



## **THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR**

1

### **INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2015 (UNAUDITED)**

**PREPARED IN ACCORDANCE WITH IFRS -UE**

# Summary

2

---

1. Interim Income statement as of 30.09.2015

---

2. Interim Balance sheet as of 30.09.2015

---

3. Main revenue drivers

---

4. Main costs drivers

---

5. Main business drivers

---

6. Main indicators

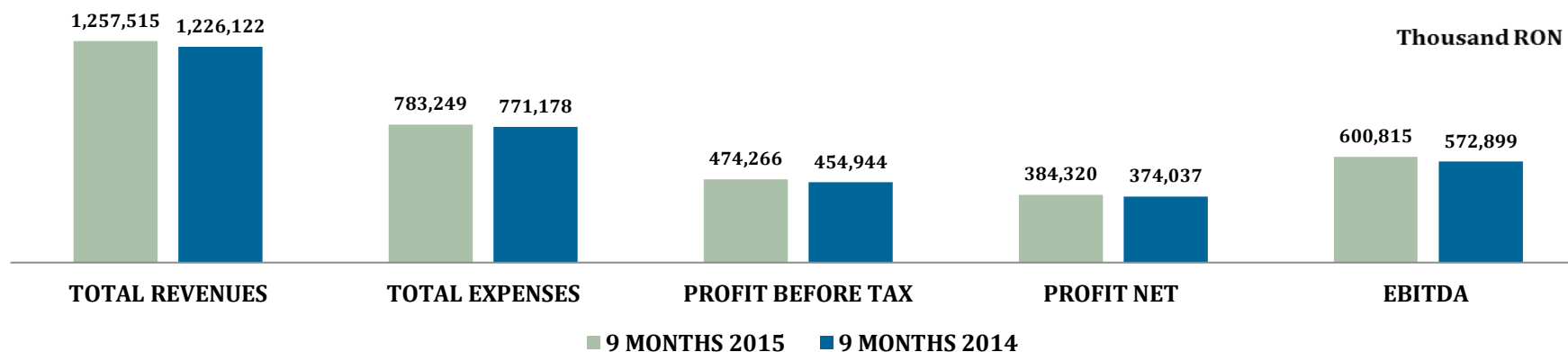
---

# 1. Interim Income statement as of 30.09.2015 (1)

3

## MAIN INDICATORS

THOUSAND RON	9 MONTHS 2015	9 MONTHS 2014	Changes 9M2015/9M2014	
			Absolute	Relative
OPERATING REVENUES	1,233,069	1,202,238	30,831	3%
FINANCIAL REVENUES	24,446	23,884	562	2%
<b>TOTAL REVENUES</b>	<b>1,257,515</b>	<b>1,226,122</b>	<b>31,393</b>	<b>3%</b>
OPERATING EXPENSES	775,914	767,416	8,498	1%
FINANCIAL EXPENSES	7,335	3,762	3,573	95%
<b>TOTAL EXPENSES</b>	<b>783,249</b>	<b>771,178</b>	<b>12,071</b>	<b>2%</b>
<b>PROFIT BEFORE TAX</b>	<b>474,266</b>	<b>454,944</b>	<b>19,322</b>	<b>4%</b>
INCOME TAX EXPENSES	89,946	80,907	9,039	11%
<b>PROFIT NET</b>	<b>384,320</b>	<b>374,037</b>	<b>10,283</b>	<b>3%</b>
<b>EBITDA</b>	<b>600,815</b>	<b>572,899</b>	<b>27,916</b>	<b>5%</b>
TURNOVER	1,189,983	1,185,030	4,953	0%



3% HIGHER TOTAL REVENUES

2% HIGHER TOTAL EXPENSES

3% HIGHER NET PROFIT

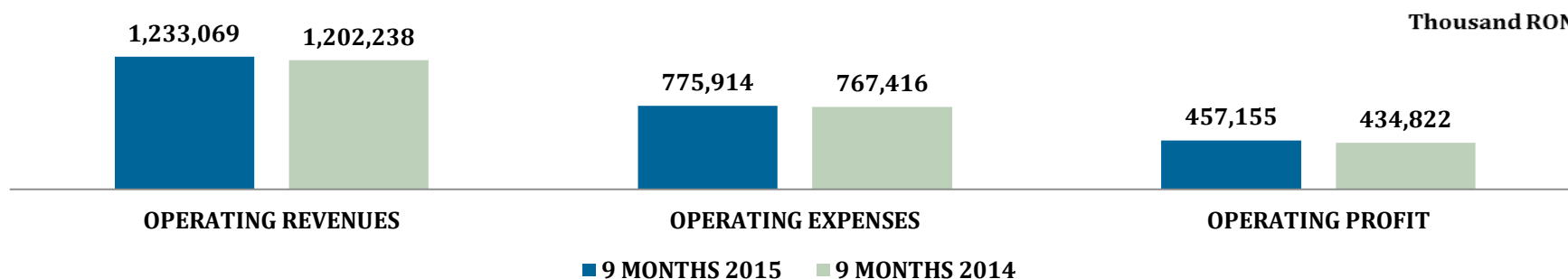
5% HIGHER EBITDA

# 1. Interim Income statement as of 30.09.2015(2)

4

## OPERATING ACTIVITY

Thousand RON	9 MONTHS 2015	9 MONTHS 2014	Changes 9M2015/9M2014	
			Absolute	Relative
Revenues from domestic gas transmission activity	950,326	980,739	-30,413	-3%
Revenues from international gas transmission activity	237,404	201,770	35,634	18%
Other revenues	45,339	19,729	25,610	130%
<b>OPERATING REVENUES</b>	<b>1,233,069</b>	<b>1,202,238</b>	<b>30,831</b>	<b>3%</b>
Wages, salaries and other employee-related expenses	265,428	268,131	-2,703	-1%
Technological consumption, materials and consumables used, out of which:	66,894	81,157	-14,263	-18%
<i>* technological consumption and losses on NTS</i>	<b>49,895</b>	<b>64,419</b>	<b>-14,524</b>	<b>-23%</b>
Royalty expenses	118,773	118,251	522	0%
Maintenance and transportation, mainly out of which:	23,567	36,147	-12,580	-35%
<i>* Works &amp; services performed by third parties</i>	<b>14,333</b>	<b>28,976</b>	<b>-14,643</b>	<b>-51%</b>
Taxes and other amounts payable to the State	54,568	58,956	-4,388	-7%
Expenses with provision for risks and expenses	5,727	7,275	-1,548	-21%
Other operating expenses	108,750	73,973	34,777	47%
Depreciation	143,661	138,076	5,585	4%
<b>OPERATING EXPENSES</b>	<b>775,914</b>	<b>767,416</b>	<b>8,498</b>	<b>1%</b>
<b>OPERATING PROFIT</b>	<b>457,155</b>	<b>434,822</b>	<b>22,333</b>	<b>5%</b>



3 % HIGHER OPERATING REVENUES

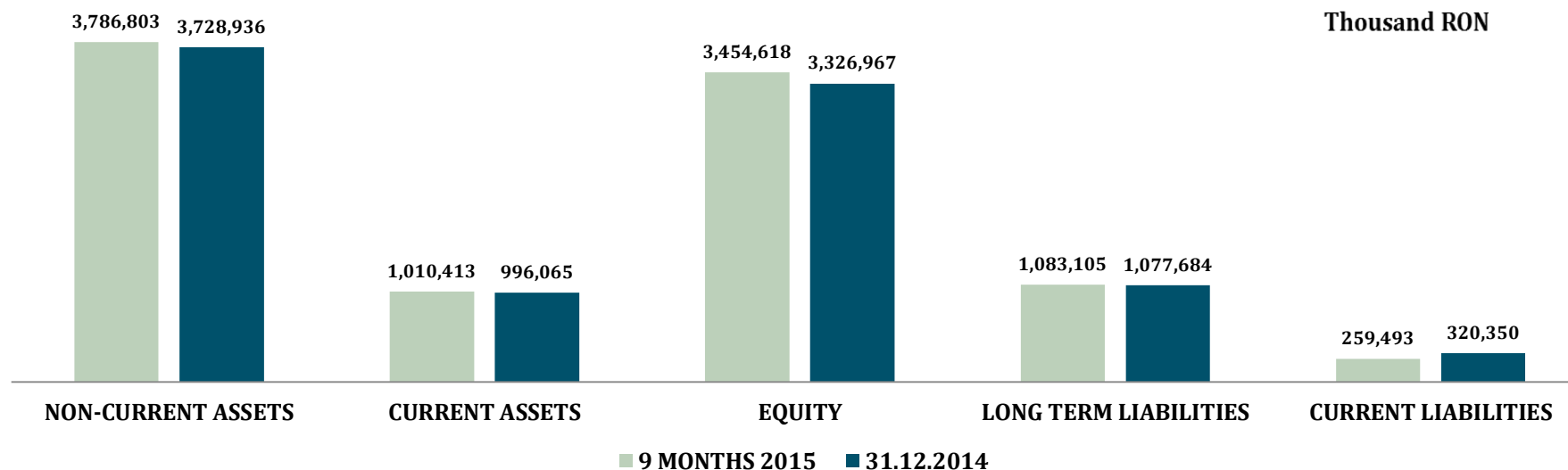
1% HIGHER OPERATING EXPENSES

5% HIGHER OPERATING PROFIT

## 2. Interim Balance Sheet as of 30.09.2015

5

Thousand RON	9 MONTHS 2015	31.12.2014	Changes	
			Absolute	Relative
NON-CURRENT ASSETS	3,786,803	3,728,936	57,867	2%
CURRENT ASSETS	1,010,413	996,065	14,348	1%
<b>TOTAL ASSETS</b>	<b>4,797,216</b>	<b>4,725,001</b>	<b>72,215</b>	<b>2%</b>
<b>EQUITY</b>	<b>3,454,618</b>	<b>3,326,967</b>	<b>127,651</b>	<b>4%</b>
LONG TERM LIABILITIES	1,083,105	1,077,684	5,421	1%
CURRENT LIABILITIES	259,493	320,350	-60,857	-19%
<b>TOTAL LIABILITIES</b>	<b>1,342,598</b>	<b>1,398,034</b>	<b>-55,436</b>	<b>-4%</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>4,797,216</b>	<b>4,725,001</b>	<b>72,215</b>	<b>2%</b>



TOTAL ASSETS & TOTAL EQUITY AND LIABILITIES UP 2%

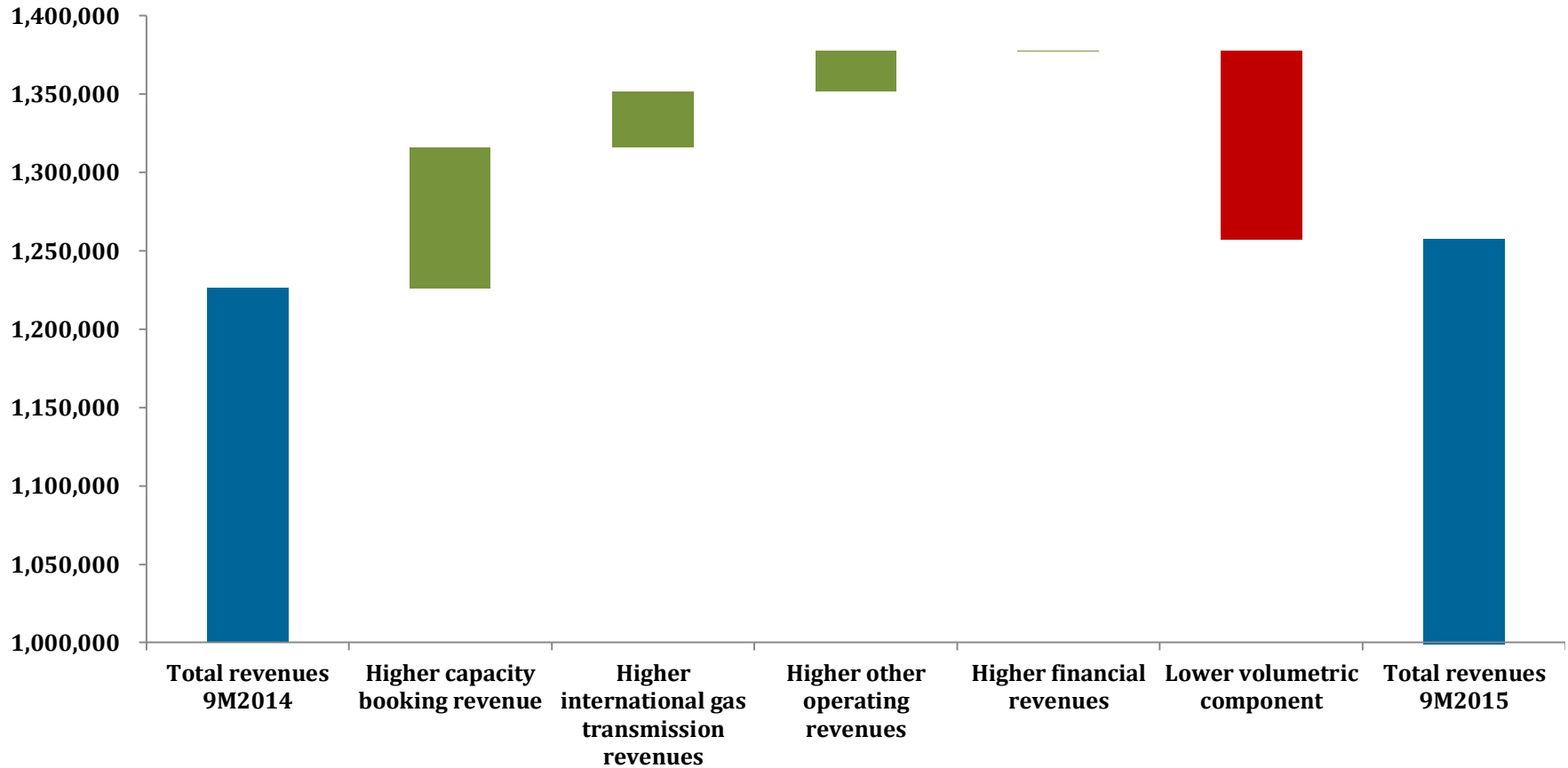
CURRENT ASSETS UP 1%

19% LOWER CURRENT LIABILITIES

### 3. Main revenue drivers (1)

#### REVENUES

6



Higher capacity booking & higher international gas transmission revenues

### 3. Main revenue drivers (2)

7

**TOTAL REVENUES HIGHER by 3% in 9 MONTHS 2015 compared to 9 MONTHS 2014, by a total of RON 31,393 thousand**

#### **FACTORS WITH POSITIVE EFFECT RON 151,681 THOUSAND**

Capacity booking revenue higher by **RON 89,875 thousand** due to:

- the increase of the fixed component share in the total revenues from 35% to 50%;
- the increasing of the capacity booked by 113.261.175 MWh due the introduction of entry/exit points capacity booking from 1 August 2014

*The revenues from the international natural gas transmission* higher by **RON 35,633 thousand** due to the changes in the foreign currency of the contracts;

*Other operation revenues* higher by **RON 25,610 thousand** mainly due to recording of the amounts related to the reversal of the deferred revenue acknowledged TRANSGAZ considering the right to receive the remaining value of the NTS investments at the end of the Concession Agreement.

*The financial income with a positive influence of* **RON 562 thousand**

#### **FACTORS WITH NEGATIVE EFFECT RON 120,288 THOUSAND**

The revenues obtained from the volumetric component lower by **RON 120,288 thousand** because of:

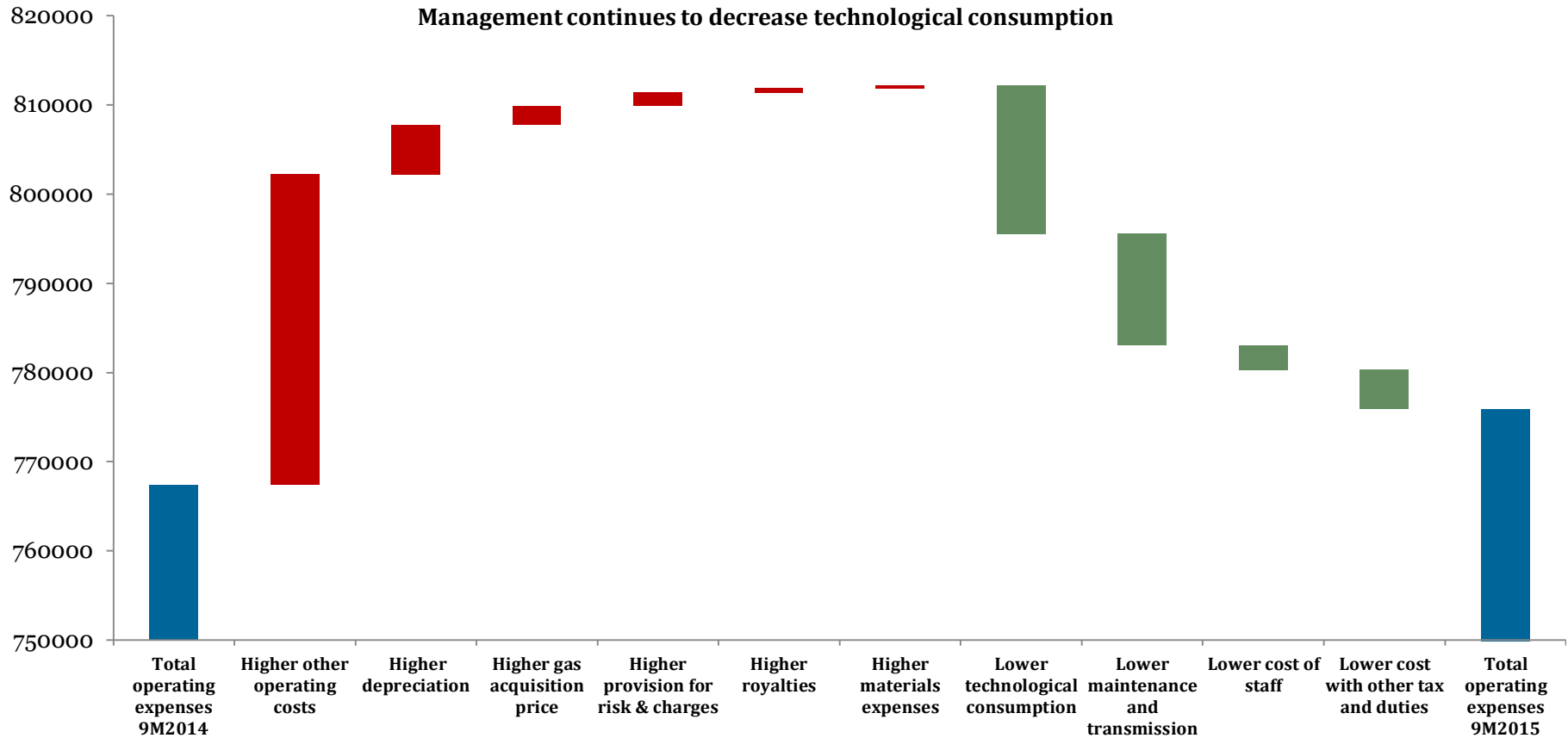
- *the decrease of the variable component share in the total revenues from 65% to 50%;*
- *the increase of the invoiced gas quantity with 7.847.730 MWh (725.294 thousand cubic meters),*

**OPERATING REVENUES HIGHER by 3% compared to 9 MONTHS 2014, by a total of RON 30,831 thousand**

# 4. Main costs drivers (1)

8

Management continues to decrease technological consumption



MINIMAL INCREASE IN OPERATING EXPENSES DUE TO CONTINUING DECREASE IN TECHNOLOGICAL CONSUMPTION



## 4. Main costs drivers (2)

TOTAL EXPENSES INCREASED BY 2% COMPARED TO 9M2014, BY RON 12,071 THOUSAND

9

*Savings of RON 33,933 thousand were registered, mainly, due to the following cost items:*

- transmission system technological gas consumption and loss, materials and consumables used decreased by **RON 14,263 thousand (out of which technological consumption ▼ RON 14,524 thousand)** due to the following factors:
  - ✓ amount of gas for technological consumption lower by 191.669 MWh/18.479 thousand m<sup>3</sup>(▼26%), as compared to the same period of the previous year, with a positive influence of RON 16.589 thousand;
  - ✓ average purchase price for 9 months of 2015 higher by RON 3,74/MWh compared to the same period of the previous year, with a negative influence of RON 2.064 thousand;
  - ✓ increase other materials expenses with a negative influence of RON 262 thousand
- costs with other tax and duties: **RON 4.388 thousand;**
- cost of staff: **RON 2.702 thousand;**
- maintenance and transmission: **RON 12.581 thousand**

*Expenses increases of RON 42,431 thousand were accounted mainly in relation to the following cost elements:*

**An expense surplus of RON 42,431 thousand**, generated from of:

- the increase in the depreciation expenses (▲ RON 5.585 thousand);
- the adjustment of the provisions for risks and charges (▲ RON 1.549 thousand);
- cost of royalty (▲ RON 522 thousand);
- other operating costs (▲ RON 34.777 thousand).

In 2015 and 2014 provisions for receivables from insolvent companies or from companies in significant financial difficulties were established. The increasing of the provision for the impairment of the trade receivables is mainly due to the additional provision with Interagro and Electocentrale Bucuresti.

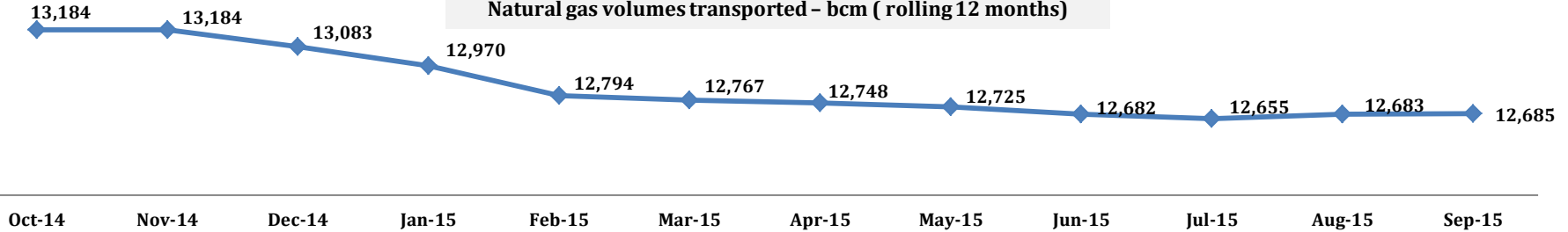
**The financial costs** increased by **RON 3,573 thousand** mainly based on the foreign exchange loss

THE OPERATING EXPENSES ARE HIGHER BY 1% COMPARED TO 9M 2014, RESPECTIVELY WITH RON 8,498 THOUSAND

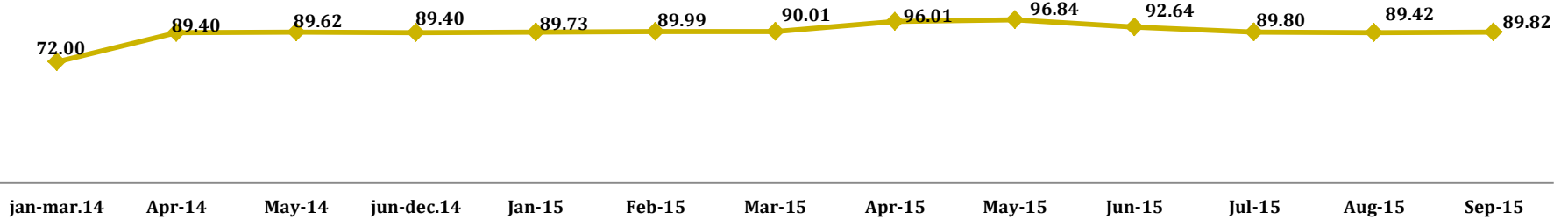
# 5. Main business drivers

10

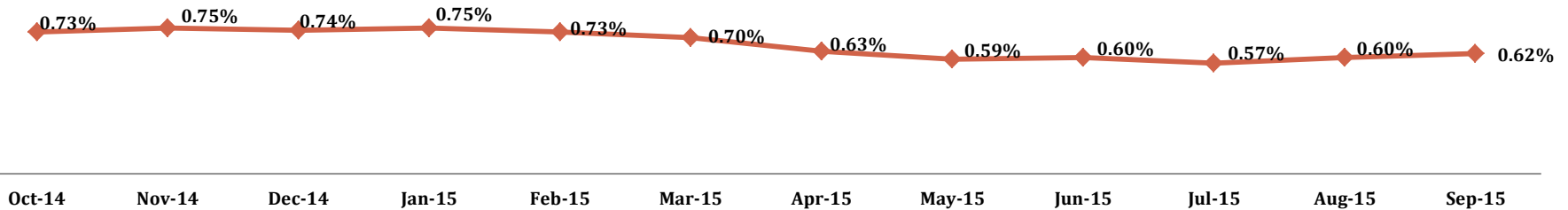
Natural gas volumes transported - bcm (rolling 12 months)



Natural gas acquisition price for technological consumption - RON/MWh



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



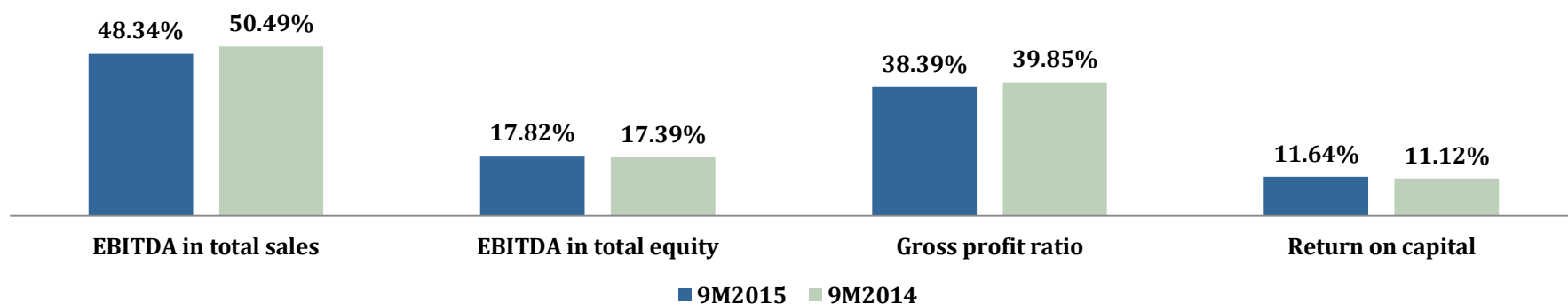
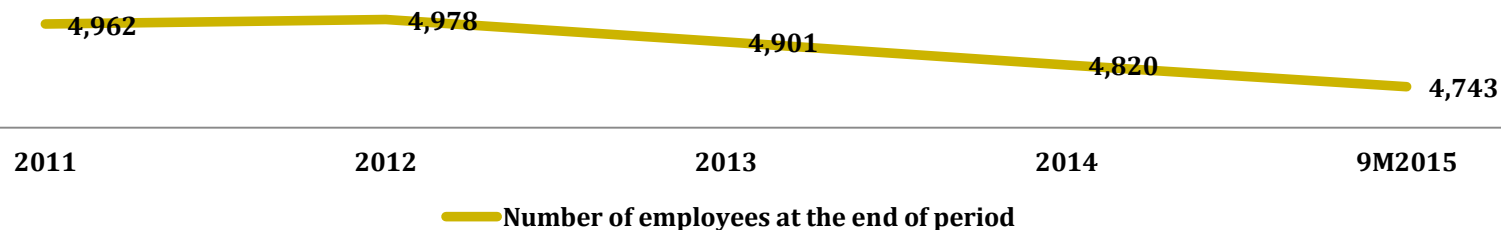
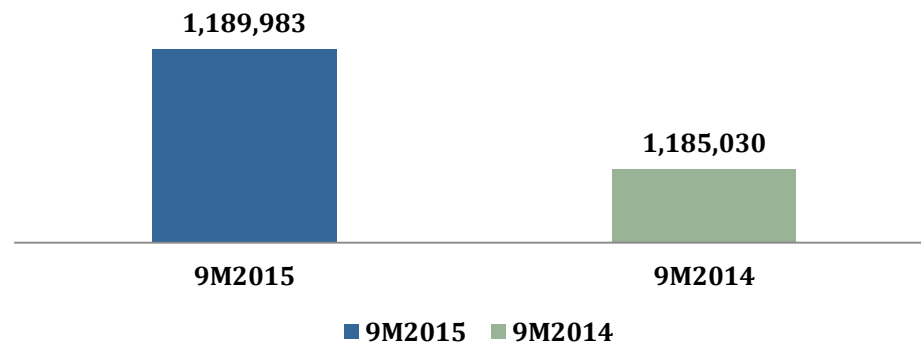
**SAVINGS DUE TO MORE EFFICIENT MANAGEMENT OF OPERATIONAL ACTIVITY**

## 6. Main indicators (1)

9M2015 compared to 9M2014

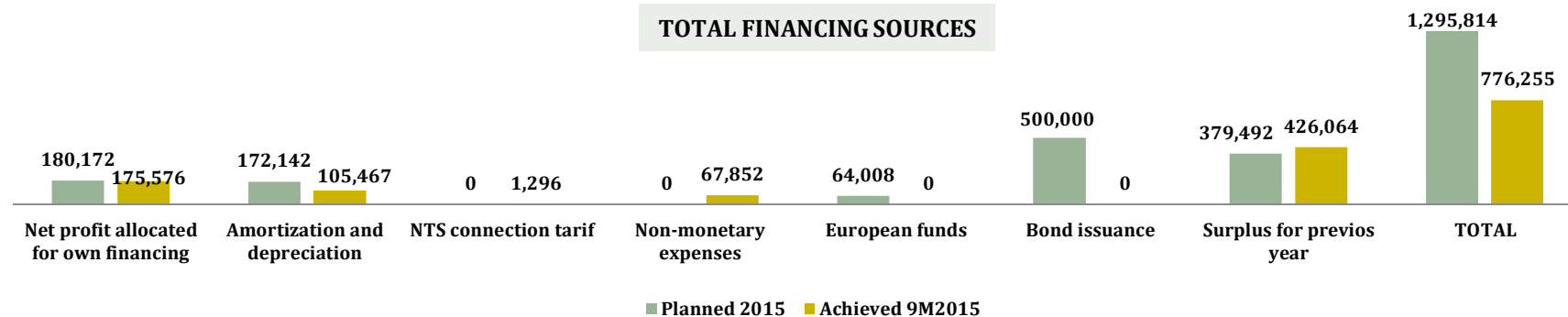
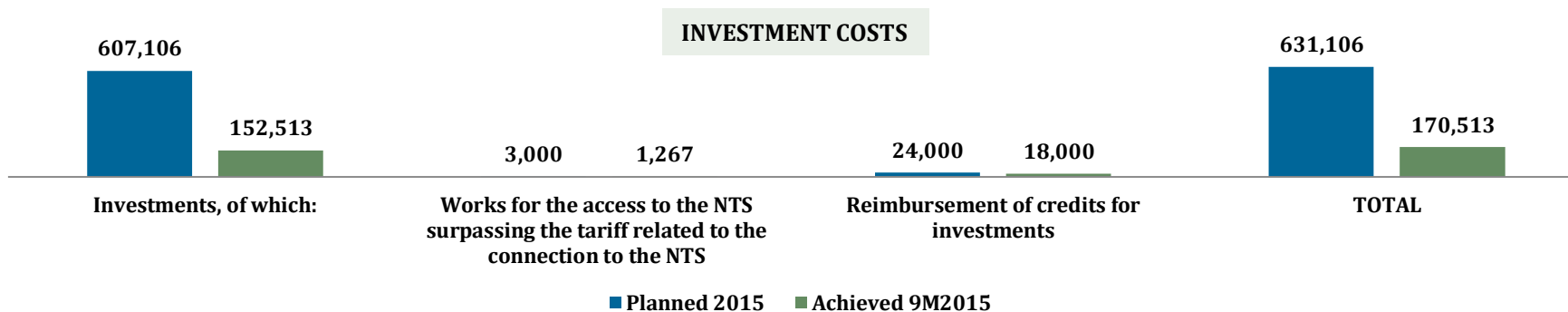
11

	1H2015	1H2014
EBITDA in total sales	48.34%	50.49%
EBITDA in total equity	17.82%	17.39%
Gross profit ratio	38.39%	39.85%
Return on capital	11.64%	11.12%
Current liquidity ratio	2.80	3.89
Quick liquidity ratio	2.70	3.73
Gearing	0.19%	0.00%
Interest coverage ratio	437.76	1,647.03
Turnover speed for clients debit -days	87.17	94.02
Turnover speed for credit providers -days	18.69	15.78



## 6. Main indicators (2)

12



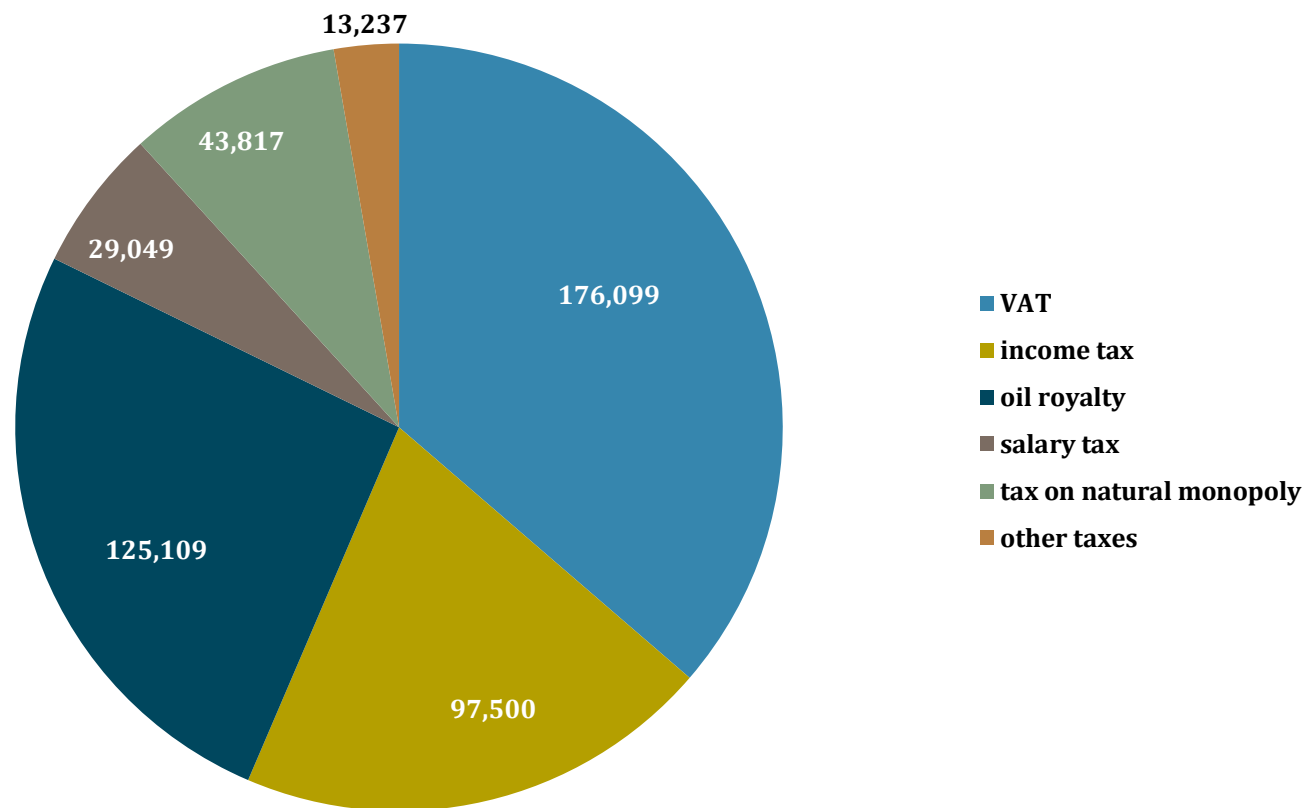
During the period analyzed investment amounting to RON 90,965 thousand were commissioned.

## 6. Main indicators (3)

13

### DEBTS TO THE STATE BUDGET

In 9M2015 the amount of RON 484,811 thousand were paid to the state budget, out of which:

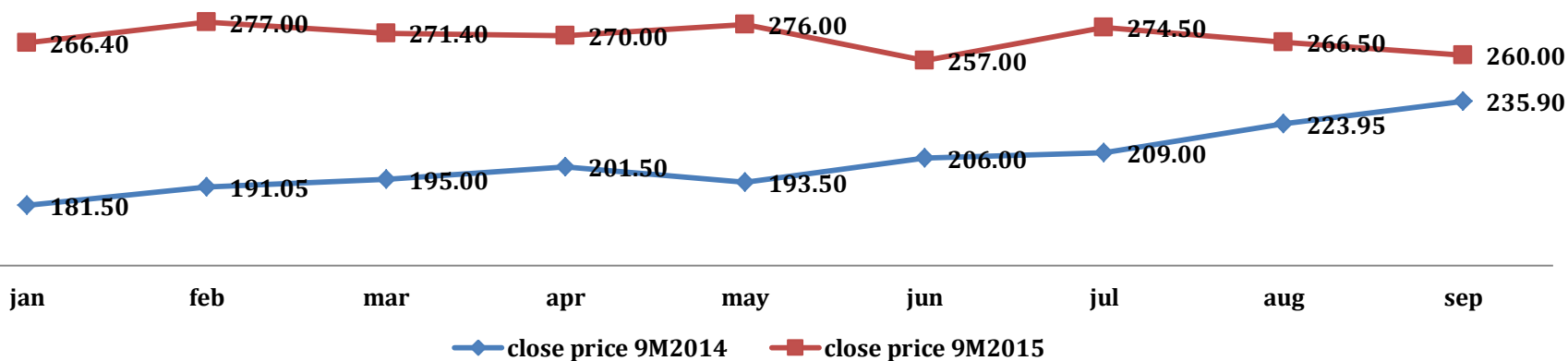
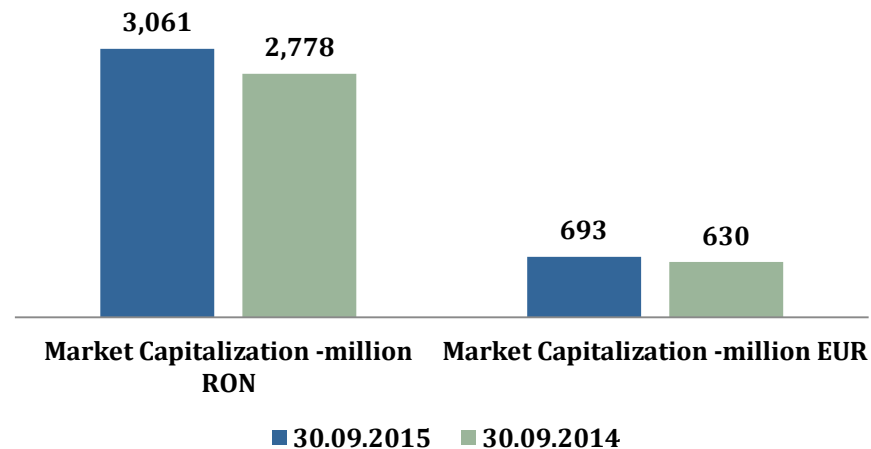
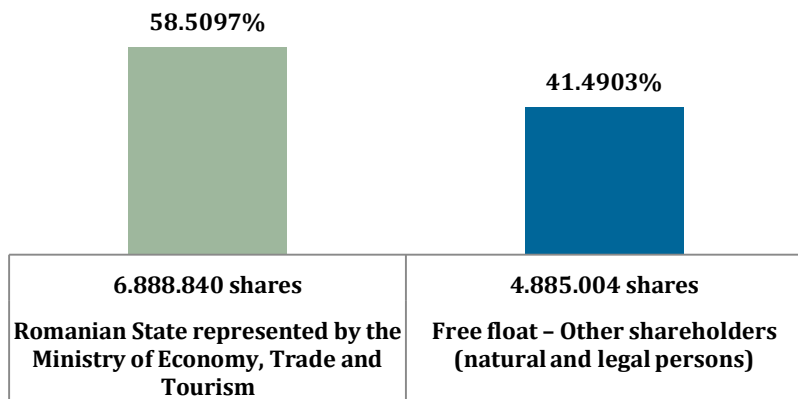


The amount of **RON 75,029 thousand** was paid at the local budgets, special funds budgets and social security

# Stock Exchange TGN Evolution

14

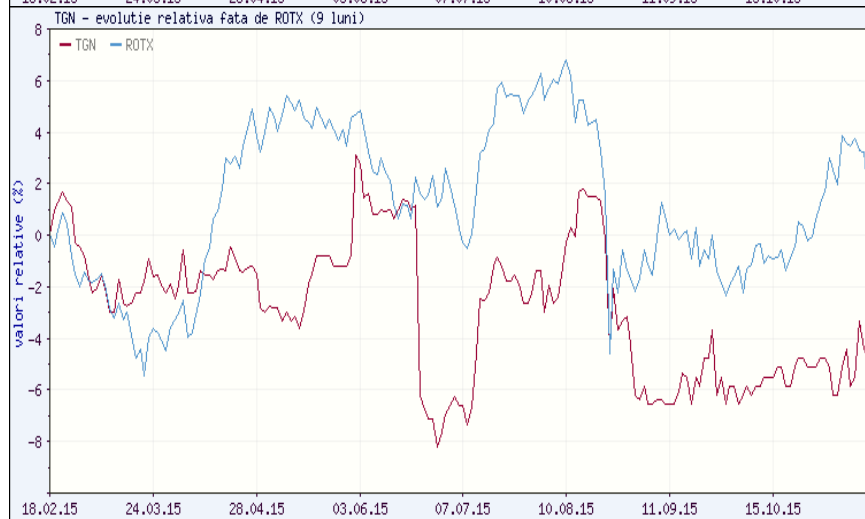
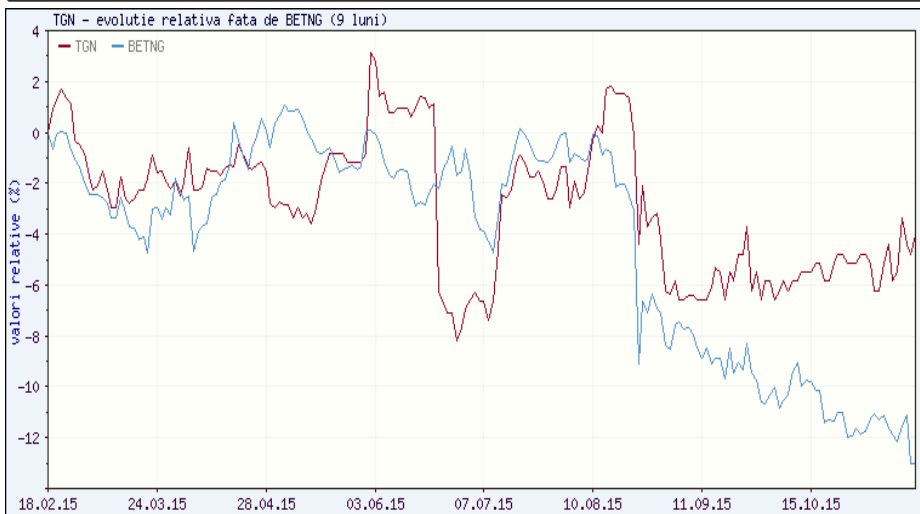
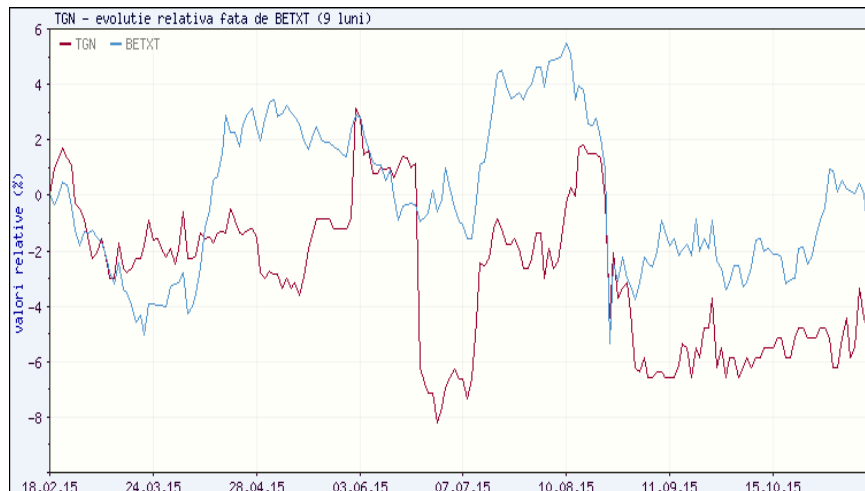
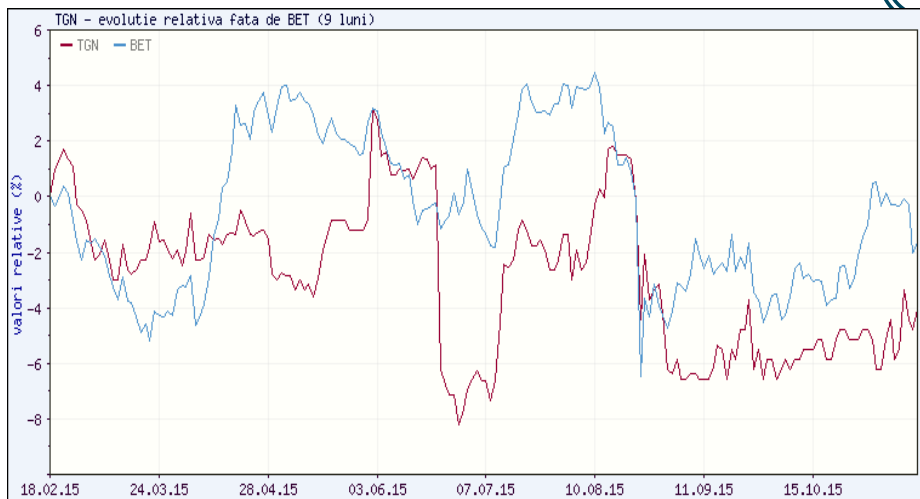
## Shareholders structure



# Stock Exchange TGN Evolution (2)

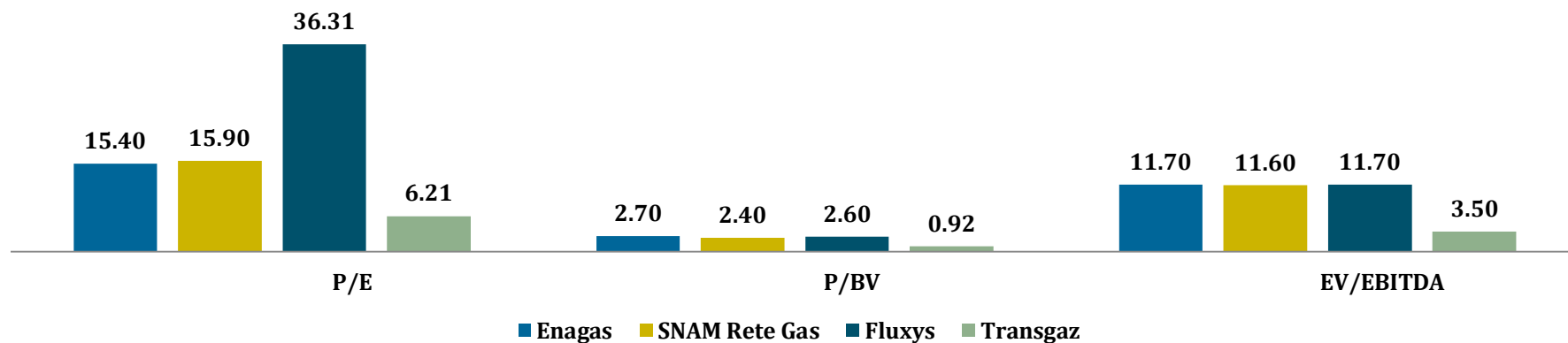
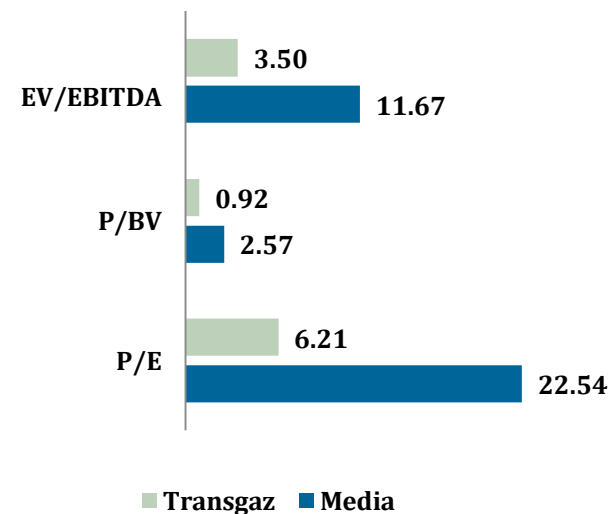
15

## TGN vs BET, BETXT, BETNG, ROTX during 9M2015



# TRANSGAZ COMPARED TO PEERS

Company	Country	P/E	P/BV	EV/EBITDA
Enagas	Spain	15.40	2.70	11.70
SNAM Rete Gas	Italy	15.90	2.40	11.60
Fluxys	Belgium	36.31	2.60	11.70
<b>Media</b>		<b>22.54</b>	<b>2.57</b>	<b>11.67</b>
Transgaz	Romania	6.21	0.92	3.50
<b>Premium /Discount</b>		<b>-72%</b>	<b>-65%</b>	<b>-70%</b>







**Thank you for your kind attention!**

