THE NATIONAL GAS TRANSMISSION COMPANY
TRANSGAZ S.A.

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED ON 30 JUNE (UNAUDITED)

PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION

Contents **Page**

STATEMENT OF FINANCIAL POSITION
(expressed in RON, if not specified otherwise)

	Note	30 June 2015 (unaudited)	31 December 2014
ASSET			
Fixed assets			
Intangible Assets	9	2.508.357.598	2.534.879.666
Tangible Assets	**Error! Reference source not found.**	641.390.904	654.840.262
Financial assets available for sale	10	-	-
Trade receivables and other receivables	**Error! Reference source not found.**	554.390.167	539.216.239
		3.704.138.669	3.728.936.167
Current assets			
Inventories	**Error! Reference source not found.**	41.393.044	36.644.893
Commercial receivables and other receivables	**Error! Reference**	393.783.437	401.552.343

Notes 1 to 32 are part of these financial statements.

(expressed in RON, if not specified otherwise)

	sour ce not foun d.		
Cash and cash equivalent	13	813.217.592	557.868.004
		1.248.394.073	996.065.240
Total asset		4.952.532.742	4.725.001.407
EQUITY AND DEBTS			
Equity			
Share capital	14	117.738.440	117.738.440
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	1.319.422.059	1.254.534.864
		3.391.854.621	3.326.967.426
Long-term debts			
Long-term loans	21	110.218.249	110.218.249
Deferred income	17	882.728.388	893.778.017
Deferred tax payment	18	71.213.383	73.687.761
		1.064.160.020	1.077.684.027

Notes 1 to 32 are part of these financial statements.

(expressed in RON, if not specified otherwise)

	Nota	30 June 2015 (unaudited)	December 31 2014
Current debts			
Commercial debts and other debts	19	434.618.871	238.527.159
Provision for risks and charges	20	7.949.213	16.364.898
Current tax payment	18	39.034.617	38.542.497
Provision for employee benefits	0	2.915.400	2.915.400
Short-term loans	**Error! Reference source not found.**	12.000.000	24.000.000
		496.518.101	320.349.954
Total debts		1.560.678.121	1.398.033.981
Total equity and debts		4.952.532.742	4.725.001.407

Endorsed and signed on behalf of the Board of Administration on 11 August 2015 by:

Chairman of the Board of Administration
Ion Sterian

Director – General
Petru Ion Vaduva

Chief Financial Officer
Marius Lupean

Notes 1 to 32 are part of these financial statements.

(expressed in RON, if not specified otherwise)

	Note	Period of six months ended 30 June 2015 (unaudited)	Period of six months ended 30 June 2014 (unaudited) (restated)
Revenues from the domestic transmission activity		660.192.988	714.322.455
Revenues from the international transmission activity		158.798.414	133.301.899
Other revenues	Error! Reference source not found.	29.140.155	13.387.668
		848.131.557	861.012.022
Depreciation	7, 9	(95.639.185)	(91.851.863)
Employees costs	26	(173.310.450)	(174.981.371)
Technological consumption, materials and consumables used		(34.142.702)	(48.774.925)
Expenses with royalties		(81.899.141)	(84.762.435)
Maintenance and transport		(17.408.099)	(21.874.439)
Taxes and other amounts owed to the state		(33.296.774)	(39.166.451)
Revenues/ (Expenses) with provisions for risks and expenses		8.415.685	10.388.667
Other operating expenses	23	(47.253.566)	(57.277.170)
Operating profit		373.597.325	352.712.035
Financial income	Error! Reference source not found.	17.472.765	9.189.623
Financial expenses	Error!	(3.473.945)	(3.144.289)

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Financial income, net		13.998.820	6.045.334
Profit before tax		387.596.145	358.757.369
Profit tax expense	18	(66.039.151)	(64.389.986)
Net profit for the period		321.556.994	294.367.383
Earnings per share, basic and diluted (expressed in RON per share)	28	27,31	25,00
Total comprehensive income for the period		321.556.994	294.367.383

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	Note	Share Capital	Share capital adjustments	Share premium	Other reserves	Retained earnings	Total equity
Balance on 1 January 2014		117.738.440	441.418.396	247.478.865	1.265.796.861	975.134.113	3.047.566.675
Net profit for the period, reported		-	-	-	-	294.367.383	294.367.383
Transactions with shareholders:							
Dividends related to 2013	15	-	-	-	-	(206.984.178)	(206.984.178)
Balance on 30 June 2015 (unaudited)		117.738.440	441.418.396	247.478.865	1.265.796.861	1.062.517.318	3.134.949.880
Net profit for the period, reported		-	-	-	-	208.148.680	208.148.680
Actuarial gain/(loss) for the period		-	-	-	-	(16.131.134)	(16.131.134)
Transactions with shareholders:							
Dividends related to 2013	15	-	-	-	-	-	-
Balance on 31 December 2014		117.738.440	441.418.396	247.478.865	1.265.796.861	1.254.534.864	3.326.967.426
Net profit for the period		-	-	-	-	321.556.994	321.556.994
Transactions with shareholders:							
Actuarial gain/loss for the period	15	-	-	-	-	(256.669.799)	(256.669.799)
Balance on 30 June 2015 (unaudited)		117.738.440	441.418.396	247.478.865	1.265.796.861	1.319.422.059	3.391.854.621

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	Note	Period of six months ended 30 June 2015 (unaudited)	Period of six months ended 30 June 2014 (unaudited) (restated)
Cash generated from operations	25	**398.871.771**	**526.325.526**
Interest paid		(223.145)	(725.998)
Interest received		10.078.139	4.664.409
Profit tax paid		(68.021.409)	(36.946.761)
Net cash inflow from operating activities		**340.705.356**	**493.317.176**
Cash flow from investment activities			
Payments to acquire tangible and intangible assets		(76.532.856)	(39.537.689)
Cash flows from connection fees and grants		4.094.445	1.298.343
Net cash used in investment activities		**(72.438.411)**	**(38.239.346)**
Cash flow from financing activities			
Dividends paid		(917.357)	(871.118)
Repayments of long-term loans		(12.000.000)	(12.000.000)
Net cash used in financing activities		**(12.917.357)**	**(12.871.118)**
Net change in cash and cash equivalents		**255.349.588**	**442.206.712**
Cash and cash equivalent at beginning of year	13	**557.868.004**	**267.261.555**
Cash and cash equivalent at end of period	13	**813.217.592**	**709.468.267**

Chairman of the Board of Administration
Ion Sterian

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Petru Ion Vaduva

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

1. GENERAL INFORMATION

The National Gas Transmission Company - SNTGN Transgaz SA (`the Company`) has as main activity the transmission of natural gas. Also, the Company maintains and operates the national gas transmission system and carries out research and design activities in the area of natural gas transmission. On 30 June 2015, the majority shareholder of the Company is the Romanian state, through the Ministry of Economy, Trade and Tourism.

The Company was established in May 2000, following several reorganizations of the gas sector in Romania: its predecessor was part of the former national gas monopoly SNGN Romgaz SA (`the Predecessor Company`), which was reorganized under Government Decision 334/2000.

The natural gas sector is regulated by the "National Energy Regulatory Authority" - "ANRE". ANRE's main responsibilities are the following:

- issuing or withdrawing licenses for companies operating in the natural gas sector;
- publishing framework contracts for the sale, transmission, acquisition and distribution of natural gas;
- setting the criteria, requirements and procedures related to the selection of eligible consumers;
- setting the pricing criteria and the calculation methods for the natural gas sector.

The Company is headquartered at 1 C.I. Motaş Square, Mediaş, Romania.

These financial statements were authorized to be issued by the Board of Administration on 11 August 2015.

From January 2008, the Company is listed on the Bucharest Stock Exchange, as a Tier 1 Company, under the TGN symbol.

2. OPERATIONAL FRAMEWORK OF THE COMPANY

Romania

The Romanian authorities continued the economic reforms undertaken in the financing agreement concluded with the international institutions (the European Union - EU, International Monetary Fund - IMF, the World Bank WB) as this follow –up is necessary for the consolidation of the internal macro-financial framework. Thus the premises of the correct administration of the possible unfavourable evolutions are created, evolutions that may appear if the high aversion towards risk occurs again in the international financial markets. The positive performances the Romanian economy registered must be consolidated by the application of a coherent mix of policies. Within this context one may notice that:

i) Romania has signed a stand-by agreement of 1.98 billion Euro (`EUR`) with the IMF, expiring in September 2015 and treated by the authorities as preventive, without accessing funds to date. The aim is to protect the Romanian economy against possible shocks in financial markets and to help reduce financing costs. In the 27 September 2013 meeting the IMF Board of Executive Directors approved Romania's request to conclude a new stand-by arrangement for a period of 24 months, in the amount of SDR 1.75 billion (about 1.98 billion euro), representing 170% of Romania's IMF quota.

ii) World Bank revised upwards to 3% the estimates of the Romanian economy progress this year, as compared to 2.9% in January, according to the biannual report `Global Economic Prospects` published by the international financial institution. Instead, it left unchanged the 2016forecasts, when Romania would register an economic growth of 3.2%, and even revised downwards by 0.4% its forecasts for 2017 from 3.9% to 3.5%.

iii) The monetary policy interest rate of the National Bank of Romania (`BNR`) continued to decline in 2015. BNR decided to lower the monetary policy interest rate from 2, 0% to 1.75% per year as of 7 May 2015 and to continue the adequate management of liquidities in the banking system. At the same time, in order to reduce the volatility of the interest rates on the interbank money market and strengthening signal transmission of the monetary policy interest rate, the BNR Board of Administration decided to narrow the symmetrical corridor created by the permanent facilities interest rates around the monetary policy interest rate from +/- 1.75% to +/- 1.5%.

iv) The credit rating agency Standard & Poor's (`S&P`) upgraded Romania in the category of `investment grade`, with a stable outlook, meaning that the large portfolio investors may return on the Romanian market. Romania's S&P rating is BBB- / A-3, stable outlook. S&P was the only agency which had not upgraded Romania, although the economic performance and the macro stability require that. Moving Romania to `investment grade` means that certain financial flows may return on the Romanian market, which would further support rate stability and low interest rates in lei.

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUATION)

v) The current inflation rate estimate involves a substantial revision, downwards, mainly as a result of the application since June this year of a reduced VAT rate to all food products, soft drinks and food services. The annual CPI inflation rate is expected to range from negative values until the end of the first quarter of 2016 (excluding the end of 2015) and will be placed at the end of the next two quarters at the lower range limit of ± 1 percentage point around the 2.5% target and return within the range in the fourth quarter of 2016.

In quarter I 2015 the RON appreciated by 0.2% as compared to the EUR (4.4735 on 30 June 2015; 4.4821 on 31 December 2014) and depreciated by 8.41% as compared to the US Dollar (`USD`) (3.9969 on 30 June 2015; 3.6868 on 31 December 2014). In quarter I 2014 the RON appreciated by 2.1% as compared to the EUR (4.3870 on 30 June 2014; 4.4847 on 31 December 2013) and by 0.9% as compared to the USD (3.2138 on 30 June 2014; 3.2551 on 31 December 2013).

The future economic orientation of Romania largely depends on the efficiency of economic, financial and monetary measures taken by the government, as well as on the tax, legal, regulatory and political evolution. The management cannot estimate the evolution of the economic environment, which could have an impact on the Company's operations or the potential impact on the financial position of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

3.1 Basis of preparation

The financial statements of the Company were prepared in accordance with the IAS 34 International Financial Reporting Standards adopted by the European Union ("EU IFRS"). The financial statements were prepared based on the historical cost convention, except for the financial assets available for sale, which are presented at fair value.

The preparation of the financial statements in accordance with EU IFRS requires the use of critical accounting estimates. Also, the management is required to use judgment in applying the Company's accounting policies. Areas with a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 5.

New accounting regulations

The new or reviewed standards and interpretations mandatory for the accounting periods of the Company as of 1 January 2015

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (issued in November 2013 and applicable for the annual periods as of 1 July 2014, *applicable for the EU IFRS for the annual periods after 1 February 2015*) Changes give the possibility to entities to recognize the employees' contributions as a reduction of the cost of providing the service for the period when the service is actually provided by the employee, without contributing to the periods of service provision, if the value of employees' contributions is independent from the number of years of service. The Amendments do not have an impact on the interim financial statements of the Company .

Annual improvements to IFRSs 2012 (issued in December 2013 and applicable for the annual periods as of 1 July 2014, if not specified otherwise, *applicable for the EU IFRS for the annual periods after 1 February 2015*). Improvements consist of changes to seven standards.

IFRS 2 was amended to clarify the definition of `vesting condition` and define separately the "performance condition" and `the service provision condition`; the amendment is applicable for transactions with share-based payment whose date is on or after 1 July 2014.

IFRS 3 was changed to clarify that (1) the obligation to pay a contingent liability that meets the definition of a financial instrument is classified as a financial or capital liability, based on the definitions of IAS 32 and (2), contingent liabilities that are not of capital nature, both financial and non-financial, are valued at fair value at each reporting date, with changes in fair value recognized

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

in the profit and loss account. Amendments to IFRS 3 are applicable for business combinations where the acquisition date is on or after 1 July 2014.

The basis for Conclusions on IFRS 13 was amended to clarify that the elimination of certain paragraphs of IAS 39 after the publication of IFRS 13 was not made with the intention to eliminate the possibility to present short-term receivables and liabilities at the invoiced value, if the impact of trade discounts is irrelevant.

IAS 24 was amended to include, as a related party, an entity that provides services to the management personnel of the reporting entity or parent company of the reporting entity (`management entity`), and the obligation to present the amounts levied from the reporting entity by the management entity for the services provided.

The Amendments do not have an impact on the interim financial statements of the Company .

Annual improvements to IFRSs 2013 (issued in December 2013 and applicable for the annual periods as of 1 July 2014, applicable for the EU IFRS for the annual periods as of 1 January 2015). Improvements consist of changes to four standards.

IFRS 3 was changed to clarify that it is not applicable to the joint arrangements defined by IFRS 11. The amendment also clarifies the fact the exception applied only to the financial statements of the joint arrangements.

IFRS 13 was amended to clarify the fact that the exception allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts (including contracts to buy or sell non-financial items) in the scope of IAS 39 or IFRS 9.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 do not exclude each other. Guidelines in IAS 40 help differentiate between the characteristics of real estate investment and those of real estate properties used by the owner. Those who prepare the financial statements must also refer to recommendations included in IFRS 3 to determine whether the acquisition of a real estate investment is a business combination.

The Amendments do not have an impact on the interim financial statements of the Company.

New or revised standards and interpretations not yet adopted by the European Union

The Company is still analyzing the impact of these standards:

IFRS 9, Financial Instruments: Classification and Evaluation. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to meet the classification and valuation of

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

financial liabilities in December 2011 and to (i) replace the date of entry into force with the annual periods as of 1 January 2015 and (ii) add transitional disclosures. The key features of this standard are:

– Financial assets must be classified into two valuation categories: those subsequently valued at fair value and those subsequently valued at amortized cost. The decision will be made at initial recognition. The classification depends on the entity's business model used in managing its financial instruments and the contractual cash flow characteristics of the instrument.
– An instrument is subsequently valued at amortized cost only if it is a debt instrument and if (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows and (ii) the contractual cash flows of the asset represent only payments of loan and interest (that is, they have only "basic loan features"). All other debt instruments shall be measured at fair value through profit or loss.
– All equity instruments shall be subsequently measured at fair value. Equity instruments held for trading will be measured at fair value through profit or loss. For all other equity instruments, an irrevocable choice on initial recognition can be made, consisting of recognition, consisting of the recognition of gains and losses realized and unrealized at fair value, through other items of the comprehensive result, and not through profit or loss. There will be no reversal of gains and losses at the fair value in the profit and loss account. This choice will be made separately, for each instrument. Dividends shall be presented in profit or loss, as long as they represent the return on investment.
– Most IAS 39 provisions on the classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The main change was that the entity will have to present the effects of changes in credit risk of financial liabilities designated at fair value through profit or loss in other items of the comprehensive income.

IFRS 15, Revenue from contracts with customers (issued on 28 May 2014 and applicable as of 1 January 2017). The new standard introduces the basic principle of recognizing revenue when goods or services are transferred to the customer, at the transaction price. Any distinct goods or services must be recognized separately and any discounts or rebates to the contract price shall be generally allocated according to distinct elements. If the counter value ranges, for whatever reason, the minimum amounts have to be recognized if there is significant risk of reversal. Costs incurred to ensure customer contracts must be capitalized and amortised over the period in which the benefits of the contract are consumed.

Annual improvements of IFRSs 2014 (issued on 25 September 2014 and applicable for periods subsequent to 1 January 2016). The changes have an impact upon four standards. IFRS 5 has been amended to clarify the change on the sales method (reclassification from `assets held for sale` to `assets held for distribution` or vice versa) does not constitute a change of a plan of distribution or sale, and it must not be accounted as such.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

The amendment to IFRS 7 adds further clarification to assist the management in determining whether the management contract of a financial asset that was transferred implies a continuous involvement, in the meaning of the presentation required by IFRS 7. The amendment clarifies also that the information presented on compensation under IFRS 7 are not required specifically for all interim periods, unless they are required by IAS 34.

The amendment to IAS 19 clarifies that post-employment benefit obligations, decisions on the discount rate, the existence on the market of corporate bonds or government bonds used as a basis, should be based on the currency in which the obligations are expressed and not on the local currency in the country in which they occur. IAS 34 requires a cross reference between interim financial statements and "information presented elsewhere than in the interim financial report".

Amendments to IAS 1 "Presentation of Financial Statements" (issued in December 2014 and applicable for periods subsequent to January 1, 2016). The standard was amended to clarify the concept of materiality and it explains that an entity should make a specific presentation if the resulting information is not significant, although IFRS contains a list of specific requirements or minimum presentation requirements. The standard also provides new guidance on the presentation of subtotals in the financial statements: (a) they must be made up of elements recognized and evaluated in accordance with IFRS; (b) to be presented and labelled in a clear and understandable manner; (c) to be consistent from one period to another; and (d) may not be displayed with greater importance than subtotals and totals required by IFRS.

3.2 Reporting on segments

Reporting on business segments is made consistently with the internal reporting by the main operating decision-maker. The main operating decision-maker, which is in charge with resource allocation and assessment of business segments' performance, was identified as being the Board of Administration, which makes the strategic decisions.

3.3 Transactions in foreign currency

a) Functional currency

The items included in the financial statements of the Company are valued using the currency of the economic environment where the entity operates ("functional currency"). The financial statements are presented in Romanian leu (`RON`), which is the functional currency and the currency of Company presentation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

b) Transactions and balances

Transactions in foreign currency are converted into functional currency using the exchange rate valid on the date of transactions or valuation at the balance sheet date. Profit and loss resulting from exchange rate differences following the conclusion of such transactions and from the conversion at the exchange rate at the end of the reporting period of monetary assets and liabilities denominated in foreign currency are reflected in the statement of the comprehensive income.

On 30 June 2015, the exchange rate communicated by BNR was 1 USD = 3.9969 RON (31 December 2014: 1 USD = 3.6868 RON; 30 June 2014: 1 USD = 3.2138 RON) and 1 EUR = 4.4735 RON (31 December 2014: 1 EUR = 4.4821 RON; 3o June 2014: 1 EUR = 4.3870 RON).

3.4 Accounting for the effects of hyperinflation

Romania has gone through periods of relatively high inflation and was considered hyperinflationary under IAS 29 "Financial Reporting in Hyperinflationary Economies". This standard required financial statements prepared in the currency of a hyperinflationary economy to be presented in terms of purchasing power as of 31 December 2003. As the characteristics of the economic environment in Romania indicate the cessation of hyperinflation, from 1 January 2004, the Company no longer applies IAS 29.

Therefore, values reported in terms of purchasing power on 31 December 2003 are treated as basis for the accounting values of these financial statements.

3.5 Intangible Assets

Computer Software

Licenses acquired related to rights of use of the computer software are capitalized on the basis of the costs incurred with the acquisition and operation of the software in question. These costs are amortized over their estimated useful lives (three years).

Costs associated with developing or maintaining computer software are recognized as expenses in the period in which they are registered.

Service Concession Agreement

From 2010, the Company started to apply IFRIC 12, `Service Concession Commitments`, adopted by the EU. The scope of IFRIC 12 includes: the existing infrastructure at the time of signing the

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

concession agreement and, also, modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement.

As presented in Note 8, the Company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right.

Due to the fact that the Service Concession Agreement ("SCA") had no commercial substance (i.e. nothing substantial has changed in the way the Company operated assets; cash flows have changed only with the payment of royalties, but, on the other hand, the transmission tariff increased to cover the royalty), the intangible asset was measured at the remaining net value of the derecognized assets (classified in the financial statements as tangible assets on the date of application of IFRIC 12). Consequently, the Company has continued to recognize the asset, but reclassified it as intangible asset. The company has tested the intangible assets recognized at the time without identifying depreciation.

As they occur, costs of replacements are recorded as expense, while the improvements of assets used within SCA are recognized at fair value.

Intangible assets are amortized at zero value during the remaining period of the concession agreement.

3.6 Tangible Assets

Tangible assets include buildings, land, assets used for the international transmission activity (e.g. pipelines, compressors, filtering installations, devices).

Buildings include especially ancillary buildings of operating assets, a research centre and office buildings.

Further expenses are included in the book value of the asset or recognized as separate asset, as the case may be, only when the entry of future economic benefits for the Company associated to the item is likely and the cost of the respective item can be valued in a reliable manner. The book value of the replaced asset is highlighted. All the other expenses with repairs and maintenance are recognized in the statement of the comprehensive income in the financial period when they occur.

Land is not depreciated. Depreciation on other items of tangible assets is calculated based on the straight line method in order to allocate their cost minus the residual value, during their useful life, as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

	Number of years
Buildings	50
Assets of the gas transmission system	20
Other fixed assets	4 - 20

Before 31 December 2008, costs of indebtedness were incurred as they occurred. As of 1 January 2009, costs of indebtedness attributable directly to the acquisition, construction or production of an asset with a long production cycle are capitalized as part of the cost of the respective asset. Costs of indebtedness attributable directly to the acquisition, construction or production of an asset with a long production cycle are those costs of indebtedness that would have been avoided if expenses with the asset hadn't been made. To the extent that funds are borrowed specifically for obtaining a long-cycle production asset, the borrowing costs eligible for the capitalization of the respective asset is determined by the actual cost generated by that borrowing during the period, minus the income from the temporary investments of those borrowings. To the extent that funds are generally borrowed and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset.

The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for achieving production of a qualifying asset.

Assets' residual values and useful lives are reviewed and adjusted as appropriate, at the end of each reporting period.

The book value of the asset is written down immediately to its recoverable amount if the book value of the respective asset is greater than its estimated recoverable amount (Note 3.7).

Gains and losses on disposal are determined by comparing amounts to be received with the book value and are recognized in the statement of comprehensive income in the period in which the sale took place.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of non-financial assets

Assets subject to depreciation are reviewed for impairment losses whenever events or changes in circumstances indicate that the book value may not be recoverable. The impairment loss is the difference between the book value and the recoverable amount of the asset. The recoverable amount is the greater of the asset's fair value minus costs to sell and value in use. An impairment loss recognized for an asset in prior periods is reversed if there are changes in the estimates used to determine the recoverable amount of the asset at the date the last impairment loss was recognized. For the calculation of this impairment, assets are grouped at the lowest levels for which there are identifiable independent cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.8 Assets of public domain

In accordance with Public Domain Law No. 213/1998, pipelines for gas transmission are public property. Government Decision 491/1998, confirmed by Government Decision 334/2000, states that fixed assets with a gross historical statutory book value of RON 474,952,575 (31 December 2014: RON 474.952.575) representing gas pipelines are managed by the Company. Therefore, the Company has the exclusive right to use such assets during the concession and shall return them to the state at the end of this period (see Note 8). The Company receives most of the benefits associated with the assets and is exposed to most of the risks, including the obligation to maintain network assets over a period at least equal to the remaining useful life, and the financial performance of the Company is directly influenced by the state of the network. Therefore, before 1 January 2010, the Company recognized those assets as tangible assets, with a proper reserve in the shareholders' equity (see Note 5.2.). Accounting policies applied to these assets were the same as those applied to the Company's tangible assets (Notes 3.7 and 3.6).

As shown in Note 3.5, the Company adopted IFRIC 12 as of 1 January 2010 and reclassified these assets and the subsequent improvements as intangible assets (except for international transmission pipelines).

In accordance with Public Concession Law No. 238/2004, a royalty is due for public goods managed by companies other than state-owned. The royalty rate for using the gas transmission pipelines is set by the government. As of October 2007, the royalty was set at 10% of the income. The duration of the concession agreement is 30 years, until 2032.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets

The Company classifies its financial assets into the following categories: valued at fair value through profit or loss, loans and receivables and available for sale. Classification is made depending on the purpose for which the financial assets were acquired. The management sets the classification of these fixed assets upon initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in the current assets, except for those that have a maturity greater than 12 months after the end of the reporting period. These are classified as fixed assets. Loans and receivables of the Company include "trade receivables and other receivables" and cash and cash equivalent in the statement of the financial position (Notes 3.11 and 3.13).

The company recognized for the investments made until the balance sheet date a receivable related to the regulated value remained valid at the end of the concession agreement, at the current value at the balance sheet date, and a deferred income. The discount rate used to calculate the present value of the debt is long-term government bonds, zero coupon, over a period close to the remainder of the concession agreement.

(b) Financial assets available for sale

Financial assets available for sale are non-derivative instruments that are either classified specifically in this category or they don't fall with any of the other categories. They are included in the fixed assets, except the situation when the management plans to alienate investments within 12 months from the end of the reporting period.

Regular acquisitions and sales of financial assets are recognized at the trading date - date when the Company commits to buy or sell the respective asset. Investments are initially recognized at the fair value plus trading expenses for all the financial assets that are not registered at fair value through profit or loss. The financial assets available for sale are subsequently recorded at fair value. The loans and receivables are registered at amortized cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other items of the comprehensive income.

When the titles of value categorized as available for sale are sold or depreciated, the cumulated adjustments of the fair value recognized in the equity are included in the profit and loss account at `gains and losses from investment securities`.

Dividends related to financial assets available for sale are recognized in profit or loss in other items of the comprehensive income when determining the Company's right to receive them.

(c) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets has suffered impairment. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss generating event") and if such event (or events) that generates loss has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
- breach of contract, such as default or delinquency in interest or loan payment;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise have had in view;
- it is likely that the debtor will go bankrupt or enter another form of financial reorganization;
- disappearance of the active market for that financial asset because of financial difficulties; or
- observable data indicate that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for individual financial assets in the portfolio, including:
- adverse changes in the payment status of debtors in the portfolio; and
- economic conditions, at national or local level, that correlate with defaults, relating to the assets in the portfolio.

The Company assesses first whether objective evidence of impairment exists.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Assets stated at amortized cost

Impairment testing of trade receivables is described above.

For loans and receivables, the amount of the loss is measured as the difference between the asset's book value and the updated value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original rate; the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the Company may measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), the resumption of impairment loss recognized previously recognized in profit or loss.

ii) Assets classified as available for sale

The Company evaluates for each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the value of financial assets below their cost is considered an indicator that the assets are impaired. If any such evidence exists, financial assets available for sale, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, minus any impairment loss on the financial asset previously recognized in profit or loss - are removed from other items of the comprehensive income and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed subsequently and any subsequent gain is recognized in other items of the comprehensive income.

3.10 Inventories

Inventories are stated at the lower of cost and net realizable value.

The components recovered from disassemblings and repairs of pipelines built by the Company are recorded as stocks at a value determined by a technical committee, and at the same time as a reduction in other administrative expenses. The amount so determined does not exceed the net achievable value.

The cost is determined based on the first in, first out method. Where necessary, provision is made for obsolete and slow moving inventories. Individually identified obsolete inventories are provided

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

for the full value or written off. For slow moving inventory, an estimate is made of the age of each main category on inventory rotation.

3.11. Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If the collection period is one year or less (or in the normal operating cycle of the business), they are classified as current assets. If not, they are presented as fixed assets.

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, minus the provision for impairment.

3.12. Value Added Tax

The value added tax must be paid to tax authorities based on the monthly VAT declaration by the 25th of the following month, regardless of the collection of receivables from customers. Tax authorities allow the settlement of VAT on a net basis. If the deductible VAT is higher than the output VAT, the difference is refundable at the request of the Company. That VAT can be refunded after a tax audit, or, even in its absence, if certain conditions are met. VAT on sales and purchases that have not been settled at the end of the reporting period is recognized in the statement of financial position at net value and disclosed separately as a current asset or liability. In cases where provisions were made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including the VAT. The related VAT must be paid to the state and can be recovered only in the event of debtor prescription, as a result of bankruptcy decision.

3.13. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, availability in current accounts with banks, other short-term investments with high liquidity and with maturity terms of up to three months and overdrafts from banks. In the statement of financial position, overdraft facilities are highlighted in loans, under current liabilities.

3.14 Equity

Share capital

Ordinary shares are classified as equity.

Additional costs directly attributable to issue of new shares or options are shown in equity as a deduction, net of tax, from the receipts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Dividends are recognized as liabilities and deducted from equity at the end of the reporting period if they have been declared before or at the end of the reporting period. Dividends are recognized when they are proposed before the end of the reporting period, or when they were proposed or declared after the end of the reporting period but before the date the financial statements were approved for issue.

3.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs recorded. Subsequently, borrowings are stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss during the borrowings, based on the effective interest method.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer payment of debt for no less than 12 months after the end of the reporting period.

3.16 Current and deferred profit tax

Tax expense for the period includes the current tax and the deferred tax and is recognized in profit or loss, unless it is recognized in other items of the comprehensive income or directly in equity because it relates to transactions that are, in turn, recognized in the same or in a different period, in other items of the comprehensive income or directly in equity.

Current profit tax expense is calculated based on the tax regulations in force at the end of the reporting period. The management periodically evaluates positions on tax returns regarding situations where the applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, based on the estimated amounts due to tax authorities.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit be derived from temporary differences.

3.17 Commercial payables and other payables

Suppliers and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Deferred income

Deferred income is recorded for connection fees applied to customers upon their connection to the gas transmission network, for the objectives received free of charge, for grants collected and for the right to recover the unamortised regulated value of the assets related to the investments achieved as an operator. The deferred income is recorded in the profit and loss account for the useful life of related assets (connection pipes, metering - regulating stations, meters).

The grants collected and the right to recover the unamortised regulated value of the assets related to the investments achieved as an operator are assimilated to the governmental subsidies.

The governmental subsidies are acknowledged to their market value when there is a reasonable assurance that they will be received and that the relevant conditions will be met.

The connection fees applied to the clients for their connection to the gas transmission network and to the facilities received free of charge from the clients represents the basis for the continuation of the providing of the service in accordance with the IFRIC 18.

For the connection fees applied to the clients for their connection to the gas transmission network and to the facilities received free of charge, for the grants collected and for the right to recover the unamortised regulated value of the assets related to the investments achieved as an operator, the Company chose to record the total asset value and a deferred income. The Company chose to register the total asset value and a deferred income. The deferred income is recognized in the profit and loss account for the the useful life of related assets (connection pipes, metering - regulating stations, meters).

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The Company recognized for the investments made until the balance sheet date areceivable related to the remaining regulated value at the end of the concession agreement, at the curent value at the balance sheet date and a deferred income. The deferred income is recognized in the profit and loss acount for the remaining duration of the concession agreement. The Company has the obligation to modernize and maintain the national transmission system at certain operating parameters.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits

In the normal course of business, the Company makes payments to the Romanian state on behalf of its employees, for health funds, pensions and unemployment benefits. All the Company employees are members of the pension plan of the Romanian state, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

Benefits granted on retirement

Under the collective agreement, the Company must pay the employees on retirement a compensatory amount equal to a certain number of gross salaries, depending on the time worked in the gas industry, working conditions etc. The company recorded a provision for such payments (see Note 0). The obligation recognized in the balance sheet represents the present value of the obligation at the balance sheet date. The obligation is calculated annually by independent experts using the Projected Unit Credit Method. The present value is determined by discounting future cash flows with the interest rate of the long-term government bonds.

The current service cost is recognized in the profit and loss account in the employee costs. Interest expense is included in the profit and loss account in the financial costs.

Actuarial gain or loss due to change in experience or changes in actuarial assumptions is recognized in the statement of comprehensive income in the period in which they arise.

Social insurance

The Company records expenses related to its employees, as a result of granting social insurance benefits. These amounts mainly include the implicit costs of employing workers and, therefore, are included in the salary expenses.

Gas aid

Before April 2014 the Company committed, under the collective labour contract, to grant employees a material aid equal to the equivalent value of a certain amount of gas (see Note 26); these amounts are presented under `Other benefits to employees`.

The value of the gas aid is calculated at the regulated selling price applied to the amount agreed under the collective labour contract. Since April 2014 the gas aid was included into the gross salary, as a monthly fixed amount, under `Salary expense`.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Profit sharing and bonuses

The Company recognizes an obligation and expense for bonuses and profit sharing, based on a formula taking into account the profit attributable to the Company's shareholders, after certain adjustments. The Company recognizes an obligation where it is required under contract or where there is a past practice that has created an implicit obligation.

3.20 Provisions for risks and charges

The provisions for risks and charges are recognized when the Company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, which incorporates economic benefits and for which a credible estimate can be made in terms of the obligation value. Where there are similar obligations, the probability for an outflow of resources to be necessary for settlement is set after the assessment of the obligation class as a whole. The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced. Where the Company expects the reimbursement of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain.

Provisions are measured at the discounted value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.21 Income recognition

Income covers the fair value of amounts received or receivable from the sale of services and/or goods in the normal course of business of the Company. Income is recorded net of value added tax, returns, rebates and discounts.

The Company recognizes the income when their amount can be estimated with certainty, when it is probable that the entity collects future economic benefits and when certain criteria are met for each of the Company's activities as described below. The amount of income is not considered reliably estimated until all contingencies relating to the sale are settled. The Company bases its estimates on historical results, taking into account the type of customer, type of transaction and the specifics of each commitment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Income from services

Income from domestic and international gas transmission is recognized at the time of delivery and assessment of the transmitted gas, according to the contract. The amounts of gas transmitted are evaluated and invoiced to customers on a monthly basis.

b) Income from the sale of goods

Income from the sale of goods is registered when the goods are delivered.

c) Interest income

Interest income is recognized proportionally, based on the effective interest method.

d) Income from dividends

Dividends are recognized when the right to receive payment is recognized.

e) Mutual compensation and barter transactions

A relatively reduced part of the sales and purchases are compensated by mutual agreements, barter or non-cash agreements. These transactions generally occur in the form of cancellation of balances, either bilaterally or through a chain involving several companies (see Note 29).

Sales and purchases that are intended to be offset by mutual agreements, barter or non-cash agreements are recognized based on management's estimates of their fair value to be received or disposed of in non-cash compensation. Fair value is determined based on the available market information.

Non-cash transactions have been excluded from the cash flow statement, so investing activities, financing activities, and all operational activities represent current cash flows.

f) Income from penalties

Income from penalties for late payment is recognized when future economic benefits are expected for the Company.

(expressed in RON, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

By the nature of the activities performed, the Company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk. Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments to protect itself from certain risk exposures.

(a) ***Market risk***

(i) Currency risk

The Company is exposed to currency risk by exposures to various foreign currencies, especially to USD and EUR. Currency risk is associated to assets (Note 12) and recognized liabilities.

The Company does not perform formal actions to minimize the currency risk related to its operations; thus, the Company does not apply hedge accounting. The management believes, however, that the Company is covered in terms of the currency risk, given that the foreign currency incoming payments (mainly income from international transmission) are used to settle liabilities denominated in foreign currency.

The following table shows the sensitivity of profit or loss and equity, to reasonably possible changes in exchange rates applied at the end of the reporting period of the functional currency of the Company, with all variables held constant:

	30 June 2015 (unaudited)	31 December 2014
Impact on profit and loss and on equity of:		
USD appreciation by 10%	167.955	2.103.397
USD depreciation by 10%	(167.955)	(2.103.397)
EUR appreciation by 10%	18.440.729	6.838.279
EUR depreciation by 10%	(18.440.729)	(6.838.279)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Price risk

The Company is exposed to the commodity price risk related to gas purchased for own consumption. If the gas price had been 5% higher/lower, the net profit related to semester I 2015 would have been lower/higher by RON 910.188 (semester I 2014: 1.572.714 RON).

(iii) Interest rate risk on cash flow and fair value

The Company is exposed to interest rate risk by its long and short-term borrowings, of which most have variable rates. Also, the Company is exposed to the interest rate risk by deposits with banks. The Company has not concluded any commitment to diminish the risk. For the average exposure in semester I 2015, if the interest rates had been by 50 basis points lower/higher, with all the other variables maintained constant, the profit related and the equity would have been by RON 1.368.347 lower/higher, (semester I 2014: RON 905.760) as a net result of reducing the interest rate for bank deposits and for floating rate obligations.

(b) ***Credit risk***

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company has drawn up a number of policies, through their application ensuring that sales of products and services are made to proper customers. The book value of receivables, net of provisions for doubtful debts, represents the maximum value exposed to credit risk. The Company's credit risk is concentrated on the 5 main customers, which together account for 61% of the trade receivable balances on 30 June 2015 (December 2014: 65%, June 2014: 67%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the provisions already made.

Cash is placed with financial institutions, which are considered as associated to a minimum performance risk.

(expressed in RON, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

	30 June 2015 (unaudited)	31 December 2014
Without rating	1.578.633	1.574.693
BB-	-	262.217.263
BB	294.505.948	-
BBB-	40.290.995	1.785.923
BBB	184.407.523	7.130.249
BBB+	112.870.976	284.236.404
BA1	4.170.453	730.107
A	102.733	-
A+	175.036.238	71.652
	812.963.499	557.746.291

(c) *Liquidity risk*

Preventive liquidity risk management involves keeping enough cash and funds available by a proper value of committed credit facilities.

The company projects cash flows. The financial function of the Company continually monitors the Company's liquidity requirements to ensure that there is sufficient cash to meet operational requirements, while maintaining a sufficient level of unused borrowing facilities (Note 16) at any time, so the company does not violate the limits or loan agreements (where applicable) for any of its borrowing facilities. These projections take into account the Company's debt financing plans, compliance with agreements, compliance with internal targets on the balance sheet indicators and, where appropriate, external regulations or legal provisions - for example, restrictions on currency.

The Financial Department of the Company invests extra cash in interest bearing current accounts and term deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide the appropriate framework, established under the provisions mentioned above.

The table below shows obligations on 3o June 2015 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

(expressed in RON, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis of financial liabilities on 3o June 2015 is as follows:

	Total amount (unaudited)	less than 1 year (unaudited)	1-5 years (unaudited)	over 5 years (unaudited)
Borrowings	12.085.100	12.085.100	-	-
Commercial payables and other payables	353.642.539	353.642.539	-	-
	365.727.639	365.727.639	-	-

Maturity analysis of financial liabilities on 31 December 2014 is as follows:

	Total amount	less than 1 year	1-5 years	over 5 years
Borrowings	24.333.300	24.333.300	-	-
Commercial payables and other payables	146.207.860	146.207.860	-	-
	170.541.160	170.541.160	-	-

Commercial payables and other payables include trade payables, suppliers of fixed assets, dividends payable, payables to the Ministry of Economy and Trade and other payables (see Note 19).

Capital risk management

Company's objectives related to capital management refer to keeping the Company's capacity to continue its activity in order to provide compensation to shareholders and benefits to the other stakeholders and maintain an optimal structure of the capital, as to reduce capital expenditure. There are no capital requirements imposed from outside.

As for the other companies in this sector, the Company monitors the capital based on the indebtedness degree. This coefficient is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including `current and long-term borrowings`, according to the statement of financial position), except for cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of the financial position, plus the net debt.

(expressed in RON, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

In 2015 the Company's strategy, unchanged since 2014, is to keep the indebtedness degree as low as possible, to keep a significant capacity to borrow funds for future investments. The net indebtedness degree on 30 June 2015 and on 31 December 2014:

	30 June 2015 (unaudited)	31 December 2014
Total borrowings (Note 16)	12.000.000	24.000.000
Except: cash and cash equivalents (Note 13)	(813.217.592)	(557.868.004)
Net cash position	(801.217.592)	(533.868.004)

Fair value estimate

The fair value of the financial instruments traded on an active market is based on market prices quoted at the end of the reporting period. The fair value of the financial instruments that are not traded on an active market is set using valuation techniques.

It is considered that the book value less the impairment provision of trade receivables and payables approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows using the current market interest rate available to the Company for similar financial instruments.

(expressed in RON, unless otherwise stated)

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

The Company develops estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including predictions of future events that are believed to be reasonable under certain circumstances.

The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions that have a significant risk of causing an important material adjustment to the book value of assets and liabilities within the next financial year are presented below.

5.1 Assumptions for the determination of the provision for retirement benefits

This provision has been calculated based on estimates of the average wage, the average number of employees and the average number of wage payment at retirement, as well as based on the benefits payment scheme. The provision was brought to the present value by applying a discount factor calculated based on the risk-free interest rate (i.e. interest rate on government bonds).

The present value of the obligations at 30 June 2015 is of RON 113,133,649 (31 December 2014: RON 113.133.649) (Note 21).

We present below the present value change depending on the following variables:

Discount rate +1%	100.736.938
Discount rate -1%	127.865.013
Wage growth rate +1%	127.534.086
Wage growth rate -1%	100.763.239
Increasing longevity with 1 year	113.480.755

5.2 The accounting treatment of the concession agreement

As shown in Note 8, in May 2002 the Company concluded a Concession Agreement with the National Agency for Mineral Resources ("NAMR"), which entitles the Company to use the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the Company according to Public Domain Law No. 213/1998, Government Decision ("GD") No. 491/1998 and GD No. 334 from 2000 by which the Company was established. According to the provisions of this agreement, the Company receives most of benefits associated to assets and is exposed o most of the risks. Therefore, the Company has recognized these assets in the statement of the financial position, with an appropriate reserve in

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

equity. Regarding the already existing infrastructure on the date of signing the Concession Agreement, given that the Company has no payment obligations at the time of terminating the Concession Agreement (but only obligations on maintenance and modernization, investments in new pipelines), the Company's management considered that it is, in substance, an equity component, defined as the residual interest in the Company's assets after the deduction of all debts. In addition, because the Company and its predecessor, SNGN Romgaz SA, were controlled by the Romanian state, the publication of Public Patrimony Law (i.e. loss of property) and the reorganization of SNGN Romgaz SA into 5 companies can be treated as transactions with shareholders, in its capacity of shareholder, which supports the recognition of transactions in equity. As of 2010, the Company applied IFRIC 12 (Note 3.5).

5.3 The accounting treatment of royalties payable for using the national gas transmission system

As show in Note 8, the Company pays royalties, calculated as percentage of the gross income achieved from the operation of pipelines of the national gas transmission system. These costs were recognized as expenses, rather than deduction from income, because they are not of the nature of taxes collected from customers and sent to the state, given the nature of activity and the regulatory framework:

- the Company's income is based on tariffs approved by another regulator than the one setting the level of royalties;
- expense with royalties is an item taken into consideration at the calculation of the transmission tariff.

5.4 Long-term debts

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor in exchange for the payment of a compensation equal to the unamortized regulated value set by ANRE. The Company believes that the legislative change represents a compensation registered as a subsidy for the value of the investments made, which the Company will not recover through the tariff, implicitly the value of the intangible asset not recovered through the tariff, recognized for the right to charge users. The Company recognized for the investments made by the balance sheet date a debt related to the remaining regulated value valid at the end of the concession agreement, at the present value at the balance sheet date. The present value was determined for the remaining period of the concession contract, because it is estimated that it will not be terminated before the expiration date (see Note 3.9 (a)). Investments in progress are recognized in the regulated asset base after completion. For investment in progress the remaining regulated value at the end of the concession agreement was estimated at depending on the expected date of commissioning. The Company also recognized a deferred revenue (see Note 3.18).

(expressed in RON, unless otherwise stated)

6. INFORMATION ON SEGMENTS

The information on segments provided to the Board of Administration, which makes the strategic decisions for the reporting segments, related to financial year ended 30 June 2015, is as follows:

	Domestic gas transmission	International gas transmission	Unallocated	Total
Income from domestic transmission	660.192.988	-	-	660.192.988
Income from the international transmission	-	158.798.414	-	158.798.414
Other revenues	6.057.100	-	23.083.055	29.140.155
Total income	666.250.088	158.798.414	23.083.055	848.131.557
Depreciation	(78.639.745)	(15.494.443)	(1.504.997)	(95.639.185)
Operating expenses other than depreciation	(349.573.721)	(23.671.801)	(5.649.525)	(378.895.047)
Operating result	-	-	-	373.597.325
Net financial gain	-	-	-	13.998.820
Profit before tax	-	-	-	387.596.145
Profit tax	-	-	-	(66.039.151)
Net profit	-	-	-	321.556.994
Assets on segments	3.607.515.592	487.510.653	857.506.497	4.952.532.742
Liabilities on segments	1.179.270.019	11.504.024	369.904.078	1.560.678.121
Capital expenditure - increases in assets in progress	56.079.817	-	21.451	56.101.268
Non-cash expenses other than depreciation	10.965.560	(297.892)	(52.757)	10.614.911

The reported segments are established depending on the type of activities the Company performs: regulated activity, non-regulated activity and other activities. As a transmission system operator, the Company reports annually to the National Regulatory Authority on the activity performed by the three reporting segments.

Assets shown for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts.

(expressed in RON, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

Unallocated assets include:	
Tangible and intangible assets	43.522.907
Cash	813.217.592
Other assets	765.998
	857.506.497

Unallocated liabilities include:	
Deferred tax	71.213.383
Tax payable	39.034.617
Dividends payable	259.086.602
Other debts	569.476
	369.904.078

Liabilities presented for the two main operating segments consist of payables and borrowings contracted by the Company for the acquisition of assets for the respective segments.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the expense with the impairment of inventories, other risk provisions.

International transmission services are provided for two foreign clients, while the domestic transmission activity is performed for several domestic clients.

	Domestic Clients	**Foreign Clients**	**Total**
Income from domestic transmission	660.192.988	-	660.192.988
Income from the international transmission	-	158.798.414	158.798.414
Other revenues	29.140.155	-	29.140.155
	689.333.143	158.798.414	848.131.557

Domestic clients with over 10% of the total income include:	**Percent of the total income**
GDF SUEZ ENERGY ROMANIA S.A.	23%
E.ON ENERGIE ROMANIA SA.	19%

All the Company assets are located in Romania. All the Company activities are carried out in Romania. The Company has receivables from external clients amounting to RON 26.577.940 (2014: RON 24.642.235).

(expressed in RON, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

The information on segments provided to the Board of Administration, which makes the strategic decisions for the reporting segments, related to the financial year ending on 31 December 2014, is as follows:

	Domestic gas transmission	International gas transmission	Unallocated	Total
Income from domestic transmission	1.340.852.834	-	-	1.340.852.834
Income from the international transmission	-	273.760.232	-	273.760.232
Other revenues	12.349.043	-	28.356.920	40.705.963
Total income	1.353.201.877	273.760.232	28.356.920	1.655.319.029
Depreciation	(150.928.824)	(31.115.792)	(3.248.022)	(185.292.638)
Operating expenses other than depreciation	(818.761.061)	(50.268.153)	(9.428.792)	(878.458.006)
Operating result	-	-	-	591.568.385
Net financial gain	-	-	-	19.018.827
Profit before tax	-	-	-	610.587.212
Profit tax	-	-	-	(108.071.149)
Net profit	-	-	-	502.516.063
Assets on segments	3.670.215.592	451.332.931	603.452.884	4.725.001.407
Liabilities on segments	1.271.113.837	10.762.847	116.157.297	1.398.033.981
Capital expenditure - increases in assets in progress	151.776.481	-	-	151.776.481
Non-cash expenses other than depreciation	61.669.963	(6.636.742)	1.918.507	56.951.728

(expressed in RON, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

Assets shown for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts.

Unallocated assets include:	
Tangible and intangible assets	45.081.354
Cash	557.868.004
Other assets	503.526
	603.452.884
Unallocated liabilities include:	
Deferred tax	73.687.761
Tax payable	38.542.497
Dividends payable	3.334.161
Other debts	592.878
	116.157.297

Liabilities presented for the two main operating segments consist of payables and borrowings contracted by the Company for the acquisition of assets for the respective segments.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the expense with the impairment of inventories, other risk provisions.

International transmission services are provided for two foreign clients, while the domestic transmission activity is performed for several domestic clients.

	Domestic Clients	Foreign Clients	Total
Revenues from the domestic transmission activity	1.340.852.834	-	1.340.852.834
Revenues from the international transmission activity	-	273.760.232	273.760.232
Other revenues	40.129.431	576.532	40.705.963
	1.380.982.265	274.336.764	1.655.319.029

Domestic clients with over 10% of the total income include:	**Percent of the total income**
GDF SUEZ ENERGY ROMANIA S.A.	21%
E.ON ENERGIE ROMANIA SA.	17%

All the Company assets are located in Romania. All the Company activities are carried out in Romania.

(expressed in RON, unless otherwise stated)

7. INTANGIBLE ASSETS

	Land and buildings	Assets of the transmission system	Other fixed assets	Assets in progress	Total
The year ended 30 June 2014					
Cost on 1 January 2014	276.318.655	981.934.809	220.028.197	2.958.715	1.481.240.376
Accumulated depreciation on 1 January 2014	(115.218.264)	(492.477.489)	(178.574.007)	-	(786.269.760)
Initial net book value	161.100.391	489.457.320	41.454.190	2.958.715	694.970.616
Inflows	-	-	-	337.891	337.891
Transfers	87.400	-	272.984	(360.384)	-
Outflows (net book value)	(2.545)	-	(16.414)	-	(18.959)
Expense with depreciation	(4.795.396)	(17.109.703)	(5.867.005)	-	(27.772.104)
Final net book value	156.389.850	472.347.617	35.843.755	2.936.222	667.517.444
Cost	276.401.054	981.934.809	217.402.928	2.936.222	1.478.675.013
Accumulated depreciation	(120.011.204)	(509.587.192)	(181.559.173)	-	(811.157.569)
Final net book value	156.389.850	472.347.617	35.843.755	2.936.222	667.517.444
On 31 December 2014					
Initial net book value	156.389.850	472.347.617	35.843.755	2.936.222	667.517.444
Inflow	-	308.980	138.355	14.803.662	15.250.997
Transfers	35.853	-	12.371.973	(12.407.826)	-
Outflow (net book value)	-	(46.186)	(11.250)	-	(57.435)
Expense with depreciation	(4.680.180)	(17.100.142)	(6.090.422)	-	(27.870.744)
Final net book value	151.745.524	455.510.269	42.252.411	5.332.058	654.840.262
Cost	276.436.908	982.193.974	229.042.472	5.332.058	1.493.005.412
				-	
Accumulated depreciation	(124.691.384)	(526.683.705)	(186.790.061)	-	(838.165.150)
Final net book value	151.745.524	455.510.269	42.252.411	5.332.058	654.840.262

(expressed in RON, unless otherwise stated)

7. TANGIBLE ASSETS (CONTINUED)

	Land and buildings	Assets of the transmission system	Other fixed assets	Assets in progress	Total
On 30 June 2015					
Initial net book value	151.745.524	455.510.269	42.252.411	5.332.058	654.840.262
Inflows	150.708	-	21.924	14.018.089	14.190.721
Transfers	159.953	-	7.462.389	(7.622.342)	-
Outflows (net book value)	(26.364)	(425)	(31.404)	-	(58.193)
Expense with depreciation	(4.199.898)	(17.093.478)	(6.288.510)	-	(27.581.886)
Final net book value	147.829.923	438.416.366	43.416.810	11.727.805	641.390.904
Cost	277.079.435	982.191.304	234.928.320	11.727.805	1.505.926.864
Accumulated depreciation	(129.249.512)	(543.774.938)	(191.511.510)	-	(864.535.960)
Final net book value	147.829.923	438.416.366	43.416.810	11.727.805	641.390.904

The gross book value of fully depreciated assets, still used, is of RON 183.017.217 (31 December 2014: RON 173.872.964).

Regarding the assets developed by the Company that are complementary to the provision of services according to the concession agreement, the state has the option to acquire these assets at the end of the concession agreement. The Company does not have the obligation to keep these assets until the end of the concession agreement and it is allowed to sell them. These assets do not fall within the scope of IFRIC 12. All the other assets related to the domestic transmission activity and that are part of the national gas transmission system, including improvements made after signing the concession agreement and which must be handed over to the NAMR at the end of the concession agreement fall within the scope of IFRIC 12.

The assets used for the provision of international transmission services do not fall within the scope of IFRIC 12.

8. SERVICE CONCESSION AGREEMENT

In May 2002, the Company concluded a service concession agreement (`SCA`) with the NAMR, which entitles the Company to operate the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the Company according to Public Domain Law No. 213/1998, GD No. 491/1998 and GD No. 334/2000 by which the Company was established. All modernizations and improvements made by the Company to the system are considered part of the system and become property of the NAMR at the end of their useful life. The Company cannot sell or discard any asset part of the national transmission system; withdrawals can only be made with the approval of the state.

Upon expiration of the agreement, the assets belonging to the public domain existing at the time of signing the agreement and all investments made in the system will be returned to the state. The Company owns and will develop other assets that are not part directly of the national gas transmission system, but are complementary assets for gas transmission operations. The NAMR has the option to buy these assets at the end of the concession agreement, at the fair value.

The main terms of the concession agreement are the following:

- The Company is entitled to operate directly the assets subject to the concession agreement and to apply and collect tariffs for domestic and international transmission from clients in exchange for services provided; the Company is the only entity authorized to operate the pipelines of the national gas transmission system, no sub-concession being allowed;
- Any change of tariffs must be proposed by the Company and then approved by the ANRE;
- The Company is exempt from the payment of import duties for the assets acquired for operation, improvement or development of the system;
- The Company must annually publish by 30 October the available capacity of the system for the following year;
- The Company must annually respond to the clients' orders by 30 November and the NAMR must be informed on all rejected orders decided by the Company's management;
- The Company must keep a specific level of functioning (guaranteed through a mandatory minimum investment programme);
- royalties are paid as percentage (by 30 September 2007: 5%, as of October 2007: 10%) of the gross income from the operation of the national transmission system (domestic and international transmission);
- all operating expenses for operating the system are incurred by the Company;
- The Company may cancel the agreement by notifying the NAMR 12 months in advance;
- The NAMR may cancel the agreement by a 6-month prior notice, if the Company fails to comply with the contractual conditions; it also has the option to cancel the agreement with a 30-day prior notice for "national interest" reasons; in this case, the Company will receive compensation equal to the average net profit of the past 5 years multiplied by the remaining duration of the agreement.

The concession agreement does not include an automatic renewal clause.
The terms of the concession agreement haven't been amended after June 2003, except for the approval of the minimum investment plans.

(expressed in RON, unless otherwise stated)

9. INTANGIBLE ASSETS

	SCA related assets	Computer software	Intangible assets in progress	Total
On 30 June 2014				
Cost on 1 January 2014	5.515.444.508	48.986.155	200.728.517	5.765.159.180
Accumulated amortization at 1 January 2014	(3.187.588.796)	(42.808.911)	-	(3.230.397.707)
Provisions for impairment	-	-	(806.244)	(806.244)
Initial net book value	2.327.855.712	6.177.244	199.922.273	2.533.955.229
Inflows	-	-	35.026.964	35.026.964
Transfers	11.018.912	432.791	(11.451.703)	-
Amortization	(63.000.125)	(1.511.012)	-	(64.511.137)
Final net book value	2.275.874.499	5.099.023	223.497.534	2.504.471.056
Cost	5.526.463.420	49.418.946	224.303.778	5.800.186.144
Accumulated depreciation	(3.250.588.921)	(44.319.923)	-	(3.294.908.844)
Provisions for impairment	-	-	(806.244)	(806.244)
Net book value	2.275.874.499	5.099.023	223.497.534	2.504.471.056
On 31 December 2014				
Initial net book value	2.275.874.499	5.099.023	223.497.534	2.504.471.056
Inflows	1.786	-	101.607.964	101.609.750
Transfers	93.446.864	1.176.102	(94.622.966)	-
Amortization	(64.177.648)	(1.787.152)	-	(65.964.800)
Provisions for impairment	-	-	(5.236.340)	(5.236.340)
Final net book value	2.305.145.501	4.487.973	225.246.192	2.534.879.666
Cost	5.619.519.832	50.595.047	231.288.776	5.901.403.655
Accumulated amortization	(3.314.374.331)	(46.107.074)	-	(3.360.481.405)
Provisions for impairment	-	-	(6.042.584)	(6.042.584)
Net book value	2.305.145.501	4.487.973	225.246.192	2.534.879.666
On 30 June 2015				
Initial net book value	2.305.145.501	4.487.973	225.246.192	2.534.879.666
Inflows	-	-	42.083.179	42.083.179
Transfers	46.978.127	161.624	(47.139.751)	-
Outflows	(170.000)	(649)	-	(170.649)
Amortization	(66.561.098)	(1.873.500)	-	(68.434.598)
Final net book value	2.285.392.530	2.775.448	220.189.620	2.508.357.598
Cost	5.665.929.783	50.754.491	226.232.204	5.942.916.478
Accumulated amortization	(3.380.537.253)	(47.979.043)	-	(3.428.516.296)
Provisions for impairment	-	-	(6.042.584)	(6.042.584)
Net book value	2.285.392.530	2.775.448	220.189.620	2.508.357.598

(expressed in RON, unless otherwise stated)

10. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale consist of unlisted stakes in the following companies:

Company	Activity	% Percentage owned 2015 (unaudited)	% Percentage owned 2014	30 June 2015 (unaudited)	31 December 2014
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
Mebis SA	Production, distribution and supply of natural gas	17,47	17,47	6.461.736	6.461.736
Nabucco Gas Pipeline International Gmbh	Gas transmission	17,93	17,93	138.544.435	138.544.435
Minus provision for impairment of investments in:					
Resial SA and Mebis SA				(24.578.237)	(24.578.237)
Nabucco Gas Pipeline International Gmbh				(138.544.435)	(138.544.435)
				-	-

Shares in Resial SA

Shares owned in Resial SA were obtained in December 2003, as a result of a procedure for the recovery of claims due from a client. Resial SA went into liquidation in 2006; the procedure is carried out by a bailiff appointed by the court and is outside the control of the Company, which is why the stake is not consolidated and is recorded at cost less the provision for impairment amounting to 100% of the cost. The loan granted to Resial SA is also fully provisioned. The management does not expect the Company to recover any amount of this stake and the Company does not guarantee any type of residual obligations for Resial SA.

Shares in Mebis SA

Shares owned in Mebis SA were obtained in February 2004, as a result of a procedure for the recovery of claims due from a client. Mebis SA is in the liquidation procedure, which is why the stake in Mebis SA has been fully provisioned. The Company has no obligations to Mebis SA.

10. FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

Shares in Nabucco Gas Pipeline International Gmbh

Nabucco Gas Pipeline International Gmbh ("NIC") is a limited liability company, based in Vienna, Austria, established to build a gas transmission pipeline from the Caspian Sea through Turkey, Bulgaria, Romania and Hungary to Austria.

The Company has participated with BOTAS - Turkey, Bulgargaz - Bulgaria, MOL - Hungary and OMV Gas & Power GmbH - Austria to the share capital of NIC, each company holding a 20% stake in the share capital. In February 2008, the share capital of NIC was increased by the contribution of a new shareholder, RWE Gas Midstream Germany.

The Company's stake in the Nabucco project at the end of 2012 was 17.38%, as a result of refusal of shareholder FGSZ Hungary to ensure the future funding for the project.

On 30 June 2015, NIC's ownership structure was the following: Botas - Turkey 17.93% (31 December 2014: 17.93%), Bulgargaz - Bulgaria 17.93% (31 December 2014: 17.93%), SNTGN Transgaz SA - Romania 17.93% (31 December 2014: 17.93%), MOL - Hungary 10.35% (31 December 2014: 10.35%), OMV Gas & Power GmbH - Austria 35.86% (31 December 2014: 35.86%).

In June 2013, the final decision of the Shah Deniz group, the Azerbaijani gas supplier, was made, deselecting the Nabucco West project as an option to carry natural gas from the Shah Deniz 2 field, which prompted NIC shareholders to make the decision to close, in a controlled manner, the Nabucco companies (NIC and subsidiaries).

During 2014 income was obtain from the liquidation of NIC amounting to EUR 959.350,39. At the same time, after the reconciliation of the amounts transferred in an escrow account by the Shah Deniz Consortium the amount of EUR 1,468,500 was received.

In the near future there is the prospect of collecting additional amounts from the liquidation of NIC, but due to the uncertainty level, the investment of the company in NIC of RON 138,544,435 was fully provided on 30 June 2015.

11. INVENTORIES

	30 June 2015 (unaudited)	31 December 2014
Gas inventories	10.388.000	10.388.000
Spare parts and materials	39.781.438	34.373.041
Provisions for slow moving inventories	(8.776.394)	(8.116.148)
	41.393.044	36.644.893

Under ANRE Order No. 2 issued on 20 January 2011, 20mln m^3 (212 thousand MWh) of gas was stored in the underground storage facilities.

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES

	30 June 2015 (unaudited)	31 December 2014
Trade receivables	395.233.403	419.047.423
Advance payments to suppliers	48.643.691	21.047.322
Undue VAT	1.179.036	1.770.252
Loan to Resial SA (Note 10)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	554.390.167	539.216.239
Other receivables	65.483.735	58.073.424
Provision for impairment of trade receivables	(110.071.122)	(91.474.145)
Provision for impairment of other receivables	(8.455.653)	(8.682.279)
	948.173.604	940.768.582

On 30 June 2015, the amount of RON 48.689.152 (31 December 2014: RON 46.663.588) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 2,38% in USD (31 December 2014: 45%) and 97,62% in EUR (31 December 2014: 55%).

Other trade receivables include the amount of RON 47.456.552 (31 December 2014: RON 47.451.452) representing the guarantees established by the Company for obtaining grants for the SCADA project.

Trade receivables were pledged as collateral for banks for loans, as mentioned in Note 16. The total amount of receivables pledged on 30 June 2015 is of RON 28.751.748 (31 December 2014: RON 22.462.914).

(expressed in RON, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

The analysis based on the quality of the trade receivables and other receivables is as follows:

	30 June 2015 Trade receivables (unaudited)	31 December 2014 Trade receivables
Current and not impaired (1)	236.544.890	191.760.480
Overdue but not impaired		
- overdue less than 30 days	2.229.133	118.835.058
- overdue between 30 and 90 days	24.497.351	11.776.744
- overdue more than 90 days	21.890.907	5.200.996
Due, but not impaired - total (2)	48.617.391	135.812.798
Impaired (gross)		
- outstanding less than de 30 days	-	4.220.348
- overdue between 30 and 90 days	6.229.300	5.875.858
- overdue between 90 and 360 days	40.724.319	37.012.076
- overdue more than 360 days	63.117.503	44.365.863
Total impaired (3)	110.071.122	91.474.145
Except the provision for impairment (4)	110.071.122	91.474.145
Total trade receivables and other receivables (1+2+3-4)	285.162.281	327.573.278

Analysis by receivables quality of current and not impaired financial assets can be made based on historical information on issues related to the recovery of these receivables.

	30 June 2015 (unaudited)	31 December 2014
Group 1	212.531.455	156.341.042
Group 2	24.013.435	35.419.438
Trade receivables	236.544.890	191.760.480

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Group 1 - existing clients/related parties where there were no recovery problems.

Group 2 - existing clients/related parties where payment delays were recorded in the past, most of the receivables being recovered.

Movements in the provision account are analyzed below:

	30 June 2015 (unaudited)	31 December 2014
Provision on 1 January	100.156.424	55.089.123
(Income)/expense with the provision for doubtful debts (Note 23)	18.370.351	45.067.301
Provision at the end of the period	118.526.775	100.156.424

In 2015 and 2014 provisions for receivables from insolvent companies or from companies in significant financial difficulties were established. The increasing of the provision for the impairment of the trade receivables is mainly duet o the additional provision with Interagro.

13. CASH AND CASH EQUIVALENT

	30 June 2015 (unaudited)	31 December 2014
Cash at bank in RON	654.059.762	492.307.139
Cash at bank in foreign currency	158.903.736	65.439.460
Other cash equivalents	254.094	121.405
	813.217.592	557.868.004

Cash at bank in foreign currency is mostly denominated in EUR.

The weighted average effective interest related to short-term bank deposits was of 1,07 % on 30 June 2015 (2,08% on 31 December 2014) and these deposits have an average maturity of 30 days. Deposits with initial maturity of up to 6 months are also included.

(expressed in RON, unless otherwise stated)

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital	Share premium	Total
IFRS				
On 31 December 2014	11.773.844	117.738.440	247.478.865	365.217.305
On 30 June 2015	11.773.844	117.738.440	247.478.865	365.217.305
Capital adjustment to the hyperinflation accumulated on 31 December 2003	-	441.418.396	-	441.418.396
On 31 December 2014, 30 June 2015	11.773.844	559.156.836	247.478.865	806.635.701

The authorized number of ordinary shares is 11.773.844 (31 December 2014: 11.773.844) with a nominal value of RON 10 each. Each share represents one vote. The ownership structure on 30 June 2015 is the following:

	Number of ordinary shares	Statutory value (RON)	Percentage (%)
The Romanian state, represented by the Ministry of Economy, Trade and Tourism	6.888.840	68.888.400	58,5097
Other shareholders	4.885.004	48.850.040	41,4903
	11.773.844	117.738.440	100,0000

By Government Emergency Ordinance 86 of 17 December 2014 the Ministry of Economy, Trade and Tourism becomes shareholder of the Company. The transfer of shares from the account of the General Secretariat of the Government to the account of the Ministry of Economy, Trade and Tourism was recorded at SC Depozitarul Central SA on 20 February 2015.

In the statutory accounting, before 1 January 2012, the Company included in the share capital certain reserves from revaluation for revaluations made before 31 December 2001. In order to prepare these financial statements according to EU IFRS, such increases were not recognized, because adjustments to hyperinflation for fixed assets were annually recognized in the statement of comprehensive income by 31 December 2003. Therefore, in these financial statements, the Company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

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15. OTHER RESERVES, LEGAL RESERVES AND RETAINED EARNINGS

Other reserves

Before the adoption of IFRIC 12, a proper reserve related to assets belonging to the public domain (Notes 3.8 and 5.2) was included in equity as "Reserve of the public domain" at the value of the respective assets restated depending on inflation until 1 January 2004. It was recalled "Other reserves" upon adoption of IFRIC 12 (Note 3.5), to reflect the change in the statute of related assets.

Legal reserve

In accordance with the Romanian legislation and the Company's Articles of Incorporation, it must transfer five percent of the profit from the statutory financial statements in a statutory reserve of up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for distribution on 30 June 2015, amounts to RON 23.547.688 (31 December 2014: RON 23.547.688). The legal reserve is included in the `Retained earnings` in these financial statements.

Dividend distribution

In 2015, the Company declared and distributed a dividend worth RON 21,80 /share, related to the profit of the previous year (2014: RON 17,58 per share). The total dividends declared from the profit of 2014 are of RON 256.669.799,20 (dividends declared from the profit of 2013: RON 206.984.178).

(expressed in RON, unless otherwise stated)

16. LONG-TERM BORROWINGS

The current tranche of long-term borrowings

	Currency	30 June 2015 (unaudited)	31 December 2014
BRD Groupe Societe Generale (`BRD`)	RON	12.000.000	24.000.000

Long-term borrowings are described below:

BRD GSG

The borrowing was made on 16 December 2010 to finance the investment program of the Company and has a ROBOR interest at three months + 0.5%. The total value is RON 120,000,000. Reimbursement is made for a period of 5 years in quarterly instalments, the final payment being set for 31 December 2015.

The maturity of the borrowing from BRD is presented below:

	30 June 2015 (unaudited)	31 December 2014
Within 1 year	12.000.000	24.000.000
	12.000.000	24.000.000

The borrowing from BRD G.S.G. is secured by receivables from GDF Suez Energy Romania SA in the amount of RON 28.751.748 on 30 June 2015.

The book value of short-term borrowings approximates their fair value.

	30 June 2015 (unaudited)	31 December 2014
Current portion of long-term borrowings	12.000.000	24.000.000

(expressed in RON, unless otherwise stated)

16. LONG-TERM BORROWING S (CONTINUED)

The effective interest rate

Depending on the loan category, the effective interest rate can be analyzed as follows:

	30 June 2015 (%) (unaudited)	31 December 2014 (%)
Long-term borrowings in RON	2,23	3,34

Fair value

Book values and fair values of long-term borrowings are the following:

	Book values		Fair values	
	2015 (unaudited)	2014	2015 (unaudited)	2014
BRD GSG	12.000.000	24.000.000	12.024.545	24.005.908

The fair value is determined based on discounted future cash flows using a discount rate equal to the interest rate at which the management believes that the Company can achieve similar borrowings, at the end of the reporting period.

The exposure of the Company's borrowings to the changes of the interest rate is as follows:

	30 June 2015 (unaudited)	31 December 2014
Variable interest rate	12.000.000	24.000.000

The variable interest rate can be analyzed as follows:

	30 June 2015 (unaudited)	31 December 2014
6 months or less	12.000.000	24.000.000

The Company does not have undrawn facilities.

(expressed in RON, unless otherwise stated)

17. DEFERRED INCOME

Deferred income consists of connection fees charged to clients for their connection to the national gas transmission system, of assets taken over for free for connection to the network, grants and the right to recover the unamortized regulated value of the assets related to the investments made as operator. The Company uses the connection fee to achieve the connection to the national transmission system of the client's objectives. Deferred income (presented as `income from the connection fees`) is registered as income for the period when the related assets are depreciated and estimating the duration of the relationship with the client (Note **Error! Reference source not found.**).

	30 June 2015 (unaudited)	31 December 2014
Initial balance	893.778.017	370.180.329
Increase referring to the regulated value remained unamortized at the end of the concession agreement	7.113.926	535.194.471
Increases	4.234.263	14.010.928
Reimbursed amounts	(432.615)	(1.957.306)
Amounts recorded in the income (Note 22)	(21.965.203)	(23.650.405)
Final balance	882.728.388	893.778.017

In 2014 a financial correction of 5% was applied to the value of the SCADA execution contract.
In 2015, following the completion of the reverse flow implementation project at the Isaccea and Negru Voda GMS for increasing the security of supply for Romania and Bulgaria, it was the Company reimbursed RON 432.615 representing the difference between the eligible value accepted and the initially paid grant.

The main increase since 2014 (RON 535.194.471) is the deferred income recognized in October 2014 as a result of the legislative changes through which the Company is entitled to recover the unamortized regulated value of the investments made as operator of the National Transmission System (see also Note 3.18). The deferred income is recognized in the profit and loss account for the remained duration of the concession agreement (Note 22).

(expressed in RON, unless otherwise stated)

17. DEFERRED INCOM E (CONTINUED)

The balance of the deferred income consists of:

	30 June 2015 (unaudited)	31 December 2014
Deferred income related to the regulated value remained unamortized at the end of the concession agreement	522.679.207	528.677.418
Connections and assets received free of charge	306.565.081	312.901.229
Grants	53.484.100	52.199.370
	882.728.388	893.778.017

18. PROFIT TAX

Profit tax expense

	6 months ended 30 June 2015 (unaudited)	6 months ended 30 June 2014 (unaudited)
Expense with the profit tax - current	68.513.529	66.663.120
Deferred tax - impact of temporary differences	(2.474.378)	(2.273.134)
Profit tax expense	66.039.151	64.389.986

In 2015 and 2014, the Company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian legislation.

(expressed in RON, unless otherwise stated)

18. PROFIT TAX (CONTINUED)

	6 months ended 30 June 2015 (unaudited)	6 months ended 30 June 2014 (unaudited)
Profit before tax	387.596.145	358.757.368
Theoretical expense with the tax the statutory rate of 16% (2014: 16%)	62.015.383	57.401.179
Non-taxable income, net	(17.777.623)	(17.770.999)
Non-deductible expenses, net	21.801.391	24.759.806
Profit tax expense	66.039.151	64.389.986
Profit tax related liability, current	39.034.617	41.051.504

Depreciation of tangible assets hyperinflation adjustments is a deductible expense with the adoption of EU IFRS as framework of statutory reporting.

(expressed in RON, if not specified otherwise)

18. PROFIT TAX (CONTINUED)

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 30 June 2015 (31 December 2014: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(income from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:

	30 June 2015 (unaudited)	Movement	31 December 2014	Movement	30 June 2014 (unaudited)	Movement	1 January 2014
Deferred tax payment							
Tangible and intangible assets	89.314.767	(2.474.378)	91.789.145	(1.947.196)	93.736.341	(2.273.134)	96.009.475
Deferred tax recoverable							
Provision for employee benefits	(18.101.384)	-	(18.101.384)	(3.085.866)	(15.015.518)	-	(15.015.518)
	71.213.383	(2.474.378)	73.687.761	(5.033.062)	78.720.823	(2.273.134)	80.993.957

Deferred income tax liability related to tangible and intangible assets is determined by the fact that: a) the fiscal value of intangible assets does not include inflation update; and b) the nature of public domain property does not represent depreciable assets from a tax perspective, regardless of how they are reflected in the accounts.

(expressed in RON, if not specified otherwise)

18. PROFIT TAX (CONTINUED)

The amounts presented in the statement of financial position include the following:

	30 June 2015 (unaudited)	31 December 2014
Deferred tax liabilities payable in more than 12 months as reported	71.213.383	73.687.761

19. TRADE PAYABLES AND OTHER PAYABLES

	30 June 2015 (unaudited)	31 December 2014
Trade payables	26.558.170	46.990.674
Suppliers of fixed assets	8.640.320	29.449.694
Dividends payable	259.086.602	3.334.161
Debts to the Ministry of Economy and Trade (see below)	51.717.551	51.717.551
Debts related to royalties	36.981.926	43.210.419
Other taxes	16.211.418	16.135.370
Amounts payable to employees	10.669.901	11.327.661
VAT payable	17.113.087	21.645.848
Other debts	7.639.896	14.715.781
	434.618.871	238.527.159

In 2005, the Ministry of Economy and Trade decided to request the Company the equivalent interest for payment delays for dividends declared and unpaid left from 2000-2003. Being payment amounts to the majority shareholder at the time, these penalties are mainly an additional distribution to shareholders. The majority shareholder of the Company informed the management that the payment of penalties can be postponed until further notice, allowing the Company to use the respective amount to continue network development.

On 30 June 2015, the amount of RON 616.039 (31 December 2014: RON: 1.741.908), representing suppliers and other debts, is expressed in foreign currency, especially in EUR.

(expressed in RON, if not specified otherwise)

20. PROVISIONS FOR RISKS AND CHARGES

	30 June 2015 (unaudited)	31 December 2014
Current provision		
Provision for litigation	2.071.507	2.071.507
Provision term contract	-	3.485.911
Provision for employee participation in profits	5.877.706	10.807.480
	7.949.213	16.364.898

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

According to the collective labour contract, the Company must pay to employees upon retirement a compensatory amount equal to a certain number of salaries, calculated as the average of the monthly salary average achieved during the last 12 months, depending on the period worked in the gas industry, working conditions etc. The present value of the provision was determined based on the Projected Unit Credit Method. Retirement benefits received by an employee were first raised by the contributions of the employer and then every benefit was updated taking into account the rotation of employees, layoffs and the probability of survival until retirement. Number of years until retirement was calculated as the difference between retirement age and age at time of reporting. The expected average of the remaining work period was calculated based on the number of years until retirement, also taking into account the rate of layoffs, employee rotation rate and the probability of survival.

The main actuarial assumptions used for calculation at the date of 31 December 2014 were as follows:

a) Discount rate:
- The following values were used: long-term inflation rate 2% per year, effective long-term rate of return for government bonds 2.2% per year, average discount rate 3,81% ;

b) The inflation rate for 2015-2026 was 3% following a downward trend;

c) The growth rate of salaries - for 2015 and subsequent years was estimated at a salary growth rate of 2% above the consumer price index;

d) The mortality rate among employees is based on the 2009-2010 Mortality Table in Romania issued by the National Institute of Statistics of Romania.

(expressed in RON, if not specified otherwise)

21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Movement in the provision for employee benefits

1 January 2014	93.846.990
of which:	
Short-term	4.537.400
Long-term	89.309.590
Interest cost	4.773.659
Current service cost	3.041.743
Payments from provisions during the year	(4.659.877)
Actuarial loss for the period	16.131.134
31 December 2014	
of which:	113.133.649
Short-term	2.915.400
Long-term	110.218.249
30 June 2015	
of which:	113.133.649
Short-term	2.915.400
Long-term	110.218.249

22. OTHER REVENUE/INCOME

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited) (restated)
Revenue from penalties for late payment to clients	2.370.979	582.077
Income from connection fees, grants and goods taken free of charge	8.853.055	8.454.825
Income from the receivable related to the remaining regulated value recognized ANRE at the end of the concession agreement	13.112.148	-
Income from the sale of waste materials	2.631.373	2.489.842
Rental income	765.333	742.581
Other operating income	1.407.267	1.118.343
	29.140.155	13.387.668

(expressed in RON, if not specified otherwise)

23. OTHER OPERATING EXPENSES

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Loss on impairment of receivables	18.370.351	30.733.599
Security and protection expenses	5.371.708	8.589.879
Utilities	3.364.303	3.562.787
Penalties and fines	246.883	174.439
Telecommunications	1.558.724	2.423.981
Gas storage capacity booking	1.399.200	917.960
Sponsorship expenses	475.600	44.766
Maintenance expenses	378.614	686.863
Rent	1.537.956	599.460
Professional training	788.897	537.279
Marketing and protocol expenses	335.185	548.020
Research expenses	937.583	68.417
Insurance premia	309.272	426.667
Bank charges and other fees	170.723	134.946
Loss/(gain) on impairment of inventories	660.245	105.188
Net loss on disposal of fixed assets	58.359	18.849
Other	11.289.963	7.704.070
Total	47.253.566	57.277.170

24. NET FINANCIAL INCOME/(EXPENSES)

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Income from foreign exchange differences	6.311.548	1.559.956
Interest income	11.161.217	4.444.767
Other financial income	-	3.184.900
Financial income	**17.472.765**	**9.189.623**
Expenses from foreign exchange differences	(3.222.260)	(2.418.286)
Interest expense	(223.145)	(725.998)
Other financial expenses	(28.540)	(5)
Financial expenses	**(3.473.945)**	**(3.144.289)**

25. CASH GENERATED FROM OPERATION

	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited) (restated)
Profit before taxation	**387.596.145**	**358.757.369**
Adjustments for:		
Amortization	95.639.185	91.851.863
Gain/(loss) on disposal of fixed assets	58.359	18.849
Provisions for risks and charges	(8.415.685)	(10.388.667)
Revenues from connection fees, grants and goods taken free of charge	(8.853.055)	(8.454.825)
Provision for impairment of receivables	18.370.351	30.733.599
Interest expense	223.145	725.998
Interest income	(11.161.217)	(4.444.767)
Gain / (loss) on impairment of inventories	660.245	105.188
Effect of exchange rate fluctuation on other items than operating	(24.603)	(412.394)
Income from the right to receivable related to the unamortized regulated value at the end of the concession agreement	(13.112.148)	-
Operating profit before changes in working capital	**460.980.722**	**458.492.213**
(Increase)/decrease in trade and other receivables	(30.720.917)	52.413.392
(Increase)/decrease in inventories	(5.408.396)	462.604
Increase/(decrease) in trade payables and other debts	(25.979.638)	14.957.317
Cash generated from operations	**398.871.771**	**526.325.526**

26. OTHER EMPLOYEE BENEFITS

In accordance with the collective labour contract, in the first three months of 2014, the employees are entitled to receive a material aid equal to the equivalent of 6,500 m^3 of gas per year per employee (calculated at the average domestic monthly price per cubic meter). The value of benefits granted to employees in the first three months of 2014 is of RON 14.651.057. The average price in 2014 for 1000 m^3 is of RON 1.455,20 (nominal – RON 136,87 /MWh).

Since April 2014 the gas aid was included into the gross salary, as a monthly fixed amount, under `Salary expense`. The collective labour contracted was amended appropriately.

(expressed in RON, if not specified otherwise)

27. TRANSACTIONS WITH RELATED PARTIES

The Parties are considered related if one of the parties has the ability to control the other party, to exercise a significant influence over the other party in financial or operational decision making, if they are under the common control with another party, if there is a joint venture in which the entity is an associate or a member of the management as described in the IAS 24 `Related Party Disclosures`. In evaluating each possible related party relationship, the focus is on the essence of this relationship and not necessarily on its legal form.

Related parties may enter into transactions which unrelated parties cannot conclude, and transactions between related parties will not apply the same terms, conditions and values as for unrelated parties.

During the year ended 30 June 2015, 31 December 2014 and 30 June 2014 the following transactions with related parties were performed and the following balances were payable / receivable from related parties at the respective dates.

i) Benefits granted to the members of the Board of Administration and of the management

	Six months ended 30 June 2015 (unaudited)	**Six months ended 30 June 2014 (unaudited)**
Salary paid to the members of the Board of Administration	7.089.678	4.670.590
Social contribution of the Company	1.587.586	1.291.622
	8.677.264	**5.962.212**

In the periods ended 30 June 2015 and 30 June 2014, no advance payments and loans were granted to the Company's administrators and management, except advance payments from salaries and those for work travel, and they don't owe any amount to the Company at the end of the period coming from such advance payments.

The provision for the mandate contract is presented in Note 20.

The Company has no contractual obligations regarding pensions to former directors and administrators of the Company.

ii) Loan to a related party

	30 June 2015 (unaudited)	**31 December 2014**
Loan to Resial SA	1.770.346	1.770.346
Minus the provision for loan impairment	(1.770.346)	(1.770.346)
	-	-

(expressed in RON, if not specified otherwise)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Dividends distributed are presented in Note 15. Royalties paid are presented in Note 3.8.

iii) Income from related parties – services supplied (without the VAT)

	Relationship	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
SNGN Romgaz	Entity under common control	29.035.409	20.522.920
Electrocentrale Deva SA	Entity under common control	2.121.694	2.544.428
Electrocentrale Bucureşti SA	Entity under common control	58.002.746	71.092.388
Electrocentrale Galaţi SA	Entity under common control	6.490.982	11.350.304
Electrocentrale Constanţa	Entity under common control	7.335.511	-
Energoterm Tulcea SA	Entity under common control	640.989	722.832
Termo Calor Piteşti	Entity under common control	2.074.047	2.556.423
		105.701.378	108.789.295

iv) Sales of goods and services (without the VAT)

	Relationship	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
SNGN Romgaz	Entity under common control	82.746	81.967
Termo Calor Piteşti	Entity under common control	1.217	-
Energoterm Tulcea SA	Entity under common control	4.169	2.563
Electrocentrale Deva SA	Entity under common control	9.414	-
Electrocentrale Bucureşti SA	Entity under common control	1.419.457	-
Electrocentrale Galaţi SA	Entity under common control	241.043	60.842
Electrocentrale Constanţa	Entity under common control	54.618	-
		1.812.664	145.372

(expressed in RON, if not specified otherwise)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

v) Receivables from related parties

	Relationship	30 June 2015 (unaudited)	31 December 2014
SNGN Romgaz	Entity under common control	13.041.166	4.880.069
Electrocentrale Deva SA	Entity under common control	810.245	992.741
Electrocentrale București SA	Entity under common control	46.676.270	30.795.648
Electrocentrale Galaţi SA	Entity under common control	6.911.285	7.190.848
Electrocentrale Constanţa	Entity under common control	1.228.480	3.615.719
Energoterm Tulcea SA	Entity under common control	109.922	403.410
Termo Calor Pitești	Entity under common control	154.692	618.079
		68.932.060	48.496.514

vi) Procurement of gas from related parties (without the VAT)

	Relationship	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
SNGN Romgaz	Entity under common control	21.671.147	37.445.580

vii) Procurement of services from related parties (other services – without the VAT)

	Relationship	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
SNGN Romgaz	Entity under common control	1.409.655	1.404.465
Electrocentrale București SA	Entity under common control	2.566	3.160
Termo Calor Pitești	Entity under common control	2.670	2.871
		1.414.891	1.410.496

(expressed in RON, if not specified otherwise)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

viii) Debts to related parties

	Relationship	30 June 2015 (unaudited)	31 December 2014
SNGN Romgaz	Entity under common control	8.079.195	21.636.792
Electrocentrale Bucureşti SA	Entity under common control	-	811
Termoelectrica	Entity under common control	-	41.252
		8.079.195	21.678.855

ix) Connection fees related services

	Relationship	30 June 2015 (unaudited)	31 December 2014
SNGN Romgaz	Entity under common control	1.594.660	-
		1.594.660	-

x) Bank deposits

	Relationship	30 June 2015 (unaudited)	31 December 2014
Eximbank	Entity under common control	40.000.000	-
		40.000.000	-

(expressed in RON, if not specified otherwise)

28. EARNINGS PER SHARE

The Company shares are listed on the first category of the Bucharest Stock Exchange.

Basic earnings per share are calculated by dividing the profit attributable to the Company's equity holders to the average number of ordinary shares existing during the year.

	Six months ended 30 June 2015 (unaudited)	**Six months ended 30 June 2014 (unaudited)**
Profit attributable to the Company's equity holders	321.556.994	294.367.383
Weighted average of the number of shares	11.773.844	11.773.844
Basic and diluted earnings per share (RON per share)	27,31	25,00

29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH

Compensations

Approximately 1,63 % of the receivables were settled by transactions that haven't involved cash outflows during the period of six months 30 June 2015 (31 December 2014: 5,66%). Transactions mainly represent sales of products and services in exchange for raw materials and services or offsets with clients and suppliers within the operating cycle.

Barter transactions

No barter transactions were made in 2015 and 2014.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

i) Commitments

The Service Concession Agreement (S.C.A. - Note 8) provides that, at the end of the agreement, the NAMR is entitled to receive back, all goods of public property existing when the agreement was signed and all investments made into the national transmission system, in accordance with the investment program stipulated in the service concession agreement. The Company also has other obligations related to the concession agreement, which are described in Note 8.

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or to another grantor on payment of compensation equal to the unamortized regulated value established by ANRE, as presented in Note 3.18.

The minimum investment program for the period of 2012-2016 was approved under Government Decision No. 919/2012. The amount foreseen for 2015 is of RON 211 million, and for 2016 is of RON 216 million.

ii) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European legislation. However, there are still various interpretations of the tax legislation. In Romania, the tax year remains open for fiscal verification for 5 years. The Company's management believes that fiscal obligations included in these financial statements are properly presented.

In accordance with the Order of the Ministry of Public Finance No. 881/2012, Transgaz prepares statutory IFRS financial statements as of 2012, these statements also being the base for determining the fiscal obligations of the Company. Because the tax rules for taxpayers that apply the accounting regulations according to IFRS are new, there is a risk that a subsequent fiscal control could have another interpretation than the Company on how to determine the tax base.

iii) Insurance policies

The Company does not have insurance policies related to operations, complaints on products, or for the public debt. The company has insurance policies for buildings and mandatory civil liability policies for the car fleet. Moreover, the company has contracted professional liability insurance services for the members of the Board of Administration and for 31 managers (24 managers in 2014).

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

iv) Environmental aspects

Environmental regulations are under development in Romania and the Company did not record any obligation on 30 June 2015 and 31 December 2014 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management believes there are no significant obligations related to environmental aspects.

v) Lawsuits and other actions

During the normal activity of the Company, there have been complaints against it. The company has pending disputes for the lack of use of lands occupied with NTS objectives. Based on its own estimates and internal and external consulting, the Company's management believes there will be no material losses exceeding the provisions established in these financial statements and is not aware of circumstances that give rise to potentially significant obligations in this regard.

In 2012, the Company received a request for data and information within the investigation of the Competition Council opened under Order 759 of 29 September 2011 and extended by Order 836 of 1 November 2011. In 2014 and 2015 additional requests for data and information within the investigation of the Competition Council were received. The Company has provided the requested data and information. Based on its own estimates, the Company's management believes there are no circumstances to give rise to significant potential obligations in this regard.

vi) Government policies in the gas sector in Romania

The ANRE is an autonomous public institution and sets tariffs for the natural gas transmission activity charged by the Company. It is likely that the Agency decides the implementation of changes of the government strategies in the gas sector, determining changes in the tariffs approved for the Company and, thus, having a significant impact on the Company's income. At the same time, the Romanian government could decide to change the royalty applied to the Company for using the assets part of the public domain according to SCA. (Note 8).

Currently, the effects cannot be determined, if they exist, of the future government policies in the gas sector in Romania on the Company's asset and liability.

There are various interpretations of the legislation in force. In certain situations, ANRE may treat differently certain aspects, proceeding to the calculation of additional tariffs and of delay penalties. The Company's management believes that its obligations to ANRE are properly presented in these financial statements.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

vii) The political and economic situation in Ukraine

In 2014 the economic and political situation in Ukraine witnessed an accentuated deterioration. The Company has contracts for gas transmission from Russia to Bulgaria, Turkey, Greece and other countries. Also, Romania annually imports 5-10% of the necessary transported gas through the Company's pipelines. It's likely that Gazprom Export stops the supplies of gas transported domestically or internationally through Romania or that Ukraine prevents the transit of gas supplied by Gazprom Export on its territory. The Company cannot estimate at this point the impact of such events on its activity of domestic and international transmission.

viii) Grants for the Giurgiu – Ruse interconnector

The Company received grants for the building of the Giurgiu - Ruse interconnector. From technical reasons, the initial execution contract was terminated, the auction procedure being reinitiated for the completion of the work. The Company did not receive any request for reimbursement of funds and submitted a request for the extension of the deadline for work completion.

(expressed in RON, if not specified otherwise)

31. RESTATEMENTS RELATED TO THE PREVIOUS PERIODS

The comparative figures in the financial statements prepared by the Company for six months ended 30 June 2015 are different as compared to the financial statements previously submitted as follows:

Internal stripping

Following stripping of fixed asset, part of the resulting materials may be recovered as consumables, having an income on the corresponding side. The Company decided to present this aspect consistently as a reduction of expenses on consumables and not as income. This reclassification has no impact on the overall result for the period.

Other income, reported previously	16.317.905
Other income, restated	13.387.668
	(2.930.237)
Technological consumption, materials and consumables used, previously reported	(51.705.162)
Technological consumption, materials and consumables used, restated	(48.774.925)
	2.930.237

Including the Cash Flows in the Interim Statement

To ensure the consistency of the presentation and to reflect more accurately the items, Cash from connection fees and grants initially in the category Financing activities was reclassified in Investment activities at 30 June 2014.

Net cash used in financing activities, reported previously	(11.572.775)
Net cash used in financing activities, restated	(12.871.118)
	(1.298.343)
Net cash used in investment activities, reported previously	(39.537.689)
Net cash used in investment activities, restated	(38.239.346)
	1.298.343

(expressed in RON, if not specified otherwise)

32. REVENUE AND COST FROM ASSET CONSTRUCTION

In accordance with IFRIC 12 network construction revenues in return for which the intangible asset is received should be recognized in accordance with IAS 11 Construction Contracts. The company decided to present these revenue and costs in the explanatory notes, as shown below:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Revenue	41.921.555	34.594.173

The related costs were equal to the revenues. The Company did not obtain any profit from the construction of the intangible asset.

Therefore, the Company did not present these revenue and costs in the statement of comprehensive income at revenue and costs since it considered that the impact is insignificant on the users of the financial statements.

33. EVENTS AFTER THE BALANCE SHEET DATE

The management did not identify any significant event for the Company after the balance sheet date.

Chairman of the Board of Administration
Ion Sterian

Director – General
Petru Ion Vaduva

Chief Financial Officer
Marius Lupean