



THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR



UNAUDITED FINANCIAL STATEMENTS FOR 1Q2016

PREPARED IN ACCORDANCE WITH THE IFRS - EU

Bucharest, May 20, 2016

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1. Income statement as of 31.03.2016

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COMPREHENSIVE INCOME -RON	1Q2016	1Q2015	CHANGES	
	unaudited	unaudited	absolute	relative
Revenues from domestic gas transmission activity	371,374,491	370,401,862	972,629	0.26%
Revenues from international gas transmission activity	80,548,213	78,770,281	1,777,932	2.26%
Revenues from the balancing activity	17,522,541	-	17,522,541	-
Other revenues	12,923,438	13,679,533	-756,095	-5.53%
Operational income before the construction activity according to IFRIC12	482,368,683	462,851,676	19,517,007	4.22%
Depreciation	51,368,807	47,807,429	3,561,378	7.45%
Employees costs	79,719,840	76,662,744	3,057,096	3.99%
Technological consumption, materials and consumables used	37,045,761	21,101,829	15,943,932	75.56%
Expenses with balancing gas	15,573,348	-	15,573,348	-
Royalty expenses	45,192,272	44,917,215	275,057	0.61%
Maintenance and transport	3,466,418	5,771,270	-2,304,852	-39.94%
Taxes and other amounts owed to the State	13,795,647	14,703,467	-907,820	-6.17%
Expenses with the provision for risks and expenses	2,664,751	3,061,253	-396,502	-12.95%
Other operating expenses	28,021,951	16,362,770	11,659,181	71.25%
Operational costs before the construction activity according to IFRIC12	276,848,795	230,387,977	46,460,818	20.17%
Operational profit before the construction activity according to IFRIC12	205,519,888	232,463,699	-26,943,811	-11.59%
Financial revenues	6,982,120	8,429,705	-1,447,585	-17.17%
Financial expenses	2,134,877	2,183,735	-48,858	-2.24%
Financial income, net	4,847,243	6,245,970	-1,398,727	-22.39%
Profit before tax	210,367,131	238,709,669	-28,342,538	-11.87%
Profit tax expense	37,871,034	39,403,863	-1,532,829	-3.89%
Period related net profit and total comprehensive income	172,496,097	199,305,806	-26,809,709	-13.45%

Operational income before the construction activity according to IFRIC12 increased by 4%

Operational costs before the construction activity according to IFRIC12 increased by 20%

Net Profit decreased by 13%

2. Balance sheet on 31.03.2016

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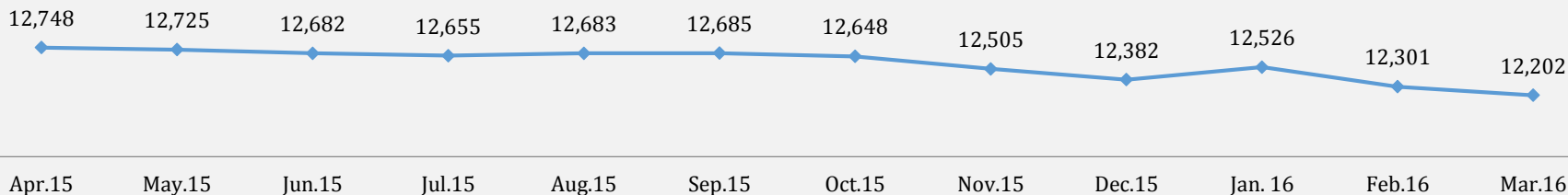
	31/3/2016 unaudited	31/12/2015	CHANGES	
			absolute	relative
ASSETS				
Intangible assets	2,576,235,147	2,606,654,612	-30,419,465	-1.17%
Tangible assets	618,442,127	627,740,435	-9,298,308	-1.48%
Financial assets available for sale	-	-	-	-
Trade receivables and other receivables	582,307,804	579,722,974	2,584,830	0.45%
Fixed assets	3,776,985,078	3,814,118,021	-37,132,943	-0.97%
Inventories	80,619,056	73,991,633	6,627,423	8.96%
Commercial receivables and other receivables	441,336,782	362,526,848	78,809,934	21.74%
Cash and cash equivalents	829,081,122	700,797,782	128,283,340	18.31%
Current assets	1,351,036,960	1,137,316,263	213,720,697	18.79%
TOTAL ASSETS	5,128,022,038	4,951,434,284	176,587,754	3.57%
EQUITY AND DEBTS	31/3/2016	31/12/2015	absolute	relative
Share capital	117,738,440	117,738,440	0	0.00%
Hyperinflation adjustment of share capital	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	1,669,301,507	1,496,805,410	172,496,097	11.52%
Equity	3,741,734,069	3,569,237,972	172,496,097	4.83%
Provision for employee benefits	102,947,599	102,947,599	0	0.00%
Deferred income	917,694,147	930,578,140	-12,883,993	-1.38%
Deferred tax payment	70,240,843	71,337,402	-1,096,559	-1.54%
Long term debts	1,090,882,589	1,104,863,141	-13,980,552	-1.27%
Commercial debts and other debts	233,889,154	225,501,304	8,387,850	3.72%
Provision for risks and charges	18,111,758	15,109,696	3,002,062	19.87%
Current tax payment	38,967,593	32,285,296	6,682,297	20.70%
Provision for employee benefits	4,436,875	4,436,875	0	0.00%
Current debts	295,405,380	277,333,171	18,072,209	6.52%
Total debts	1,386,287,969	1,382,196,312	4,091,657	0.30%
TOTAL EQUITY AND DEBTS	5,128,022,038	4,951,434,284	176,587,754	3.57%

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

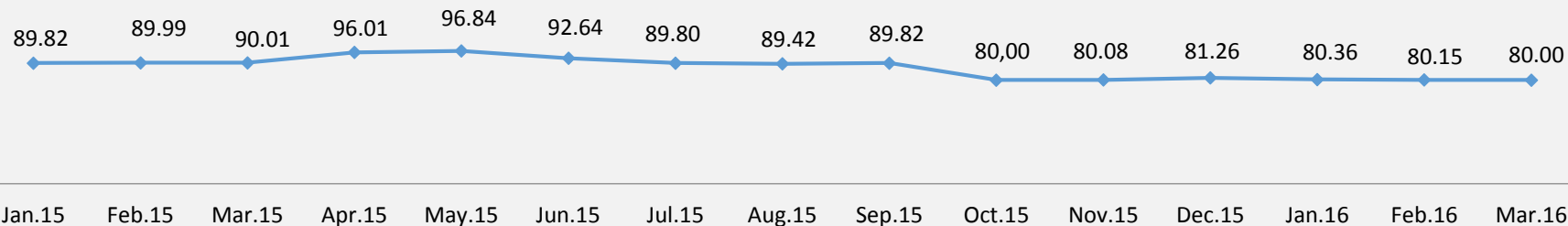
3. Main business drivers

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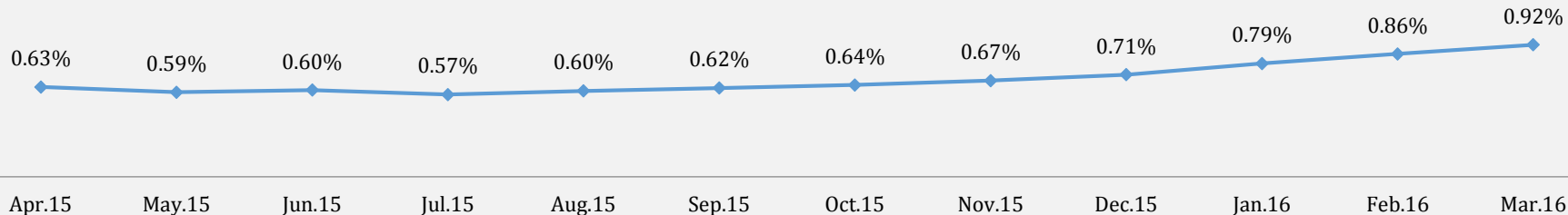
Natural gas volumes transported (including storage quantities) - mill.cm - rolling 12 months



Natural gas acquisition price for technological consumption - RON/MWH



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

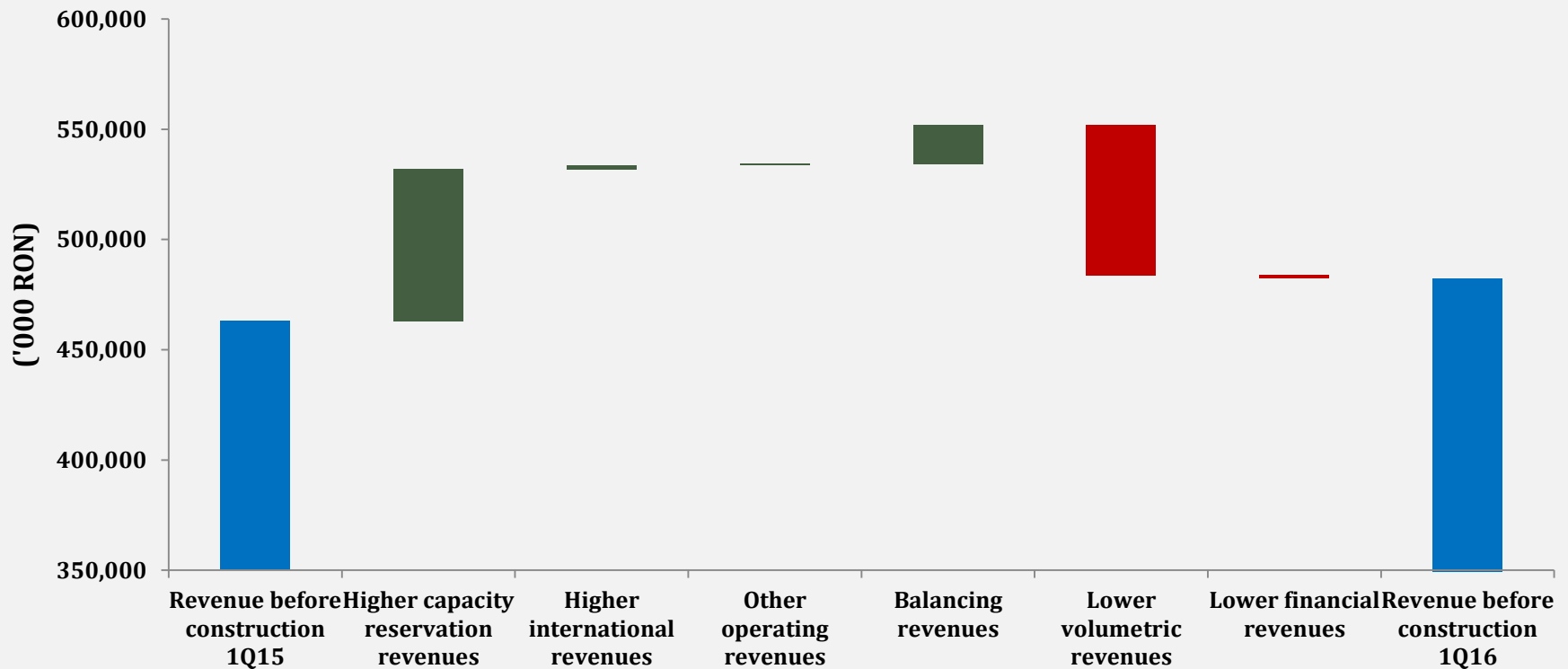


4. Factors influencing revenues

Lower revenues YoY

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Rebalancing of volumetric and capacity components



Reducing seasonality: lower volumetric component flattens out revenue cycle

Factors influencing revenues (2)

Comparison to 1Q2015

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The operating revenue before the construction activity, according to IFRIC12 increased by 4% as compared to 1Q 2015, which is higher by RON 19,517 thousand.

The revenue was mainly influenced by the following factors:

- *capacity booking revenue higher by RON 69,114 thousand due to:*
 - the increase of the fix component share in the total revenue to 60%;
 - the invoicing of the booking capacity surplus for Q I 2016 amounting to RON 49,487 thousand according to Art. 3, paragraph (6) of ANRE Order 1/18.01.2016;
- *volumetric component revenue lower by RON 68,141 thousand due to:*
 - the decrease of the variable component share in the total revenue 40%;
 - the decrease of the quantity of invoiced gas by 2,181,911 MWh (211,784 thousand m³), detailed by categories of consumers as follows:

		Q I 2015	Q I 2016	Change
Quantity transmitted for direct consumers	MWh	10,247,090	8,856,355	-1,390,735
	thousand m ³	964,619	835,324	-129,295
Quantity transmitted for distribution	MWh	31,722,921	30,931,744	-791,176
	thousand m ³	2,972,665	2,890,176	-82,488
Total	MWh	41,970,010	39,788,099	-2,181,911
	thousand m ³	3,937,284	3,725,500	-211,784

Starting with the fourth year 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 fix 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;
- the increasing of transmission revenue in summer quarters, based on the increasing of revenue from capacity booking, compared to the previous gas year.

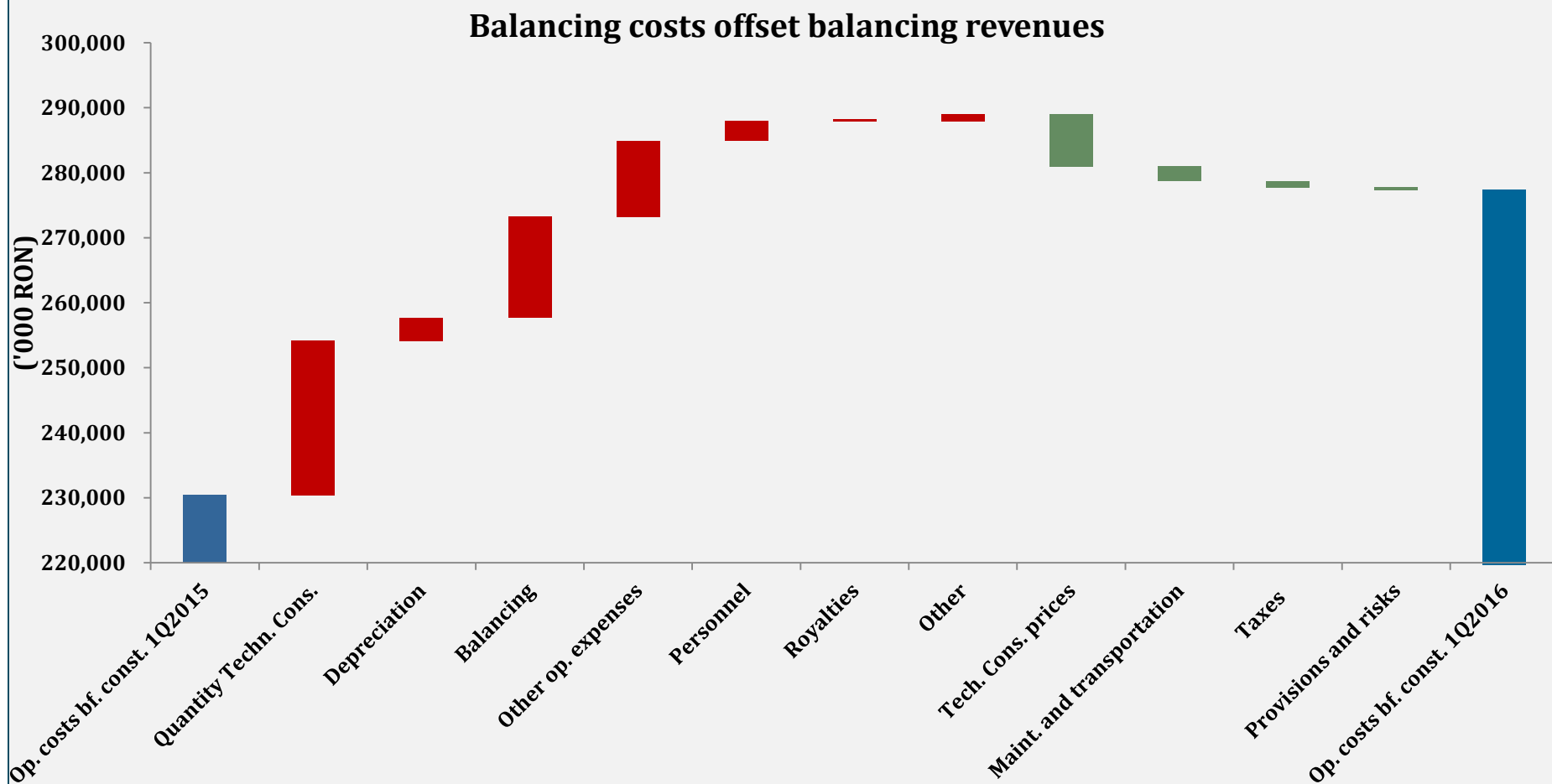
- *international gas transmission revenues higher by RON 1,778 thousand* due to the changes in the foreign currency of the contracts;
- *revenue from the balancing activity* according to ANRE Order 1/18.01.2016 amounting to RON 17,523 thousand;
- *other operating revenues* lower by RON 756 thousand;
- *financial revenue with a negative influence* of RON 1,448 thousand based on the changes in the foreign exchange rates.

Operating revenue before the construction activity, according to IFRIC12 increased by 4%, **RON 19.517 thousand**, compared to 1Q 2015

5. Factors influencing costs

Careful cost management continues

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Limited amount of cost increases

Factors influencing costs (2)

Comparison to 1Q2015

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The operating costs before the construction activity, according to IFRIC₁₂ increased by 20% as compared to 1Q2015, which is higher by RON 46,461 thousand.

The company made savings of RON 3,609 thousand, mainly in relation to the following cost elements:

- maintenance and transmission: RON 2,305 thousand;
- tax and duties: RON 908 thousand;
- provision for risks and charges: RON 397 thousand.

An expense surplus of RON 50,070 thousand was recorded mainly in relation to the following cost elements:

- transmission system technological gas consumption and loss increased by **RON 15,672 thousand** due to the following factors:
 - amount of gas for technological consumption higher by 263,740 MWh/ 24,161 thousand m³ (▲ 155%), as compared to 1Q 2015, with a negative influence of RON 23,712 thousand;
 - average purchase price in 1Q 2016 lower by RON 18.54/MWh as compared to 1Q 2015, with a positive influence of RON 8,040 thousand;
- balancing activity cost: RON 15,573 thousand;
- other operating cost: RON 11,659 thousand;
- fixed asset depreciation cost: RON 3,561 thousand;
- cost of personnel: RON 3,057 thousand;
- royalty for NTS concessioning: RON 275 thousand;
- auxiliary materials and other material costs: RON 273 thousand.

The financial cost is lower by RON 49 thousand based on the foreign exchange gain.

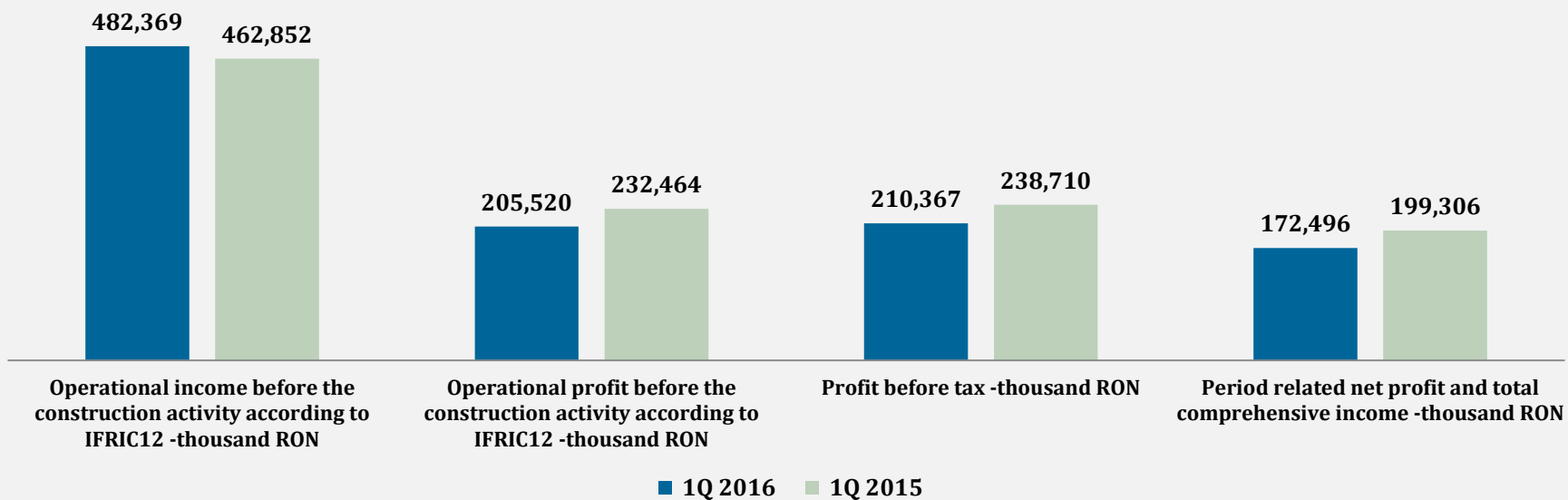
The gross profit achieved on 1Q 2016 is 12% lower compared to 1Q 2015, by RON 28,343 thousand.

Operational costs before the construction activity according to IFRIC₁₂ increased by 20% compared to 1Q 2015, by RON 46,461 thousand.

6. Profits

Comparison to 1Q2015

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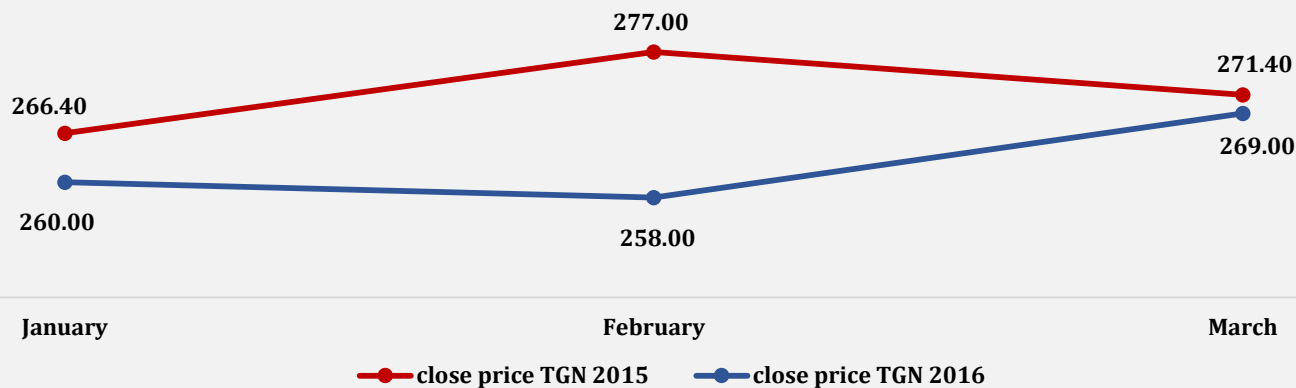


1Q2016 gross profit lower by 12% (28,343 thousand RON) compared to 1Q2015, and net profit lower by 13% (26,810 thousand RON).

7. Other information

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TGN Evolution & Market capitalization



Market Capitalization



Others information (2)

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The statement of investment expenses:

	<i>Thousand RON</i>
	Achievements
▪ Investments, out of which:	12,044
- NTS connection facilities	471
TOTAL AMOUNT	12,044

Funding sources:

	<i>Thousand RON</i>
	Achievements
▪ Net profit allocated for own financing	80,272
▪ Amortization	39,975
▪ Non-cash expenses	18,345
▪ NTS connection fee	433
▪ Previous year surplus	594,534
TOTAL AMOUNT	733,559

The **total capital expenditure** achieved at 31 March 2016 represent 30 % of the 1Q 2016 programme (RON 39,583 thousand).

Investments amounting to **RON 12,691 thousand** were commissioned during the reference period.

Other information (3)

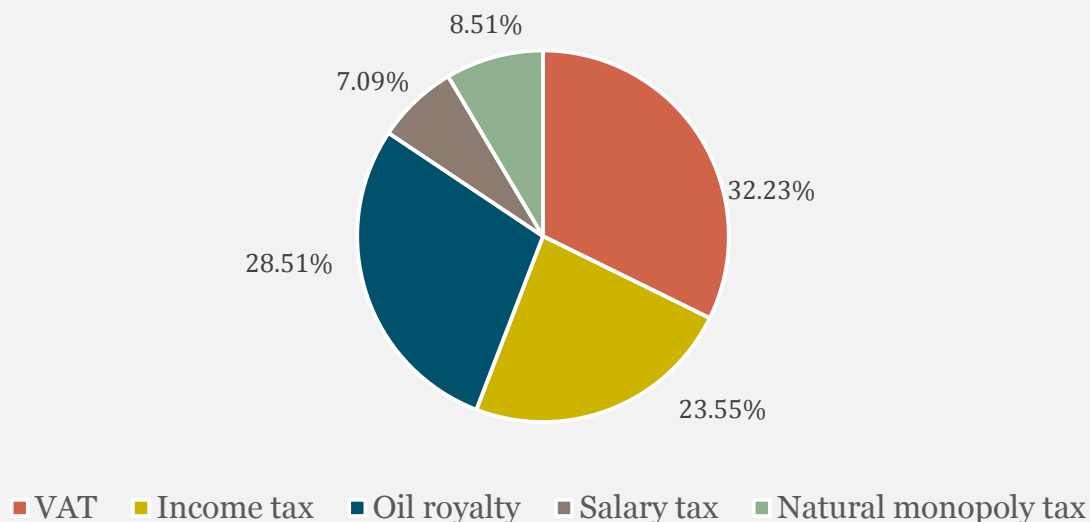
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State budget dues

In Q 1 2016, the amount of **RON 137,081 thousand** was paid up to the state budget, out of which:

- VAT: RON 44,175 thousand;
- Income tax: RON 32,285 thousand;
- Oil royalty: RON 39,081 thousand;
- Salary tax: RON 9,714 thousand;
- Natural monopoly tax: RON 11,671 thousand.

The amount of RON 29,797 thousand was also paid up to local budgets, special funds and social insurance budgets.





Thank you for your kind attention!