

SNTGN TRANSGAZ S.A.



STATEMENT OF CASH FLOWS

**THE NATIONAL GAS TRANSMISSION COMPANY -
TRANSGAZ S.A.**

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED ON 30 JUNE 2009**

**Drawn up under further amended Order no. 1752/2005 of
the Public Finance Minister**

STATEMENT OF CASH FLOWS

	Financial period ended on	
	<u>Note</u> <u>31 December 2008</u>	<u>30 June 2009</u>
	(lei)	(lei)
Operational activities:		
Net profit	239,007,090	170,111,300
Depreciation expenses	86,931,300	63,704,336
Expenses/(revenues) related to current asset provision	(3,697,623)	(5,192,779)
Loss related to debtor receivables	572,603	4,180
Risk and expense provision adjustments	2,501,516	(7,519,622)
Exchange rate fluctuation effect	11,249,834	-
Interest revenues	(31,066,183)	(25,356,282)
Interest expenses	16,585,022	7,716,026
Tangible asset sale/retirement (profit)/loss	(908,087)	14,004
Other expenses/ financial (revenues)	(997)	-
Tax on profit	<u>46,135,544</u>	<u>32,043,556</u>
Increase in operating cash before working capital changes	367,310,019	235,524,719
(Increase)/Decrease in inventory balances	(11,032,931)	(18,372,029)
(Increase)/Decrease in balances related to commercial and other receivables	(91,440,360)	93,331,178
Increase in commercial and other debts balances	<u>45,444,145</u>	<u>(63,276,486)</u>
Cash flow from operational activities	310,280,873	247,207,382
Cashed interests	31,069,444	25,360,292
Paid-up interests	(12,990,591)	(6,653,324)
Payments related to employee' share in profit	(6,018,084)	(7,519,622)
Tax on profit	<u>(45,660,049)</u>	<u>(41,761,408)</u>
Cash flow from operations	276,681,593	216,633,320
Sales of financial assets	(418,905)	1,862,929
Proceeds from granted loans	997	-
Sales of assets	2,672,826	88,202
Purchase of assets	<u>(205,358,308)</u>	<u>(151,509,814)</u>
Cash flow used for investments	(203,103,390)	(149,558,683)

STATEMENT OF CASH FLOWS

	Financial period ended on	
	<u>Note</u> <u>31 December 2008</u>	<u>30 June 2009</u>
	(lei)	(lei)
Loan repayments	(35,665,140)	(15,914,810)
Loan drawings	47,650,000	-
Paid-up dividends	<u>(110,057,208)</u>	<u>(109,817,525)</u>
Cash flow from/(used for) financing	<u>(98,072,348)</u>	<u>(125,732,335)</u>
Cash flows - total	(24,494,145)	(58,657,698)
Changes in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	Error! Reference source not found. 351,079,003	326,584,858
Changes in cash and cash equivalents	<u>(24,494,145)</u>	<u>(58,657,698)</u>
Cash and cash equivalents at the end of the period	Error! Reference source not found. <u>326,584,858</u>	<u>267,927,160</u>

Director General
Ioan RUSU

CFO
Radu MOLDOVAN

STATEMENT OF EQUITY CHANGES

Equity Element	Balance on	Increase	Discounts/ allocations	Balance on	Increase	Discounts/ Allocations	Balance on
	1 January 2008			31 December 2008 and 1 January 2009			30 June 2009
	(lei)	(lei)	(lei)	(lei)	(lei)	(lei)	(lei)
	1	2	3	4	5	6	7
Subscribed capital (note 7)	117,738,440	-	-	117,738,440	-	-	117,738,440
Capital premiums	251,933,300	-	251,933,300	-	-	-	-
Reassessment reserves	98,309,305	497,086,258	9,001,921	586,393,642	-	17,777,471	568,616,171
Legal reserves	23,547,688	-	-	23,547,688	-	-	23,547,688
Other reserves	815,542,343	359,422,836	-	1,174,965,179	107,132,302	-	1,282,097,481
Deferred profit or loss from adjustments to balance due opening reserves	8,602,641	-	-	8,602,641	-	8,602,641	-
Deferred profit or loss from Application of accounting regulations Under Directive IV of the European Economic Communities							
Balance due	1,804,469	-	-	1,804,469	-	-	1,804,469
Surplus from reassessment reserves	49,043,184	7,721,231	-	56,764,415	17,777,471	-	74,541,886
Profit or loss related to the financial period							
Credit balance	224,006,454	239,007,090	224,006,454	239,007,090	170,111,300	239,007,090	170,111,300
Profit appropriation							
Balance due	2,781,614	-	2,781,614	-	-	-	-
Total equity	<u>1,566,931,990</u>	<u>1,103,237,415</u>	<u>482,160,061</u>	<u>2,188,009,344</u>	<u>295,021,073</u>	<u>248,181,920</u>	<u>2,234,848,497</u>

Director General
Ioan Rusu

CFO
Radu Moldovan

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

1. NON-CURRENT ASSETS

a) Intangible assets

Including patents, licences and software:

	<u>Concessions</u> (lei)	<u>Promotion expenses</u> (lei)	<u>Licences, software and other intangible assets</u> (lei)	<u>Advances and intangible assets in progress</u> (lei)	<u>Total</u> (lei)
Cost					
Balance on 1					
January 2009	482,787,647	5,302,899	42,181,282	261,685	530,533,513
Increases	-	-	5,265,001	5,543,971	10,808,972
Outputs/ transfers	-	5,302,899	-	5,264,874	10,567,773
Balance on 30 June 2009	482,787,647	-	47,446,283	540,782	530,774,712
Accumulated amortization					
Balance on 1 January 2009	-	4,419,082	29,860,237	-	34,279,319
Amortization registered during the financial period	-	-	883,817	4,667,329	5,551,146
Disposals or reclassification	-	-	5,302,899	-	5,302,899
Balance on 30 June 2009	-	-	-	34,527,566	34,527,566
Net accounting value on					
1 January 2009	<u>482,787,647</u>	<u>883,817</u>	<u>12,321,045</u>	<u>261,685</u>	<u>496,254,194</u>
Net accounting value on					
30 June 2009	<u>482,787,647</u>	<u>-</u>	<u>12,918,717</u>	<u>540,782</u>	<u>496,247,146</u>

The concessions represent the value related to the concession of the National Gas Transmission System, according to the Concession Agreement concluded with the National Agency for Mineral Resources (ANRM) on 22 March 2002 and approved by GD no. 668/ 20 June 2002.

Since July 2002, under GD no. 1031/1999 and GD no. 1326/2001, Transgaz has not written-off such concession.

The promotion expenses amounting to lei 5,302,899, stand for the total expenses related to the initial public offering of shares and social capital increase by 10% and up to the moment such shares are admitted to trading on Bucharest Stock Exchange. Such promotion expenses are subject to straight-line amortization over a period of one year.

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
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NON-CURRENT ASSETS (FOLLOW-UP)

b) Tangible assets

	<u>Lands and buildings</u> (lei)	<u>Technical equipment and machines</u> (lei)	<u>Other equipment, aggregates and furniture</u> (lei)	<u>Advances and tangible assets in progress</u> (lei)	<u>Total</u> (lei)
Cost/assessment					
Balance on 1 January 2009	2,591,147,608	157,553,196	12,019,119	219,238,909	2,979,958,832
Additions/ transfers	39,731,068	6,478,669	729,163	161,937,138	208,876,038
Disposals/ transfers	<u>184,149</u>	<u>1,736,563</u>	<u>192,803</u>	<u>44,073,509</u>	<u>46,187,024</u>
Balance on 30 June 2009	2,630,694,527	162,295,302	12,555,479	337,102,538	142,647,846
Accumulated amortization					
Balance on 1 January 2009	711,463,110	81,016,618	3,855,795	-	796,335,523
Amortization registered during the financial period	48,987,405	8,475,915	689,869	-	58,153,189
Disposals or reclassification	<u>164,519</u>	<u>1,667,004</u>	<u>179,791</u>	<u>-</u>	<u>2,011,314</u>
Balance on 30 June 2009	760,285,996	87,825,529	4,365,873	-	852,477,398
Net accounting value on					
1 January 2009	<u>1,879,684,498</u>	<u>76,536,578</u>	<u>8,163,324</u>	<u>219,238,909</u>	<u>2,183,623,309</u>
Net accounting value on					
30 June 2009	<u>1,870,408,531</u>	<u>74,469,773</u>	<u>8,189,606</u>	<u>337,102,538</u>	<u>2,290,170,448</u>

The tangible assets include completely written-off assets with an inventory value of lei 42,803,279 (lei 40,452,325 as at 31 December 2008).

NON-CURRENT ASSETS (FOLLOW-UP)
Reassessment of tangible assets

On 31 December 2008, TRANSGAZ' lands and buildings were reassessed under Order no. 1752/2005 of the Romanian Minister of Public Finance. The reassessment was conducted by DARIAN ROM SUISSE SRL Cluj – Napoca, authorized by the Romanian Assessors' Association. The above-mentioned company drew up an Assessment Report under the requirements, standards, guidelines and methodology approved by the Romanian Assessors' Association.

Following reassessment, the inventory value of 9 assets decreased by lei 1,708,155.98, by decreasing the reassessment reserve by lei 1,280,691.08 and by recognizing an expense of lei 427,464.90.

The changes in the reassessment reserve during the financial period are as follows:

	<u>2008</u> (lei)	<u>2009</u> (lei)
Reassessment reserve at the beginning of the financial period	98,309,305	586,393,642
Reassessment differences transferred during the financial period	497,086,258	-
Amounts transferred from the reassessment reserve during the financial period	<u>9,001,921</u>	<u>17,777,471</u>
Reassessment reserve at the end of the financial period	<u>586,393,642</u>	<u>568,616,171</u>

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

NON-CURRENT ASSETS (FOLLOW-UP)

c) Financial Assets

	Balance on 1 January 2009 (lei)	Increase (lei)	Discounts (lei)	Balance on 30 June 2009 (lei)
Investments in subsidiaries	18,116,501	-	-	18,116,501
Impairment provision	(18,116,501)	-	-	(18,116,501)
Securities as interests	474,858	-	-	474,858
Securities held as assets	6,461,736	-	-	6,461,736
Impairment provision	(6,461,736)	-	-	(6,461,736)
Other financial receivables	<u>883,543</u>	<u>413,578</u>	-	<u>1,297,121</u>
	<u>1,358,401</u>	<u>413,578</u>	-	<u>1,771,979</u>

As at 30 June 2009, the company held securities as interests in the following unlisted companies:

Company	Country	Scope of activity	Date of Incorporation	Percentage held (%)	Value on 31.12.2008 (lei)	Value on 30.06.2009 (lei)
Resial SA	Romania	Refractoy products	December 2003	68.16	18,116,501	18,116,501
					(18,116,501)	(18,116,501)
Mebis SA Bistrița	Romania	Metal frameworks and welded assemblies	February 2004	17.47	6,461,736	6,461,736
					(6,461,736)	(6,461,736)
Wirom Gaz SA	Romania	Gas imports, construction of pipelines and underground storage capacities	August 1994	0.0249	3,238	3,238
Nabucco Gas Pipeline International Gmbh	Austria	Nabucco pipeline building and operating	February 2004	16.67	<u>471,620</u>	<u>471,620</u>
					<u>474,858</u>	<u>474,858</u>

NON-CURRENT ASSETS (FOLLOW-UP)

The interest in SC Resial SA (68,16%) was obtained in December 2003 through the enforced collection of a trade receivable from SC Caloni Serv Com Azuga.

In February 2004, the company started the preparation of an offering for trading, under law, in order to decrease the Resial SA interest shares by 35.16%. Because this offering had no result until 31 December 2005, the interest in Resial was classified as "Investments in subsidiaries" and was fully provisioned. The company's management deems it prudent to maintain the provision as at 30 June 2009, as well, as Resial SA is undergoing a bankruptcy procedure.

The interest in SC Mebis SA Bistrița (17.47%) was obtained in February 2004 following the enforced collection of a trade receivable of lei 6,461,736 from SC Caloni Serv Com Azuga. The company's management fully provisioned such financial asset on 31 December 2006 and on 30 June 2009, as the value of the company's shares on the capital market is below their nominal value.

As at 31 December 2003 Transgaz held an interest share of 49.97% in Wirom Gas SA, a joint venture with Wintershall Erdgas Handelshaus GmbH. In February 2004 the company assigned 40% of the shares held in Wirom Gas SA to Distrigaz Sud SA. During the financial year ended on 31 December 2006, the company did not participate in the increase of Wirom Gas SA's share capital, its interest in the company's share capital being thus reduced from 9.97% to 0,0249%.

In February 2004, the Study Company – Nabucco Company Pipeline Study GmbH was established in Vienna, Austria. In October 2005, the company was renamed NABUCCO Gas Pipeline International GmbH (NIC). The company's share capital amounting to EUR 35,000 was constituted by the equal interest share of 20% of the five companies' founders of the Consortium, i.e. BOTAS – Turkey, BULGARGAZ – Bulgaria, TRANSGAZ – Romania, MOL – Hungary and OMV Erdgas – Austria. NABUCCO Gas Pipeline International will have subsidiaries in each transited country.

In February 2008 a new shareholder, i.e. RWE Gas Midstream, Germany was co-opted into the Nabucco Company. In terms of the shareholding mechanism, RWE became a shareholder based on the share capital increase decision, the other shareholders waiving their preemption rights. Therefore, the shares issued by NIC, in amount of EUR 7000, were purchased by RWE, thus changing the interest share of each shareholder in NIC's share capital from 20% to 16.67%.

On the other hand, in 2008, as a result of the new mechanism used to ensure NIC's financing, by capital inputs and further on the inclusion thereof in the company's share capital, NIC's share capital increased to EUR 762,000 (EUR 127,000/shareholder), as shown in the abstract of the certificate of undertakings issued by Vienna Commercial Court on 5 March 2008.

The Nabuco Project was included in the Romanian energy strategy for 2007 – 2020 under chapter IV, "Energy sector development objectives and related actions"

2. PROVISIONS FOR RISKS AND EXPENSES

<u>Name of provision</u>	<u>Balance on</u>	<u>Transfers</u>		<u>Balance on</u>
	<u>1 January 2009</u>	<u>into/out of the account</u>		<u>30 June 2009</u>
	(lei)	(lei)	(lei)	(lei)
	1	2	3	4=1+2-3
Provision for the amounts related to employees' share in profit	7,519,622	-	7,519,622	-
Provision for the litigation With Petrom	-	-	-	-
Provision for retirement and similar liabilities	<u>22,155,834</u>	<u>-</u>	<u>-</u>	<u>22,155,834</u>
	<u>29,675,456</u>	<u>-</u>	<u>7,519,622</u>	<u>22,155,834</u>

Provision for retirement

The provision for pensions and other similar liabilities was constituted in relation to the benefits to be granted to employees upon retirement based on seniority in the gas industry, as stipulated in the collective labour contract concluded between the company's management and its employees.

Employees' share in profit

In 2008, TRANSGAZ incurred a provision expense related to the employees' share in profit fund, amounting to lei 7,519,622, paid-up in 2009.

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

3. PROFIT APPROPRIATION

The following profit appropriation is based on the relevant regulations, precisely further amended Law 31/1990 on trading companies and GEO no. 64/2001, approved by Order no. 144/2005 of the Minister of Public Finance on profit appropriation related to fully or partially state-owned national companies and trading companies.

<u>Destination</u>	Financial period ended on <u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Net profit to be appropriated	239,007,090	-
Appropriated to:		
- Other reserves	107,132,302	-
- Coverage of loss related to previous years	8,602,641	-
- dividends	<u>123,272,147</u>	<u>-</u>
Unappropriated profit	<u>-</u>	<u>-</u>

Dividends

The company reported dividends of 10.47 lei/share for 2008.

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

4. OPERATING RESULT

<u>Indicator</u>	<u>On 30 June 2008 (lei)</u>	<u>On 30 June 2009 (lei)</u>
1. Net turnover	<u>543,078,038</u>	<u>586,731,052</u>
2. Cost of sold goods and of provided services (3+4+5)	369,780,413	397,983,294
3. Operating activity expenses	219,193,160	230,960,376
4. Auxiliary activity expenses	17,179,866	19,338,455
5. Indirect production cost	<u>133,407,387</u>	<u>147,684,463</u>
6. Gross result related to net turnover (1-2)	173,297,625	188,747,758
7. Selling expenses	-	-
8. General administration expenses	16,183,952	17,390,000
9. Other operating revenues	<u>6,013,104</u>	<u>14,438,442</u>
10. Operating result (6-7-8+9)	<u>163,126,777</u>	<u>185,796,200</u>

5. STATEMENT ON RECEIVABLES AND LIABILITIES

<u>Receivables</u>	<u>Note</u>	<u>Balance on 30 June 2009 (lei) (col. 2+3) 1</u>	<u>Liquidity period under 1 year (lei) 2</u>	<u>over 1 year (lei) 3</u>
Trade receivables	Error! Reference source not found.	100,912,619	100,912,619	-
Other receivables	Error! Reference source not found.	<u>15,818,862</u>	<u>15,818,862</u>	<u>-</u>
		<u>116,731,481</u>	<u>116,731,481</u>	<u>-</u>

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

STATEMENT ON RECEIVABLES AND LIABILITIES (Follow-up)

<u>Liabilities</u>	<u>Note</u>	<u>Balance on</u>	<u>Exigibility periods</u>		
		<u>30 June 2009</u> (lei) (col. 2+3+4) 1	<u>under 1 year</u> (lei) 2	<u>1 – 5 years</u> (lei) 3	<u>over 5 years</u> (lei) 4
Trade liabilities	Error! Reference source not found.	-	109,813,903	109,813,903	-
Prepayments to the account of customers' orders		40,171	40,171	-	-
Payables to credit institutions ^{16; 17}		134,699,271	71,229,920	63,469,351	-
Liabilities for concession of public property	18	482,787,647	-	-	482,787,647
Other liabilities, including fiscal and social insurance liabilities	15; 18	<u>111,740,349</u>	<u>108,717,479</u>	<u>-</u>	<u>3,022,870</u>
		<u>839,081,341</u>	<u>289,801,473</u>	<u>63,469,351</u>	<u>485,810,517</u>

6. ACCOUNTING POLICIES, PRINCIPLES AND METHODS

The main accounting policies used in relation to such financial statements are illustrated below.

A. Basis of preparation

(1) Background information

These financial statements were prepared under:

- (i) Accounting Law no. 82/1991 republished in January 2005 ("Accounting Law");
- (ii) The accounting regulations under the European Directives approved by Order no. 1752/2005 of the Romanian Minister of Public Finance, amended by Order no. 2001/2006 and Order no. 2374 / 2007 of the same Minister; Under Order no. 1752/2005, the companies mentioned in art. 1, paragraph 1 of Law no. 82/ 1991 shall apply accounting rules pursuant to the IV –EEC Directive and the annual consolidated financial statements shall be drawn up pursuant to the VII –EEC Directive.
- (iii) Specific gas regulations;
- (iv) Law no.332/ 29 June 2001 on the promotion of direct investments significantly impacting the economy. Such Law provides that direct investments significantly impacting the economy, (exceeding the equivalent of USD 1 million) benefit from accelerated amortisation according to further amended and supplemented Law no.15/1994 on the amortisation of non-current and current asset capital.

These financial statements were drawn up based on the historical cost convention, including the exceptions further illustrated in the accounting policies.

(2) Usage of estimates

The preparation of the financial statements under further amended Order no. 1752/2005 of the Minister of Public Finance urges the company's management to make estimates and assumptions affecting the value of the reported assets and liabilities, and presentations of assets and contingent liabilities as at the date of financial statements and of revenues and expenses reported for that period. Although such estimates are made by the company's management based on the best information available as at the date of the financial statements, the outcome may differ from such estimates.

(3) Business continuity

These financial statements were prepared based on the principle of business continuity providing that the company shall continue its business in the foreseeable future. To assess the applicability of such presumptions, the company's management shall analyze the forecasts on the future cash in-flows.

Based on such analyses, the company's management deems that the company is able to continue its business in the foreseeable future and therefore it is highly justified to apply such principle while preparing the financial statements.

(4) Financial statement currency

The accountancy is kept in Romanian and in the national currency. The items included in these financial statements are denominated in the Romanian lei.

The Romanian currency is not exchangeable outside Romania.

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

B. Conversion of foreign currency transactions

The company's transactions in foreign currency are registered at the exchange rates communicated by the National Bank of Romania (BNR) for the date of transactions. The balances in foreign currency are converted in lei at the exchange rates communicated by BNR for the balance sheet date, at the end of the financial period. Gains and losses resulting from the discount of the transactions in a foreign currency and from the conversion of monetary assets and liabilities denominated in foreign currency are recognized in the profit and loss account, within the financial result.

C. Intangible Assets

(i) Promotion expenses

The expenses related to the company's incorporation and development, such as: tax and other registration expenses, expenses associated to the issuance and sale of shares and securities, market sounding expenses, advertising expenses and other similar expenses related to the incorporation or extension of the company's business are capitalized and subject to linear amortization for one year.

The amortization is calculated as of the month following that when such expenses were capitalized.

(ii) Concessions

The concessions are registered with the acquisition cost or with the original value.

The concessions were registered with the inventory value of public tangible assets and subject to the concession agreement concluded with the National Agency for Mineral Resources (ANRM), approved by Governmental Decision no. 668/2002, published in the Official Journal no. 486/2002. The company registered a long-term debt related to such concession.

Under Law no. 213/17 November 1998 on public ownership and the conditions thereof and under GD no. 1031/14 December 1999 on the approval of the rules concerning the accounting of the goods part of the state public domain, the company shall not write-off assets subject to such concession agreement. Under such agreement the company has registered a royalty expense of 5% of the gas transmission and international gas transit revenues, as of 8 July 2002. Starting with 8 October 2007, based on GEO no. 101/04.10.2007 the oil royalty doubled from 5% to 10%.

Investments made from own funding sources are written-off under Order 555/24 April 2003, and upon expiration of the normal service life or of the concession contract, they shall be included in the inventory of goods part of the state public domain.

(iii) Licences, software and other intangible assets

Licences, software and other intangible assets are written-off by using the linear method over their useful service life, but not exceeding 5 years.

(iv) Advance payments and other intangible assets

Under this category of assets, the company registered advance payments payable to the suppliers of intangible assets, software created by the company or purchased from third parties for the company's purposes, and other intangible assets owned by the company.

Expenses that allow intangible assets to generate future economic benefits over the initial predicted performance are added to the original cost. These expenses are capitalized as intangible assets unless they are integral part of the tangible assets.

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

D. Tangible Assets

(1) Cost/valuation

The tangible assets are initially valued at the cost of acquisition

Some of the tangible assets were revalued based on governmental decisions such as GD no. 945/1990, GD no. 2665/1992, GD no. 500/1994 and GD no. 983/1998, by indexation of the historical cost, based on indices specified by such governmental decisions. Increments of the tangible assets accounting values resulted from such revaluations were originally credited to revaluation reserves, and later on to share capital, under such governmental decisions.

On 31 December 2002 the tangible assets were revalued based on GD no. 403/2000. According to GD no. 403/2000, the historical cost or the value resulted from the application of the previous governmental decisions on the revaluation of the tangible assets and accumulated amortization were indexed with the combined inflation indexes between the date of acquisition or the last revaluation and the balance sheet date. Additionally, GD no. 403/2000 stipulates the need to adjust the indexed value by comparison with the usage and market value. The increase in the accounting value resulted from the revaluation was credited to the revaluation reserve as at 31 December 2003.

As at 31 December 2006 and 2007 tangible assets were not revalued, the existing accounting values not imposing such adjustment.

As at 31 December 2008 the tangible assets were revalued based on Order 1752 of the Minister of Finance providing that the tangible assets shall be revalued to their fair value determined based on valuations conducted by qualified valuation professionals. The increase in the accounting value resulted from such valuation was credited to the revaluation reserve.

The maintenance and repairs of tangible assets is registered with expenses, upon occurrence, and the significant improvements made to tangible assets, increasing the value or life thereof, or significantly increasing the capacity to generate economic benefits, are capitalized.

The non-current assets as inventory items, including instruments and tools, are registered with expenses, upon acquisition, and are not included in the accounting value of the tangible assets.

(2) Depreciation

The depreciation is calculated at the entry value using the linear method over the estimated useful life of assets, except for tangible assets benefiting from the provisions of law no. 332/2001 on the key investments in the economy.

Tangible assets benefiting from law no. 332/2001 on the key investments in the economy are written-off by means of the accelerated method of amortization.

The economic life used for various categories of assets is:

<u>Asset</u>	<u>Years</u>
Buildings and constructions	10 - 50
Technical equipment and machines	1 - 30
Other facilities, equipment and furniture	1 - 30

Land is not depreciated because it has unlimited service life.

6. PRINCIPLES, POLICIES AND ACCOUNTING METHODS (follow-up)

(3) Sale/retirement of tangible assets

Sold or retired tangible assets are removed from the balance sheet together with the relevant cumulated amortization thereof. Any profit or loss resulted from such operation is also included in the current profit or loss account.

(4) When the company acknowledges the cost of partial replacement of a component in the accounting value of a tangible asset, the accounting value of the replaced part together with its related amortization is decommissioned.

E. Asset depreciation

Tangible assets and other long-term assets, including the goodwill and the intangible assets, are reviewed to identify the loss from depreciation, whenever events or changes in circumstances indicate that the accounting value can no longer be recovered.

The loss from depreciation is the difference between the accounting value and the maximum between the selling price and the usage value. For the calculation of such loss, assets are grouped to the lowest level of detail for which independent cash flows can be identified.

F. Financial assets

The financial assets contain shares held in affiliated entities, loans granted to affiliated entities, interests, loans granted to entities the company is related to, based on interests and other investments held as assets.

The financial assets are recognized in the balance sheet under the cost of acquisition or under the value determined by the contract of acquisition thereof. Financial assets are subsequently valued at the entry value, except for the cumulative adjustments related to the permanent loss of value.

G. Stocks

Stocks are registered with the lowest value between cost and net realizable value. The cost is calculated based on the first in - first out method (FIFO). Where necessary, provisions are made for slow motion, morally or physically worn-out stocks.

H. Trade Receivables

Trade receivables are registered with the invoiced value except for the depreciation provision thereof. The provision for trade receivable depreciation is established in case there is objective evidence that the company will not be able to collect all amounts until the initial deadlines.

I. Short term financial investments

These include short-term bank deposits and other short-term investments with high liquidity, and treasury certificates.

J. Cash and cash equivalents

Cash and cash equivalents are shown in the balance sheet under costs. With respect to the statement of the cash flow, the cash and cash equivalents include cash in cash accounts; bank accounts, short-term

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

financial investments and net overdraft. In the balance sheet, the overdraft is illustrated in terms of liabilities to be paid within a year – amounts payable to credit institutions.

K. Equity

Common shares are classified in shareholders' equity.

L. Dividends

Dividends related to common shares are recognised in equity during the period of declaration thereof.

M. Loans

Short-term and long-term loans are initially registered with the granted amount, after deductions of the loan commitment costs. During the following periods, loans are recorded under depreciated cost based on the effective yield method, the differences between the amounts received (net of transaction costs) and the normal redemption value, being recognized in the profit and loss account during the validity period of the loan contract.

The short-term share of the long-term loans is classified as "liability to be paid within one year" and included together with the interest accrued on the balance sheet date, in "payables to credit institutions" under current liabilities.

N. Accounting of leasing contracts in which the company is tenant

(1) Financial leasing contracts

The tangible asset leasing contracts, in which the company undertakes all ownership-related risks and benefits, are classified as financial leasing contracts. Financial leasing is capitalized to the updated payment estimated value. Each payment is broken down on the capital and the interest unit in order to obtain a constant interest rate during repayment. The amounts due are included in the short term or long term liabilities. The interest unit is transferred to the profit and loss account over the contract validity period. Assets held under financial leasing contracts are capitalized and depreciated over their useful life.

(2) Operational leasing contracts

The leasing contracts in which a significant part of the risks and benefits associated with ownership are retained by the lessor are classified as operational leasing contracts. Payments under such contract (net of any incentives granted by the lessor) are recognized in the profit and loss account on a linear basis over the contract validity period.

O. Trade liabilities

Trade liabilities are registered with the value of the amounts to be paid for the goods or services provided.

P. Provisions

Provisions are recognised in case the company has a legal or implicit liability generated by a previous event, if the settlement of obligations requires a resource outflow and if a realistic estimation of the liability value can be done.

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
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Q. Employee-related benefits

(1) Retirement and other post-retirement benefits

In the normal course of activity, the Company makes payments to employees' health-care funds, pensions and un-employment state allowances at statutory rates. All the company's employees are members of the Romanian state pension scheme. Such costs are recognized in the profit and loss account together with the salaries.

Under the collective labor contract, the Company undertook to pay a multiplier of the gross salary to the employees, upon retirement, based on seniority, working conditions, etc. To this effect, the company registered a retirement benefit provision. Such provision was calculated by actuarial methods based on the estimation of the average salary, the number of average salaries paid upon retirement (based on the number of employees expected to retire), the period of payment thereof and was brought to the current value using an updating factor based on the interest related to maximum safety-degree investments (sovereign debt).

Under Order no. 2374/12.12.2007 of the Minister of Finance the value of the provision as at 31 December 2008 was calculated by a specialised company, i.e SC GELID ACTUARIAL COMPANY SRL, Bucharest.

Based on the Collective Labour Contract and Law 571/2003 on the Fiscal Code, the company pays contributions to optional pension funds, scheme III, for each employee within the limit of an amount equivalent to EURO 200/year, as of October 2008.

As of November 2008, the company concluded an additional voluntary health insurance contract for its employees, based on the collective labour contract and Law 571/203 on the Fiscal Code, paying an amount equivalent to EURO 200/year for each employee.

(2) The employees share in profit

For 2008, the company registered a provision expense related to the employees' share in profit fund under the laws in effect.

The liabilities related to the employees' share in profit fund will be discounted in less than a year and are measured by the sums to be paid upon settlement.

R. Compensations and barter transactions

Part of the receivables resulting from sales are compensated with other companies or through a series of transactions not involving cash (mutual compensation) or, to a smaller extent, through direct transactions in goods and / or services concluded with the final client (barter). Such transactions are excluded from the cash-flows illustrated by the company in the Treasury Flows. Approximately 3% of the receivables incurred during the 1st semester of 2009 (3% on 31 December 2008) were compensated in this way.

S. Subsidies

(1) Asset-related subsidies

The subsidies granted for asset purchasing such as tangible assets are registered as investment subsidies in the balance sheet and recognized in the profit and loss account upon incurring amortization expenses or upon retirement of the assets purchased from the relevant subsidy.

(2) Revenue-related subsidies

The revenue-related subsidies are presented as revenues in the profit and loss account over the period of the related expenses to be compensated by such subsidies.

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

T. Tax

(1) Tax on current profit

The company registers tax on current profit based on the taxable profit from fiscal reports, according to the relevant Romanian legislation.

U. Recognition of revenues

Revenues refer to sold goods and provided services.

Revenues from provided services are recognized based on the stage of completion, i.e. a percentage of the total income related to the service contract, the percentage being determined by reference to the ratio between the services provided until the balance sheet date and the total services to be provided.

Revenues from sales of goods are recognised upon the company's transferring of key risks and benefits related to ownership of goods to the buyer.

The amounts cashed from beneficiaries for their connection to the national gas transmission network are initially registered as investment subsidies and are reclassified under revenues over the asset service life.

Revenues from interests are periodically and proportionally recognized, based on the generation of such revenues, on the basis of accrual accounting.

Dividends received by the company are recognized as revenues upon the determination of the legal right to receive such amounts.

These financial statements illustrate revenues and expenditures under their gross value. In the balance sheet, the debts and receivables from the same partners are illustrated under the net value based on a compensation right.

V. Turnover

The turnover represents the invoiced amounts and the amounts to be invoiced, net of VAT and trade discounts for goods supplied or services provided to third parties.

W. Operating expenses

Operating expenses are recognized in the period referred to.

X. Fair value of the financial instruments

The financial instruments outlined in the balance sheet include the cash and bank accounts, trade receivables and other receivables, commercial debt and other liabilities, and also the amounts payable to credit institutions. The specific methods of recognition are presented in individual policies related to each item.

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

7. INTERESTS AND FINANCING SOURCES

a) Interest certificates, securities, convertible bonds

The company has not issued any interest certificates, bonds or other securities apart from its own common shares.

b) Share capital

During 2009 there were no changes in the share capital.

The shareholding structure communicated by the Depozitarul Central S.A. on 30 June 2009 is as follows:

	<u>No. of shares</u>	<u>Amount</u> (lei)	<u>Percentage</u> (%)
The Ministry of Economy and Finance („MEF”) on behalf of the Romanian State	8,655,973	86,559,730	73,518.67
Shareholders – individuals	781,454	7,814,540	6,632.0
Shareholders – corporations	571,797	5,717,970	4,856.50
SC Fondul „Proprietatea” SA	<u>1,764,620</u>	<u>17,646,200</u>	<u>14,987.63</u>
	<u>11,773,844</u>	<u>117,738,440</u>	<u>100.00</u>

All shares are common. They were fully subscribed and paid-up as at 30 June 2009. Each share has the same voting right and a nominal value of Lei 10/share (31 December 2008: Lei 10/share).

Fondul Proprietatea (The Ownership Fund)

Fondul Proprietatea was incorporated under Law 247/2005, title VII, Art. 6 and 12, GD no. 1481/2005. Its initial share capital consisted of assets as mentioned in Art. 3, paragraph (1), case a) – e), title VII, Law 247/2005.

In 2005, under the laws in effect, the Ministry of Economy and Commerce contributed to the initial share capital of the Proprietatea Fund with shares of several companies included in its portfolio. According to item 1.2 of the annex to Title VII of Law no. 247/2005, MEC contributed to the formation of the capital of SC Proprietatea Fund SA with shares representing 15% of Transgaz' share capital at that time.

7. INTERESTS AND FINANCING SOURCES (follow-up)

Listing on the Bucharest Stock Exchange

In 2007, the Company increased its share capital by 10%, i.e. by 1,384,956 shares, by a public offering of shares; the shareholder Fondul Proprietatea exercised its preference right proportional with the interest in the share capital, respectively for 207,572 shares and the remaining 1,177,384 shares were publicly offered during 26 November – 07 December 2007. As a result of the public offering, the company's share capital increased from Lei 103,888,880 to Lei 117,738,440 according to Certificate of Undertaking no. 51657/27.12.2007 issued by the Trade Register, Sibiu.

Din data de 24 ianuarie 2008 cele 1,177,384 acțiuni se tranzacționează la Bursa de Valori București.

c) Bonds

There were no bonds issued as at 31 December 2008 and 30 June 2009.

8. DATA ON THE EMPLOYEES, ADMINISTRATORS AND DIRECTORS

a) Remuneration of the members of the administration, management and supervisory bodies

The company has concluded professional liability insurance contracts for 56 managers. The insurance contract was awarded to SC Carpatica Asig SA Sibiu, the winner of the tender procedures. The total insured amount was EUR 50,000,000 for an insurance premium of EUR 74,950/year.

b) Advance payments and loans granted to the members of the administration, management and supervisory bodies

During the financial period, no advance payments and loans were granted to the company's administration and management; except for the advance payments related to salaries and business trips, therefore no amounts resulted from such advance payments are due to the company at the end of the year.

The company has no contractual obligations in relation to the pensions payable to the former directors and administrators.

c) Employees

In the first semester 2009, the company had an average number of 4,878 employees (financial year 31 December 2008: 4,918) as illustrated below:

	<u>2008</u>	<u>2009</u>
Administrative Personnel	1,081	1,088
Directly and indirectly productive personnel	<u>3,837</u>	<u>3,790</u>

9. ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS (FOLLOW-UP)

2. Risk indicators

a)	Leverage indicator	Financial period ended on	
		<u>31 December 2008</u>	<u>30 June 2009</u>
		(%)	(%)
	$\frac{\text{Loan capital}}{\text{Equity}} \times 100 =$	4,53	2,84

Where:

- Loan capital = loans over one year.

b) interest coverage indicator

	Financial period ended on	
	<u>31 December 2008</u>	<u>30 June 2009</u>
$\frac{\text{Pre-interest and tax profit}}{\text{Interest Expenses}} =$	18,19	27,20

3. Activity indicators (management indicators)

a) Speed of debit -clients

	Financial period ended on	
	<u>31 December 2008</u>	<u>30 June 2009</u>
	(days)	(days)
$\frac{\text{Client average balance}}{\text{Turnover}} \times 180 =$	95	77

b) Speed of credit - supplier

	Financial period ended on	
	<u>31 December 2008</u>	<u>30 June 2009</u>
	(days)	(days)
$\frac{\text{Average balance suppliers}}{\text{Good and service purchase}} \times 180 =$	100	88

9. ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS (FOLLOW-UP)

c) Speed of intangible assets

	Financial period ended on	
	<u>31 December 2008</u>	<u>30 June 2009</u>
<u>Turnover</u> =	0,42	0,21
Intangible assets (including public propriety)		

d) Speed of total assets

	Financial period ended on	
	<u>31 December 2008</u>	<u>30 June 2009</u>
<u>Turnover</u> =	0,34	0,18
Total assets (including public propriety)		

4. Profitability indicators

a) Return on committed capital

	Financial period ended on	
	<u>31 December 2008</u>	<u>30 June 2009</u>
	(%)	(%)
<u>Profit before financial result and tax on profit</u> =	12,28	8,08
Committed capital		

b) Gross margin from sales

	Financial period ended on	
	<u>31 December 2008</u>	<u>30 June 2009</u>
	(%)	(%)
<u>Gross profit from sales</u> =	25	32
Turnover		

9. ANALIZA PRINCIPALILOR INDICATORI ECONOMICO-FINANCIARI (CONTINUARE)
5. Outcome per share indicators
a) Outcome per share - basic and diluted

	Financial period ended on	
	<u>31 December 2008</u>	<u>30 June 2009</u>
<u>Profit of the financial year</u>	= 20,30	14,45
Average number of shares		

	Financial period ended on	
	<u>31 December 2008</u>	<u>30 June 2009</u>
b) Ratio between the market share price and the outcome per share		
<u>Market share price</u>	= 5,95	10,17
Outcome per share		

10. FURTHER INFORMATION
a) Presentation of the company

Transgaz S.A. Medias is headquartered in no. 1, C.I. Motas Square, Medias, Sibiu County, Romania.

Under Governmental Decision no. 334/2000, TRANSGAZ is the legal successor of the former S.N.G.N. ROMGAZ SA, which was divided into five independent companies, legal persons, incorporated based on their core business, such as: exploration - production, transmission – international transit - dispatching, gas storage and distribution.

Transgaz' core business is natural gas transmission, international transit and dispatching, the company being the technical operator of the National Gas Transmission System and responsible for its operation under quality, safety, efficiency and environmental conditions.

Under Article 8 of Oil Law no. 134/1995, the National Transmission System ("NTS") is part of the state public domain and has a strategic importance.

According to Law no. 219/1998 on the concession regime, corroborated with Law no.134/1995, assets that are part of the state public domain may be granted under concession.

10. FURTHER INFORMATION (FOLLOW-UP)**b) Information on the company's relationship with subsidiaries, associated companies or other enterprises where the company holds strategic interests**

The company's interests are described in Note 1 (c) - "Financial Assets". There are not any other associated companies or enterprises where the company holds strategic interests.

c) The method used for conversion into national currency of balance sheet items, revenues and expenditures denominated in foreign currency

The method used for conversion into national currency of balance sheet items, revenues and expenditure denominated in foreign currency is illustrated in Note 6 B.

The exchange rates used for conversion of balances denominated in foreign currency into lei as at 31 December 2008 are as follows:

<u>Foreign currency</u>	<u>Abbreviation</u>	Exchange rate (Lei for 1 foreign currency unit) 31 December 2008
USA Dollar	USD	2.8342
Single European Currency	EUR	3.9852

d) Information related to tax on current profit

	On <u>30 June 2008</u> (lei)	<u>30 June 2009</u> (lei)
Total revenues	564,060,925	629,318,311
Total expenses	(420,461,473)	(459,207,011)
Pre-tax profit	143,599,452	170,111,300
Non-taxable income	(9,890,336)	(12,729,056)
Legal reserve	-	-
Non-deductible expenses	<u>40,468,906</u>	<u>52,660,507</u>
Taxable profit	174,178,022	210,042,751
Calculated tax on profit	27,868,484	33,606,840
Tax credit:		
Sponsorship amounts	<u>(1,563,010)</u>	<u>(1,563,284)</u>
Current income tax	<u>26,305,474</u>	<u>32,043,556</u>

The tax rate is 16% in both illustrated financial periods.

10. FURTHER INFORMATION (FOLLOW-UP)**e) Turnover**

Presentation of the turnover based on types of business:

	On 30 June 2008 (lei)	30 June 2009 (lei)
Revenues from gas transmission and international transit services	541,867,158	585,167,020
Revenues from gas sales	-	-
Revenues from various activities	<u>1,210,880</u>	<u>1,564,032</u>
	<u>543,078,038</u>	<u>586,731,052</u>

f) Expenditures on rents and royalties paid under concession contracts

The company incurred the following expenses:

	On 30 June 2008 (lei)	30 June 2009 (lei)
Rents	241,806	543,667
Royalty	<u>54,186,716</u>	<u>58,516,702</u>
	<u>54,428,522</u>	<u>59,060,369</u>

g) Fees paid to auditors

During the 1st semester 2009, the company paid fees to auditors amounting to lei 105,222 for the audit of statutory financial statements OFM 1752 related to 2008.

FURTHER INFORMATION (FOLLOW-UP)
h) Potential liabilities and granted commitments
Commitments

The company concluded long-term international gas transit contracts with Gazprom and Gazexport, the Russian Federation. The value of services is annually determined based on the nominated gas transit capacity for the relevant year.

Guarantees granted to third parties

	<u>31 December 2008</u> (lei)	<u>30 December 2009</u> (lei)
Granted endorsements and guarantees	<u>9,499,940</u>	<u>9,499,940</u>

The granted endorsements and guarantees represent letters of bank guarantees constituted as obligations under gas transmission service contracts in favour of clients and asset suppliers.

i) Received commitments

	<u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Received endorsements and guarantees	<u>9,225,894</u>	<u>9,572,065</u>

The received endorsements and guarantees represent letters of bank guarantees and restricted deposits constituted as performance guarantees by tangible asset suppliers and as accounts receivable transferred to the company.

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
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11. TRADE RECEIVABLES

	<u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Commercial receivables – domestic clients	293,452,196	168,469,707
Commercial receivables – external clients	19,504,912	20,008,742
Provisions for depreciation of trade receivables	<u>(92,758,609)</u>	<u>(87,565,830)</u>
	<u>220,198,499</u>	<u>100,912,619</u>

As indicated in Note 17, a part of the company's receivables are constituted as bank guarantees in relation to the loans received by the Company.

12. OTHER RECEIVABLES

	<u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Undue VAT	5,327,800	1,204,764
Interest to be received	4,010	-
Other receivables – different debtors	<u>3,155,015</u>	<u>14,614,098</u>
	<u>8,486,825</u>	<u>15,818,862</u>

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
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13. CASH AND BANK ACCOUNTS

	<u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Bank liquidity in lei	213,275,660	246,539,500
Foreign currency liquidity	3,259,174	21,045,023
Cash	111,480	121,075
Other amounts	<u>84,775</u>	<u>221,562</u>
	<u>216,731,089</u>	<u>267,927,160</u>

For cash-flow presentation purposes, the cash and cash equivalents include as follows:

	<u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Cash and bank accounts	216,731,089	267,927,160
Open credit (Note 16)	-	-
Government securities	<u>109,853,769</u>	<u>-</u>
	<u>326,584,858</u>	<u>267,927,160</u>

14. TRADE LIABILITIES PAYABLE WITHIN ONE YEAR

	<u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Domestic asset suppliers	33,834,003	52,424,927
Domestic suppliers	75,070,676	48,757,058
External suppliers	428,883	978,430
Domestic suppliers-invoices not arrived	31,356,444	7,653,488
External suppliers-invoices not arrived	<u>97,050</u>	<u>-</u>
	<u>140,787,056</u>	<u>109,813,903</u>

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

**15. OTHER LIABILITIES, INCLUDING TAX AND SOCIAL INSURANCE LIABILITIES PAYABLE
WITHIN ONE YEAR**

	<u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Tax on profit	14,588,856	4,871,004
Payable VAT	7,308,826	-
Other tax	34,549,157	19,726,675
Social insurances	8,289,345	6,166,586
Tax on salaries	2,951,628	2,117,885
Penalties for unpaid dividends for 2000-2003 and 2006	51,717,551	51,717,551
Other debts	<u>15,189,239</u>	<u>24,117,779</u>
	<u>134,594,602</u>	<u>108,717,480</u>

During 2000, 2001, 2002 and 2003 the company annually declared dividends paid by instalments and deemed as debt to the shareholder. The Ministry of Economy and Commerce, as shareholder, has considered such debts as budgetary and calculated penalties for overdue payment thereof.

In November 2005, upon the request of the shareholder, the company registered the amount of lei 45,483,318 representing such penalties. During 2006, the company paid the overdue dividends for 2005. Therefore, the shareholder charged delay penalties amounting to RON 6,234,233 registered by the company during that year.

16. AMOUNTS PAYABLE TO CREDIT INSTITUTIONS – ON SHORT TERM

	<u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Open credits	-	-
Long-term current share (Note 17)	72,083,141	71,174,339
Interest payable	<u>220,756</u>	<u>55,581</u>
	<u>72,303,897</u>	<u>71,229,920</u>

**NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
AS AT 30 JUNE 2009**

**AMOUNTS PAYABLE TO CREDIT INSTITUTIONS – ON SHORT TERM
(FOLLOW-UP)**

Hereinafter short-term loans (open credits) are analysed:

<u>Bank</u>	<u>Currency</u>	<u>Contract deadline</u>	<u>Interest</u>	<u>30 June 2009</u> (lei)
Open credits				
BRD Societe Generale	lei	August 2009	Robor at 1 year + 0,40% p.a.	-

The BRD Societe Generale loan cap is lei 45,000,000,

17. AMOUNTS PAYABLE TO CREDIT INSTITUTIONS IN MORE THAN ONE YEAR

	<u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Long-term loans	171,157,466	134,643,689
Long-term current share (Note 16)	<u>(72,083,141)</u>	<u>(71,174,339)</u>
	<u>99,074,325</u>	<u>63,469,350</u>

Long-term current share is repayable as follows:

	<u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
between 1 and 2 years	57,661,673	33,728,095
between 2 and 5 years	41,412,652	29,741,255
over 5 years	_____ -	_____ -
	<u>99,074,325</u>	<u>63,469,350</u>

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AMOUNTS PAYABLE TO CREDIT INSTITUTIONS IN MORE THAN ONE YEAR (FOLLOW-UP)

Hereinafter long-term loans are analysed as follows:

	<u>31 December 2008</u>	<u>30 June 2009</u>
	(lei)	(lei)
IBRD Loan	8,303,948	7,368,760
Gazprombank Loans	64,666,137	45,981,113
ABN-AMRO Bank Loans	11,222,931	8,016,379
Efibanca Loans	7,543,398	4,445,859
UniCredit Tiriac Loans	<u>79,421,052</u>	<u>68,831,578</u>
	<u>171,157,466</u>	<u>134,643,689</u>

The loan from the International Bank for Reconstruction and Development (IBRD "- RO 3723) was granted for rehabilitation of the Romanian oil and gas sector, under a Loan Agreement signed on 1 June 1994.

The entire loan should have been reimbursed by SNGN Romgaz as a holding of entities within Romgaz group. In accordance with Governmental Decision 334/2000 and as a result of the gas sector restructuring, a part of this loan was transferred to the newly created companies. Part of the IBRD loan recognized by the company is based on an agreement between the companies unbundled from the Romgaz group following the last restructuring.

The company concluded a Subsequent Loan Agreement with the Ministry of Public Finance on its loan share, on 2 October 2001. Under such Subsequent Loan Agreement, the company shall reimburse the due instalments and interest related to the Ministry of Public Finance within 15 days before payments to IBRD.

The loan is denominated in USD (Balance on 30 June 2009: 2,599,943.42 USD) and bears an interest of 0.5% over the cost of Qualified Loans as provided by IBRD. The interest rate for 2008 was around 9.70 %. Interest may be paid in lei equivalent upon due date to the Ministry of Economy and Public Finance, plus 5% for exchange rate margins and a 10% fee from payable interests.

The loan was fully drawn and partly reimbursed until 30 June 2009.

According to the Subsequent Loan Agreement, the loan is guaranteed by a deposit equal to the value of the next reimbursed instalment. On 30 June 2009 a deposit amounting to \$ 400,000 was constituted.

AMOUNTS PAYABLE TO CREDIT INSTITUTIONS IN MORE THAN ONE YEAR (FOLLOW-UP)

Gazprombank Loans

The company has contracted two loans from Gazprombank for investment programmes. Both loans are denominated in USD and bear interest as shown below:

First Gazprombank loan

On November 24th, 1999, the former SNGN Romgaz SA contracted a loan from Gazprombank, to finance the first stage of the Dobrogea transit pipeline building process. Loan drawings were made within the limits of the payments made by SNGN Romgaz to Gazexport in consideration for gas imports.

The loan is denominated in USD and bears an interest of 0.5% per month. Reimbursement shall be made in 115 monthly instalments.

The loan is guaranteed by the receivables from Gazprom Export within the contracts on gas transmission concluded with the company and by other receivables from Gazexport.

Following SNGN Romgaz SA unbundling, the loan was taken over by Transgaz SA, the company being also responsible for the related investment project (Dobrogea transit pipeline).

Second loan Gazprombank

The second loan was contracted with Gazprombank on February 8th, 2001, for the partial financing of the Dobrogea pipeline building project.

The loan was fully drawn until December 31st, 2007.

The loan is denominated in USD and the interest thereof is monthly USD LIBOR plus 2%, payable monthly together with instalment reimbursement. In case of delayed payments, an interest rate equal to monthly LIBOR USD plus 4% will be charged.

AMOUNTS PAYABLE TO CREDIT INSTITUTIONS IN MORE THAN ONE YEAR (FOLLOW-UP)

Împrumuturile de la Efibanca

Efibanca Loans

Efibanca Spa, a company belonging to the "Banca Populare di Lodi" banking group, granted 3 loans in June 2003, September 2004 and January 2005 for the purchase of valves from Tyco Valves & Controls Italy and fittings from RMA Germany. Such loans are denominated in Euro and have interest rates of 4.38%, 3.87%, respectively 3.60% per year. On 31 December 2007 all drawings related thereto were completed. Reimbursement of each drawing shall be made in 10 monthly instalments. The loan contracted in 2003 was fully repaid on 30 June 2009.

ABN Amro Loan

The loan was contracted in December 2005 to finance the company's investments. The maximum value of the credit facility is of EUR 6,436,919.95.

The interest rate is monthly EURIBOR + 0.95% in case the Total liabilities / EBITDA indicator is lower than 3 and monthly EURIBOR + 1.5% in case the Total liabilities / EBITDA indicator is higher than 3. The reimbursement shall be made in six quarterly instalments until 30 September 2010 as of December 2006.

UniCredit Tiriac Loan

The loan was contracted on 31 October 2007 after a public tender process, with a margin of 0% over BUBOR interest every 3 months, and is meant for the partial financing of the company's investment programme. The contracted value was of RON 100,600,000 which was fully drawn on 31 December 2008. The reimbursement shall be made in 19 quarterly instalments. The balance on 30 June 2009 is RON 68,831,578.

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AMOUNTS PAYABLE TO CREDIT INSTITUTIONS IN MORE THAN ONE YEAR (FOLLOW-UP)

Interest rate

Interest rate risk exposure and actual interest rate are as follows:

	Financial period Ended on <u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Total loans:		
Variable interest rate	137,404,135	111,136,060
Fixed interest rate	<u>33,753,331</u>	<u>23,507,629</u>
	<u>171,157,466</u>	<u>134,643,689</u>

	Financial period Ended on <u>31 December 2008</u> (%)	<u>30 June 2009</u> (%)
Actual interest rate:		
Long-term loans – USD	5,82	5,10
Long-term loans – EUR	5,52	4,79
Long-term loans – LEI	-	17,33

Actual interest rate:

Long-term loans – USD	5,82	5,10
Long-term loans – EUR	5,52	4,79
Long-term loans – LEI	-	17,33

The accounting value of the long-term loan share estimates the fair value thereof,

18. OTHER LONG-TERM LIABILITIES, INCLUDING TAX AND SOCIAL INSURANCE LIABILITIES

	<u>31 December 2008</u> (lei)	<u>30 June 2009</u> (lei)
Liabilities under concession contracts		
State budget liabilities	482,787,647	482,787,647
Other liabilities	<u>3,022,744</u>	<u>3,022,870</u>
	<u>485,810,391</u>	<u>485,810,517</u>

19. EXPENSES RELATED TO DAMAGES, DONATIONS AND ASSIGNED ASSETS

	On	
	<u>30 June 2008</u>	<u>30 June 2009</u>
	(lei)	(lei)
Gas allowance	23,684,345	26,374,251
Subsidies and donations	1,563,010	1,563,284
Intangible assets assignment expenses	1,184,536	102,206
Other fines and damages	511,659	243,206
Employees' share in profit	6,018,084	7,519,622
Other operating expenses	<u>3,680,317</u>	<u>5,318,902</u>
	<u>36,641,951</u>	<u>41,121,471</u>

Under the collective labour contract, the company' employees receive an annual allowance corresponding to the value of 6,500 cubic meters of natural gas. Such allowance is paid in monthly instalments, at the relevant gas price.

20. FINANCIAL RISK MANAGEMENT
Financial risk factors

Through the nature of the activities carried out, the company is exposed to various risks such as credit risk, currency risk, interest rate risk and liquidity risk. The company's management strives to reduce the potential adverse effects associated with such risk factors on the Company's financial performance.

a. Credit risk

The company is subject to credit risks due to its trade receivables and to other types of receivables. References on clients' creditworthiness are normally obtained with respect to all new customers, the due date of liabilities is carefully monitored and the overdue amounts are timely pursued.

b. Currency risk

The company is exposed to currency exchange rate fluctuations through the debt generated by the commercial loans or debts denominated in foreign currency. Because of associated high costs, the company policy is to not use financial instruments to mitigate that risk.

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c. Interest rate risk

The company's financial cash flows are affected by fluctuations of the interest rates mainly because of loans with variable interest (Notes 16 and 17). The company does not use hedging instruments.

d. Liquidity risk

The practical liquidity risk management involves maintaining sufficient cash and available credit lines (Note 16). Due to the nature of its business, the company seeks flexibility in funding opportunities by maintaining available credit lines to finance operating activities.

21. CONTINGENCY

(a) Court actions

The company is subject to a number of court actions occurring during normal activity. The company's management deems such actions not to have a significant adverse effect on the company's economic results and financial position, apart from the amounts recorded in these financial statements.

(b) Taxation

The system of taxation in Romania is undergoing a process of reinforcement and harmonization with the European legislation. However, there still are different interpretations of the tax legislation. In some cases, tax authorities can handle the different aspects, proceeding to the calculation of additional taxes and interests and related delay penalties (0.1% per day as of 1 January 2006). In Romania, the fiscal year remains open for fiscal review for 5 years. The company's management deems the fiscal liabilities included in such financial statements to be appropriate.

(c) Environmental contingency

The Romanian regulations on environment are under harmonization with the EU relevant laws. The company's management does not deem the expenses related to any environmental problems to be significant. The company did not record any liabilities as at 30 June 2009 and 31 December 2008 associated to any anticipated costs, including legal and consultancy fees, site surveys, design and implementation of remedy actions on environmental elements.

(d) Financial crisis

The world liquidity crisis occurred during the second half of 2008 resulted, among other things, in a low level of capital market financing, low levels of bank liquidities, higher interbanking loan rates and a very high stock exchange volatility. The uncertainties related to the international financial markets were a cause of bank collapses and state involvement to save banks in the USA, Central and Western Europe and other parts of the world. Moreover, the exchange rate volatility associated to Leu and the key currency in international exchanges was very high. Currently, it is quite impossible to predict and prevent the whole impact of the current financial crisis.

(e) Other contingency

During May, 2000 – June, 2004 the company recorded a development rate of lei 226,300,000 and took over from Romgaz SA (upon unbundling as a distinct legal entity) the amount of lei 63,200,000, as

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development rate. During its development, the company financed the investments in tangible assets from its own sources (including from such development rate), without any separate record of tangible assets purchased from funds exclusively constituted from such development rate. The company has not established any other development rate since July 2004.

The decision of the Fiscal Commission for approval of unitary solutions for the accounting and fiscal treatment of reserves resulting from the constitution of the development rate (Decision 4 of July 2004) provides that the amounts deducted in this manner (the development rate) and recorded in the reserve accounts have the nature of investment subsidies, both in terms of accounting and taxation. This implies that based on the amortization of assets financed from this source or of their writing off, the relevant reserves shall be transferred to revenues (the same share with the amounts recorded on expenses for amortization).

The company's management deems that the treatment mentioned in fiscal decision no. 4 is applicable only to the development rate created after such decision turns effective, so it is not applicable to the company, which has not established any funds from the development rate following July 2004.

**Director General
Ioan Rusu**

**CFO
Radu Moldovan**