THE NATIONAL GAS TRANSMISSION COMPANY
"TRANSGAZ" S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

Contents **Page**

(expressed in RON, if not specified otherwise)

	Nota	31 December 2014	31 December 2013 (restated)	31 December 2012 (restated)
ASSET				
Fixed assets				
Intangible Assets	9	2.534.879.666	2.533.955.229	2.495.791.792
Tangible Assets	7	654.840.262	694.970.616	742.427.911
Financial assets available for sale	10	-	5.953.263	105.356.906
Trade receivables and other receivables	12	539.216.239	-	-
		3.728.936.167	**3.234.879.108**	**3.343.576.609**
Current assets				
Inventories	11	36.644.893	34.054.464	35.827.551
Commercial receivables and other receivables	12	401.552.343	398.892.681	347.781.745
Cash and cash equivalent	13	557.868.004	267.261.555	178.637.942
		996.065.240	**700.208.700**	**562.247.238**
Total asset		**4.725.001.407**	**3.935.087.808**	**3.905.823.847**
EQUITY AND DEBTS				
Equity				
Share capital	14	117.738.440	117.738.440	117.738.440
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861	1.265.796.861
Retained earnings	15	1.254.534.864	975.134.113	890.559.187
		3.326.967.426	**3.047.566.675**	**2.962.991.749**
Long-term debts				
Long-term loans	16	-	24.000.000	48.000.000
Provision for employee benefits	21	110.218.249	89.309.590	88.605.029
Deferred income	17	893.778.017	370.180.329	362.261.072
Deferred tax payment	18	73.687.761	80.993.957	85.689.743
		1.077.684.027	**564.483.876**	**584.555.844**

Notes 1 to 32 are part of these financial statements.

(expressed in RON, if not specified otherwise)

	Nota	31 December 2014	31 December 2013 (restated)	December 31 2012 (restated)
Current debts				
Commercial debts and other debts	19	238.527.159	262.154.273	255.368.831
Provision for risks and charges	20	16.364.898	21.010.439	18.591.252
Current tax payment	18	38.542.497	11.335.145	57.339.891
Provision for employee benefits	21	2.915.400	4.537.400	2.976.280
Short-term loans	16	24.000.000	24.000.000	24.000.000
		320.349.954	**323.037.257**	**358.276.254**
Total debts		**1.398.033.981**	**887.521.133**	**942.832.098**
Total equity and debts		**4.725.001.407**	**3.935.087.808**	**3.905.823.847**

Endorsed and signed on behalf of the Board of Administration on 23 March 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.

	Nota	The year ended 31 December 2014	The year ended 31 December 2014 (restated)
Revenues from the domestic transmission activity		1.340.852.834	1.210.480.230
Revenues from the international transmission activity		273.760.232	268.537.107
Other revenues	22	40.705.963	37.622.967
		1.655.319.029	**1.516.640.304**
Depreciation	7, 9	(185.292.638)	(180.880.113)
Employees costs		(337.325.933)	(289.956.723)
Technological consumption, materials and consumables used		(113.169.345)	(121.422.078)
Expenses with royalties		(161.461.307)	(147.901.734)
Maintenance and transport		(62.306.346)	(71.436.133)
Other benefits to employees	26	(14.532.538)	(54.912.669)
Taxes and other amounts owed to the state		(77.874.260)	(54.333.044)
Revenues/ (Expenses) with provisions for risks and expenses		4.645.541	(3.223.353)
Other operating expenses	23	(116.433.818)	(57.580.948)
Operating profit		**591.568.385**	**534.993.509**
	24	33.375.161	40.721.110
Financial income	24	(14.356.334)	(148.956.727)
Financial expenses		**19.018.827**	**(108.235.617)**
Financial income, net			
Profit before tax		**610.587.212**	**426.757.892**
Profit tax expense	18	(108.071.149)	(95.349.590)
Net profit for the period		**502.516.063**	**331.408.302**
Earnings per share, basic and diluted (expressed in RON per share)	28	42,68	28,15
Other items of the comprehensive income			
(Loss) / Actuarial profit related to the period	21	(16.131.134)	3.831.763
Items which will not be reclassified in the profit and loss account			
Total comprehensive income for the period		486.384.929	335.240.065

Chairman of the Board of Administration
Ion Sterian

Director – General, Petru Ion Vaduva

Chief Financial Officer, Marius Lupean

(expressed in RON, if not specified otherwise)

	Note	Share Capital	Share capital adjustments	Share premium	Other reserves	Retained earnings	Total equity
Balance on 1 January 2013, restated		117.738.440	441.418.396	247.478.865	1.265.796.861	915.143.887	2.987.576.449
Restatements	31	-	-	-	-	(24.584.700)	(24.584.700)
Balance on 1 January 2013, restated		117.738.440	441.418.396	247.478.865	1.265.796.861	890.559.187	2.962.991.749
Net profit for the period, reported		-	-	-	-	334.491.415	334.491.415
Actuarial gain/loss for the period reported		-	-	-	-	1.230.568	1.230.568
Transactions with shareholders:							
Dividends related to 2012	15	-	-	-	-	(250.665.139)	(250.665.139)
Balance on 31 December 2013, reported		117.738.440	441.418.396	247.478.865	1.265.796.861	1.000.200.731	3.072.633.293
Restatements	31	-	-	-	-	(25.066.618)	(25.066.618)
Balance on 31 December 2013, restated		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		-	-	-	-	502.516.063	502.516.063
Actuarial gain/loss for the period						(16.131.134)	(16.131.134)
Transactions with shareholders:							
Dividends related to 2013	15	-	-	-	-	(206.984.178)	(206.984.178)
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

Chairman of the Board of Administration
Ion Sterian

Director - General
Petru Ion Vaduva

Chief Financial Officer
Marius Lupean

(expressed in RON, if not specified otherwise)

	Note	The year ended 31December 2014	The year ended 31December 2013 (restated)
Cash generated from operations	25	728.721.915	635.391.071
Interest paid		(961.050)	(2.865.061)
Interest received		10.256.873	9.702.795
Profit tax paid		(88.169.993)	(146.050.120)
Net cash inflow from operating activities		649.847.745	496.178.685
Cash flow from investment activities			
Payments to acquire tangible and intangible assets		(142.050.380)	(174.045.634)
Cash flows from connection fees and grants		14.116.344	55.009.061
Proceeds from disposal of tangible assets		6	135.275
Purchase of financial investments, net		-	(11.267.530)
Net cash used in investment activities		(127.934.030)	(130.168.828)
Cash flow from financing activities			
Dividends paid		(207.307.266)	(253.386.244)
Repayments of long-term loans		(24.000.000)	(24.000.000)
Net cash used in financing activities		(231.307.266)	(277.386.244)
Net change in cash and cash equivalents		290.606.449	88.623.613
Cash and cash equivalent at beginning of year	13	267.261.555	178.637.942
Cash and cash equivalent at end of period	13	557.868.004	267.261.555

Chairman of the Board of Administration
Ion Sterian
Director – General, Petru Ion Vaduva

Chief Financial Officer, Marius Lupean

Notele alăturate de la 1 la 32 sunt parte integrantă din aceste situaţii financiare.

1. GENERAL INFORMATION

The National Gas Transmission Company - SNTGN Transgaz SA ("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 31 December 2014, 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 ("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 23 March 2014.

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 (EU, IMF, MB) 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:

- The analysis of the most recent macroeconomic data highlights the establishment of the annual inflation rate at lower levels, on a heading inferior to the one forecasted previously, mainly under the influence of the evolution of the prices set for the agro-food products as well as the reduced inflation in the euro area.
- The monetary policy interest rate of the RNB kept decreasing during 2014. If, in the beginning of January 2014 it was 3.75%, starting with 5 November 2014, the Board of Administration of the Romanian National Bank decided to decrease the monetary policy interest rate to 2.75% per year, from 3.00% (set on 4 August 2014 by the Board of Administration of the Romanian National Bank) starting with 1 October 2014, at the same time with the adequate administration of the liquidities in the bank system. At the same time measures to decrease the minimum reserve services rate applicable to liabilities in lei of the credit institutions were taken at the level of 10% from 12% starting with the application period 24 October – 23 November 2014. The rate of the minimum reserve services applicable to the liabilities in currency was maintained at the level of 16%.
- The rating agency Standard & Poor's reconfirmed the rating related to the Romania's governmental long and short term debt in currency and in the local currency. According to the agency the preservation of Romania's rating is due mainly to the positive expectations related to the economic growth of, on average, 2.7% during the period 2014-2017, the continuation of the fiscal consolidation process and the external deleverage of Romania.

At the end of 2014 the RON appreciated slightly from the beginning of the current year as compared to the EUR (the EUR) by 0,06% (4.44821 on 31 December 2014; 4.4847 on 1 January 2014) and depreciated by 13.2% as compared to the US Dollar (3.6868 on 31 December 2014; 3.2551 on 1 January 2014). In 2013 the RON depreciated by 1.26% as compared to the EUR (4.4847 on 31 December 2013; 4.4287 on 1 January 2013) and appreciated by 3.05% as compared to the USD (3.2551 on 31 December 2013; 3.3575 on 1 January 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 2014:

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for the annual periods as of 1 January 2014; applicable for EU IFRS as of 1 January 2014). The amendment added recommendations on IAS 32 application to correct inconsistencies identified in the application of certain offsetting criteria. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross compensation systems may be considered equivalent to net settlement. The amendment does not impact the financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Company is still analyzing the impact of this standard.

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 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.

IFRS 8 was amended to require that (1) the disclosure of judgments made by management on the aggregation of business segments, including a description of the segments that have been aggregated and the economic indicators that have been taken into account in determining the aggregate segments have similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

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.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (issued in November 2013 and applicable for the annual periods as of 1 July 2014) 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

IFRS 8 was amended to require that (1) the disclosure of judgments made by management on the aggregation of business segments, including a description of the segments that have been aggregated and the economic indicators that have been taken into account in determining the aggregate segments have similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

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.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (issued in November 2013 and applicable for the annual periods as of 1 July 2014) 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.

Annual improvements to IFRSs 2012 (issued in December 2013 and applicable for the annual periods as of 1 July 2014, if not specified otherwise). 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 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.

IFRS 8 was amended to require that (1) the disclosure of judgments made by management on the aggregation of business segments, including a description of the segments that have been aggregated and the economic indicators that have been taken into account in determining the aggregate segments have similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 24 was amended to include, as a related party, an entity that provides services to the management personnel of the reporting entity or the parent company of the reporting entity ("management entity") and to include the obligation to provide the amounts charged to the reporting entity by the management entity for services rendered.

The Company is still analyzing the impact of these standards.

Annual improvements of 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 after 1 January 2015*). Improvements consist of changes to four standards.

IFRS 3 was amended to clarify that it is not applicable to joint commitments regulated by IFRS 11. The amendment also clarifies that exemption only applies to joint commitments of the financial statements.

The amendment to IFRS 13 clarifies that exemption allowing an entity to assess the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts (including contracts for the sale or purchase of non-financial items) that are within 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 Company is still analyzing the impact of these standards.
New or revised standards and interpretations not yet been 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (CONTINUED)

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 meaningof 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 require 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 labeled 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ("lei"), which is the functional currency and the currency of Company presentation.

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 31 December 2014, the exchange rate communicated by NBR was 1 U.S. dollar ("USD") = 3.6868 lei (RON) (31 December 2013: 1 USD = 3. 2551 RON) and 1 Euro ("EUR") = 4.4821 RON (31 December 2013: 1 EUR = 4. 4847 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.7 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 2013: 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).

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 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 lossaccount 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 doesnot 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The deferred profit tax is recognized based on the liability method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, the deferred profit tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction does not affect the accounting profit and the taxable income is not recognized. The deferred profit tax is determined based on tax rates (and legal regulations) in force until the end of the reporting period and which are expected to apply in the period in which the deferred profit tax asset is realized or the deferred profit tax liability is settled.

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.

3.18 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.

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 21). 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", for the period when they are recorded. 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".

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	31 December 2014	**31 December 2013**
Impact on profit and loss and on equity of:		
USD appreciation by 10%	2.103.397	3.654.009
USD depreciation by 10%	(2.103.397)	(3.654.009)
EUR appreciation by 10%	6.838.279	2.635.180
EUR depreciation by 10%	(6.838.279)	(2.635.180)

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 2014 would have been lower/higher by RON 3.869.229 (2013: 4.011.003 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 2014, if the interest rates had been by 50 basis points lower/higher, with all the other variables maintained constant, the profit related to 2014 and equity would have been by RON 2.241.617 lower/higher, (2013: 829.187 RON) 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 65% of the trade receivable balances on 31 December 2014 (2013: 73%). 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)

	31 December 2014	31 December 2013
No rating	1.574.693	59.511
BB-	262.217.263	86.883.471
BBB-	1.785.923	1.922.703
BBB	7.130.249	-
BBB+	284.236.404	122.973.017
BA1	730.107	-
A	0	53.982.844
A+	71.652	66.924
Caa2	-	1.262.981
	557.746.291	267.151.451

(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 31 December 2014 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

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

(expressed in RON, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The analysis of the financial debt maturity 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	-	-

Maturity analysis of financial liabilities on 31 December 2013 is as follows:

	Total amount	less than 1 year	1-5 years	over 5 years
Loans and borrowings	49.333.053	24.963.393	24.369.660	-
Commercial payables and other payables	151.345.228	151.345.228	-	-
	200.678.281	176.308.621	24.369.660	-

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)

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.

In 2014 the Company's strategy, unchanged since 2013, 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 31 December 2014 and on 31 December 2013:

	31 December 2014	31 December 2013
Total borrowings (Note 16)	24.000.000	48.000.000
Except: cash and cash equivalents (Note 13)	(557.868.004)	(267.261.555)
Net cash position	(533.868.004)	(219.261.555)

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 31 December 2014 is of 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 to most of the risks. Therefore, the Company has recognized these assets in the statement of the financial position, with an appropriate reserve in 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. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

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).

If the discount rate had been 1% higher, the value of the debt would have been RON 83,954,508 less, the amount of the deferred revenue would have been RON 83,255,248 less and the gross profit would have been RON 699,260 smaller. If the expected investment commissioning period were extended by 2 years, the amount of the debt and of the deferred revenue would have been RON 6,102,070 higher. If the concession contract had been estimated terminated two years earlier than the period specified in the contract, the value of the debt would have been RON 162,429,870 higher, the deferred income would have been RON 157,968,089 higher and the gross profit of the year RON 4,461,781 higher.

(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 31 December 2014, is as follows:

	Domestic gas transmission	International gas activity	Unallocated	Total
Income from domestic transmission	1.340.852.834	-	-	1.340.852.834
Income from the international transmission activity	-	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

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	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**
Income from domestic transmission	1.340.852.834	-	1.340.852.834
Income 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. The Company has receivables from external clients amounting to RON 24.642.235 (2013: RON 22.191.636).

(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 2013, is as follows:

	Domestic gas transmission (restated)	International gas transit (restated)	Unallocated (restated)	Total (restated)
Income from domestic transmission	1.210.480.230	-	-	1.210.480.230
Income from the international transmission activity	-	268.537.107	-	268.537.107
Other revenues	11.002.356	-	26.620.611	37.622.967
Total income	1.221.482.586	268.537.107	26.620.611	1.516.640.304
Depreciation	(145.965.364)	(31.436.743)	(3.478.006)	(180.880.113)
Operating expenses other than depreciation	(736.067.749)	(49.299.024)	(15.399.909)	(800.766.682)
Operating result	-	-	-	534.993.509
Net financial gain	-	-	-	(108.235.617)
Profit before tax	-	-	-	426.757.892
Profit tax	-	-	-	(95.349.590)
Net profit	-	-	-	331.408.302
Assets on segments	3.129.312.918	483.557.025	322.217.865	3.935.087.808
Liabilities on segments	780.325.196	14.311.446	92.884.491	887.521.133
Capital expenditure - increases in assets in progress	170.547.973	-	8.315	170.556.288
Non-cash expenses other than depreciation	14.683.300	487.496	127.806.316	142.977.112

(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	48.376.748
Financial assets	5.953.263
Cash	267.261.555
Other assets	626.299
	322.217.865
Unallocated liabilities include:	
Deferred tax	80.993.957
Tax payable	11.335.145
Other debts	555.389
	92.884.491

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	1.210.480.230	-	1.210.480.230
Revenues from the international transmission activity	-	268.537.107	268.537.107
Other revenues	37.049.665	573.302	37.622.967
	1.247.529.895	269.110.409	1.516.640.304

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.	18%

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

(expressed in RON, unless otherwise stated)

7. IMOBILIZĂRI CORPORALE

	Land and buildings	Assets of the transmission system	Other fixed assets	Assets in progress	Total
The year ended 31 December 2013					
Cost on 1 January 2013	242.556.113	990.885.435	236.204.988	11.298.723	1.480.945.259
Accumulated depreciation on 1 January 2013	(97.857.480)	(462.524.561)	(178.135.307)	-	(738.517.348)
Initial net book value	144.698.633	528.360.874	58.069.681	11.298.723	742.427.911
Inflows	713.010	-	425.871	8.815.364	9.954.245
Transfers	26.983.737	(4.627.472)	(5.200.893)	(17.155.372)	-
Outflows (net book value)	(2.333)	(19.228)	(95.746)	-	(117.307)
Expense with depreciation	(11.292.656)	(34.256.854)	(11.744.723)	-	(57.294.233)
Final net book value	161.100.391	489.457.320	41.454.190	2.958.715	694.970.616
Cost	276.318.655	981.934.809	220.028.197	2.958.715	1.481.240.376
Accumulated depreciation	(115.218.264)	(492.477.489)	(178.574.007)	-	(786.269.760)
Final net book value	161.100.391	489.457.320	41.454.190	2.958.715	694.970.616
On 31 December 2014					
Initial net book value	161.100.391	489.457.320	41.454.190	2.958.715	694.970.616
Inflow	-	308.980	138.355	15.141.553	15.588.888
Transfers	123.253	-	12.644.957	(12.768.210)	-
Outflow (net book value)	(2.544)	(46.186)	(27.664)	-	(76.394)
Expense with depreciation	(9.475.576)	(34.209.845)	(11.957.427)	-	(55.642.848)
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

7. TANGIBLE ASSETS (CONTINUATION)

The gross book value of fully depreciated assets, still used, is RON 163,157,024 (31 December 2013: RON 163,209,830).

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.

(expressed in RON, unless otherwise stated)

The terms of the concession agreement haven't been amended after June 2003, except for the approval of the minimum investment plans.

9. INTANGIBLE ASSETS

	SCA related assets	Computer software	Intangible assets in progress	Total
On 31 December 2013				
Cost on 1 January 2013	5.322.966.364	68.176.103	234.204.721	5.625.347.188
Accumulated amortization at 1 January 2013	(3.068.321.928)	(61.233.468)	-	(3.129.555.396)
Initial net book value	2.254.644.436	6.942.635	234.204.721	2.495.791.792
Inflows	1.377.005	71.103	161.740.924	163.189.032
Transfers	191.101.139	4.115.989	(195.217.128)	-
Amortization	(119.266.868)	(4.952.483)	-	(124.219.351)
Provisions for impairment	-	-	(806.244)	(806.244)
Final net book value	2.327.855.712	6.177.244	199.922.273	2.533.955.229
Cost	5.515.444.508	48.986.155	200.728.517	5.765.159.180
Accumulated depreciation	(3.187.588.796)	(42.808.911)	-	(3.230.397.707)
Provisions for impairment	-	-	(806.244)	(806.244)
Net book value	2.327.855.712	6.177.244	199.922.273	2.533.955.229
On 31 December 2014				
Initial net book value	2.327.855.712	6.177.244	199.922.273	2.533.955.229
Inflows	1.786	-	136.634.928	136.636.714
Transfers	104.465.776	1.608.893	(106.074.669)	-
Amortization	(127.177.773)	(3.298.164)	-	(130.475.937)
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

(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 2014	% Percentage owned 2013	31 December 2014	31 December 2013
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)	(132.591.172)
				-	5.953.263

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 (CONTINUATION)

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 September 2014, NIC's ownership structure was the following: Botas - Turkey 17.93% (2013: 17.93%), Bulgargaz - Bulgaria 17.93% (2013: 17.93%), SNTGN Transgaz SA - Romania 17.93% (2013: 17.93%), MOL - Hungary 10.35% (10.35%), OMV Gas & Power GmbH - Austria 35.86% (2012: 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 31 December 2014.

11. INVENTORIES

	31 December 2014	31 December 2013
Gas inventories	10.388.000	10.388.000
Spare parts and materials	34.373.041	31.215.906
Provisions for slow moving inventories	(8.116.148)	(7.549.442)
	36.644.893	34.054.464

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

	31 December 2014	31 December 2013
Trade receivables	419.047.423	415.962.124
Advance payments to suppliers	21.047.322	20.062.868
Undue VAT	1.770.252	1.627.472
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	539.216.239	-
Other receivables	58.073.424	14.558.994
Provision for impairment of trade receivables	(91.474.145)	(43.703.129)
Provision for impairment of other receivables	(8.682.279)	(11.385.994)
	940.768.582	398.892.681

On 31 December 2014, the amount of RON 46,663,588 (31 December 2013: RON 43,108,052) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 45% in USD (2013: 43%) and 55% in EUR (2013: 57%).

Other trade receivables include the amount of 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 31 December 2014 is of RON 22.462.914 (31 December 2013: RON 69,395,056).

(expressed in RON, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUATION)

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

	31 December 2014 Trade receivables	31 December 2013 Trade receivables
Current and not impaired (1)	191.760.480	231.540.586
Overdue but not impaired		
- overdue less than 30 days	118.835.058	114.246.925
- overdue between 30 and 90 days	11.776.744	7.848.354
- overdue more than 90 days	5.200.996	18.623.130
Due, but not impaired - total (2)	135.812.798	140.718.409
Impaired (gross)		
- outstanding less than de 30 days	4.220.348	
- overdue between 30 and 90 days	5.875.858	1.193.275
- overdue between 30 and 360 days	37.012.076	1.834.103
- overdue more than 360 days	44.365.863	40.675.751
Total impaired (3)	91.474.145	43.703.129
Except the provision for impairment (4)	91.474.145	43.703.129
Total trade receivables and other receivables (1+2+3-4)	327.573.278	372.258.995

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.

	31 December 2014	31 December 2013
Group 1	156.341.042	163.415.006
Group 2	35.419.438	68.125.580
Trade receivables	191.760.480	231.540.586

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUATION)

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:

	31 December 2014	31 December 2013
Provision on 1 January	55.089.123	54.926.617
(Income)/expense with the provision for doubtful debts (Note 23)	45.067.301	162.506
Provision at the end of the period	100.156.424	55.089.123

In 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

	31 December 2014	31 December 2013
Cash at bank in RON	492.307.139	245.704.410
Cash at bank in foreign currency	65.439.460	21.447.041
Other cash equivalents	121.405	110.104
Cash at bank in RON		
	557.868.004	267.261.555

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

The weighted average effective interest related to short-term bank deposits was of 2.08% on 31 December 2014 (3.84% on 31 December 2013) and these deposits have an average maturity of 30 days. Deposits with initial maturity of up to 3 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 2013	11.773.844	117.738.440	247.478.865	365.217.305
On 31 December 2014	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 2013, 31 December 2014	11.773.844	559.156.836	247.478.865	806.635.701

The authorized number of ordinary shares is 11,773,844 (31 December 2013: 11,773,844) with a nominal value of RON 10 each. Each share represents one vote. The ownership structure on 31 December 2014 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 Secretariate of the Government to the account of the Ministry of Economy, Trade and Tourism was recorded at SC Depozitarul Central SA on 20.02.2015.

The ownership structure on 31 December 2013 is the following:

	Number of ordinary shares	Statutory value (RON)	Percentage (%)
The Romanian state, represented by the Ministry of Public Finance	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

14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUATION)

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.

.

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 31 December 2014, amounts to RON 23,547,688 (31 December 2013: RON 23,547,688). The legal reserve is included in the "Retained earnings" in these financial statements.

Dividend distribution

In 2014, the Company declared and distributed a dividend worth RON 17.58/share, related to the profit of the previous year (2013: RON 21,29 per share). The total dividends declared from the profit of 2013 are RON 206,984,178 (dividends declared from the profit of 2012: RON 250,665,139).

(expressed in RON, unless otherwise stated)

16. LONG-TERM BORROWINGS

The long-term tranche of long-term borrowings

	Currency	31 December 2014	31 December 2013
BRD Groupe Societe Generale ("BRD")	RON	-	24.000.000

The current tranche of long-term borrowings

	Currency	31 December 2014	31 December 2013
BRD Groupe Societe Generale ("BRD")	RON	24.000.000	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:

	31 December 2014	31 December 2013
Within 1 year	24.000.000	24.000.000
Between 1 and 2 years	-	24.000.000
	24.000.000	48.000.000

The borrowing from BRD G.S.G. is secured by receivables from GDF Suez Energy Romania SA in the amount of RON 22,462,914 on 31 December 2014.

(expressed in RON, unless otherwise stated)

16. LONG-TERM BORROWING S (CONTINUATION)

Overdraft from BRD GSG

The agreement on the overdraft from BRD was concluded in 2004 for a ceiling of RON 20,000,000. Subsequently, it was extended until 29 August 2014 and the ceiling was increased to RON 100,000,000. The loan was not extended after the expiration of the term of 29 August 2014.

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

	31 December 2014	31 December 2013
Current portion of long-term borrowings	24.000.000	24.000.000

The effective interest rate

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

	31 December 2014 (%)	31 December 2013 (%)
Long-term borrowings in RON	3,34	5,48

Fair value

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

	Book values		Fair values	
	2014	2013	2014	2013
BRD GSG	24.000.000	48.000.000	24.005.908	47.768.228

(expressed in RON, unless otherwise stated)

16. LONG-TERM BORROWING S (CONTINUATION)

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:

	31 December 2014	31 December 2013
Variable interest rate	24.000.000	48.000.000

The variable interest rate can be analyzed as follows:

	31 December 2014	31 December 2013
6 months or less	24.000.000	48.000.000

The Company has the following undrawn facilities

	31 December 2014	31 December 2013
Facilities in RON	-	100.000.000

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 22).

(expressed in RON, unless otherwise stated)

17. DEFERRED INCOM E (CONTINUATION)

	31 December 2014	31 December 2013
Initial balance	370.180.329	362.261.072
Increase referring to the regulated value remained unamortized at the end of the concession agreement	535.194.471	
Increases	549.205.399	54.510.890
Reimbursed amounts	(1.957.306)	(29.633.634)
Amounts recorded in the income (Note 22)	(23.650.405)	(16.957.999)
Final balance	893.778.017	370.180.329

In 2013, the Company repaid, at the request of the European Commission, the amount of EUR 7,500,022, representing the community financial assistance for the interconnection project of the natural gas transmission systems of Romania and Hungary, on the Szeged-Arad direction.

In 2014 a financial correction of 5% was applied to the value of the SCADA execution contract.

The main increase since 2014 (RON 535,194,471) is the deferred income recognized 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.

18. PROFIT TAX

The balance of the deferred income consists of:

	31 December 2014	31 December 2013
Deferred income related to the regulated value remained unamortized at the end of the concession agreement	528.677.418	-
Connections and assets received free of charge	312.901.229	317.477.106
Grants	52.199.370	52.703.223
	893.778.017	370.180.329

(expressed in RON, unless otherwise stated)

Profit tax expense

	The year ended 31 December 2014	The year ended 31 December 2013 restated
Expense with the profit tax - current	115.377.345	100.045.376
Deferred tax - impact of temporary differences	(7.306.196)	(4.695.786)
Profit tax expense	108.071.149	95.349.590

(expressed in RON, unless otherwise stated)

18. DEFERRED INCOM E (CONTINUATION)

In 2014 and 2013, the Company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian legislation.

	The year ended 31 December 2014	The year ended 31 December 2013 (restated)
Profit before tax	610.587.212	426.757.892
Theoretical expense with the tax the statutory rate of 16% (2013: 16%)	97.693.954	68.281.263
Non-taxable income, net	10.377.195	27.068.327
Profit tax expense	108.071.149	95.349.590
Profit tax related liability, current	38.542.497	11.335.145

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

18. PROFIT TAX (CONTINUED)

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 30 September 2014 (31 December 2013: 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:

	31 December 2014	Movement	31 December 2013	Movement	1 January 2013
Deferred tax payment					
Tangible and intangible assets	91.789.145	(4.220.330)	96.009.475	(4.333.277)	100.342.752
Deferred tax recoverable					
Provision for employee benefits	(18.101.384)	(3.085.866)	(15.015.518)	(362.509)	(14.653.009)
	73.687.761	(7.306.196)	80.993.957	(4.695.786)	85.689.743

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.

18. PROFIT TAX (CONTINUED)

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

	31 December 2014	31 December 2013
Deferred tax liabilities payable in more than 12 months as reported	73.687.761	80.993.957

19. TRADE PAYABLES AND OTHER PAYABLES

	31 December 2014	31 December 2013
Trade payables	46.990.674	59.920.774
Suppliers of fixed assets	29.449.694	20.549.846
Dividends payable	3.334.161	3.657.249
Debts to the Ministry of Economy and Trade (see below)	51.717.551	51.717.551
Debts related to royalties	43.210.419	45.254.429
Other taxes	16.135.370	18.570.857
Amounts payable to employees	11.327.661	13.523.126
VAT payable	21.645.848	33.460.633
Other debts	14.715.781	15.499.808
	238.527.159	262.154.273

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 31 December 2014, the amount of RON 81.741.908 (31 December 2013: RON 1,664,280), representing suppliers and other debts, is expressed in foreign currency, especially in EUR.

20. PROVISIONS FOR RISKS AND CHARGES

	31 December 2014	**31 December 2013**
Current provision		
Provision for litigation	2.071.507	9.178.089
Provision term contract	3.485.911	1.490.084
Provision for employee participation in profits	10.807.480	10.342.266
	16.364.898	21.010.439

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 2013 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 4.48% ;

b) The inflation rate for 2013 was 3.5%, for 2014 it is estimated at 3.2% per year, and for 2015-2026 3% per year, then following a downward trend;

c) The growth rate of salaries - for 2013 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 Mortality Table in Romania issued by the National Institute of Statistics of Romania.

21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

The main actuarial assumptions used for calculation at the date of 31 December 2013 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% per year;
b) The inflation rate for 2013 was 3.5%, for 2014 it is estimated at 3.2% per year, and for 2015-2026 3% per year, then following a downward trend;
c) The growth rate of salaries - for 2013 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 Mortality Table in Romania issued by the National Institute of Statistics of Romania.

Movement in the provision for employee benefits

1 January 2013	91.581.309
Interest cost	7.416.275
Current service cost	2.387.035
Payments from provisions during the year	(3.705.866)
	(3.831.763)
Actuarial gain for the period	
	93.846.990
31 December 2013	
of which:	4.537.400
Short-term	89.309.590
Long-term	
	4.773.659
Interest cost	3.041.743
Current service cost	(4.659.877)
Actuarial loss related to the period	16.131.134
31 December 2014	
of which:	113.133.649
Short-term	2.915.400
Long-term	110.218.249

22. ALTE VENITURI

	The year ended 31 December 2014	The year ended 31 December 2013
Revenue from penalties for late payment to clients	7.289.437	9.464.905
Income from connection fees, grants and goods taken free of charge	17.133.363	16.957.999
Income from the receivable related to the remaining regulated value recognized ANRE at the end of the concession agreement	6.517.042	-
Rental income	1.485.146	1.476.021
Income from the sale of waste materials	4.356.355	1.812.021
Income from engineering services	-	1.910.973
Other operating income	3.924.620	6.001.048
	40.705.963	37.622.967

23. OTHER OPERATING EXPENSES

	The year ended 31 December 2014	The year ended 31 December 2013
Loss on impairment of receivables	45.067.300	162.506
Security and protection expenses	14.196.897	10.390.364
Utilities	6.915.141	7.611.604
Penalties and fines	6.062.662	293.508
Loss from the depreciation of the intangible assets	5.236.340	806.244
Telecommunications	5.126.114	4.538.550
Gas storage capacity booking	2.792.040	2.325.640
Sponsorship expenses	2.234.566	2.189.255
Maintenance expenses	1.755.023	2.953.524
Rent	1.648.020	1.087.017
Professional training	1.523.262	1.368.637
Marketing and protocol expenses	1.045.120	1.039.021
Research expenses	880.433	193.824
Insurance premia	750.742	666.173
Bank charges and other fees	597.914	1.020.091
Loss/(gain) on impairment of inventories	566.707	890.692
Loss on disposal of fixed assets	76.281	(19.504)
Loss on receivables	-	82.840
Other	19.959.256	19.980.962
Total	116.433.818	57.580.948

24. NET FINANCIAL INCOME/(EXPENSES)

	The year ended 31 December 2014	The year ended 31 December 2013 (restated)
Income from foreign exchange differences	5.888.191	9.238.182
Interest income	15.030.201	9.562.711
Other financial income	12.456.769	21.920.217
Financial income	33.375.161	40.721.110
Expenses from foreign exchange differences	(2.668.356)	(5.298.381)
Interest expense	(961.050)	(2.865.061)
The effect of discounting the provision of employee benefits	(4.773.659)	(7.416.275)
Adjustments for impairment of financial assets (Note 10)	(5.953.263)	(132.591.172)
Other financial expenses	(6)	(785.838)
Financial expenses	(14.356.334)	(148.956.727)

25. CASH GENERATED FROM OPERATION

	The year ended 31 December 2014	The year ended 31 December 2013 (restated)
Profit înainte de impozitare	610.587.212	426.757.892
Adjustments for:		
Amortization	185.292.638	180.880.113
Gain/(loss) on disposal of fixed assets	76.281	(19.504)
Provisions for risks and charges	(4.645.541)	2.419.187
Provisions for the depreciation of the intangible assets	5.236.340	806.244
Revenues from connection fees, grants and goods taken free of charge	(17.133.363)	(16.957.999)
Provisions for warranties	(3.770)	-
Provision for employees benefits	(1.618.134)	(1.318.830)
Provision for impairment of receivables	45.071.070	162.506
Provisions for impairment of financial assets	5.953.263	132.591.172
Provisions for stocks depreciation	566.707	890.692
Loss on receivables	-	82.840
Interest expense	961.050	2.865.061
Effect of the discounting of the provision for employee benefit	4.773.659	7.416.275
Interest income	(15.030.201)	(9.562.711)
Effect of exchange rate fluctuation on other items than operating	(111.422)	(119.287)
Income from the right to receivable related to the unamortized regulated value at the end of the concession agreement	(6.517.042)	-
Other income	(1.967.320)	(23.167.208)
Operating profit before changes in working capital	811.491.427	703.726.443
(Increase)/decrease in trade and other receivables	(161.440.845)	(95.669.028)
(Increase)/decrease in inventories	(3.157.136)	882.396
Increase/(decrease) in trade payables and other debts	81.828.469	26.451.260
Cash generated from operations	728.721.915	635.391.071

26. OTHER EMPLOYEE BENEFITS

In accordance with the collective labour contract, in 2013 and 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 total value of benefits granted to employees during the financial year ended 31 December 2014 is of Ron 54.912.669. The average price in 2013 for 1000 m^3 is of RON 1.369,69 (nominal – RON 129,06/MWh). The value of the benefits granted in the first three months of 2014 is RON 14.651.057, the average price in the three months period concluded on 31 March 2014 for 1.000 cm is RON 1.455,20 (nominal -136,87 RON/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.

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 31 December 2014 and 31 December 2013 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

	The year ended 31 December 2014	**The year ended 31 December 2013**
Salary paid to the members of the Board of Administration	6.956.023	5.621.165
Social contribution of the Company	1.853.741	1.564.370
	8.809.764	7.185.535

In the periods ended 31 December 2014 and 31 December 2013, 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

	31 December 2014	31 December 2013
Loan to Resial SA	1.770.346	1.770.346
Minus the provision for loan impairment	(1.770.346)	(1.770.346)
	-	-

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	2014	2013 (restated)
SNGN Romgaz	Entity under common control	70.937.031	29.213.194
Termoelectrica	Entity under common control	-	191.567
Electrocentrale Deva SA	Entity under common control	4.911.240	6.196.191
Electrocentrale Bucureşti SA	Entity under common control	121.914.946	122.964.188
Electrocentrale Galaţi SA	Entity under common control	19.825.571	19.008.919
Electrocentrale Constanţa	Entity under common control	2.915.902	-
Energoterm Tulcea SA	Entity under common control	1.217.546	1.228.373
Termo Calor Piteşti	Entity under common control	4.314.980	4.971.591
		226.037.216	183.774.024

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUATION)

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

	Relationship	2014	2013 (restated)
SNGN Romgaz	Entity under common control	163.693	162.742
Electrocentrale Deva SA	Entity under common control	10.889	
Electrocentrale Bucureşti SA	Entity under common control	1.000.822	1.607.772
Termoelectrica	Entity under common control	605.064	605.850
Electrocentrale Galaţi SA	Entity under common control	685.391	392.971
Energoterm Tulcea SA	Entity under common control	5.686	-
Electrocentrale Oradea	Entity under common control	-	270
Termo Calor Piteşti	Entity under common control	91.227	66.224
		2.562.772	2.230.766

v) Receivables from related parties

	Relationship	31 December 2014	31 December 2013 (restated)
SNGN Romgaz	Entity under common control	4.880.069	6.797.364
Termoelectrica (net of provision)	Entity under common control	-	-
Electrocentrale Deva SA	Entity under common control	992.741	1.391.161
Electrocentrale Bucureşti SA	Entity under common control	30.795.648	38.234.958
Electrocentrale Galaţi SA, (net of provision)	Entity under common control	7.190.848	10.570.482
Electrocentrale Constanţa	Entity under common control	3.615.719	-
Energoterm Tulcea SA	Entity under common control	403.410	460.335
Termo Calor Piteşti	Entity under common control	618.079	1.964.841
		48.496.514	59.419.141

28. TRANSACTIONS WITH RELATED PARTIES (CONTINUATION)

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

	Relationship	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
SNGN Romgaz	Entity under common control	91.948.599	95.500.064

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

	Relationship	Year ended 31 December 2014	Year ended 31 December 2013 (restated)
Termoelectrica	Entity under common control	-	1.291
SNGN Romgaz	Entity under common control	2.901.106	2.349.586
Electrocentrale București SA	Entity under common control	7.228	-
Termocalor	Entity under common control	5.924	-
		2.914.258	2.350.877

viii) Debts to related parties

	Relationship	31 December 2014	31 December 2013 (restated)
SNGN Romgaz	Entity under common control	21.636.792	35.120.955
Electrocentrale București SA	Entity under common control	811	677
Termoelectrica	Entity under common control	41.252	-
Termocalor	Entity under common control	-	1.839
		21.678.855	35.123.470

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.

	The year ended	The year ended

	31 December 2014	**31 December 2013 (restated)**
Profit attributable to the Company's equity holders	502.516.063	331.408.302
Weighted average of the number of shares	11.773.844	11.773.844
Basic and diluted earnings per share (RON per share)	42,68	28,15

29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH

Compensations

Approximately 5.66% of the receivables were settled by transactions that haven't involved cash outflows during the period ended 31 December 2014 (31 December 2013: 2.46%). 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 2014 and 2013.

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 24 managers (58 managers in 2013).

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 31 December 2014 and 31 December 2013 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 an additional request for data and information within the investigation of the Competition Council was 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 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.

31. RESTATEMENTS RELATED TO THE PREVIOUS PERIODS

The Company prepared and submitted financial statements for the financial year ended 31 December 2013. The comparative figures in the financial statements prepared by the Company for the financial year ended 31 December 2014 are different as compared to the financial statements previously submitted as follows:

Provisions for employee benefits

According to the collective labour contract the Company must pay its employees at retirement a compensatory amount equal to a certain number of sallaries calculated as the average monthly wage in the last 12 months, including allowances, bonuses and other additions to the period worked in the gas industry .

In 2012 and 2013 the Company included in the above calculation the average of the gross wages without taking into account the allowances, bonuses and other additions

31. RESTATEMENTS RELATED TO THE PREVIOUS PERIODS (CONTINUED)

These financial statements include the following restatements:

	The year ended 31 December 2013
Provizion for employee benefit, previously reported	(64.005.778)
Provizion for employee benefit, restated	(93.846.990)
	29.841.212

	The year ended 31 December 2012
Deferred tax to be paid on 31 December 2013, previously reported	(85.768.551)
Deferred tax to be paid on 31 December 2013, restated	(80.993.957)
	(4.774.594)
Total restatements equity at 31 December 2013	(25.066.618)

Of which	
Restated retained earnings at 31 December 2012	(24.584.700)
Restated earnings 2013	(481.918)
	Year ended 31 December 2012
Provision for employee benefit, previously reported	(62.313.809)
Provision for employee benefit, restated	(91.581.309)
	29.267.500
Deferred tax to be paid at 31 December 2012, previously reported	(90.372.543)
Deferred tax to be paid at 31 December 2012, restated	(85.689.743)
	(4.682.800)
Restated earnings at 31 December 2012	(24.584.700)

Related parties

In 2013 the ownership of the Company was transferred from the Ministry of Economy to the Ministry of Public Finance. At 31 December 2013 the Company presented only the balances with the companies held by the Ministry of Public Finance. Also the transactions were presented only until changing of the shareholding.

The Company should have presented transactions and balances with the same related parties also after the modification of the shareholding since the State continues to have a significant influence on these entities.

The transactions and balances previously reported and restated are presented below:

	Year ended 31 December 2013
Income from related parties – services provided (without the VAT), previously reported	66.156.369
Income from related parties – services provided (without the VAT), restated	183.774.024

	Year ended 31 December 2013
Sales of other goods and services (without the VAT), previously reported	78.838
Sales of other goods and services (without the VAT), restated	2.230.766

	31 December 2013
Receivables from related parties, previously reported	-
Receivables from related parties, restated	59.419.141

	Year ended 31 December 2013
Procurement of gas from related parties (without the VAT), previously reported	41.631.751
Procurement of gas from related parties (without the VAT), restated	95.500.064

	Year ended 31 December 2013
Procurement of services (without the VAT), previously reported	364.400
Procurement of services (without the VAT), restated	2.350.877

31 December 2013

Debts to related parties ,previously reported	-
Debts to related parties, restated	35.123.470

32. VENITURI ȘI CHELTUIELI DIN CONSTRUCȚIA DE ACTIVE

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:

	The year ended 31 December 2014	**The year ended 31 December 2013**
Revenue	136.634.928	161.740.924

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.

Chairman of the Board of Administration
Ion Sterian

Director - General
Petru Ion Vaduva

Chief Financial Officer
Marius Lupean