/2016	CHANGES	
ASSETS			absolute	relative
Intangible assets	2,522,146,040	2,583,472,652	-61,326,612	-2%
Tangible assets	570,341,051	588,078,005	-17,736,954	-3%
Financial assets available for sale	-	-	-	-
Trade receivables and other receivables	644,642,635	626,403,203	18,239,432	3%
Fixed assets	3,737,129,726	3,797,953,860	-60,824,134	-2%
Inventories	81,292,621	83,714,634	-2,422,013	-3%
Commercial receivables and other receivables	313,462,702	523,488,266	-210,025,564	-40%
Cash and cash equivalents	1,538,467,787	949,293,236	589,174,551	62%
Current assets	1,933,223,110	1,556,496,136	376,726,974	24%
TOTAL ASSETS	5,670,352,836	5,354,449,996	315,902,840	6%

Thousand RON



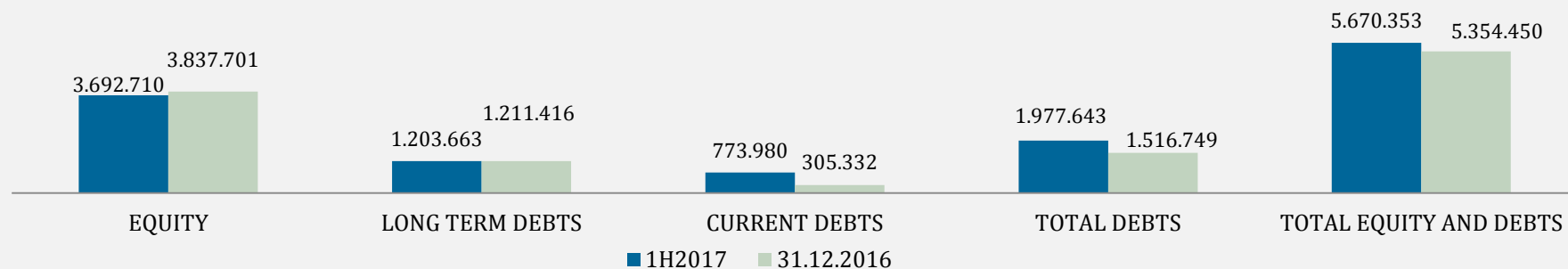
The value of Regulated Asset Base as set at the beginning of the third regulatory period is RON 2,602,118 thousand

2. Balance sheet on 30.06.2017(2)

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EQUITY AND DEBTS	30/6/2017	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	1,620,277,240	1,765,268,873	-144,991,633	-8%
Equity	3,692,709,802	3,837,701,435	-144,991,633	-4%
Provision for employee benefits	109,128,058	109,128,058	-	-
Deferred income	1,031,209,023	1,036,619,965	-5,410,942	-1%
Deferred tax payment	63,325,541	65,668,155	-2,342,614	-4%
Long term debts	1,203,662,622	1,211,416,178	-7,753,556	-1%
Commercial debts and other debts	713,911,516	251,110,230	462,801,286	184%
Provision for risks and charges	6,791,188	15,379,511	-8,588,323	-56%
Current tax payment	48,519,846	34,084,780	14,435,066	42%
Provision for employee benefits	4,757,862	4,757,862	-	-
Current debts	773,980,412	305,332,383	468,648,029	153%
Total debts	1,977,643,034	1,516,748,561	460,894,473	30%
TOTAL EQUITY AND DEBTS	5,670,352,836	5,354,449,996	315,902,840	6%

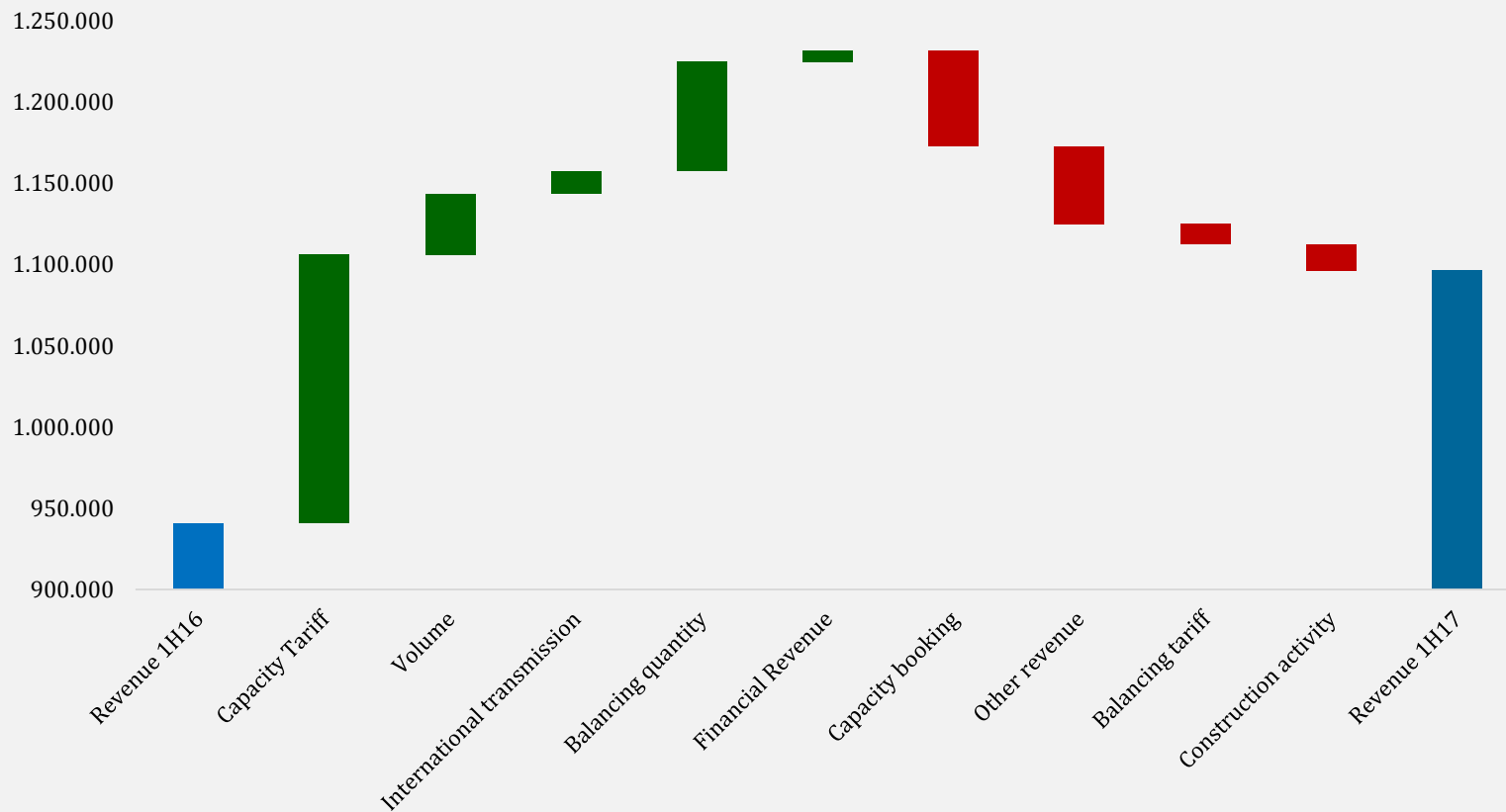
Thousand RON



3. Factors influencing revenues (1)

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Revenues 1H17 vs. 1H16 ('000 RON)



3. Factors influencing revenues (2)

Comparison to 1H2016

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Operating revenue before the balancing and the construction activity according to IFRIC12 registered in semester I 2017 increased by **13%** as compared to the corresponding period of semester I 2016, which is higher by **RON 110.009 thousand**.

The revenue was influenced mainly by the following factors:

- **Capacity booking revenue** higher by **RON 106.469 thousand** due to :
 - the capacity booking tariff higher by RON 0.85 /MWh (higher booked volumes over the short term), with a positive influence of RON 165.478 thousand;
 - booked capacities lower by 35.092.656 MWh, with a negative influence of RON 59,009 thousand.
- **Revenue from the commodity component** higher by **RON 37,556 thousand** due to:
 - Higher amount of capacity transmitted as compared to semester I 2016 by 10,682,161 MWh/984,147 thousand cm (▲17%), detailed by category of consumers as follows:

		1H 2017	1H 2016	Change
Quantity transmitted for direct consumers	MWh	27,755,475	22,507,108	5,248,367
	thousand m ³	2,593,909	2,100,774	493,135
Quantity transmitted for distribution	MWh	45,914,659	40,480,865	5,433,794
	thousand m ³	4,263,277	3,772,265	491,012
Total*)	MWh	73,670,134	62,987,973	10,682,161
	thousand m ³	6,857,186	5,873,039	984,147

*) transmitted quantity for which transmission services are invoiced

- **Revenue from international gas transmission** higher by **RON 13,915 thousand** due to the foreign exchange rates changes regarding the contract currency and the application of ANRE Order 34/19 July 2016;
- **Other operating revenue** lower by **RON 47,930 thousand**;

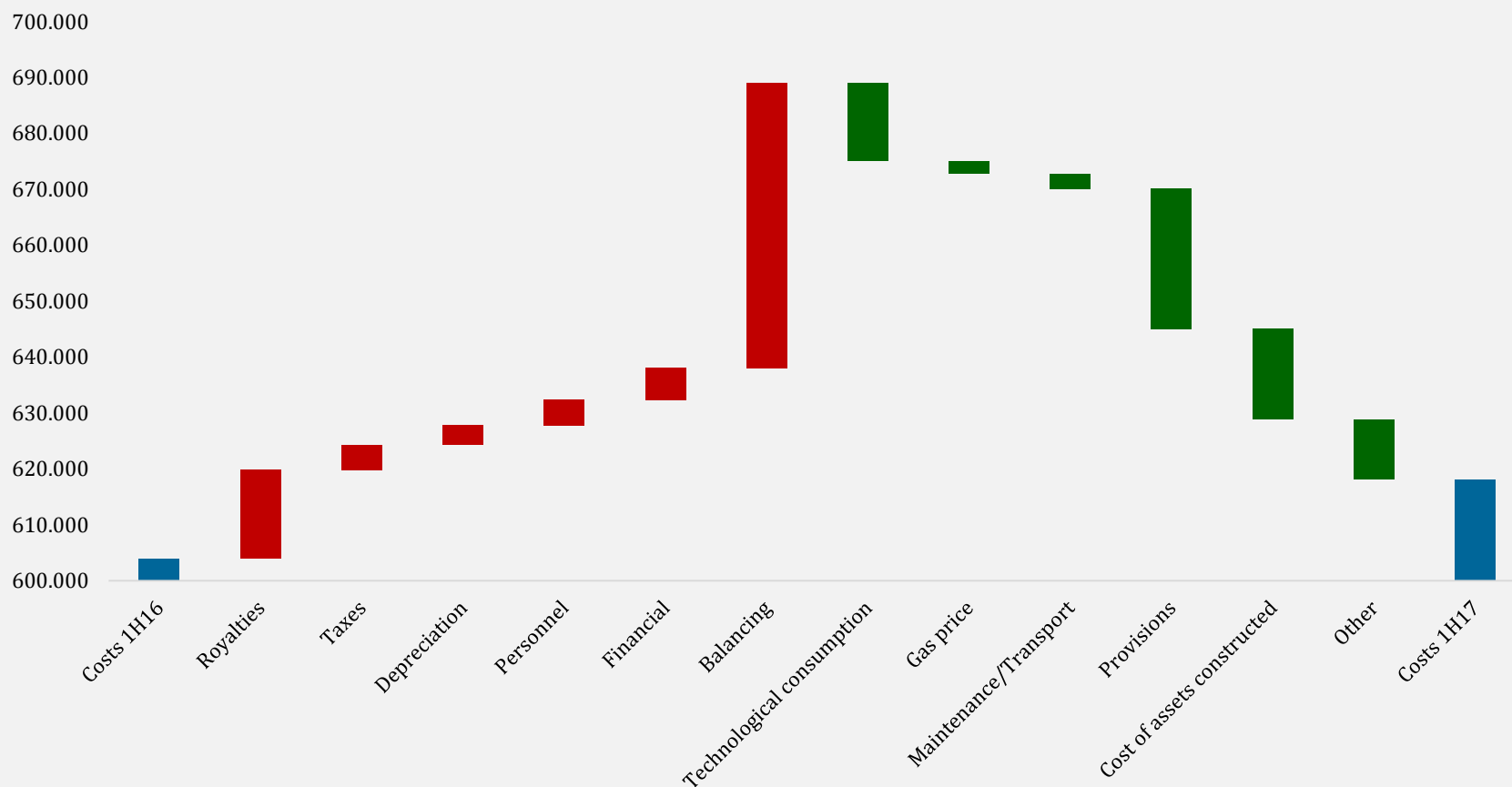
- **Revenue from the balancing activity** increased by **RON 54,680 thousand** due to:
 - a quantity higher by 716,965 MWh with a positive influence of **RON 66,904 thousand**;
 - a trading price lower by Ron 12.83/MWh, with a negative influence of **RON 12,224 thousand**.
- **Revenue from the construction activity** lower by **RON 16,139 thousand**, registered compliant with IFRIC 12, according to which revenue and expense related to the construction services or to the services for the improvement of the transmission network, in exchange of which the intangible asset is registered, must be acknowledged according to IAS 11, Construction Contracts.
- **Financial revenue with a positive influence** of **RON 7,143 thousand** due to the foreign exchange gain.

Operating revenue before the balancing and construction activity, according to IFRIC12 registered in semester I 2017 increased by 13%, RON 110,009 thousand, compared to 1H 2016

4. Factors influencing costs (1)

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Costs 1H17 vs. 1H16 ('000 RON)



4. Factors influencing costs (2)

Comparison to 1H2016

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Operating costs before the balancing and the construction activity according to IFRIC12 registered in semester I 2017 decreased by **5%** as compared to semester I 2016, which is lower by **RON 26,449 thousand**.

The Company made savings of **RON 54,812 thousand**, mainly in relation to the following cost elements:

- transmission system technological gas consumption and loss decreased by **RON 16.204 thousand** due to the following factors:
 - gas amount for technological consumption lower by 192,124 MWh/15,094 thousand cubic meters (▼27%), with a positive influence of **RON 13,937 thousand**;
 - average purchase price for semester I 2017 lower by RON 4.30/MWh as compared to semester I 2016, with a positive influence of **RON 2,267 thousand**;

		I H 2017	I H 2016	Change
Quantities of technological consumption	MWh	527,817	719,940	-192,124
	thousand m ³	50,281	65,375	-15,094

- maintenance and transmission: **RON 2,769 thousand**;
- cost of provision for risks and expenses: **RON 25,100 thousand**;
- other operating expense: **RON 13,927 thousand**.

An expense surplus of **RON 28,363 thousand** was recorded mainly in relation to the following cost elements:

- cost of royalty: **RON 15,798 thousand**;
- cost of taxes and other tax duties: **RON 4,520 thousand**;
- cost of depreciation: **RON 3,485 thousand**;
- cost of personnel: **RON 4,559 thousand**.

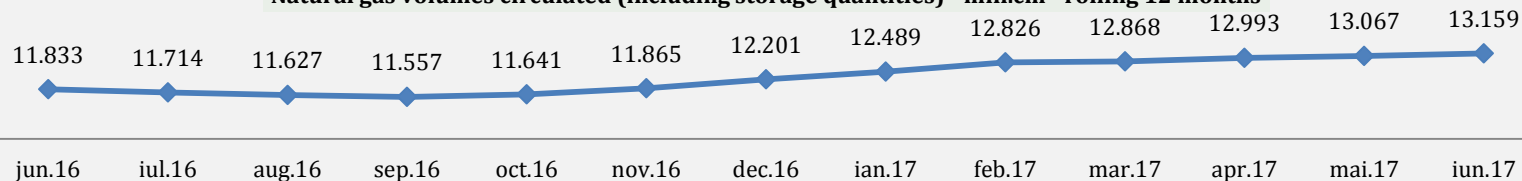
The financial cost is higher by RON 5,751 thousand based on the foreign exchange gain.

As compared to the gross profit obtained semester I 2016 the gross profit in semester I 2017 increased by 42%, which is higher by RON 141,565 thousand.

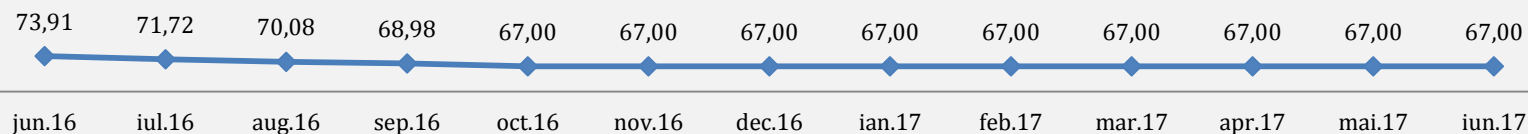
5. Main business drivers

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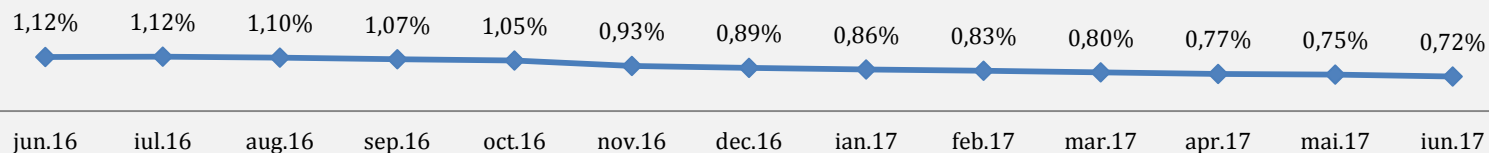
Natural gas volumes circulated (including storage quantities) - mill.cm - rolling 12 months



Natural gas acquisition price for technological consumption - RON/MWh



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



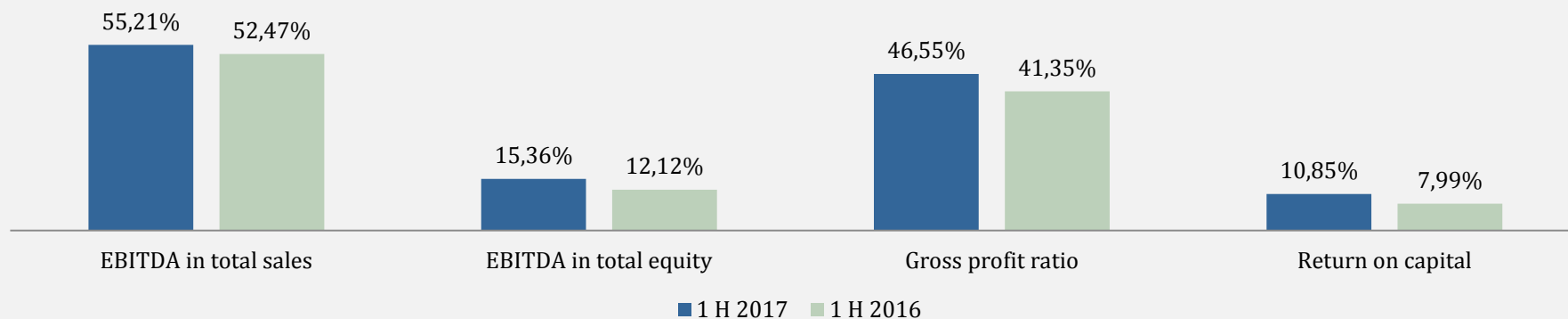
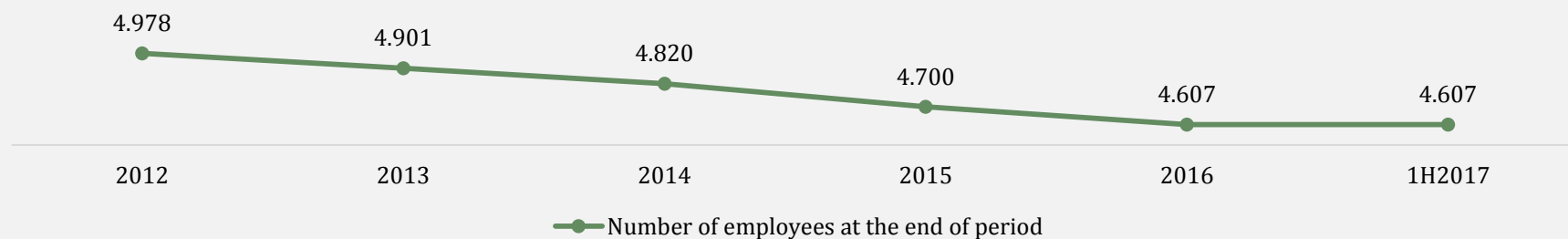
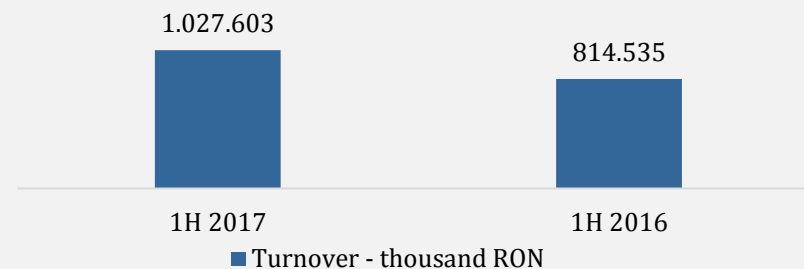
		2017 Quarter I	2017 Quarter II	2017 Semester I
Circulated gas, our of which:	MWh	47.706.871,744	26.501.416,335	74.208.288,079
	thousand m ³	4.440.075,989	2.468.424,672	6.908.500,661
	- storage	121.323,382	7.813.470,756	7.934.794,138
	thousand m ³	11.219,631	727.606,280	738.825,911
Circulated gas storage share		0,25%	29,48%	10,69%

6. Main indicators

1H2017 compared to 1H2016

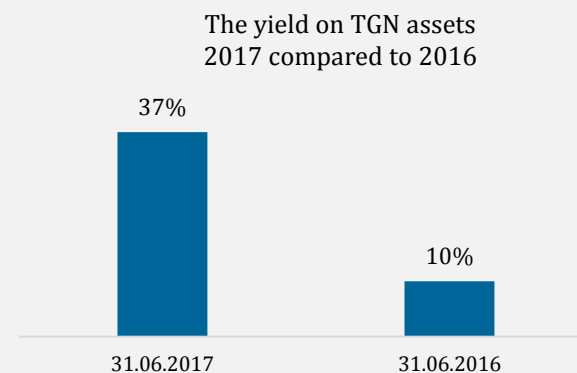
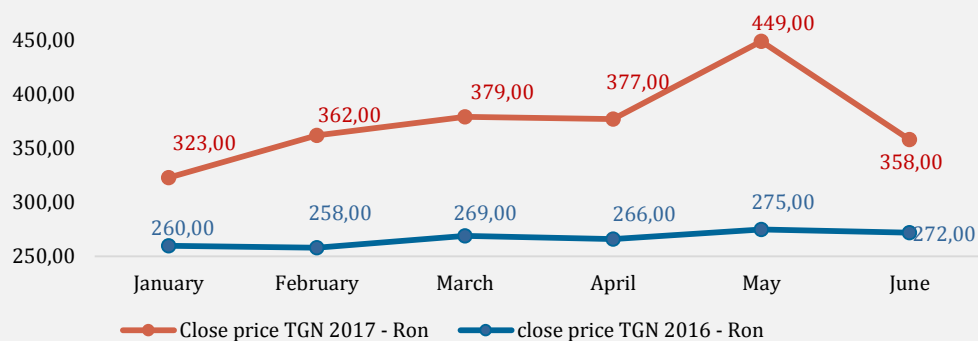
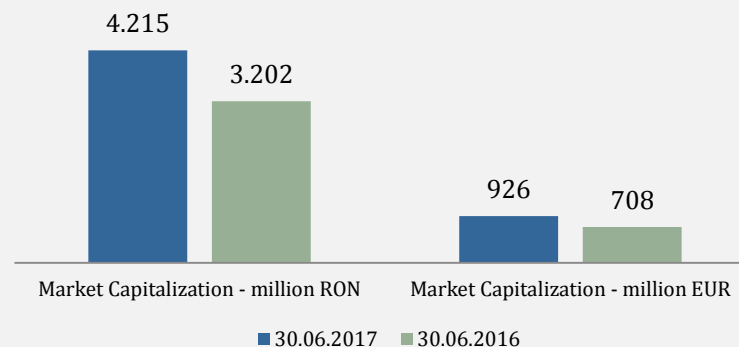
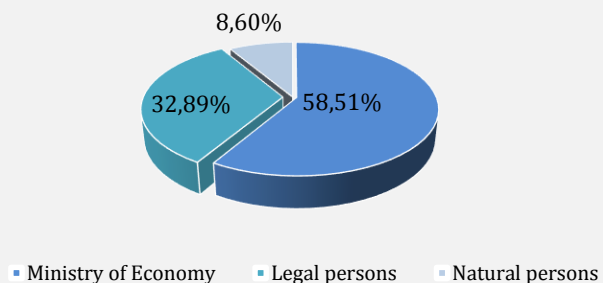
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	1 H 2017	1 H 2016
EBITDA in total sales	55.21%	52.47%
EBITDA in total equity	15.36%	12.12%
Gross profit ratio	46.55%	41.35%
Return on capital	10.85%	7.99%
Current liquidity ratio	2.50	2.48
Quick liquidity ratio	2.39	2.32
Gearing	0	0
Interest coverage ratio	0	0
Turnover speed for clients debit -days	116.18	98.75
Turnover speed for credit providers -days	11.99	20.76



Stock Exchange TGN Evolution (1)

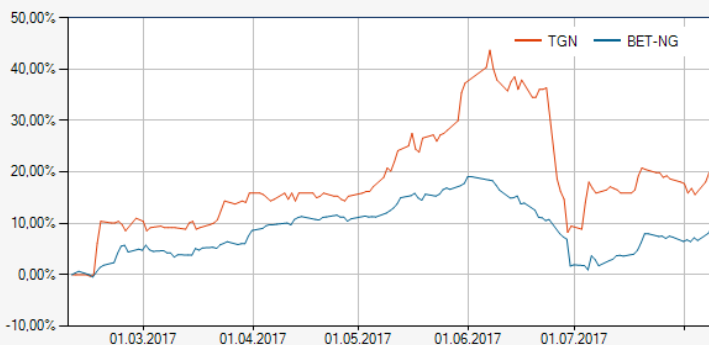
Shareholders structure - 27 June 2017



The high values of the TGN share was mainly due to the following factors: the increase in the gross profit for 2016 by 18% as opposed to the achievements related to 2015, the notification on the payment of gross dividends per share related to the fiscal year 2016 amounting to Lei 46.33, by application of a 90.00473% margin of the accounting profit remaining after income tax deduction and the publication of the notification on the pay-out of dividends from reserves and from the carried forward results as at 31.12.2016.

Stock Exchange TGN Evolution (2)

TGN vs BET, BET-TR, BET-NG, BET-XT during 1H2017

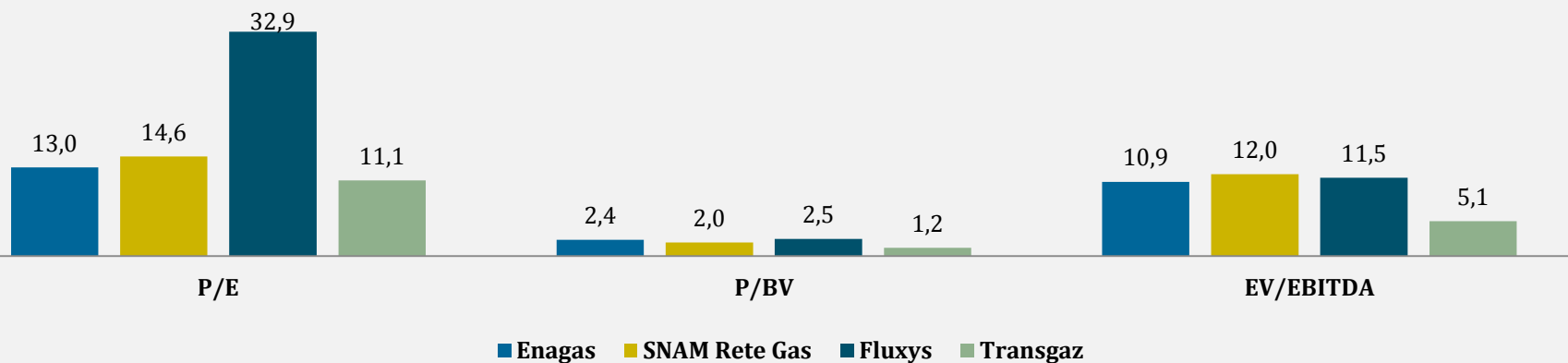
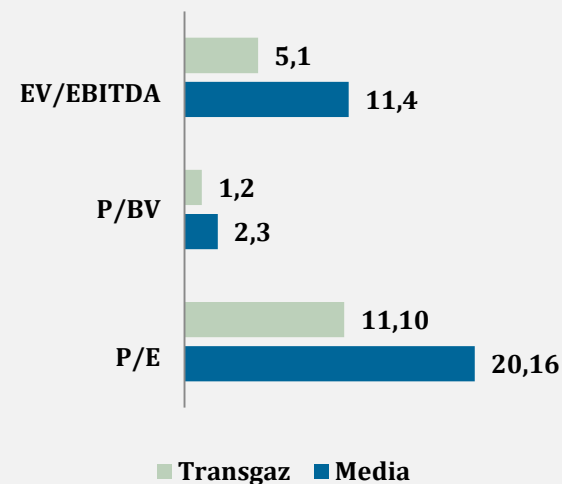


Over the entire period of Semester I 2017, TGN share had net higher values as opposed to the main Bucharest Stock Exchange indexes. The high values are mainly due to the very good financial results related to 2016 and to the first quarter of 2017 and to the high value of the dividends paid out by the company for the fiscal year 2016.

TRANSGAZ COMPARED TO PEERS

Company	Country	P/E	P/BV	EV/EBITDA
Enagas	Spain	13.0	2.4	10.9
SNAM Rete Gas	Italy	14.6	2.0	12.0
Fluxys	Belgium	32.9	2.5	11.5
Media		20.16	2.3	11.4
Transgaz	Romania	11.1	1.2	5.1
Premium /Discount		-45%	-48%	-55%

Source: Bloomberg 17.07.2017





Thank you for your kind attention!