



THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR

1

INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

PREPARED IN ACCORDANCE WITH IFRS -UE

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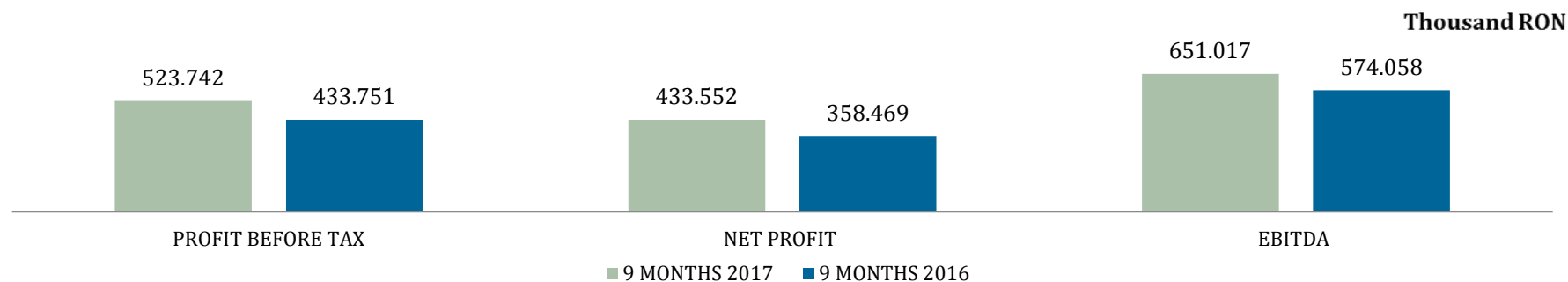
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1. Interim Income statement as of 30.09.2017 (1)

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MAIN INDICATORS
9M2017 compared to 9M2016

COMPREHENSIVE INCOME - THOUSAND RON	9 MONTHS 2017 unaudited	9 MONTHS 2016 unaudited	Changes 9M2017 / 9M2016	
			Absolute	Relative
Operational revenue before the balancing and construction activity according to IFRIC12	1,302,437	1,240,474	61,963	5%
Revenue from the balancing activity	92,299	23,809	68,490	288%
Revenue from the construction activity according to IFRIC12	28,067	49,223	-21,156	-43%
Financial revenue	176,284	19,837	156,447	789%
Operational costs before the balancing construction activity according to IFRIC12	811,971	822,329	-10,358	-1%
Costs from the balancing activity	87,337	23,037	64,300	279%
Cost of assets built according to IFRIC12	28,067	49,223	-21,156	-43%
Financial costs	147,972	5,002	142,970	2,858%
Profit before tax	523,742	433,751	89,991	21%
Income tax	90,190	75,282	14,908	20%
Net profit	433,552	358,469	75,083	21%
EBITDA	651,017	574,058	76,959	13%
Turnover	1,346,764	1,168,911	177,853	15%

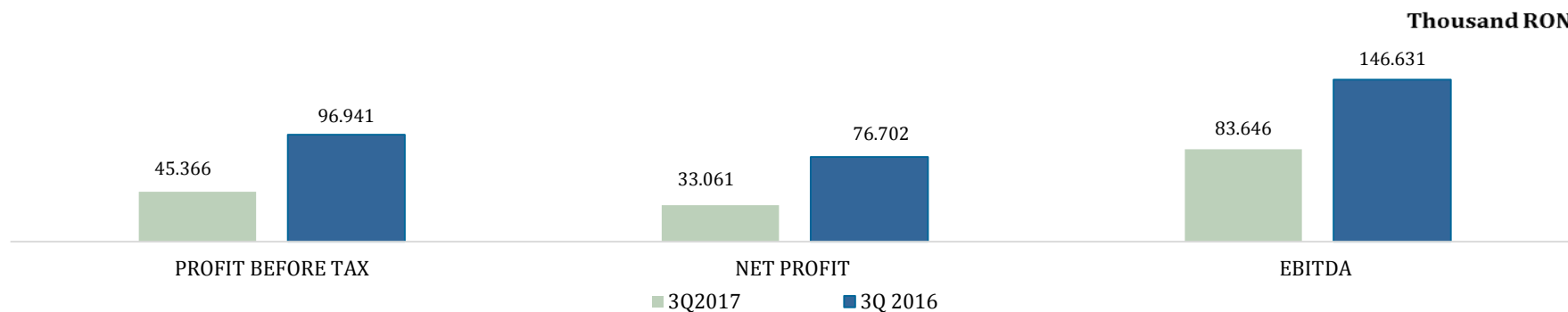


1. Interim Income statement as of 30.09.2017 (2)

MAIN INDICATORS
3Q2017 compared to 3Q2016

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THOUSAND RON	3Q 2017	3Q 2016	Changes 3M2017/3M2016	
			absolute	relative
Operational revenue before the balancing and construction activity according to IFRIC12	321,960	370,006	-48,046	-13%
Revenue from the balancing activity	15,608	1,797	13,811	769%
Revenue from the construction activity according to IFRIC12	10,535	15,552	-5,017	-32%
Financial revenue	154,517	5,212	149,305	2,865%
Operational costs before the balancing and the construction activity according to IFRIC12	291,994	275,904	16,090	6%
Costs from the balancing activity	15,425	2,089	13,336	638%
Cost of assets built according to IFRIC12	10,535	15,552	-5,017	-32%
Financial costs	139,300	2,081	137,219	6,595%
Profit before tax	45,366	96,941	-51,575	-53%
Income tax	12,305	20,238	-7,933	-39%
Net profit for the period	33,061	76,702	-43,641	-57%
EBITDA	83,646	146,631	-62,985	-43%
Turnover	319,161	354,375	-35,214	-10%

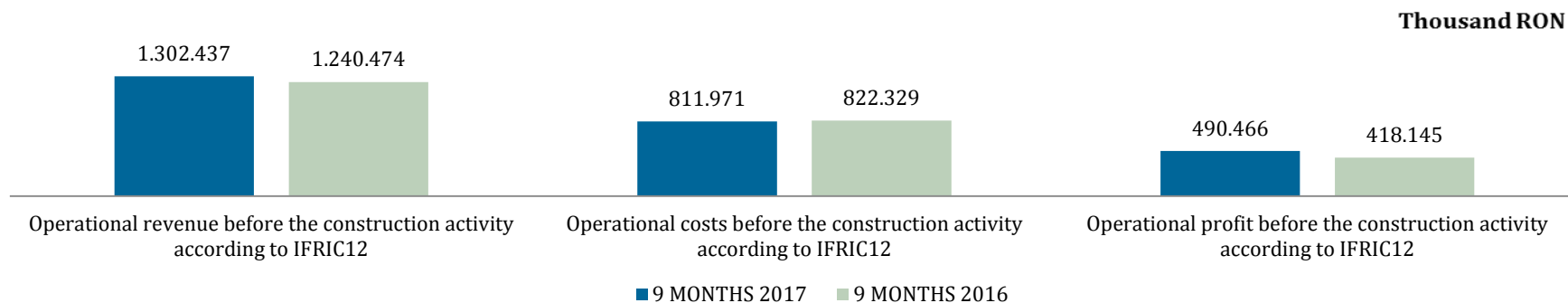


1. Interim Income statement as of 30.09.2017 (3)

OPERATING ACTIVITY

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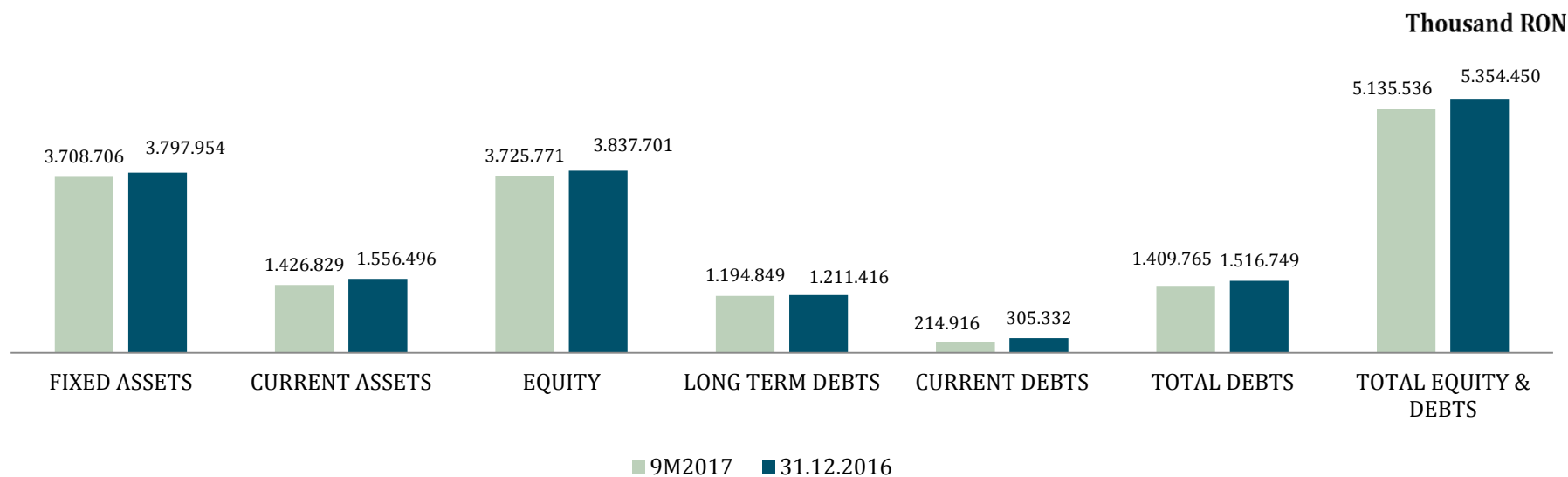
Thousand RON	9 MONTHS 2017	9 MONTHS 2016	Changes	
			9M2017 / 9M2016 Absolute	Relative
Revenues from domestic gas transmission activity	999,199	902,349	96,850	11%
Revenues from international gas transmission activity	252,240	240,299	11,941	5%
Other revenues	50,998	97,826	-46,828	-48%
Operational revenue before the balancing and construction activity according to IFRIC12	1,302,437	1,240,474	61,963	5%
Employees costs	290,272	277,793	12,479	4%
Technological consumption, materials and consumables used	79,251	86,585	-7,334	-8%
Expenses with royalties	125,144	114,265	10,879	10%
Maintenance and transport	18,030	18,415	-385	-2%
Taxes and other amounts payable to the state	53,915	49,339	4,576	9%
Revenues / (Expenses) with provisions for risks and expenses	-5,652	19,278	x	x
Other operating expenses	90,461	100,742	-10,281	-10%
Depreciation	160,550	155,913	4,637	3%
Operational costs before the balancing and construction activity according to IFRIC12	811,971	822,329	-10,358	-1%
Operational profit before the balancing and construction activity according to IFRIC12	490,466	418,145	72,321	17%



2. Interim Balance Sheet as of 30.09.2017

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Thousand RON	9M2017 unaudited	31.12.2016	Changes	
			Absolute	Relative
FIXED ASSETS	3,708,706	3,797,954	-89,248	-2%
CURRENT ASSETS	1,426,829	1,556,496	-129,667	-8%
TOTAL ASSETS	5,135,536	5,354,450	-218,914	-4%
EQUITY	3,725,771	3,837,701	-111,930	-3%
LONG TERM DEBTS	1,194,849	1,211,416	-16,567	-1%
CURRENT DEBTS	214,916	305,332	-90,416	-30%
TOTAL DEBTS	1,409,765	1,516,749	-106,984	-7%
TOTAL EQUITY & DEBTS	5,135,536	5,354,450	-218,914	-4%



CURRENT ASSETS UP 8%

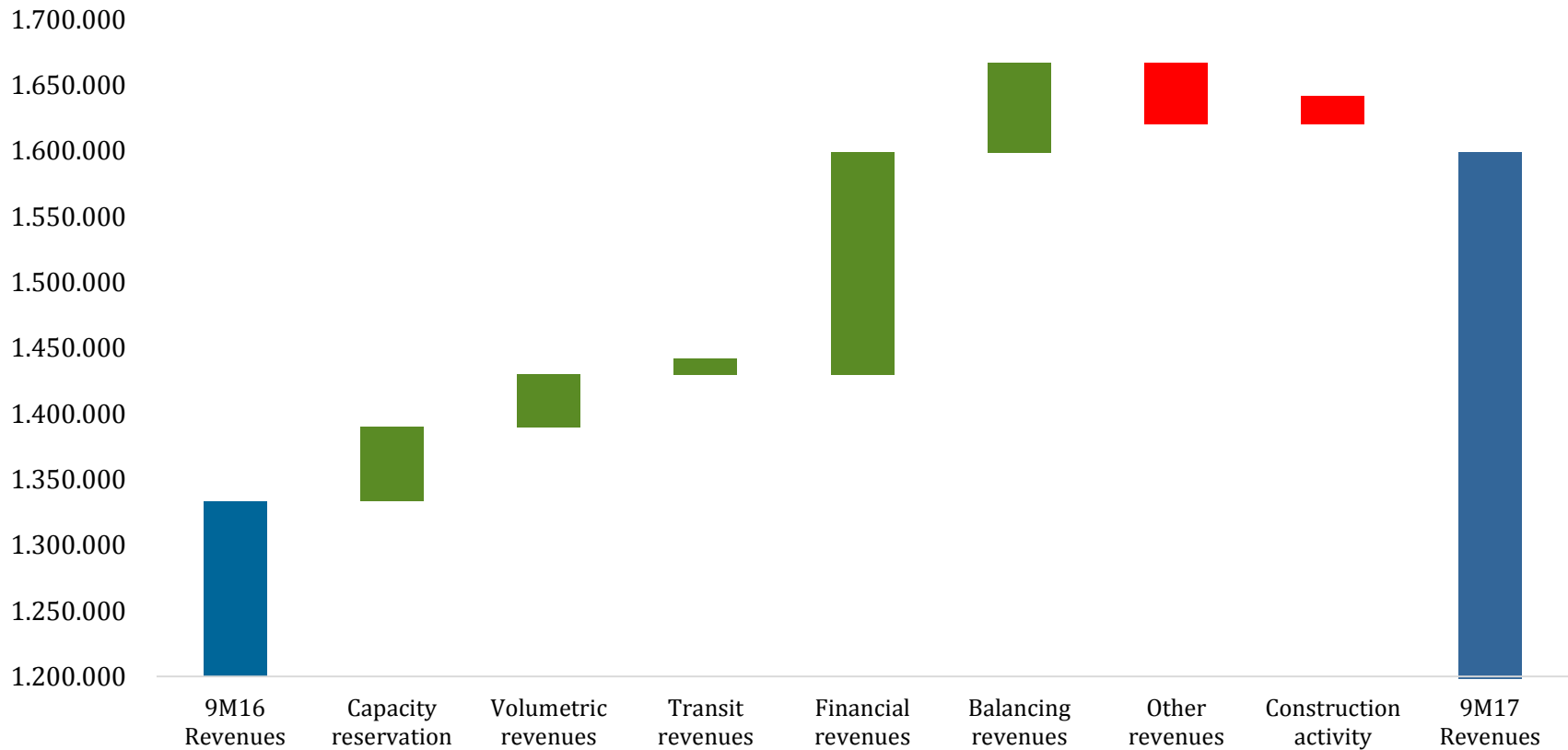
4% LOWER TOTAL ASSETS & TOTAL EQUITY & DEBTS UP

30% LOWER CURRENT DEBTS

3. Main revenue drivers (1)

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Revenues 9M2017 vs. 9M2016 ('000RON)



3. Main revenue drivers (2)

Operating revenue before the balancing and construction activity, according to IFRIC12 increased by **5%** as compared to the 9 months period of 2016, which is higher by **RON 61,963 thousand**.

The revenue was influenced mainly by the following factors:

- **capacity booking revenue** higher by **RON 56,321 thousand** due to:
 - a capacity booking tariff higher by RON 0.72/MWh (larger capacity bookings over the short term), with a positive influence of RON 187,894 thousand;
 - capacity booked lower by 80,827,818 MWh, with a negative influence of RON 131,573 thousand.
- **volumetric component revenue** higher by **RON 40,529 thousand** due to:
 - the gas transmitted capacities higher by 11,828,843 MWh/1,107,109 thousand cm (▲ 14%) as compared to the period of 9 months of 2016, detailed by categories of consumers as follows:

		9M 2016	9M 2017	Differences
Quantity transmitted for direct consumers	MWh	39,871,709	45,899,329	6,027,620
	thousand m ³	3,710,463	4,289,099	578,636
Quantity transmitted for distribution	MWh	47,305,118	53,106,341	5,801,223
	thousand m ³	4,400,920	4,929,394	528,474
Total	MWh	87,176,827	99,005,670	11,828,843
	thousand m ³	8,111,383	9,218,493	1,107,110

- **international gas transmission revenue** higher by **RON 11,942 thousand** due to the changes in the foreign currency of the contracts and to the application of ANRE Order 34/19 July 2016;
 - **other operating revenue** lower by **RON 46,828 thousand**.
- Revenue from the balancing activity increased by **RON 68,491 thousand** based on the following factors:
- quantity higher by 908,807 MWh with a positive influence of RON 82,739 thousand;
 - trading price lower by RON 12.17/MWh, with a negative influence of RON 14,248 thousand.

Revenue from the construction activity decreased by **RON 21,156 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.

The financial revenue with a positive influence of **RON 156,448 thousand** due to taking over in the revenue of the provision set up for the impairment of Transgaz's equity share in Nabucco Gas Pipeline International GmbH in the amount of RON 138,544,435. In September 2017 the Decision of the Commercial Court of Vienna was issued according to which Nabucco Gas Pipeline International GmbH ("NIC") was deregistered and the company removed on 30 September 2017 from its accounting books the asset in the amount of RON 138,544,435, taking over at the same time the provision set up in the previous years for the same amount in the revenues.

Operating revenue before the construction activity, according to IFRIC12 increased by **5%**, **RON 61,963 thousand**, compared to 9M2016

3. Main revenue drivers (3)

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3Q2017 compared to 3Q2016

Operating revenue before the balancing and construction activity, according to IFRIC12 decreased by **13%** as compared to the corresponding period of 2016, which is lower by **RON 48,046 thousand**.

The revenue was influenced mainly by the following factors:

- **capacity booking revenue** lower by **RON 50,148 thousand** due to:
 - capacity booked lower by 45,735,161 MWh, with a negative influence of RON 69,463 thousand;
 - a capacity booking tariff higher by RON 0.29/MWh (larger capacity bookings over the short term), with a positive influence of RON 19,315 thousand;
- **volumetric component revenue** higher by **RON 2,973 thousand** due to:
 - the invoiced gas quantities higher by 1,146,682 MWh/122,962 thousand cm (▲ 5%), detailed by categories of consumers as follows:

		3Q 2016	3Q 2017	Differences
Quantity transmitted for direct consumers	MWh	17,364,601	18,143,854	779,253
	thousand m ³	1,609,689	1,695,190	85,501
Quantity transmitted for distribution	MWh	6,824,252	7,191,681	367,429
	thousand m ³	628,655	666,117	37,462
Total	MWh	24,188,854	25,335,535	1,146,681
	thousand m ³	2,238,344	2,361,307	122,963

- **international gas transmission revenue** lower by **RON 1,973 thousand** due to the changes in the foreign currency of the contracts and to the application of ANRE Order 34/19 July 2016;
- **other operating revenue** higher by **RON 1,102 thousand**.
- **revenue from the balancing activity** according to ANRE Order 1/18.01.2016 increased by **RON 13,811 thousand** based on the following factors:
 - quantity higher by 191,841 MWh with a positive influence of RON 13,450 thousand;
 - trading price higher by RON 1.66 /MWh, with a positive influence of RON 361 thousand.

Revenue from the construction activity decreased by **RON 5,017 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.

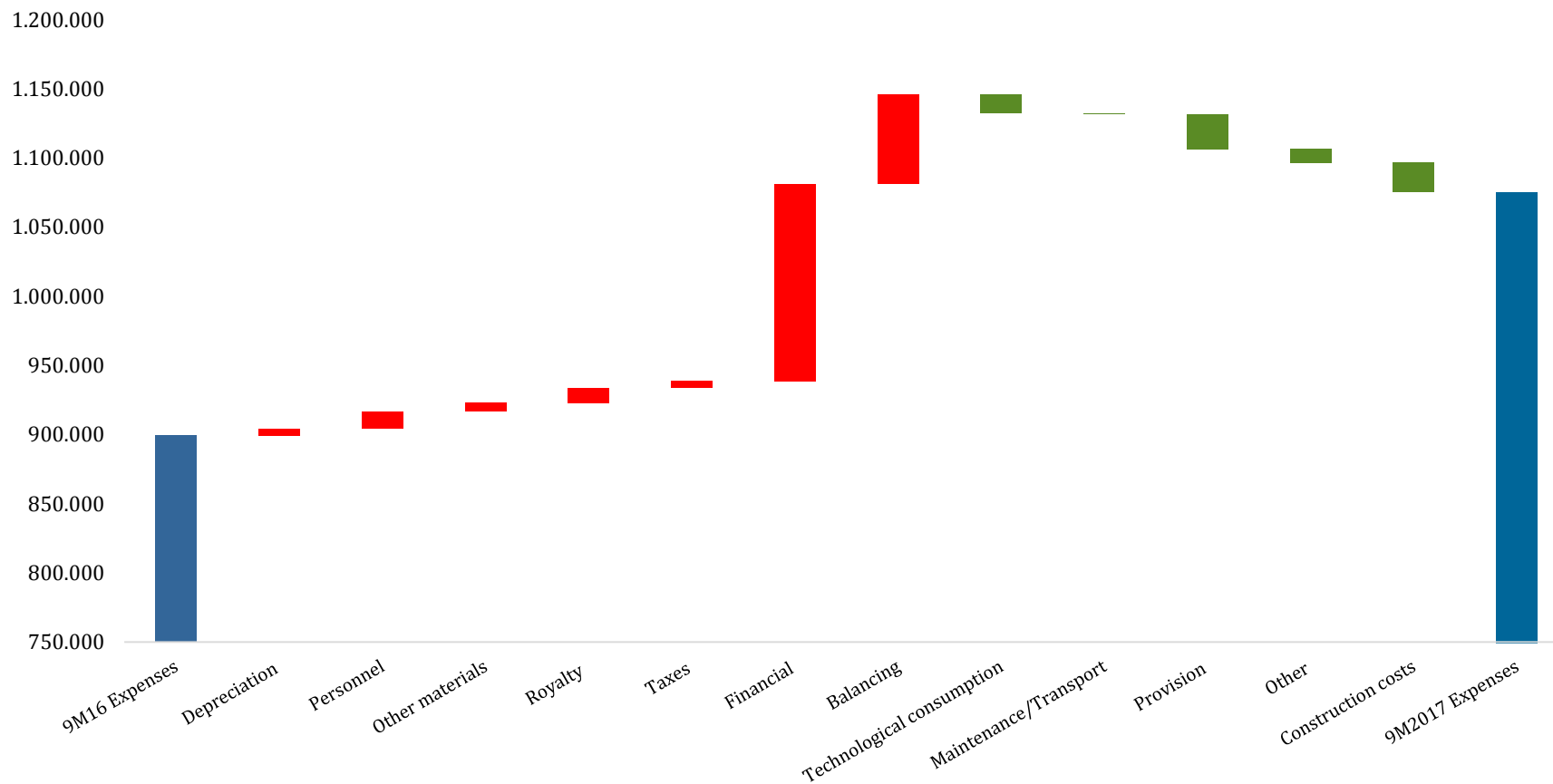
The financial revenue with a positive influence of **RON 149,305 thousand** due to taking over in the revenue of the provision set up for the impairment of Transgaz's equity share in Nabucco Gas Pipeline International GmbH in the amount of RON 138.544.435. In September 2017 the Decision of the Commercial Court of Vienna was issued according to which Nabucco Gas Pipeline International GmbH ('NIC') was deregistered and the company removed on 30 September 2017 from its accounting books the asset in the amount of RON 138.544.435, taking over at the same time the provision set up in the previous years for the same amount in the revenues.

Operating revenue before the balancing and construction activity, according to IFRIC12 decreased by **13%** as compared to 3Q2016

4. Main costs drivers (1)

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Costs 9 M 2017 vs. 9 M 2016 ('000 RON)



4. Main costs drivers (2)

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9M2017 compared to 9M2016

Operating costs before the balancing and construction activity according to IFRIC12 decreased by 1% as compared to the period of 9 months of 2016, which is lower by RON 10,358 thousand.

The company made savings of RON 49,280 thousand, mainly in relation to the following cost elements:

- transmission system technological gas consumption and loss decreased by RON 13,684 thousand due to the following:
 - amount of gas for technological consumption lower by 170,055 MWh (▼18%), with a positive influence of RON 12,224 thousand;
 - average purchase price for the period of 9 months of 2017 lower as compared to the period of 9 months of 2016 by RON 1.88/MWh, with a positive influence of RON 1,460 thousand;

		9 M 2016	9 M 2017	Change
Quantities of technological consumption	MWh	946,664	776,608	-170,055
	thousand m ³	84,315	73,497	-10,818

- maintenance and transmission: RON 385 thousand;
- cost of provision for risks and charges: RON 24,930 thousand;
- other operating costs: RON 10,281 thousand.

An expense surplus of RON 38,921 thousand was recorded mainly in relation to the following cost elements:

- cost of personnel: RON 12,479 thousand;
- royalty costs: RON 10,879 thousand;
- cost of auxiliary materials and other material costs: RON 6,349 thousand;
- depreciation costs: RON 4,637 thousand;
- cost of tax and other amounts due to the state: RON 4,576 thousand.

The financial cost is higher by RON 142,969 thousand based on removal on 30 September 2017 from the accounting books of the asset amounting to RON 138,544,435, representing Transgaz's share in the equity of Nabucco Gas Pipeline International GmbH ("NIC").

As compared to the achievements in the 9 months period of 2016, the gross profit obtained in the period of 9 months of 2017 increased by 21%, which is higher by RON 89,991 thousand.

Operating costs before the construction activity, according to IFRIC12 decreased by 1%, RON 10,358 thousand, as compared to 9M2016

4. Main costs drivers (3)

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3Q2017 compared to 3Q2016

Operating costs before the balancing and construction activity according to IFRIC12 increased by 6% as compared to Q III 2016, which is higher by RON 16,090 thousand.

The company made savings of RON 4,919 thousand in relation to the NTS concessioning cost.
An expense surplus of RON 21,009 thousand was recorded mainly in relation to the following cost elements:

- **technological consumption:** RON 2,520 thousand;
- **costs of depreciation of fixed assets:** RON 1,152 thousand;
- **cost of personnel:** RON 7,920 thousand;

		3 Q 2016	3 Q 2017	Change
Quantities of technological consumption	MWh	226,723	248,792	22,069
	thousand m ³	18,940	23,202	4,262

- **cost of auxiliary materials and other materials:** RON 3,161 thousand;
- **maintenance and transmission:** RON 2,384 thousand
- **other operating costs:** RON 3,645 thousand.

The financial cost is higher by **RON 137,219 thousand** based on removal on 30 September 2017 from the accounting books of the asset amounting to RON 138,544,435, representing Transgaz's share in the equity of Nabucco Gas Pipeline International GmbH ("NIC").

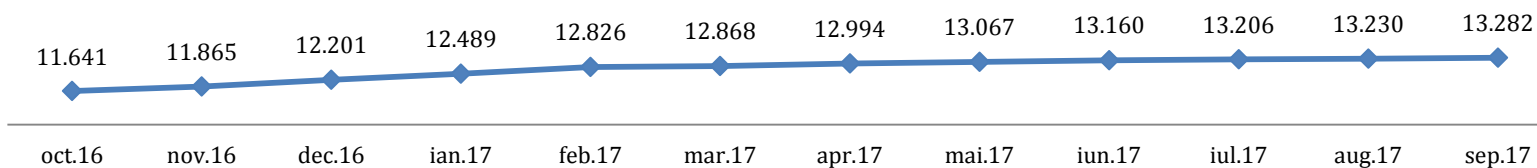
As compared to the achievements in Q III 2016, the gross profit obtained in Q III 2017 decreased by 53%, which is lower by RON 51,575 thousand.

Operating costs before the construction activity, according to IFRIC12 increased by 6%, RON 16,090 thousand, as compared to 3Q 2016

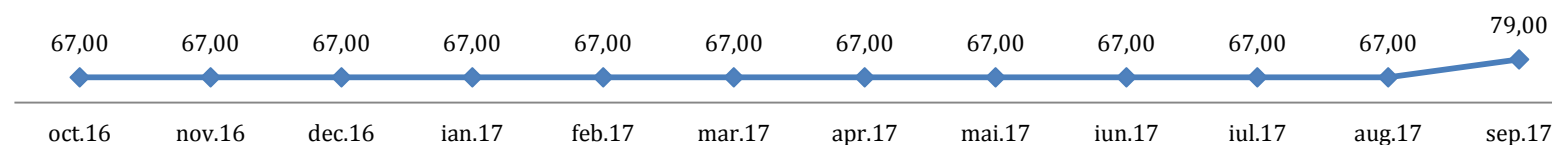
5. Main business drivers

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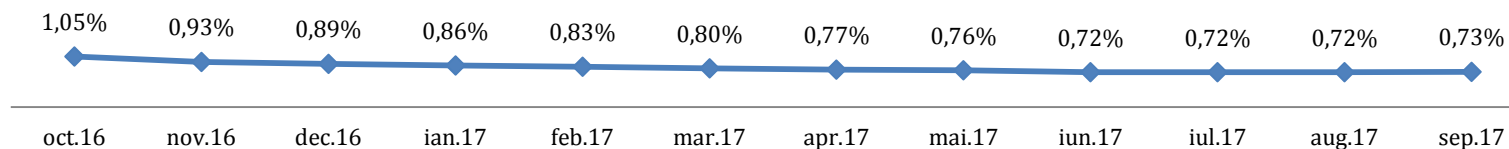
Natural gas volumes circulated (including storage quantities) - mill.cm - rolling 12 months



Natural gas acquisition price for technological consumption - RON/MWh



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



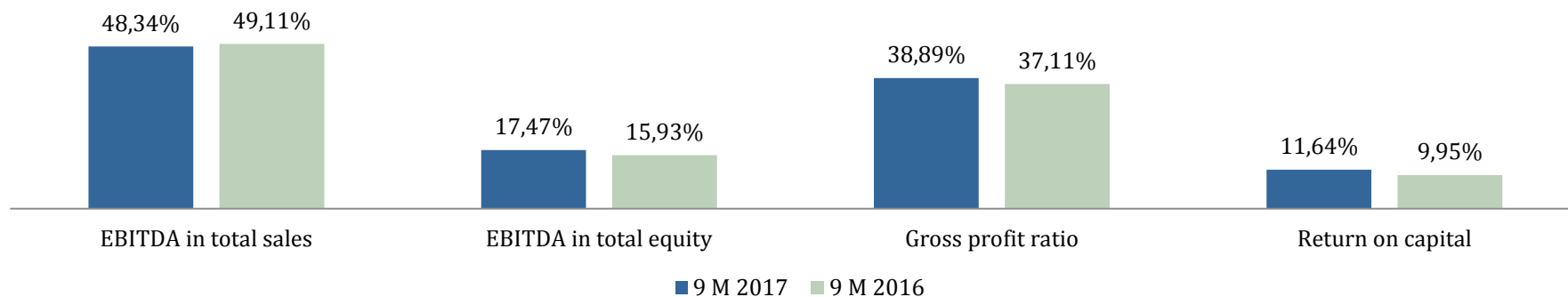
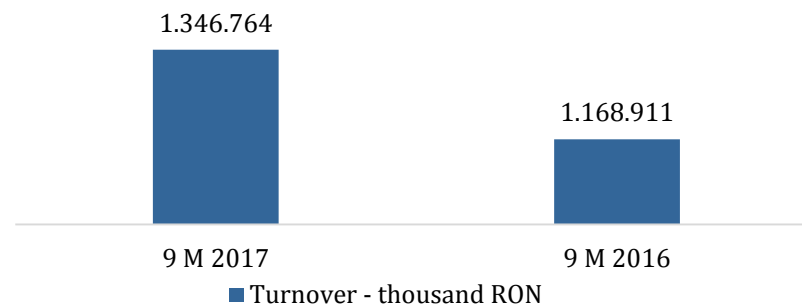
		2017 Quarter I	2017 Quarter II	2017 Quarter III	2017 9 months	
Circulated gas, our of which:	MWh	47,707,788.887	26,508,656.090	25,533,982.957	99,750,427.935	
	thousand m ³	4,440,162.309	2,469,093.702	2,378,777.717	9,288,033.728	
	- storage	MWh	121,323.382	7,813,470.756	9,874,283.402	17,809,077.540
	thousand m ³	11,219.631	727,606.280	916,593.272	1,655,419.183	
Circulated gas storage share		0.25%	29.48%	38.67%	17.85%	

6. Main indicators

1H2017 compared to 1H2016

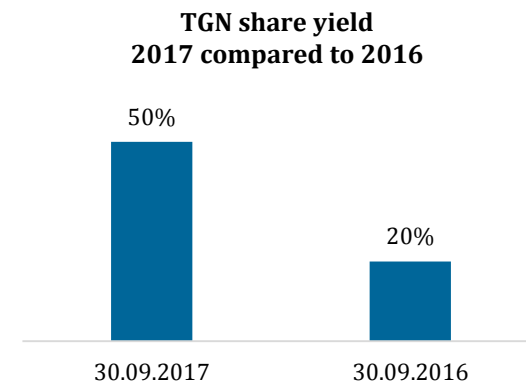
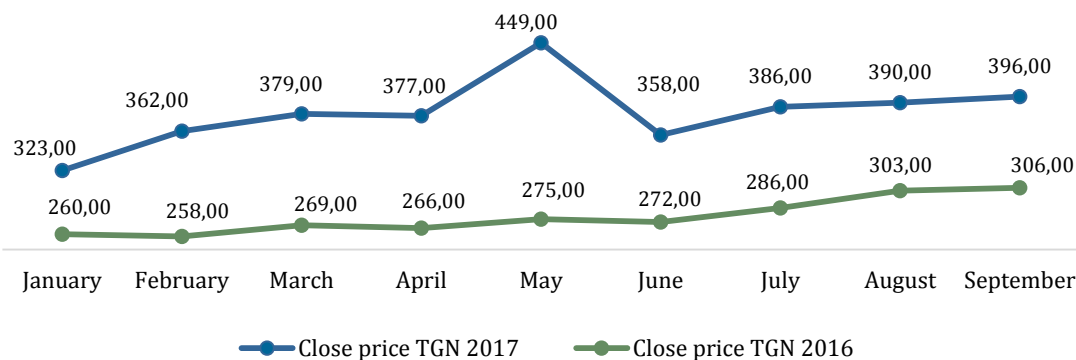
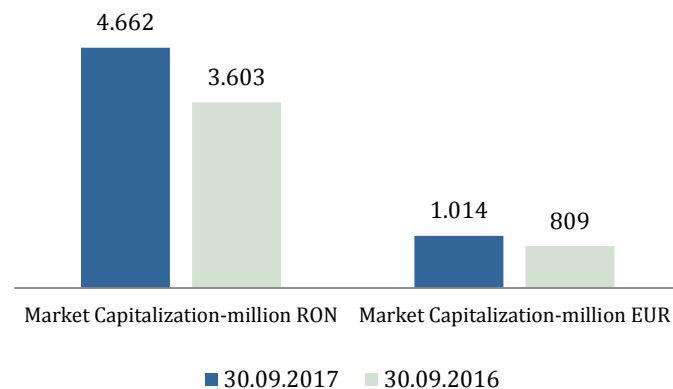
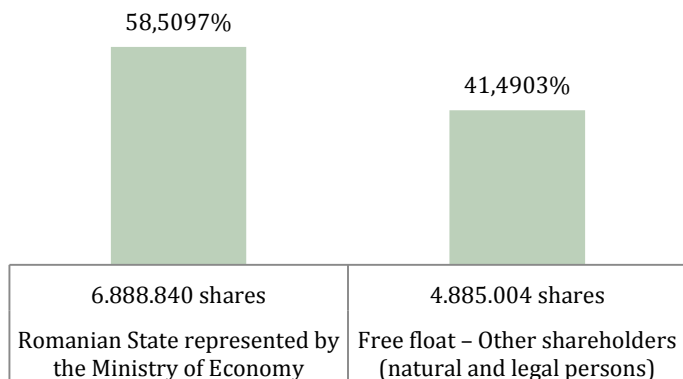
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	9 M 2017	9 M 2016
EBITDA in total sales	48.34%	49.11%
EBITDA in total equity	17.47%	15.93%
Gross profit ratio	38.89%	37.11%
Return on capital	11.64%	9.95%
Current liquidity ratio	6.64	5.23
Quick liquidity ratio	6.27	4.87
Gearing	0	0
Interest coverage ratio	0	0
Turnover speed for clients debit -days	129.72	107.36
Turnover speed for credit providers -days	13.93	15.21



Stock Exchange TGN Evolution (1)

Shareholders structure



Stock Exchange TGN Evolution (2)

TGN vs BET, BETXT, BETNG, ROTX during 9M2017

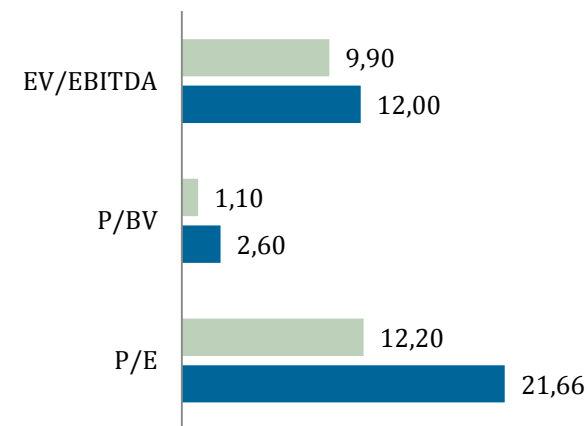


TRANSGAZ COMPARED TO PEERS

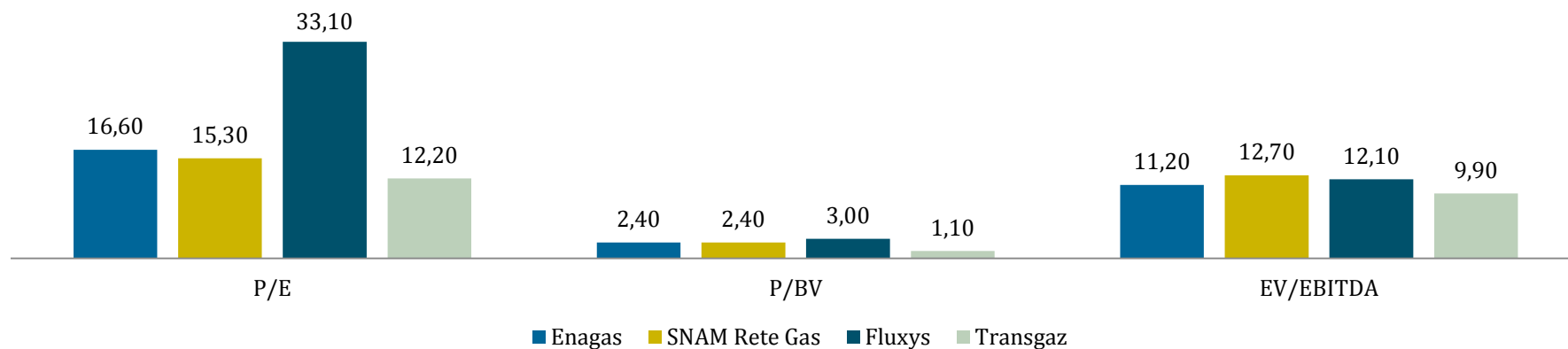
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Company	Country	P/E	P/BV	EV/EBITDA
Enagas	Spain	16.60	2.40	11.20
SNAM Rete Gas	Italy	15.30	2.40	12.70
Fluxys	Belgium	33.10	3.00	12.10
Media		21.66	2.60	12.00
Transgaz	Romania	12.20	1.10	9.90
Premium /Discount		-44%	-58%	-18%

Sursa: Bloomberg 15.10.2017



■ Transgaz ■ Media





Thank you for your kind attention!

