



THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR

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INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2014 (UNAUDITED)

PREPARED IN ACCORDANCE WITH IFRS -EU

Summary

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2. Interim Balance sheet as of 30.06.2014

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1. Interim Income statement as of 30.06.2014

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	30-Jun-14	30-Jun-13	Changes	
			Absolute	Relative
Revenues from domestic gas transmission activity	714,322	600,860	113,462	19%
Revenues from international gas transmission activity	133,302	135,103	-1,801	-1%
Other revenues	16,318	17,702	-1,384	-8%
OPERATING REVENUES	863,942	753,665	110,277	15%
Depreciation	91,852	90,032	1,820	2%
Wages, salaries and other employee-related expenses	174,983	166,254	8,729	5%
Technological consumption, materials and consumables used, out of which:	51,705	66,572	-14,867	-22%
•Technological consumption and losses on NTS	37,446	52,841	-15,395	-29%
Royalty expenses	84,762	73,596	11,166	15%
Maintenance and transportation, mainly out of which:	21,874	33,093	-11,219	-34%
•Works & services performed by third parties	17,247	28,173	-10,926	-39%
Taxes and other amounts payable to the State	39,166	23,017	16,149	70%
Expenses with provision for risks and expenses	-10,389	-4,845	-5,544	114%
Other operating expenses	57,277	21,249	36,028	170%
OPERATING EXPENSES	511,230	468,968	42,262	9%
OPERATING PROFIT	352,712	284,697	68,015	24%
Net financial cost -revenues	6,046	-103,212	109,258	-106%
GROSS PROFIT	358,758	181,485	177,273	98%
Income tax expense	64,391	46,815	17,576	38%
NET PROFIT	294,367	134,670	159,697	119%
EBITDA	444,564	374,762	69,802	19%

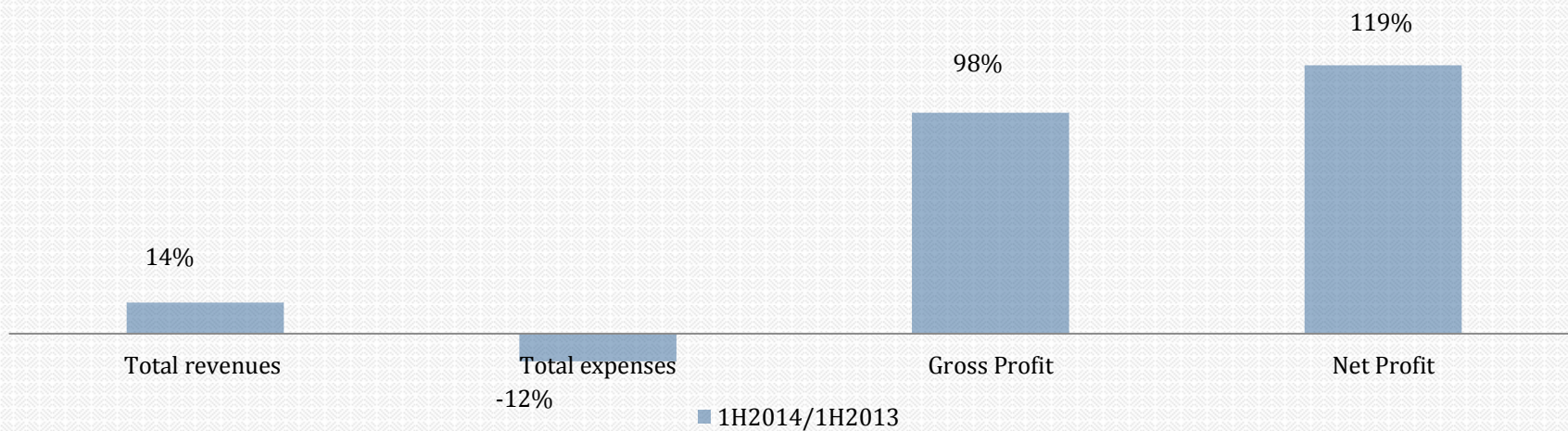
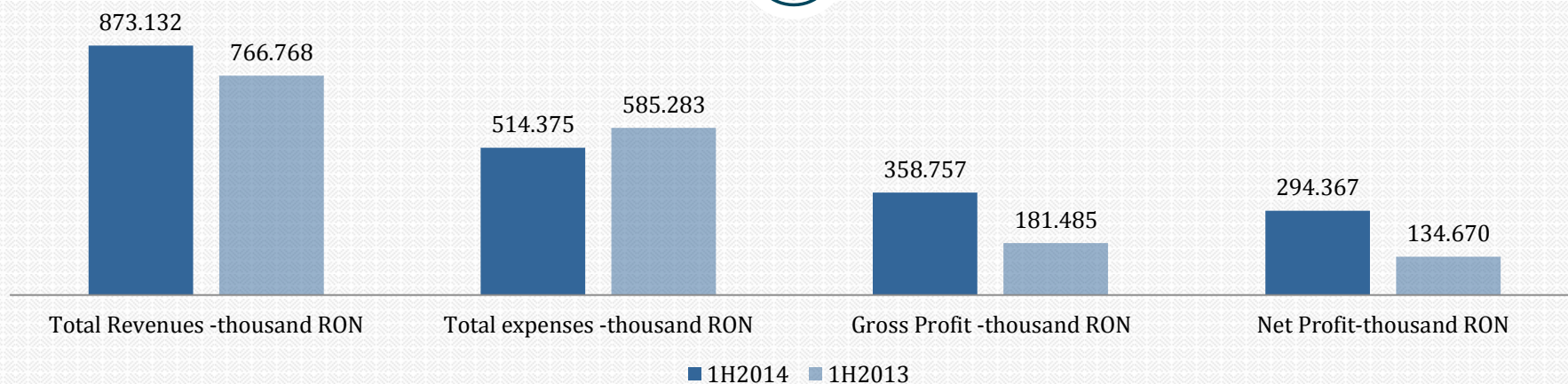
Operating Revenues up 15%

Operating Expenses up 9%

Net Profit up 119%

Interim Income Statement 1H2014 vs 1H2013

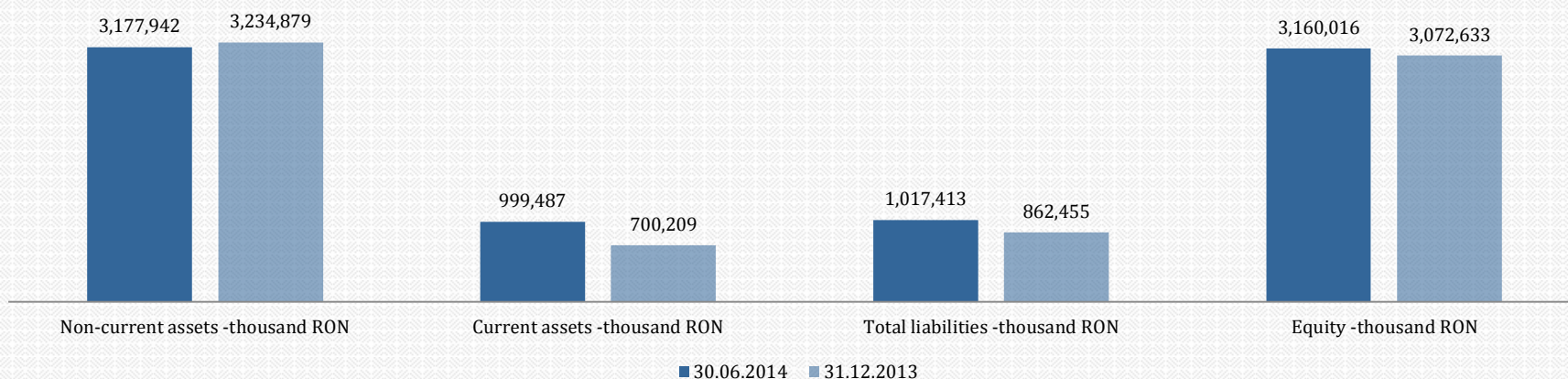
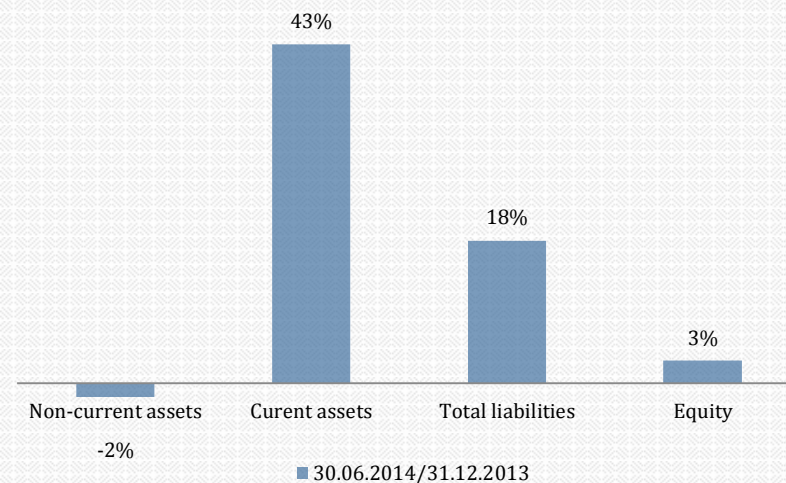
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2. Interim Balance Sheet as of 30.06.2014

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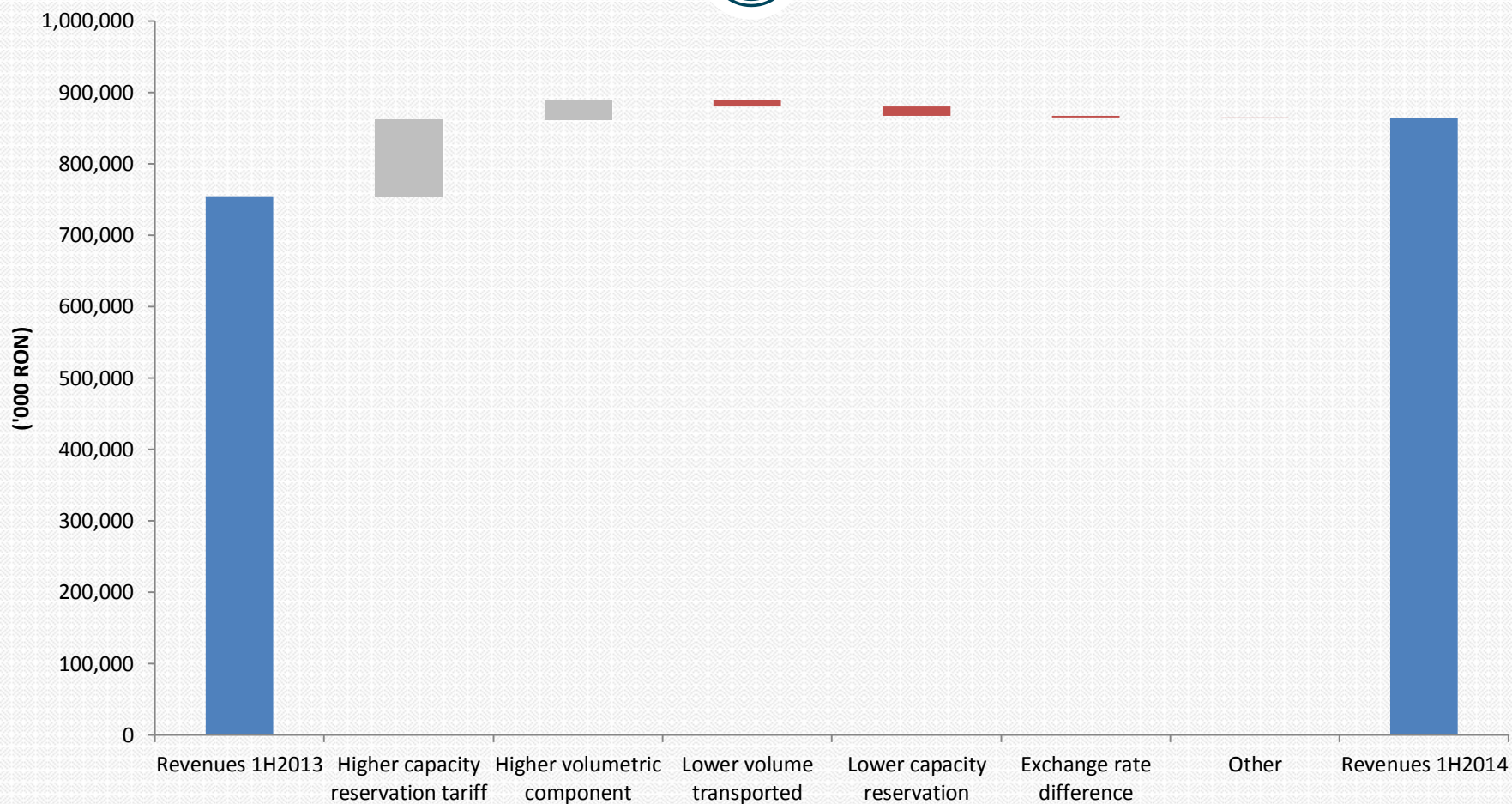
Thousand RON	Ended june 2014	Ended 2013	Changes	
			Absolute	Relative
ASSETS				
Non-current assets	3,177,942	3,234,879	-56,937	-2%
Current assets	999,487	700,209	299,278	43%
Total assets	4,177,429	3,935,088	242,341	6%
EQUITY AND LIABILITIES				
Equity	3,160,016	3,072,633	87,383	3%
Long term liabilities	517,882	539,417	-21,535	-4%
Current liabilities	499,531	323,038	176,493	55%
Total liabilities	1,017,413	862,455	154,958	18%
Total equity and liabilities	4,177,429	3,935,088	242,341	6%



3. Main earnings' drivers (1)

Operating revenues 15% higher in 1H 2014 compared with 1H2013

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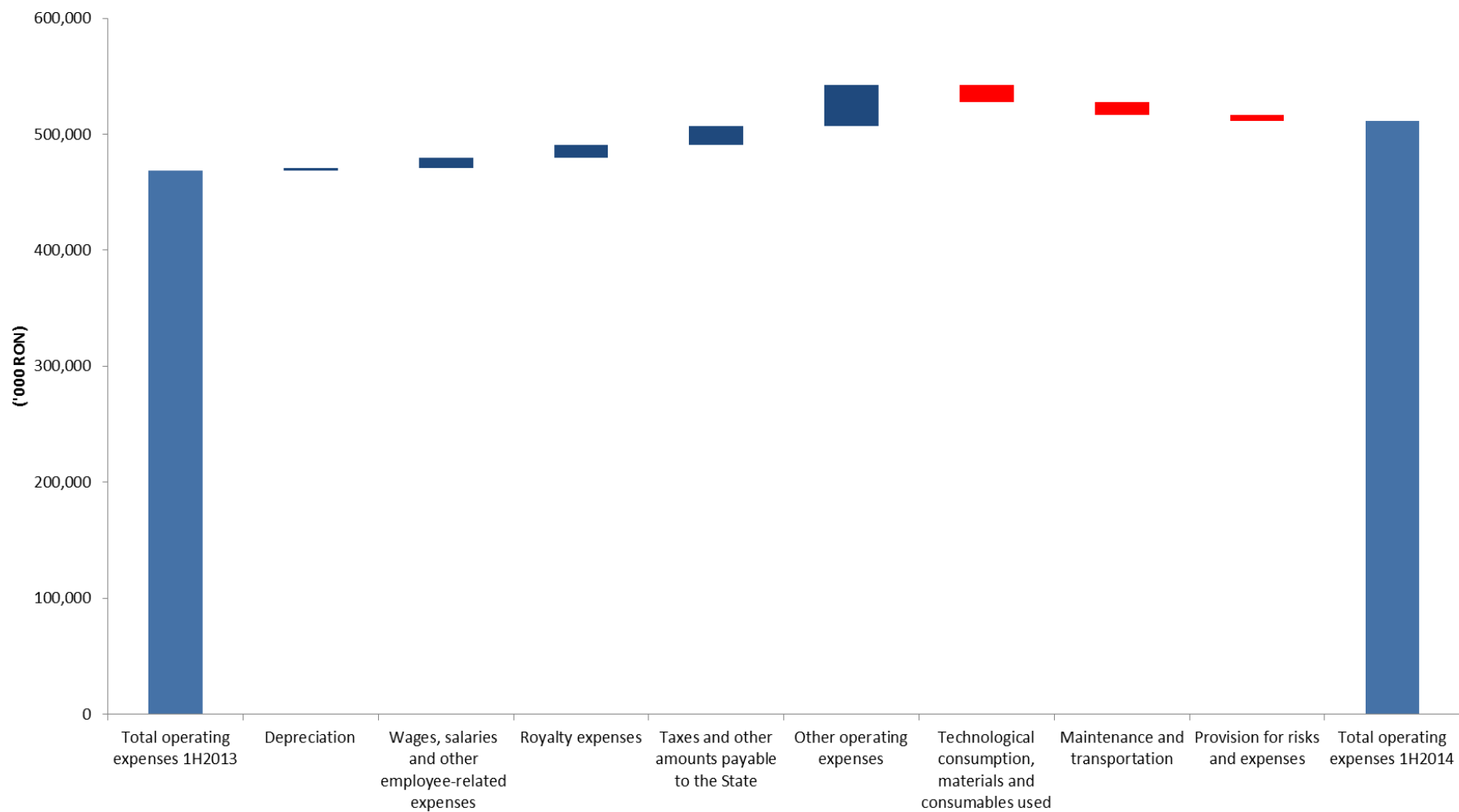


Higher capacity reservation and higher volumetric component of tariff

3. Main earnings' drivers (2)

Operating expenses 9% higher in 1H2014 compared to 1H2013

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3. Main earnings' drivers (3)

Compared to 1H2013, **1H2014 gross profit is 98% higher** respectively by **177,273 thousand RON**, and **the net profit is 119% higher** respectively by **159,697 thousand RON**

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Operating revenues increased by 15% compared to 1H2013, by a total of 110,277 thousand RON.

The operating revenues were influenced mainly by the following factors:

- *Capacity reservation tariff higher compared to 1H2013 with 0,723 RON/MWh, with a positive influence of **108,083 thousand RON**;*
- *Volumes of gas transported lower with 1.236.166 MWh/129.491 thousand cm (2%), with a negative influence of **8,938 thousand RON**;*
- *Volumetric component of the gas transmission services higher with 0,424 lei/MWh, with a positive influence of **27,735 thousand RON**;*
- *Capacity reservation lower compared with 1H2013 with a negative influence of **13,419 thousand RON**;*
- *Revenues from international gas transmission services lower compared with 1H2013 with **1,800 thousand RON** due to an average exchange rate RON/EURO, respectively RON/USD, lower than the one achieved in 1H2013;*
- *Other operating revenues with a negative influence of **1,384 thousand RON**.*

The operating expenses are higher with 9% compared to 1H2013, respectively with 42,262 thousand RON.

Savings of 31,630 thousand RON were registered, mainly, due to the following items:

- 👉 Savings with the consumption and technological losses of natural gas on the gas transmission system of **15,395 thousand RON**, due to the following two factors:
 - natural gas amount for technological consumption lower compared to 1H2013 with 573,411MWh/57.344 thousand cm (56%), **a positive influence of 29,353 thousand RON**;
 - average acquisition price estimated for 1H2014 higher compared to 1H2013 with 30,42 RON/MWh, **with a negative influence of 13,958 thousand RON**;
- 👉 Savings with works and services carried out by third parties: **10,926 thousand RON**;
- 👉 Savings with risk and provision expenses: **5,544 thousand RON**

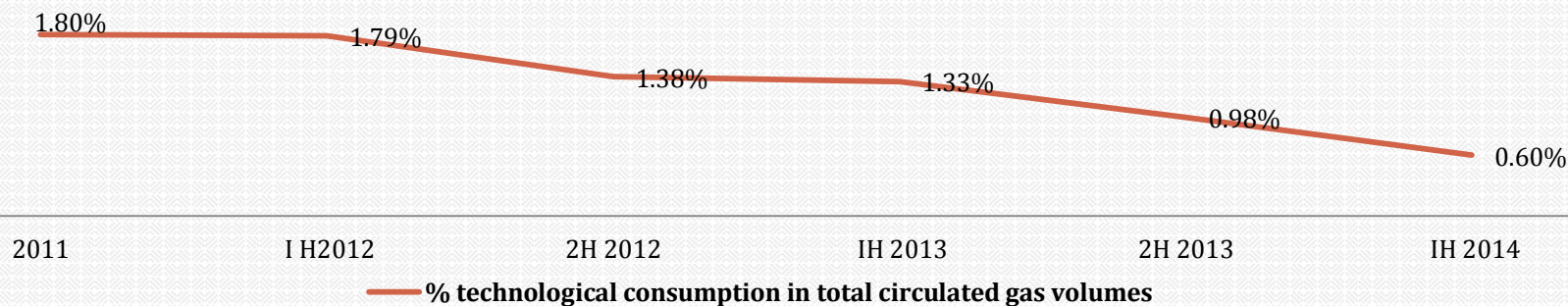
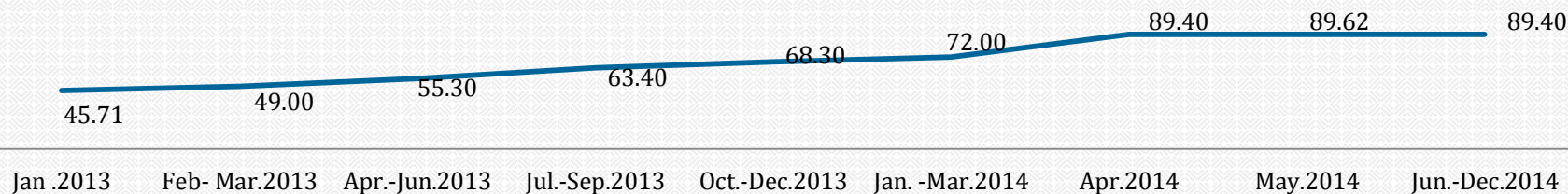
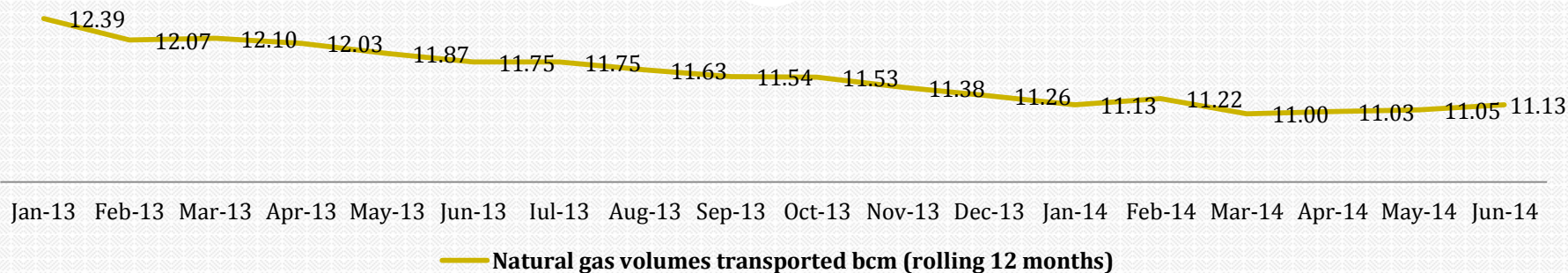
Expenses increased of 73,892 thousand RON, mainly due to the following:

- 👉 Tax on monopoly: 7.637 thousand RON;
- 👉 Licensing fee: 7.283 thousand RON;
- 👉 Depreciation of fixed assets: 1.820 thousand RON;
- 👉 Expenses with the personnel: 8.729 thousand RON;
- 👉 Royalty for NTS concession: 11.166 thousand RON;
- 👉 Provision for receivables: 36.028 thousand RON.

3. Main earnings' drivers (4)

Substantial savings due to more efficient management of operational activity offset declining business volumes

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4. Cash flow

CASH FLOW	1H2014	1H2013	Changes	
			Absolute	Relative
Cash generated from operations	526,325,526	418,082,344	108,243,182	26%
Interest paid	-725,998	-2,140,812		
Interest received	4,664,409	6,969,224		
Profit tax paid	-36,946,761	-116,480,085		
Net cash inflow from operating activities	493,317,176	306,430,671	186,886,505	61%
Cash flow from investment activities				
Payments to acquire tangible and intangible assets	-39,537,689	-75,708,543		
Proceeds from disposal of tangible assets	-	135,275		
Purchase of financial investments, net	-	-18,235,920		
Net cash used in investment activities	-39,537,689	-93,809,188	54,271,499	-58%
Cash flow from financing activities				
Dividends paid	-871,118	-214,692,092		
Cash flows from connection fees and grants	1,298,343	1,880,039		
Proceeds from financial investments	-	16,985,593		
Repayments of long term loans	-12,000,000	-12,138,471		
Net cash used in financing activities	-11,572,775	-207,964,931	196,392,156	-94%
Net change in cash and cash equivalents	442,206,712	4,656,552		
Cash and cash equivalent at beginning of period	267,261,555	178,637,942	88,623,613	50%
Cash and cash equivalent at end of period	709,468,267	183,294,494	526,173,773	287%

5. Main indicators (1)

Complex evolution in 1H2014 compared to 1H2013

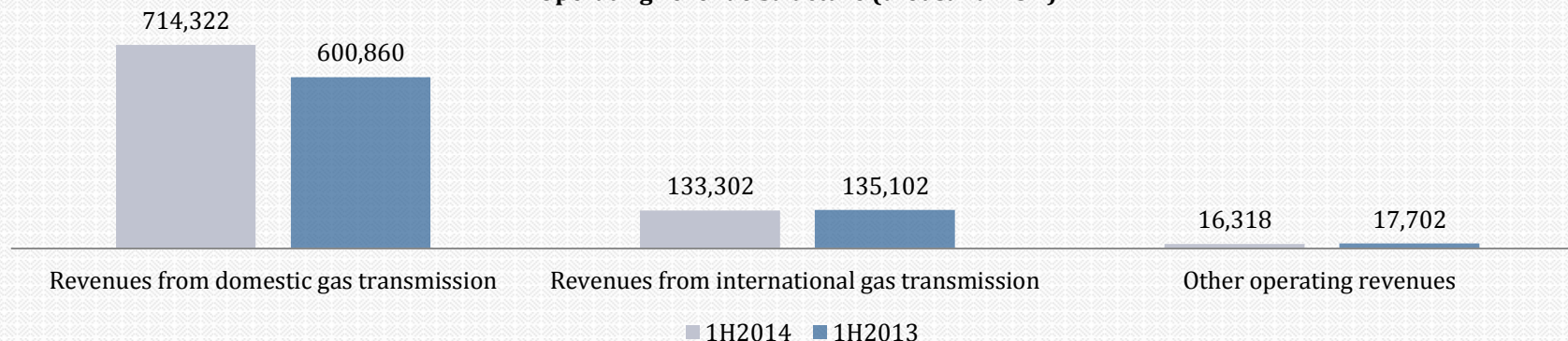
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	1H2014	1H2013
EBITDA margin	52.36%	50.69%
Net income margin	34.67%	18.22%
Rate of return on capital	9.32%	4.69%
Current ratio	2.00	1.54
Quick ratio	1.93	1.44
Gearing	0.38%	1.25%
Interest coverage ratio	486.83	133.99
Turnover speed for clients debit - days	76.41	77.69

EBITDA up 19%
from 375 to 445
million RON

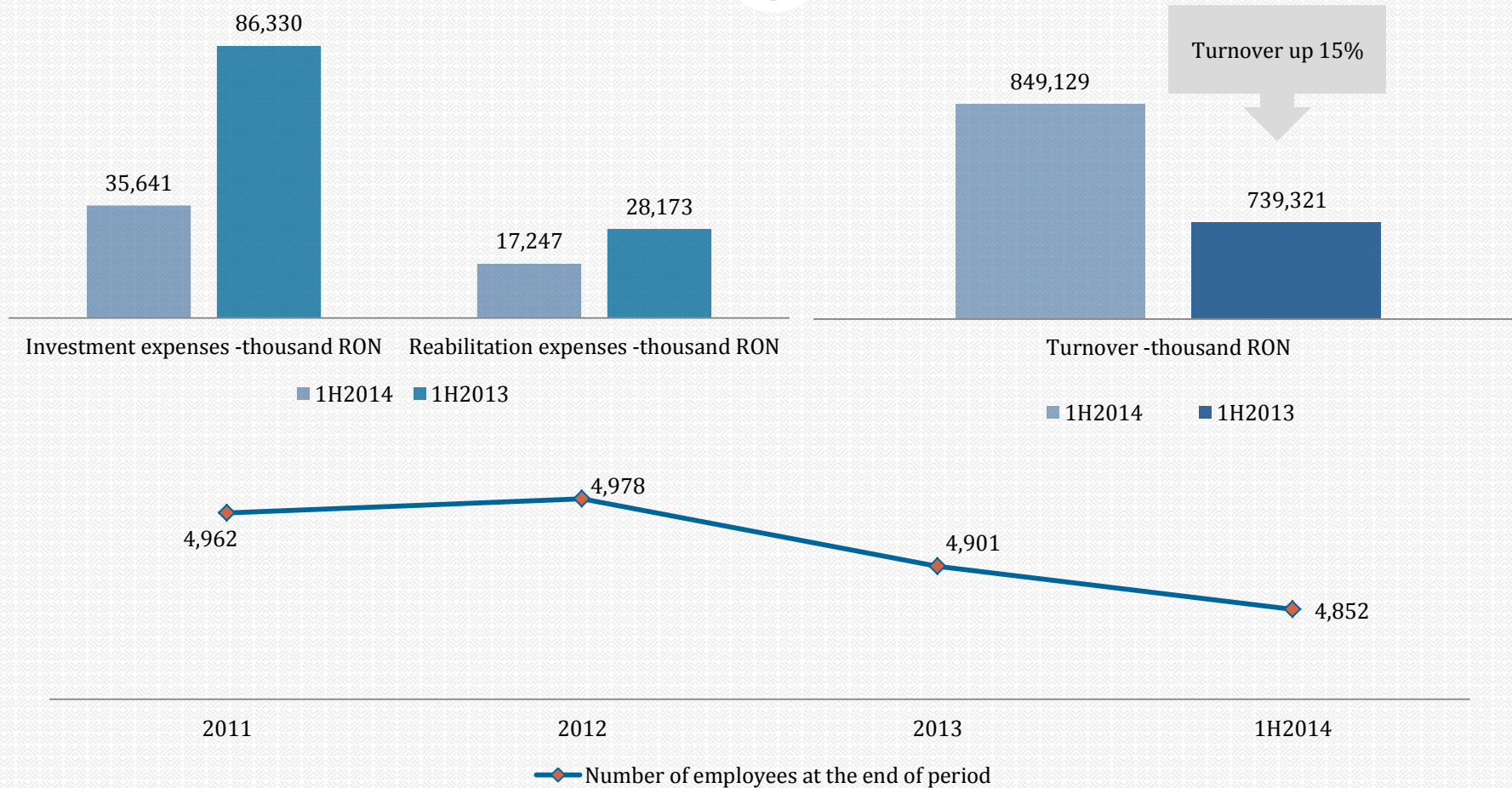
Net profit up 119%,
from 135 to 294
million RON

Operating revenue structure (thousand RON)



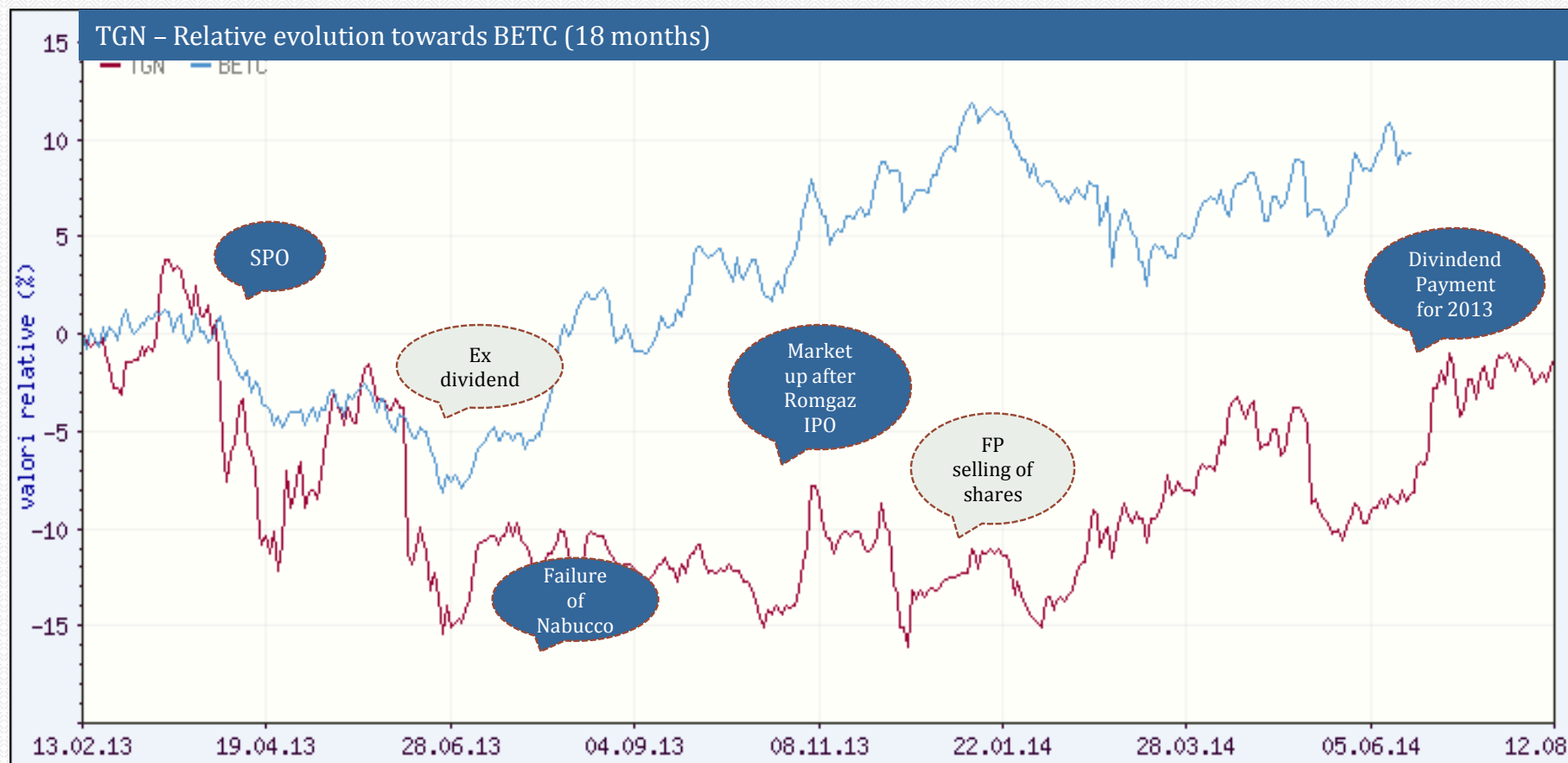
5. Main indicators (2)

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Stock Exchange Indicators

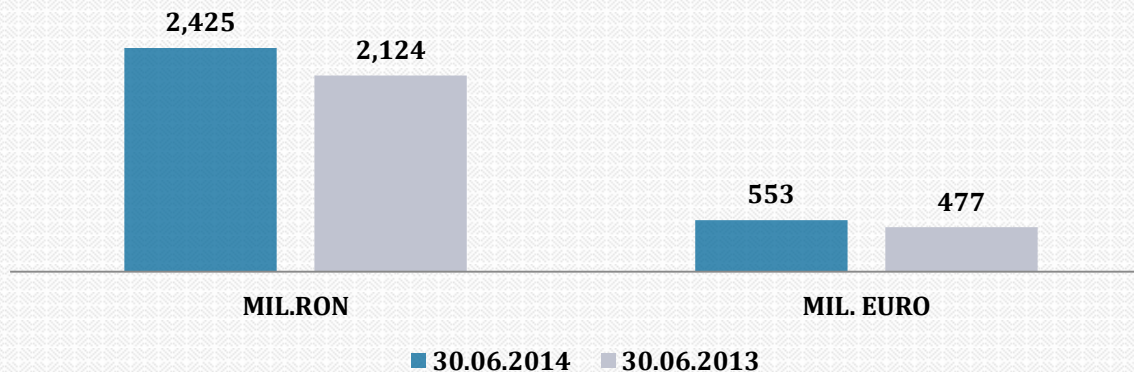
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TRANSGAZ compared to peers

Company	Country	P/E	P/BV	EV/EBITDA
Enagas	Spain	11.76	2.2	7.83
SNAM Rete Gas	Italy	14.61	2.39	9.71
Fluxys	Belgium	27.78	2.7	10.51
Media		18.05	2.43	9.35
Transgaz	Romania	7.22	0.71	3.95
Premium /Discount		-60%	-71%	-58%

TRANSGAZ Market capitalization



Thank you for your kind attention!