



THE ROMANIAN GAS TRANSMISSION SYSTEM OPERATOR

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INTERIM FINANCIAL STATEMENTS FOR NINE MONTHS ENDED 30 SEPTEMBER 2014(UNAUDITED)

PREPARED IN ACCORDANCE WITH IFRS -UE

Summary

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1. Interim Income statement as of 30.09.2014

2. Interim Balance sheet as of 30.09.2014

3. Main earnings drivers

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1. Interim Income statement as of 30.09.2014

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	30-Sep-14	30-Sep-13	Changes	
			Absolute	Relative
Revenues from domestic gas transmission activity	980,739	824,053	156,686	19%
Revenues from international gas transmission activity	201,770	202,420	-650	0%
Other revenues	24,146	23,644	502	2%
OPERATING REVENUES	1,206,655	1,050,117	156,538	15%
Wages, salaries and other employee-related expenses	(268,131)	(258,314)	9,817	4%
Technological consumption, materials and consumables used, <i>out of which:</i>	(85,574)	(90,756)	-5,182	-6%
* technological consumption and losses on NTS	(64,419)	(71,580)	-7,161	-10%
Royalty expenses	(118,251)	(102,647)	15,604	15%
Maintenance & transportation, <i>mainly out of which:</i>	(36,147)	(58,862)	-22,715	-39%
* Works & services performed by third parties	(28,977)	(51,691)	-22,714	-44%
Taxes and other amounts payable to the State	(58,956)	(33,960)	24,996	74%
Expenses with provision for risks and expenses	7,276	3,704	-3,572	-49%
Depreciation	(138,077)	(135,386)	2,691	2%
Other operating expenses	(73,973)	(33,428)	40,545	121%
OPERATING EXPENSES	-771,833	-709,649	62,184	9%
OPERATING PROFIT	434,822	340,468	94,354	28%
FINANCE INCOME, NET	20,122	-102,464	122,586	-120%
GROSS PROFIT	454,944	238,004	216,940	91%
Income tax expense	-80,907	-76,385	4,522	6%
NET PROFIT	374,037	161,619	212,418	131%
EBITDA	572,899	475,854	97,045	20%

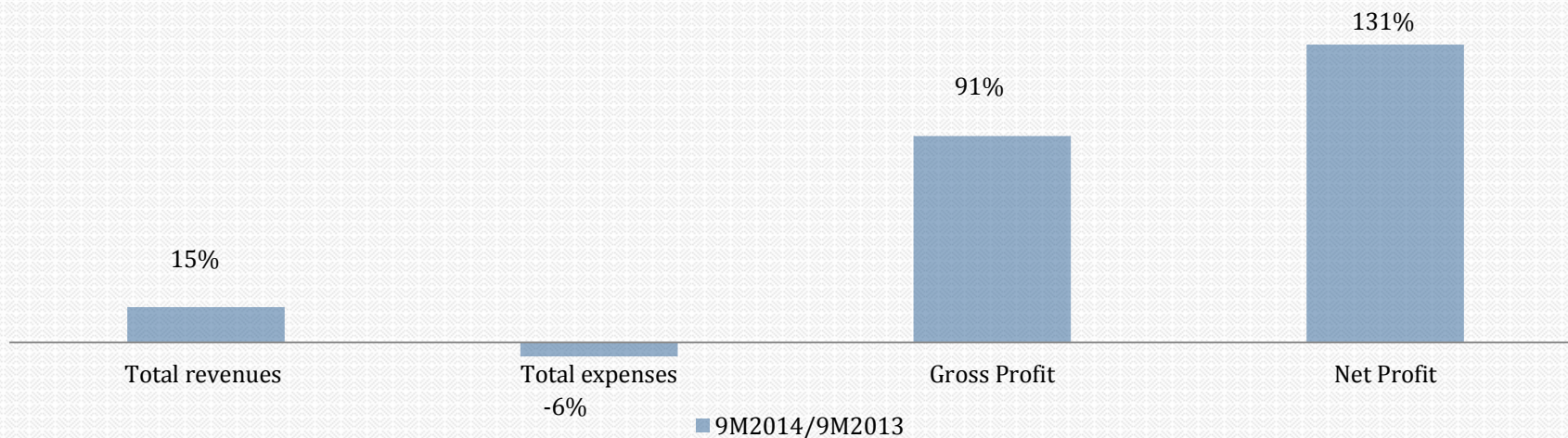
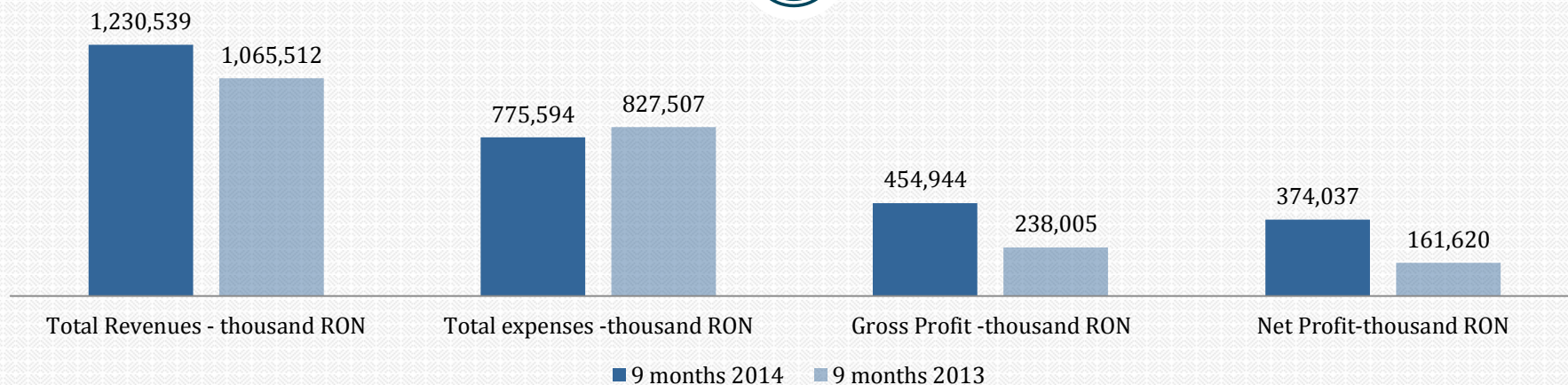
15% higher Total Revenues

6 % reduction Total Expenses

131% higher Net Profit

Interim Income Statement 9 Months 2014 vs 9 Months 2013

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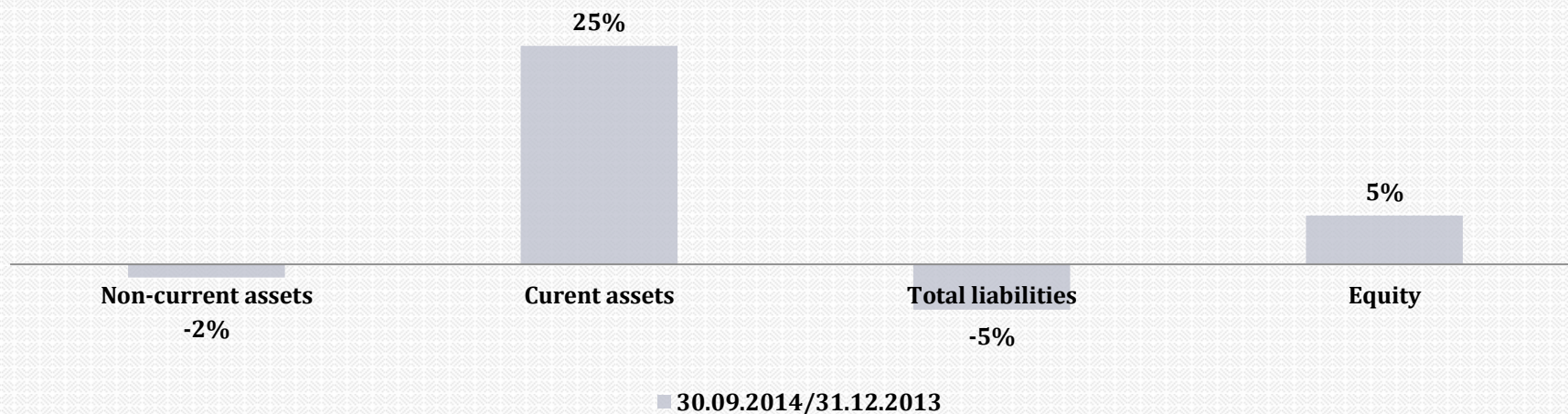
Gross Profit up 91% - increase with 217 million RON

Net Profit up 131% - increase with 212,4 million RON

2. Interim Balance Sheet as of 30.09.2014

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Thousand RON	30.09.2014	31.12.2013	Changes	
			Absolute	Relative
NON-CURRENT ASSETS	3,186,216	3,234,879	-48,663	-2%
CURRENT ASSETS	871,806	700,209	171,597	25%
TOTAL ASSETS	4,058,022	3,935,088	122,934	3%
EQUITY	3,239,687	3,072,633	167,054	5%
LONG TERM LIABILITIES	507,087	539,417	-32,330	-6%
CURRENT LIABILITIES	311,249	323,038	-11,789	-4%
TOTAL LIABILITIES	818,335	862,455	-44,120	-5%
TOTAL EQUITY & LIABILITIES	4,058,022	3,935,088	122,934	3%



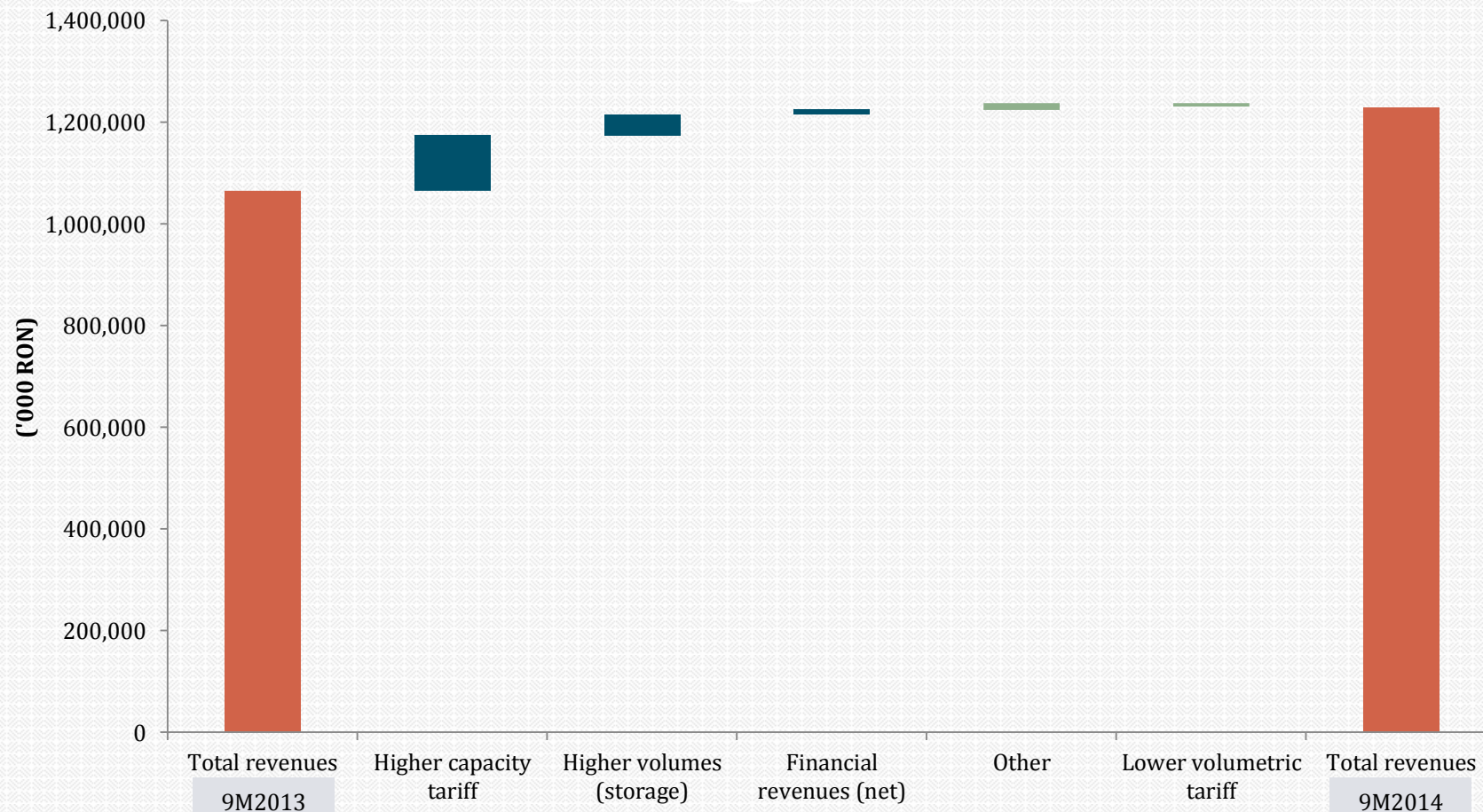
Current assets up 25%

Equity up 5%

3. Main earnings' drivers (1)

Total 9M2014 revenues 15% higher than 9M2013 revenues

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Higher capacity tariffs, higher volumes from storage operations

3. Main earnings' drivers (1)

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OPERATING REVENUES



Increased by 15% compared to 9M2013, by a total of 156.538 thousand RON

The operating revenues were influenced mainly by the following factors:

Capacity reservation tariff higher compared to 9M2013 with 0,43 RON/MWh, with a positive influence of 109.369 thousand RON



Invoiced gas quantity higher by 5.512.931MWh/501.110 thousand cm (7%) for the gas transported to underground storage, with a positive impact of 40.461 thousand RON



The booked capacity volume higher by 15.754.316 MWh compared to 9M2013 with a positive influence of 14.381 thousand RON due to the application of the Entry-Exit capacity booking mechanism as of 1 Aug.2014

Volumetric component of the gas transmission services lower with 0,09 RON/MWh, with a negative influence of 7.525 thousand RON



Other operating revenues with a negative impact of 148 thousand RON

FINANCIAL REVENUES

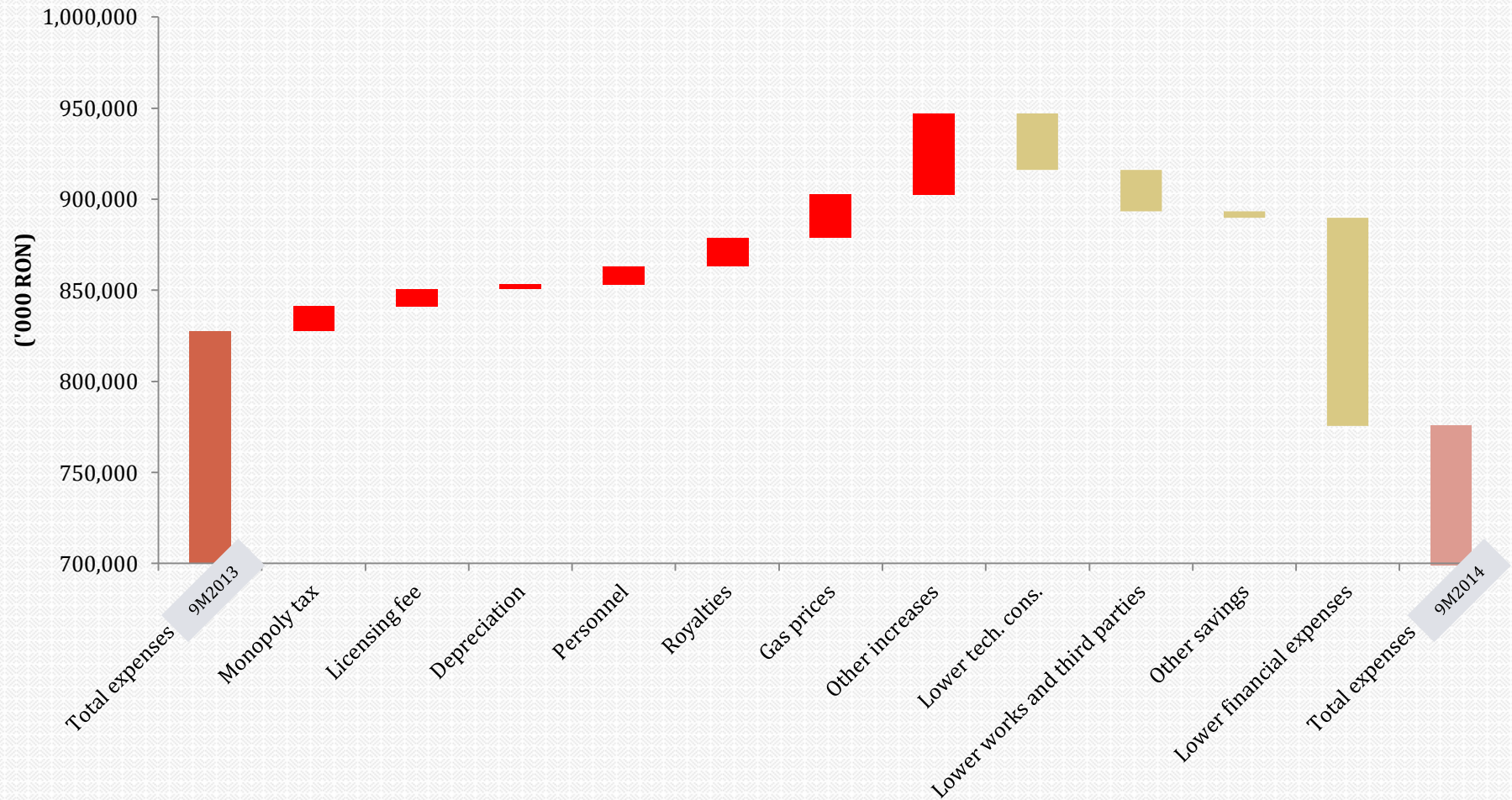


With a positive influence of 8.489 thousand RON based on the advance payment from the liquidation of NIC amounting to EUR 959.350,39 and the reconciliation of the amounts transferred in an escrow account by Shah Deniz Consortium amounting to EUR 1.468.500

3. Main earnings' drivers (2)

Total expenses 6% lower in 9M2014 compared to 9M2013

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3. Main earnings' drivers (2)

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The operating expenses are higher with 9% compared to 9M2013, respectively with 62.183 thousand RON

*Savings of **31.469 thousand RON** were registered, mainly, due to the following items:*

- ☛ Savings with the technological consumption, materials & consumables 5.182 thousand RON, out of which consumption and technological losses of natural gas on the gas transmission system of 7.161 thousand RON, due to the following two factors:
 - natural gas amount for technological consumption lower compared to 9M2013 with 570,958 MWh/59,160 thousand cm (43%), having a positive influence of 31.073 thousand RON;
 - average acquisition price for 9M2014 higher compared to 9M2013 with 32,13 RON/MWh, having a negative influence of 23.912 thousand RON;
- ☛ Savings with works and services carried out by third parties: 22.716 thousand RON;
- ☛ Savings with other operating expenses: 3.572 thousand RON – expenses related to the liabilities and charges provision

Expenses increases of 93.653 thousand RON were accounted mainly in relation to the following cost elements:

- ☛ Tax on monopoly: 13.538 thousand RON;
- ☛ Licensing fee : 9.602 thousand RON;
- ☛ Depreciation of fixed assets: 2.690 thousand RON;
- ☛ Expenses with the personnel: 9.817 thousand RON;
- ☛ Royalty for NTS concession: 15.604 thousand RON;
- ☛ Other operating expenses: 40.546 thousand RON, mainly related to the adjustments for the depreciation of current assets, out of which expenses with provisions for customers – 37.537 thousand RON

The financial expenses decreased by 114.097 thousand RON as a result of the provision made for the impairment of financial assets (110.671 thousand RON) representing TRANSGAZ contribution to the share capital of Nabucco Gas Pipeline International GmbH.

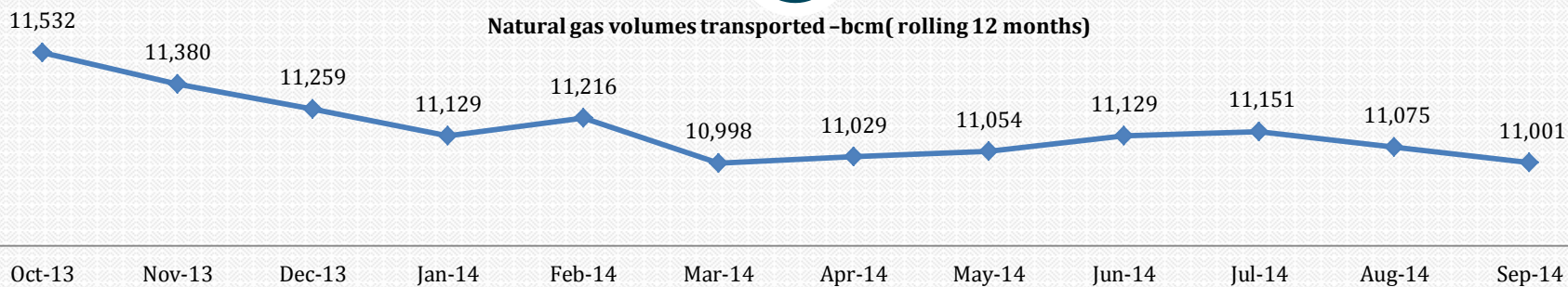
TOTAL EXPENSES DECREASED WITH 6% COMPARED TO 9M2013, BY 51.913 THOUSAND RON

3. Main earnings' drivers (3)

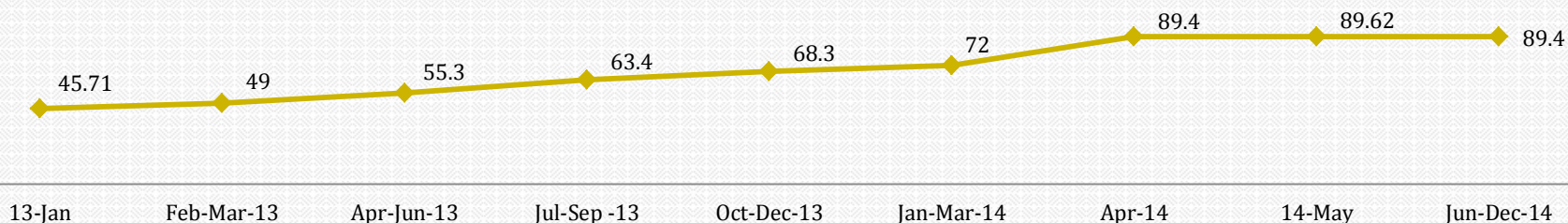
Savings due to more efficient management of operational activity

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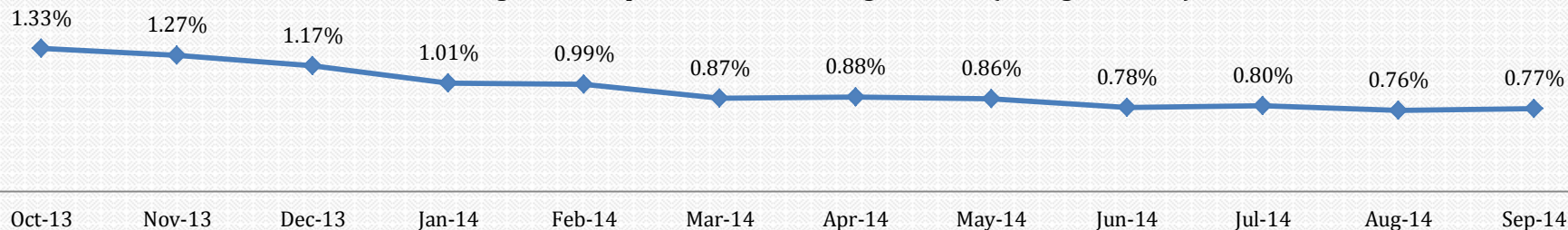
Natural gas volumes transported -bcm(rolling 12 months)



Natural gas acquisition price for technological consumption -RON/MWh



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



4. Cash flow

CASH FLOW – thousand RON	9M2014	9M2013	Changes	
			Absolute	Relative
Cash generated from operations	630,790	502,975	127,815	25%
Interest paid	-996	-2,922		
Interest received	7,863	8,097		
Profit tax paid	-62,558	-116,480		
Net cash inflow from operating activities	575,099	391,670	183,429	47%
Cash flow from investment activities				
Payments to acquire tangible and intangible assets	-76,210	-114,796		
Proceeds from disposal of tangible assets	0	135		
Purchase of financial investments, net	0	-33,188		
Net cash used in investment activities	-76,210	-147,849	71,638	-48%
Cash flow from financing activities				
Dividends paid	-200,400	-252,327		
Cash flows from connection fees and grants	2,021	48,090		
Proceeds for financial investments	0	16,986		
Repayments of long term loans	-18,000	-18,000		
Net cash used in financing activities	-216,379	-205,251	-11,128	5%
Net change in cash and cash equivalents	282,510	38,571	243,940	
Cash and cash equivalent at beginning of period	267,262	178,638	88,624	50%
Cash and cash equivalent at end of period	549,772	217,209	332,563	153%

5. Main indicators (1)

Complex evolution in 9M2014 compared to 9M2013

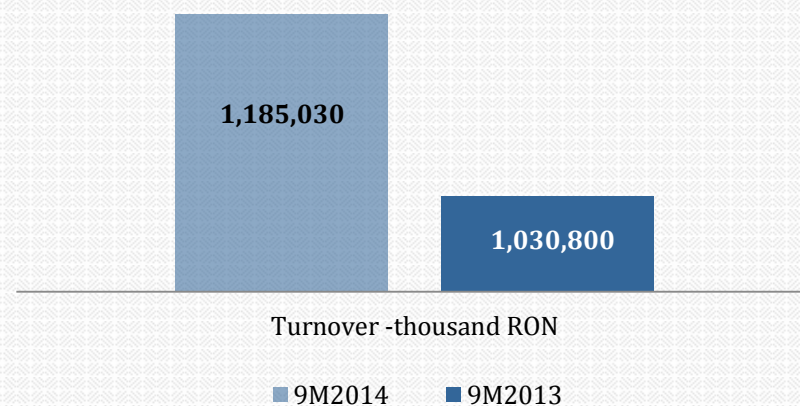
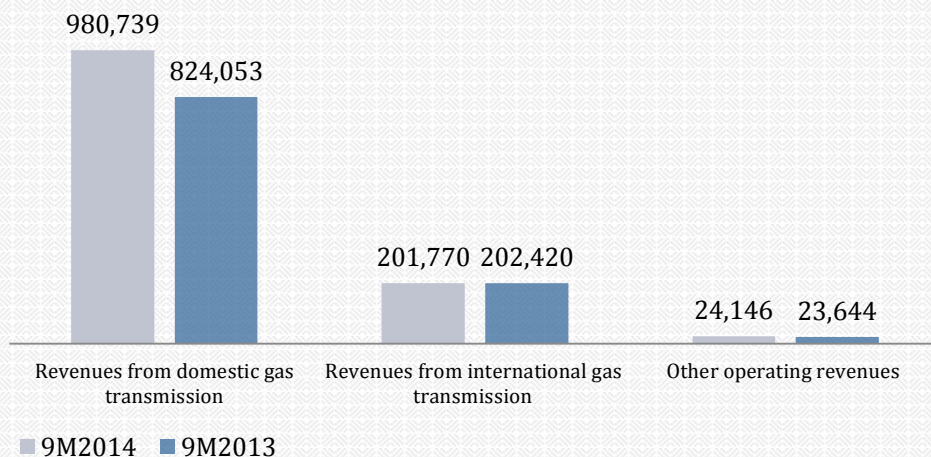
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	9M2014	9M2013
EBITDA margin	48.34%	46.16%
Net income margin	31.56%	15.68%
Rate of return on capital	11.55%	5.58%
Current ratio	2.80	1.76
Quick ratio	2.70	1.65
Gearing	0.19%	1.04%
Interest coverage ratio	438	118
Turnover speed for clients debit -days	87.17	86.99

EBITDA higher with 20%
TURNOVER higher with 15%

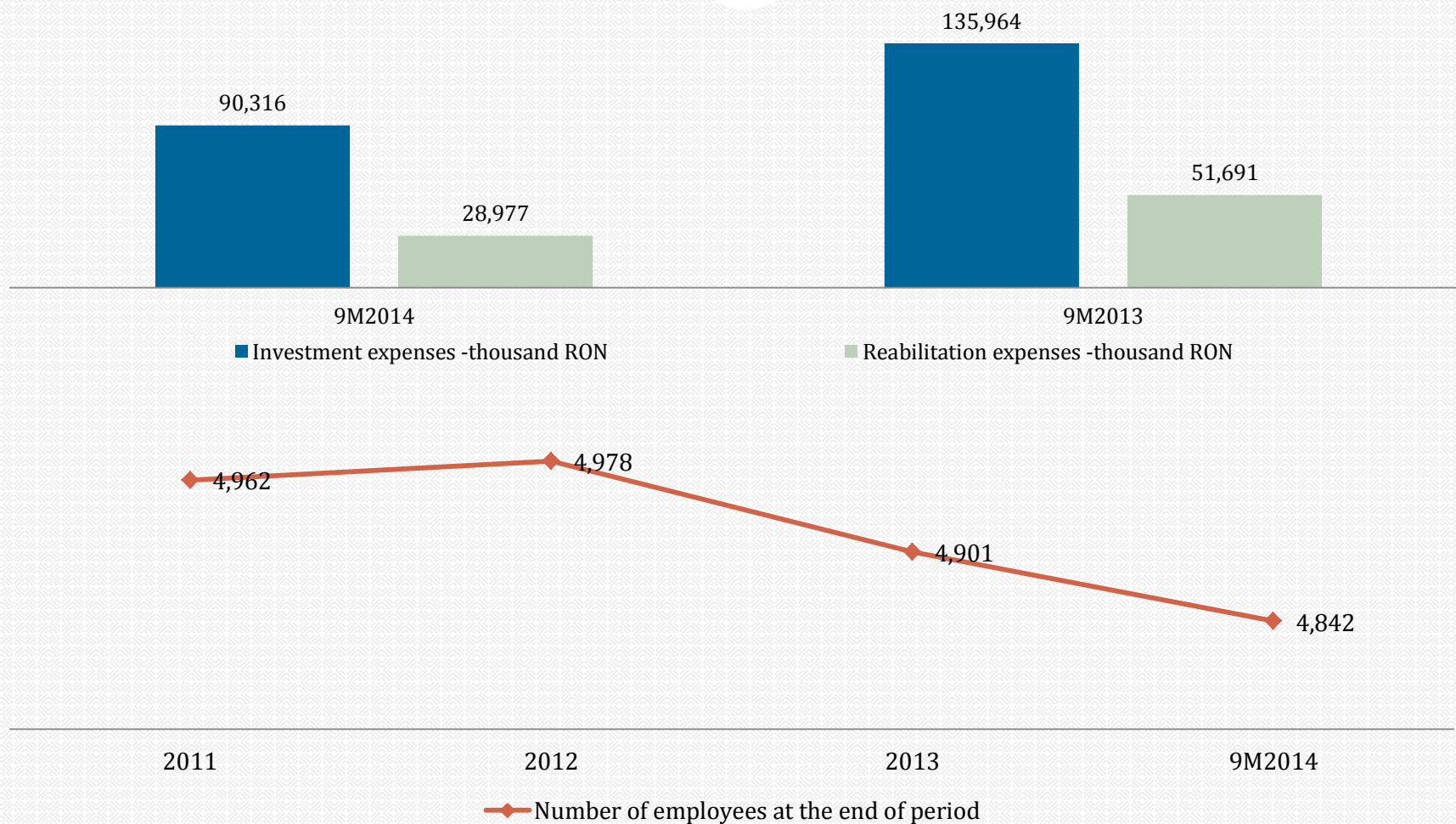
Net profit up 131%

Operating revenue structure (thousand RON)



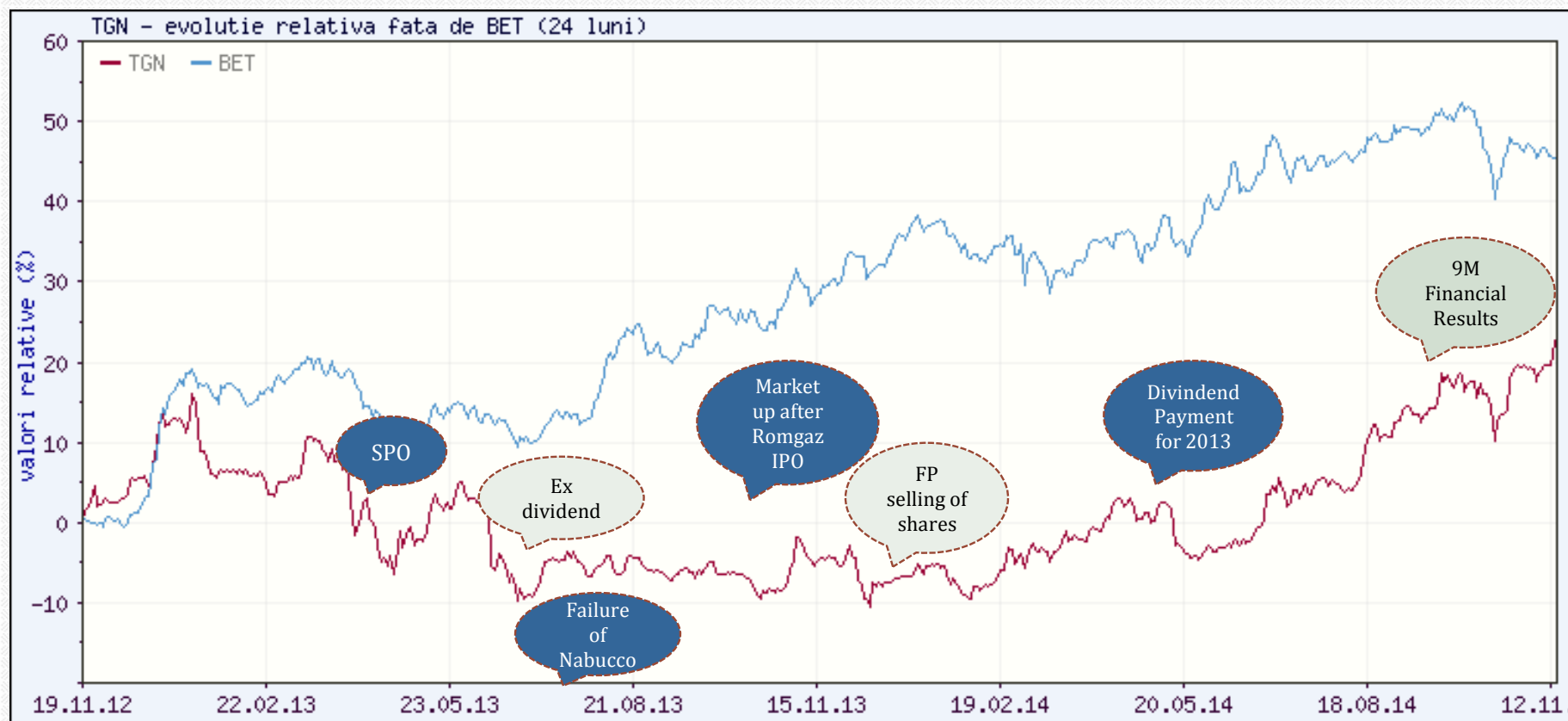
5. Main indicators (2)

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Stock Exchange TGN Evolution

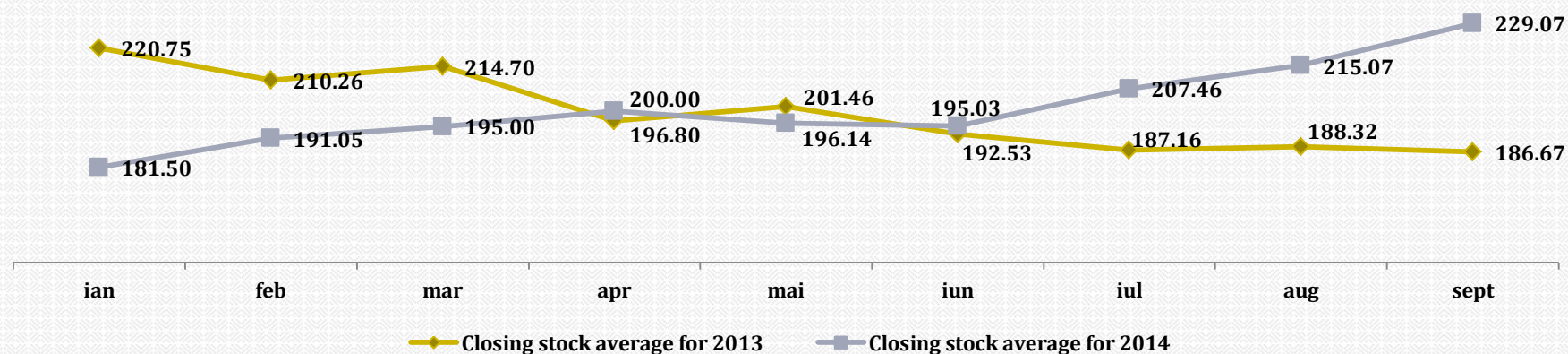
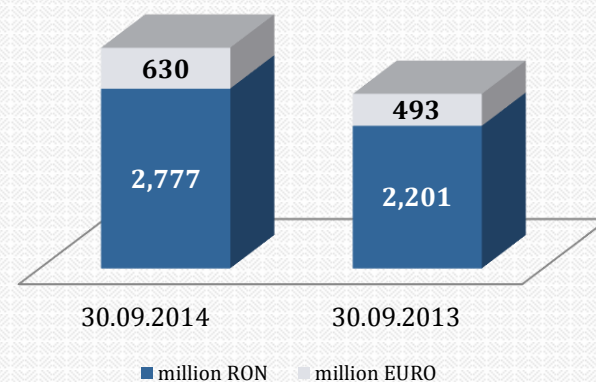
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TRANSGAZ compared to peers

Company	Country	P/E	P/BV	EV/EBITDA
Enagas	Spain	15.6	2.8	10.4
SNAM Rete Gas	Italy	13.1	2.1	9.8
Fluxys	Belgium	30.9	2.5	11.5
Media		19.8	2.4	10.6
Transgaz	Romania	7.2	0.9	4.8
Premium /Discount		-64%	-63%	-55%

Market Capitalization



Thank you for your kind attention!