



SOCIETATEA NATIONALA DE TRANSPORT GAZE NATURALE "TRANSGAZ"-S.A. MEDIAS

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PRESS RELEASE

On the economic - financial indicators on September, 30th 2012

Background data

SNTGN "Transgaz" SA is a joint-stock company operating under the Romanian laws and under the Incorporation Document.

According to GD no. 334/2000 and Transgaz' Incorporation Document, the company's goal is to achieve the national strategy established for gas transmission, international transit, dispatching and research-design in the field of gas transmission by means of trading deeds compliant with its scope of activity and in line with the national legislation.

Transgaz' income comes from the performance of the following activities:

- **Natural gas transmission** activities are regulated by the National Energy Regulating Authority because of their monopoly.

The revenues coming from the transmission activity are regulated according to the Decision no. 22/25 May 2012 *on the approval of the Methodology for the approval of the prices and regulated tariffs determination in the field of natural gas.*

The total regulated revenue from transmission activities is determined according to the above mentioned methodology constituting the basis for setting regulated tariffs for natural gas transmission according to the capacities booked and the gas volumes transmitted. The following elements are included within the structure of the total regulated revenue:

- *operating costs* acknowledged by authorities (materials, water and energy, technological consumption, salaries, maintenance and repair, etc.);
- *regulated amortization* of transmission activity assets;
- *direct costs*, costs that are out of the operator's control (contributions to the salaries funds, NTS concession royalty, other duties and taxes);
- *regulated profit* determined according to the regulated value of the assets and to the rate of return on capital (7,72% starting with the 1st of July 2012)

to the value of the regulated assets used for the performance of transmission activities.

The substantiation of the regulated revenue is performed for 5 year regulating periods and within the regulating period the adjustment of the regulated revenue is performed according to the annual inflation index reduced by the growth factor of the economic efficiency, the value of the fixed assets put into operation (by the related regulated amortization and the related regulated profit) and to the achievement or failure to achieve the regulated income approved for the previous gas year, thus:

- when, in the previous year, the regulated revenue was greater than the approved one, the difference is decreased from the regulated revenue of the next year;
- when, in the previous year, the regulated revenue was smaller than the approved one, the difference is added to the regulated revenue of the next year;

Subsequent to the regulation of the transmission activity according to the above mentioned methodology, the revenue obtained from the transmission activity covers the expenses it generated and provides the opportunity to gain a regulated profit limited to 7,72% of the value of the capital invested in this activity. The sole possibility to gain a greater profit than the regulated one, within a regulating period, is to achieve some savings at the operational costs.

It is worth mentioning that the last approved and applied tariff is the one related to the year “3” of the regulating period “2” (1 July 2009-30 June 2010) NRAE did not approve new tariffs after the 30th of June 2012 although Transgaz sent all the necessary documents.

- **Natural gas international transit activity** which is a gas transmission activity as well but because of the fact that it is carried out through dedicated transmission pipelines, (which are not interconnected to the national transmission system) *it is not a regulated activity, and the transit tariffs are set on commercial basis through negotiation between parties;*

The total revenues of the company are supplemented by revenues from other activities with a marginal contribution to the turnover, as asset sale, rents and royalties, investment subsidies and by financial revenues from income and revenues from currency exchange differences.

Revenue and expenses analysis on the 30th of September 2012 as opposed to the achievements on the 30th of September 2011

The key economic-financial indicators achieved on the 30th of September 2012, as opposed to the same period of 2011 are as follows:

Thousand lei

Tag no.	Name	Achieved 1.01-30.09.2011	Achieved 1.01-30.09.2012	Indices (%)
0	1	2	3	4=3/2x100
1.	Operating revenues	985.279	971.747	98,63
2.	Financial revenues	40.566	48.320	119,11
3.	TOTAL REVENUES	1.025.845	1.020.067	99,44
4.	Operating expenses	657.353	728.108	110,76
5.	Financial expenses	28.679	21.350	74,44
6.	TOTAL EXPENSES	686.032	749.458	109,25
7.	GROSS RESULT (row 3.- row 6.) total of which:	339.813	270.609	79,63
	☛ From operation	327.926	243.640	74,30
	☛ From the financial activity	11.887	26.969	226,87
8.	Tax on profit	55.881	55.382	99,11
9.	NET PROFIT	283.932	215.227	75,80

The total revenues represent **99,44%** as opposed to the achievements related to the similar period of 2011, registering a **lei 5.778 thousand** decrease. The revenues were mainly influenced by the following factors:

- ☛ *Gas quantities transmitted* were smaller than those on the 30th of September 2011 by **3.146.254 MWh (303.868 thousand cm)**, that is its decrease from 93.433.034 MWh (8.795.943 thousand cm) la 90.286.780 MWh (8.492.075 thousand cm);
- ☛ *The reduction of other operational revenues from fines and penalties.*

As opposed to the 30th of September 2011 the following increased:

- ☒ *Natural gas international transit services revenues* had increased because of the depreciation of the national currency “leu” in 2012 as opposed to EURO and USD, taking into account the fact that these revenues are invoiced in currency;
- ☒ The financial revenues because of the favorable differences of currency exchange.

The total expenses were achieved **109,25%** as opposed to the similar period of 2011, their level being **lei 63.426 thousand** higher.

The operating expenses achieved were 10,76% higher than the achievements of 2011.

The company registered higher values, mainly at the following expense elements:

- ✍ Amortization of the fixed assets: **lei 52.660 thousand** determined by recording the results of the revaluation of the fields and buildings owned by Transgaz on the 31st of December 2011, according to the Order of the Ministry of Public Finances no. 3055/2009 and approved by the General Assembly of the Shareholders of Transgaz by the Decision no. 3 on the 25th of April 2012;
- ✍ Personnel expenses: **lei 6.901 thousand** in compliance with the provisions of the GEO no. 79/2008 and the correlation of the wage increase with work productivity respectively;
- ✍ The participation of employees to the profit: **lei 9.687 thousand**. We would like to mention that in 2011 the employees' share of profit related to 2010 was not granted as it was not approved by the REB 2010.

The company registered a decrease of **lei 5.719 thousand** in the expenses related to the consumption and technological losses in the transmission system, because of the gas quantities destined for these operations, smaller than the one related to the same period of 2011 by **101.380 MWh**;

We would like to mention that in the period 01 January – 30 September 2011 the social aid fund for gas and the contributions related to the aid for gas were presented in the profit and loss account at “Other expenses”. In 2012 these expenses are presented in the profit and loss account at “Salaries and Bonuses”, “Expenses related to the social security”.

The gross profit is lower compared with the one in the similar period of 2011 by **20,37%** (**lei 69.204 thousand**), and the **net profit** is lower by **24,20%** (**lei 68.705 thousand**).

Thousand lei

Tag no.	Name	REB GD 775 1.01-30.09.2012	Achieved 1.01-30.09.2012	Indices (%)
0	1	2	3	4=3/2x100
1.	Operating revenues	960.153	971.747	101,21
2.	Financial revenues	41.207	48.320	117,26
3.	TOTAL REVENUES	1.001.360	1.020.067	101,87
4.	Operating expenses	741.814	728.108	98,15
5.	Financial expenses	23.554	21.350	90,64
6.	TOTAL EXPENSES	765.368	749.458	97,92
7.	GROSS RESULT (row 3.- row 6.) total of which:	235.992	270.609	114,67

Tag no.	Name	REB GD 775 1.01-30.09.2012	Achieved 1.01-30.09.2012	Indices (%)
0	1	2	3	4=3/2x100
	☝ From operation	218.339	243.640	111,59
	☝ From the financial activity	17.653	26.969	152,77
8.	Tax on profit	46.372	55.382	119,43
9.	NET PROFIT	189.620	215.227	113,50

The total revenues achieved are **101,87%** as opposed to the provisions of the REB, registering an overrun of **lei 18.706 thousand**.

The total expenses were achieved **97,92%**, their level being by **lei 15.910 thousand** lower than the provisions of REB.

The gross profit was achieved **114,67%** compared with the schedule; its level being **lei 34.616 thousand** higher compared with the provisions of the REB, and **the net profit 113,50%** by **lei 25.606 thousand** higher than the scheduled one.

The total expenses for the investment achieved on the 30th of September 2012 summed up **lei 142.003 thousand** of which **lei 6.553 thousand** represent the installation of the connection to the NTS achieved based on the access regulation approved by the GD no. 1043/2004, that is **35.567 thousand lei** reimbursement of the installments for investment credits. As opposed to the 9 months achievements of 2011 (**119.751 thousand lei**) these increased by **lei 22.252 thousand**, that is **18,58%**.

In the period 1 January – 30 September the investment of **lei 102.116 thousand** were commissioned.

The amount due to the state budget is of **lei 340.544 thousand** of which:

- Value added tax: **lei 121.623 thousand**;
- Oil royalty: **lei 111.585 thousand**;
- Tax on profit: **lei 76.765 thousand**;
- Tax on salaries income **lei 25.260 thousand**.

In the account of the local budget, special funds and social security the amount **lei 86.972 thousand** was cleared.

GENERAL MANAGER

Ioan RUSU

Traducere: Alina Veres