



THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR

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**UNAUDITED FINANCIAL STATEMENTS
FOR 1Q2014**

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2. Balance sheet as of 31.03.2014

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4. Main drivers of expenses

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1. Income statement as of 31.03.2014

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COMPREHENSIVE INCOME -RON	1Q2014	1Q2013	CHANGES	
			absolute	relative
Revenues from domestic gas transmission activity	448,134,697	374,243,118	73,891,579	19.74%
Revenues from international gas transmission activity	67,310,542	67,494,892	(184,350)	-0.27%
Other revenues	7,273,172	8,228,732	(955,560)	-11.61%
Revenues from operations	522,718,411	449,966,742	72,751,669	16.17%
Depreciation	(46,113,460)	(44,971,636)	(1,141,824)	2.54%
Wages, salaries and other employee related expenses	(64,216,621)	(62,471,469)	(1,745,152)	2.79%
<i>Technological consumption, materials and consumables used</i>	<i>(26,447,606)</i>	<i>(40,724,452)</i>	<i>14,276,846</i>	<i>-35.06%</i>
Royalty expenses	(51,544,525)	(44,173,801)	(7,370,724)	16.69%
<i>Maintenance and transportation</i>	<i>(7,112,616)</i>	<i>(13,775,538)</i>	<i>6,662,922</i>	<i>-48.37%</i>
Other employee benefits	(14,532,538)	(13,370,148)	(1,162,390)	8.69%
Taxes and other amounts payable to the State	(23,098,085)	(11,841,863)	(11,256,222)	95.05%
<i>Expenses with the provision for risks and expenses</i>		<i>(249,486)</i>	<i>249,486</i>	<i>-100.00%</i>
Other operating expenses	(18,647,257)	(10,284,761)	(8,362,496)	81.31%
Total operating expenses	(251,712,708)	(241,863,154)	(9,849,554)	4.07%
Operating profit	271,005,703	208,103,588	62,902,115	30.23%
Financial revenues	4,038,763	6,432,775	(2,394,012)	-37.22%
Financial costs	(1,701,794)	(3,403,904)	1,702,110	-50.00%
Financial income, net	2,336,969	3,028,871	(691,902)	-22.84%
Profit before tax	273,342,672	211,132,459	62,210,213	29.47%
Income tax expense	(24,538,768)	(29,570,035)	5,031,267	-17.01%
Period related net profit and total comprehensive income	248,803,904	181,562,424	67,241,480	37.03%

2. Balance sheet on 31.03.2014

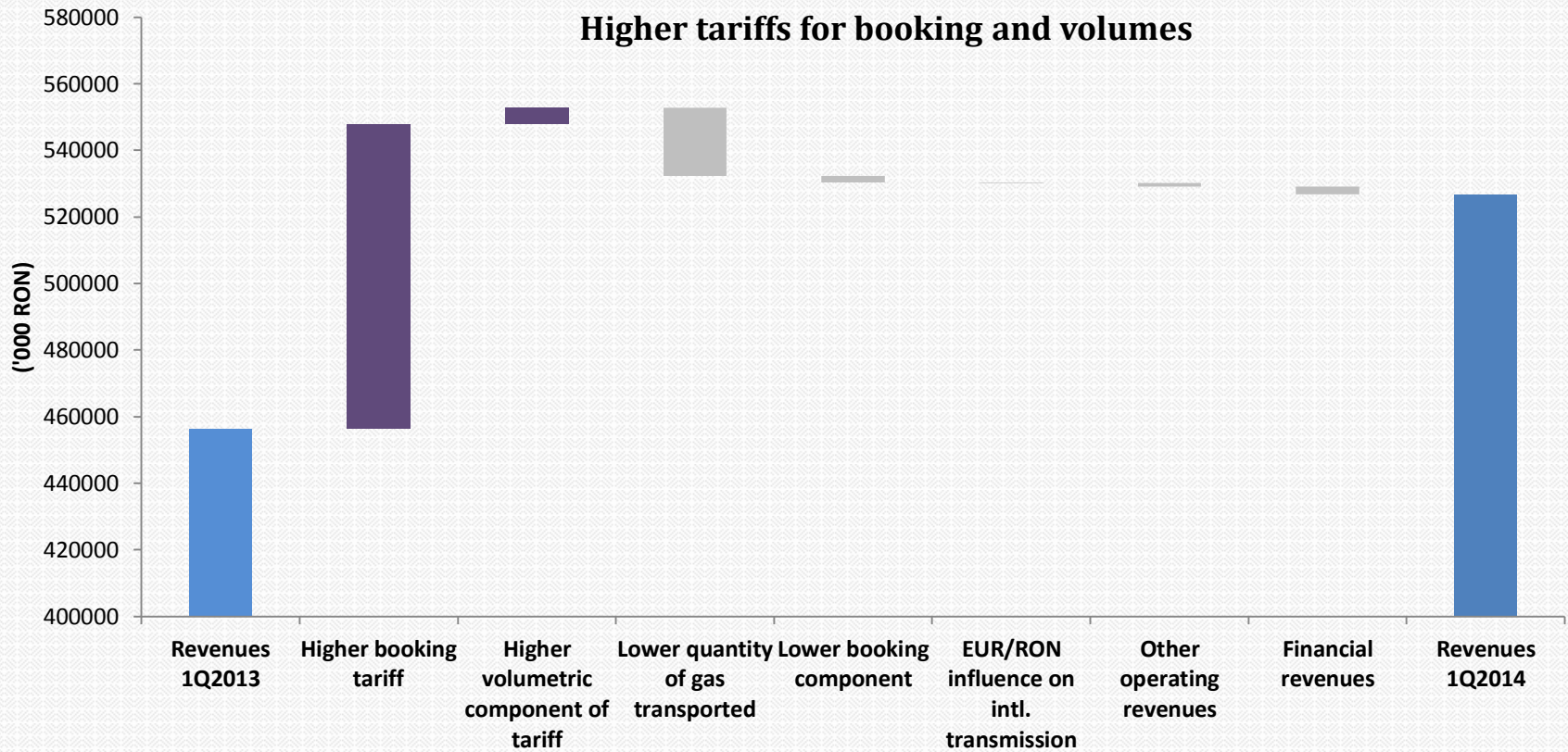
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FINANCIAL POSITION	31/3/2014	31/12/2013	CHANGES	
ASSETS			absolute	relative
Non-current assets				
Intangible assets	2,514,540,395	2,533,955,229	-19,414,834	-0.77%
Tangible assets	681,073,666	694,970,616	-13,896,950	-2.00%
Available for sale financial assets	5,953,263	5,953,263	0	0.00%
	3,201,567,324	3,234,879,108	-33,311,784	-1.03%
Current assets				
Inventories	34,938,425	34,054,464	883,961	2.60%
Trade and other receivables	434,184,400	398,892,681	35,291,719	8.85%
Cash and cash equivalents	482,282,471	267,261,555	215,020,916	80.45%
	951,405,296	700,208,700	251,196,596	35.87%
TOTAL ASSETS	4,152,972,620	3,935,087,808	217,884,812	5.54%
EQUITY AND LIABILITIES				
Equity				
Share capital	117,738,440	117,738,440	0	0.00%
Hyperinflation to share capital adjustments	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	1,249,004,635	1,000,200,731	248,803,904	24.88%
	3,321,437,197	3,072,633,293	248,803,904	8.10%
Long term liabilities				
Long term loans	18,000,000	24,000,000	-6,000,000	-25.00%
Provision for employee benefits	59,468,378	59,468,378	0	0.00%
Deferred income	366,541,639	370,180,329	-3,638,690	-0.98%
Deferred tax liability	84,695,703	85,768,551	-1,072,848	-1.25%
	528,705,720	539,417,258	-10,711,538	-1.99%
Current liabilities				
Trade and other payables	245,905,138	262,154,273	-16,249,135	-6.20%
Provision for risks and charges	21,010,439	21,010,439	0	0.00%
Current income tax liabilities	7,376,726	11,335,145	-3,958,419	-34.92%
Provision for employee benefits	4,537,400	4,537,400	0	0.00%
Short term loans	24000000	24,000,000		
	302,829,703	323,037,257	-20,207,554	-6.26%
Total liabilities	831,535,423	862,454,515	-30,919,092	-3.59%
Total equity and liabilities	4152972620	3,935,087,808	217,884,812	5.54%

3. Factors influencing revenues

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Revenue growth in 1Q2014 compared to 1Q2013



3. Factors influencing revenues

Comparison to 1Q2013

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Preliminary 1Q2014 **total revenues** increased by **15%** compared to 1Q2013 by **70,357 thousand RON**.

Revenues were mainly influenced by the following factors:

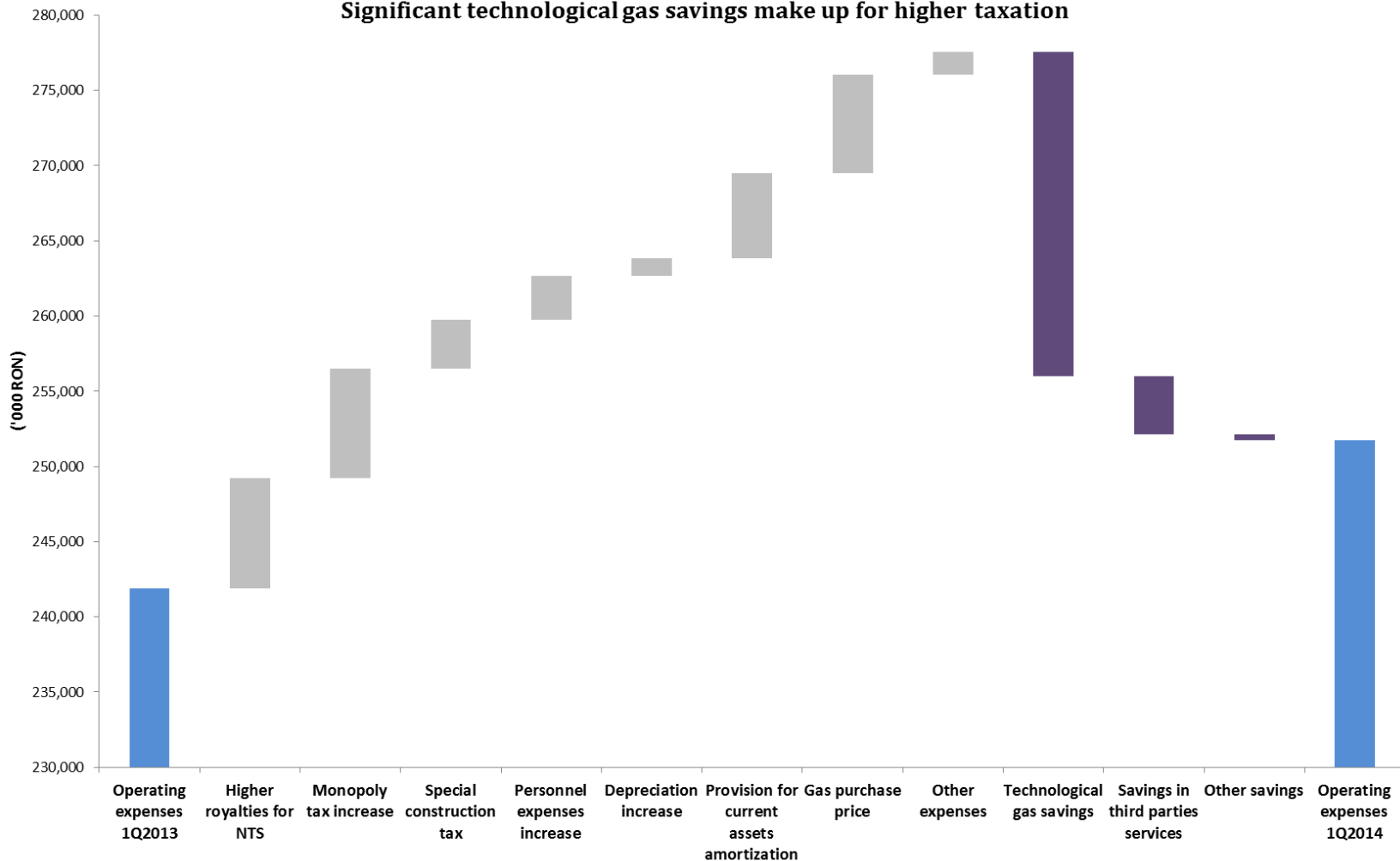
- *capacity booking tariff* higher compared to 1Q2013 with 1.22 RON/MWh, with a positive influence of **91,497 thousand RON**;
- *quantity of gas transported* lower by 2,730,745 MWh/260,598 thousand cm (6%), with a negative influence of **20,481 thousand RON**;
- *volumetric component of the gas transmission tariff* higher with 0.111 RON/MWh, with a positive influence of **4,960 thousand RON**;
- *revenues from international gas transmission services* lower compared to 1Q2013 with **184 thousand RON**, due to differences between average exchange rate RON/EURO, respectively RON/USD, compared to 1Q2013;
- *financial revenues* with a negative influence of **2,394 thousand RON** due to the exchange rate differences;
- *booking component of revenues* smaller by 4,433.78 MWh/h (11%), with a negative influence of **2,085 thousand RON**;
- *other operating revenues* decreased by **956 thousand RON**.

4. Factors influencing costs

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Costs growth in 1Q2014 compared to 1Q2013

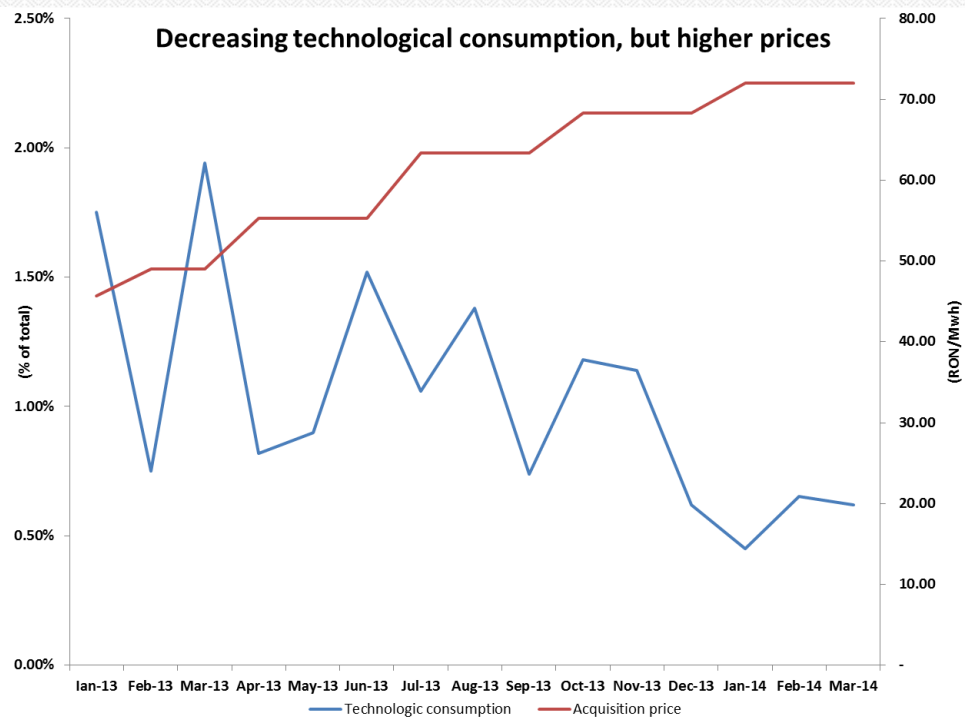
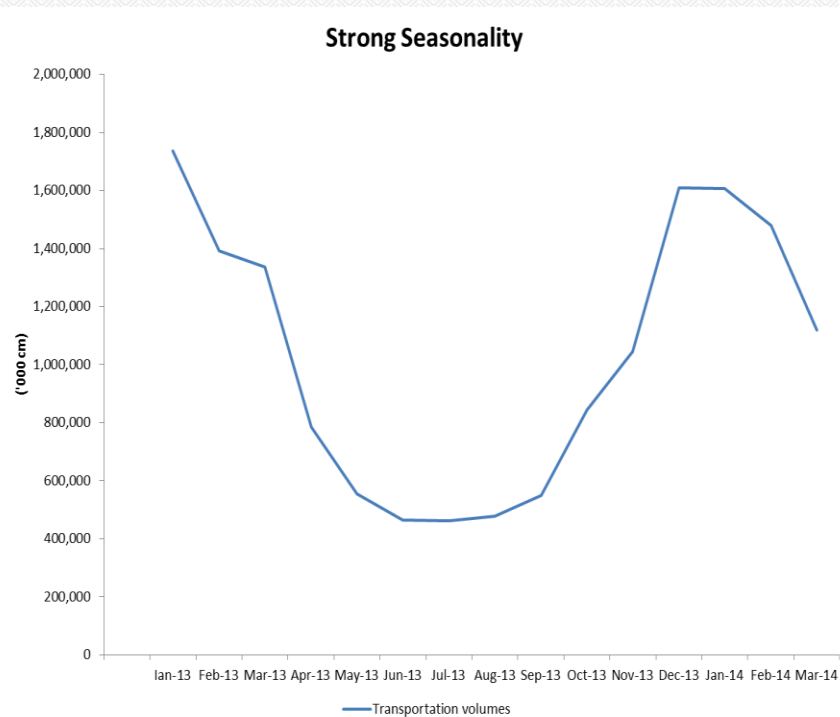
Significant technological gas savings make up for higher taxation



4. Factors influencing costs

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Better operations result in substantial savings



4. Factors influencing costs

Comparison to 1Q2013

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Preliminary *operating expenses* grew by 4%.

Higher expenses compared to 1Q2013 were due to the following factors:

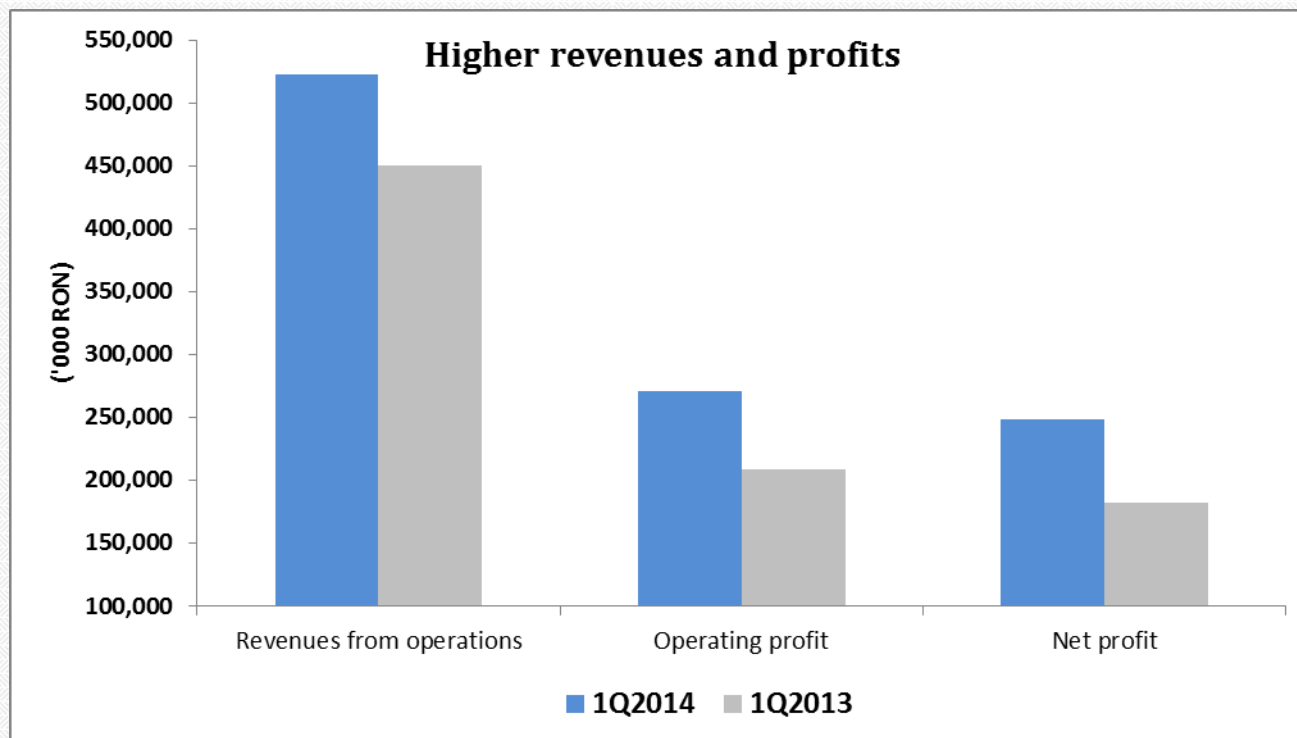
- *higher royalties for the NTS: 7,371 thousand RON* due to higher revenues from transportation activity;
- *higher monopoly tax: 7,257 thousand RON*;
- *special construction tax: 3,281 thousand RON* as per OUG 102/2013 starting Jan 1 2014;
- *personnel costs: 2,909 thousand RON* as per OUG 79/2008 regarding correlation of compensation to productivity,
- *depreciation: 1,142 thousand RON* due to assets added between March 2013 and Feb 2014;
- *other operating costs: 5,682 thousand RON* due to provisions related to amortization of current assets, an impact managed by the company by applying a set of complex measures destined to reduce non-payment risks.

Management achieved to compensate the majority of the negative impact by implementing savings of **19,295 thousand RON**, largely due to the following factors:

- value of technological gas consumption and losses: **15,032 thousand RON** due to:
 - *lower technological gas consumption* by 452,630 MWh/43,678 thousand cm (63%) with a positive impact of **21,576 thousand RON**;
 - *higher average purchase price* as of March 31st 2014 compared to 2013 by 25,03 RON/Mwh (51%) with a negative impact of **6,544 thousand RON**.
- *third party works and services: 3,838 thousand RON*.

5. Profits

Comparison to 1Q2013



1Q2014 gross profit grew by 29% (62,209 thousand RON) compared to 1Q2013, and net profit grew by 37% (67,240 thousand RON).