



THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR

PRELIMINARY FINANCIAL STATEMENTS FOR 2015 (UNAUDITED)
Prepared in accordance with IFRS -UE

BUCHAREST, 2016, FEBRUARY 19

SUMMARY

1. Preliminary Income statement as of 31.12.2015

2. Preliminary Balance sheet as of 31.12.2015

3. Main revenue drivers

4. Main costs drivers

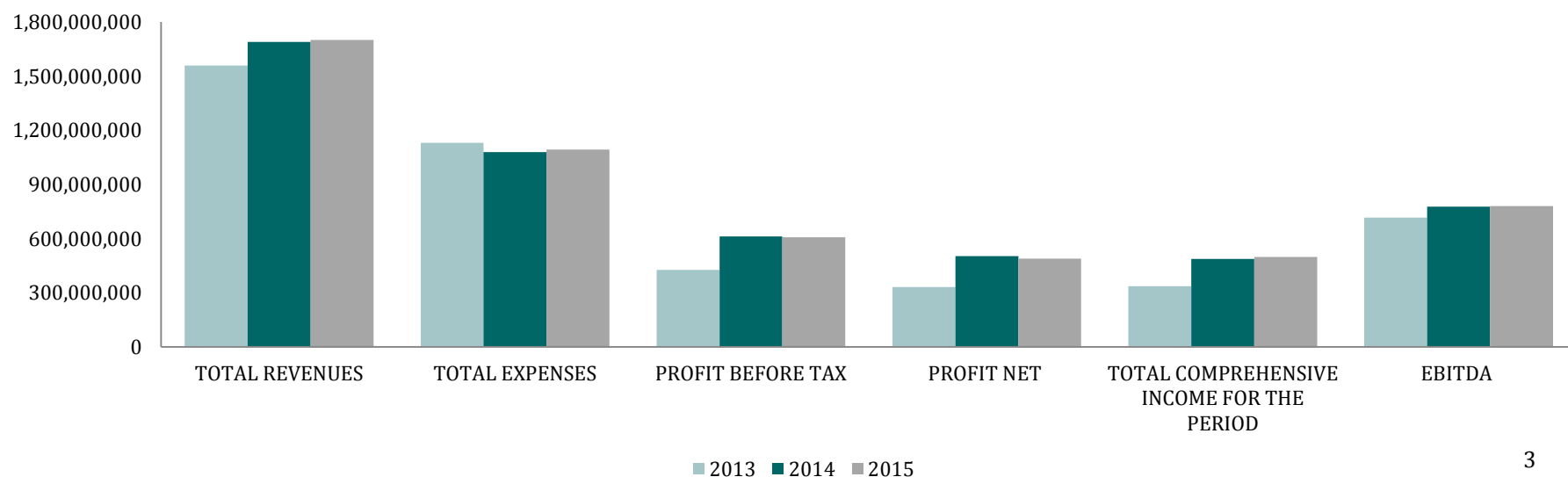
5. Main business drivers

6. Main indicators

1. PRELIMINARY INCOME STATEMENT AS OF 31.12.2015 (1)

MAIN INDICATORS

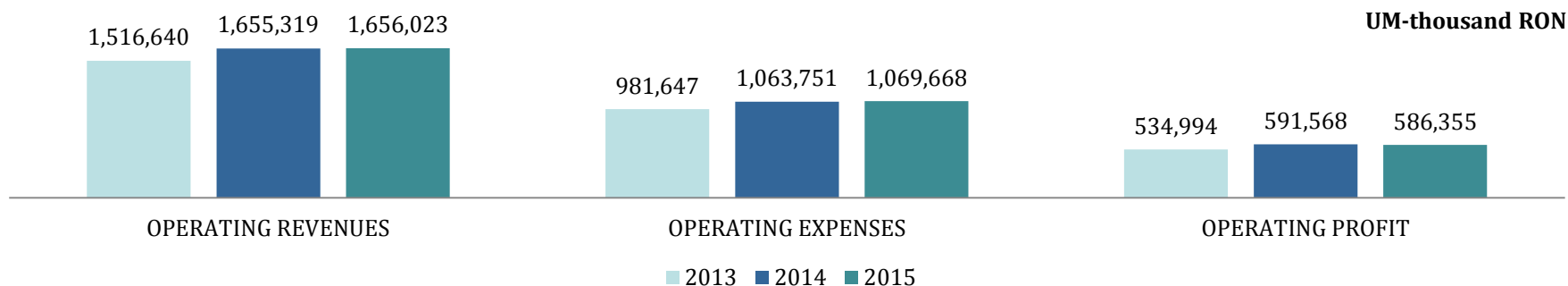
UM - RON	2013	2014	2015	Changes 2015/2014	
				Absolute	Relative
OPERATING REVENUES	1,516,640,304	1,655,319,029	1,656,022,633	703,604	0%
FINANCIAL REVENUES	40,721,110	33,375,161	43,236,621	9,861,460	30%
TOTAL REVENUES	1,557,361,414	1,688,694,190	1,699,259,254	10,565,064	1%
OPERATING EXPENSES	981,646,793	1,063,750,644	1,069,668,097	5,917,453	1%
FINANCIAL EXPENSES	148,956,727	14,356,334	22,314,577	7,958,243	55%
TOTAL EXPENSES	1,130,603,521	1,078,106,978	1,091,982,674	13,875,696	1%
PROFIT BEFORE TAX	426,757,892	610,587,212	607,276,580	-3,310,632	-1%
INCOME TAX EXPENSES	95,349,590	108,071,149	119,524,646	11,453,497	11%
PROFIT NET	331,408,302	502,516,063	487,751,934	-14,764,129	-3%
Actuarial gain/(loss) for the period	3,831,763	16,131,134	10,211,343	-5,919,791	x
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	335,240,065	486,384,929	497,963,277	11,578,348	2%
EBITDA	715,873,622	776,861,023	779,672,876	-2,811,853	0%



1. PRELIMINARY INCOME STATEMENT AS OF 31.12.2015 (2)

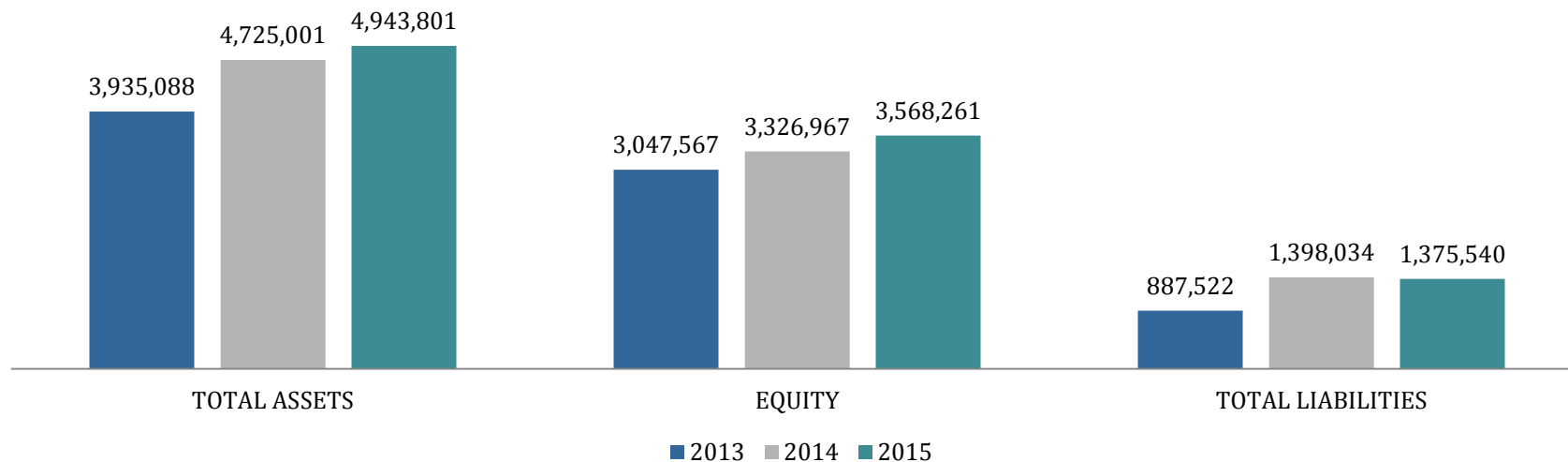
OPERATING ACTIVITY

	2013	2014	2015	Changes 2015/2014	
				Absolute	Relative
Revenues from domestic gas transmission activity	1,210,480,230	1,340,852,834	1,256,836,663	-84,016,171	-6%
Revenues from international gas transmission activity	268,537,107	273,760,232	318,752,083	44,991,851	16%
Other revenues	37,622,967	40,705,963	80,433,887	39,727,924	98%
OPERATING REVENUES	1,516,640,304	1,655,319,029	1,656,022,633	703,604	0%
Wages, salaries and other employee-related expenses	-344,869,392	-351,858,471	-357,730,987	5,872,516	2%
Technological consumption, materials and consumables used, out of which:	-121,422,078	-113,169,345	-106,982,518	-6,186,827	-5%
* <i>technological consumption and losses on NTS</i>	-95,500,064	-92,124,510	-83,163,367	-8,961,143	-10%
Royalty expenses	-147,901,734	-161,461,307	-157,558,876	-3,902,431	-2%
Maintenance and transportation, mainly out of which:	-71,436,133	-62,306,346	-28,775,896	-33,530,450	-54%
* <i>Works & services performed by third parties</i>	-61,175,946	-51,752,322	-15,615,628	-34,784,628	-69%
Taxes and other amounts payable to the State	-54,333,044	-77,874,260	-70,681,098	-7,193,162	-9%
Expenses with provision for risks and expenses	-3,223,353	4,645,541	-1,255,202	-5,900,743	-127%
Other operating expenses	-57,580,947	-116,433,818	-155,875,584	39,441,766	34%
Depreciation	-180,880,113	-185,292,638	-193,318,340	8,025,702	4%
OPERATING EXPENSES	-981,646,794	-1,063,750,644	-1,069,668,097	5,917,453	1%
OPERATING PROFIT	534,993,509	591,568,385	586,354,536	-5,213,849	-1%



2. PRELIMINARY BALANCE SHEET AS OF 31.12.2015

Thousand RON	2013	2014	2015	Changes 2015/2014	
				Absolute	Relative
NON-CURRENT ASSETS	3,234,879	3,728,936	3,811,883	82,947	2%
CURRENT ASSETS	700,209	996,065	1,131,918	135,853	14%
TOTAL ASSETS	3,935,088	4,725,001	4,943,801	218,800	5%
EQUITY	3,047,567	3,326,967	3,568,261	241,294	7%
LONG TERM LIABILITIES	564,484	1,077,684	1,099,411	21,727	2%
CURRENT LIABILITIES	323,038	320,350	276,129	-44,221	-14%
TOTAL LIABILITIES	887,522	1,398,034	1,375,540	-22,494	-2%
TOTAL EQUITY & LIABILITIES	3,935,088	4,725,001	4,943,801	218,800	5%



3. MAIN REVENUE DRIVERS (1)

Higher Capacity Component Balances Lower Volumetric Component ('000 RON)



3. MAIN REVENUE DRIVERS (2)

TOTAL REVENUES is higher by RON 10.565 thousand as compared to 2014

The revenue was influenced mainly by the following factors:

✦ **capacity booking revenue higher by RON 104.726 thousand due to:**

- the increasing of the fixed component share in the total revenue to 60%;
- the increasing of the capacity booked by 96.633.402 MWh due to the introduction of the entry/exit capacity booking from 1 August 2014;

✦ **volumetric component revenue lower by RON 188.742 thousand due to:**

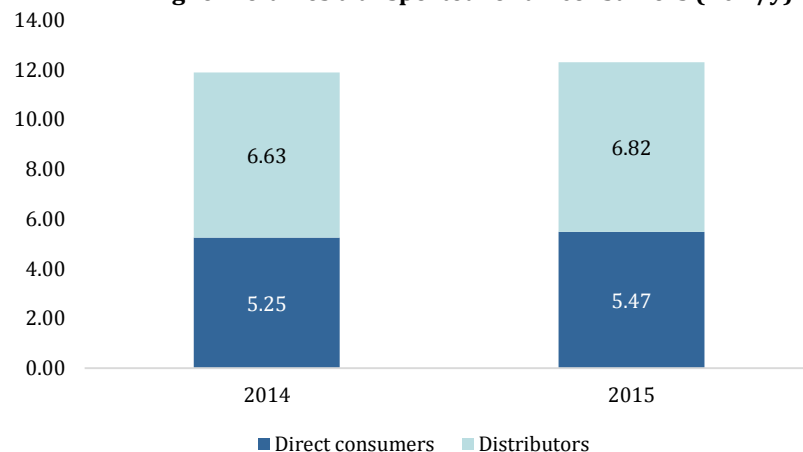
- the decreasing of the variable component share in the total revenue to 40%;
- the increasing of the quantity of invoiced gas by 4.556.484 MWh (410.979 thousand m³), detailed by categories of consumers as follows:

✦ **international gas transmission revenues higher by RON 44.992 thousand due to** the changes in the foreign currency of the contracts;

✦ **other operating revenues higher by RON 39.728 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 (RON 26.391 thousand);

✦ **the financial revenues with** a positive influence of RON 9.861 thousand.

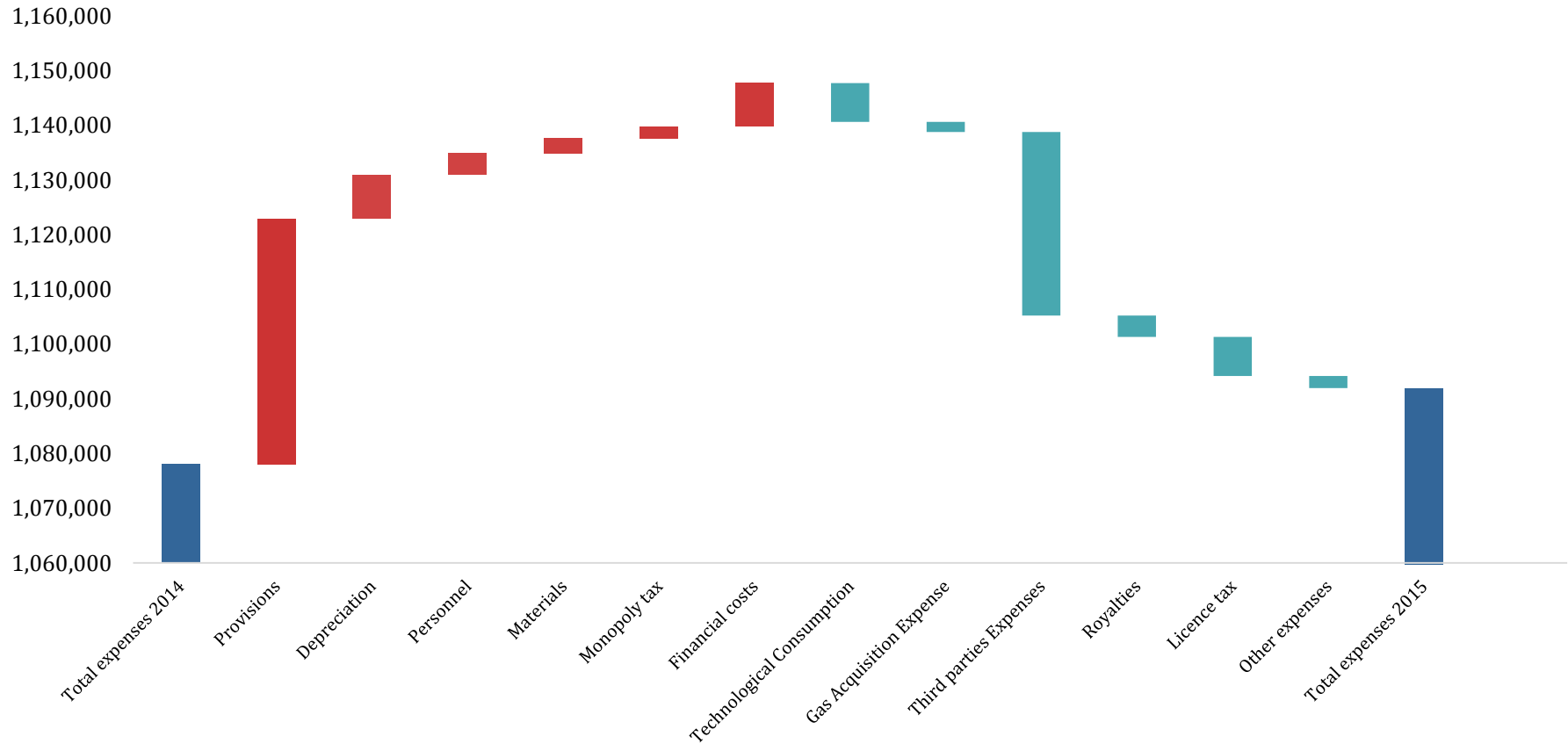
Higher volumes transported for all consumers (Bcm/y)



Starting with the fourth of the third regulatory period (2015 – 2016), the total revenue at the basis of the tariff setting for the transmission activity is allocated 60% for the fixed component and 40% for the volumetric component, which results in the redistribution of the transmission revenue as follows: the decreasing of transmission revenue in winter quarters, based on the lowering of revenue from the volumes transmitted, and the increasing of transmission revenue in summer quarters, based on the increasing of revenue from capacity booking, compared to the previous gas year.

4. MAIN COSTS DRIVERS (1)

Cost cutting efforts mitigate significant increase in provision expense ('000 RON)



4. MAIN COSTS DRIVERS (2)

The total costs increased by 1% compared to the same period of year 2014, which is higher by **RON 13.876 thousand**.

Overruns amounting to RON 61.647 thousand were recorded, mainly in relation to the following cost elements:

- other operating expenses increased by RON 44.788 thousand, mainly due to the 2015 provisions for impairment on INTERAGRO and ELECTROCENTRALE Bucharest receivables. On 31 December 2015 the INTERAGRO SA and INTERAGRO SRL accounts receivable balance is of RON 82.777 thousand, amount fully provisioned, and the ELECTROCENTRALE Bucharest accounts receivables balance is of RON 79.915 thousand, with a provision amounting to RON 57.091 thousand;
- tangible and intangible assets amortization: RON 8.026 thousand;
- personnel expenses: RON 3.917 thousand;
- auxiliary materials expenses: RON 2.774 thousand;
- tax on monopoly: RON 2.142 thousand;

The operating costs increased by 1% compared to the same period of year 2014, which is higher by **RON 5.917 thousand**.

The Company managed to compensate part of the negative impact by savings of RON 55.728 thousand in relation to the following cost items:

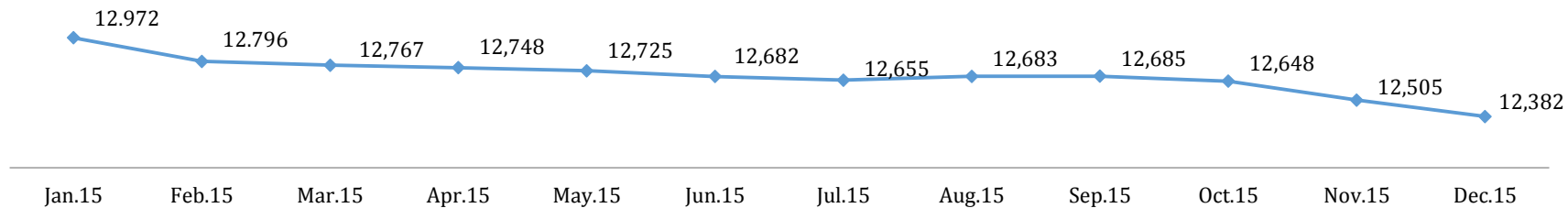
- transmission system technological gas consumption and loss decreased by **RON 8.961 thousand** due to the following factors:
 - gas amount for technological consumption lower by 80.561 MWh/8.836 thousand cubic meters (8%) as compared to the same period of 2014 with a positive effect of RON 7.092 thousand;
 - average purchase price for 2015 lower by RON 1,94/MWh as compared to 2014, with a positive effect of RON 1.869 thousand;
- works and services provided by third parties: RON 33.530 thousand;
- NTS concession royalty: RON 3.902 thousand;
- licence fee: RON 7.149 thousand;
- other expenses: RON 2.184 thousand;

The financial costs increased by **RON 7.958 thousand** based on the foreign exchange loss.

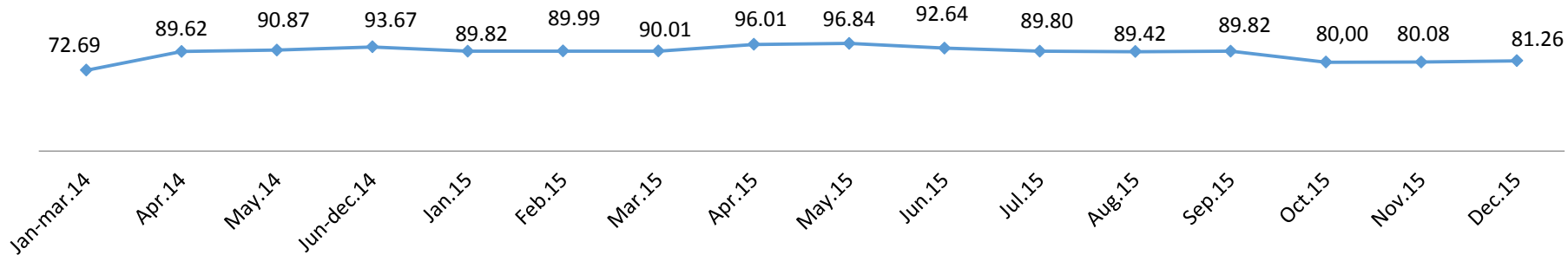
Compared to 31 Dec. 2014 the gross profit estimated for 2015 is lower by 1%, meaning by RON 3.311 thousand

5. MAIN BUSINESS DRIVERS (1)

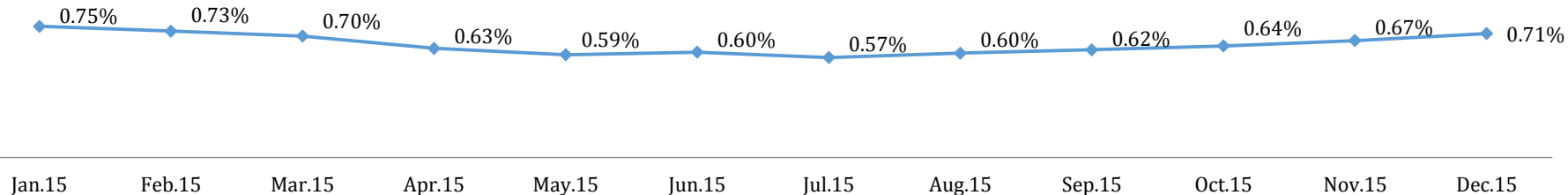
Natural gas volumes transported (including storage quantities) - mill.cm - rolling 12 months



Natural gas acquisition price for technological consumption - RON/MWH



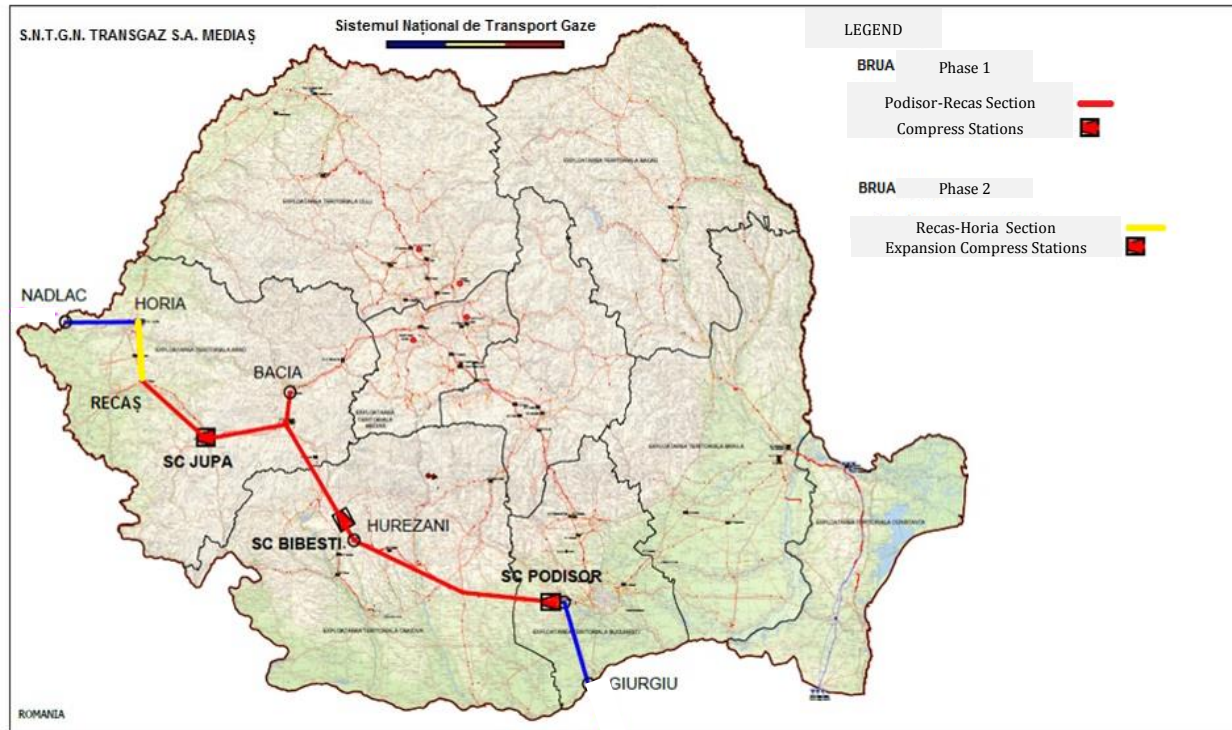
% technological consumption in total circulated gas volumes (rolling 12 months)



5. MAIN BUSINESS DRIVERS (2)

Corridor Between Bulgaria and Hungary (ROHUAT/BRUA), PHASE 1

Project of Common Interest 7.1.5 according to first PCI List and 6.24.2 according to the second list of PCI 2015



Purpose:

Access to future major infrastructures running through Greece and Bulgaria (TAP, South Stream, etc.) or to sources from Central Europe.

Capacity:

1.75 bcm/yr to Hungary
1.5 bcm/yr to Bulgaria

Required investments

- 33"x63 bar pipeline ~478 km
- 3 compressor stations

Total estimated costs

Around 479 mil. Euro

E.U. contribution: 179 mil. Euro

Final Investment Decision - 2016

Estimated Commissioning April - 2019

Linking Romania To Neighboring Transit

5. MAIN BUSINESS DRIVERS (3)

Corridor Between Bulgaria and Hungary (ROHUAT/BRUA), PHASE 2

Project of Common Interest 7.1.5 according to first PCI List and 6.24.7 (conditional) according to the second list of PCI 2015

Purpose:

Increase capacity of Phase 1 in order to be able to transport gas from the Black Sea reserves.

Capacity increase:

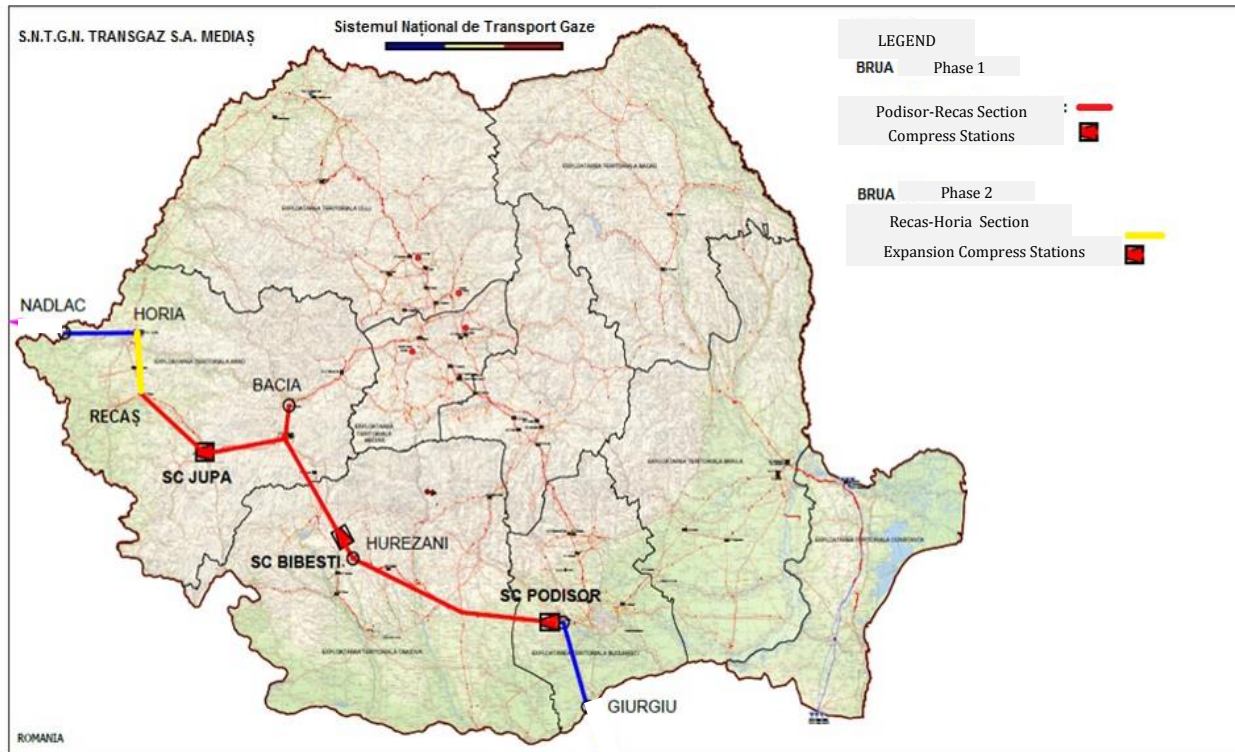
From 1.75 bcm/yr to 4.4 bcm/yr to Hungary

Required investments

- 33"x63 bar pipeline ~50 km
- Capacity increase of 3 compressor stations
- Capacity increase of measuring station

Total estimated costs

Around 69 mil. Euro



Final Investment Decision – 2017

Estimated Commissioning 2020

Linking Romania To Neighboring Transit

5. MAIN BUSINESS DRIVERS (4)

Access To Black Sea New Gas Supply

Project of Common Interest (conditional) 6.24.8

New pipeline project for connecting the Black Sea shore with the transmission corridor connecting the interconnections RO – HU and RO-BG:

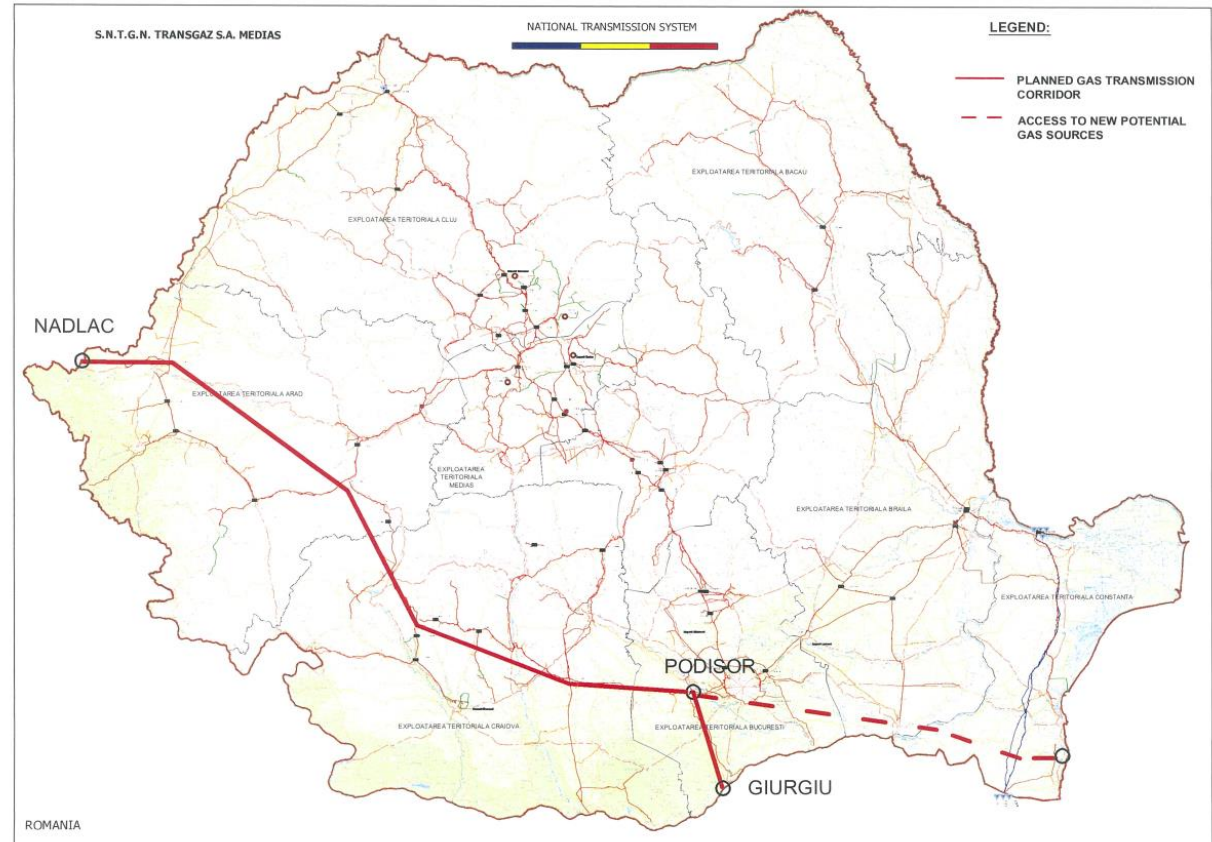
Required investments:

New pipeline section with a total length of 285 km

Estimated investment cost:

263 mil Euro

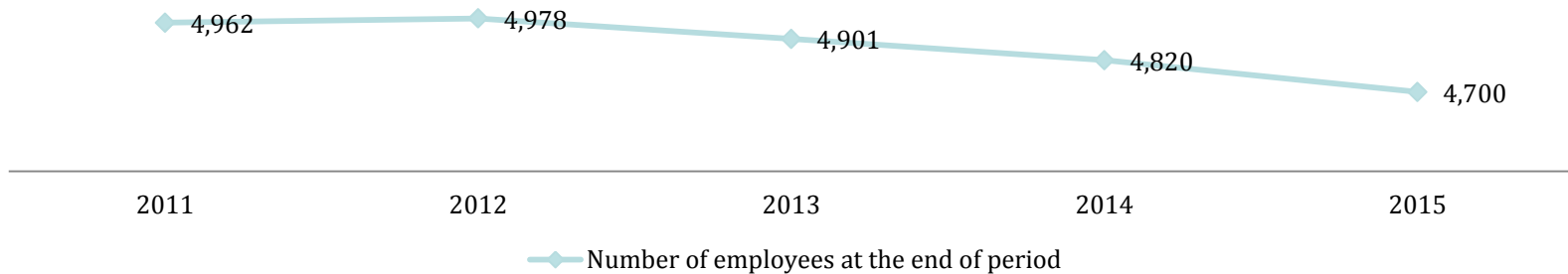
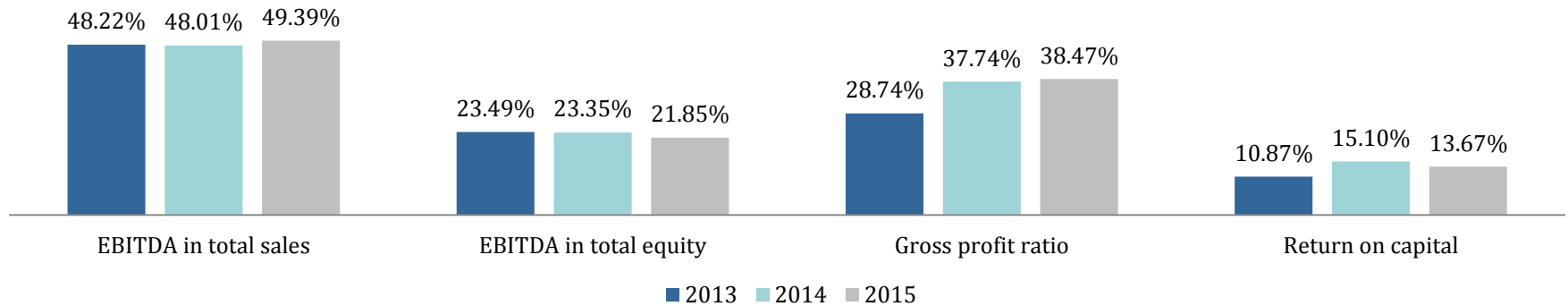
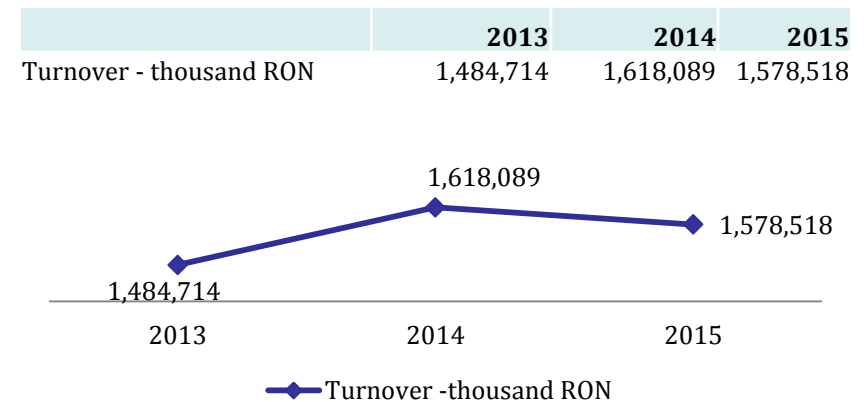
Estimated completion: 2020



Vital Connection To New Supplies

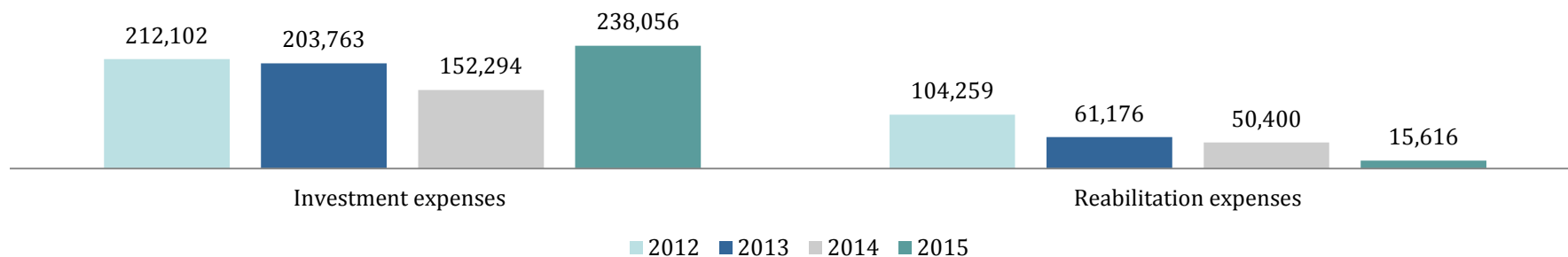
6. MAIN INDICATORS (1)

	2013	2014	2015
EBITDA in total sales	48.22%	48.01%	49.39%
EBITDA in total equity	23.49%	23.35%	21.85%
Gross profit ratio	28.74%	37.74%	38.47%
Return on capital	10.87%	15.10%	13.67%
Current liquidity ratio	2.17	3.11	4.08
Quick liquidity ratio	2.06	2.99	3.81
Gearing	0.79%	0.00%	0.00%
Interest coverage ratio	187.73	616.54	1904.18
Turnover speed for clients debit -days	97.57	94.18	99.32
Turnover speed for credit providers -days	22.41	17.61	19.46



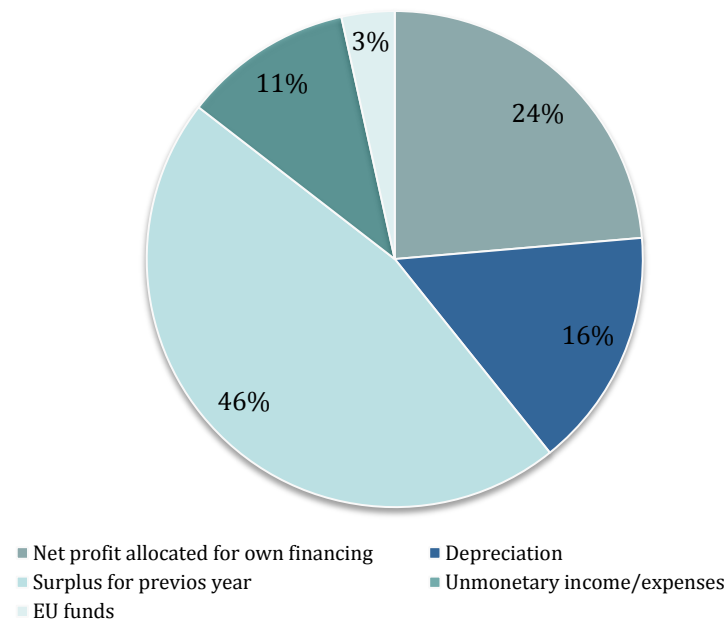
6. MAIN INDICATORS (2)

thousand RON	2013	2014	2015
Investment expenses	203,763	151,776	238,056
Rehabilitation expenses	61,176	51,752	15,616



INVESTMENT COSTS 2015	Thousand RON	%
Investments, of which	238,056	86%
NTS connection installations	4,991	
Reimbursement of credits for investments	24,000	14%
TOTAL	262,056	100%

FINANCING SOURCES FOR INVESTMENT COSTS 2015	Thousand RON	%
Net profit allocated for own financing	217,848	24%
Depreciation	143,895	16%
NTS connection tarif	3,725	0%
Surplus for previos year	426,065	46%
Unmonetary income/expenses	101,943	11%
EU funds	31,876	3%
TOTAL	925,352	100%



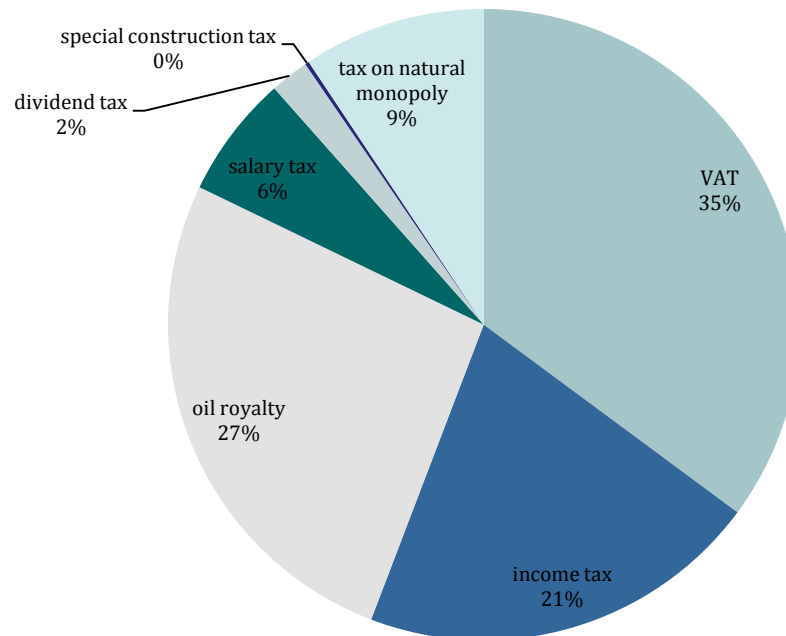
6. MAIN INDICATORS (3)

DEBTS TO THE STATE BUDGET

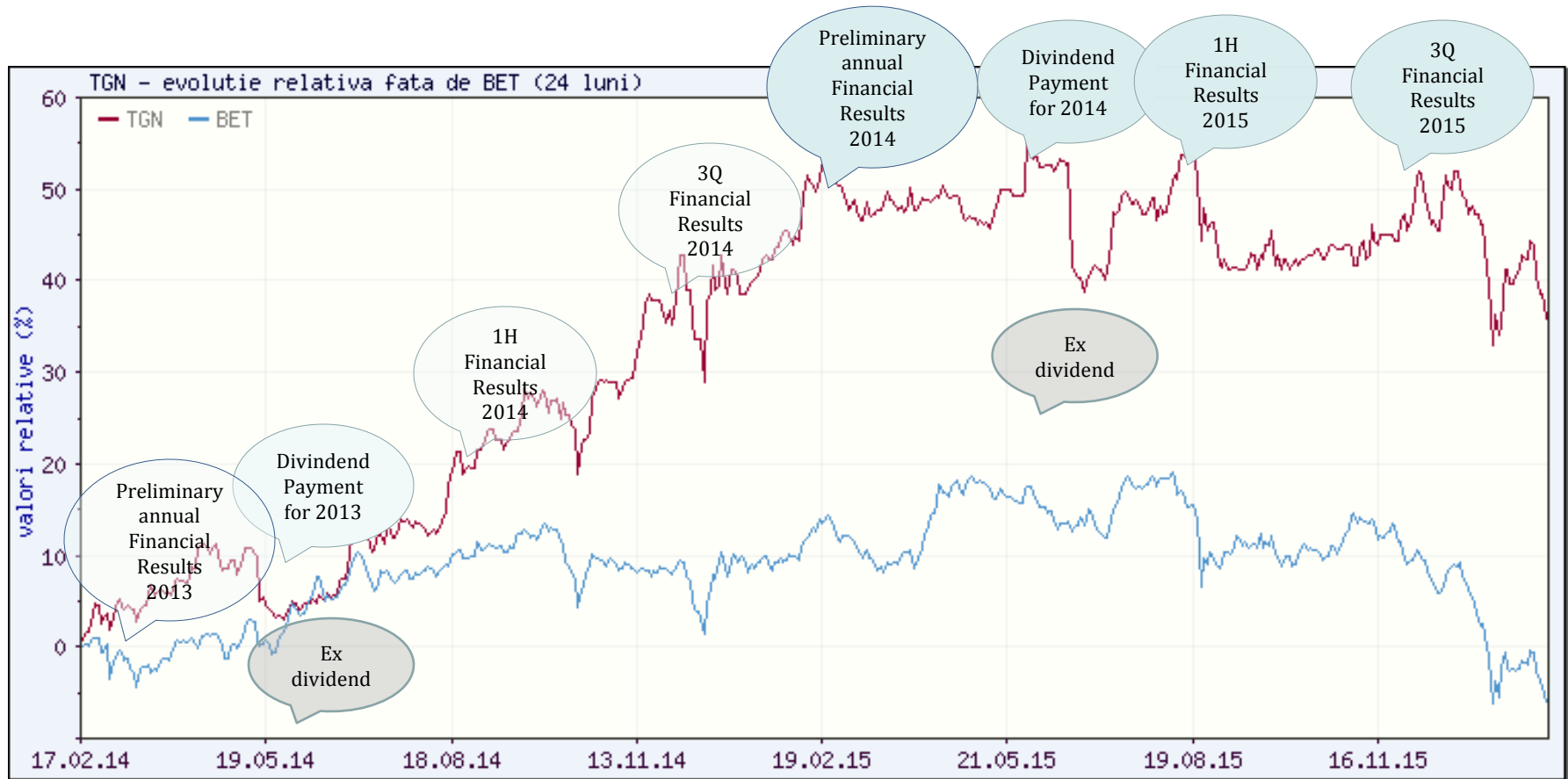
In 2015 the amount of **RON 614.399 thousand** was paid up to the state budget, out of which:

- VAT: RON 215.878 thousand;
- income tax: RON 126.979 thousand;
- oil royalty: RON 161.983 thousand;
- salary tax: RON 38.653 thousand;
- dividend tax: RON 12.187 thousand;
- special construction tax: RON 1.238 thousand;
- tax on natural monopoly: RON 57.479 thousand.

The amount of **RON 109.895 thousand** was paid at the local budgets, special funds budgets and social security budgets.



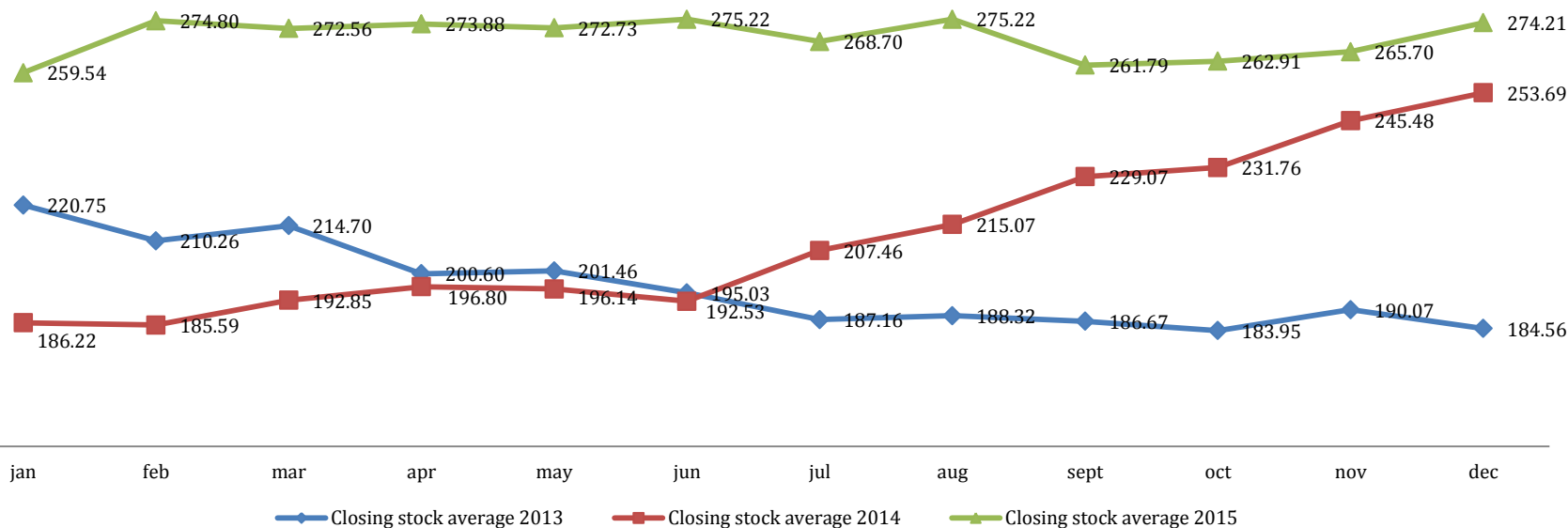
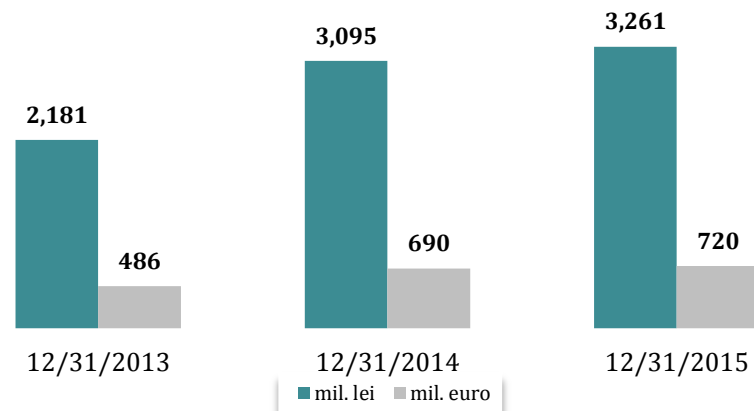
STOCK EXCHANGE TGN EVOLUTION



TRANSGAZ COMPARED TO PEERS

Company	Country	P/E	P/BV	EV/EBITDA
Enagas	Spain	14.40	2.50	11.40
SNAM Rete Gas	Italy	15.60	2.40	11.30
Fluxys	Belgium	33.90	2.60	11.60
Media		21.00	2.50	11.43
Transgaz	Romania	7.30	0.90	3.50
Premium /Discount		-65%	-64%	-69%

Market Capitalization





THANK YOU FOR YOUR KIND ATTENTION!

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