

**NATIONAL NATURAL GAS TRANSMISSION COMPANY
(SNTGN) “TRANSGAZ” SA MEDIAS**

Share capital: RON 117,738,440.00

Company registration number: J32/301/2000; Tax Identification
Number: RO13068733

Pta C. I. Motas nr. 1, code: 551130, Medias, Sibiu County

Phone: 0040 269 803333, 803334; Fax: 0040 269 839029

<http://www.transgaz.ro>; E-mail: cabinet@transgaz.ro



RELEASE

on the presentation of economic and financial indicators on June 30th, 2013

General considerations

The National Natural Gas Transmission Company (SNTGN) “Transgaz” SA is a joint-stock company operating in accordance with the Romanian laws and the Articles of Incorporation.

According to the Government Decision no. 334/2000 and the Articles of Incorporation, Transgaz aims at executing the national strategy established for natural gas transmission, international transit, dispatching, research and designing in the field of natural gas transmission through commercial deeds according to its object of activity, in accordance with the Romanian laws.

The incomes obtained by Transgaz results from the performance of the following activities:

- ✍ **natural gas transmission activity** which, due to its monopolistic feature, is regulated by the National Energy Regulatory Authority.

The incomes obtained from the transmission activity are regulated by the *Order of the National Energy Regulatory Authority no. 22/2012 approving the Methodology for the approval of prices and setting of regulated tariffs in the natural gas sector*, as further amended and supplemented.

The total regulated income resulting from the transmission activity is determined according to the aforementioned methodology, laying the ground for setting the regulated natural gas transmission tariffs, in relation to the reserved capacities and the volumes of transmitted gas, respectively. The structure of the total regulated income includes the following elements:

- ✍ *operational costs* acknowledged by the authority (materials, energy and water, technological consumption, wages, maintenance, repairs and others);
- ✍ *regulated amortization* of the assets pertaining to the gas transmission activity;

- ✍ *implicitly absorbed costs*, costs beyond the operator's control (royalty for the concession of the National Natural Gas Transmission System, fee for granting the gas transporter license, contributions related to the wage bill, other taxes and fees);
- ✍ *regulated profit* determined by applying the regulated rate of return on capital to the value of the regulated assets used for the performance of the gas transmission activity.

The regulated income is substantiated for 5 year regulatory periods (the current period runs from July 1st, 2012 to June 30th, 2017), within the regulatory period, on a yearly basis, the regulated income being adjusted according to the annual inflation rate diminished by economic growth rate, the value of the fixed assets put into operation (through the corresponding regulated amortization and regulated profit, respectively) and the realization or non-realization of the regulated income approved for the previous gas year, as follows:

- in the case that the regulated income realized over the previous year is higher than the approved one, the difference is deducted from the regulated income of the following year;
- in the case that the regulated income realized over the previous year is lower than the approved one, the difference is added to the regulated income of the following year.

Following the regulation of the gas transmission activity according to the methodology aforementioned, the incomes realized from gas transmission cover the expenses generated by it and offer the opportunity to make a regulated profit up to 7.72% of the value of the capital invested in such activity and 9.12%, respectively, in the case of the investments put into operation after July 1st, 2012.

✚ **the international natural gas transit activity**, which is also a gas transmission activity but, as it takes place through dedicated pipelines (pipelines that are not interconnected to the national transmission system), *is not a regulated activity, the gas transit tariffs being established on commercial basis, by negotiation between the parties.*

The total incomes of the company are supplemented also by incomes from other activities with a reduced stake in the turnover, such as asset sales, rents, royalties, as well as financial incomes from interests and exchange rate differences.

Analysis of incomes and expenses recorded on June 30th, 2013, in comparison to the turnover of the 1st semester of 2012

The summary of the financial results obtained on June 30th, 2013, compared with the earnings for the same period in 2012, is presented in the table below:

thousand RON

No.	Designation	Realized between January 1 st , 2012 and June 30 th , 2012 1.01-30.06.2012	Realized between January 1 st , 2012 and June 30 th , 2012	Indicators (%)
0	1	2	3	4=3/2x100
1.	Operating incomes	734,754	756,118	102.91
2.	Financial incomes	30,380	13,102	43.13
3.	TOTAL INCOMES	765,134	769,221	100.53
4.	Operating expenses	469,621	466,150	99.26
5.	Financial expenses	13,998	116,315	830.94
6.	TOTAL EXPENSES	483,619	582,465	120.44
7.	GROSS EARNINGS (row 3- row 6), out of which:	281,515	186,756	66.34
	✍ operating earnings	265,132	289,969	109.37
	✍ earnings from financial activity	16,383	-103,213	X
8.	Corporate tax	49,956	59,140	118.38
9.	Incomes from delayed corporate tax	1,649	2,527	153.24
10.	NET PROFIT	233,208	130,143	55.81

The **total** realized **incomes** represent **100.53%** compared with the earnings for the same period in 2012, **4,087 thousand RON** higher than the recorded values. The incomes were mainly influenced by the following factors:

- *the capacity reservation tariff*, 0.49 RON/MWh higher than for the same period of the previous year, with a positive influence of **81,861 thousand RON**;
- *the volume of transmitted gas*, 5,515,267 MWh/523,041 thousand m³ lower than in the first 6 months of the year 2012 (1st semester of 2012: 72,166,956 MWh/6,792,080 thousand m³, 1st semester of 2013: 66,651,689 MWh/6,269,039 thousand m³), with a negative influence of **41,365 thousand RON**;
- *the volumetric component of the gas transmission tariff*, 0.27 RON/MWh lower than for the same period of the previous year, with a negative influence of **17,982 thousand RON**;
- *other operating incomes* with a negative influence of **1,756 thousand RON**;
- *the financial incomes* with a negative influence of **17,278 thousand RON** due to the decrease of the company's bank deposits compared with the 1st semester of 2012.

The total expenses have been incurred amounting to **120.44%** compared with the same period of 2012, being **98,846 thousand RON** higher than the recorded level.

The operating expenses have been incurred amounting to 99.26%.

Savings of 46,037 thousand RON have been made, mainly, on the following expense items:

- ✍ Consumption and technological losses in transmission system: 15,635 thousand RON;
- ✍ Works and services provided by third parties: 15,751 thousand RON.

42,565 thousand RON surpluses were recorded, out of which we mention the following expense items:

- ✍ monopoly tax: 18,429 thousand RON;
- ✍ amortization and provisions: 8,707 thousand RON;
- ✍ personnel expenses: 5,709 thousand RON;
- ✍ royalty for the concession of the National Natural Gas Transmission System: 2,312 thousand RON;
- ✍ fee for granting the gas transporter license: 1,699 thousand RON;

The financial expenses were 102,317 thousand RON higher due to the provision for depreciation of financial fixed assets (in the amount of 110,671 thousand RON), representing the Transgaz contribution to the share capital of Nabucco Gas Pipeline International GmbH, as a result of the non-selection of the Nabucco West project as gas transportation route.

Compared with the earnings on June 30th, 2012, the total incomes realized on June 30th, 2013 have increased by 0.53% and, provided that the total expenses record an increase of 20.44%, the gross profit obtained on June 30th, 2013 is 33.66% lower than the profit made on June 30th, 2012.

Analysis of the economic and financial indicators realized on June 30th, 2013, in comparison with the draft of the income and expenditure budget approved by the Government Decision no. 302/29.05.2013

The main economic and financial indicators realized during the 1st semester of 2013, compared with those included in the Income and Expenditure Budget, are presented in the table below:

No.	Designation	Income and Expenditure Budget between January 1 st , 2012 and June 30 th , 2012	Realized between January 1 st , 2012 and June 30 th , 2012	Indicators (%)
0	1	2	3	4=3/2x100
1.	Operating incomes	714,763	756,118	105.79
2.	Financial incomes	22,942	13,102	57.11
3.	TOTAL INCOMES	737,705	769,221	104.27
4.	Operating expenses	551,807	466,150	84.48
5.	Financial expenses	14,699	116,315	791.33
6.	TOTAL EXPENSES	566,506	582,465	102.82
7.	GROSS EARNINGS (row 3- row 6), out of which:			
	✍ operating earnings	171,199 162,955	186,756 289,969	109.09 177.94
	✍ earnings from financial activity	8,243	-103,213	X
8.	Corporate tax	33,228	59,140	177.98
9.	Incomes from delayed corporate tax	-	2,527	X
10.	NET PROFIT	137,971	130,143	94.33

The total realized incomes represent **104.27%** compared with the stipulations in the Income and Expenditure Budget, being **31,516 thousand RON** higher than the expected value. The incomes were influenced by the following factors:

1. The gas transmission services which have recorded an increase of **42,893 thousand RON**, due to:

- *the capacity reservation tariff*, 0.486 RON/MWh/hour higher than expected, with a positive influence of **81,861 thousand RON**;
- *transportation capacity reservation*, 1,068.78 MWh/hour higher than that specified in the Income and Expenditure Budget, with a positive influence of **1,021 thousand RON**;
- *the volume of transmitted gas*, 348,311 MWh lower than expected (1st semester of 2013, in the Incomes and Expenditure Budget: 67,000,000 MWh, 1st semester of 2013, realized value: 66,651,689 MWh), with a negative influence of **2,713 thousand RON**;
- *the volumetric gas transmission tariff*, 0.56 RON/MWh lower than expected, with a negative influence of **37,277 thousand RON**;

We mention that, upon the approval of the new gas transmission tariffs by the National Energy Regulatory Authority as of April 1st, 2013, the share of fixed expenses in the total income increased from 6% to 35% and, therefore, the capacity reservation component of the gas transmission tariff increased and the volumetric component decreased, respectively.

2. The incomes from the international natural gas transit services recorded a decrease of **4,429 thousand RON**, due to a RON/EURO average exchange rate and RON/USD average exchange rate, respectively, lower than expected.
3. Other operating incomes recorded a favourable difference of **2,891 thousand RON**, due, mainly, to the investment subventions and the incomes from different operations performed by the Medias Branch.
4. The financial incomes recorded a decrease of **9,839 thousand RON** compared with their level in the Income and Expenditure Budget (incomes from interests and unfavourable exchange rate differences) generated by the level of the company's bank deposits lower than estimated.

The total expenses were incurred amounting to **102.82%** compared with the approved program, their level being **15,959 thousand RON** higher than specified in the Income and Expenditure Budget.

The operating expenses were incurred amounting to 84.48%.

Savings of 99,478 thousand RON were made on the following expense items:

- ✍ consumption and natural gas technological losses in transmission system in the amount of 32,111 thousand RON, due to two factors:
 - the amount of natural gas intended for technological consumption, 612,759 MWh lower than in the program, with a favourable influence of 31,644 thousand RON;
 - the realized average purchase price, 0.45 RON/MWh lower than the price estimated in the Income and Expenditure Budget, with a positive influence of 466 thousand RON;
- ✍ amortization: 20,141 thousand RON;
- ✍ Works and services provided by third parties: 18,813 thousand RON;
- ✍ Personnel expenses: 9,375 thousand RON;
- ✍ Material expenses: 5,518 thousand RON;
- ✍ Fee for granting the license: 1,765 thousand RON;

Surpluses of **13,819 thousand RON** were recorded on the royalty for the concession of the National Transmission System and other operating costs.

The financial expenses exceeded the level set in the Income and Expenditure Budget as a result of creating provisions for depreciation of financial fixed assets.

The realized gross profit amounts to **109.09%** compared with the program, its level being **15,558 thousand RON** higher than the stipulations in the Income and Expenditure Budget, **the net profit** amounting to **94.33%**, **7,828 thousand RON** lower than planned.

The total expenses for investments realized at the level of the 1st semester of 2013 amounted to 98,468 thousand RON, out of which 5,194 thousand RON representing connections to the National Natural Gas Transmission System made in accordance with the regulation on access to National Natural Gas Transmission System approved by Government Decision no. 1043/2004, and 12,138 thousand RON reimbursement of instalments to the investment credits.

During the 1st semester of 2013, investments in the amount of **105,143 thousand RON** were put into operation.

During the 1st semester of 2013, the amount of **359,531 thousand RON** was transferred to the state budget, out of which:

- value added tax: 125,524 thousand RON;
- corporate tax: 116,480 thousand RON;
- oil royalty: 83,089 thousand RON;
- wage income tax: 17,810 thousand RON;
- monopoly tax: 16,006 thousand RON;

Moreover, the amount of **60,521 thousand RON** was paid to the local budgets, special and social security trust funds.

Endorsed:
Business Department Manager
Ioan Stefanescu
Illegible signature

General Manager
Petru Ion Vaduva
Official stamp
Illegible signature