



THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR



UNAUDITED FINANCIAL STATEMENTS FOR 1Q2015

PREPARED IN ACCORDANCE WITH THE IFRS - EU

Bucharest, 14 May 2015

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2. Balance sheet as of 31.03.2015

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1. Income statement as of 31.03.2015

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COMPREHENSIVE INCOME -RON	1Q2015	1Q2014	CHANGES	
	unaudited	restated	absolute	relative
Revenues from domestic gas transmission activity	370,401,862	448,134,697	-77,732,835	-17.35%
Revenues from international gas transmission activity	78,770,281	67,310,542	11,459,739	17.03%
Other revenues	13,679,533	7,273,172	6,406,361	88.08%
Revenues from operations	462,851,676	522,718,411	-59,866,735	-11.45%
Depreciation	47,807,429	46,113,460	1,693,969	3.67%
Wages, salaries and other employee related expenses	76,662,744	78,749,159	-2,086,415	-2.65%
Technological consumption, materials and consumables used	21,101,829	26,447,606	-5,345,777	-20.21%
Royalty expenses	44,917,215	51,544,525	-6,627,310	-12.86%
Maintenance and transportation	5,771,270	7,112,616	-1,341,346	-18.86%
Taxes and other amounts payable to the State	14,703,467	23,098,086	-8,394,619	-36.34%
Expenses with the provision for risks and expenses	3,061,253	2,416,453	644,800	26.68%
Other operating expenses	16,362,770	18,647,257	-2,284,487	-12.25%
Total operating expenses	230,387,977	254,129,162	-23,741,185	-9.34%
Operating profit	232,463,699	268,589,249	-36,125,550	-13.45%
Financial revenues	8,429,705	4,038,763	4,390,942	108.72%
Financial costs	2,183,735	1,701,794	481,941	28.32%
Financial income, net	6,245,970	2,336,969	3,909,001	167.27%
Profit before tax	238,709,669	270,926,218	-32,216,549	-11.89%
Income tax expense	39,403,863	44,319,105	-4,915,242	-11.09%
Period related net profit and total comprehensive income	199,305,806	226,607,113	-27,301,307	-12.05%

Total Revenues decreased with 11%

Total Expenses decreased with 9%

Net Profit decreased with 12%

2. Balance sheet on 31.03.2015

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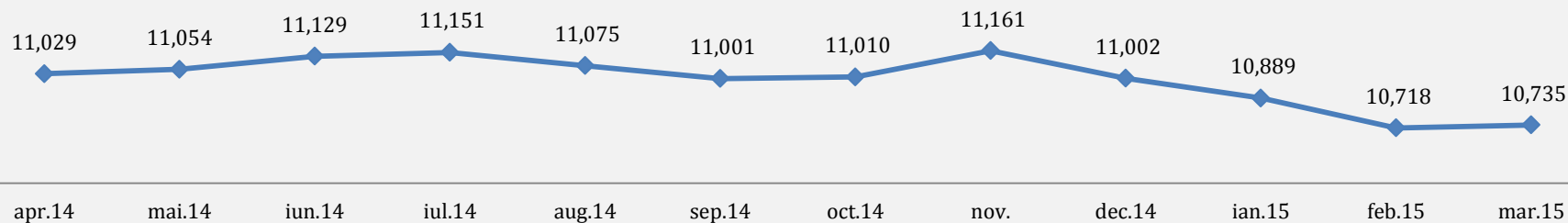
	31/3/2015	31/12/2014	CHANGES	
ASSETS			absolute	relative
Intangible assets	2,516,529,999	2,534,879,666	-18,349,667	-0.72%
Tangible assets	644,949,411	654,840,262	-9,890,851	-1.51%
Commercial receivables and other receivables	546,848,099	539,216,239	7,631,860	1.42%
Non-current assets	3,708,327,509	3,728,936,167	-20,608,658	-0.55%
Inventories	41,123,163	36,644,893	4,478,270	12.22%
Trade and other receivables	431,744,485	401,552,343	30,192,142	7.52%
Cash and cash equivalents	689,096,707	557,868,004	131,228,703	23.52%
Current assets	1,161,964,355	996,065,240	165,899,115	16.66%
TOTAL ASSETS	4,870,291,864	4,725,001,407	145,290,457	3.07%
EQUITY AND LIABILITIES	31/3/2015	31/12/2014	CHANGES	absolute
Share capital	117,738,440	117,738,440	0	0.00%
Hyperinflation to share capital adjustments	441,418,396	441,418,396	0	0.00%
Share premium	247,478,865	247,478,865	0	0.00%
Other reserves	1,265,796,861	1,265,796,861	0	0.00%
Retained earnings	1,453,840,670	1,254,534,864	199,305,806	15.89%
Equity	3,526,273,232	3,326,967,426	199,305,806	5.99%
Long term loans	-	-	-	-
Provision for employee benefits	110,218,249	110,218,249	0	0.00%
Deferred income	888,048,052	893,778,017	-5,729,965	-0.64%
Deferred tax liability	72,212,100	73,687,761	-1,475,661	-2.00%
Long term liabilities	1,070,478,401	1,077,684,027	-7,205,626	-0.67%
Trade and other payables	192,319,156	238,527,159	-46,208,003	-19.37%
Provision for risks and charges	19,426,151	16,364,898	3,061,253	18.71%
Current income tax liabilities	40,879,524	38,542,497	2,337,027	6.06%
Provision for employee benefits	2,915,400	2,915,400	0	0.00%
Short term loans	180,000,000	24,000,000	-6,000,000	-0.25%
Current liabilities	273,540,231	320,349,954	-46,809,723	-14.61%
Total liabilities	1,344,018,632	1,398,033,981	-54,015,349	-3.86%
TOTAL EQUITY AND LIABILITIES	4,870,291,864	4,725,001,407	145,290,457	3.07%

The value of Regulated Asset Base as set at the beginning of the third regulatory period is RON 2,602,118 thousand

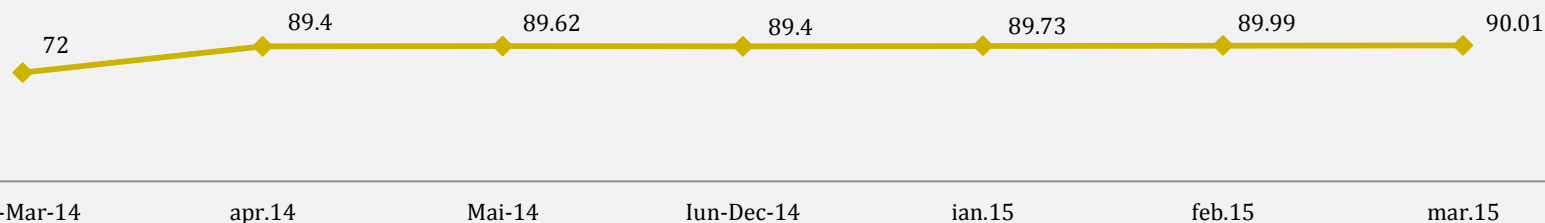
3. Main business drivers

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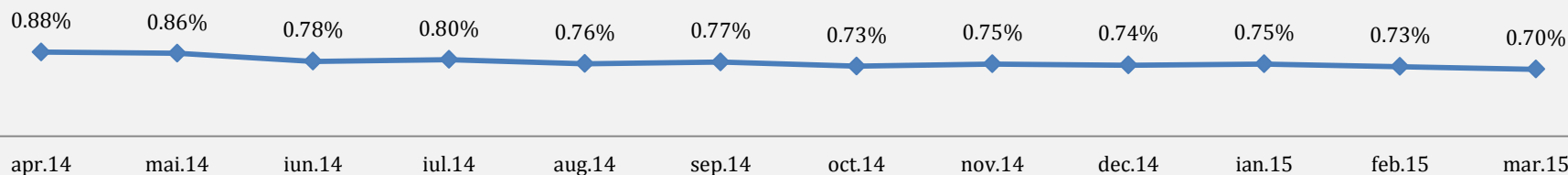
Natural gas volumes transported – bcm (rolling 12 months)



Natural gas acquisition price for technological consumption –RON/MWh



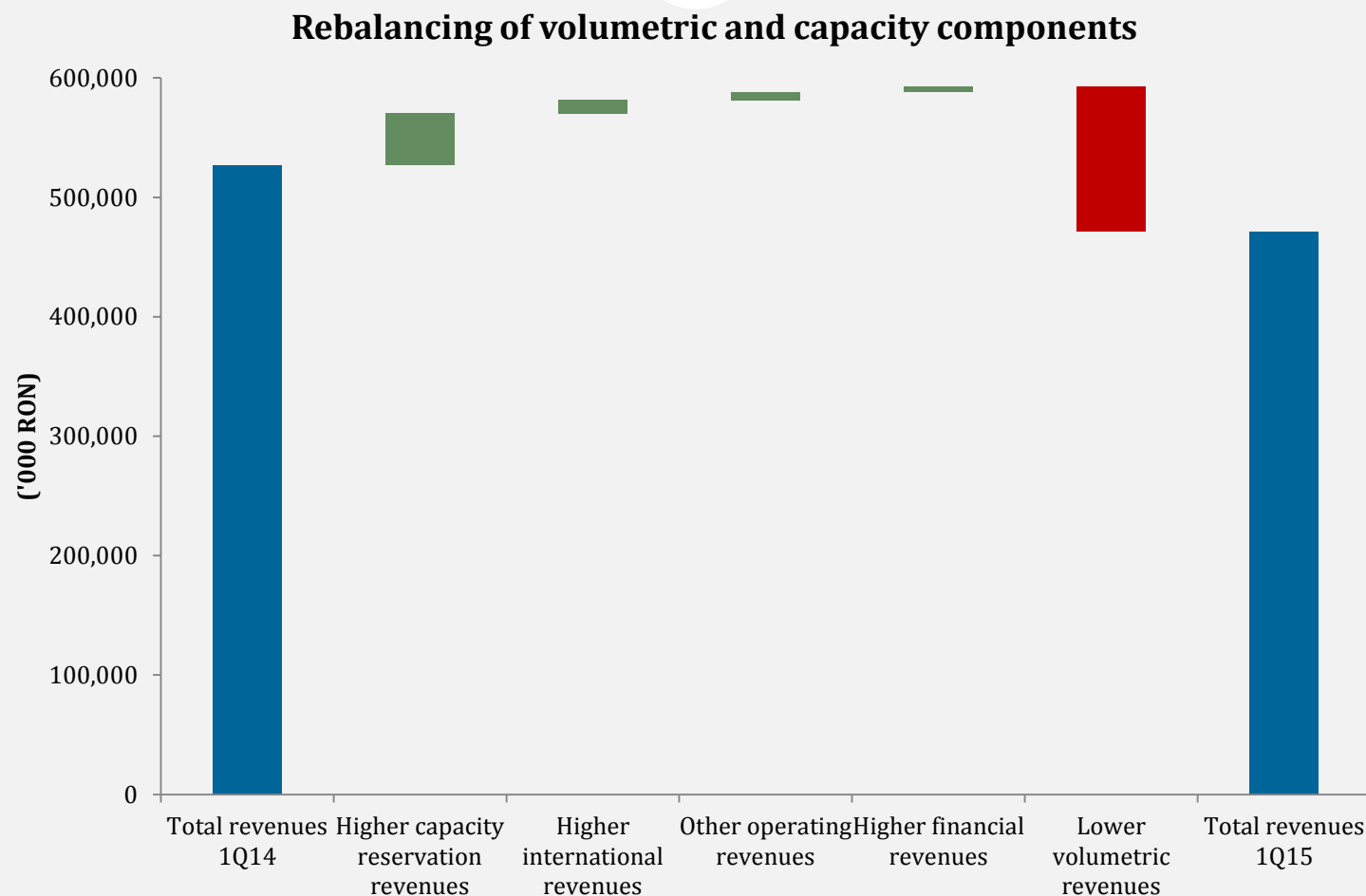
% technological consumption in total circulated gas volumes (rolling 12 months)



4. Factors influencing revenues

Lower revenues YoY

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Reducing seasonality: lower volumetric component flattens out revenue cycle

Factors influencing revenues (2)

Comparison to 1Q2014

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The revenues were mainly influenced by the following factors:

- *revenues from capacity booking higher by RON 43,414 thousand due to:*
 - the increase in the share of the capacity reservation component in the total revenues from 35% to 50%;
 - the increase in reserved capacity by 51,834,396 MWh due to the application of the entry/exit capacity booking procedures as of 1 August 2014;
- *revenues from the volumetric component lower by RON 121,147 thousand due to:*
 - the decrease of the volumetric component in the total revenues from 65% to 50%;
 - the decrease of the invoiced gas amount by 2,750,106 MWh (267,576 thousand m³), split on consumer categories as follows:

		Q1 2014	Q1 2015	Change
Amount transported for direct consumers	MWh	15,622,633	10,247,090	-5,375,544
	thousand m ³	1,470,480	964,619	-505,861
Amount transported for distribution	MWh	29,097,483	31,722,921	2,625,437
	thousand m ³	2,734,380	2,972,665	238,285
Total	MWh	44,720,116	41,970,010	-2,750,106
	thousand m ³	4,204,860	3,937,284	-267,576

Starting with the third year of the third regulatory period (2014-2015), the method of allocating the total revenues underlying the setting of tariffs for gas transmission is 50% for the capacity reservation component and 50% for the volumetric component. This leads to a re-distribution of revenues as follows:

- a decrease of transmission revenues during the winter quarters, compared to previous gas year, due to lower volumetric revenues;
- an increase in transmission revenues during the summer quarters, due to the increase in revenues from capacity booking compared to the previous gas year.

- *international gas transmission revenues higher by RON 11,460 thousand* due to currency exchange rate fluctuation;
- *other operating revenues higher by RON 6,406 thousand* due to the registration of the amounts related to the revenue reversal in advance recognized by TRANSGAZ based on the right to cash in the remaining value of the investments in the NTS upon termination of the Concession Agreement;
- *higher financial revenues by RON 4,391 thousand* due to interest revenue earned as a result of straight line amortization of the terminal value of the Regulated Asset Base (RAB) at the end of the Concession Agreement in 2032. (As per regulatory change in October 2014, previously the terminal value of the RAB was considered to be nil).

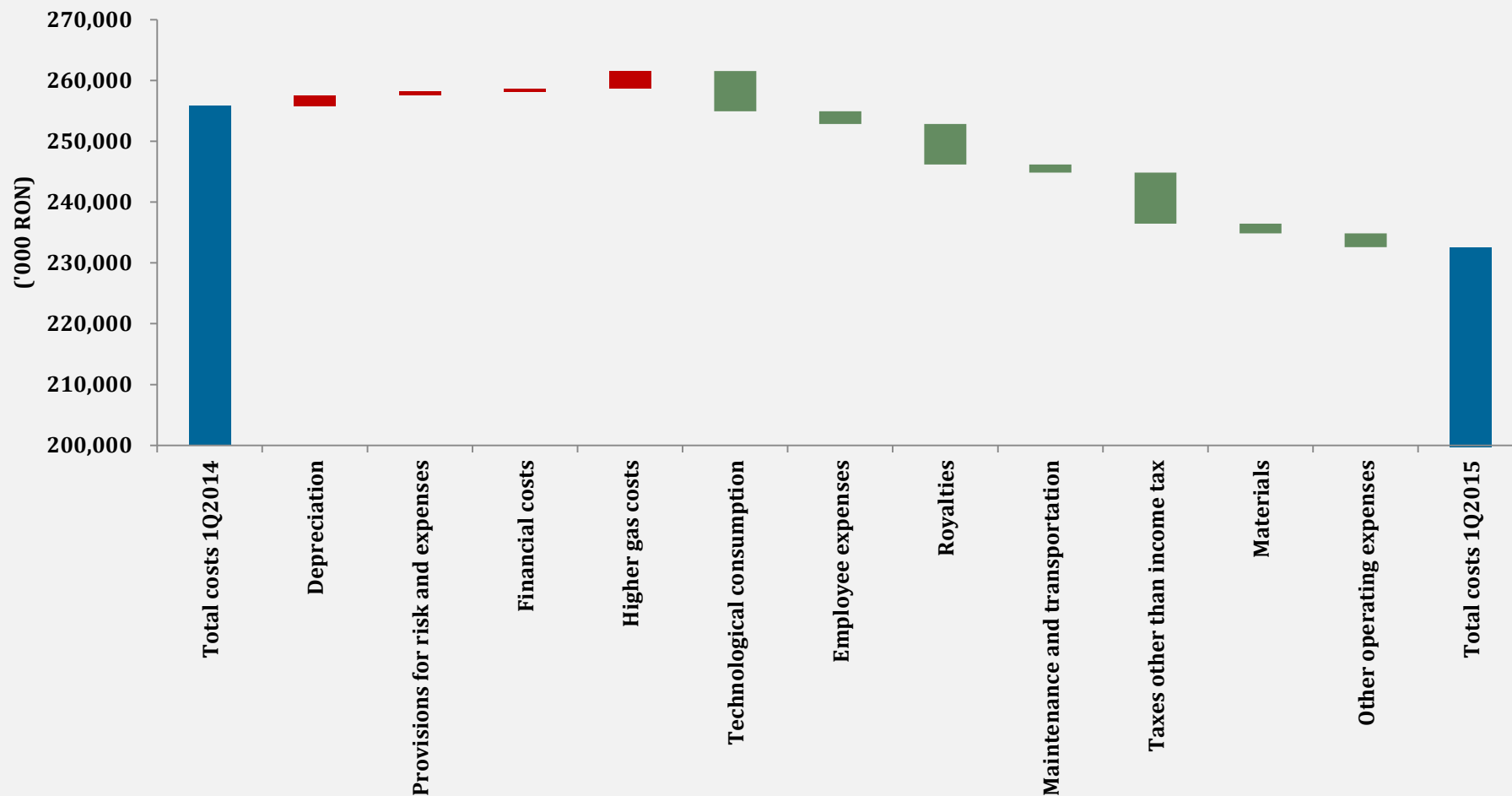
Total revenue decreases by 11%, RON 55,476 thousand compared to 1Q2014.

5. Factors influencing costs

Careful cost management continues

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Lower total expenses



Further decrease in technological consumption

Factors influencing costs (2)

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Comparison to 1Q2014

Operating expenses decreased by 9% compared to 1Q2014 by **RON 23,741 thousand**.

The company decreased expenses by RON 26,080 thousand mainly in relation to the following items:

- technological gas consumption and losses decreased by **RON 3,729 thousand** due to two factors:
 - Lower technological consumption and losses by 91,526 MWh/ 7,973 thousand m³ (▼35%) compared to Q12014, with a positive impact of RON 6,653 thousand;
 - Average purchase price for 1Q 2015 higher compared to 1Q 2014 by 17.21 RON/MWh, with a negative impact of RON 2,925 thousand;
- NTS concession royalty: RON 6,627 thousand;
- Monopoly tax: RON 4,307 thousand;
- Other fees and tax expenses: RON 4,088 thousand;
- Other operating expenses: RON 2,284 thousand;
- Personnel expenses: RON 2,087 thousand;
- Auxiliary materials and other material expenses: RON 1,617 thousand;
- Maintenance and transportation: RON 1,341 thousand.

Higher expenses of RON 2,339 thousand were registered due to the increase in depreciation expenses (▲ RON 1,694 thousand) and higher provisions (▲ RON 645 thousand).

Financial expenses increased by RON **482 thousand** due to expenses related to exchange rate differences.

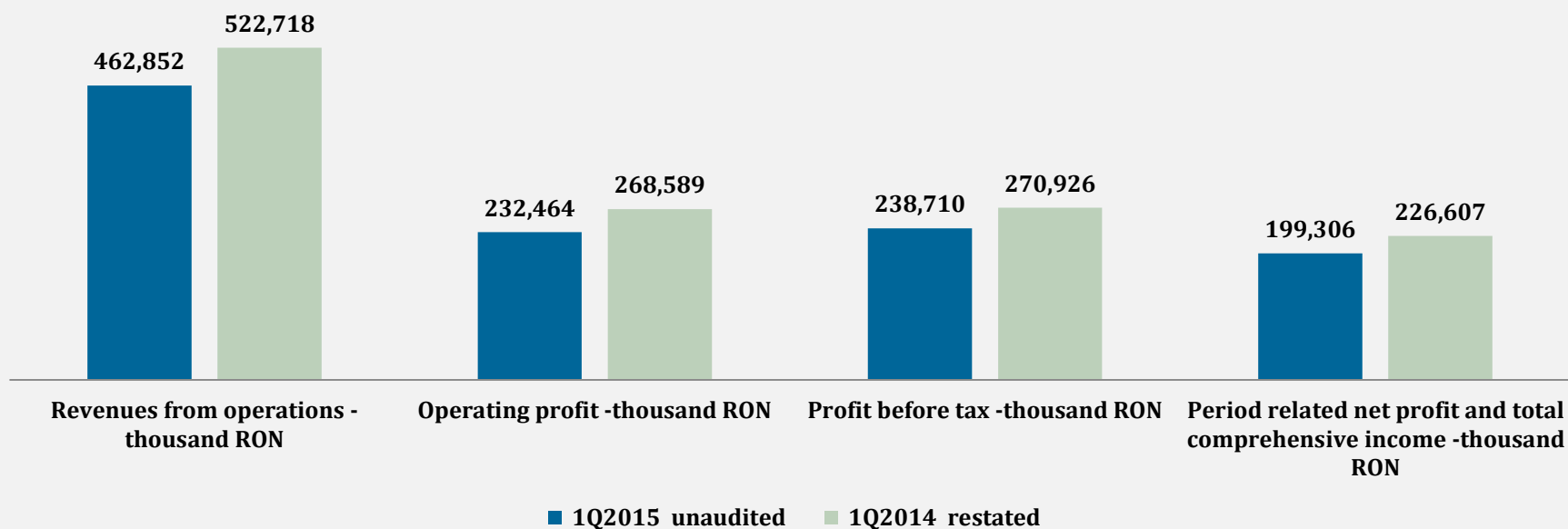
The gross profit realized in 1Q 2015 is 12% lower compared to 1Q 2014, by RON 32,217.

Total expenses decreased by 9% compared to Q1 2014, by **RON 23,259 thousand**.

6. Profits

Comparison to 1Q2014

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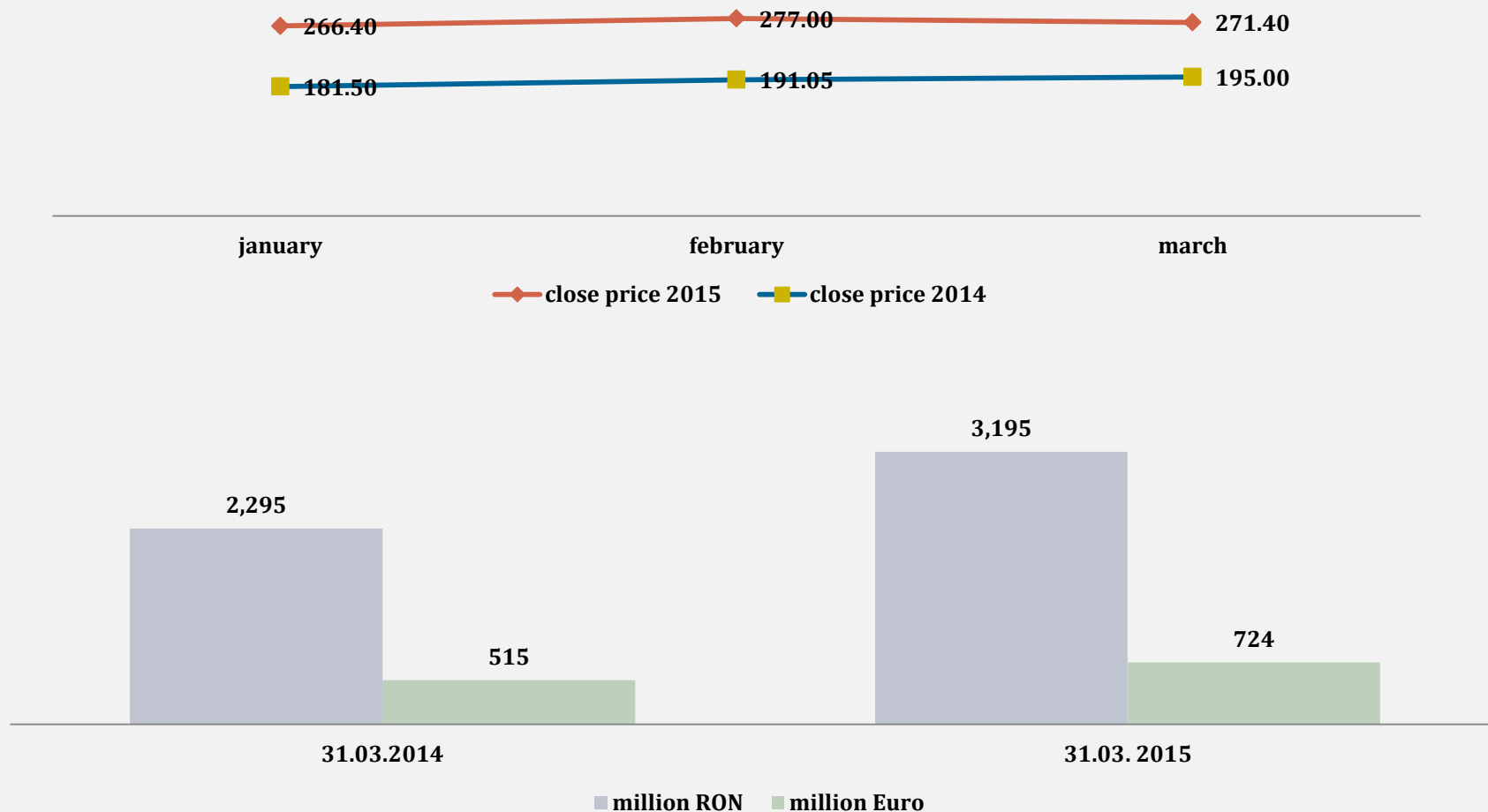


1Q2015, gross profit lower by 12% (32,216 thousand RON) compared to 1Q2014, and net profit lower by 12% (27,301 thousand RON).

7. Other information

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TGN Evolution & Market capitalization



Others information (2)

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The statement of investment expenses:

	Thousand RON
	Achievements
▪ Investments, out of which:	19,741
- NTS connection facilities	1,661
▪ Investment loan reimbursement	6,000
TOTAL AMOUNT	25,741

Funding sources:

	Thousand RON
	Achievements
▪ Net profit appropriated for equity funding	98,122
▪ Depreciation	36,901
▪ NTS connection fee	407
▪ Previous year surplus	426,064
TOTAL AMOUNT	561,494

The total capital expenses incurred as at 31 March 2015 representing 75% of the budget for Q1 2015 (RON 26,176 thousand).

*The capital expenses incurred as at 31 March 2015 amounted to **Lei 19,741 thousand**, out of which Lei 1,661 thousand representing NTS connection facilities achieved according to the NTS access regulation as approved by GD 1043/2004. In Q1 2015, investment loan instalments amounting to Lei 6,000 thousand were reimbursed.*

Investments amounting to **RON 26,345 thousand** were commissioned during the reference period.

Other information (3)

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State budget dues

In Q 1 2015, the amount of RON **177,403 thousand** was paid up to the state budget, out of which:

- VAT: RON 73,673 thousand;
- Income tax: RON 38,542 thousand;
- Oil royalty: RON 43,210 thousand;
- Salary tax: RON 8,942 thousand;
- Natural monopoly tax: RON 13,004 thousand.

The amount of RON 25,518 thousand was also paid up to local budgets, special funds and social insurance budgets.

Bank loans

Medium and long-term non-sovereign guaranteed loans

The statement of TRANSGAZ' medium and long term loans as at 31 March 2015 is as follows:

Financing bank	Loan currency	Loan value (RON thousand)	Balance as at 31.03.2015 (RON thousand)
BRD GSG	RON	120,000	18,000



Thank you for your kind attention!