

REPORT AND ISSUER IDENTIFICATION DATA

Biannual report according to the provisions of art. 227 of Law no. 297/2004

Reporting date: August 13th, 2013

Company's name: SNTGN TRANSGAZ SA

Registered Office: Medias, Pta Constantin I. Motas nr. 1, code: 551130

Phone/fax number: 0269-803333/0269-839029

Tax Identification Number: RO13068733

Company Registration Number: J32/301/2000

Subscribed and paid-up share capital: RON 117,738,440

Regulated market trading the issued securities: Bucharest Stock Exchange

BIANNUAL REPORT ON THE ECONOMIC AND FINANCIAL ACTIVITY OF SNTGN TRANSGAZ SA on June 30th, 2013 (1st SEMESTER OF 2013)

1. ECONOMIC AND FINANCIAL SITUATION

1.1. Analysis of the economic and financial situation

During the first semester of 2013, SNTGN Transgaz SA operated according to the business license no. 829/20.09.2007 granted by the National Energy Regulatory Authority, approved by the Decision of the National Energy Regulatory Authority no. 1398 and based on the economic and financial indicators set forth in the draft of the income and expenditure budget for 2013, approved by the Government Decision no. 302/29.05.2013.

We mention that the financial statements on June 30th, 2013, are unaudited.

1.1.1. The financial position

For the period between January 1st, 2013 and June 30th, 2013, the financial position is represented as follows:

Indicator name	On June 30 th , 2013	On December 31 st , 2013	Differences
	RON	RON	RON
0	1	2	3=1-2
Intangible fixed assets	2,495,021,101	2,495,791,792	-770,691
Tangible fixed assets	723,709,320	742,427,911	-18,718,591
Financial fixed assets available for sale	12,921,654	105,356,906	-92,435,252
Fixed assets	3,231,652,075	3,343,576,609	-111,924,534
Stocks	33,809,909	35,827,551	-2,017,642
Commercial receivables and other receivables	266,993,500	347,781,745	-80,788,245

Indicator name	On June 30 th , 2013	On December 31 st , 2013	Differences
	RON	RON	RON
Cash and cash equivalent	216,915,802	178,637,942	38,277,860
Current assets	517,719,211	562,247,238	-44,528,027
Total assets	3,749,371,286	3,905,823,847	-156,452,561
Share capital	117,738,440	117,738,440	-
Share capital adjustments to hyper inflation	441,418,396	441,418,396	-
Share premium	247,478,865	247,478,865	-
Other reserves	1,265,796,861	1,265,796,861	-
Reported earnings	794,621,386	915,143,887	-120,522,501
Equities	2,867,053,948	2,987,576,449	-120,522,501
Long term loans	36,000,000	48,000,000	-12,000,000
Provision for employee benefits	62,313,809	62,313,809	-
Deferred incomes	358,997,811	362,261,072	-3,263,261
Delayed tax to be paid	87,845,808	90,372,543	-2,526,735
Long term debts	545,157,428	562,947,424	-17,789,996
Commercial debts and other debts	274,948,511	265,393,479	9,555,032
Provision for risks and expenses	8,474,583	8,566,604	-92,021
Current tax to be paid	-	57,339,891	-57,339,891
Short term loans	53,736,816	24,000,000	29,736,816
Current debts	337,159,910	355,299,974	-18,140,064
Total debts	882,317,338	918,247,398	-35,930,060
Total equities and debts	3,749,371,286	3,905,823,847	-156,452,561

Intangible fixed assets

They recorded a decrease compared with the beginning of 2013, generated by the level of amortization expenses which is **770,691 RON** higher than the earnings in intangible fixed assets during the 1st semester of 2013.

Tangible fixed assets

They recorded a decrease of **18,718,591 RON** compared with the beginning of 2013, generated by the record on costs of the tangible fixed asset amortization, the amortization expenses exceeding the value of the investments made during the 1st semester of 2013.

Financial fixed assets available for sale

Over the 1st semester of 2013, the financial fixed assets available for sale decreased by **92,435,252 RON**, due to the following influences:

- the creation, on June 30th, 2013, as a result of the non-selection of the Nabucco West project as natural gas transportation route, of a provision in the amount of **110,671,172 RON** for depreciation of financial assets, amount representing the Transgaz contribution to the share capital of Nabucco Pipeline International GmbH;

- the increase of the contribution to the share capital of Nabucco Pipeline International GmbH in the amount of **18,235,920 RON**.

Stocks

They recorded a slight decrease compared with the beginning of 2013, generated by the performance of the company's maintenance and investment programs.

On June 30th, 2013, the receivable balance decreased by **122,277,022 RON** compared with the end of 2012, due to the collection of receivables having reached their maturity date and several outstanding receivables from Interagro Bucuresti and SC Electrocentrale Bucuresti. Other receivables increased on June 30th, 2013, mainly due to the advance payments for fixed assets, in the amount of **29,251,990 RON**.

During the period between January 1st, 2013 and June 30th, 2013, the amounts collected from clients totalled **1,011,267,069 RON**. The table with the amounts collected from the main clients is presented below:

No.	Client name	Amount in RON
1.	GDF Suez Energy ROMANIA S.A.	234,882,029
2.	E.ON ENERGIE ROMANIA S.A.	207,788,921
3.	ELECTROCENTRALE BUCURESTI S.A.	129,882,516
4.	GAZPROM EXPORT	107,760,430
5.	INTERAGRO S.A.	59,029,439
6.	OMV PETROM GAZ S.R.L.	59,002,112
7.	AZOMURES S.A.	48,836,358
8.	BULGARGAZ EAD	27,699,869
9.	ELECTROCENTRALE Galati	13,428,212
10.	CONEF GAZ SRL	12,387,472
	TOTAL	900,697,358

Cash at bank and cash in hand

On June 30th, 2013, the cash in current bank accounts increased by **38,277,860 RON** compared to December 31st, 2012, on June 30th, 2013, the company using the amount of **29,875,287 RON** of the credit line opened at BRD GSG.

Short term debts

The debts to be paid within a period up to one year decreased by **18,140,064 RON** in comparison to December 31st, 2012, decrease generated mainly by:

- the advance payment of the corporate tax for the 2nd trimester;
- the reduction of the current fiscal obligations caused by the low amounts of transmitted gas during the summer period, compared with the winter period:
 - VAT to be paid decreased by **17,425,923 RON**;
 - the oil royalty decreased by **9,493,099 RON**;
- the reduction of the commercial debts by **27,327,953 RON**;
- the payment of premiums representing the employees' participation to profit in the amount of **10,024,648 RON**;
- the increase of **35,973,047 RON** of the obligation related to dividend payment and of **8,915,624 RON** of the obligations related to tax on dividends;
- the record of the obligations related to the natural monopoly tax amounted to **2,423,137 RON**;
- the use of the amount of **29,875,287 RON** from the credit line opened at BRD GSG.

Long term debts

The debts to be paid within a period exceeding one year recorded a decrease of **12,000,000 RON** compared to December 31st, 2012, explained by the reimbursement of the due instalments of the long term loans and the reclassification of the current portion of the long term loans from long term debts to short term debts.

On June 30th, 2013, the situation of the medium and long term loans incurred by Transgaz is as follows:

No.	Financing bank	Credit currency	Credit value	Balance on June 30 th , 2013
1.	BRD GSG	RON	120,000,000	59,861,529

Equities

The subscribed and paid-up capital on June 30th, 2013, continued to have the same value as on December 31st, 2012.

The decrease in equities on June 30th, 2013, compared to December 31st, 2012, is explained mainly by the distribution of a percentage of 85% of the profit for 2012 for dividends.

1.1.2. Gross earnings presentation

The gross earnings on June 30th, 2013, is presented below (in RON):

No.	Indicator name	On June 30 th , 2013	On June 30 th , 2012
	Operating incomes, out of which:	756,118,495	734,753,566
	- incomes from the gas transmission activity	600,860,490	577,519,133
	- incomes from the transit activity	135,102,242	135,322,772
	Operating expenses	466,149,735	469,621,177
1.	Operating earnings (profit)	289,968,760	265,132,389
	Financial incomes	13,102,548	30,380,422
	Financial expenses	116,315,209	13,997,889
2.	Financial earnings	-103,212,661	16,382,533
	Total incomes	769,221,043	765,133,988
	Total expenses	582,464,944	483,619,066
3.	Gross earnings (profit)	186,756,099	281,514,922
4.	Corporate tax	56,613,335	48,307,374
5.	Net earnings (profit)	130,142,764	233,207,548

The total incomes obtained represent **100.53%** compared with the earnings for the same period in 2012, being **4,087,055 RON** higher than the recorded values. The incomes were influenced mainly 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 **81,861,487 RON**;
- *the amount of transmitted gas*, 5,515,267 MWh (523,041 thousand m³) lower than in the first 6 months of 2012, with a negative influence of **41,364,501 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 **17,982,388 RON**;
- *other operating incomes* with a negative influence of **1,756,112 RON**;
- *the financial incomes* with a negative influence of **17,278,043 RON**, due to the decrease in the company's bank deposits in comparison to the 1st semester of 2012.

The total expenses were achieved amounting to **120.44%** compared with the same period of 2012, their level being **98,845,878 RON** higher.

The operating expenses were achieved amounting to 99.26%.

The financial expenses recorded a surplus of **102,317,320 RON** due to the *provision for depreciation of financial fixed assets (110,671,172 RON) representing the Transgaz contribution to the share capital of Nabucco Gas Pipeline International GmbH, established as a result of the non-selection of the Nabucco West project as natural gas transportation route.*

In comparison to the earnings from June 30th, 2012, the total incomes obtained on June 30th, 2013, increased by 0.35% and, provided that the total expenses record an increase of 20.44%, the gross profit achieved on June 30th, 2013 is 33.66% lower than the one obtained on June 30th, 2012.

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

The financial earnings summary on June 30th, 2013, is presented below (in RON):

No.	Indicator name	Income and expenditure budget on June 30 th , 2013	Earnings on June 30 th , 2013
1.	Net turnover	701,041,396	739,320,653
	Operating incomes	714,762,923	756,118,495
	Operating expenses	551,808,052	466,149,735
2.	Operating earnings	162,954,871	289,968,760
	Financial incomes	22,941,711	13,102,548
	Financial expenses	14,698,648	116,315,209
3.	Financial earnings	8,243,063	-103,212,661
	Total incomes	737,704,634	769,221,043
	Total expenses	566,506,700	582,464,944
4.	Gross earnings	171,197,935	186,756,099
5.	Corporate tax	33,228,681	59,140,070
6.	Incomes from delayed corporate tax	-	2,526,735
7.	Net earnings	137,969,254	130,142,764

The total incomes obtained represent **104.27%** compared with the stipulations in the Income and Expenditure Budget, being **31,516,409 RON** higher than expected.

The total expenses achieved amounted to **102.82%** compared with the approved program, their level being **15,958,244 RON** higher than the stipulations in the Income and Expenditure Budget.

The gross profit achieved amounted to **109.09%** compared with the program, its level being **15,558,164 RON** higher than the stipulations in the Income and Expenditure Budget, **the net profit** amounting to **94.33%**, **7,826,490 RON** lower than expected.

1.1.3. Presentation of treasury flows

On June 30th, 2013, the treasury flows are represented as follows (in RON):

Indicators	Date	
	On June 30 th , 2013	On June 30 th , 2012
Profit before tax	186,756,099	281,514,922
<i>Adjustments for:</i>		
Depreciation and amortization	90,390,195	81,683,146
Loss from fixed asset sale	(44,951)	216,461
Provisions for risks and expenses	(92,021)	710,368
Incomes from connection fees	(8,317,837)	(7,249,952)
Provision for employee benefits	-	-
Provisions for depreciation of receivables	(3,234,884)	(532,159)
Provisions for depreciation of financial fixed assets	110,671,172	-
Loss/(gain) from stocks depreciation	-	(511,392)
Loss from receivables	(215)	40,638
Interest expenses	2,140,812	2,169,459
Incomes from interests	(6,634,296)	(7,359,640)
Effects of exchange rate variation on other items than operating ones	167,039	(683,046)
Other incomes	=	(4,258,753)
Operating profit before changes in working capital	371,801,113	345,740,052
(Increase)/decrease of commercial receivables and other receivables	80,131,234	173,165,099
(Increase)/decrease of stocks	2,017,643	(2,326,797)
(Increase)/decrease of commercial debts and other debts	(35,867,646)	(22,729,024)

Indicators	Date	
	On June 30 th , 2013	On June 30 th , 2012
Cash from operating activities	418,082,344	493,849,330
Paid interests	(2,140,812)	(2,167,114)
Received interests	6,969,224	7,504,392
Paid corporate tax	<u>(116,480,085)</u>	<u>(66,027,554)</u>
Net cash inflows provided by operating activities	306,430,671	433,159,054
Treasury flow from investment activities		
Payments for tangible and intangible fixed asset purchase	(75,708,543)	(48,657,218)
Collection from tangible fixed asset sale	135,275	7,201
Purchase of financial investments, net amount	(18,235,920)	(26,377,500)
Short term investments	=	<u>(113,500,000)</u>
Net cash used for investment activities	(93,809,188)	(188,527,517)
Treasury flow from financing activities		
Paid dividends	(214,692,092)	(1,667,155)
Cash from connection fees	1,880,039	3,432,523
Collection from financial investments	16,985,593	-
Reimbursement of long term loans	<u>(12,138,471)</u>	<u>(23,598,518)</u>
Net cash used for financing activities	(207,964,931)	(21,833,150)
Net change in cash and equivalent cash	4,656,552	222,798,387
Cash and cash equivalent at the beginning of the year	<u>178,637,942</u>	<u>266,360,854</u>
Cash and cash equivalent at the end of the six month period	<u>183,294,494</u>	<u>489,159,241</u>

2. ANALYSIS OF TRANSGAZ ACTIVITY

The main economic and financial indicators achieved within the analysed period reflecting the performances of the company are presented below:

No.	Indicator name	On December 31 st , 2012	On June 30 th , 2013
1.	LIQUIDITY INDICES		
	Current liquidity index Current assets/Current debts	1.58	1.54
	Immediate liquidity index (Current assets-Stocks)/Current debts	1.48	1.44
2.	RISK INDICES		
	Indebtedness degree index Loan capital/Equity	1.61	1.26
3.	MANAGEMENT INDICES		
	Days sales outstanding (days)		
	Average customer balance*number of days /Turnover	104.58	77.26
	Days payable outstanding (days)		
	Average supplier balance*number of days/Turnover	32.46	21.64
		30.06.2012	30.06.2013
4.	EBIT (in RON)	283,648,381	188,896,911
5.	EBITDA (in RON)	365,367,527	279,287,106

The liquidity indices show the amount of working capital available as well as its capacity to turn immediately into cash for the payment of current debts. These indices range between the optimal values.

The risk indices reflect the degree in which the company can face the payment obligations, the maximum corporate debt capacity, outlining the share of long term loans and total corporate advanced capital in the economic system. The level of the indebtedness degree of Transgaz is low, the company covering its expenses mainly from its own resources.

The management indices provide information on the cash inflow and outflow speed of the company and its capacity to control the working capital and the basic trading activities. It is stated that, during the analysed period, the days sales outstanding, as well as the days payable outstanding decreased.

3. CHANGES AFFECTING THE CORPORATE CAPITAL AND MANAGEMENT

3.1. Performance of financial obligations

During the period between January 1st, 2013 and June 30th, 2013, Transgaz recorded and transferred its obligations to the state budget, state social security budget, local budgets and special funds within the deadlines stipulated by the legislation in force. We present below the transfers made during the 1st semester of 2013:

No.	Transfer beneficiary	Amount transferred during the 1 st semester of 2013 (in RON)
1.	State budget	359,531,473
2.	State social security budget	41,189,684
3.	Local budgets	3,456,035
4.	Special funds	15,875,635
	Total:	420,052,827

Moreover, during the 1st semester of 2013, the instalments having reached the maturity date in total amount of **12,138,472 RON**, paid for the contracted credits, were reimbursed on due date.

3.2. Modifications to rights of security holders

As of January 24th, 2008, SNTGN Transgaz SA Medias actively participates in the capital market of Romania, its shares amounted to 11,773,844 being traded at the Bucharest Stock Exchange, on the First Category.

The Government Decision no. 827/04.08.2010 was issued approving the sale of a share package representing 15% of the share capital of SNTGN Transgaz SA, managed by the Ministry of Economy, Trade and Business Environment (MECMA), namely a number of 1,766,077 shares, through methods specific to the capital market (secondary public offering).

Following the SPO, the contribution of the Ministry of Economy to the share capital of Transgaz decreased by 15%, from 73.5097% to 58.5097%, the free float increasing by 15%, from 11.5027% to 26.5027%. The contribution of SC Fondul Proprietatea SA Bucuresti remained unchanged.

As of May 1st, 2013, the management of the shares held by the Romanian State to SNTGN Transgaz SA was transferred from the Ministry of Economy to the Ministry of Public Finance, according to art. 2 of the Government Emergency Ordinance no. 18/2013.

On June 30th, 2013, the structure of the company's shareholders and the contributions to the share capital of Transgaz, according to the last Register of shareholders, show as follows:

Shareholder structure on June 30th, 2013	
Shareholder	Share held in the share capital
Ministry of Public Finance of Bucharest	58.5097% (6,888,840 shares)
SC Fondul Proprietatea SA Bucuresti	14.9876% (1,764,620 shares)
Other shareholders (free-float)	26.5027% (3,120,384 shares)
TOTAL	100% (11,773,844 shares)

We mention that the company has a share capital in the amount of 117,738,440 RON, divided into a number of 11.773.844 shares, equal in value, each share having the nominal value of 10 RON.

The Transgaz shares are nominative and issued in dematerialized form by recording them in the company's shareholder register, kept by the Registrar Company, SC Depozitarul Central SA Bucuresti, granting to all shareholders equal rights.

Each share grants to its holder the right to vote within the general meetings of shareholders, as well as the right to collect dividends proportionally to the number of shares held.

During the 1st semester of 2013, the Resolution no. 5 of 30.04.2013 of the Ordinary General Meeting of Shareholders was issued, approving the payment of a gross dividend over the financial year 2012 in the amount of 21.29 RON per share to all registered shareholders on June 14th, 2013, as of June 28th, 2013.

The payment is made through the branches of BRD Groupe Societe Generale.

There were no modifications to rights of security holders.

4. DEEDS CONCLUDED UNDER ART. 52 PARAGRAPHS (1) AND (6) OF THE GOVERNMENT EMERGENCY ORDINANCE no. 109/30.11.2011

During the 1st semester of 2013, the Company didn't conclude transactions with the directors, managers, employees or shareholders controlling the company. The transactions concluded with the companies under the direct or indirect control of the Romanian State are as follows:

1. SNGN ROMGAZ SA

1.1 Agreement no. 20/2009 extended by Addendum no. 8/2012 and Addendum no. 10/2013

- concluded between SNTGN Transgaz SA and SNGN Romgaz SA;

- purchase of natural gas intended for the technological consumption of SNTGN Transgaz SA;
- estimated contract value is of: 139,000,000.00 RON (excluding VAT);
- without collaterals;
- payment made on a monthly basis, within 90 days as of the invoice issue date;
- contract duration: continuous extension by addendum;
- value achieved on June 30th, 2013: 123,410,617.85 RON (excluding VAT).

1.2 Agreement no. 7/2012

- concluded between SNTGN Transgaz SA and SNGN Romgaz SA – Ploiesti Natural Gas Storage Branch;
- underground storage of natural gas;
- estimated contract value is of: 1,452,000.00 RON (excluding VAT);
- without collaterals;
- payment made on a monthly basis, within 15 days as of the invoice issue date;
- contract duration: April 16th, 2012 – April 15th, 2013;
- value achieved on June 30th, 2013: 1,197,800 RON (excluding VAT);

1.3 Agreement no. 768/2013

- concluded between SNTGN Transgaz SA and SNGN Romgaz SA - – Ploiesti Natural Gas Storage Branch;
- underground storage of natural gas;
- estimated contract value is of: 3,406,924.00 RON (excluding VAT) ;
- without collaterals;
- payment made on a monthly basis, within 15 days as of the invoice issue date;
- contract duration: April 16th, 2013 – April 15th, 2014;
- value achieved on June 30th, 2013: 717,662.40 RON (including VAT);

1.4 Agreement no. 33/2012

- concluded between SNTGN Transgaz SA and SNGN Romgaz SA ;
- provision of firm transmission services;
- estimated contract value is of: 9,204,391.91 RON (excluding VAT);
- without collaterals;
- payment made on a monthly basis, within 90 days as of the invoice issue date;

- contract duration: July 1st, 2012 – June 30th, 2013;
- value achieved on June 30th, 2013: 1,810,482.81 RON (excluding VAT).

1.5 Agreement no. 2i/2013

- concluded between SNTGN Transgaz SA and SNGN Romgaz SA;
- provision of interruptible transmission services;
- estimated contract value is of: 1,932,052.12 RON (excluding VAT);
- without collaterals;
- payment made on a monthly basis, within 90 days as of the invoice issue date;
- contract duration: February 1st, 2013 – June 30th, 2013;
- value achieved on June 30th, 2013: 1,932,052.12 RON (excluding VAT);

2. **SC TERMoeLECTRICA BUCHAREST SA**

Agreement no. 37/2012

- concluded between SNTGN Transgaz SA and SC Termoelectrica Bucuresti SA;
- provision of firm transmission services;
- estimated contract value is of: 7,745,752.65 RON (excluding VAT);
- rating;
- payment made on a monthly basis, within 15 days as of the invoice issue date;
- contract duration: July 1st, 2012 – June 30th, 2013;
- value achieved on June 30th, 2013: 526,977.84 RON (excluding VAT);

3. **SC COMPLEXUL ENERGETIC HUNEDOARA SA**

Agreement no. 43/2012

- concluded between SNTGN Transgaz SA and SC Complexul Energetic Hunedoara SA;
- provision of firm transmission services;
- estimated contract value is of: 4,127,404.77 RON (excluding VAT);
- guaranteed account;
- payment made on a monthly basis, within 15 days as of the invoice issue date;
- contract duration: July 1st, 2012 – June 30th, 2013;
- value achieved on June 30th, 2013: 4,127,404.77 RON (excluding VAT);

4. SC ELECTROCENTRALE BUCURESTI SA

Agreement no. 12/2012

- concluded between SNTGN Transgaz SA and SC Electrocentrale Bucuresti SA;
- provision of firm transmission services;
- estimated contract value is of: 137,013,737.27 RON (excluding VAT);
- letter of guarantee;
- payment made on a monthly basis, within 15 days as of the invoice issue date;
- contract duration: July 1st, 2012 – June 30th, 2013;
- value achieved on June 30th, 2013: 119,883,440.89 RON (excluding VAT);

5. SC ELECTROCENTRALE GALATI SA

Agreement no. 14/2012

- concluded between SNTGN Transgaz SA and SC Electrocentrale Galati SA;
- provision of firm transmission services;
- estimated contract value is of: 22,108,814.47 RON (excluding VAT);
- letter of guarantee;
- payment made on a monthly basis, within 15 days as of the invoice issue date;
- contract duration: July 1st, 2012 – June 30th, 2013;
- value achieved on June 30th, 2013: 18,375,228.28 RON (excluding VAT).

CHAIRMAN OF THE BOARD OF DIRECTORS

Ion Sterian

General Manager,

Petru Ion Vaduva

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Official stamp

Business Department Manager,

Ioan Stefanescu

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