

A RESPONSIBLE COMPANY, A COMPANY OF THE FUTURE!

INTERIM FINANCIAL STATEMENTS FOR 1Q 2019 (UNAUDITED)



Prepared in accordance with IFRS - UE



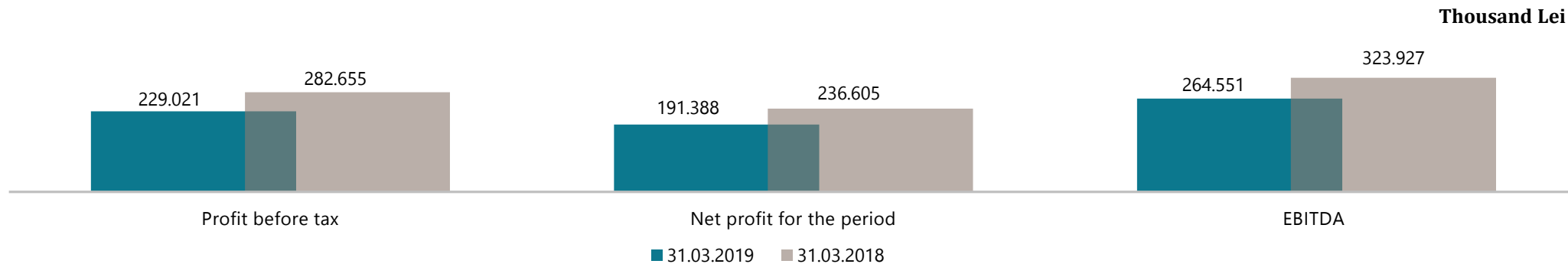
Summary

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1. Interim Income statement as of 31.03.2019
 2. Interim Balance sheet as of 31.03.2019
 3. Main revenue drivers
 4. Main costs drivers
 5. Main business drivers
 6. Main indicators
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1. Interim income statement as of 31.03.2019 (1)

MAIN INDICATORS

THOUSAND LEI	31.03.2019	31.03.2018	CHANGES 1Q2019/1Q2018	
			Absolute	Relative
Operational income before the balancing and construction activity according to IFRIC12	472.980	527.946	-54.966	-10%
Revenue from the balancing activity	103.961	72.328	31.633	44%
Income from the construction activity according to IFRIC12	150.176	16.354	133.822	818%
Financial income	22.687	8.129	14.558	179%
Operational costs before the balancing and construction activity according to IFRIC12	255.737	250.545	5.192	2%
Expenses with balancing gas	103.961	72.328	31.633	44%
Cost of assets constructed according to IFRIC12	150.176	16.354	133.822	818%
Financial expenses	10.909	2.875	8.034	279%
Profit before tax	229.021	282.655	-53.634	-19%
Profit tax expense	37.634	46.050	-8.416	-18%
Net profit for the period	191.388	236.605	-45.217	-19%
EBITDA	264.551	323.927	-59.376	-18%
Turnover	569.920	592.200	-22.280	-4%

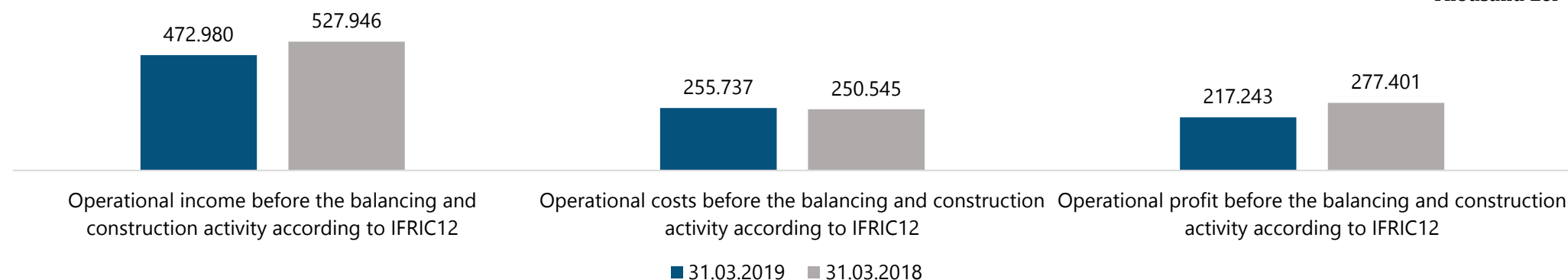


1. Interim income statement as of 31.03.2019 (2)

MAIN INDICATORS

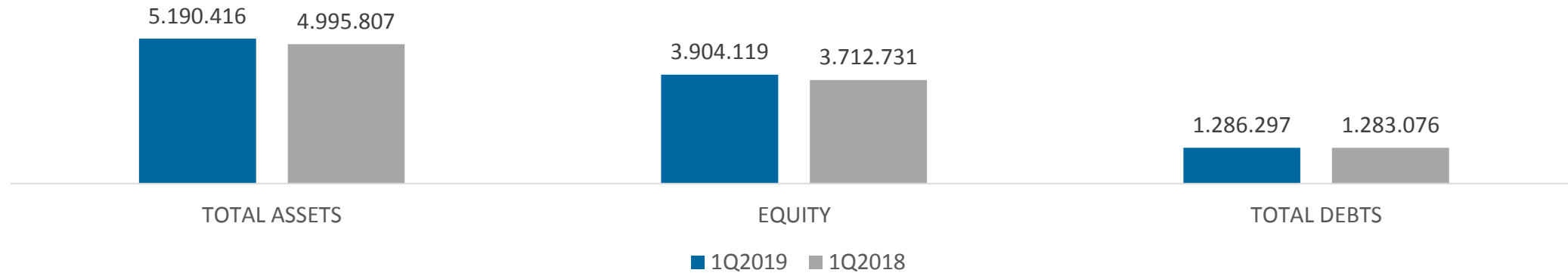
THOUSAND LEI	31.03.2019	31.03.2018	CHANGES 1Q2019/1Q2018	
			Absolute	Relative
Revenues from domestic gas transmission activity	378.769	438.663	-59.894	-14%
Revenues from international gas transmission activity	86.266	80.316	5.950	7%
Other revenues	7.946	8.967	-1.021	-11%
Operational income before the balancing and construction activity according to IFRIC12	472.980	527.946	-54.966	-10%
Employees costs	79.994	78.844	1.150	1%
Technological consumption, materials and consumables used	30.306	28.620	1.686	6%
Expenses with royalties	46.503	51.898	-5.395	-10%
Maintenance and transport	4.867	6.335	-1.468	-23%
Taxes and other amounts owed to the State	14.703	18.165	-3.462	-19%
Revenues/ Expenses with provision for risks and expenses	3.821	3.587	234	7%
Other operating expenses	28.234	16.571	11.663	70%
Depreciation	47.308	46.526	782	2%
Operational costs before the balancing and construction activity according to IFRIC12	255.737	250.545	5.192	2%
Operational profit before the balancing and construction activity according to IFRIC12	217.243	277.401	-60.158	-22%

Thousand Lei

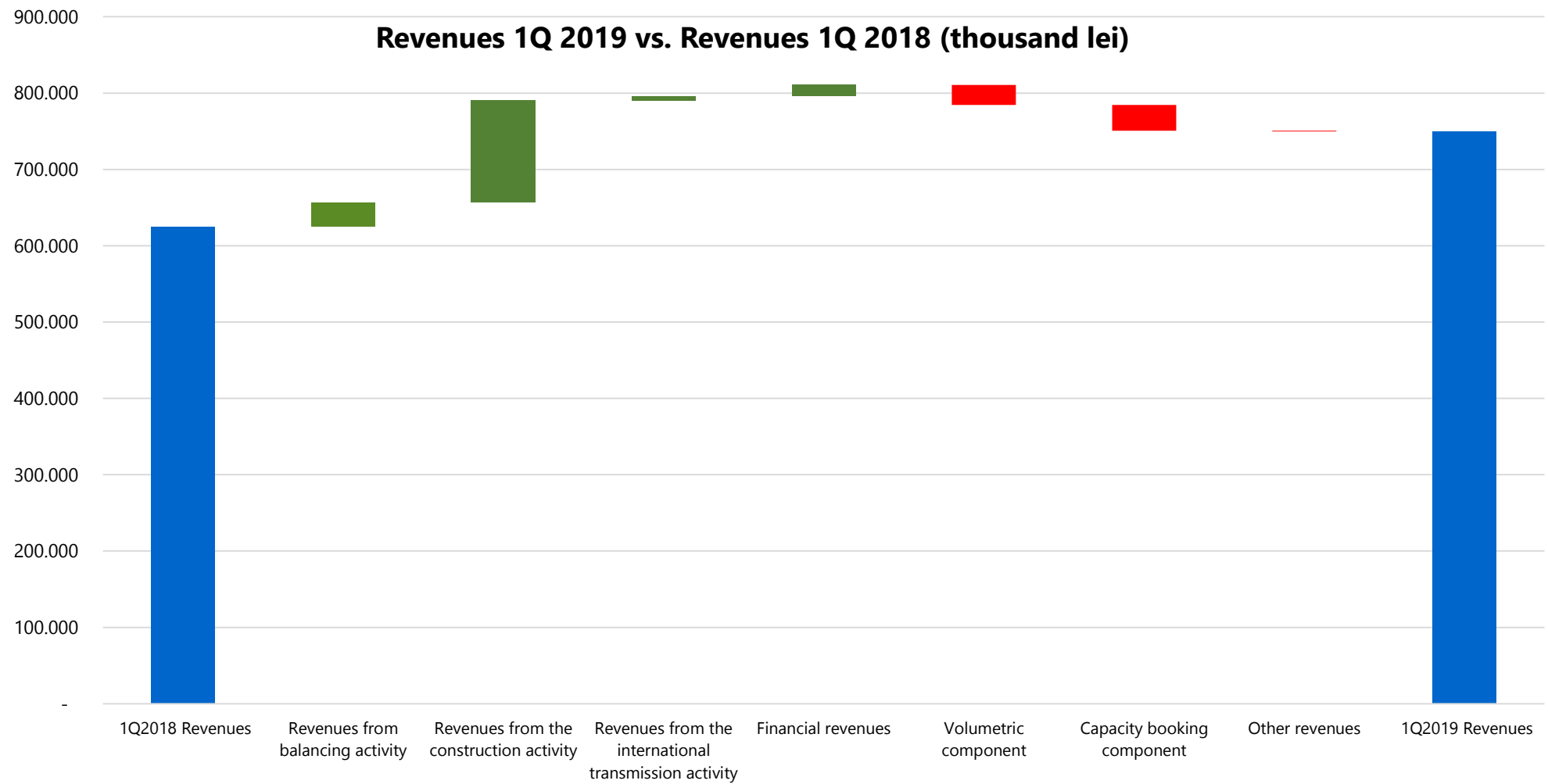


2. Interim Balance Sheet as of 31.03.2019

THOUSAND LEI	1Q2019	1Q2018	CHANGES	
			Absolute	Relative
FIXED ASSETS	3.601.624	3.490.424	111.200	3%
CURRENT ASSETS	1.588.792	1.505.384	83.408	6%
TOTAL ASSETS	5.190.416	4.995.807	194.609	4%
EQUITY	3.904.119	3.712.731	191.388	5%
LONG TERM DEBTS	860.611	864.288	-3.677	0%
CURRENT DEBTS	425.686	418.788	6.898	2%
TOTAL DEBTS	1.286.297	1.283.076	3.221	0%
TOTAL EQUITY AND DEBTS	5.190.416	4.995.807	194.609	4%



3. Main revenue drivers (1)



3. Main revenue drivers (2)

1Q2019 compared to 1Q2018

Operating revenue before the balancing and construction activity, according to IFRIC12 decreased by 10% as compared to the corresponding period of Q I 2018, which is lower by LEI 54.966 thousand.

The revenue was influenced mainly by the following factors:

- **revenue from capacity booking** lower by LEI **33.600** thousand due to:
 - booked capacities lower by 2.265.028 MWh, with a negative influence of LEI 6.147 thousand;
 - capacity booking tariff lower by LEI 0,24 /MWh, with a negative influence of LEI 27.453 thousand;
- **commodity component revenue** lower by **LEI 26.294 thousand** due to:
 - the commodity transmission tariff lower by Lei 0,48/MWh, with a negative influence of LEI 21.545 thousand;
 - the gas transmitted capacities lower by 1.852.922 MWh/165.550 thousand cm (▼4%), as compared to Q I 2018, with a negative influence of LEI 4.749 thousand, detailed by categories of consumers as follows:

		3 months 2018	3 months 2019	Differences
Quantity transmitted for direct consumers	MWh	11.554.374	11.274.702	-279.672
	thousand m ³	1.080.725	1.051.352	-29.373
Quantity transmitted for distribution	MWh	35.183.382	33.610.132	-1.573.250
	thousand m ³	3.270.281	3.134.104	-136.177
Total	MWh	46.737.756	44.884.834	-1.852.922
	thousand m ³	4.351.006	4.185.456	-165.550

The tariffs in 01.01-31.03.2019 as compared to 01.01-31.03.2018 decreased mainly due to:

- 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).
- the commodity tariff is lower according to 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 2017-2018 the variable component of the total revenue at the basis of the commodity tariffs is 35% of the total revenue and in gas year 2018-2019 to 30% of the total revenue.

3. Main revenue drivers (3)

1Q2019 compared to 1Q2018

- **international gas transmission revenue** higher by **LEI 5.950 thousand** due to the appreciation of the contract currencies;
- **other operating revenue** lower by **LEI 1.021 thousand**.

Revenue from the balancing activity increased by **LEI 31.634 thousand** based on the following factors:

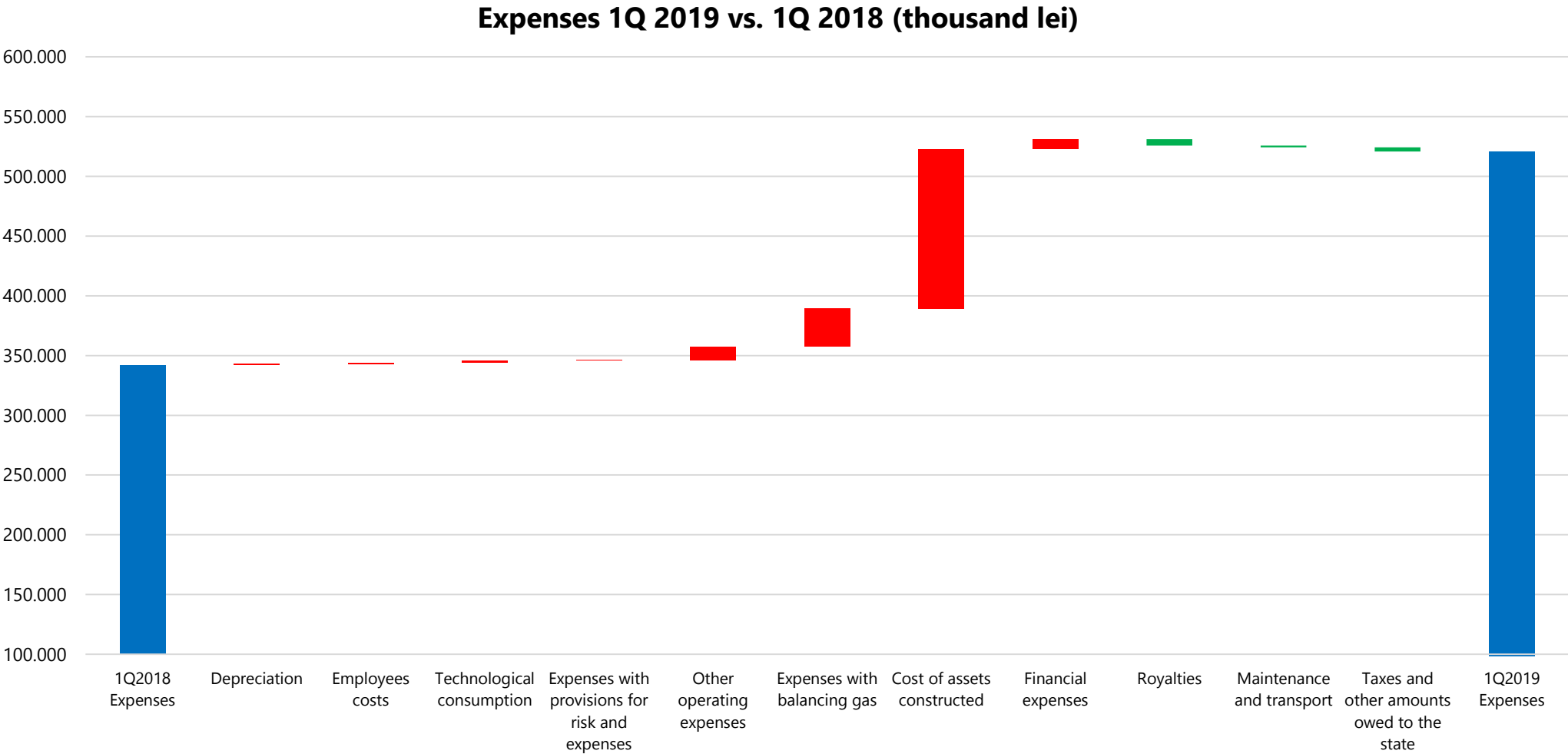
- quantity higher by 211.427 MWh with a positive influence of LEI 21.133 thousand;
- trading price higher by LEI 11,23 /MWh, with a positive influence of LEI 10.501 thousand.

Revenue from the construction activity higher by **LEI 133.822 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 **LEI 14.558 thousand** based on the foreign exchange gains.

	1Q 2018	1Q 2019
Revenues from the domestic transmission activity, due to:	438.663	378.769
- Volumetric component	123.173	96.879
- Capacity booking component	315.490	281.890

4. Main costs drivers (1)



4. Main costs drivers(2)

1Q2019 compared to 1Q2018

Operating costs before the balancing and construction activity according to IFRIC12 increased by **2%** as compared to Quarter I 2018, which is higher by **LEI 5.192 thousand**.

The company made savings of LEI 10.324 thousand, mainly in relation to the following cost elements:

- *cost of royalty*: LEI 5.394 thousand;
- *cost of taxes and duties*: LEI 3.463 thousand;
- *cost of maintenance and transmission*: LEI 1.467 thousand;

		31.03.2019	31.03.2018	Differences
Technological consumption quantities	MWh	224.309	280.187	-55.878
	thousand m ³	20.917	27.894	-6.977

An expense surplus of LEI 15.516 thousand was recorded mainly in relation to the following cost elements:

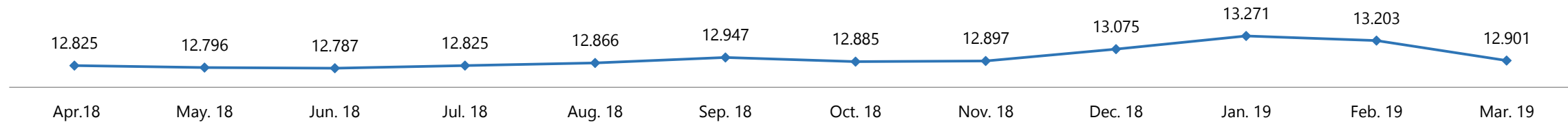
- *cost of auxiliary material and other material costs*: LEI 1.478 thousand;
- *cost of personnel*: LEI 1.150 thousand;
- *depreciation costs*: LEI 782 thousand;
- *cost of provision for risks and charges*: LEI 235 thousand;
- *cost of technological consumption*: LEI 207 thousand;
- *other operating costs*: LEI 11.663 thousand, mainly due to the establishing of corrections for the depreciation of the current assets, recording an increase of LEI 12.376 thousand.

The financial cost is higher by **LEI 8.035 thousand** based on the foreign exchange gains.

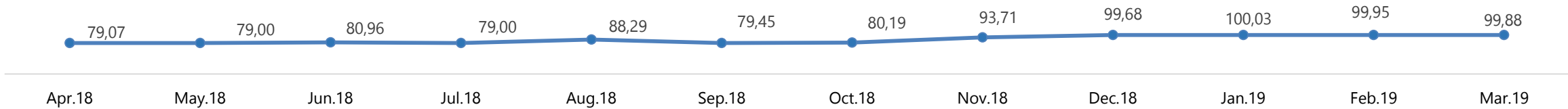
As compared to Quarter I 2018 the gross profit obtained in Quarter I 2019 decreased by 19%, which is lower by LEI 53.634 thousand.

5. Main business drivers

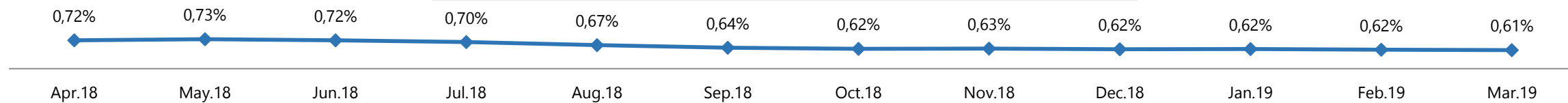
Natural gas volumes circulated (including storage quantities) - mil.cm - rolling 12 months



Natural gas acquisition price for technological consumption (RON/MWH)



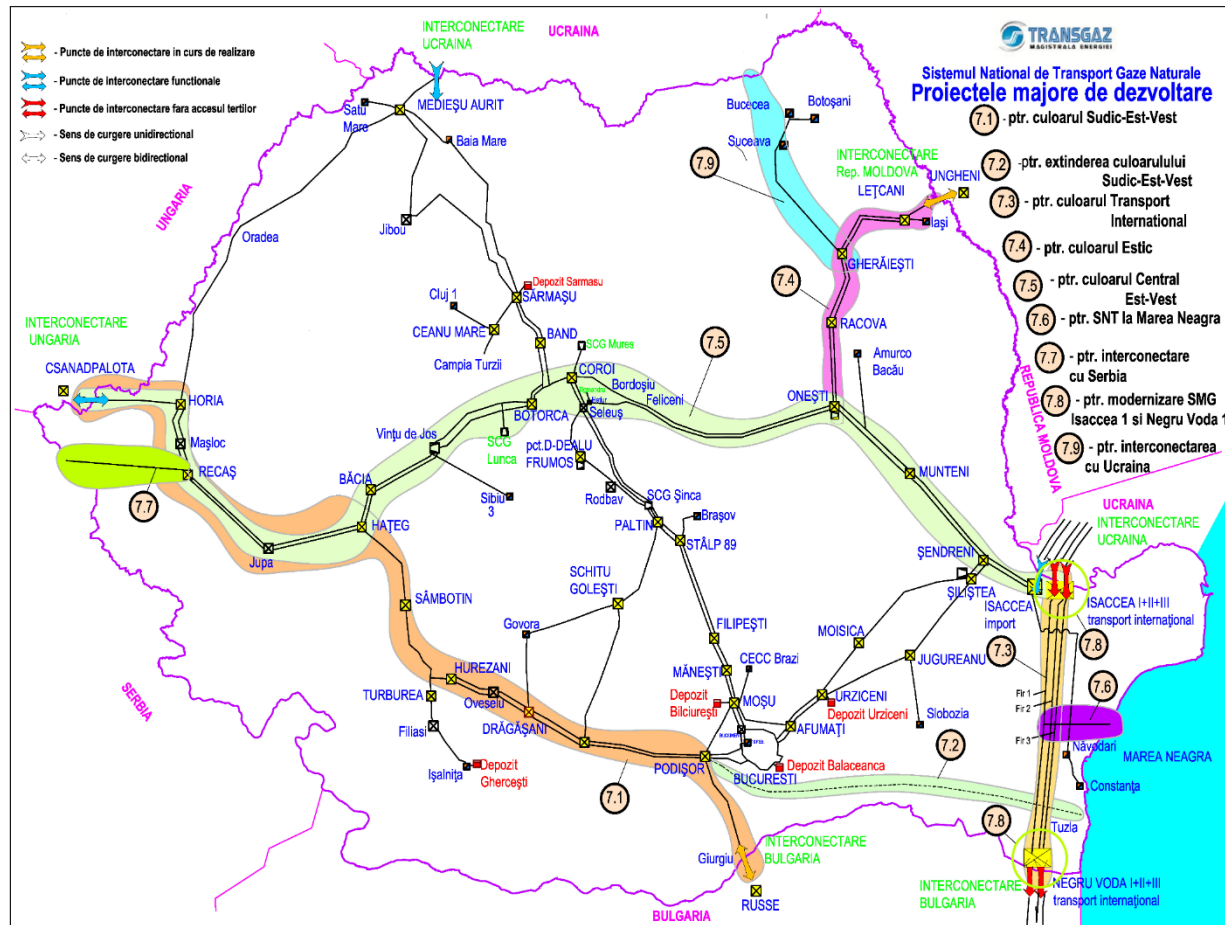
% Technological consumption in total circulated gas volumes (rolling 12 months)



Circulated gas, out of which:		Q I 2018	Q I 2019
	MWh	46.975.236,501	45.054.044,385
	mii m ³	4.374.858,158	4.201.235,023
	MWh	263.565,147	398.246,000
	mii m ³	24.652,100	37.136,000

Circulated gas storage share 0,56% 0,88%

		Q I 2019	Q I 2018
Technological consumption, materials and consumables used, of which:	Mii lei	30.306	28.620
▪ transmission system technological consumption and loss	Mii lei	22.422	22.214
- technological consumption quantity	MWh	224.309	280.187
▪ auxiliary materials	Mii lei	6.703	5.475
▪ other material costs	Mii lei	1.181	931

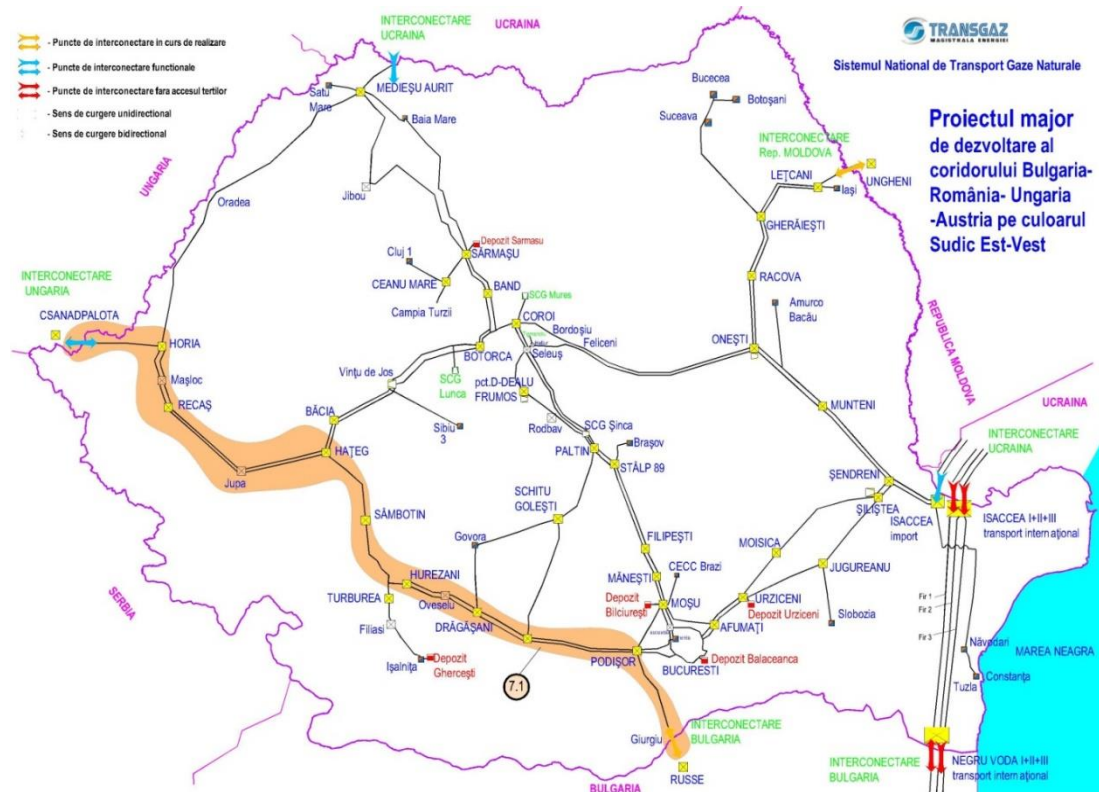


MAJOR DEVELOPMENT PROJECTS

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

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

Aim :

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

Capacity increase:

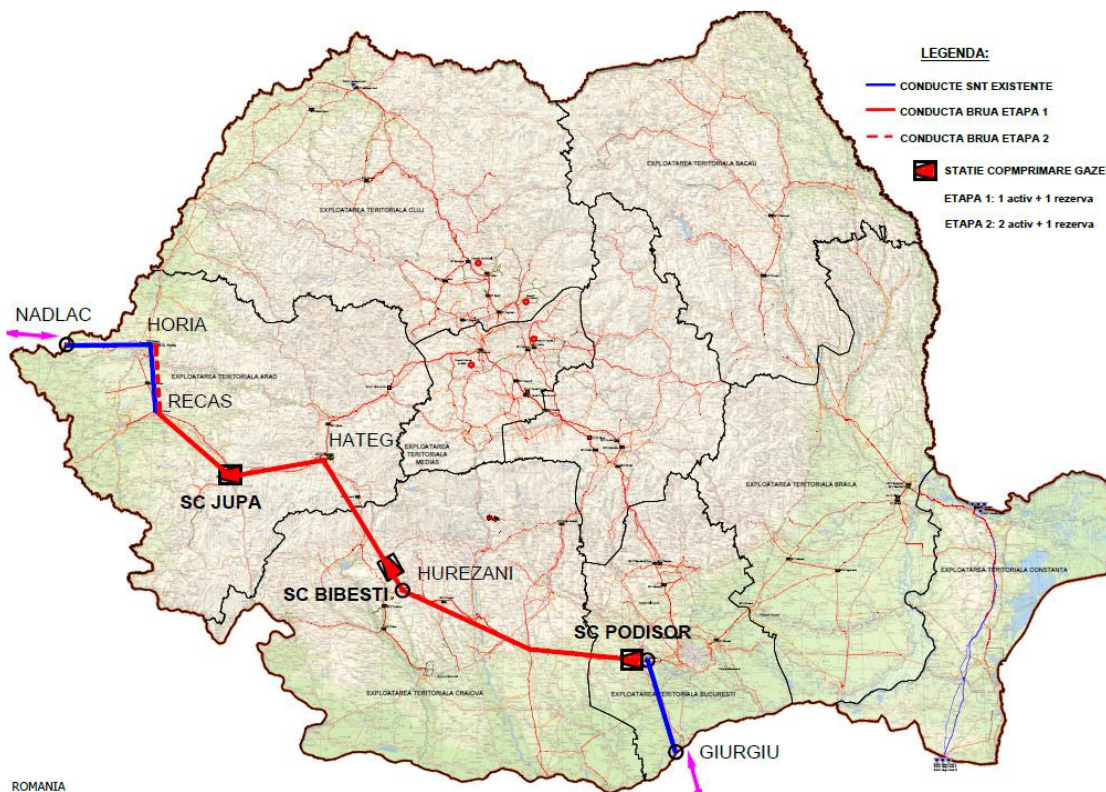
- From 1.75 bcm/y to 4.4 bcm/y to Hungary

Necessary investments

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

Total estimated costs

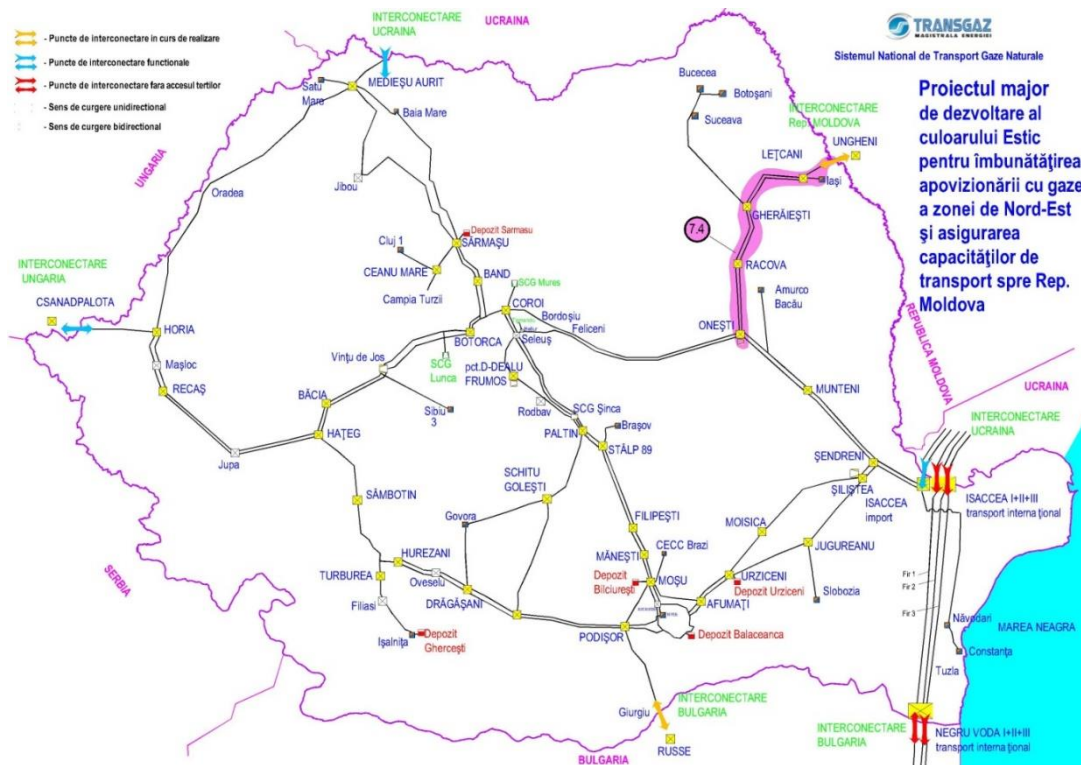
- 68.8 mil. Euro



Estimated commissioning - 2022

Connecting Romania to neighbouring transit

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



Estimated commissioning - 2021

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

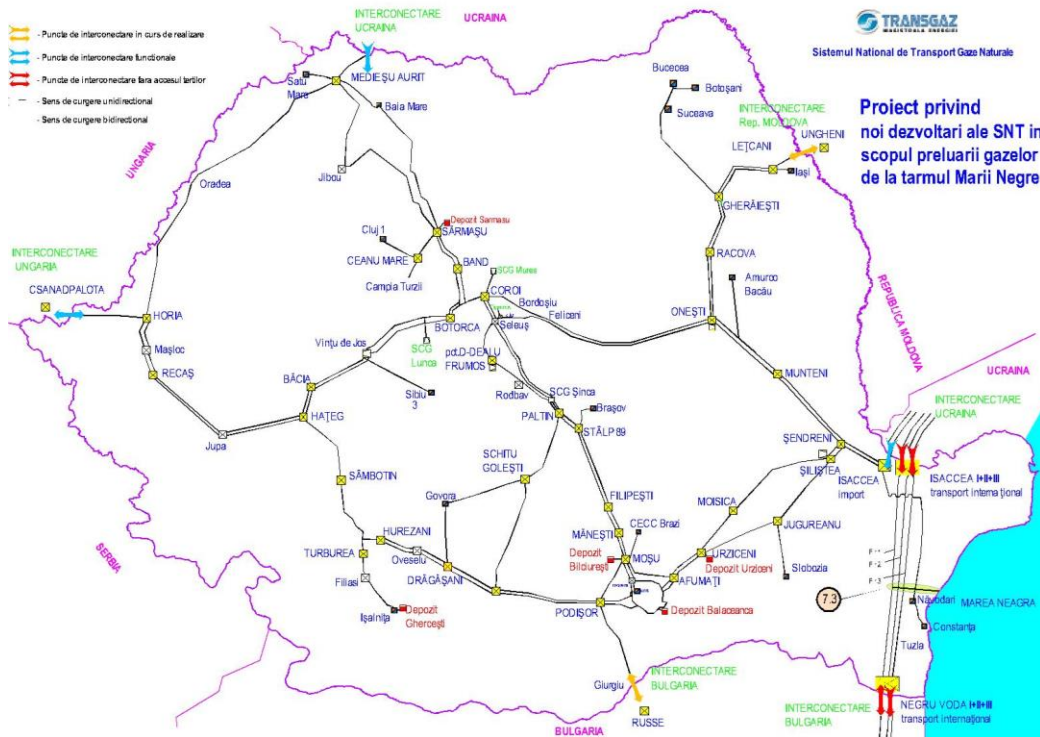
- **174.25 mil. Euro**



- **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



Aim :

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

Necessary investments

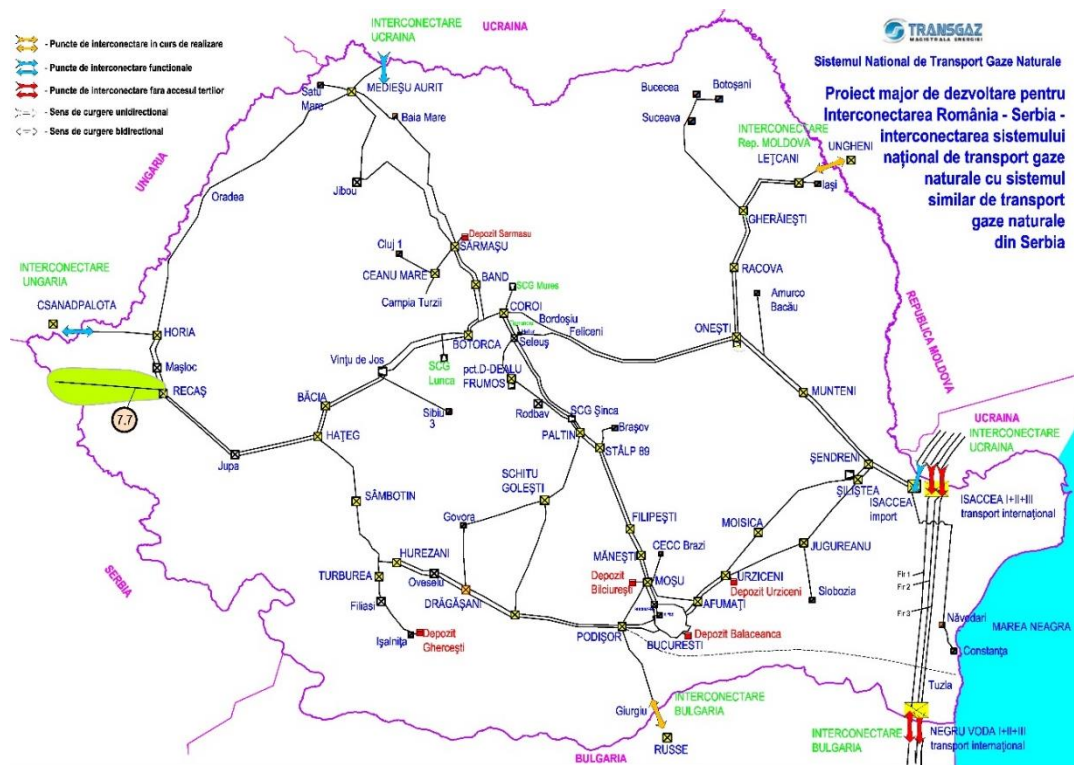
- construction of a 24.37 km DN 500 gas transmission pipeline from the Black Sea shore to the existing T1 international transmission pipeline.

Total estimated costs

- 9.14 mil. Euro**

Estimated commissioning 2021

NTS interconnection with the gas transmission system in Serbia



Aim :

- enhancing security of energy supply to the region

Necessary investments

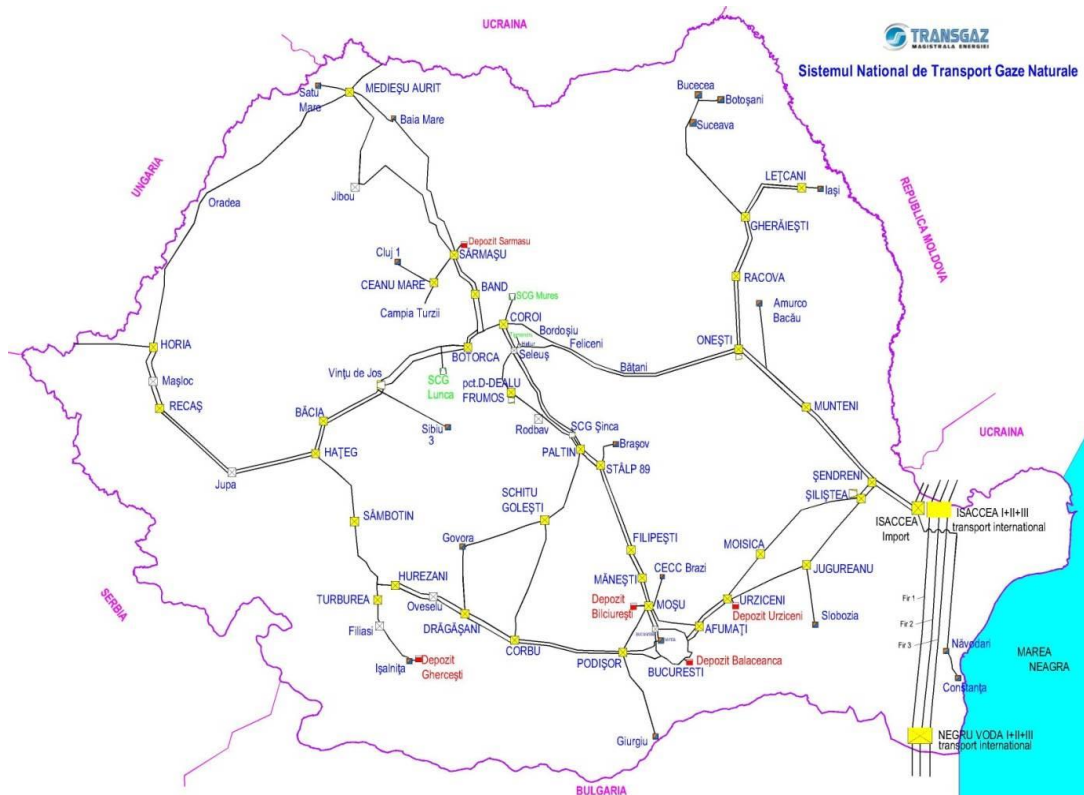
- construction of a DN 600 85.56 km gas transmission pipeline to be connected to the BRUA pipeline

Total estimated costs

- 53.76 mil. Euro**

Estimated commissioning -2020

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 ~ 26.65 mil.Euro

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

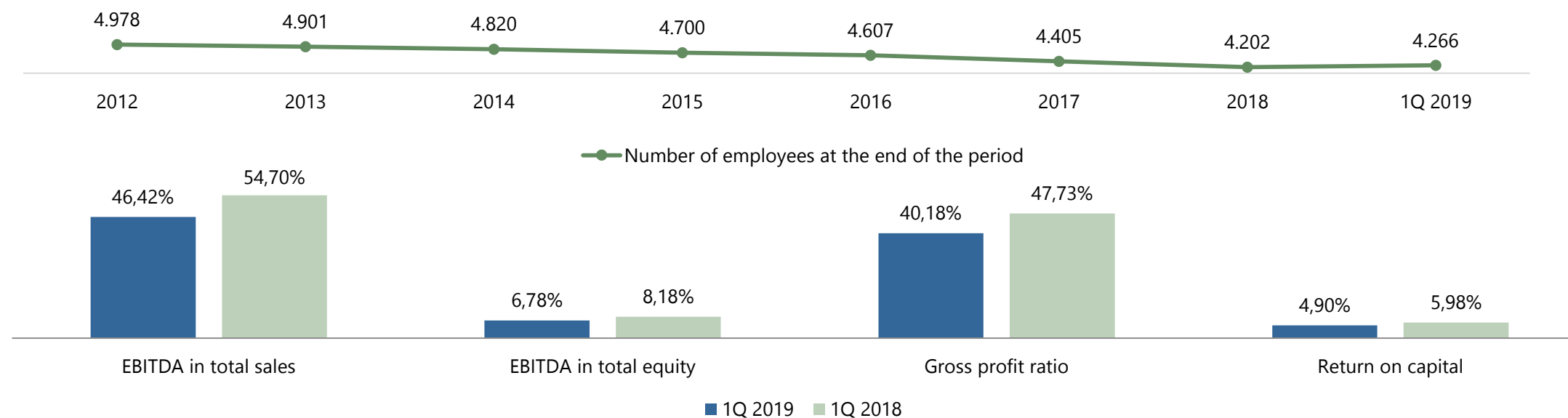
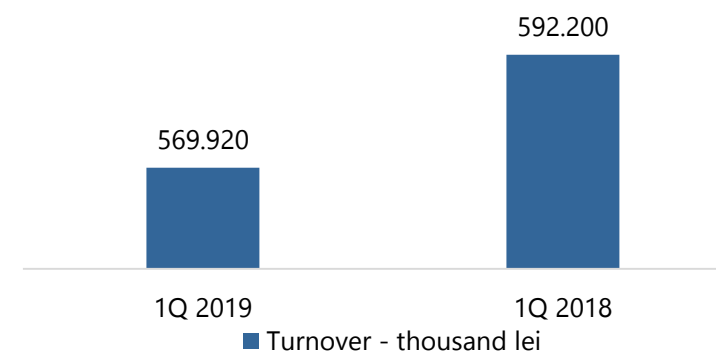
Final Investment Decision – 2018

Estimated commissioning – SMG Isaccea 1- 2019
Estimated commissioning– SMG Negru Vodă 1- 2019 - 2020

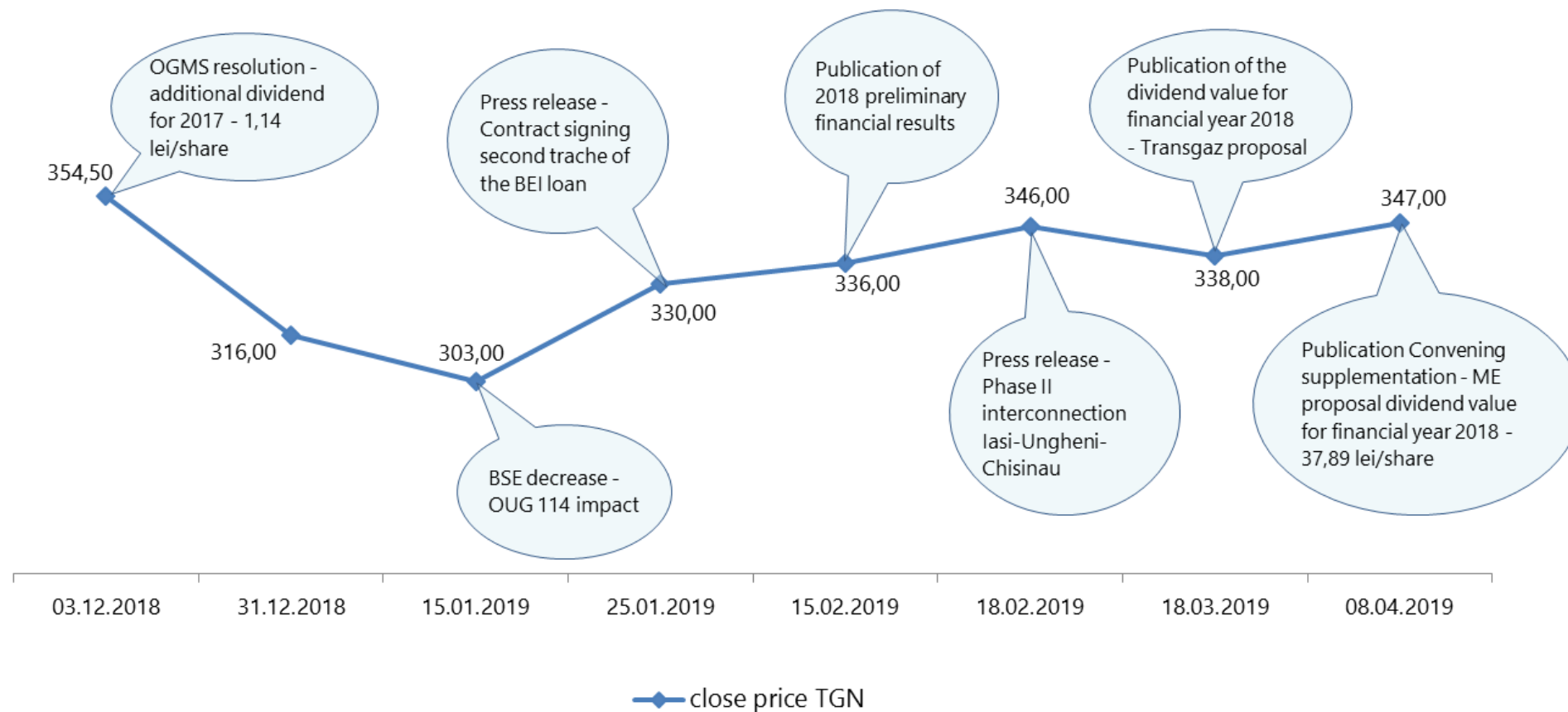
6. Main indicators

	1Q 2019	1Q 2018
EBITDA in total sales	46,42%	54,70%
EBITDA in total equity	6,78%	8,18%
Gross profit ratio	40,18%	47,73%
Return on capital	4,90%	5,98%
Current liquidity ratio	3,73	5,92
Quick liquidity ratio	2,90	5,68
Gearing	6,10%	3,53%
Interest coverage ratio	273,63	921,13
Turnover speed for clients debit - days	109,70	105,34
Turnover speed for credit providers - days	33,21	16,16

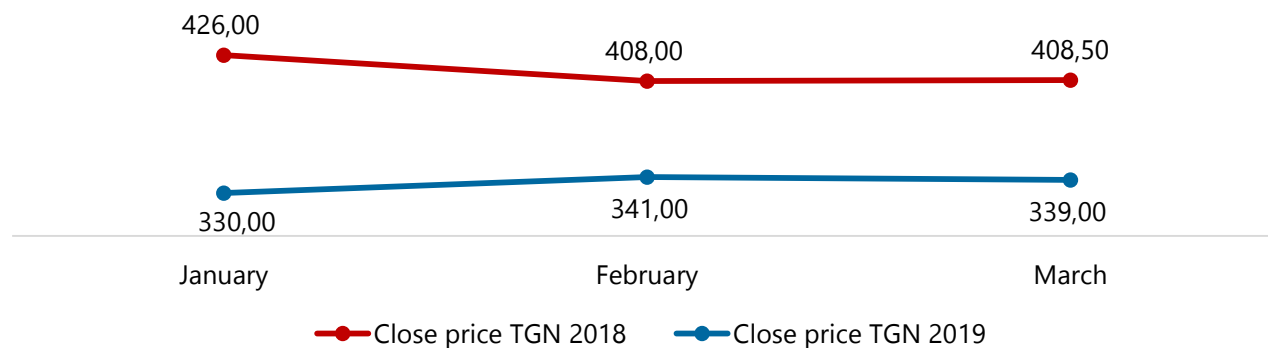
1Q2019 compared to 1Q2018



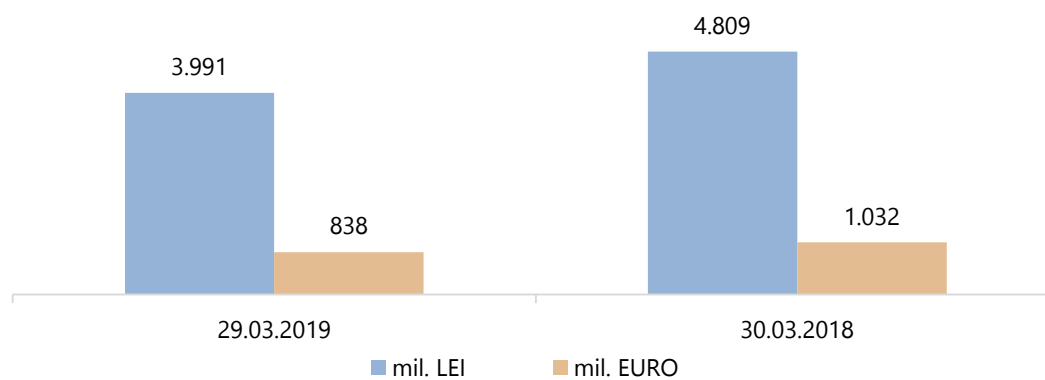
Stock Exchange TGN Evolution (1)



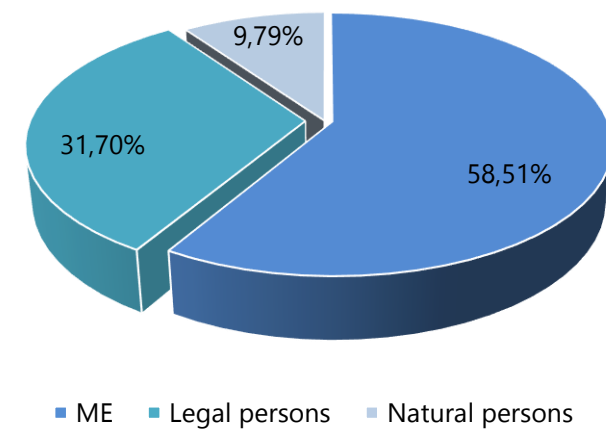
Stock Exchange TGN Evolution (2)



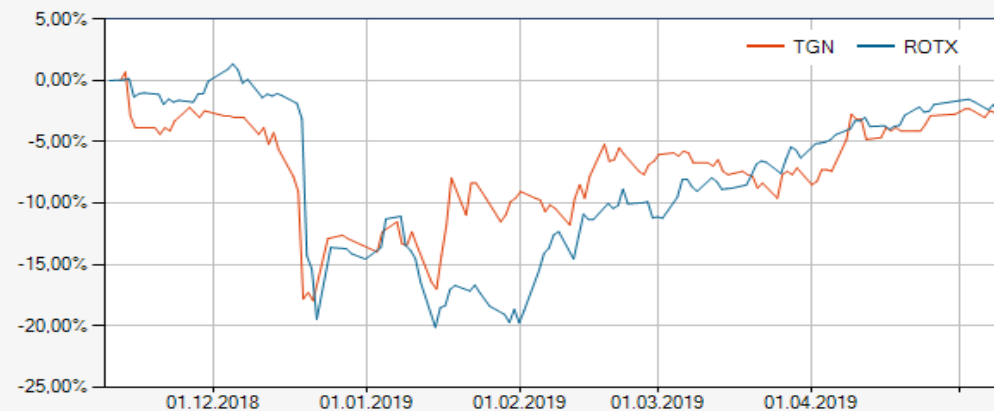
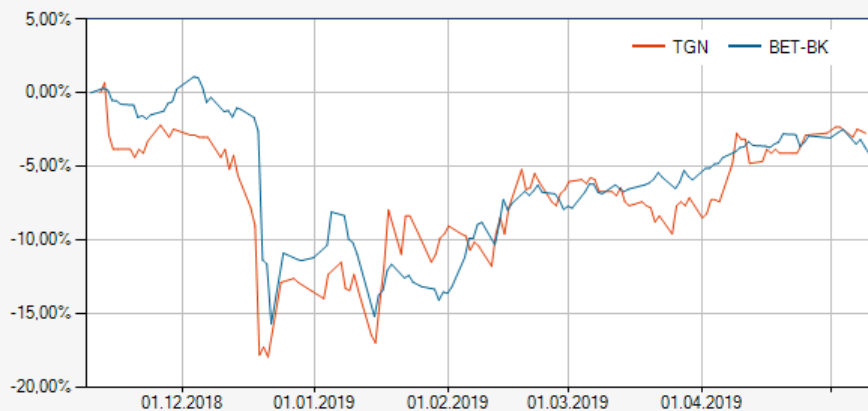
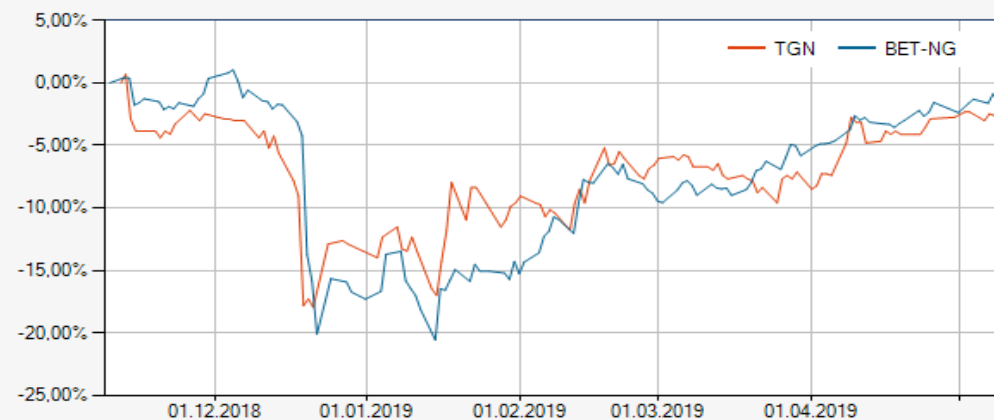
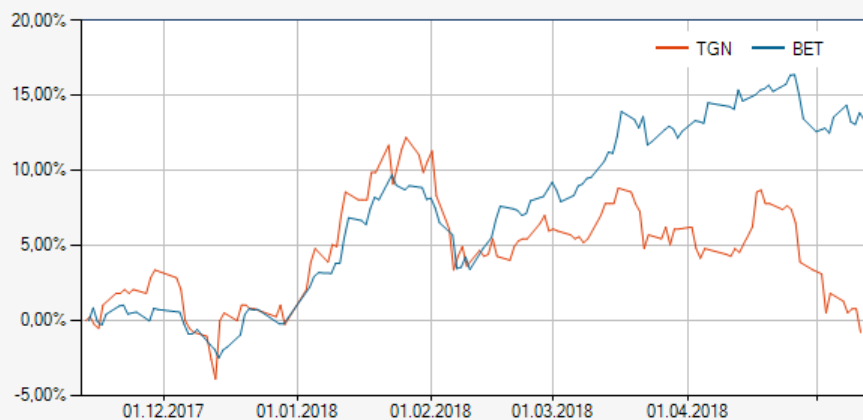
Market capitalization



Shareholders structure at 28.02.2019



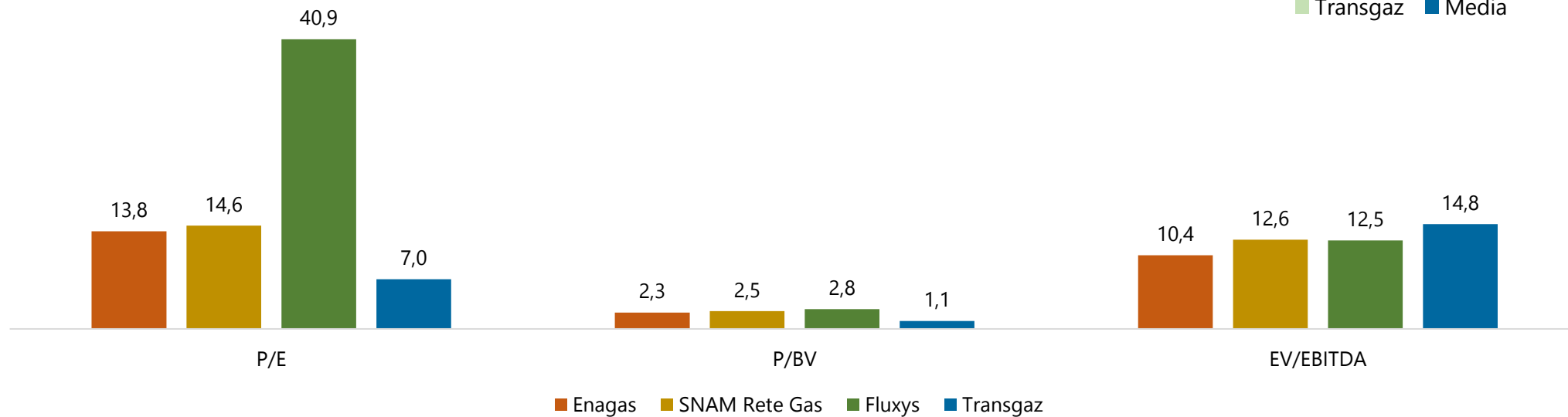
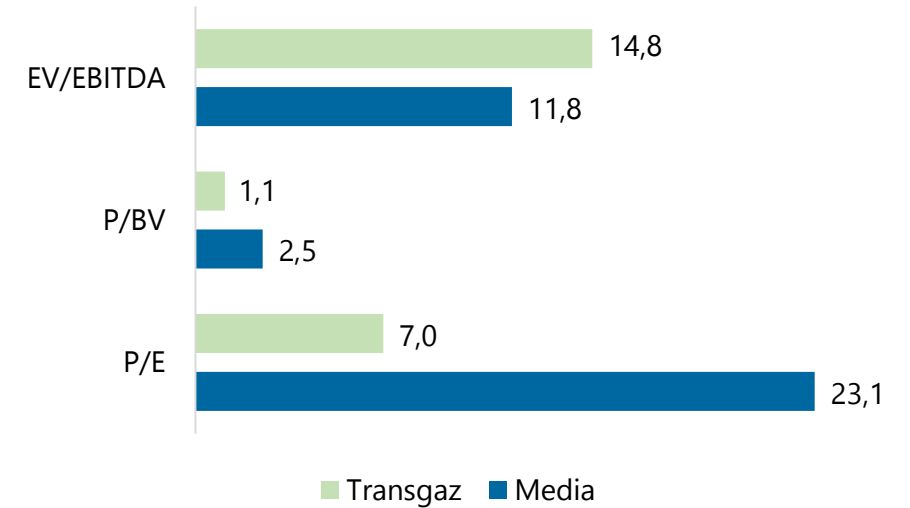
Stock Exchange TGN Evolution (3)



TRANSGAZ COMPARED TO PEERS

Company		P/E	P/BV	EV/EBITDA
Enagas	Spain	13,8	2,3	10,4
SNAM SpA	Italy	14,6	2,5	12,6
Fluxys	Belgium	40,9	2,8	12,5
Media		23,1	2,5	11,8
Transgaz	Romania	7,0	1,1	14,76
Premium /Discount		-69,52%	-56,58%	24,73%

Source: Bloomberg, 15.04.2019





Thank you for your kind attention!