



## THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR

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INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD  
ENDED JUNE 30, 2015 (UNAUDITED)

PREPARED IN ACCORDANCE WITH IFRS -UE

# Summary

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1. Interim Income statement as of 30.06.2015

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2. Interim Balance sheet as of 30.06.2015

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3. Main revenue drivers

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4. Main costs drivers

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5. Main business drivers

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6. Main indicators

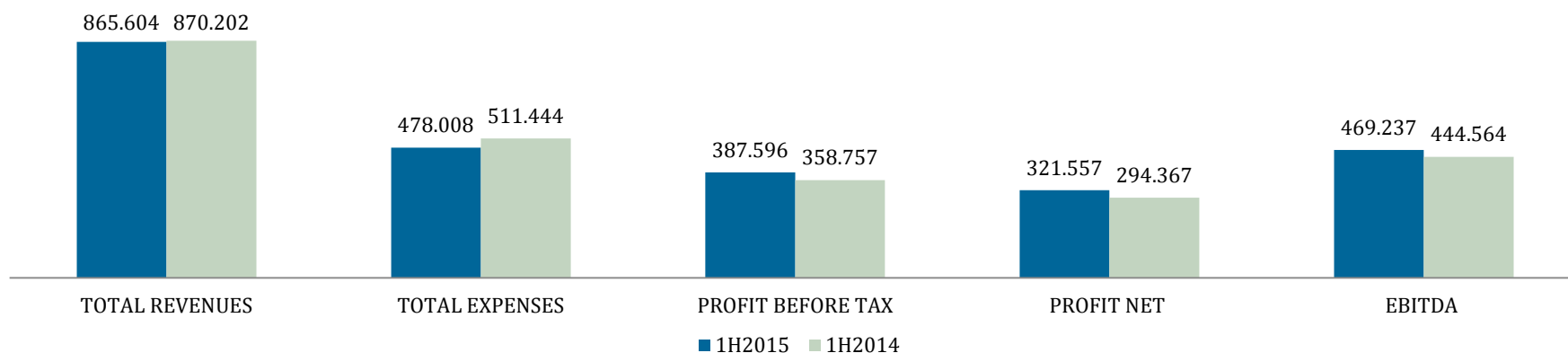
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# 1. Interim Income statement as of 30.06.2015 (1)

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## MAIN INDICATORS

THOUSAND RON	1H2015	1H2014	Changes 1H2015/1H2014	
			Absolute	Relative
OPERATING REVENUES	848,132	861,012	-12,880	-1%
FINANCIAL REVENUES	17,472	9,190	8,282	90%
<b>TOTAL REVENUES</b>	<b>865,604</b>	<b>870,202</b>	<b>-4,598</b>	<b>-1%</b>
OPERATING EXPENSES	474,534	508,300	-33,766	-7%
FINANCIAL EXPENSES	3,474	3,144	330	10%
<b>TOTAL EXPENSES</b>	<b>478,008</b>	<b>511,444</b>	<b>-33,436</b>	<b>-7%</b>
<b>PROFIT BEFORE TAX</b>	<b>387,596</b>	<b>358,757</b>	<b>28,839</b>	<b>8%</b>
INCOME TAX EXPENSES	68,514	66,663	1,851	3%
DEFERRED TAX INCOME	2,474	2,273	201	9%
<b>PROFIT NET</b>	<b>321,557</b>	<b>294,367</b>	<b>27,190</b>	<b>9%</b>
<b>EBITDA</b>	<b>469,237</b>	<b>444,564</b>	<b>24,673</b>	<b>6%</b>
TURNOVER	820,382	849,129	-28,747	-3%



1% LOWER TOTAL REVENUES

7% LOWER TOTAL EXPENSES

9% HIGHER NET PROFIT

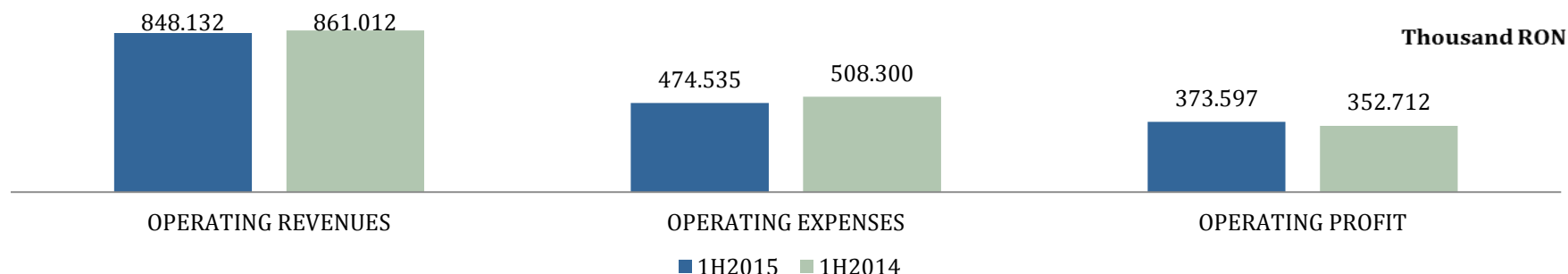
6% HIGHER EBITDA

# 1. Interim Income statement as of 30.06.2015(2)

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## OPERATING ACTIVITY

Thousand RON	1H2015	1H2014	Changes 1H2015/1H2014	
			Absolute	Relative
Revenues from domestic gas transmission activity	660,193	714,322	-54,129	-8%
Revenues from international gas transmission activity	158,799	133,302	25,497	19%
Other revenues	29,140	13,388	15,752	118%
<b>OPERATING REVENUES</b>	<b>848,132</b>	<b>861,012</b>	<b>-12,880</b>	<b>-1%</b>
Wages, salaries and other employee-related expenses	-173,310	-174,981	-1,671	-1%
Technological consumption, materials and consumables used, out of which:				
* <i>technological consumption and losses on NTS</i>	-34,143	-48,775	-14,632	-30%
* <i>Works &amp; services performed by third parties</i>	-21,671	-37,446	-15,775	-42%
Royalty expenses	-81,899	-84,762	-2,863	-3%
Maintenance and transportation, mainly out of which:				
* <i>Works &amp; services performed by third parties</i>	-17,408	-21,874	-4,466	-20%
Taxes and other amounts payable to the State	-33,297	-39,166	-5,869	-15%
Expenses with provision for risks and expenses	-8,416	-10,387	-1,971	-19%
Other operating expenses	-47,255	-57,277	-10,022	-17%
Depreciation	-95,639	-91,852	3,787	4%
<b>OPERATING EXPENSES</b>	<b>-474,535</b>	<b>-508,300</b>	<b>-33,765</b>	<b>-7%</b>
<b>OPERATING PROFIT</b>	<b>373,597</b>	<b>352,712</b>	<b>-46,645</b>	<b>6%</b>



1 % LOWER OPERATING REVENUES

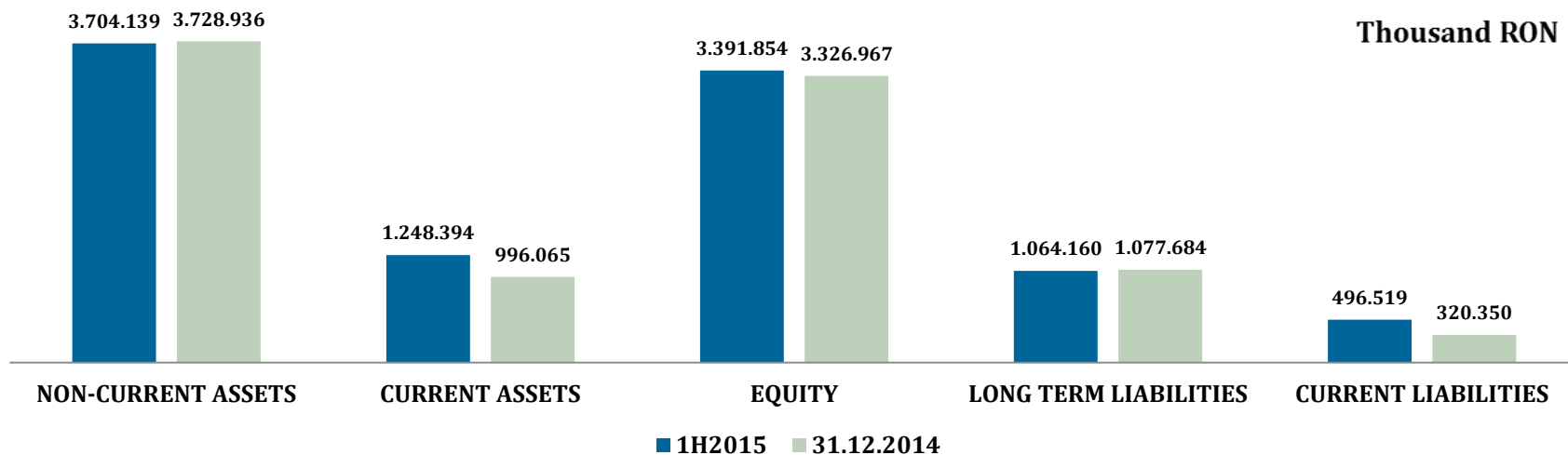
7% LOWER OPERATING EXPENSES

6 % HIGHER OPERATING PROFIT

## 2. Interim Balance Sheet as of 30.06.2015

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Thousand RON	1H2015	31.12.2014	Changes	
			Absolute	Relative
NON-CURRENT ASSETS	3,704,139	3,728,936	-24,797	-1%
CURRENT ASSETS	1,248,394	996,065	252,329	25%
<b>TOTAL ASSETS</b>	<b>4,952,533</b>	<b>4,725,001</b>	<b>227,532</b>	<b>5%</b>
EQUITY	3,391,854	3,326,967	64,887	2%
LONG TERM LIABILITIES	1,064,160	1,077,684	-13,524	-1%
CURRENT LIABILITIES	496,519	320,350	176,169	55%
<b>TOTAL LIABILITIES</b>	<b>1,560,679</b>	<b>1,398,034</b>	<b>162,645</b>	<b>12%</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>4,952,533</b>	<b>4,725,001</b>	<b>227,532</b>	<b>5%</b>



TOTAL ASSETS & TOTAL EQUITY AND LIABILITIES UP 5%

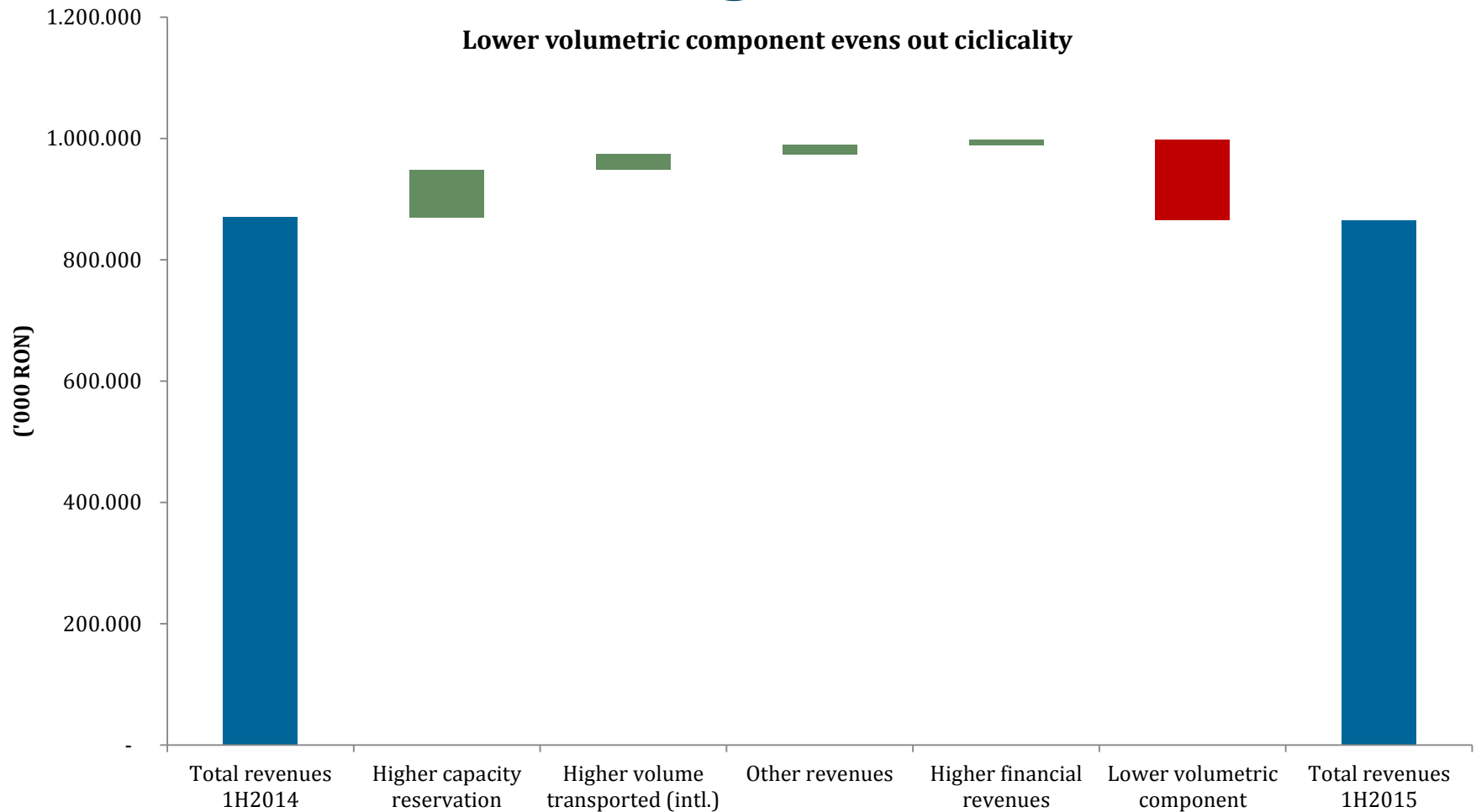
CURRENT ASSETS UP 25 %

CURRENT LIABILITIES UP 55 %

### 3. Main revenue drivers (1)

#### REVENUES

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Higher capacity reservation & higher transported volumes from international transmission activity

### 3. Main revenue drivers (2)

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**TOTAL REVENUES - 1% slightly lower in 1H2015 compared to 1H2014, by a total of RON 4,597 thousand**

#### THE TOTAL REVENUES WERE INFLUENCED BY THE FOLLOWING FACTORS:

##### FACTORS WITH POSITIVE EFFECT RON 127,699 THOUSAND

The revenues obtained from capacity booking increased by **78,167 thousand RON** due to;

- the increase of the fixed component share in the total revenues from 35% to 50%;
- increased of the booked capacity with 97.531.645 MWh because of the introduction starting with 1 August 2014 of capacity booking on entry-exit points;

*The revenues from the international natural gas transmission* higher with **25,497 thousand RON** due to the variations of the exchange rates of the contract currencies;

*Other operation revenues* higher with **15,752 thousand RON** due to the registration of the amounts afferent to the reversion of the income acknowledged in advance by TRANSGAZ as a result of the right to cash the remaining amount of the investments made in NST upon the completion of the Lease Agreement;

*The financial income with a positive influence of* **8,283 thousand RON** due to the revenues from interests registered as effect of the update by discounting the debts for the regulated amount left undepreciated of the basis of regulated assets upon the completion of the Lease Agreement.

##### FACTORS WITH NEGATIVE EFFECT RON 132,296 THOUSAND

The revenues obtained from the volumetric component lower with **132,296 thousand RON** because of:

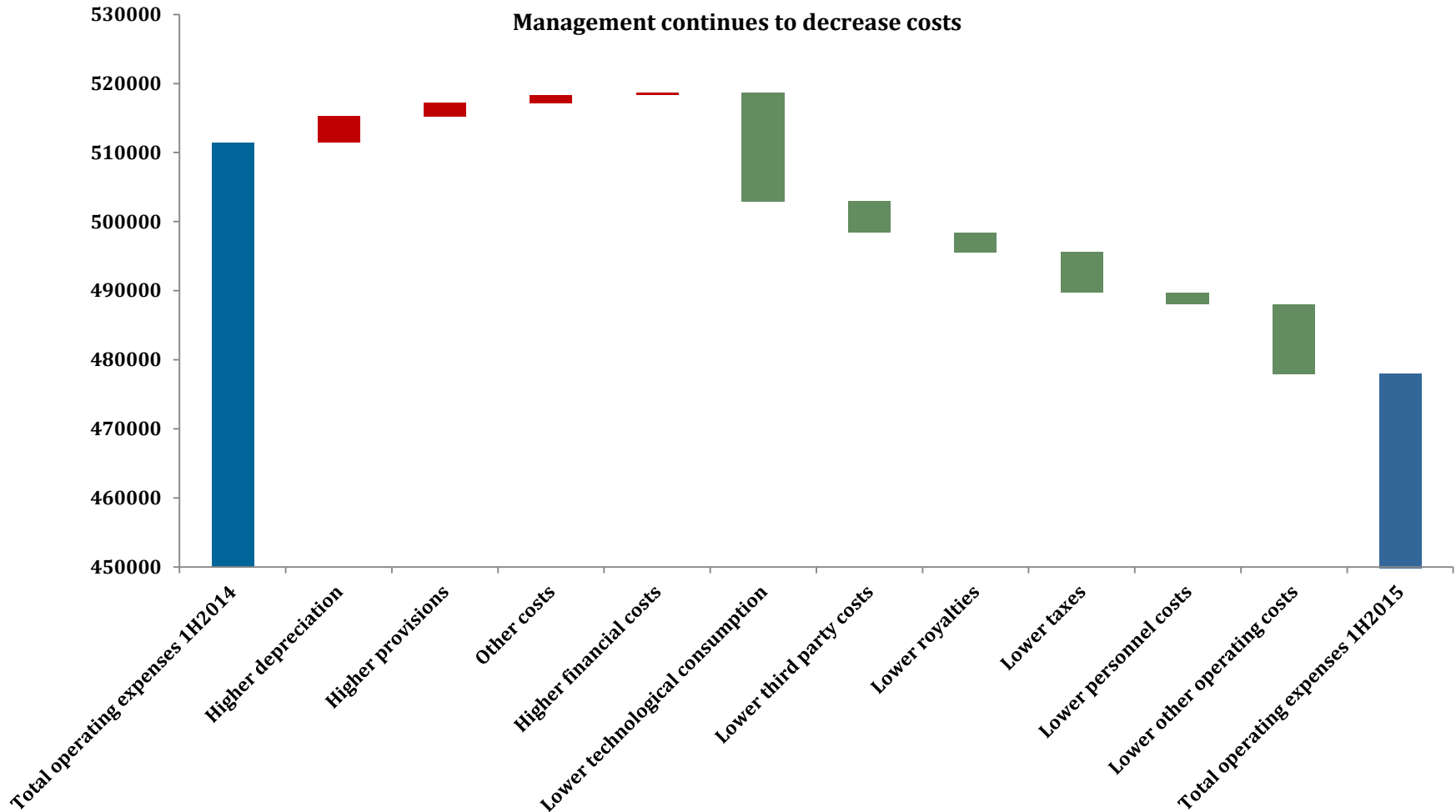
- *the decrease of the variable component share in the total revenues from 65% to 50%;*
- *increase of the invoiced gas quantity with 3,702,801 MWh (340,743 thousand cubic meters),*

**OPERATING REVENUES - decreased by 1% compared to 1H2014, by a total of 12,880 thousand RON**

# 4. Main costs drivers (1)

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Management continues to decrease costs



LOWER TOTAL EXPENSES ON SAVINGS & DECREASING TECHNOLOGICAL CONSUMPTION AND OTHER OPERATING COSTS



## 4. Main costs drivers (2)

**TOTAL EXPENSES DECREASED 7% COMPARED TO 1H2014, BY RON 33,436 THOUSAND**

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*Savings of RON 40,668 thousand were registered, mainly, due to the following cost items:*

- Consumption and technological losses of natural gas on the gas transmission system of **RON 15,774 thousand**, due to two factors:
  - *natural gas amount for technological consumption lower by 220,908 MWh/20,318 thousand cm (148%), compared to 1H2014, with a positive effect of RON 18,029 thousand;*
  - *the average acquisition price for 1H2015 higher by RON 9,47 /MWh, compared to 1H2014, with a negative effect of RON 2,254 thousand;*
- royalty for NST concession: 2,863 thousand RON;
- expenses with other taxes and duties: 5,870 thousand RON;
- other operating expenses: 10,024 thousand RON;
- personnel expenses: 1,671 thousand RON;
- maintenance and transmission: 4,466 thousand RON;

*Expenses increases of RON 6,903 thousand were accounted mainly in relation to the following cost elements:*

**Excess of 6.903 thousand RON was registered**, being caused by the increase of the depreciation cost ((▲ 3.787 thousand RON), of the provision costs for risks and expenses (▲ 1.973 thousand RON) and of the costs of materials and auxiliary materials (▲ 1.142 thousand RON).

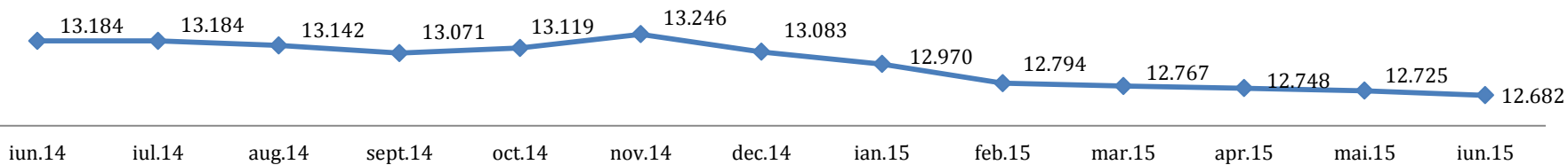
**The financial expenses** registered an increase by **330 thousand RON** on account of the exchange rate difference costs.

**The operating expenses are lower with 7% compared to 1H 2014, respectively with 33,766 thousand RON**

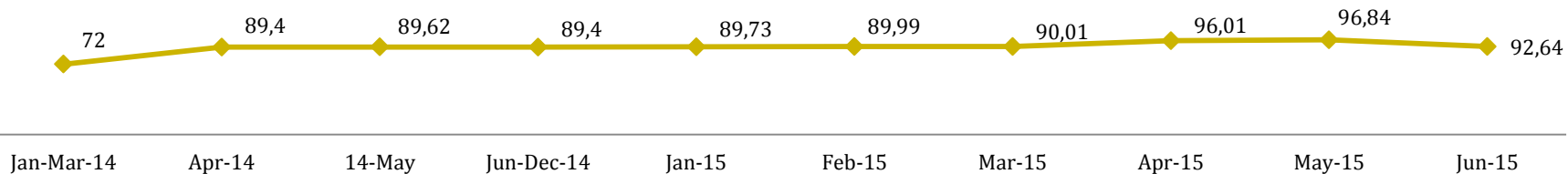
# 5. Main business drivers

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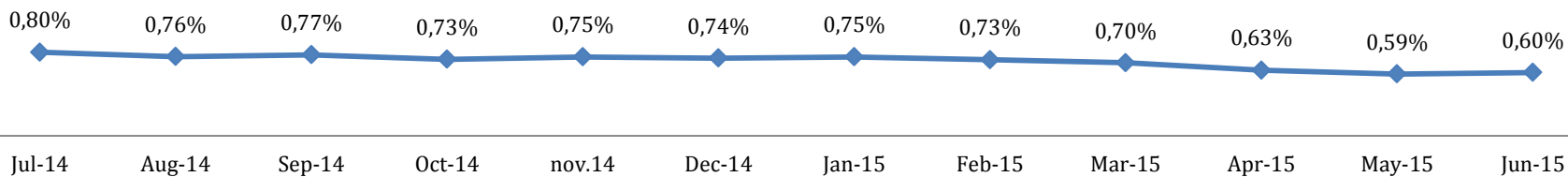
**Natural gas volumes transported - bcm (rolling 12 months)**



**Natural gas acquisition price for technological consumption - RON/MWh**



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



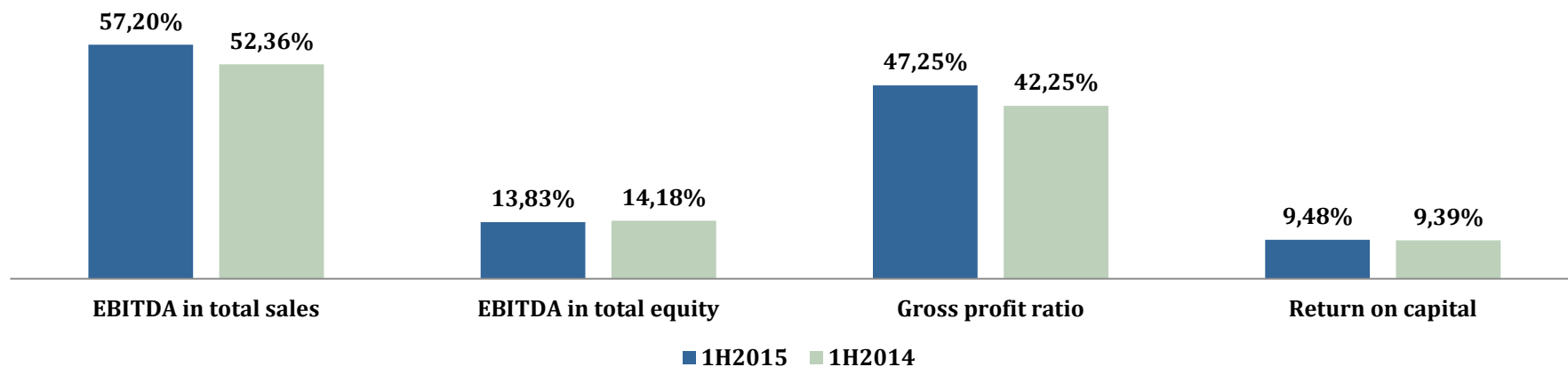
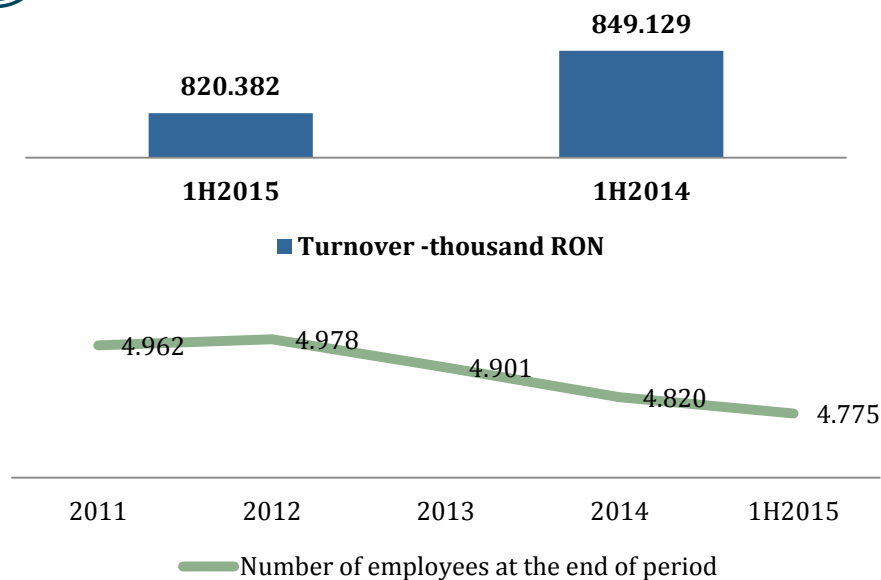
**SAVINGS DUE TO MORE EFFICIENT MANAGEMENT OF OPERATIONAL ACTIVITY**

## 6. Main indicators (1)

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1H2015 compared to 1H2014

	1H2015	1H2014
EBITDA in total sales	57.20%	52.36%
EBITDA in total equity	13.83%	14.18%
Gross profit ratio	47.25%	42.25%
Return on capital	9.48%	9.39%
Current liquidity ratio	2.51	2.00
Quick liquidity ratio	2.43	1.93
Gearing	0.00%	0.38%
Interest coverage ratio	1,675.24	486.83
Turnover speed for clients debit -days	89.83	76.41
Turnover speed for credit providers -days	12.32	15.27

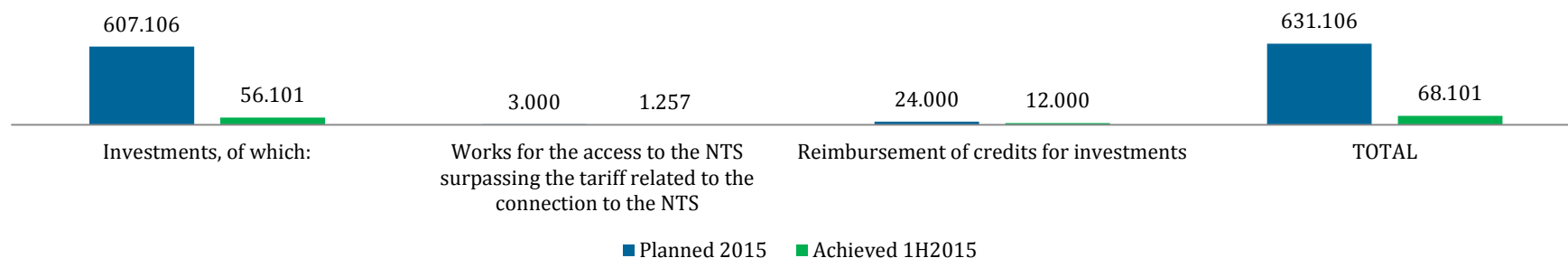


## 6. Main indicators (2)

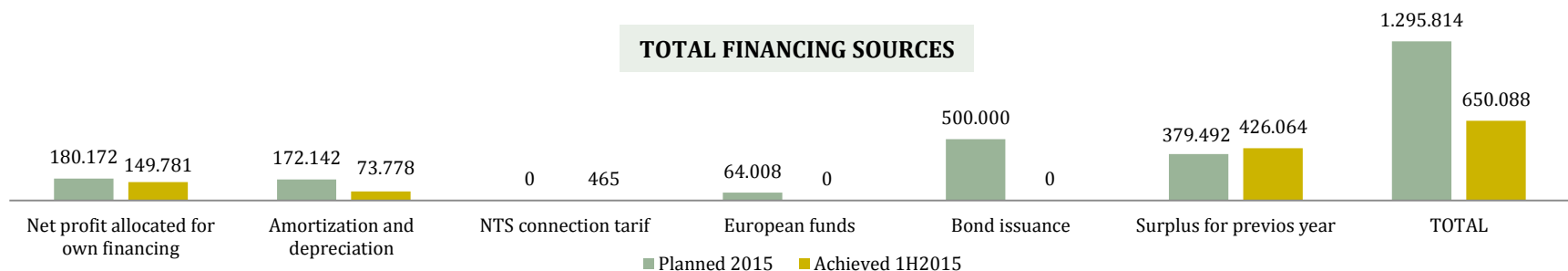
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### INVESTMENT COSTS



### TOTAL FINANCING SOURCES



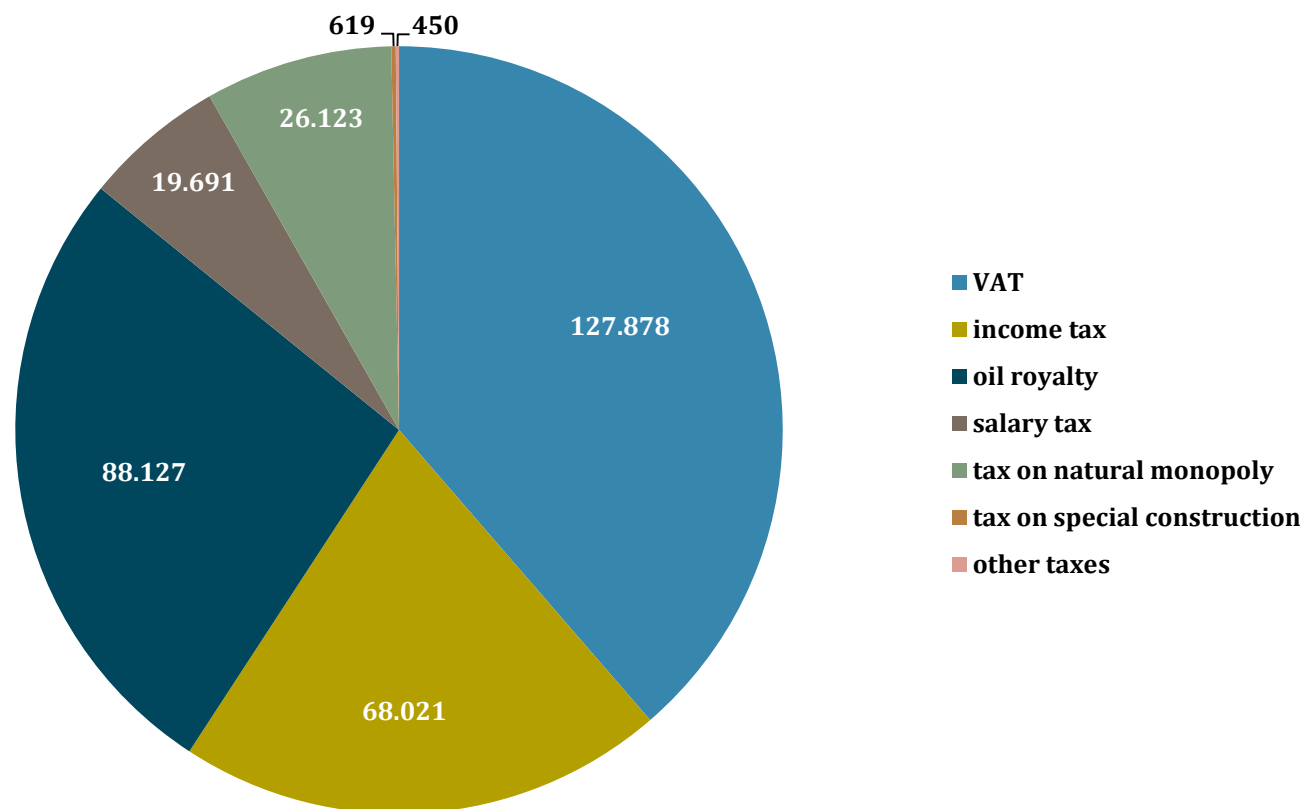
During the period analyzed investment amounting to RON 54,762 thousand were commissioned.

## 6. Main indicators (3)

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### DEBTS TO THE STATE BUDGET

In 1H2015 the amount of RON 330,909 thousand were paid to the state budget, out of which:

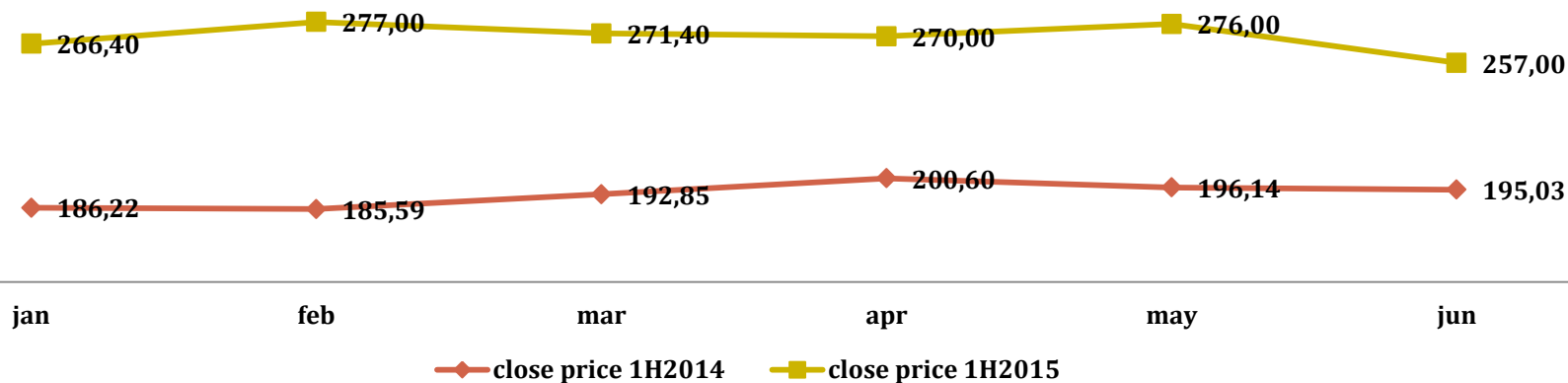
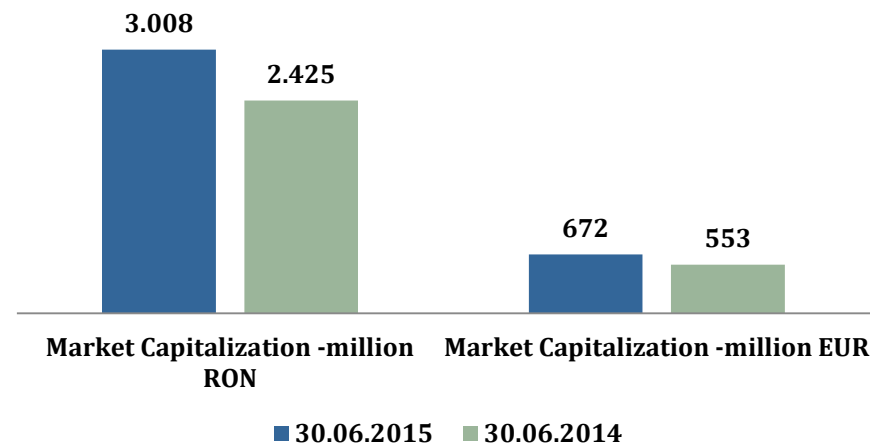
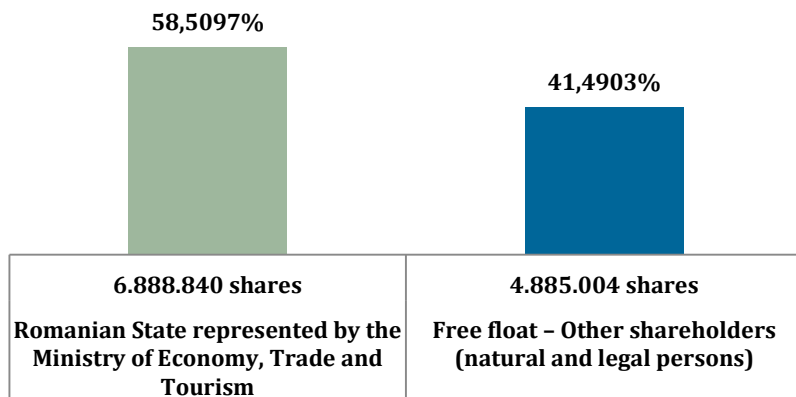


The amount of **RON 58,653 thousand** was paid at the local budgets, special funds budgets and social security

# Stock Exchange TGN Evolution

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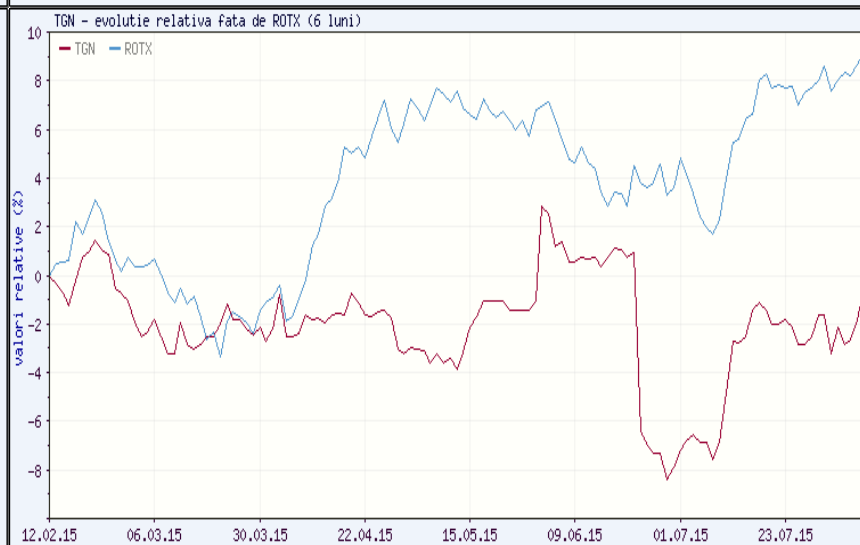
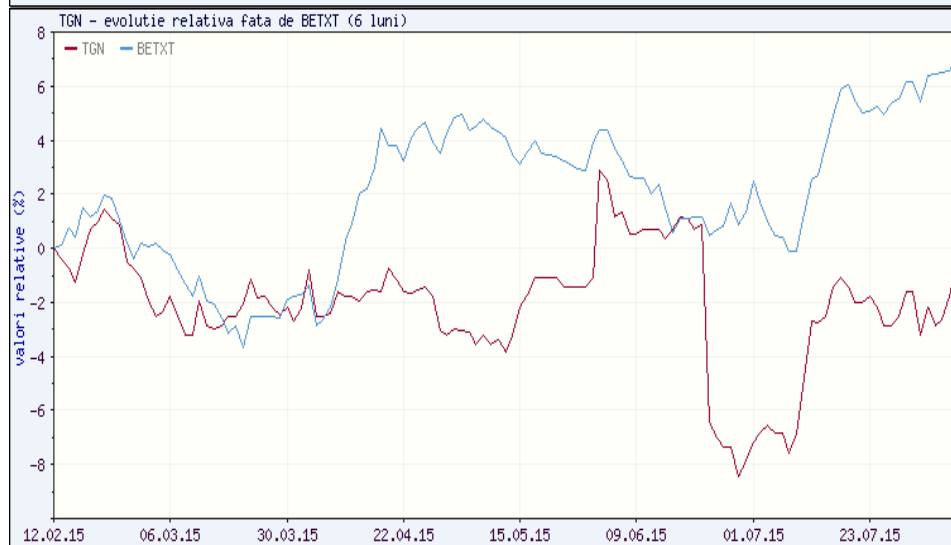
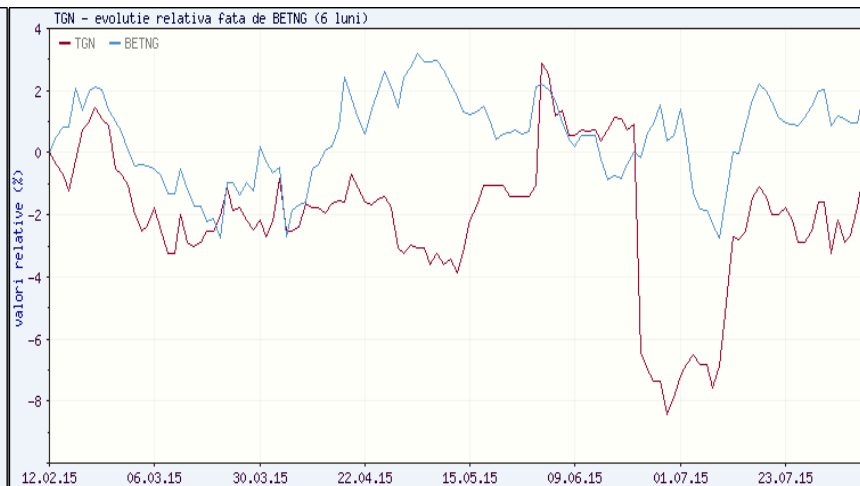
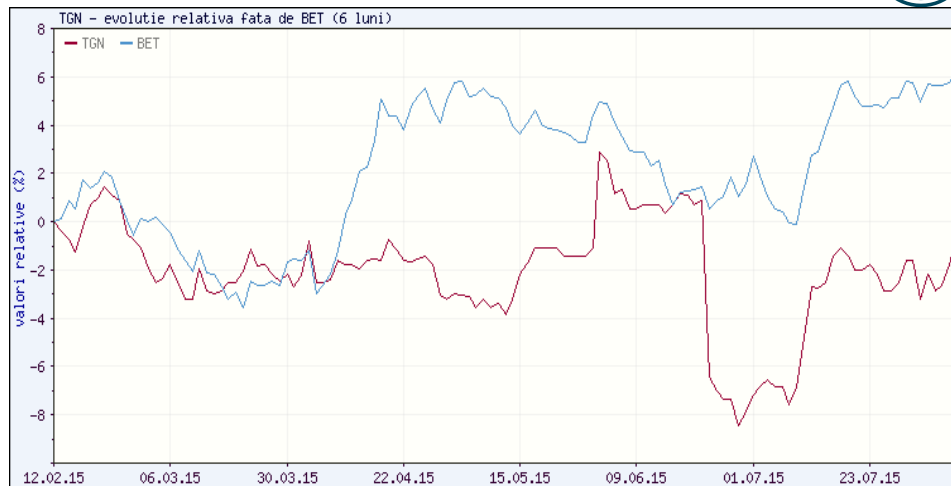
## Shareholders structure



# Stock Exchange TGN Evolution (2)

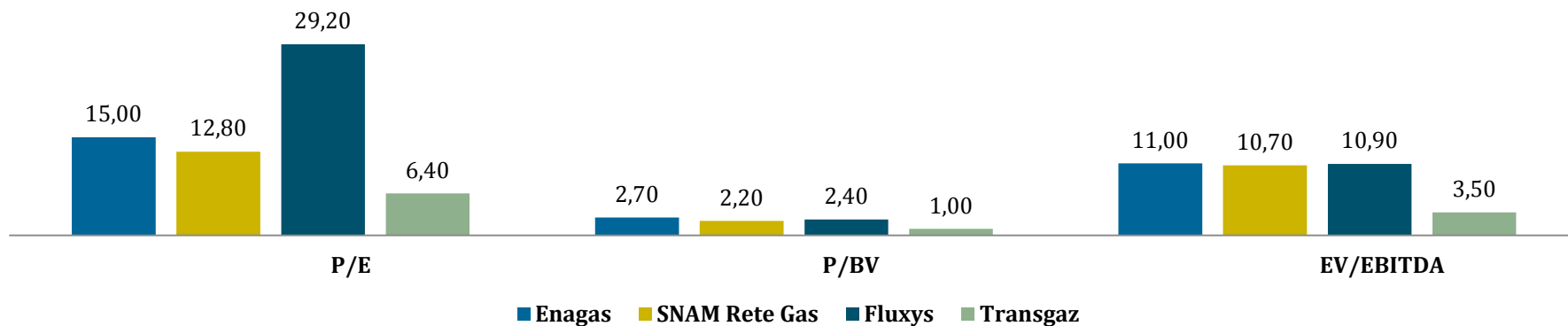
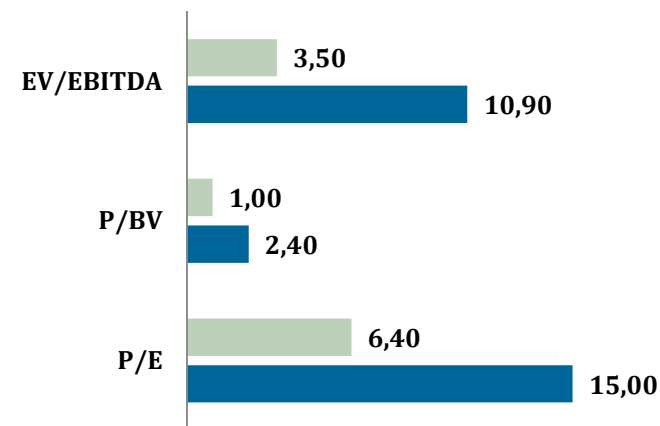
## TGN vs BET, BETXT, BETNG, ROTX during 1H2015

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# TRANSGAZ COMPARED TO PEERS

Company	Country	P/E	P/BV	EV/EBITDA
Enagas	Spain	15.00	2.70	11.00
SNAM Rete Gas	Italy	12.80	2.20	10.70
Fluxys	Belgium	29.20	2.40	10.90
<b>Media</b>		<b>15.00</b>	<b>2.40</b>	<b>10.90</b>
Transgaz	Romania	6.40	1.00	3.50
<b>Premium /Discount</b>		<b>-57%</b>	<b>-58%</b>	<b>-68%</b>







**Thank you for your kind attention!**

