



THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR

1

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR 1H2018

PREPARED IN ACCORDANCE WITH IFRS -UE

Summary

2

1. Interim Income statement as of 30.06.2018

2. Interim Balance sheet as of 30.06.2018

3. Main revenue drivers

4. Main costs drivers

5. Main business drivers

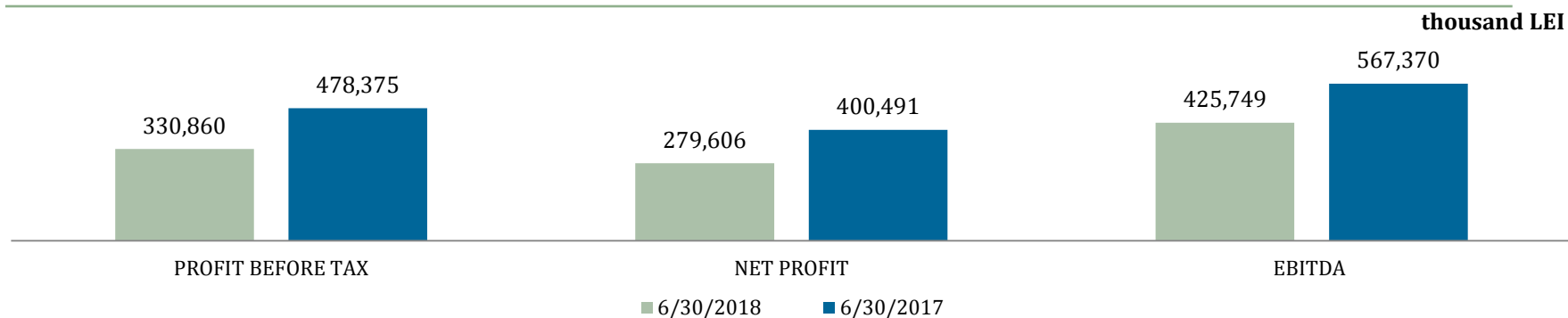
6. Main indicators

1. Interim Income statement as of 30.06.2018 (1)

3

MAIN INDICATORS
1H2018 compared to 1H2017

thousand LEI	30.06.2018	30.06.2017	Changes 1H2018/1H2017	
			Absolute	Relative
Operational revenue before the balancing and construction activity according to IFRIC12	823,907	980,477	-156,570	-16%
Revenue from the balancing activity	90,483	76,692	13,791	18%
Revenue from the construction activity according to IFRIC12	34,919	17,532	17,387	99%
Financial revenue	21,978	21,767	211	1%
Operational costs before the balancing construction activity according to IFRIC12	506,146	519,977	-13,831	-3%
Costs from the balancing activity	90,483	71,913	18,570	26%
Cost of assets built according to IFRIC12	34,919	17,532	17,387	99%
Financial costs	8,878	8,672	206	2%
Profit before tax	330,860	478,375	-147,515	-31%
Income tax	51,254	77,885	-26,631	-34%
Net profit	279,606	400,491	-120,885	-30%
EBITDA	425,749	567,370	-141,621	-25%
Turnover	883,524	1,027,603	-144,079	-14%

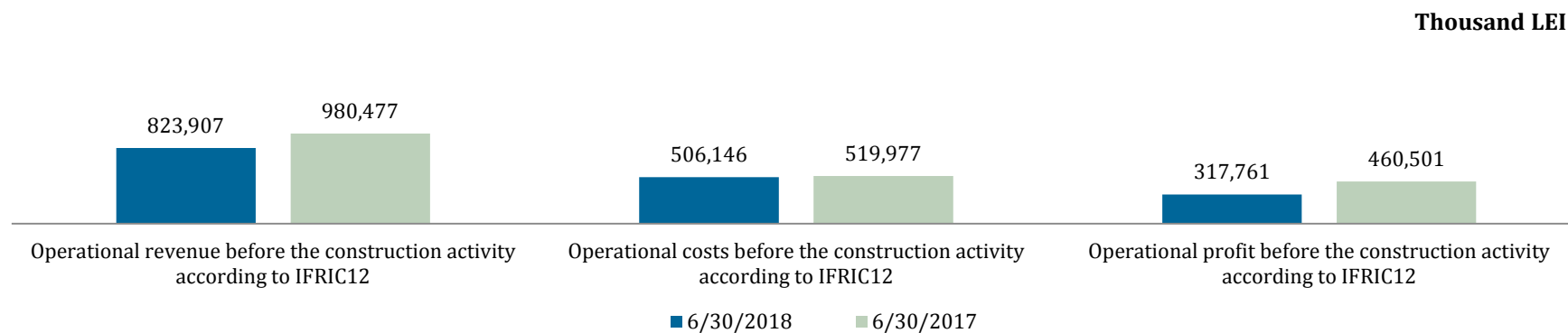


1. Interim Income statement as of 30.06.2018 (2)

OPERATING ACTIVITY

4

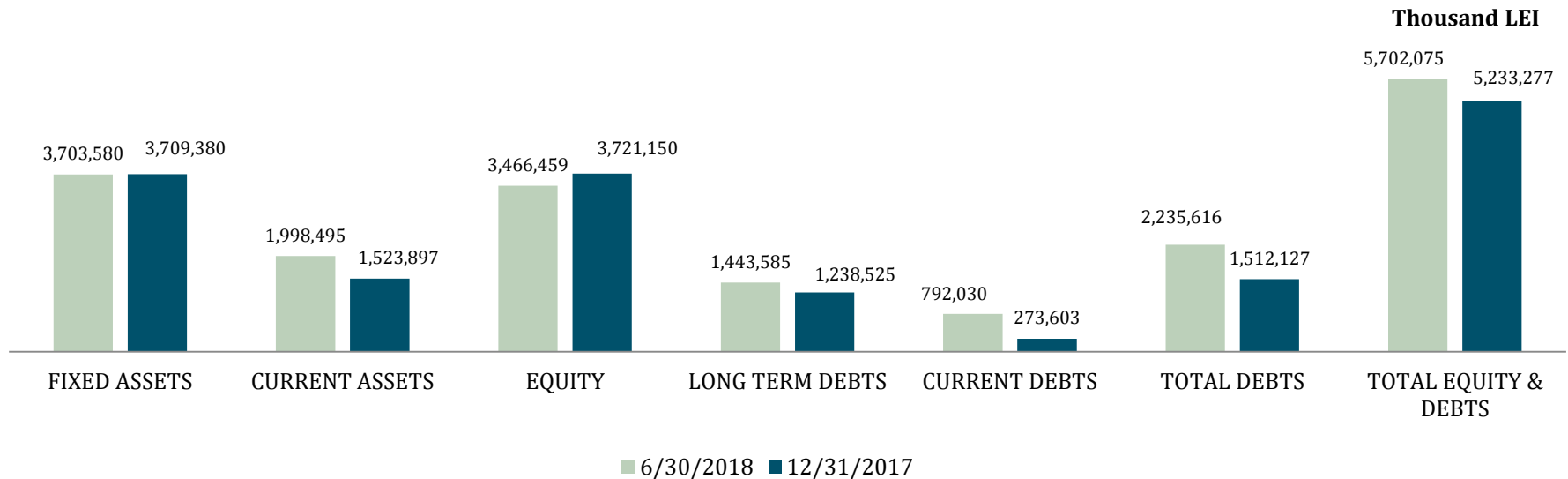
Thousand LEI	30.06.2018	30.06.2017	Changes 1H2018 / 1H2017	
			Absolute	Relative
Revenues from domestic gas transmission activity	631,399	774,342	-142,943	-18%
Revenues from international gas transmission activity	159,911	174,643	-14,732	-8%
Other revenues	32,597	31,492	1,105	4%
Operational revenue before the balancing and construction activity according to IFRIC12	823,907	980,477	-156,570	-16%
Employees costs	186,989	184,475	2,514	1%
Technological consumption, materials and consumables used	53,456	51,346	2,110	4%
Expenses with royalties	79,131	94,899	-15,768	-17%
Maintenance and transport	14,336	11,055	3,281	30%
Taxes and other amounts payable to the state	36,447	34,373	2,074	6%
Revenues / (Expenses) with provisions for risks and expenses	-7,762	-8,588	-826	-10%
Other operating expenses	35,560	45,547	-9,987	-22%
Depreciation	107,989	106,869	1,120	1%
Operational costs before the balancing and construction activity according to IFRIC12	506,146	519,976	-13,830	-3%
Operational profit before the balancing and construction activity according to IFRIC12	317,761	460,501	-142,740	-31%



2. Interim Balance Sheet as of 30.06.2018

5

Thousand LEI	30.06.2018	31.12.2017	Changes	
			Absolute	Relative
FIXED ASSETS	3,703,580	3,709,380	-5,800	0%
CURRENT ASSETS	1,998,495	1,523,897	474,598	31%
TOTAL ASSETS	5,702,075	5,233,277	468,798	9%
EQUITY	3,466,459	3,721,150	-254,691	-7%
LONG TERM DEBTS	1,443,585	1,238,525	205,060	-17%
CURRENT DEBTS	792,030	273,603	518,427	189%
TOTAL DEBTS	2,235,616	1,512,127	723,489	48%
TOTAL EQUITY & DEBTS	5,702,075	5,233,277	468,798	9%



CURRENT ASSETS UP 31%

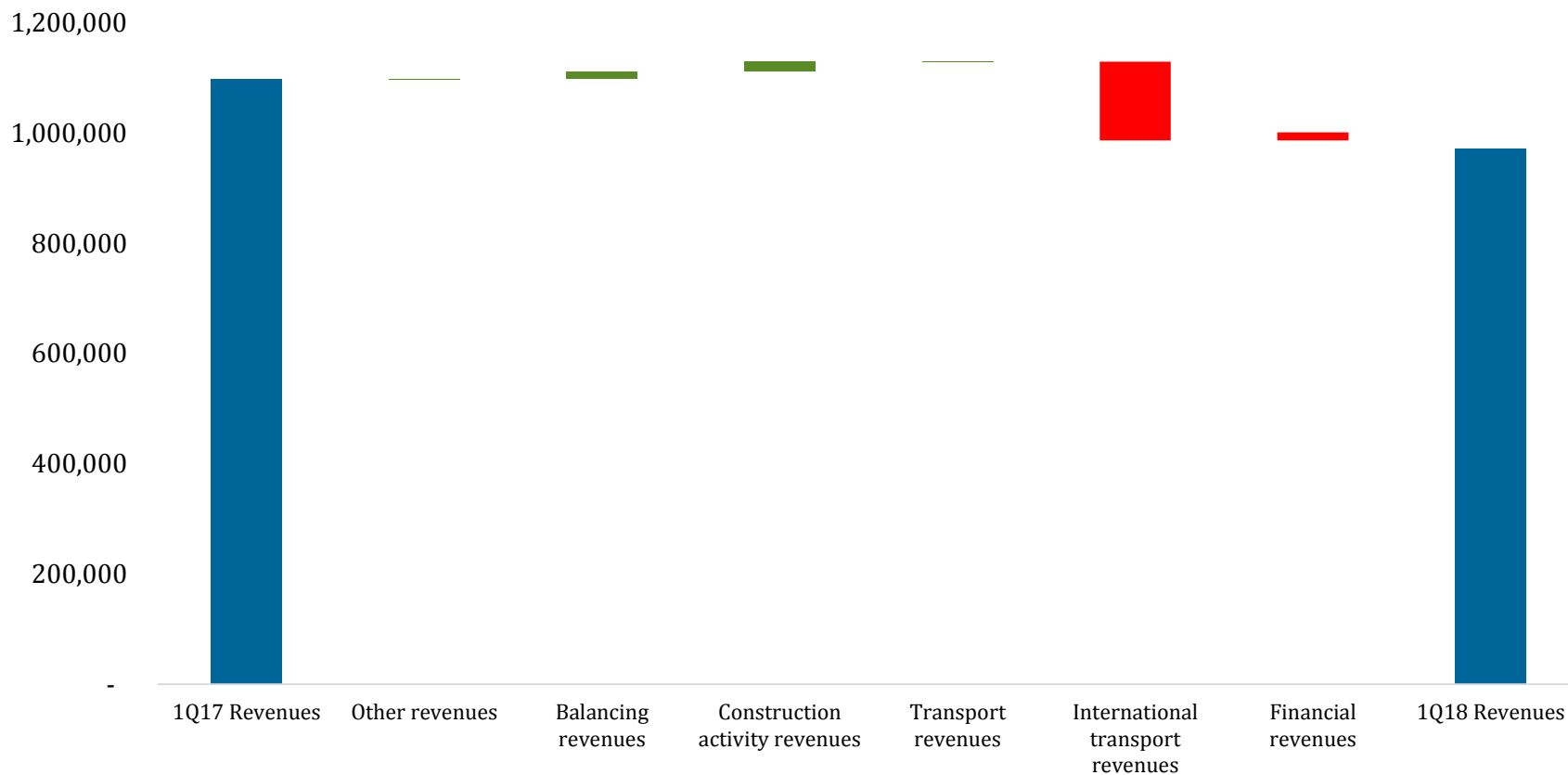
HIGHER TOTAL ASSETS & TOTAL EQUITY & DEBTS UP 9%

CURRENT DEBTS UP 189%

3. Main revenue drivers (1)

6

1H2018 vs 1H2017 Revenues ('000 lei)



3. Main revenue drivers (2)

7

1H2018 compared to 1H2017

Operating revenue before the balancing and the construction activity according to IFRIC12 decreased by 16% as compared to semester I 2017, which is lower by Lei 156,570 thousand.

The revenue was influenced mainly by the following factors:

- **commodity component revenue** lower by Lei **87,347 thousand** due to:

- the commodity transmission tariff lower by Lei 1.104/MWh, with a negative influence of LEI 8,000 thousand
- the gas transmitted capacities lower by 2.186.501

MWh/198.719 thousand cm (▼3%), as compared to semester I 2017, with a negative influence of LEI **79,346 thousand**, detailed by categories

		1H2017	1H2018	Differences
Quantity transmitted for direct consumers	MWh	27,755,475	27,466,959	-288,516
	thousand m ³	2,593,909	2,570,141	-23,768
Quantity transmitted for distribution	MWh	45,914,659	44,016,675	-1.897,984
	thousand m ³	4,263,277	4,088,325	-174,952
Total	MWh	73,670,134	71,483,634	-2,186,500
	thousand m ³	6,857,186	6,658,467	-198,719

	thousand lei	
	1H2017	1H2018
Revenues from domestic gas transmission, of which:		
Commodity charge	774,342	631,399
Capacity booking charge	283,082	195,736
	491,260	435,663

- **revenue from capacity booking** lower by LEI **55,597 thousand** due to:
 - booked capacities lower by 8,356,667 MWh, with a negative influence of LEI 21,189 thousand;
 - capacity booking tariff lower by LEI 0.186/MWh, with a negative influence of LEI 34,408 thousand;
- **international gas transmission revenue** lower by **LEI 14,732 thousand** due to the application of ANRE Order 34/19 July 2016 and the foreign currency exchange gain regarding the contract currency;
- **other operating revenue** higher by **LEI 1,105 thousand**.

- **Revenue from the balancing activity** increased by **LEI 13,792 thousand** based on the following factors: trading price higher by LEI 15.56/MWh, with a positive influence of LEI 14.662 thousand; quantity lower by 10,813 MWh, with a negative influence of Lei 870 thousand.

Revenue from the construction activity higher by **LEI 17,387 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.

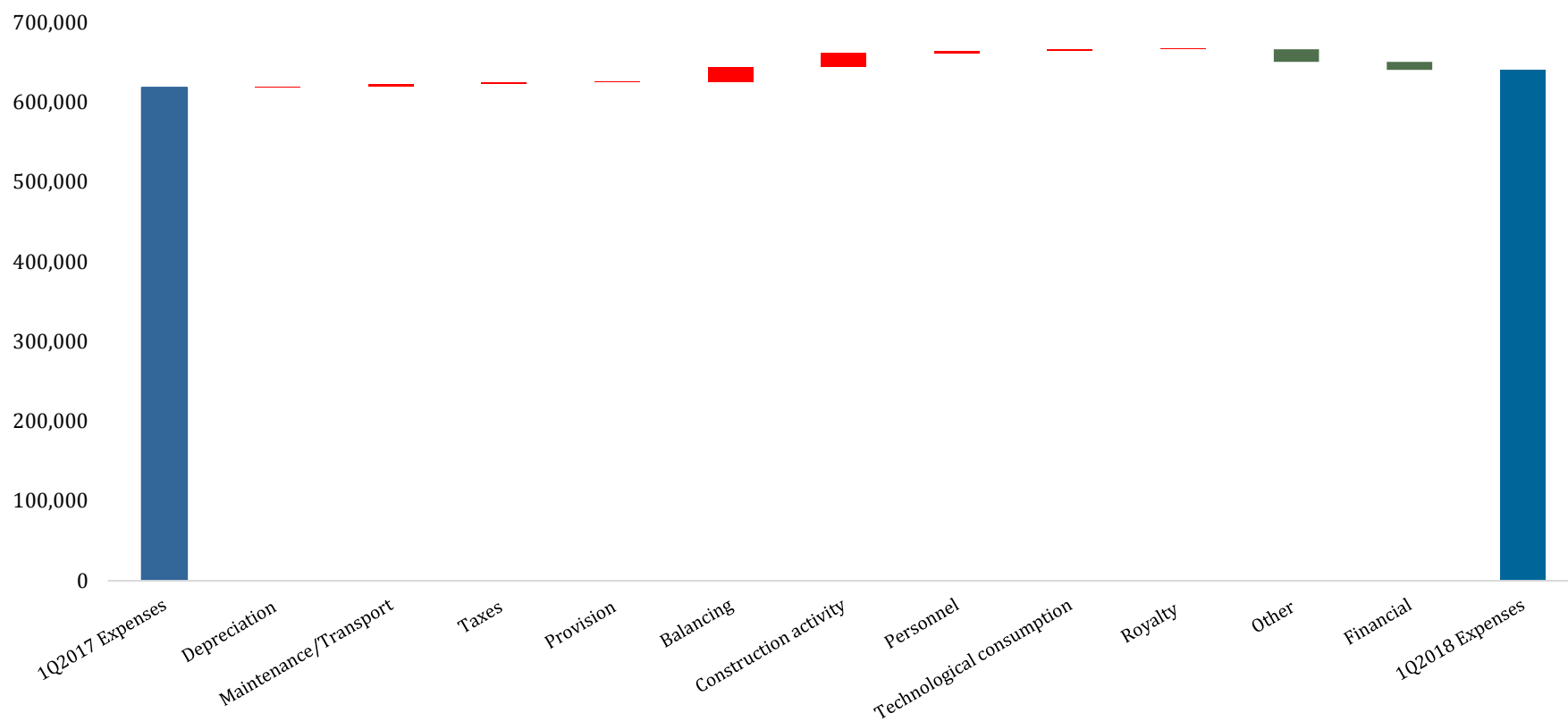
- **Financial revenue** has a positive influence of **LEI 211 thousand** based on the foreign exchange gains.

Operating revenue before the balancing and the construction activity according to IFRIC12 decreased by 16% as compared to semester I 2017

4. Main costs drivers (1)

8

1H2018 vs 1H2017 Costs ('000 lei)



4. Main costs drivers (2)

9

1H2018 compared to 1H2017

Operating costs before the balancing and construction activity according to IFRIC12 decreased by 3% as compared to semester I 2017, which is lower by LEI 13,830 thousand.

The company made savings of LEI 27,982 thousand, mainly in relation to the following cost elements:

- **cost of royalty:** LEI 15,768 thousand;
- **other material costs:** LEI 2,227 thousand;
- **other operating costs:** LEI 9,987 thousand

An expense surplus of Lei 14,151 thousand was recorded, mainly in relation to the following cost elements:

- **transmission system technological gas consumption and loss** increased by **LEI 3,724 thousand** due to the following:
 - amount of gas for technological consumption lower by 23,341 MWh (▼4%), with a positive influence of LEI 1,593 thousand;
 - average purchase price in semester I 2018 higher as compared to semester I 2017 by LEI 10.54/MWh, with a negative influence of LEI 5,317 thousand;

		30.06.2018	30.06.2017	Changes
Quantities of technological consumption	MWh	504,476	527,817	-23,341
	thousand m ³	48,310	50,281	-1,971

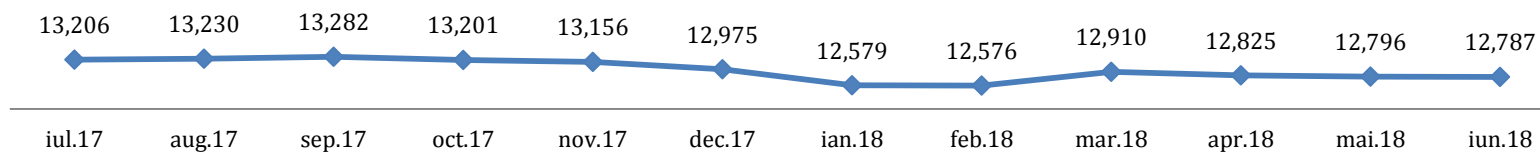
- **cost of maintenance and transmission:** LEI 3,281 thousand;
- **cost of personnel:** LEI 2,514 thousand;
- **cost of taxes and duties:** LEI 2,074 thousand;
- **depreciation costs:** LEI 1,119 thousand;
- **cost of provision for risks and charges:** LEI 827 thousand;
- **cost of auxiliary materials:** LEI 613 thousand

Operating costs before the balancing and construction activity according to IFRIC12 decreased by 3% as compared to semester I 2017

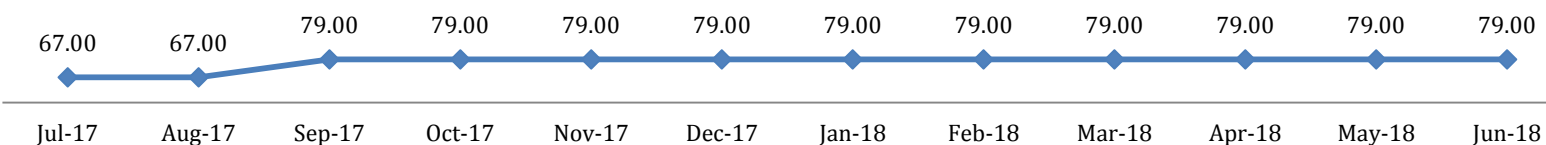
5. Main business drivers

10

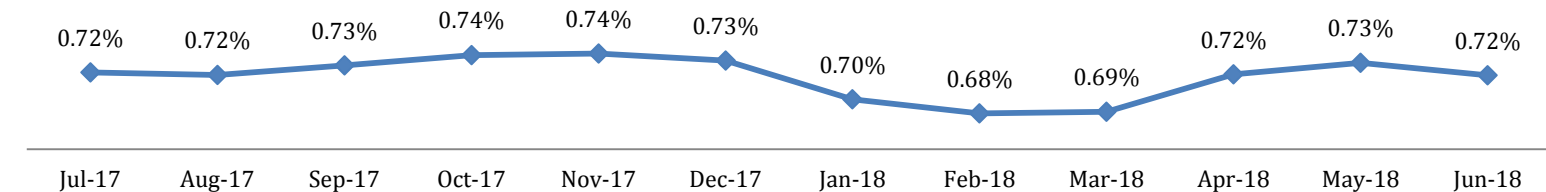
Natural gas volumes circulated (including storage quantities) - mil. cm - rolling 12 months



Natural gas acquisition price for technological consumption- Lei/MWh



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

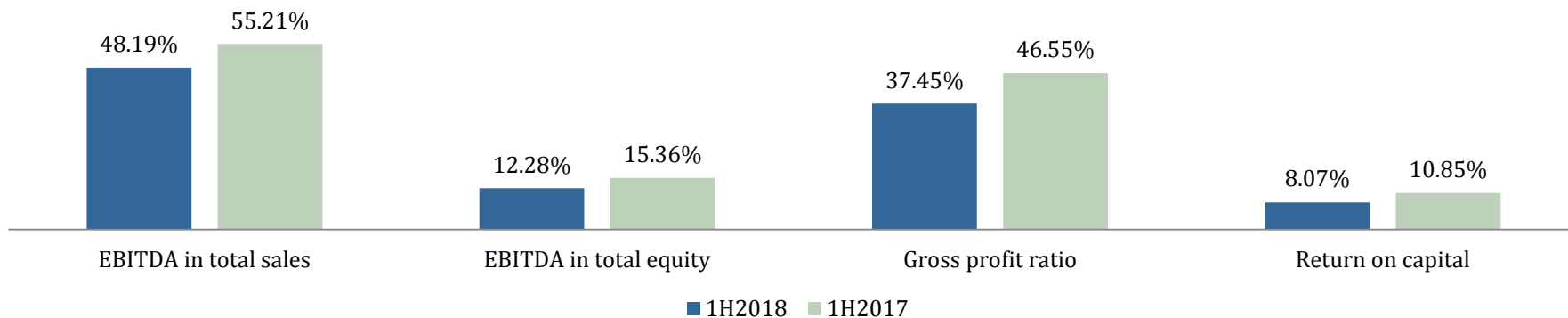
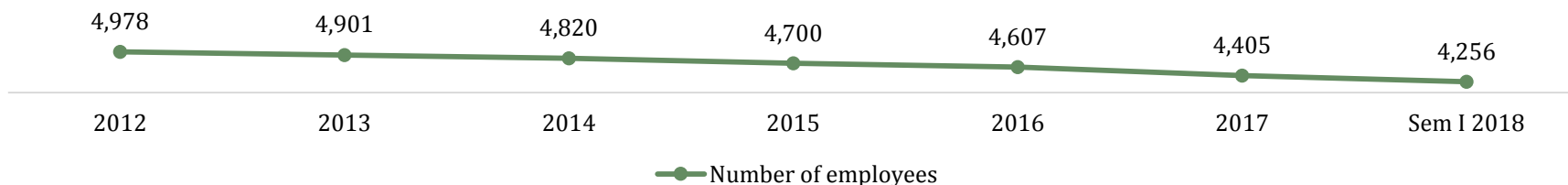
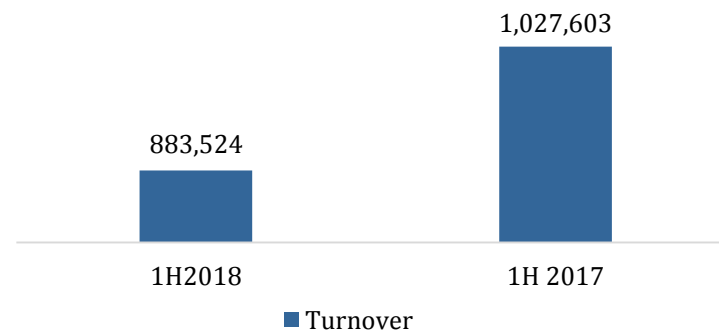


		1Q 2018	April 2018	May 2018	June 2018	2Q 2018	
Circulated gas, out of which:	MWh	46,975,236.501	8,665,151.089	8,353,203.595	8,148,988.922	25,167,343.607	
	mii m ³	4,374,858.158	806,698.862	779,442.338	760,243.327	2,346,384.527	
	- storage	MWh	263,565.147	2,577,689.680	3,059,752.614	2,794,414.304	8,431,856.599
	mii m ³	24,652.100	240,486.617	285,429.409	260,625.259	786,541.285	
Circulated gas storage share			0.56%	29.75%	36.63%	34.29%	33.50%

6. Main indicators

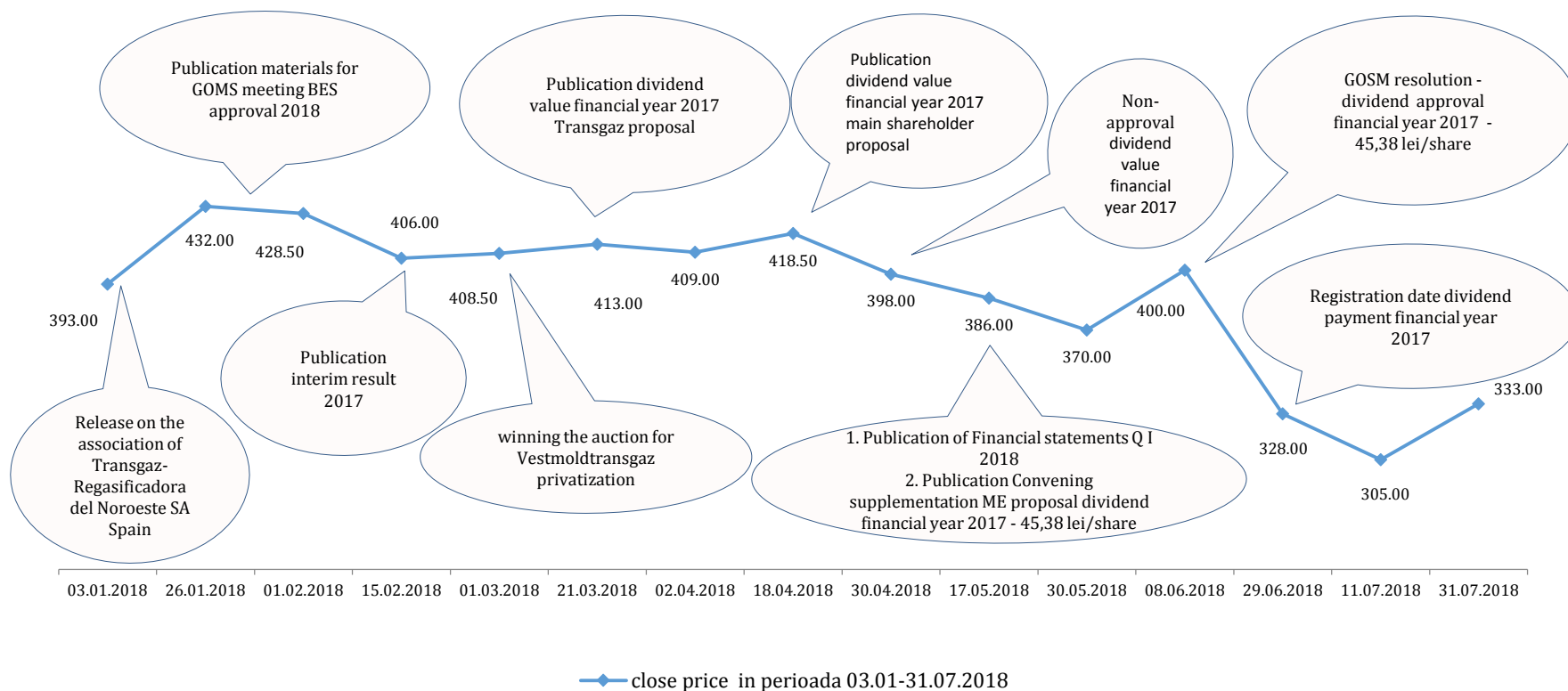
1H2018 compared to 1H2017

	30.06.2018	30.06.2017
EBITDA in total sales	48,19%	55,21%
EBITDA in total equity	12,28%	15,36%
Gross profit ratio	37,45%	46,55%
Return on capital	8,07%	10,85%
Current liquidity ratio	2,52	2,50
Quick liquidity ratio	2,40	2,39
Gearing	6,72%	0
Interest coverage ratio	327,64	0
Turnover speed for clients debit -days	122,05	116,18
Turnover speed for credit providers -days	18,98	11,99

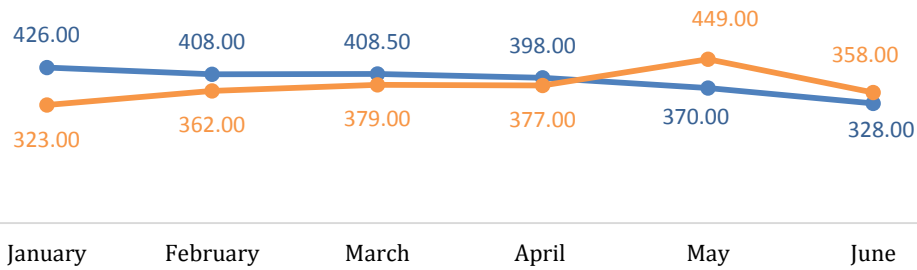


Stock exchange TGN evolution(1)

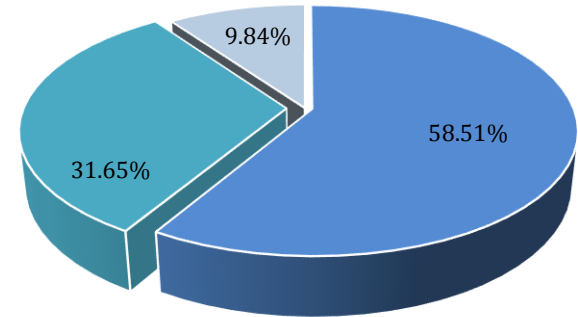
12



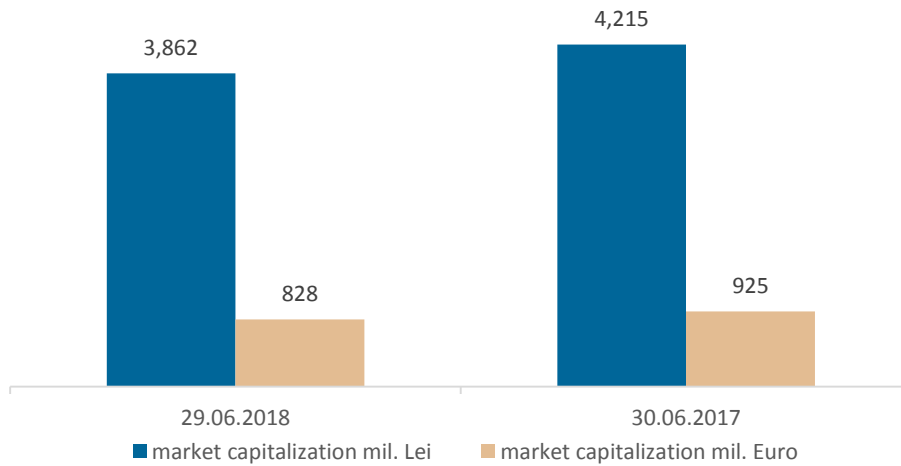
Stock Exchange TGN evolution (2)



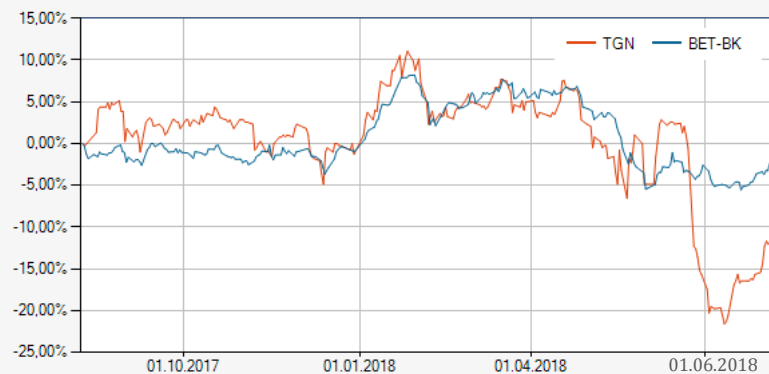
TGN shareholders structure at 26 June 2018



■ ME ■ Legal persons ■ Natural persons



Stock exchange TGN evolution(3)

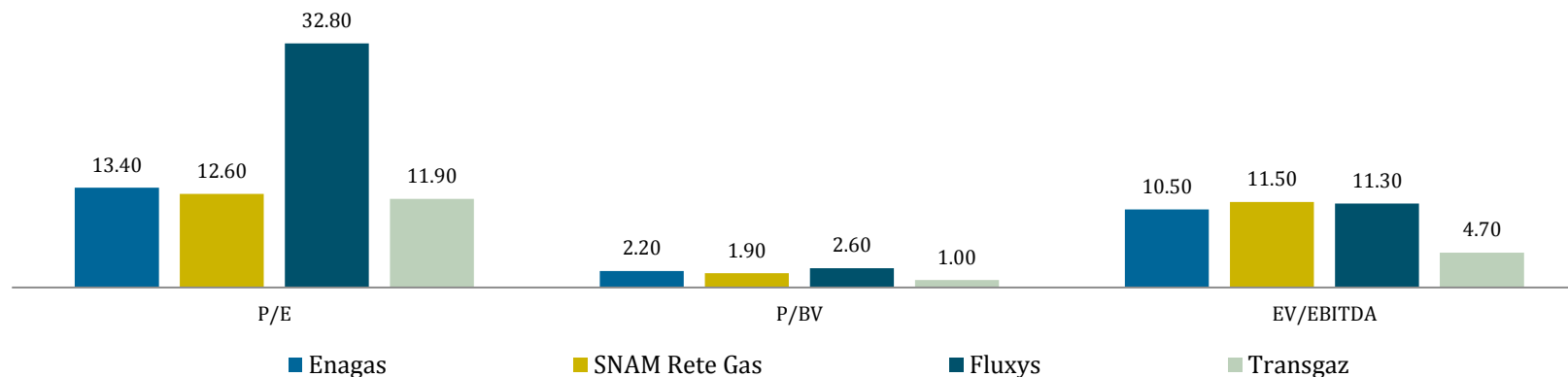
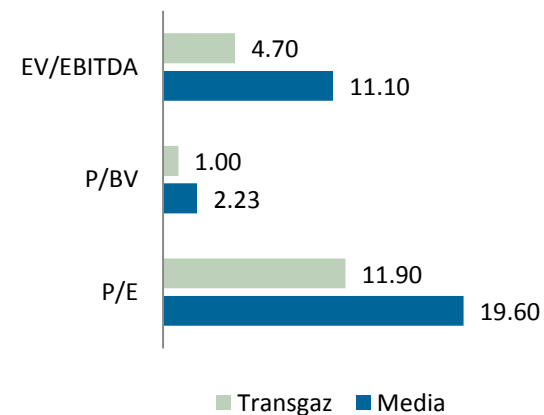


TRANSGAZ COMPARED TO PEERS

Transgaz comparativ cu companiile similare

Company	Country	P/E	P/BV	EV/EBITDA
Enagas	Spain	13,4	2,2	10,5
SNAM Rete Gas	Italy	12,6	1,9	11,5
Fluxys	Belgium	32,8	2,6	11,3
Media		19,6	2,23	11,1
Transgaz	Romania	11,9	1,0	4,7
Premium /Discount		-39%	-55%	-58%

Sursa: Bloomberg 17.07.2018





Thank you for your kind attention!

