

**A RESPONSIBLE COMPANY, A COMPANY OF THE FUTURE!**



**PRELIMINARY FINANCIAL STATEMENTS FOR 2018 (UNAUDITED)**

**Prepared in accordance with IFRS -UE**



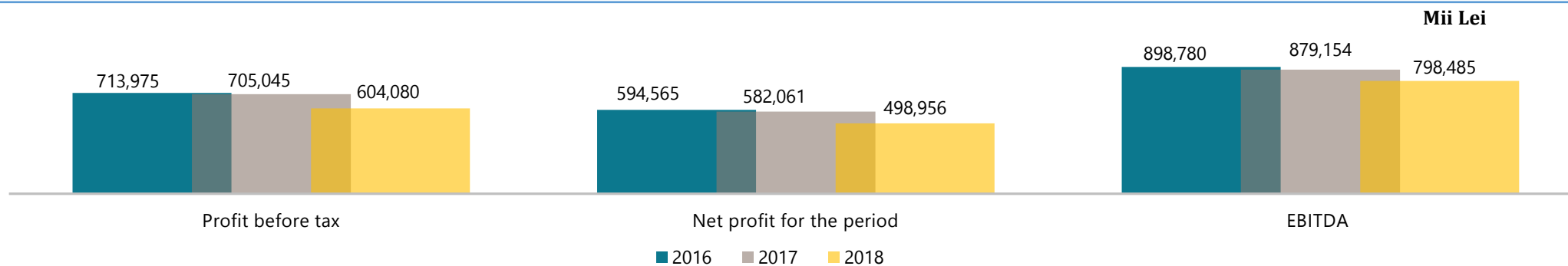
## Cuprins

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-

# 1. Preliminary income statement as of 31.12.2018 (1)

## MAIN INDICATORS

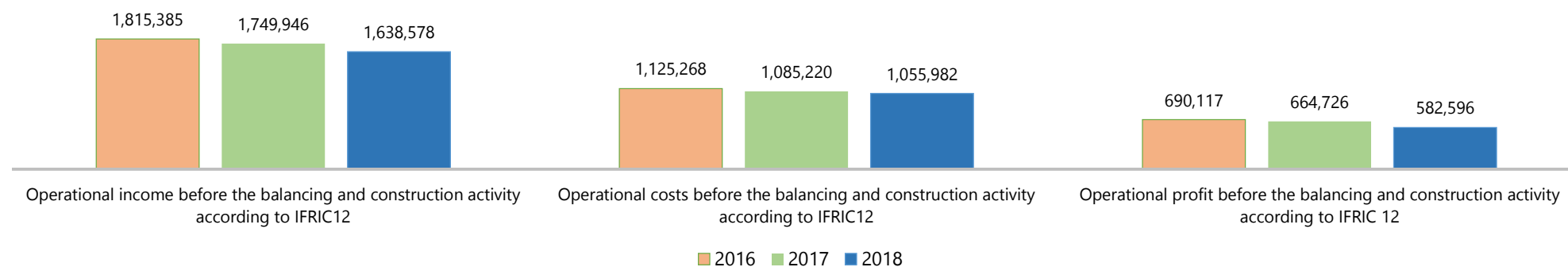
THOUSAND LEI	2016	2017	2018 preliminary	CHANGES 2018/2017	
				Absolute	Relative
Operational income before the balancing and construction activity according to IFRIC12	1,815,385	1,749,946	1,638,578	-111,368	-6%
Revenue from the balancing activity	57,404	120,686	235,427	114,741	95%
Income from the construction activity according to IFRIC12	118,504	63,950	388,554	324,604	508%
Financial income	32,231	190,546	46,853	-143,693	-75%
Operational costs before the balancing and construction activity according to IFRIC12	1,125,268	1,085,220	1,055,982	-29,238	-3%
Expenses with balancing gas	56,093	120,686	235,427	114,741	95%
Cost of assets constructed according to IFRIC12	118,504	63,950	388,554	324,604	508%
Financial expenses	9,683	150,227	25,369	-124,858	-83%
<b>Profit before tax</b>	<b>713,975</b>	<b>705,045</b>	<b>604,080</b>	<b>-100,965</b>	<b>-14%</b>
Profit tax expense	119,410	122,984	105,124	-17,860	-15%
<b>Net profit for the period</b>	<b>594,565</b>	<b>582,061</b>	<b>498,956</b>	<b>-83,105</b>	<b>-14%</b>
<b>EBITDA</b>	<b>898,780</b>	<b>879,154</b>	<b>798,485</b>	<b>-80,669</b>	<b>-9%</b>
Turnover	1,750,203	1,800,079	1,741,929	-58,150	-3%



# 1. Preliminary income statement as of 31.12.2018 (2)

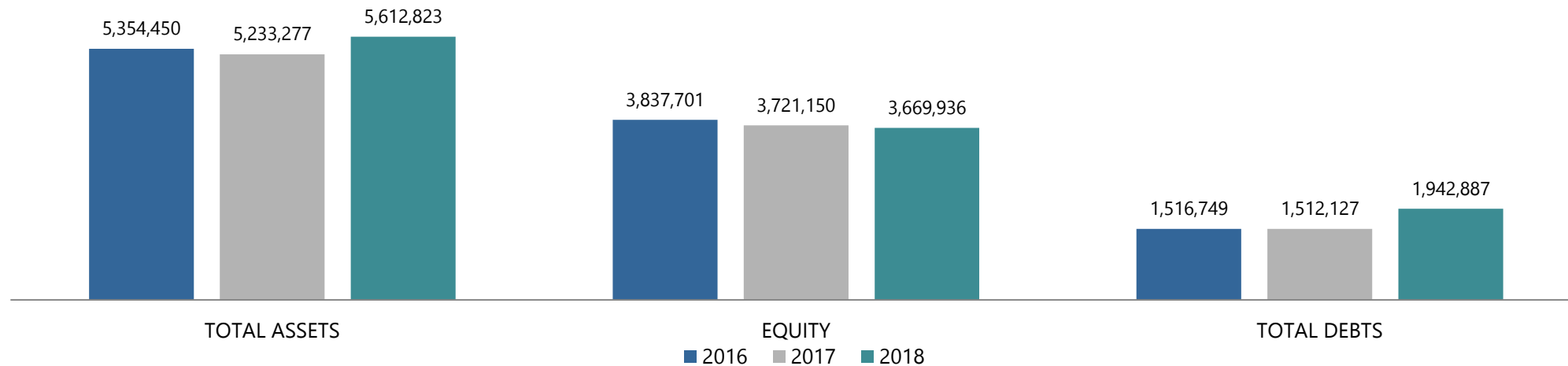
## MAIN INDICATORS

THOUSAND LEI	2016	2017	2018 preliminary	CHANGES Absolute	2018/2017 Relative
Revenues from domestic gas transmission activity	1,360,355	1,338,047	1,178,420	-159,627	-12%
Revenues from international gas transmission activity	328,571	333,290	324,381	-8,909	-3%
Other revenues	126,459	78,609	135,777	57,168	73%
<b>Operational income before the balancing and construction activity according to IFRIC12</b>	<b>1,815,385</b>	<b>1,749,946</b>	<b>1,638,578</b>	<b>-111,368</b>	<b>-6%</b>
Employees costs	369,161	385,228	382,448	-2,780	-1%
Technological consumption, materials and consumables used	110,011	105,032	96,881	-8,151	-8%
Expenses with royalties	168,893	167,134	150,280	-16,854	-10%
Maintenance and transport	29,569	27,398	35,887	8,489	31%
Taxes and other amounts owed to the State	67,544	71,564	76,447	4,883	7%
Revenues/ Expenses with provision for risks and expenses	1,707	1,273	4,254	2,981	234%
Other operating expenses	169,718	113,164	93,897	-19,267	-17%
Depreciation	208,663	214,428	215,889	1,461	1%
<b>Operational costs before the balancing and construction activity according to IFRIC12</b>	<b>1,125,268</b>	<b>1,085,220</b>	<b>1,055,982</b>	<b>-29,238</b>	<b>-3%</b>
<b>Operational profit before the balancing and construction activity according to IFRIC12</b>	<b>690,117</b>	<b>664,726</b>	<b>582,596</b>	<b>-82,130</b>	<b>-12%</b>

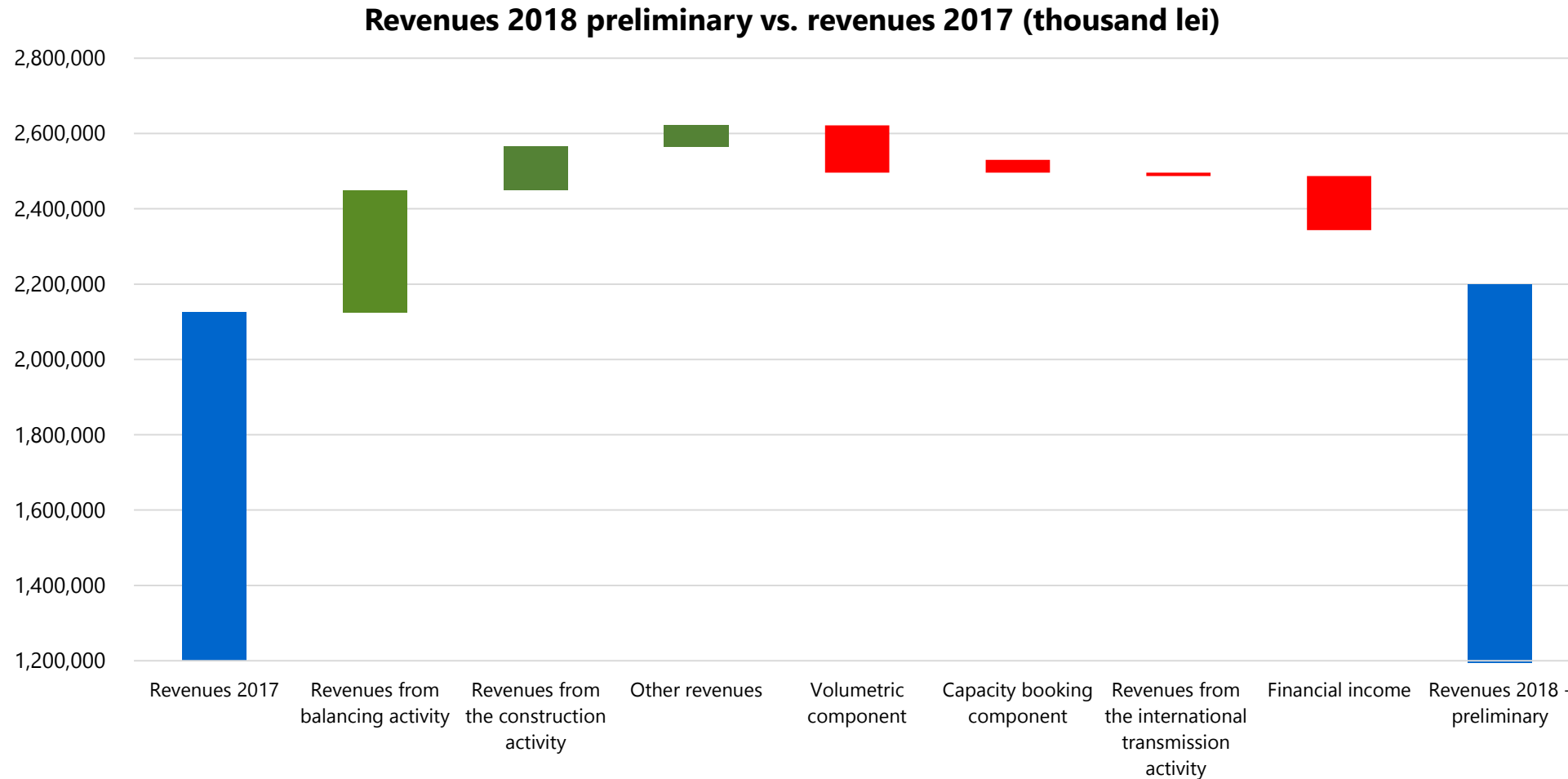


## 2. Preliminary Balance Sheet as of 31.12.2018

THOUSAND LEI	2016	2017	2018 preliminary	CHANGES 2018/2017	
				Absolute	Relative
Fixed assets	3,797,954	3,709,380	4,094,100	384,720	10%
Current assets	1,556,496	1,523,897	1,518,723	-5,174	0%
<b>Total assets</b>	<b>5,354,450</b>	<b>5,233,277</b>	<b>5,612,823</b>	<b>379,546</b>	<b>7%</b>
<b>Equity</b>	<b>3,837,701</b>	<b>3,721,150</b>	<b>3,669,936</b>	<b>-51,214</b>	<b>-1%</b>
Long term debts	1,211,416	1,238,525	1,552,558	314,033	25%
Current debts	305,332	273,603	390,329	116,726	43%
<b>Total debts</b>	<b>1,516,749</b>	<b>1,512,127</b>	<b>1,942,887</b>	<b>430,760</b>	<b>28%</b>
<b>Total equity and debts</b>	<b>5,354,450</b>	<b>5,233,277</b>	<b>5,612,823</b>	<b>379,546</b>	<b>7%</b>



### 3. Main revenue drivers (1)



### 3. Main revenue drivers(2)

2018 vs. 2017

**Operating revenue before the balancing and construction activity, according to IFRIC12 decreased by 6% as compared to 2017, which is lower by LEI 111,368 thousand.**

**The revenue was influenced mainly by the following factors:**

- *capacity booking* revenue lower by **LEI 33,854 thousand** due to:
  - *booked capacities* lower 3,855,158 MWh, with a negative influence of LEI 9,144 thousand;
  - *the capacity booking* tariff lower by Lei 0.07 /MWh, with a negative influence of LEI 24,710 thousand;
- *commodity component revenue* lower by **LEI 125,773 thousand** due to:
  - *a commodity tariff* lower by Lei 0.93/MWh with a negative influence of LEI 130,632 thousand;
  - *the gas transmitted capacities* higher by 1,056,605 MWh/106,013 thousand cm, as compared to 2017, detailed by categories of consumers as follows:

		12 months 2017	12 months 2018	Diferences
<b>Quantity transmitted for direct consumers</b>	MWh	59,201,654	60,559,629	1,357,975
	mii m <sup>3</sup>	5,537,653	5,672,485	134,832
<b>Quantity transmitted for distribution</b>	MWh	78,906,375	78.605.004	-301,371
	mii m <sup>3</sup>	7,332,255	7,303,436	-28,819
<b>Total</b>	MWh	138,108,028	139,164,633	1,056,605
	mii m <sup>3</sup>	12,869,908	12,975,921	106,013

During 01.01 - 31.12.2018 as compared to 01.01-31.12.2017 the tariffs decreased mainly due to:

- a lower approved revenue in gas year October 2017- September 2018 (Lei 954,322 thousand) as compared to the revenue approved in gas year October 2016 - September 2017 (Lei 1,101,667 thousand) mainly because of the differences for the adjustment of the revenue in gas year 2017-2018 (the efficiency gain redistribution component, the correction component of the total revenue, etc);
- a lower approved revenue in gas year October 2018- September 2019 (Lei 882,983 thousand) as compared to the revenue approved in gas year October 2017 - September 2018 (Lei 954,322 thousand) mainly because of the differences for the adjustment of the revenue in gas year 2018-2019 (the efficiency gain redistribution component, the correction component of the total revenue, etc).
- a lower commodity tariff also determined by Order 10/2017 of the ANRE President on the amending and supplementing of Order 32/2014 of ANRE President on the approval of the Gas Transmission Regulated Revenue, Total Revenue and Regulated Tariffs Methodology, which establishes the increasing by 5% per year of the percentage by which the approved revenue is recovered by the application of the capacity booking tariff, up to 85%, and the decreasing of the percentage by which the approved revenue is recovered by the application of the commodity tariff. In gas year 2016-2017 the variable component of the total revenue at the basis of the commodity tariffs is 40% of the total revenue and in gas year 2017-2018 it decreased to 35% of the total revenue, and in gas year 2018-2019 to 30%.



### 3. Main revenue drivers(3)

2018 vs. 2017

- *revenue from capacity booking* lower by LEI **8,909 thousand** because of the foreign currency exchange gain regarding the contract currency and the application of ANRE Order 34/19 July 2016 ;
- *other operating revenue* higher by **LEI 57,168 thousand**.

*Revenue from the balancing activity* increased by **LEI 114,741 thousand** based on the following factors:

- quantity higher by 743,263 MWh with a positive influence of LEI 59,836 thousand;
- trading price higher by LEI 24.49 /MWh, with a positive influence of LEI 54,905 thousand.

*Revenue from the construction activity* higher by **LEI 324,604 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.

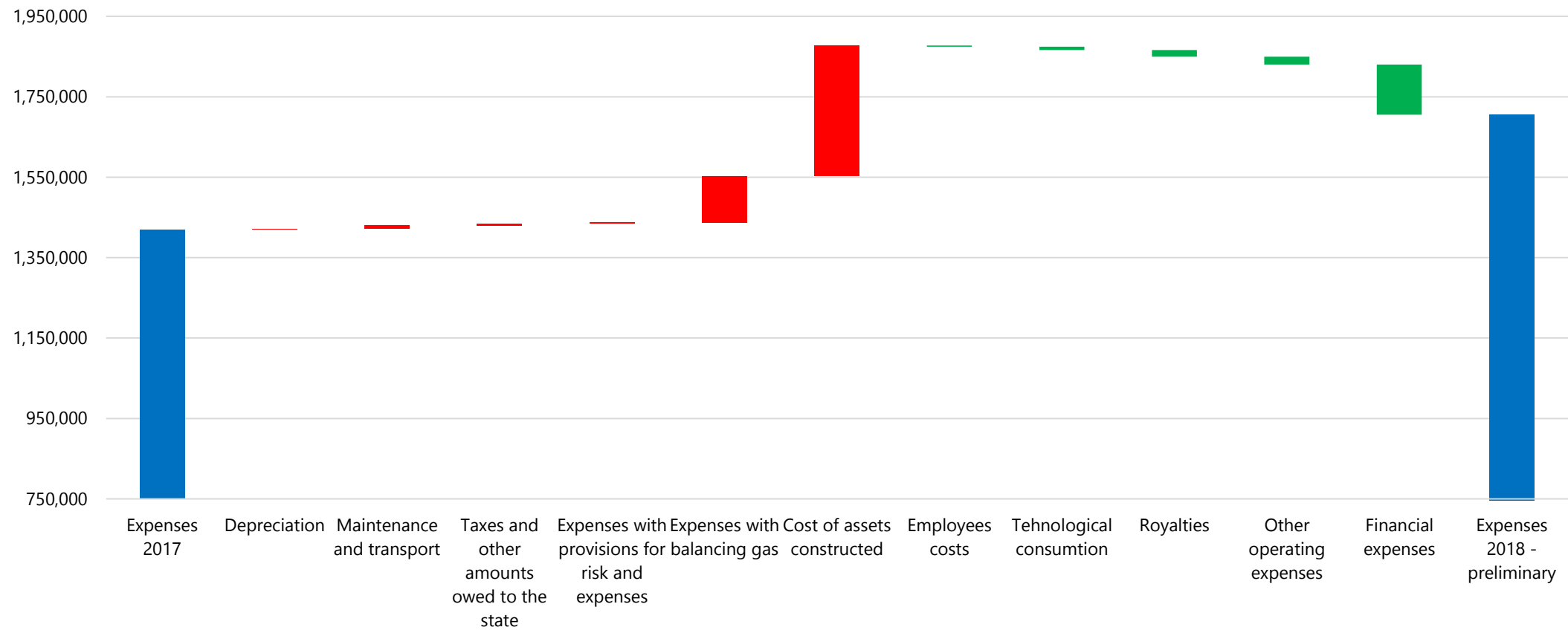
*Financial revenue* have a negative influence of **Lei 143,693 thousand** due to the transfer of the provision for the impairment of Transgaz's share in the share capital of Nabucco Gas Pipeline International GmbH amounting to Lei 138,544,435 to revenues in 2017. In September 2017 the Vienna Commercial Court issued the decision by which Nabucco Gas Pipeline International GmbH ('NIC') was disincorporated and on 30 September 2017 the company removed the asset in amount of Lei 138,544,435 from its accounting records and returned to the revenues the provision established in the previous years in the same amount.

	2017	2018 preliminary
Revenues from the domestic transmission activity, due to:	1,338,047	1,178,420
- Volumetric component	492,662	366,889
- Capacity booking component	845,385	811,531



## 4. Main costs drivers (1)

Expenses 2018 preliminary vs. 2017 (thousand lei)



## 4. Main costs drivers(2)

2018 vs.2017

**Operating costs before the balancing and construction activity according to IFRIC12 decreased by 3% as compared to 2017, which is lower by LEI 29,238 thousand.**

The company made savings of **LEI 47,052 thousand**, mainly in relation to the following cost elements:

- *transmission system technological gas consumption and loss* decreased by **LEI 3,828 thousand** because of the following:
  - amount of gas for technological consumption lower by 165,065/14,208 thousand cm (▼16%), with a positive influence of LEI 12,032 thousand;
  - average purchase price in 2018 higher as compared to 2017 by LEI 9.68 /MWh, with a negative influence of LEI 8,204 thousand;
- *cost of royalty* : LEI 16,854 thousand;
- *other operating costs*: LEI 19,267 thousand, mainly due to lower cost of provisions for depreciation of current assets;
- *other costs of materials*: LEI 4,323 thousand;
- *cost of personnel*: LEI 2,781 thousand.

		31.12.2018	31.12.2017	Diferences
Cantități consum tehnologic	MWh	847,810	1,012,875	-165,065
	mii m <sup>3</sup>	81,034	95,243	-14,209

**An expense surplus of LEI 17,814 thousand** was recorded mainly in relation to the following cost elements:

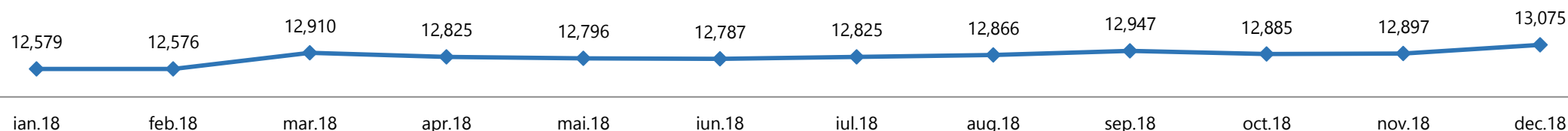
- *fixed assets depreciation costs*: LEI 1,461 thousand;
- *cost of maintenance and transmission*: LEI 8,489 thousand;
- *cost of taxes and duties*: LEI 4,883 thousand;
- *cost of provision for employees benefits*: LEI 2,981 thousand.

**The financial cost** is lower by **LEI 124,858 thousand** based on the removal from its accounting records on 30 September 2017 of the asset amounting to Lei 138,544,435, representing Transgaz's share in the share capital of Nabucco Gas International Company GmbH.

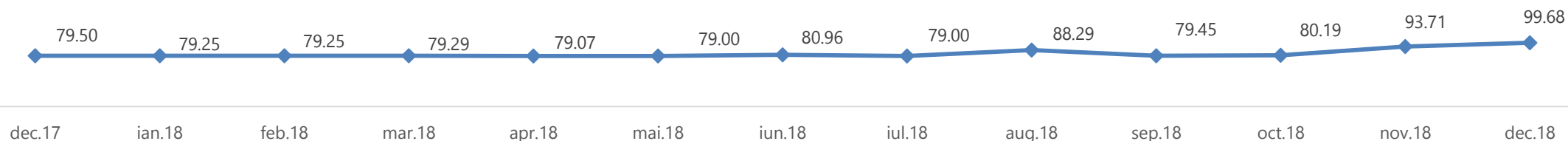
**As compared to 2017 the interim gross profit obtained in 2018 decreased by 14%, which is lower by LEI 100.965 thousand.**

## 5. Main business drivers

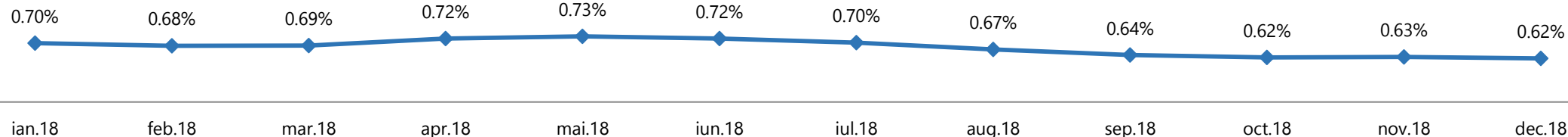
**Natural gas volumes circulated(including storage quantities) - mil.cm - rolling 12 months**



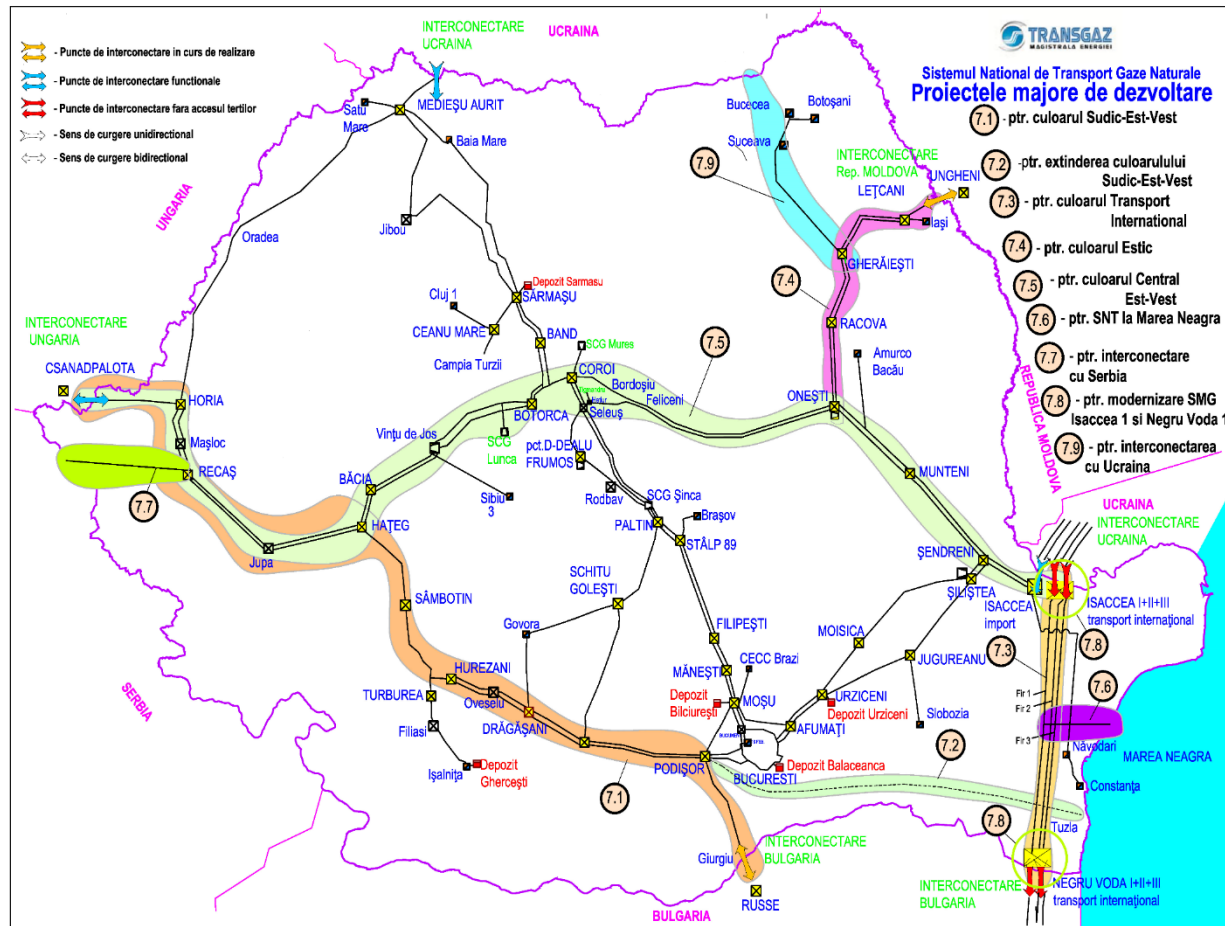
**Natural gas aquisition price for technological consumption (RON/MWH)**



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



		2018 Quarter I	2018 Quarter II	2018 Quarter III	2018 Quarter IV
Circulated gas, our of which:	MWh	46,975,236.501	25,167,343.607	27,230,967.333	40,827,278.283
	mii m <sup>3</sup>	4,374,858.158	2,346,384.527	2,539,374.064	3,814,059.287
- storage	MWh	263,565.147	8,431,856.599	10,895,380.254	1,492,112.535
	mii m <sup>3</sup>	24,652.100	786,541.285	1,018,216.897	141,333.753
Circulated gas storage share		0.56%	33.50%	40.01%	3.65%

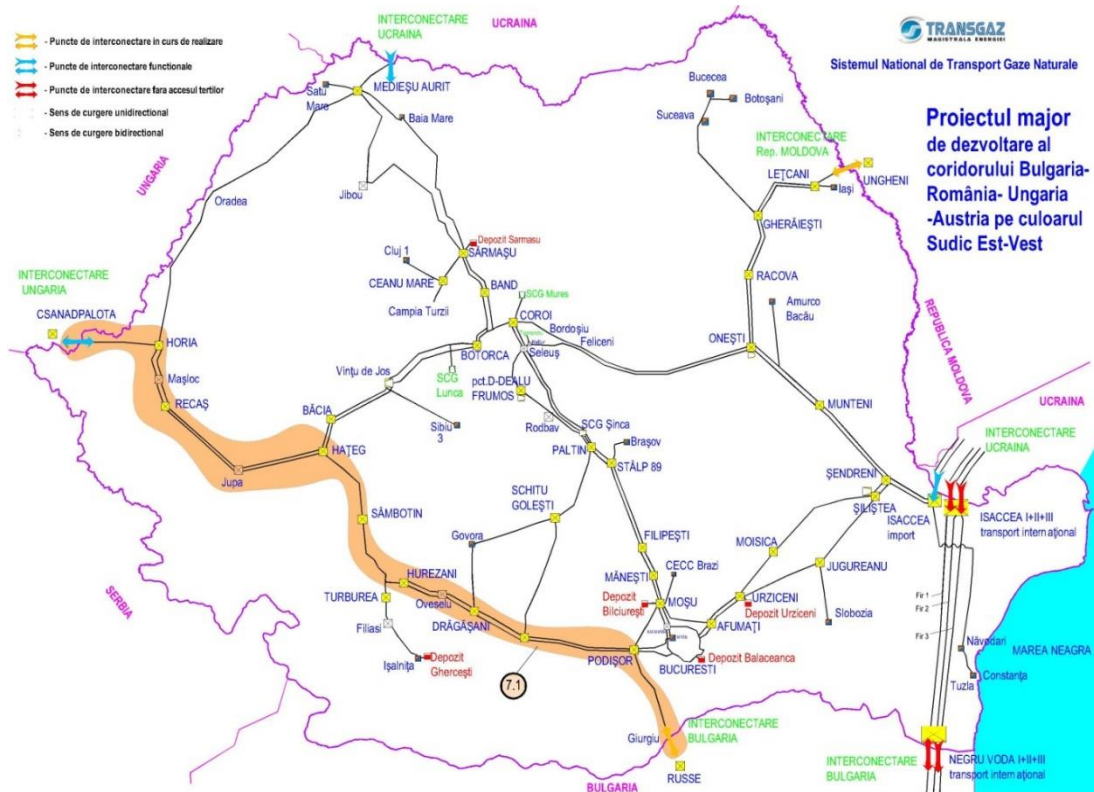


## MAJOR DEVELOPMENT PROJECTS

1.9 BILLION EURO

# Corridor between Bulgaria and Hungary (ROHUAT / BRUA), Phase 1

Project of Common Interest 7.1.5 according to the first PCI list, 6.24.2 according to the second PCI 2015 list, and 6.24.1-2 according to the third PCI 2017 list



### Aim:

- development of the gas transmission capacity between the Romanian and the Bulgarian and Hungarian gas transmission systems.

### Capacity:

- 1.75 bcm/y to Hungary
- 1.5 bcm/y to Bulgaria

### Necessary investments

- 32"x63 bar ~479 km pipeline
- 3 compressor stations

### Total estimated costs

- 478.6 mil. Euro

**EU grant: 179 mil. Euro**

Connecting Romania to neighbouring transit

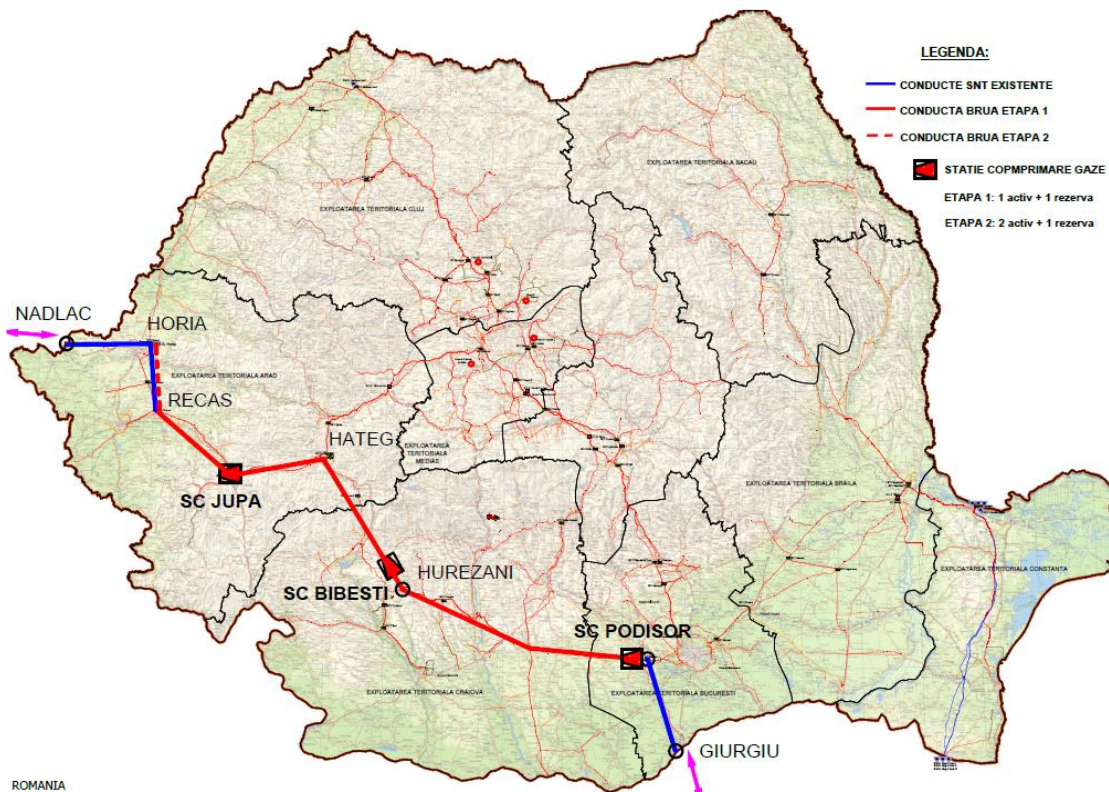
Final investment decision – 2016

Estimated commissioning-2019



## Corridor between Bulgaria and Hungary (ROHUAT / BRUA), Phase 2

Project of Common Interest 7.1.5 according to the first PCI list, 6.24.7 according to the second PCI 2015 list and 6.24.4-position 4 according to the third PCI 2017 list



Estimated commissioning - 2022

### Aim :

- The project aims to increase gas flow to Hungary through the Horia – Csanadpalota interconnector

### Capacity increase:

- From 1.75 bcm/y to 4.4 bcm/y to Hungary

### Necessary investments

- 32"x63 bar ~50 km pipeline
- increasing the capacity of the three existing compressor stations (Jupa, Bibesti, Podisor)
- extension of Horia GMS

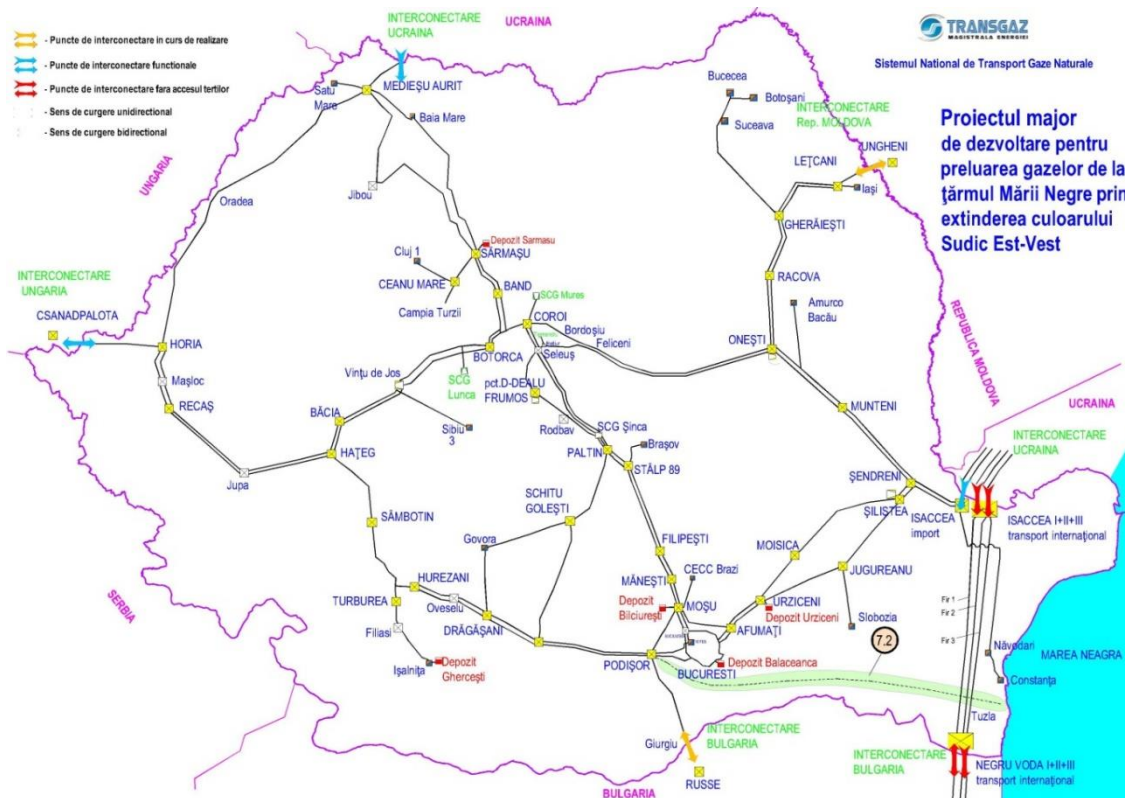
### Total estimated costs

- **68.8 mil. Euro**

Connecting Romania to neighbouring transit

## ACCESS TO NEW BLACK SEA GAS SOURCES

Project of Common Interest 6.24.8 according to the second PCI 2015 list and 6.24.4-position 5 according to the third PCI 2017 list



### Aim :

- create a transmission infrastructure for taking over Black Sea gas

### Necessary investments:

- the Black Sea shore–Amzacea pipeline, 32.5 km, Ø 48" (Dn1200)
- the Amzacea–Podișor pipeline, 275.9 km, Ø 40" (Dn1000)

### Total estimated costs

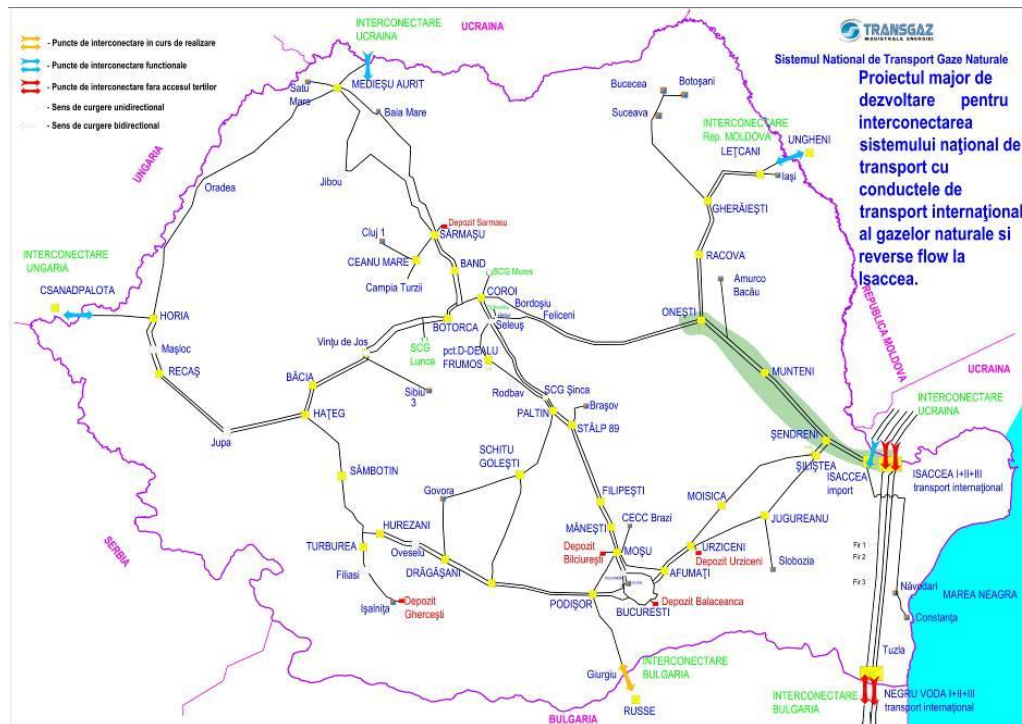
- 360,4 mil. Euro

Estimated commissioning 2020



## INTERCONNECTION OF THE NTS WITH THE T1 PIPELINE AND REVERSE FLOW AT ISACCEA

Project of Common Interest 6.15 according to the second PCI 2015 list and 6.24.10- position 1 according to the third PCI 2017 list



### Aim :

- create a transmission corridor between Bulgaria, Romania and Ukraine
- ensure physical reverse flow at the Negru Vodă 1 point, according to EU Regulation 994/2010

### Necessary investments:

#### Phase 1

- rehabilitation of Dn800 Onești-Cosmești pipeline
- Isaccea interconnection

#### Phase 2

- upgrading of Siliștea CS, Siliștea TN
- upgrading of Onești CS, Onești TN

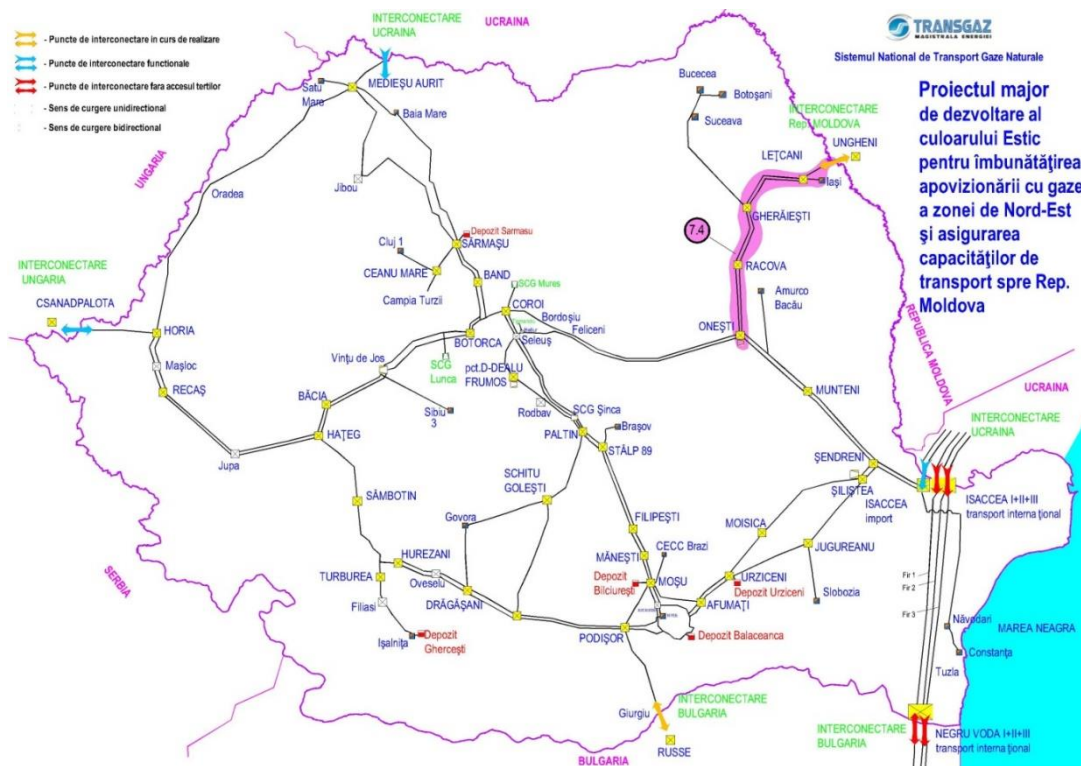
### Total estimated costs

- 101 mil. Euro

Final Investment Decision – 2018

Commissioning -2018 – Phase I  
 Commissioning -2019 – Phase II

## NTS developments in the North-Eastern area of Romania (Moldova Interconnection)



### Aim :

- enhancing gas supply to North – East Romania;
- ensuring 1.5 bcm/y transmission capacity at the interconnection point between the transmission systems of Romania and Moldova.

### Necessary investments

- construction of a Dn 700 104.1 km pipeline, in the Gherăiești-Lețcani direction;
- construction of a Dn 700 61.05 km pipeline, in the Gherăiești-Lețcani direction;
- construction of a compressor station at Gherăiești of 9.14 MW

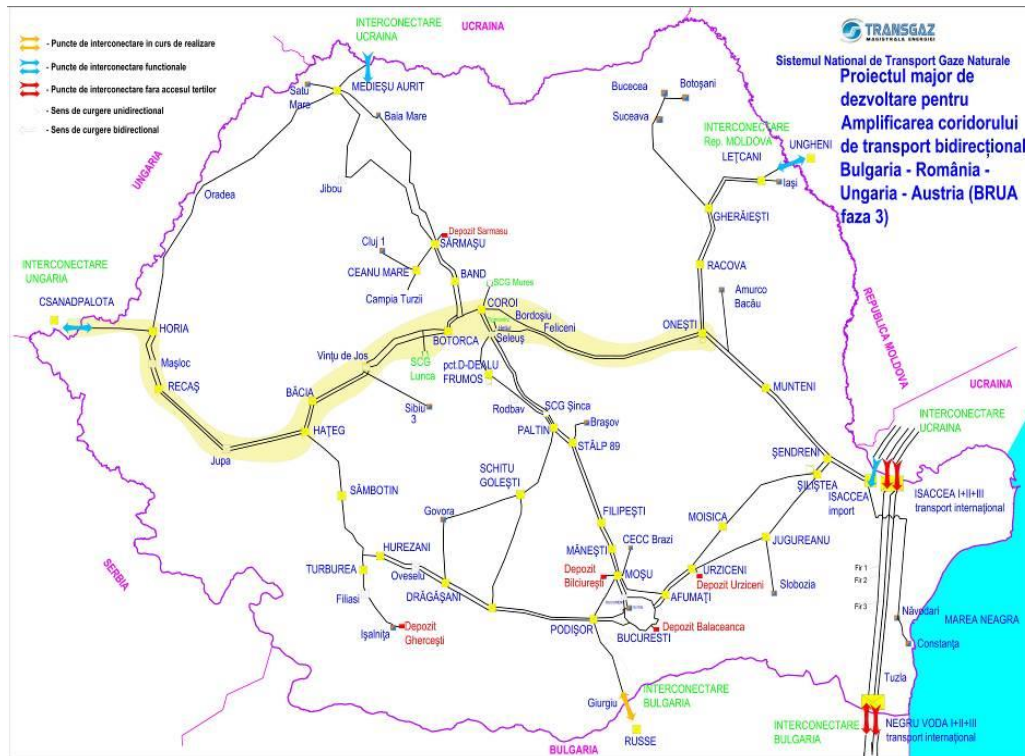
### Total estimated costs

- **174.25 mil. Euro**

**Estimated commissioning - 2019**

## ENLARGEMENT OF THE BRUA BIDIRECTIONAL TRANSMISSION CORRIDOR (ROHUAT/BRUA), PHASE 3

Project of Common Interest 6.25.3 according to the second PCI 2015 list and 6.24.10-position 2 according to the third PCI 2017 list



Estimated completion - 2023

### Aim :

- development of gas transmission capacity on the Onești–Coroi–Hațeg–Nădlac corridor depending on the Black Sea or other onshore blocks gas volumes.

### Necessary investments

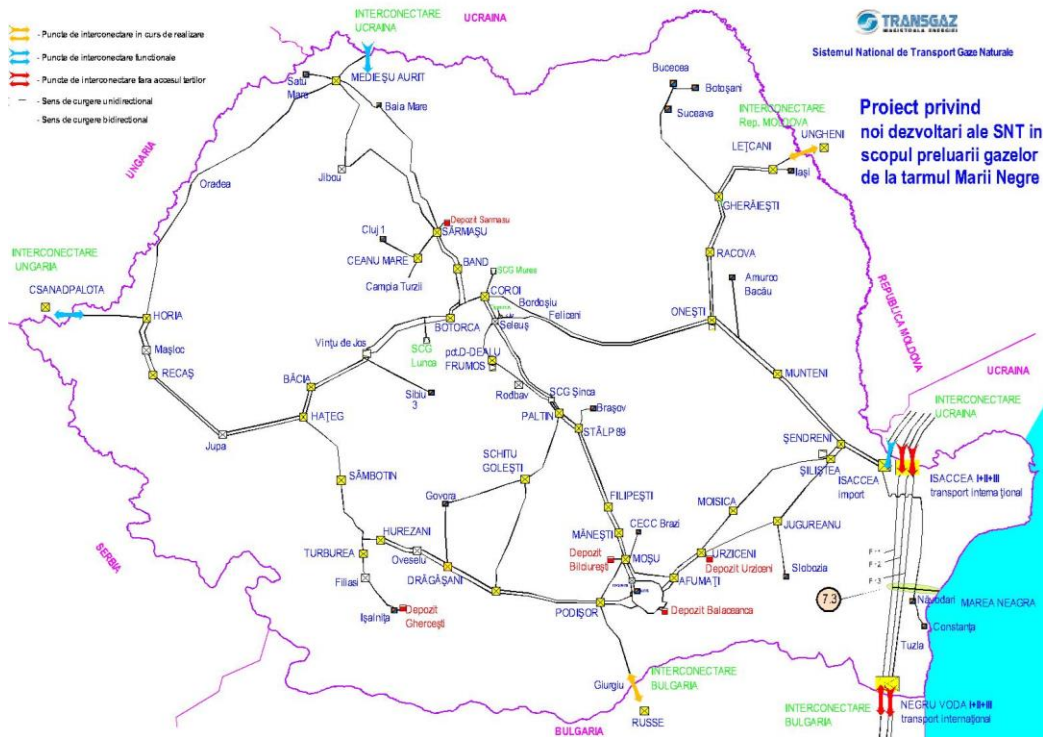
- rehabilitation of some pipeline sections;
- replacement of existing pipelines with new larger diameter and operating pressure pipelines;
- two or three new gas compressor stations.

### Total estimated costs

- 530 mil. Euro

# New NTS developments for taking over Black Sea gas

## Project of Common Interest 6.24.10- position 3 according to the third PCI 2017 list



**Estimated commissioning 2019**

### Aim :

- creating an additional taking over point for the natural gas coming from the Black Sea blocks

### Necessary investments

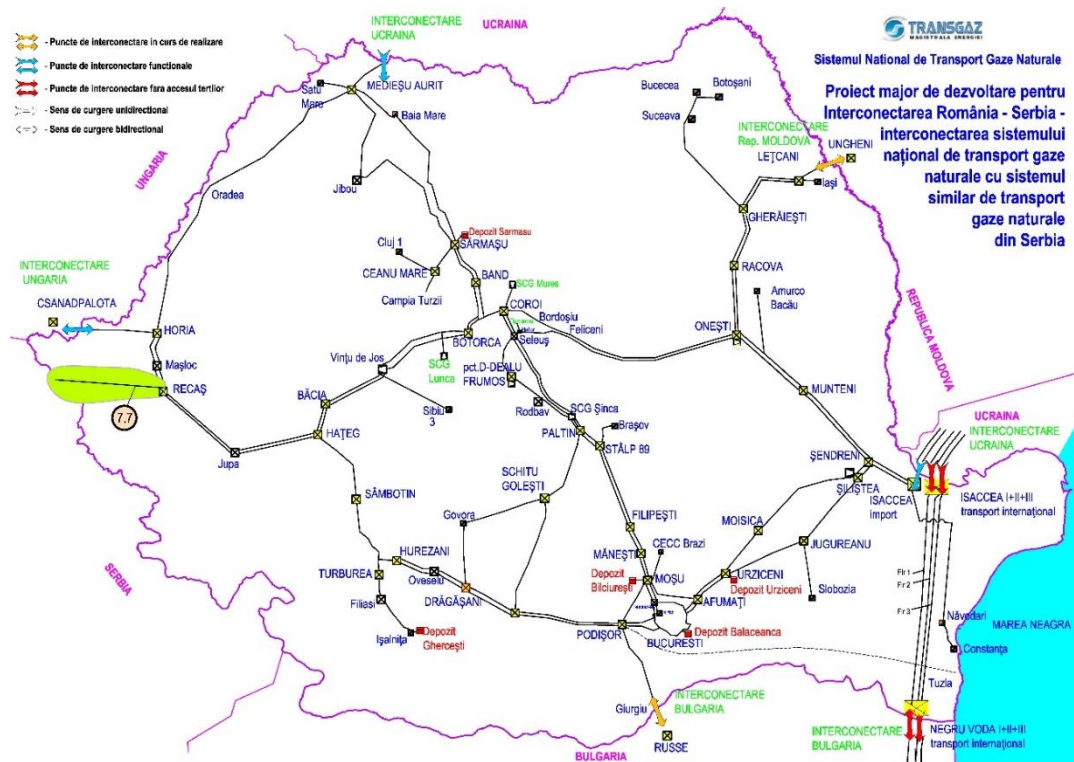
- construction of a 24.37 km DN 500 gas transmission pipeline from the Black Sea shore to the existing T1 international transmission pipeline.

### Total estimated costs

- **9.14 mil. Euro**



# NTS interconnection with the gas transmission system in Serbia



**Estimated commissioning -2020**

### Aim :

- enhancing security of energy supply to the region

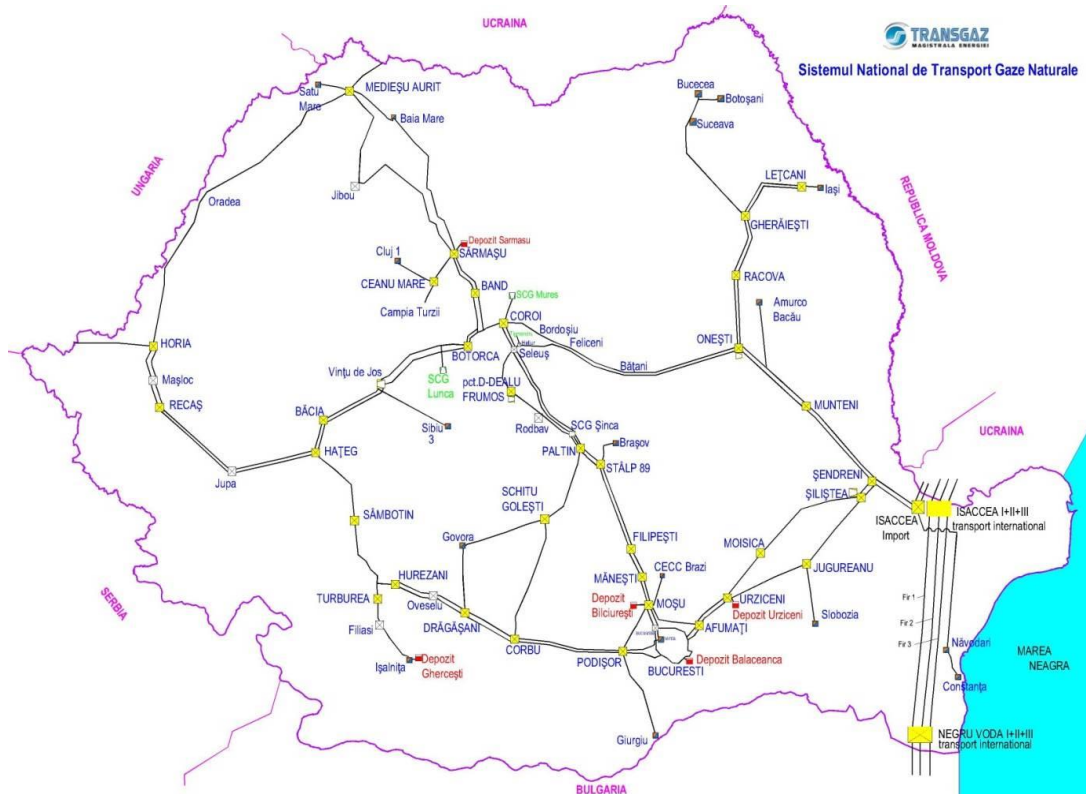
### Necessary investments

- construction of a DN 600 85.56 km gas transmission pipeline to be connected to the BRUA pipeline

### Total estimated costs

- 50.7 mil. Euro

## Upgrading GMS Isaccea 1 and GMS Negru Vodă 1



### Aim :

- increasing the level of energy security in the region

### Necessary investments

- construction of two new gas metering stations, replacing the existing ones. For the Isaccea 1 GMS the station will be constructed within the existing station, and for the Negru Vodă 1 GMS, near the existing station.

### Total estimated costs ~ 13,9 mil.Euro

- 7.1 mil Euro- upgrading Isaccea 1 GMS
- 6.8 mil Euro– upgrading Negru Vodă1 GMS

Final Investment Decision – 2018

Estimated commissioning – SMG Isaccea 1- 2018  
 Estimated commissioning– SMG Negru Vodă 1- 2019

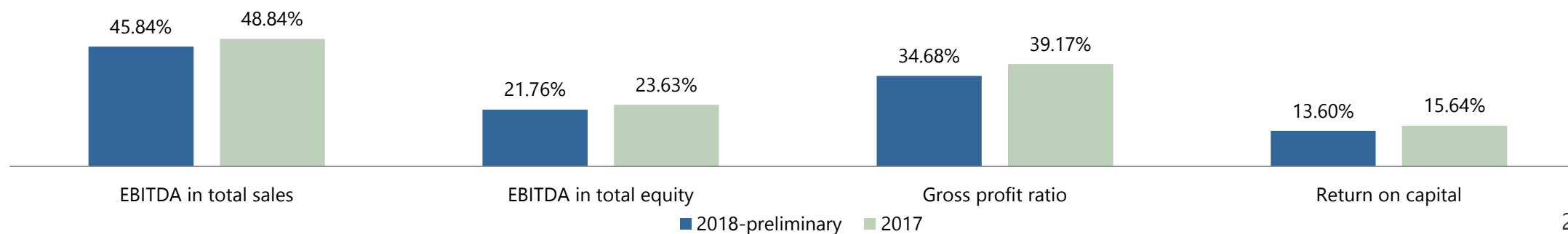
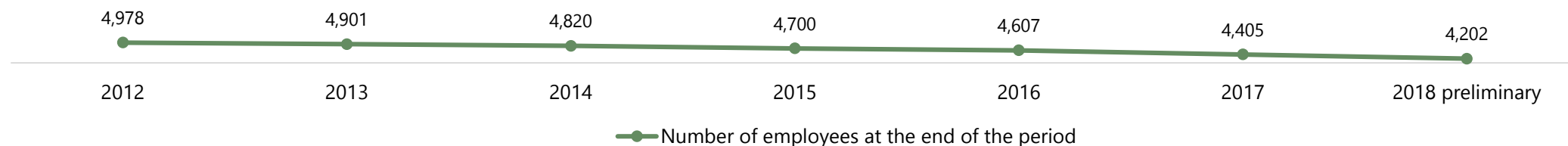
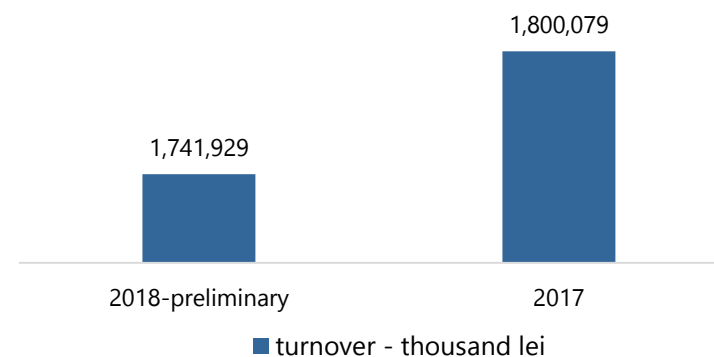




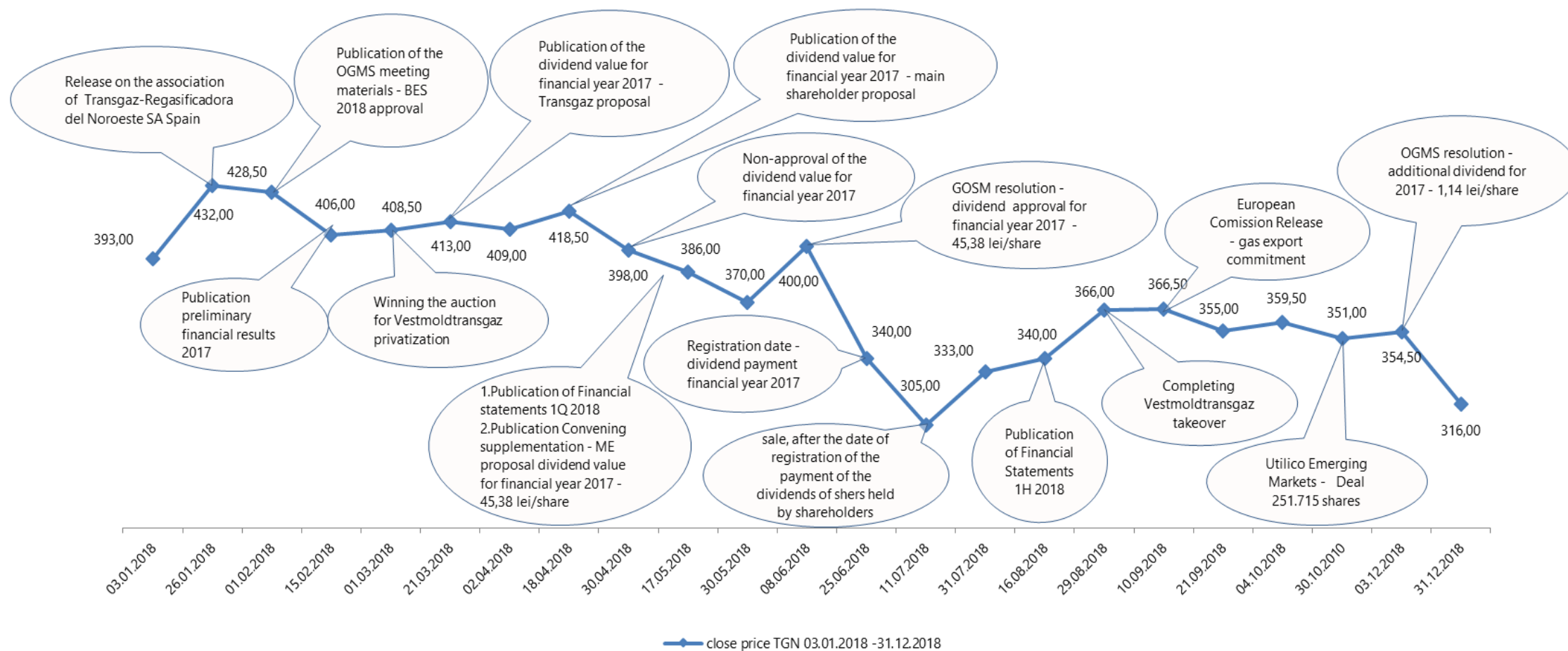
## 6. Main indicators

	2018- preliminat	2017
EBITDA in total sales	45.84%	48.84%
EBITDA in total equity	21.76%	23.63%
Gross profit ratio	34.68%	39.17%
Return on capital	13.60%	15.64%
Current liquidity ratio	3.89	5.57
Quick liquidity ratio	3.18	5.27
Gearing	6.35%	1.88%
Interest coverage ratio	231.11	0
Turnover speed for clients debit - days	140.55	142.85
Turnover speed for credit providers - days	35.47	19.43

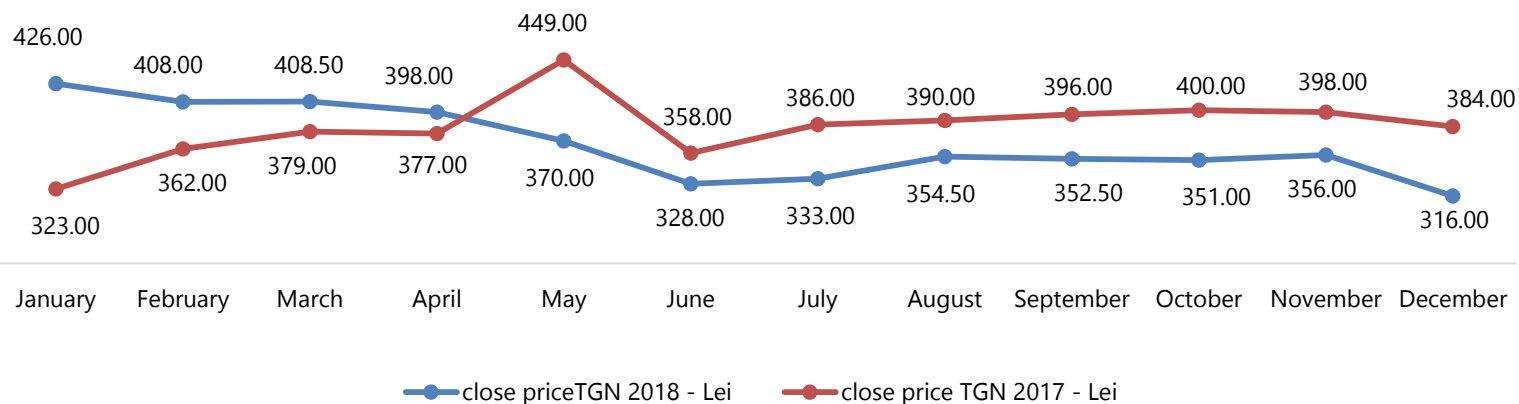
31.12.2018 compared to 31.12.2017



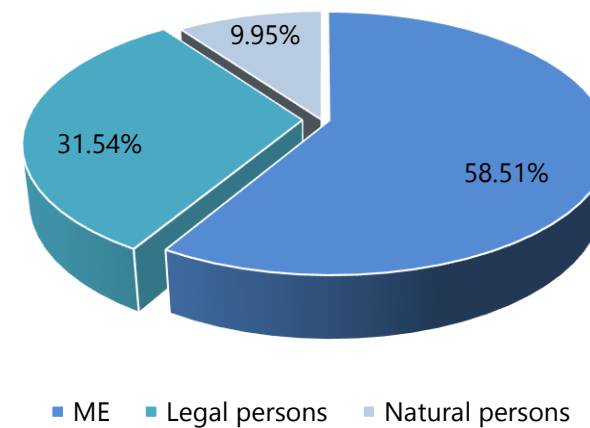
# Stock Exchange TGN Evolution (1)



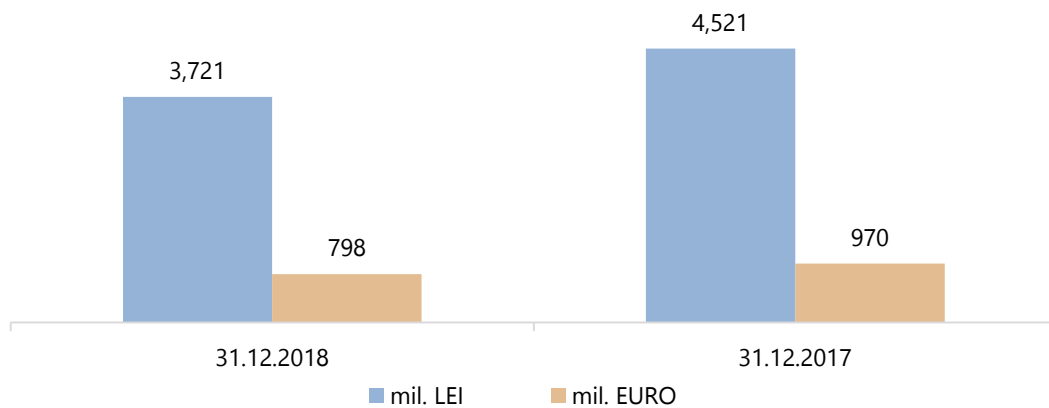
# Stock Exchange TGN Evolution (2)



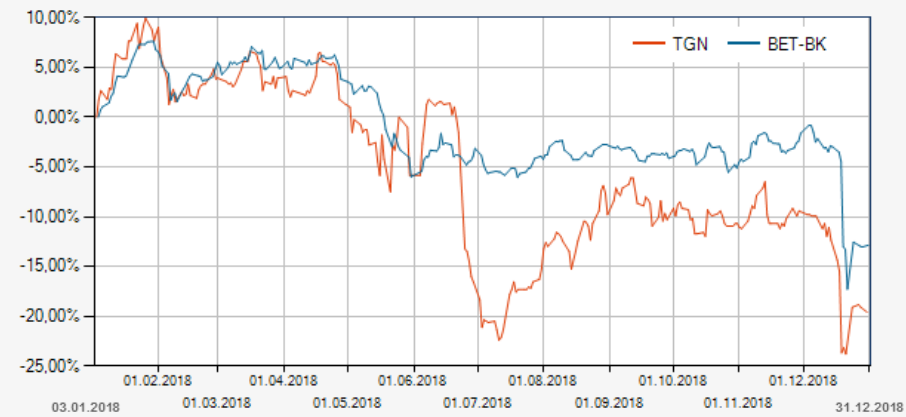
Shareholders structure at 31.12.2018



Market capitalization



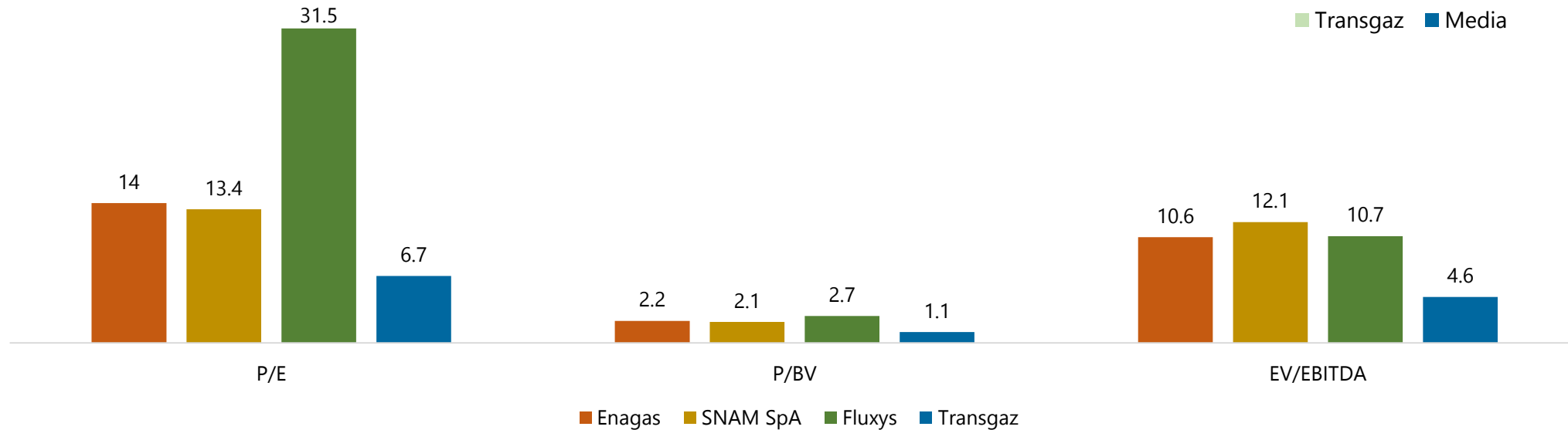
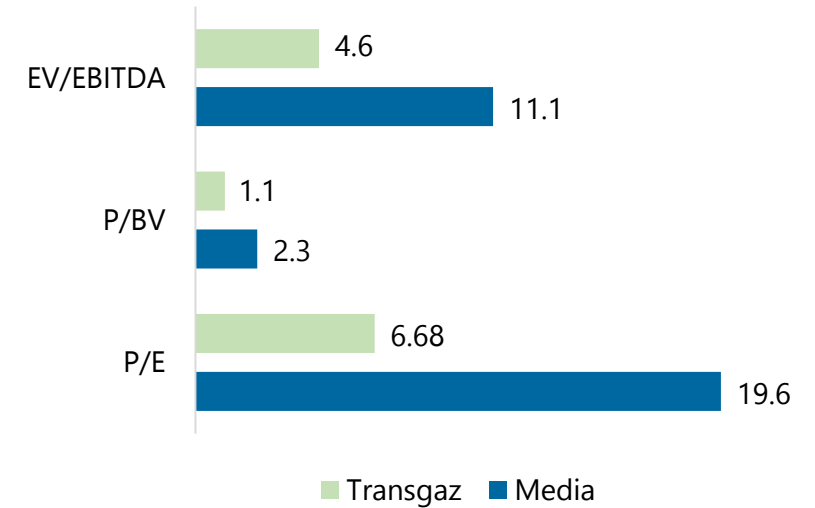
# Stock Exchange TGN Evolution (3)



# TRANSGAZ COMPARED TO PEERS

Company		P/E	P/BV	EV/EBITDA
Enagas	Spain	14,0	2,2	10,6
SNAM SpA	Italy	13,4	2,1	12,1
Fluxys	Belgium	31,5	2,7	10,7
<b>Media</b>		<b>19,6</b>	<b>2,3</b>	<b>11,1</b>
<b>Transgaz</b>	<b>Romania</b>	<b>6,68</b>	<b>1,1</b>	<b>4,6</b>
Premium /Discount		66%	52%	58%

Source: Bloomberg, 25.01.2019





**Thank you for your kind attention!**