



**SOCIETATEA NAȚIONALĂ DE TRANSPORT
GAZE NATURALE "TRANSGAZ" SA MEDIAȘ**

Capital social: 117 738 440,00 LEI
ORC: J32/301/2000; C.I.F.: RO13068733
P-ța C. I. Motaș nr. 1, cod: 551130, Mediaș, Jud. Sibiu
Tel.: 0040 269 803333, 803334; Fax: 0040 269 839029
<http://www.transgaz.ro>; E-mail: cabinet@transgaz.ro



RELEASE

on the economic and financial indicators on 30 September 2016

Overview

SNTGN Transgaz SA is a public limited liability company operated according to the Romanian laws and to the Articles of Incorporation.

According to Government Resolution 334/2000 and to the Articles of Incorporation, Transgaz aims at giving effect to the national strategic goals set for gas transmission, international transit, dispatching, research and design, by performing trading acts according to its object of activity, in line with the Romanian laws in force.

The revenue obtained by Transgaz results from the following activities:

👉 **Gas transmission**, which, due to its monopolistic feature, is regulated by the National Energy Regulatory Authority.

The revenue obtained from the transmission activity is regulated under **National Energy Regulatory Authority Order 32/21 May 2014 on the approval of the Gas Transmission Regulated Revenue, Total Revenue and Regulated Tariff Setting Methodology**.

The above-mentioned methodology establishes the total regulated revenue resulting from the transmission activity, based on which the regulated gas transmission tariffs are set, considering the capacities booked and the amounts of gas transmitted. The following items are included into the total regulated revenue:

- *operating expense* allowed by the authority (materials, energy and water, technological consumption, salaries, maintenance and repair, and others);
- *regulated depreciation* of the assets related to the transmission activity;
- *pass-through costs*, which are beyond the control of the operator (national transmission system royalty, transmission licence fee, wage fund contributions, other taxes and duties);
- *regulated profit* set on the basis of the regulatory asset value and on the regulatory rate of return.

The substantiation of the regulated revenue is made by regulatory periods of 5 years (the current period is 1 July 2012 – 30 September 2017), and the regulated revenue is adjusted annually within the regulatory period, based on the annual inflation rate minus the growth factor of economic efficiency, the operational fixed assets value (through the related regulated depreciation and regulated profit) and on the obtaining or non-obtaining the approved regulated revenue for the previous gas year, as follows:

- if during the previous year the regulated revenue obtained is higher than the approved regulated revenue, the difference is subtracted from the regulated revenue of the following year;
- if during the previous year the regulated revenue obtained is lower than the approved regulated revenue, the difference is added to the regulated revenue of the following year.

Following the regulation of the transmission activity according to the methodology above, the revenue from the transmission activity covers the costs generated by it and allows the possibility to obtain a regulated profit limited to 7.72% of the value of the capital invested in this activity, namely 9,12% for the investment commissioned after 1 July 2012, according to National Energy Regulatory Authority Order 23/11.06.2012.

- ☞ **international gas transmission activity**, which is a gas transmission activity performed through dedicated transmission pipelines (that are not connected to the national transmission system), *is not a regulated activity, and the tariffs are set on commercial bases, through negotiations between the parties.*
- ☞ **balancing activity** performed as of 1 December 2015 based on ANRE Order 160/2015 establishing the obligations of the Company on the balancing of the national transmission system, a financially neutral activity, any profit or loss from this activity following to be distributed to the customers for which the domestic transmission services are provided.

The total revenue from other activities with a small contribution to the turnover, such as asset sales, renting and royalty, interest revenue and foreign exchange gains, the operating costs and the financial costs related to the debt for the regulated value remaining unamortised of the regulated asset base at the end of the Concession Agreement complete the total revenue of the Company.

1. The analysis of the economic and financial indicators between 01.01 - 30.09.2016

1.1 The analysis of the revenue and expense achieved on 30 September 2016 compared to 30 September 2015

The main economic and financial indicators obtained on 30 September 2016, as compared to the indicators obtained in the similar period of year 2015 are presented in the table below:

* thousand RON *

No.	Name	Obtained between 1.01-30.09.2015	Obtained between 1.01-30.09.2016	Increase
0	1	2	3	$4=3/2 \times 100 - 100$
1.	Operating revenue before the construction activity, according to IFRIC12	1.233.069	1.264.283	3%
2.	Revenue from the construction activity, according to IFRIC12	133.585	49.223	-63%
3.	Financial revenue	24.446	19.837	-19%
4.	Operating costs before the construction activity, according to IFRIC12	775.914	845.366	9%
5.	Cost of assets built according to IFRIC12	133.585	49.223	-63%
6.	Financial costs	7.335	5.002	-32%

No.	Name	Obtained between 1.01-30.09.2015	Obtained between 1.01-30.09.2016	Increase
0	1	2	3	4=3/2x100-100
7.	GROSS PROFIT , of which: <ul style="list-style-type: none"> • from operation • from the financial activity 	474.266	433.751	-9%
		457.154	418.916	-8%
		17.112	14.835	-13%
8.	Income tax	89.945	75.282	-16%
9.	NET PROFIT	384.320	358.469	-7%

Operating revenue before the construction activity, according to IFRIC12 increased by 3% as compared to the corresponding period of year 2015, which is higher by RON 31.214 thousand.

The revenue was influenced mainly by the following factors:

- capacity booking revenue higher by **RON 124.152 thousand** due to:
 - the increase of the fix component share in the total revenue to 60%;
 - the invoicing of the booking capacity surplus for 9 months of 2016 amounting to RON 50.106 thousand according to Art. 3, paragraph (6) of ANRE Order 1/18.01.2016;
- volumetric component revenue lower by **RON 172.128 thousand** due to:
 - the decrease of the variable component share in the total revenue 40%;
 - the decrease of the quantity of invoiced gas by 8.729.958 MWh (873.893 thousand m³), detailed by categories of consumers as follows:

		9 months 2015	9 months 2016	Differences
Quantity transmitted for direct consumers	MWh	46.817.612	39.871.709	-6.945.903
	thousand m ³	4.398.450	3.710.463	-687.987
Quantity transmitted for distribution	MWh	49.089.173	47.305.118	-1.784.055
	thousand m ³	4.586.826	4.400.920	-185.906
Total	MWh	95.906.785	87.176.827	-8.729.958
	thousand m ³	8.985.276	8.111.383	-873.893

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, and 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 revenue* higher by **RON 2.895 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 23.809 thousand**;
- *other operating revenue* higher by **RON 52.486 thousand**, due to the limitation period of the default interest related to the dividends received in arrears in the period 2000-2003;
- revenue from the construction activity lower by **RON 84.362 thousand** registered in line with IFRIC 12, according to which revenues and costs related to the construction activity or the improvement of the transmission network, in exchange of which the intangible asset is registered, shall be acknowledged in line with IAS 11, Construction Contracts;
- *financial revenue* with a negative influence of **RON 4.610 thousand** based on the changes in the foreign exchange rates.

Operating costs before the construction activity, according to IFRIC12 increased by **9%** as compared to the 9 months of 2015, which is higher by **RON 69.452 thousand**.

The company made savings of RON 22.897 thousand, mainly in relation to the following cost elements:

- 👉 tax and duties: RON 5.230 thousand;
- 👉 maintenance and transmission: RON 5.152 thousand;
- 👉 NTS concession royalty: RON 4.508 thousand;
- 👉 other operating expenses: RON 8.008 thousand.

An expense surplus of RON 92.349 thousand was recorded mainly in relation to the following cost elements:

- transmission system technological gas consumption and loss increased by **RON 18.155 thousand** due to the following factors:
 - amount of gas for technological consumption higher by 394.013 MWh/ 35.151 thousand m³ (▲ 71%), with a negative influence of RON 35.572 thousand;
 - average purchase price in the 9 months of 2016 is lower by RON 18,40/MWh as compared to the 9 months of 2015, with a positive influence of RON 17.418 thousand;
- expense provision for liabilities and costs: RON 25.005 thousand on account of the provision related to the additional public service obligations issued by the National Agency for Fiscal Administration;
 - balancing activity cost: RON 23.037 thousand;
 - fixed asset depreciation cost: RON 12.252 thousand;
 - cost of personnel: RON 12.364 thousand;
 - Auxiliary materials and other material costs: RON 1.536 thousand.

The financial cost is lower by **RON 2.333 thousand** based on the foreign exchange gain.

As compared to the gross profit obtained on 30 September 2015 the gross profit achieved in the 9 months of 2016 decreased by 9%, which is lower by RON 40.515 thousand.

The main financial and economic indicators obtained in QIII 2016, compared to the similar period of 2015, are presented in the table below:

* thousand RON *

No.	Name	Obtained in Q III 2015	Obtained in Q III 2016	Increase
0	1	2	3	4=3/2x100-100
1.	Operating revenue before the construction activity, according to IFRIC12	384.937	371.802	-3%
2.	Revenue from the construction activity, according to IFRIC12	91.700	15.552	-83%
3.	Financial revenue	6.974	5.212	-25%
4.	Operating costs before the construction activity, according to IFRIC12	301.380	277.993	-8%
	Cost of assets built according to IFRIC12	91.700	15.552	-83%
5.	Financial costs	3.861	2.081	-46%

No.	Name	Obtained in Q III 2015	Obtained in Q III 2016	Increase
0	1	2	3	4=3/2x100-100
6.	GROSS PROFIT , of which:	86.670	96.941	12%
	• from operation	83.557	93.809	12%
	• from the financial activity	3.113	3.132	1%
7.	Income tax	23.906	20.238	-15%
8.	NET PROFIT	62.763	76.702	22%

Operating revenue before the construction activity according to IFRIC12 decreased by 3% as compared to the achievements of the same period of 2015, recording a decrease of **RON 13.135 thousand**.

The revenue was influenced by the following factors:

- *The revenue from the capacity booking increased by **RON 31.146 thousand**, due to:*
 - The increase of the share of the fixed component in the total revenue to 60%;
 - The invoicing of the booking capacity surplus related to the 9 months period of 2016 summing up RON 619,29 thousand according to art 3, par (6) of NERA Order no 1/18.01.2016;
- *The revenue from the volumetric component decreased by **RON 49.248 thousand** due to:*
 - The decrease of the share of the variable component in the total revenue of 40%;
 - the decrease of the quantity of invoiced gas by 2.599.607 MWh/266.641 thousand mc (▼ 10%), detailed by categories of consumers as follows:

		Q III 2015	Q III 2016	Differences
Quantity transmitted for direct consumers	MWh	20.083.914	17.364.601	-2.719.313
	thousand cm	1.883.721	1.609.689	-274.032
Quantity transmitted for distribution	MWh	6.704.547	6.824.252	119.705
	thousand cm	621.264	628.655	7.391
Total	MWh	26.788.461	24.188.854	-2.599.607
	thousand cm	2.504.985	2.238.344	-266.641

- *international gas transmission revenue higher by **RON 966 thousand** due to the changes in the foreign currency of the contracts;*
- *revenue from the balancing activity according to the NERA order no. 1/18.01.2016 summing up **RON 1.797 thousand**;*
- *other operating revenue lower by **RON 2.204 thousand**;*
- *the revenue from the construction activity decreased by **RON 76.148 thousand** registered according to IFRIC 12, according to which the revenues and costs related to the construction services or to the improvement of the transmission network, in exchange of which the intangible asset is recorded, shall be acknowledged in line with IAS 11, Construction contracts;*
- *financial revenues with a negative influence of **RON 1.761 thousand** on account of the changes in the currency exchange rates.*

Operating costs before the construction activity, according to IFRIC12 decreased by 8% as compared to Q III 2015, which are lower by **RON 23.387 thousand**.

Savings of RON 37.691 thousand were obtained by the company mainly regarding the following cost elements:

- ☝ gas consumption and technological loss in the transmission system of **RON 12.400 thousand** due to two factors:
 - natural gas quantity destined to technological consumption lower as compared to Q III 2015 by 88.005 MWh/9.083 thousand cm (▼ 28%), with a favourable influence of RON 7.892 thousand;
 - average procurement price obtained lower as compared with QIII 2015 by 19,88 lei/MWh with a favourable influence of RON 4.508 thousand;
- ☝ other operating costs: **RON 20.229 thousand**;
- ☝ tax and duties: **RON 1.785 thousand**;
- ☝ maintenance and transmission: **RON 1.568 thousand**;
- ☝ royalty for NTS concession: **RON 1.709 thousand**;

Overruns of 14.303 thousand were registered in relation to the following expenditure items:

- balancing activity costs: RON 2.089 thousand;
- fixed assets depreciation costs: RON 4.507 thousand;
- personnel expenses: RON 5.759 thousand;
- auxiliary materials and other materials costs: RON 1.871 thousand;

Financial expenses registered a decrease of **RON 1.780 thousand** on account of the costs with the differences of the exchange rate.

Compared with the achievements of Q III 2015 the gross profit obtained for Q III 2016 is higher by 12% respectively by RON 10.271 thousand.

1.2. The analysis of the economic and financial indicators at 30 September 2016 compared with the revenue and expense budget approved by the Decision of the OGSM no1/21.03.2016.

The main economic and financial indicators achieved in the period 1.01. - 30.09.2016, as compared to the indicators provided in the REB are presented in the table below:

thousand lei

No.	Name	REB 1.01-30.09.2016	Obtained 1.01-30.09.2016	Increase
0	1	2	3	4=3/2x100-100
1.	Operating revenue before the construction activity, according to IFRIC12	1.223.566	1.264.283	3%
2.	Revenue from the construction activity, according to IFRIC12	0	49.223	X
3.	Financial revenue	21.643	19.837	-8%
4.	Operating costs before the construction activity, according to IFRIC12	943.044	845.366	-10%
	Cost of assets built according to IFRIC12	0	49.223	X
5.	Financial costs	3.404	5.002	47%
6.	GROSS PROFIT , of which:	298.761	433.751	45%
	• from operation	280.522	418.916	39%
	• from the financial activity	18.239	14.835	-19%

No.	Name	REB 1.01-30.09.2016	Obtained 1.01-30.09.2016	Increase
0	1	2	3	4=3/2x100-100
7.	Income tax	45.901	75.282	64%
8.	NET PROFIT	252.860	358.469	42%

The revenue from operation before the construction activity according to IFRIC12 increase by **RON 40.716 thousand** compared to the ones provided in the REB.

The revenue was influenced by the following factors:

- The gas transmission revenues increased by **RON 29.252 thousand**, due to:
 - *Booked capacity higher* by 5.469.725 MWh with a positive influence of RON 59.952 thousand, increase determined mainly by the invoicing of the value of the surplus of the booked capacity related to 9 months period of 2016 summing up RON 50.106 thousand, according to art.3, par.(6) of NERA Order no.1/18.01.2016;
 - *Gas amount transmitted lower* as compared with the transmitted on by 7.114.661 MWh/784.040 thousand cm (▼ 8%) with a negative influence of **RON 30.700 thousand**;
- The revenues from international gas transmission increased by **RON 4.743 thousand** determined by the fluctuations in the foreign currency exchange rates of the contract currency;
- The revenues from the balancing activity decreased by **RON 35.674 thousand** due to:
 - Trading price higher by 3,771 lei/MWh, with a positive influence of RON 986 thousand;
 - A quantity lower by 420.084 MWh with an unfavourable influence of RON 36.661 thousand.
- Other operating revenues increased by **RON 42.396 thousand** as compared to the REB due to recording of the amounts related to the reversal of the deferred revenue in the period 2000-2003.

Financial revenues decreased by **RON 1.806 thousand** as compared with the level provided in the REB on account of the decrease of the revenue from interests as a result of the discounting of receivables related to the remained undepreciated regulated value of the regulated asset base, at the end of the concession agreement

Operating costs before the construction activity according to IFRIC12 decrease by **10%** as compared with the approved program, their level being **RON 97.678 thousand** lower compared with the provision of REB.

Savings of RON 160.124 thousand, were obtained mainly regarding the following cost elements:

- 👉 transmission system technological gas consumption and loss of **RON 2.687 thousand**, due to two factors:
 - average procurement price achieved lower as compared to the one provided in the REB by 10,24 lei/MWh with a positive influence of RON 9.697 thousand;

- gas quantity destined for technological consumption higher as compared to the program by 85.361 MWh/10.361 thousand cm (▲ 10%), with an unfavourable influence of RON 7.010 thousand;
- 👉 maintenance and transmission: RON 49.938 thousand;
- 👉 balancing costs: RON 36.446 thousand;
- 👉 auxiliary materials and other material expenses: RON 33.525 thousand;
- 👉 personnel costs: RON 20.656 thousand;
- 👉 amortisation: 9.354 mii lei;
- 👉 tax and duties: 7.517 mii lei.

An expense surplus of RON 62.446 thousand, mainly at the following expense elements

- royalty for the NTS concession: RON 3.399 thousand;
- cost of the provision for risks and charges: RON 25.471 thousand on account of the provision related to the additional tax issued by NAFA;
- other operating expenses: RON 33.575 thousand on account of the giving rise during 2016 of the additional provision with Electrocentrale București.

The financial costs are higher than budgeted in REB by **RON 1.598 thousand** based on the foreign exchange loss.

The gross profit achieved is higher by 45% as compared to the programme, which is higher by RON 134.990 thousand as compared to the REB, and the net profit is higher by 42% as compared to the programme, which is higher by RON 105.609 thousand as compared to the REB.

2. Investment programme achievement status

The **capital expenditure** obtained on 30 September 2016 amounted to **RON 63.439 thousand**, of which RON 6.588 thousand represent NTS connection facilities achieved according to the NTS access rules approved by GD 1043/2004.

The total capital expenditure achieved at 30 September 2016 represent 17% of the 9 months period of 2016 programme (RON 365.323 thousand).

The capital expenditure financing sources are:

	*thousand RON *
	Obtained
▪ Net profit allocated for own financing	162.060
▪ Amortization	119.872
▪ Non-cash expenses	74.257
▪ Previous year surplus	594.534
TOTAL	950.722

Investments amounting to **RON 60.270 thousands** were commissioned during the reference period.

3. Receivables and arrears

On 30 September 2016 the balance of long-term receivables increased by RON 33.536 thousand as compared to 31 December 2015, based on the receivables calculated according to Law 127 of 5 October 2014, stipulating that upon termination of the concession agreement, irrespective of the reason, the investment made by the national transmission system operator are taken over by the owner of the national transmission system or by any other licensor, subject to the payment of the of a compensation equal with the regulated value which remains undepreciated, as set by the Romanian Energy Regulator. Starting with 2014 Transgaz registered receivables related to the regulated value remaining unamortised and a deferred revenue. The deferred revenue is registered in the revenue and expense budget for the remaining duration of the concession agreement. The RON 33.536 thousand increase as compared to 31 December 2015 is determined mainly by discounting the receivables with the changes registered in the regulated asset base.

On 30 September 2016 the arrears amounted to RON 250.369 thousand, being higher by RON 83.845 thousand as compared to the same period of the previous year (RON 166.524 thousand).

On 30 September 2016 Transgaz has no outstanding payments.

4. Debts to the state budget

In the period 1 January – 30 September 2016 the amount of **RON 408.191 thousand**, was paid up to the state budget, out of which:

- VAT: RON 122.328 thousand;
- Oil royalty: RON 118.181 thousand;
- Income tax: RON 92.948 thousand;
- Natural monopoly tax: RON 37.688 thousand.
- Labour taxation: RON 30.876 thousand.
- Tax on dividends: RON 4.752 thousand.
- Tax on special constructions: RON 1.418 thousand.

The amount of RON 90.571 thousand was also paid up to local budgets, special funds and social insurance budgets.

**Director - General
Petru Ion Văduva**

**Endorsed by:
Chief Financial Officer
Marius Lupean**