



## THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR



# UNAUDITED FINANCIAL STATEMENTS FOR 1Q2016

PREPARED IN ACCORDANCE WITH THE IFRS - EU

Bucharest, May 20, 2016

# Summary

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**2. Balance sheet as of 31.03.2016**

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**4. Factors influencing revenues**

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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%
<b>Operational income before the construction activity according to IFRIC12</b>	<b>482,368,683</b>	<b>462,851,676</b>	<b>19,517,007</b>	<b>4.22%</b>
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%
<b>Operational costs before the construction activity according to IFRIC12</b>	<b>276,848,795</b>	<b>230,387,977</b>	<b>46,460,818</b>	<b>20.17%</b>
<b>Operational profit before the construction activity according to IFRIC12</b>	<b>205,519,888</b>	<b>232,463,699</b>	<b>-26,943,811</b>	<b>-11.59%</b>
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%
<b>Financial income, net</b>	<b>4,847,243</b>	<b>6,245,970</b>	<b>-1,398,727</b>	<b>-22.39%</b>
<b>Profit before tax</b>	<b>210,367,131</b>	<b>238,709,669</b>	<b>-28,342,538</b>	<b>-11.87%</b>
Profit tax expense	37,871,034	39,403,863	-1,532,829	-3.89%
<b>Period related net profit and total comprehensive income</b>	<b>172,496,097</b>	<b>199,305,806</b>	<b>-26.809.709</b>	<b>-13,45%</b>

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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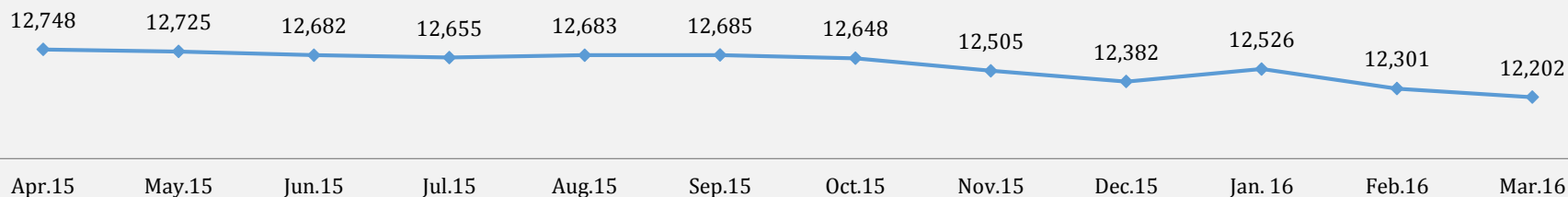
	31/3/2016 unaudited	31/12/2015	CHANGES	
ASSETS			absolute	relative
Intangible assets	2,576,235,147	2,606,654,612	-30,419,465	-1.17%
Tangible assets	618,442,127	627,740,435	-9,298,308	-1.48%
Financial assets available for sale	-	-	-	-
Trade receivables and other receivables	582,307,804	579,722,974	2,584,830	0.45%
<b>Fixed assets</b>	<b>3,776,985,078</b>	<b>3,814,118,021</b>	<b>-37,132,943</b>	<b>-0.97%</b>
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%
<b>Current assets</b>	<b>1,351,036,960</b>	<b>1,137,316,263</b>	<b>213,720,697</b>	<b>18.79%</b>
<b>TOTAL ASSETS</b>	<b>5,128,022,038</b>	<b>4,951,434,284</b>	<b>176,587,754</b>	<b>3.57%</b>
<b>EQUITY AND DEBTS</b>	<b>31/3/2016</b>	<b>31/12/2015</b>	CHANGES	
			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%
<b>Equity</b>	<b>3,741,734,069</b>	<b>3,569,237,972</b>	<b>172,496,097</b>	<b>4.83%</b>
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%
<b>Long term debts</b>	<b>1,090,882,589</b>	<b>1,104,863,141</b>	<b>-13,980,552</b>	<b>-1.27%</b>
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%
<b>Current debts</b>	<b>295,405,380</b>	<b>277,333,171</b>	<b>18,072,209</b>	<b>6.52%</b>
<b>Total debts</b>	<b>1,386,287,969</b>	<b>1,382,196,312</b>	<b>4,091,657</b>	<b>0.30%</b>
<b>TOTAL EQUITY AND DEBTS</b>	<b>5,128,022,038</b>	<b>4,951,434,284</b>	<b>176,587,754</b>	<b>3.57%</b>

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

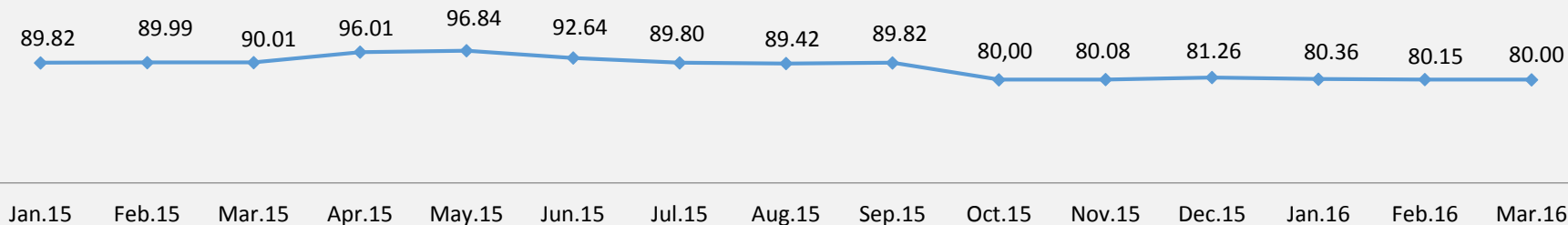
## 3. Main business drivers

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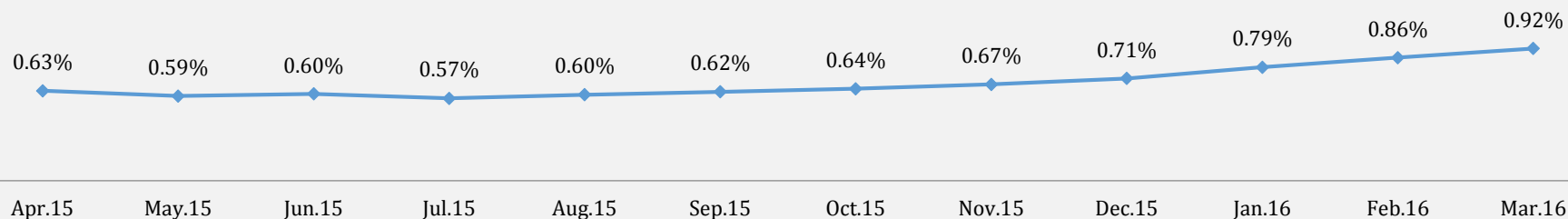
**Natural gas volumes transported (including storage quantities) - mill.cm - rolling 12 months**



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



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

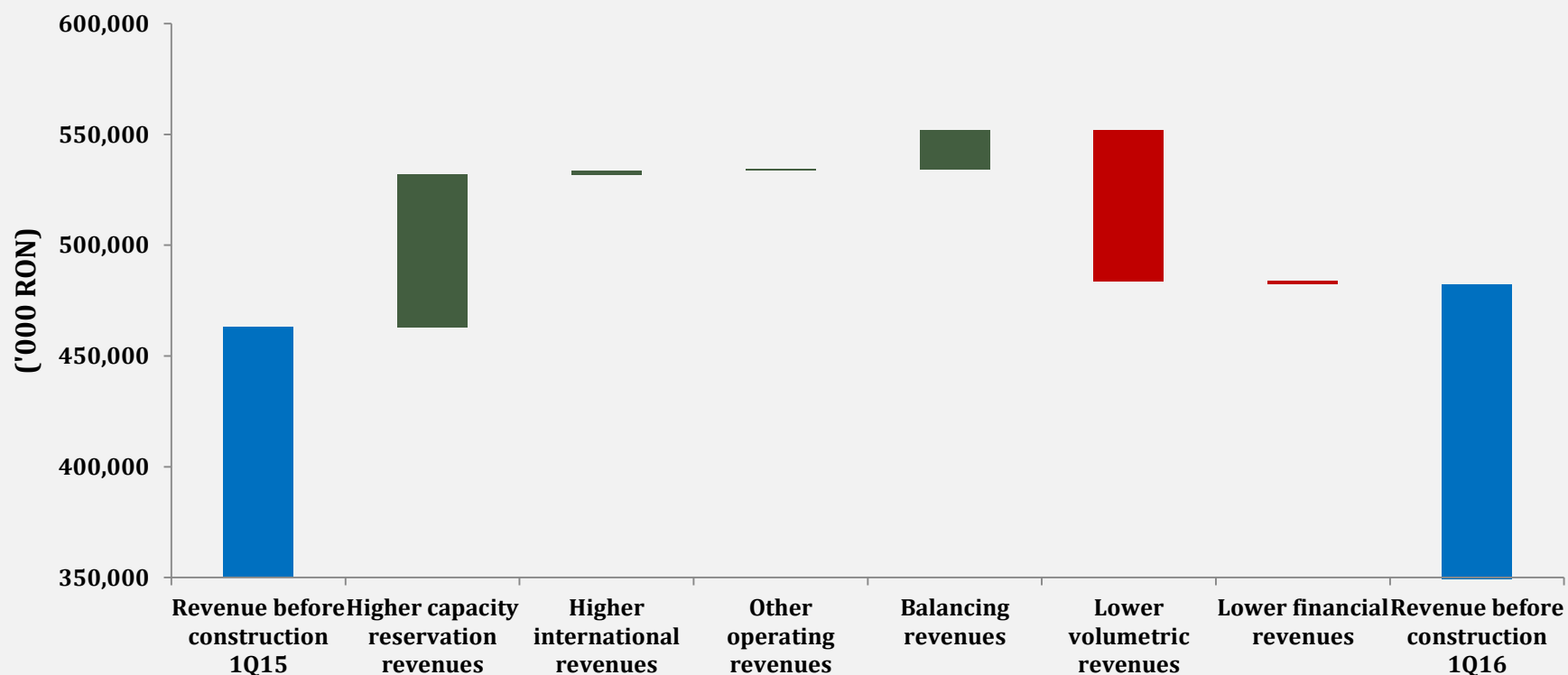


## 4. Factors influencing revenues

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 m<sup>3</sup>), 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 <sup>3</sup>	964,619	835,324	-129,295
Quantity transmitted for distribution	MWh	31,722,921	30,931,744	-791,176
	thousand m <sup>3</sup>	2,972,665	2,890,176	-82,488
Total	MWh	41,970,010	39,788,099	-2,181,911
	thousand m <sup>3</sup>	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.

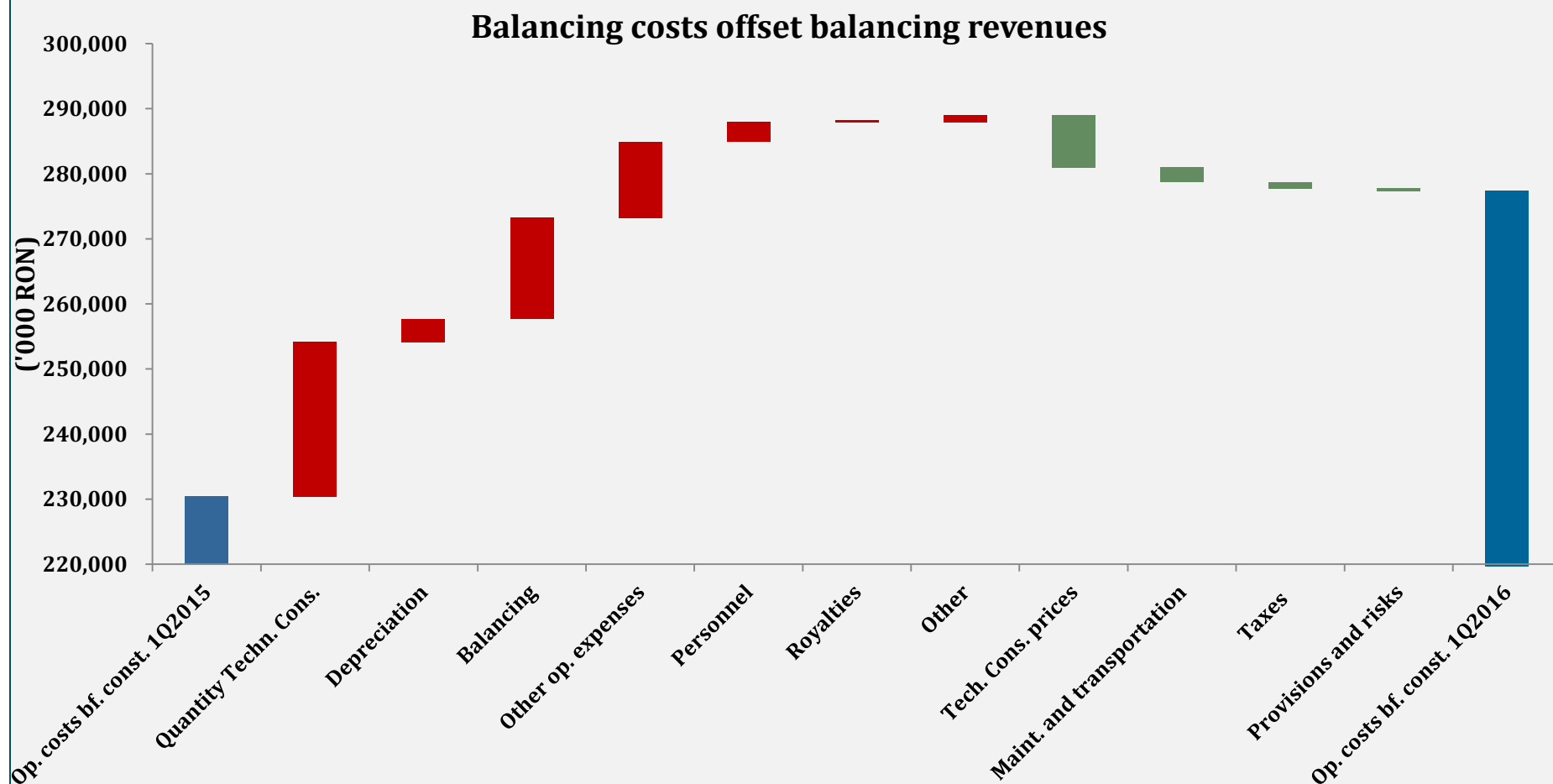
- *international gas transmission revenues higher by RON 1,778 thousand* due to the changes in the foreign currency of the contracts;
- *revenue from the balancing activity* according to ANRE Order 1/18.01.2016 amounting to RON 17,523 thousand;
- *other operating revenues* lower by RON 756 thousand;
- *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)

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Comparison to 1Q2015

**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.

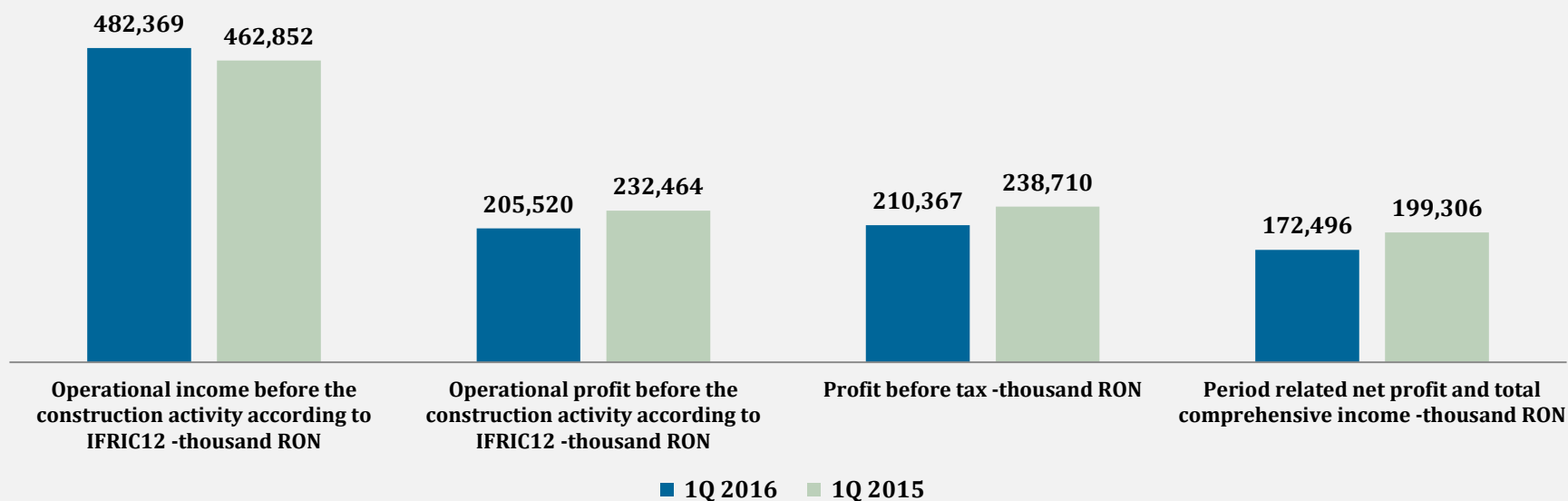
**The gross profit achieved on 1Q 2016 is 12% lower compared to 1Q 2015, by RON 28,343 thousand.**

**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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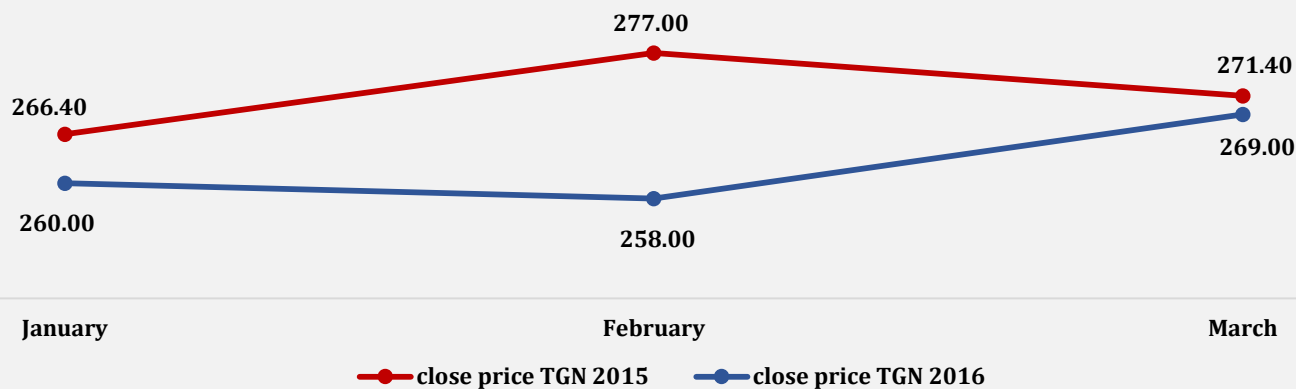


1Q2016 gross profit lower by 12% (28,343 thousand RON ) compared to 1Q2015, and net profit lower by 13% (26,810 thousand RON).

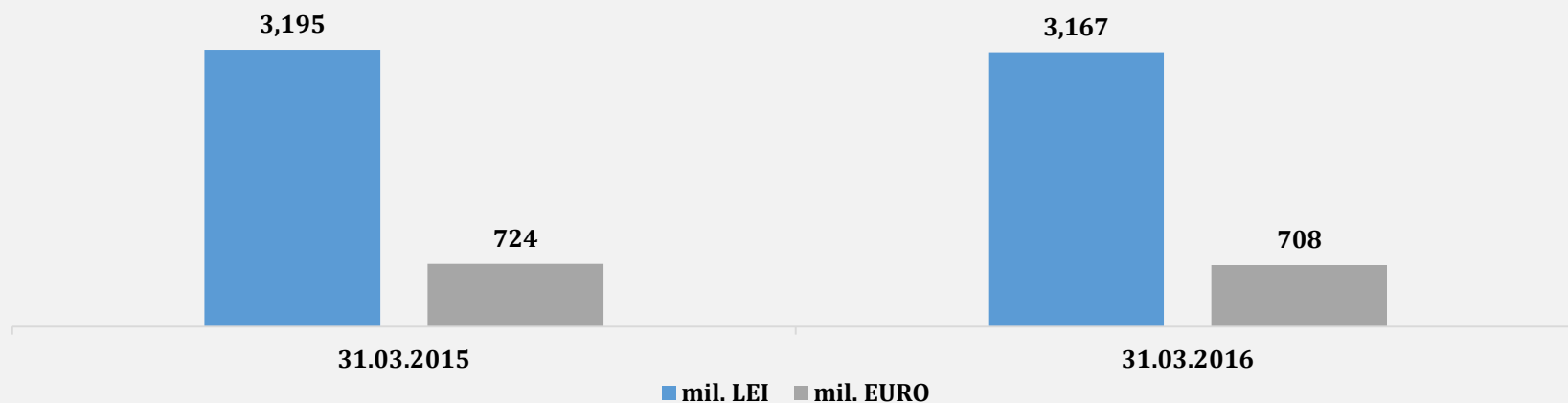
## 7. Other information

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

### Funding sources:

	<i>Thousand RON</i>
	<b>Achievements</b>
▪ 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
<b>TOTAL AMOUNT</b>	<b>733,559</b>

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)

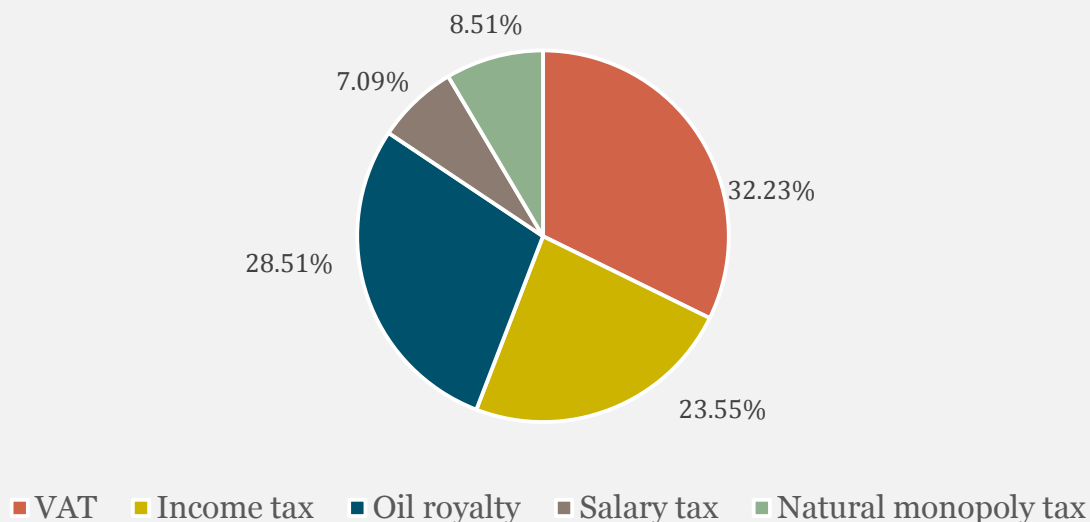
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### State budget dues

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!**