THE NATIONAL NATURAL GAS TRANSMISSON COMPANY
"TRANSGAZ" S.A.

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED ON JUNE 30TH, 2013
(UNAUDITED)

DRAWN UP ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

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STATEMENT OF FINANCIAL POSITIONS
(expressed in lei, unless otherwise specified)

	Note	June 30th, 2013	December 31st, 2012
ASSETS			
Fixed assets			
Intangible fixed assets	9	2,495,021,101	2,495,791,792
Tangible fixed assets	7	723,709,320	742,427,911
Available-for-sale financial assets	10	12,921,654	105,356,906
		3,231,652,075	**3,343,576,609**
Current assets			
Inventory	11	33,809,909	35,827,551
Trade and other receivables	12	266,993,500	347,781,745
Cash and cash equivalents	13	216,915,802	178,637,942
		517,719,211	**562,247,238**
Total assets		3,749,371,286	3,905,823,847
EQUITY AND LIABILITIES			
Equity			
Share capital	14	117,738,440	117,738,440
Share capital adjustment to hyperinflation	14	441,418,396	441,418,396
Share premium	14	247,478,865	247,478,865
Other reserves	15	1,265,796,861	1,265,796,861
Retained earnings	15	794,621,386	915,143,887
		2,867,053,948	**2,987,576,449**
Non-current liabilities			
Long term borrowings	16	36,000,000	48,000,000
Provision for employee benefits	21	62,313,809	62,313,809
Deferred incomes	17	358,997,811	362,261,072
Deferred tax liabilities	18	87,845,808	90,372,543
		545,157,428	**562,947,424**
Current liabilities			
Trade and other payables	19	274,948,511	265,393,479
Provisions for risks and expenses	20	8,474,583	8,566,604
Current income tax liabilities	18	-	57,339,891
Short term borrowings	16	53,736,816	24,000,000
		337,159,910	**355,299,974**
Total liabilities		**882,317,338**	**918,247,398**
Total equity and liabilities		**3,749,371,286**	**3,905,823,847**

General Manager	Business Department Manager
Petru Ion Vaduva	Ioan Stefanescu

	Note	Six month period ended on June 30th, 2013	Six month period ended on June 30th, 2012
Incomes from gas transmission activity		600,860,490	577,519,133
Incomes from gas transit activity		135,102,242	135,322,772
Other incomes	22	20,155,763	21,911,661
		756,118,495	**734,753,566**
Amortization	7, 9	(90,390,195)	(81,683,146)
Allowances, wages and other salary-related expenses		(132,648,928)	(132,445,994)
Gas, materials and consumables used		(62,075,209)	(84,587,766)
Royalty expenses		(73,596,274)	(71,284,190)
Maintenance and transportation		(35,248,126)	(49,894,084)
Other employee benefits	26	(26,699,571)	(25,416,778)
Taxes and other amounts due to the state		(23,024,884)	(3,323,882)
Expenses with provision for risks and expenses		92,021	(710,368)
Other operating expenses	23	(22,558,569)	(20,274,969)
Operating profit		**289,968,760**	**265,132,389**
Financial incomes	24	13,102,548	30,380,422
Financial expenses	24	(116,315,209)	(13,997,889)
Financial incomes, net amount		**(103,212,661)**	**16,382,533**
Profit before tax		**186,756,099**	**281,514,922**
Corporate tax expense	18	(56,613,335)	(48,307,374)
Net profit for the period and total comprehensive income for the period		**130,142,764**	**233,207,548**

General Manager
Ioan Rusu

Business Department Manager
Ioan Stefanescu

The accompanying notes 1 to 28 are an integral part of these financial statements.

	Note	On June 30th, 2013	On June 30th, 2013
Cash from operating activities	25	418,082,344	493,849,330
Interests paid		(2,140,812)	(2,167,114)
Interests received		6,969,224	7,504,392
Corporate tax paid		(116,480,085)	(66,027,554)
Net cash inflows from operating activity		306,430,671	433,159,054
Cash flow from investment activities			
Payment for acquisition of tangible and intangible fixed assets		(75,708,543)	(48,657,218)
Proceeds from disposal of tangible fixed asset		135,275	7,201
Acquisition of financial investment, net amount		(18,235,920)	(26,377,500)
Short term investments		-	(113,500,000)
Net cash used for investment activities		(93,809,188)	(188,527,517)
Cash flow from financing activities			
Dividends paid		(214,692,092)	(1,667,155)
Cash from connection charges		1,880,039	3,432,523
Proceeds from financial investments		16,985,593	-
Repayment of long term borrowings		(12,138,471)	(23,598,518)
Net cash used for financing activities		(207,964,931)	(21,833,150)
Net change in cash and cash equivalent		4,656,552	222,798,387
Cash and cash equivalent at the beginning of the year	13	178,637,942	266,360,854
Cash and cash equivalent at the end of the six month period	13	183,294,494	489,159,241

General Manager
Petru Ion Vaduva

Business Department Manager
Ioan Stefanescu

1. GENERAL INFORMATION

The main activity of the National Natural Gas Transmission Company – SNTG Transgaz SA ("the Company") involves the transmission and distribution of natural gas. Furthermore, the Company maintains and operates the National Natural Gas Transmission System, participates in the international transit of natural gas and carries out research and designing activities in the field of natural gas transmission. The Romanian State, through the Ministry of Economy, is the Company's majority shareholder.

The Company was established in May 2000, following several reorganizations of the gas sector in Romania; its predecessor was a member of the former national gas monopoly SNGN Romgaz SA ("the Predecessor Company") subject to reorganization under the Government Decision no. 334/2000.

The gas sector is regulated by the "National Energy Regulatory Authority" - "ANRE". The main responsibilities of the National Energy Regulatory Authority are as follows:

- issuance or withdrawal of licenses for companies operating in the natural gas sector;
- publication of framework contracts for sale, transmission, acquisition and distribution of natural gas;
- establishment of criteria, requirements and procedures related to the selection of eligible consumer;
- establishment of criteria for pricing and calculation method in the natural gas sector.

The company has its registered office in Piata C.I. Motas nr. 1, Medias, Romania.

As of January 2008, the company is listed on Bucharest Stock Exchange, within the first category of the Stock Exchange, under the TGN symbol.

In April 2013, the Ministry of Economy, Trade and Business Environment sold a share package representing 15% of the Company's share capital, following a secondary public offering on the Bucharest Stock Exchange.

2. CORPORATE OPERATION FRAMEWORK

Romania

The Romanian economy continues to be a work in progress, recording relatively high inflation and high interest rates. The global financial crisis had a strong impact on the Romanian economy as of the middle of 2008.

(i) The decline in economic activity at international level led to a decrease in export incomes, the domestic demand reduction and less money sent back to Romania by nationals working abroad. The Romanian economy recorded a decrease in 2009 and 2010, increased by 2.5% in 2011 and by 0.2% in 2012.

(ii) The increase of risk premium in Romania and in the emerging markets resulted in the increase of external financing costs. Romania was degraded by the leading rating agencies, decreasing in 2009 below the "investment grade" category. In 2011, the rating was reviewed, Romania being reclassified to the "investment grade" category. In 2012, the rating under "investment grade" category was reconfirmed.

(iii) The depreciation of the Romanian leu compared with the hard currencies (changes in the official exchange rate of the European currency EURO (EUR) published by the National Bank of Romania ("NBR"): 4.4287 on December 31st, 2012; 4.4588 on June 30th, 2013) increased the value of the foreign currency debt, which significantly accumulated over the last years.

(iv) As a result of the decline in economic activity, the government's revenues decreased, a significant budget deficit being recorded in 2009 and 2010. In 2011, the budget deficit meets the expectations, bellow 5%. In 2012, the budget deficit amounted to 2.5%.

Some debtors of the Company were negatively affected by the financial and economic environment which, in its turn, affected their capacity to pay the due amounts. The deterioration of the economic conditions as regards the companies having received borrowings and the debtors was reflected in the revised cash flow forecast upon the evaluation of depreciation.

The volume of available finance, especially funds from abroad, significantly decreased at the beginning of the crisis. Such circumstances can affect the Company's capacity to obtain future borrowings, under the same conditions.

The Romanian fiscal and monetary laws were subject to different interpretations and frequent amendments that, together with other legal and fiscal impediments, contribute to setting up challenges for the entities operating in Romania at present.

The future economic trend of Romania depends mainly on the efficiency of the economic, financial and monetary measures adopted by the government, as well as on the fiscal, legal, regulatory and political evolution. The management cannot estimate the evolution of the economic environment that may impact the Company's operations or the potential effect on the Company's financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Basis of preparation

The financial statements of the Company have been drawn up according to the International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). The financial statements have been drawn up under the historical cost convention, with the exception of the available-for-sale financial assets which, are presented at fair value.

The preparation of the financial statement in compliance with EU IFRS requires the use of certain accounting estimates. Moreover, the management is required to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant for the financial statements, are disclosed in Note 5.

New accounting standards

The new or revised standards and interpretations which are compulsory for the Company's accounting periods as of January 1st, 2012, and afterwards, inclusive, having no relevance for the company in the present day.

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods after July 1st, 2011, inclusive; applicable for EU IFRS as of January 1st, 2012). It is estimated that the amendment will not have an impact on the Company's financial statements.

Severe Hyperinflation and Removal of Fixed Date for First-time Adopters of IFRS – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods after July 1st, 2011, inclusive; applicable for EU IFRS as of January 1st, 2013). It is estimated that the amendment will not have an impact on the Company's financial statements.

Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods after January, 1st, 2012, inclusive***; applicable for EU IFRS as of January 1st, 2013).*** It is estimated that the amendment will not have an impact on the Company's financial statements.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and applicable for annual periods after January, 1st, 2013, inclusive; applicable for EU IFRS as of January 1st, 2014). It is estimated that the amendment will not have an impact on the Company's financial statements.

IFRS 11, joint Arrangements (issued in May 2011 and applicable for annual periods after January, 1st, 2013, inclusive; applicable for EU IFRS as of January 1st, 2014), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly-controlled Entities – Non-monetary Contribution by Venturers". It is estimated that the amendment will not have an impact on the Company's financial statements.

IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011 and applicable for annual periods after January, 1st, 2013, inclusive; applicable for EU IFRS as of January 1st, 2014). The Company analyzes the effect of the application of this amendment.

IFRS 13, Fair Value Measurement (issued in May 2011 and applicable for annual periods after January, 1st, 2013, inclusive; applicable for EU IFRS as of January 1st, 2014). The Company analyzes the effect of the application of this amendment.

IAS 27, Separate Financial Statements (revised in May 2011 and applicable for annual periods after January, 1st, 2013, inclusive; applicable for EU IFRS as of January 1st, 2014), was amended and its present objective is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The recommendations on control and consolidated financial statements were replaced by IFRS 10, Consolidated Financial Statements. The Company analyzes the effect of the application of this amendment.

IAS 28, Investments in Associates and Joint Ventures (revised in May 2011 and applicable for annual periods after January, 1st, 2013, inclusive; applicable for EU IFRS as of January 1st, 2014). The amendment to IAS 28 resulted from IASB project regarding joint ventures. Upon the discussion of this project, the Council decided to include in IAS 28 the accounting of joint ventures based on the equity method, as this method is applicable both to joint ventures and associates. Apart from this exception, the other recommendations remain unchanged. The Company analyzes the effect of the application of this amendment.

Amendments to IAS 1, Presentation of Financial Statements (issued in June 2011, applicable for annual periods after January, 1st, 2012, inclusive; applicable for EU IFRS as of January 1st, 2013), the changes in the presentation of items included in other items of the comprehensive income. The Amendments impose on the entities the obligation to split in two groups the items presented in other items of the comprehensive income, according to the possibility to reclassify them in profit or loss in the future. The recommended title used by IAS 1 changed from "the profit and loss account to other items of the comprehensive income". The Company analyzes the effect of the application of this amendment.

IAS 19 as amended, Employee Benefits (issued in June 2011, applicable for annual periods after January, 1st, 2013, inclusive; applicable for EU IFRS as of January 1st, 2013), brings significant changes in the recognition and valuation of expenses on defined benefits from pensions and benefits upon retirement, and in the disclosures of all employee benefits.

The standard stipulates the recognition of all changes in the net defined benefit obligation (liability) upon their occurrence, as follows: (i) the costs of services and the net interest in profit or loss; and (ii) reevaluations in other items of the comprehensive income. The Company analyzes the effect of the application of this amendment.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (issued in October 2011 and applicable for annual periods after January, 1st, 2012, inclusive; applicable for EU IFRS as of January 1st, 2013). The interpretation specifies that the benefits from the stripping activity are recorded in accordance with the principles of IAS 2, Inventory, to the extent that they take the form of manufacturing inventory. To the extent that the benefits represent the optimized access to mineral, the entity must recognize such costs as "stripping activity asset" within the fixed asset category, provided that certain criteria are met. It is estimated that the amendment will have no impact on the Company's financial statements.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and applicable for annual periods after January, 1st, 2014, inclusive; applicable for EU IFRS as of January 1st, 2014). The amendment added recommendations regarding the application of IAS 32 in order to rectify the inconsistencies identified upon the application to certain offsetting criteria. This includes the clarification of the meaning of the expression "*currently has a legally enforceable right to set-off*" and the facts that some gross set-off systems can be considered equivalent of net offsetting. It is estimated that the amendment will have no impact on the Company's financial statements.

Disclosures - Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and applicable for annual periods after January, 1st, 2013, inclusive; applicable for EU IFRS as of January 1st, 2013). The amendment stipulates the disclosures allowing the users of the financial statements of an entity to assess the effect or the potential effect of the offsetting arrangements, including offsetting rights. It is estimated that the amendment will have no impact on the Company's financial statements.

New or revised standards and interpretations unadopted yet by the European Union.

IFRS 9, Financial Instruments: Classification and Measurement. **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 in order to comply with the classification and measurement of financial liabilities in December 2011 and in order to (i) replace the effective date with annual periods after January 1st, 2015, inclusive, and (ii) add transitional disclosures. The main characteristics of this standard are as follows:

- The financial assets must be classified in two measurement categories: those subsequently measured at fair value and those subsequently measured at amortized cost. The decision will be made upon the initial recognition. The classification depends on the entity's business model used for the management of its financial instruments and on the characteristics of the instrument's contractual cash flow.
- An instrument is subsequently measured at amortized cost only if it is a liability instrument and if (i) the objective of the entity's business model is to keep the asset in order to collect contractual cash flows, and (ii) the contractual cash flows of the assets represent only parts of credit and interest (namely they have only "the basic features of credit"). All other liability instruments will be measured at fair value through profit or loss.
- All equity instruments will be subsequently measured at fair value. The equity instruments held for trading will be measured at fair value through profit or loss. For all other equity instruments, an irrevocable choice can be made upon the initial recognition, consisting of recognizing at fair value the gains and losses incurred and non-incurred,

through other items of the comprehensive income, and not through profit or loss. The gains and losses will not be restated at fair value in the profit and loss account. This choice will be made separately for each instrument. The dividends will be recorded in profit and loss, as long as they represent the return on investment.

- Most of the provisions of IAS 39 regarding the classification and measurement of financial liabilities remained unchanged under IFRS 9. The main amendment concerns the fact that the entity will have to present the effects of the amendments in the credit risk of the financial liabilities carried at fair value through profit or loss in other items of the comprehensive income.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Government Loans. The amendments, dealing with the loans received from the state, at a low interest rate, grant to the first-time adopters of IFRS an exemption from the full retroactive application of IFRS upon the record of such transitional loans. The same exemption is applied both to the first-time adopters of IFRS and to those who already apply these standards.

Amendments to the International Financial Reporting Standards (issued in May 2012 and applicable as of January 1st, 2013). The amendments consist of changes made in five standards.

Transitional provisions amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on June 28th, 2012, and applicable as of January 1st, 2013).

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Companies (issued on October 31st, 2012 and applicable as of January 1st, 2014).

3.2. Segment reporting

The business segment reporting is made consistently with the internal reporting to the main operational decision factor. The board of directors, as strategic decision-making body, was considered to be the main operational decision factor, in charge of the resource allocation and performance assessment per business segment.

3.3. Foreign currency transactions

a) *Functional currency*

The items included in the financial statements of the Company are measured using the currency of the economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Romanian leu ("lei"), which is the functional and presentation currency of the Company.

b) Transactions and balances

The foreign currency transactions are translated into functional currency using the exchange rate prevailing on the date of the transactions or evaluation on the balance sheet date. The profit and loss resulting from the exchange rate differences upon the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency at the exchange rate prevailing at the end of the reporting period, are recognized in the comprehensive income statement.

On June 30th, 2013, the exchange rate communicated by NBR was of 1 US dollar ("USD") = 3.4151 lei (December 31st, 2012: 1 USD = 3.3575 lei, June 30th, 2012: 1 USD = 3.5360) and 1 Euro ("EUR") = 4.4588 lei (December 31st, 2012: 1 EUR = 4.4287 lei, June 30th, 2012: 1 EUR = 4.4494).

3.4. Hyperinflation accounting

Romania has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies". This standard required that the financial statements prepared in the currency of a hyperinflationary economy are expressed in terms of the measuring unit current on December 31st, 2003. As the features of the Romanian economic environment indicate that hyperinflation has stopped, as of January 1st, 2004, the Company no longer applies the provisions of IAS 29.

Therefore, the reported amounts in terms of the measuring unit current on December 31st, 2003, are treated as the basis for determining the carrying values within these financial statements.

3.5. Intangible fixed assets

Computer software

The acquired licenses providing the rights to use the computer software are capitalized based on the costs incurred to acquire and put into use such computer software. These costs are amortized over their estimated useful life (three years). The costs related to the development or maintenance of computer software are recognized as expenses upon their incurrence.

Service concession agreement

As of 2010, the Company, in compliance with the EU approval process, has started to apply IFRIC 12, ***Service concession arrangements***, adopted by EU. The scope of IFRIC 12 includes: infrastructure existing upon the execution of the concession agreement and upgrades and improvements brought to the pipeline system, which are transferred to the regulatory authority upon the termination of the concession agreement.

As set forth in Note 8, the Company is entitled to charge the users of the public service, an intangible asset being thus recognized for this right.

Due to the non-commercial nature of the Service Concession Agreement ("SCA") (i.e. it didn't substantially modified the way in which the Company have operated the assets; the cash flows were changed only in regard to royalty payment, while the gas transmission tariff increased to cover the royalty), the intangible asset was measured at remaining net value of the derecognized assets (classified in the financial statements as tangible fixed assets on the date of application of IFRIC 12). Therefore, the Company continued to recognize the asset, reclassifying it as intangible fixed asset. The Company has tested the intangible fixed assets recognized on that date without identifying the depreciation.

Upon their incurrence, the replacement costs are represented on expenses, while the improvements of the assets used under the Service Concession Arrangement are recognized at fair value.

The intangible fixed assets are subject to zero amortization over the remaining period of the concession agreement.

3.6. Tangible fixed assets

The tangible fixed assets include buildings, lands, assets used for the transit activity (e.g. pipelines, compressors, gas filters, devices).

The buildings comprise mainly buildings related to operating assets, a research center and office buildings.
The subsequent costs are included in the asset's carrying amount or recognized as separate asset, as the case may be, only when the Company is expected to receive future economic benefits associated to such item and the cost of the respective item can be reliably measured. The carrying value of the replaced asset is evidenced. All other repair and maintenance expenses are represented in the comprehensive income statement for the financial period in which they incur.

The land is not amortized. The amortization of other tangible fixed assets is calculated using the straight-line method to allocate their cost, less the residual value, over their estimated useful life, as follows:

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

Before December 31st, 2008, the costs of gearing were recognized upon their incurrence. As of January 1st, 2009, the costs of gearing which are directly attributable to the purchase, construction or production of an asset with long production cycle are capitalized as a part of the cost of the respective asset. The costs of gearing which are directly attributable to the acquisition, construction or production of an asset with long production cycle are defined as those costs of gearing that would have been avoided if the expenses with the asset hadn't be incurred. To the extent that the funds are borrowed for the only purpose of acquiring an asset with long production cycle, the value of gearing costs eligible for capitalization of the respective asset is calculated as the effective cost generated by that borrowing during the period, less the incomes from temporary investments associated to such borrowings. To the extent that the funds are borrowed, mainly, and used for acquiring an asset with a long production cycle, the value of the gearing costs eligible for capitalization is determined by applying a capitalization rate of the expenses on the respective asset.

The capitalization rate is the weighted average cost of gearing applicable to the entity's borrowings, reaching their maturity date within the period, other than the borrowings contracted for the only purpose of acquiring the long production cycle asset.

The assets' residual values and useful lives are accordingly reviewed and adjusted, at the end of each reporting period.

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

The gains and losses resulting from disposals are determined by comparing the proceeds with the carrying value and recognized in the comprehensive income statement for the period in which the sale took place.

3.7 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is calculated as the difference between the carrying value and the recoverable value of the respective asset. The recoverable amount is the highest value between the asset's fair value minus sale costs and its value in use. An impairment loss recognized for an asset for previous periods is reversed if changes occur in the estimates used for determining the asset recoverable value as of the date on which the last impairment loss was recognized. In order to calculate this loss, the assets are grouped at the lowest detail levels for which there are individually identifiable cash flows (cash-generating units). The non-financial assets which are subject to impairment are reviewed for possible reversal of the impairment on each reporting date.

3.8 Public property assets

According to Law no. 213/1998 on public property, the gas transmission pipelines belong to the public property. The Government Decision no. 491/1998, as confirmed by the Government Decision no. 334/2000, stipulates that fixed assets with a historical statutory gross carrying value of 474,952,575 lei (December 31st, 2007: 474,952,575 lei), representing gas pipelines, are under Company's management. Therefore, the Company has the exclusive right to use these assets during the concession period and will 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 risks, including the requirement to maintain the network assets over a period at least equal to their remaining useful life, the Company's financial performance being directly influenced by the condition of this network. Therefore, before January 1st, 2010, the Company has recognized these assets in equity as tangible fixed assets, together with a corresponding reserve (see Note 5.2). The accounting policies applied to these assets are the same with those applied to the tangible fixed assets of the Company (Notes 3.7 and 3.6).

As stated in Note 3.5, the Company adopted IFRIC 12 as of January 1st, 2010, reclassifying these assets and further improvements as intangible fixed assets (except for the transit pipelines).

In accordance with the law no. 238/2004 on Public Concession, a royalty must be paid for the public property assets under the management of companies other than state entities. The royalty rate for the use of gas transmission pipelines is set by the Government. As of October 2007, the royalty was set to 10% of incomes. The duration of the concession agreement is of 30 years, until 2032.

3.9 Financial assets

The Company classifies its financial assets under the following categories: financial assets at fair value through profit or loss, borrowings and receivables and available-for-sale financial assets. The classification is made according to the purpose for which the financial assets were acquired. The management determines the classification of such financial assets upon initial recognition.

(a) Borrowings and receivables

The borrowings and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted on an active market. They are included in the current assets, except for those with maturities exceeding 12 months as of the end of the reporting period. They are classified as fixed assets. The company's borrowings and receivables comprise "trade and other receivables" and cash and cash equivalents within the financial position statement (Notes 3.11 and 3.13).

(b) Available-for-sale financial assets

The available-for-sale financial assets are non-derivative instruments which are specifically classified under this category or are not included in any other category. They are included in fixed assets, unless the management intends to dispose of the investments within a maximum period of 12 months at the end of the reporting period.

The regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits itself to purchase or sell the respective asset. The investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. The available-for-sale financial assets are subsequently carried at fair value. The borrowings and receivables are carried at amortized cost using the effective interest method.

The 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 securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as “gains and losses from investment securities".

The dividends associated with the available-for-sale financial assets are recognized in profit or loss on other items of the comprehensive income, upon the establishment of the Company’s right to receive payments.

(c) Impairment of financial assets

On each reporting date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or several events occurring after the asset's initial recognition (an “event generating losses”) and if such event (or events) generating losses 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 used by the Company to determine if there is objective evidence of an impairment loss include:
- a significant financial difficulty experienced by the issuer or debtor;
- a breach of contract, such as failure to pay or late payment of interest or credit;
- the company, for economic and legal reasons related to the debtor’s financial difficulty, grants to the debtor a concession which the creditor wouldn't otherwise have considered;
- it is probable that the debtor enters bankruptcy or other form of financial reorganization;
- the disappearance of the active market for that financial asset due to the financial difficulties; or
- observable data indicate that there is a measurable decrease of the estimated future cash flows within a financial asset portfolio as of the initial recognition of such assets, even if the decrease cannot be identified yet for the individual financial assets of the portfolio, including:-
    - unfavorable changes in the payment statement for the debtors within the portfolio; and
    - economic conditions, at national or local level, correlated with the failure to pay, with regard to the assets within the portfolio.

The company assesses, in the first instance, if there is objective evidence of impairment.

a) Assets carried at amortized cost

The testing of trade receivable impairment is presented above.

For borrowings and receivables, the loss value is calculated as the difference between the asset's carrying value and the discounted value of the estimated future cash flows (except for not incurred future credit losses), discounted at the asset's initial rate; the discount rate for the assessment of any impairment loss is the current effective interest rate determined under the agreement. Actually, the company can measure the impairment based on the fair value of an instrument using an observable market price.

If, during a subsequent period, the value of the impairment loss decreases and the decrease can be objectively correlated with an event occurring after the impairment recognition (such as an improvement in the debtor's credit scoring), the previously restated impairment loss is recognized as profit or loss.

b) Assets classified as available-for-sale

During each reporting period, the Company assesses if there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of capital instruments classified as available-for-sale, a significant or extended decrease in the value of financial assets below their costs is considered as an indicator showing that the assets are impaired. If there is such evidence in regard to the available-for-sale financial assets, the cumulative loss - measured as difference between the purchase price and current fair value, minus any impairment loss for the previously recognized financial asset, in profit or loss – is written-off from other items of the comprehensive income and recognized in profit or loss. The impairment losses recognized in profit or loss for equity instruments are not subsequently restated and any further gain is recognized in other items of the comprehensive income.

3.10 Inventory

The inventory is stated at the lowest value between the cost and the estimated net realizable value.

The cost is determined using the first in, first out method. If necessary, provisions are made for obsolete or slow moving inventory. Obsolete inventory individually identified are provided in full or written-off. For slow moving inventory, an estimation of the age of inventory is made for each main category, based on the inventory turnover.

3.11 Trade receivables

The trade receivables are the amounts due by the clients for the services rendered within the business operations. In case of one year or less collecting period (or normal operating cycle), they are classified as current assets. Otherwise, they are stated as fixed assets.

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

3.12 Value added tax

The value added tax (VAT) is payable to the fiscal authorities based on the monthly VAT return until the 25th day of the following month, irrespective of the level of collection of receivables from clients. The fiscal authorities allow the settlement of VAT on a net basis. When input VAT is higher than output VAT, the difference is refundable upon the Company's request. The respective VAT may be refunded following a tax inspection or even without a tax inspection, if certain conditions are met. The VAT related to sales and purchases which have not been settled at the end of the reporting period is recognized in the financial position statement on a net basis and separately disclosed as a current asset or liability. When provisions have been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT must be paid to the State and can only be recovered after the release of the debtor, following the bankruptcy declaration.

3.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, amounts available in current bank accounts, other short-term highly liquid investments with initial maturities up to three months and bank overdrafts. The bank overdrafts are shown within borrowings in current liabilities in the financial position statement.

3.14 Equity

Share capital

The ordinary shares are classified as equity.
The additional costs directly attributable to the issue of new shares or options are shown in equity as deductions, net of tax, from proceeds.

Dividends

The dividends are recognized as liabilities and deducted from equity at the end of the reporting period only if they are declared before or at the end of the reporting period. The 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 financial statements were authorized for issue.

3.15 Borrowings

The borrowings are initially recognized at fair value, net of transaction costs incurred. They are subsequently shown at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the borrowing term, using the effective interest method.

The borrowings are classified as current liabilities, unless the Company has an unconditioned right to delay the settlement of the liability for a minimum of 12 months as of the end of the reporting period.

Current and deferred corporate tax

The tax expense for the period includes the current and deferred tax and it is recognized in profit or loss, except for the case when it is recognized in other items of the comprehensive income or directly in equity, as it is related to transactions also recognized, in their turn, in the same time or at different time, in other items of the comprehensive income or directly in equity.

The current corporate tax expense is calculated based on the fiscal regulations in force at the end of the reporting period. The management evaluates on a regularly basis the positions taken in tax returns with respect to situations in which the applicable fiscal regulations are subject to interpretation and it establishes provisions, if necessary, based on the amounts expected to be paid to the fiscal authorities.

The deferred corporate tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, the deferred corporate tax resulting from the initial recognition of an asset or liability in a transaction other than a business combination and which, upon the transaction date, does not affect the accounting or taxable profit or loss, in not recognized. The deferred corporate tax is determined using tax rates (and laws) enacted until the end of the reporting period, which are expected to be applied for the period in which the deferred corporate tax asset shall be realized or the deferred corporate tax liability shall be settled.

The deferred corporate tax assets are recognized only if a future taxable profit is expected to be obtained in the future, subject to deduction of the temporary differences.

3.16 Trade and other payables

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

3.17 Deferred incomes

The deferred incomes are recorded for connection fees charged to customers upon their connection to the gas transmission network and for the objectives received free of charge. The deferred incomes are recorded in the loss and profit account over the useful life of the corresponding assets (connection pipelines, gas flow regulators, counters).

3.18 Employee benefits

During the normal operating cycle of the business, the Company makes payments to the Romanian State on behalf of its employees intended for the health insurance, pension and unemployment funds. All the Company's employees are members of the Romanian State pension plan, which is a fixed contribution plan. These payments are recognized in the profit and loss account together with the salary expenses.

Benefits of retirement

Under the collective labor contract, the Company should pay to its employee upon their retirement an amount equal to a certain multiplier of their gross salary, according to the employment period in the gas industry, the working conditions etc. The Company has recorded a provision for such payments (see Note 21).

Social security

The Company incurs employee related costs as a result of granting benefits related to social security. These amounts mainly represent the implicit costs of hiring workers and thus have been included in salary related expenses.

Material assistance

Furthermore, the Company commits itself under the collective labor agreement to provide its employees with a material assistance equal to the cash equivalent of certain quantity of gas (see Note 26); these amounts are shown to “Other employee benefits” upon their incurrence. The amount of this material assistance is calculated at the regulated selling price applied to the agreed quantity pursuant to the collective labor contract.

Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company’s shareholders after certain adjustments. The Company recognizes a liability where pursuant to a contractual obligation or a past best practice that has created an implicit obligation.

3.19 Provisions for risks and expenses

The provisions for risks and expenses are recognized provided that the Company has a legal or implicit obligation as a result of past events, the settlement of such obligation requires an outflow of resources comprising economic benefits and a reliable estimate can be made as regards the value of such obligation. In the case that there several similar obligations, the probability that an outflow will be required for settlement is determined following the assessment of the class of obligations as a whole. The provision is recognized even if the probability of an outflow with respect to any of the items included in any class of obligations may be insignificant. In the case that the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The provisions are measured at the discounted value of the expenses expected to be required for the settlement of the obligation using a pre-tax rate that reflects 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.

3.20 Income recognition

The incomes comprise the fair value of the amounts received or receivable for the sale of services and/or goods during the normal operating cycle of the business. The incomes are shown net of value-added tax, returns, rebates and discounts.

The Company recognizes incomes when their amount can be reliably measured, future economic benefits are expected to be received by the entity and certain criteria have been met for each of the Company's activities as stated below. The amount of incomes is not considered to be reliably measurable until all contingencies relating to the sale have been settled. The Company substantiates its estimates based on historical results, considering the type of customer, the type of transaction and the characteristics of each arrangement.

a) Incomes from services

The incomes from gas transmission and transit are recognized upon the gas delivery and measurement, according to the agreement. The quantities of transmitted gas are measured and billed to clients on a monthly basis.

b) Interest incomes

The interest incomes are recognized on a proportionally basis using the effective interest method.

c) Dividend incomes

The dividend incomes are recognized upon the establishment of the right to receive payments.

d) Mutual cancellations and barter transactions

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

The sales and purchases that are expected to be settled by mutual cancellations, barter or other non-cash transactions, are recognized based on the management's estimate of the fair value to be received or given within non-cash settlements. The fair value is determined based on the available market information.

The non-cash transactions have been excluded from the cash flow statement, so that the investment activities, financing activities and all the other operating activities represent actual cash flows.

e) Incomes from penalties

The incomes from penalties for late payment are recognized when future economic benefits are expected to be received by the Company.

4. FIANCIAL RISK MANAGEMENT

Financial risk factors

Due to the nature of its activities, the Company is exposed to a variety of risks, including: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to mitigate the potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge certain risk exposures.

a) Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, especially as regards the US dollar and the Euro. The foreign exchange risk arises from recognized assets (Note 12) and liabilities, mainly long-term borrowings (Note 16).

The Company does not undertake formal actions to mitigate foreign exchange risks related to its operations; therefore, the Company does not apply hedge accounting. The management believes that the Company is naturally secured against foreign exchange risks, as regards the transactions in euro, the denominated proceeds in euro being used for paying the acquisitions incurred in euro.

The following table shows the sensitivity of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period to the Company's functional currency, all other variables remaining unchanged.

	June 30th, 2013	**December 31st, 2012**
Impact on profit and loss and on equity of:		
US Dollar appreciation by 10%	3,764,311	2,663,068
US Dollar depreciation by 10%	(3,764,311)	(2,663,068)
Euro appreciation by 10%	5,772,508	5,029,460
Euro depreciation by 10%	(5,772,508)	(5,029,460)

(ii) Price risk

The Company is exposed to commodity price risk related to the gas acquired for own consumption. If the gas price had been 5% higher/lower, the net profit for the six month period of 2013 would have been 2,219,326 lei lower/higher (2012: 2,875,988 lei).

(iii) Cash flow and fair value interest rate risk

The Company is exposed to interest rate risk through its short and long-term borrowings, most of them at variable rates. The Company is also exposed to interest rate risk on its bank deposits. The Company has not entered into any arrangements to mitigate such risks. For the average exposure in 2012, if the interest rates had been 50 basis points lower/higher, all other variables remaining constant, the profit for the year and the equity would have been 787,254 lei higher/lower, especially as a result of the reduction of the interest rate on bank deposits, partially compensated by the lower interest expense on variable interest liabilities.

b) Credit risk

The credit risk arises mainly from cash and cash equivalents and trade receivables. The Company elaborated several policies to be applied in order to ensure that products and services are not sold to customers with negative credit history. The carrying amount of the receivables, net of bad debt provisions, represents the maximum amount exposed to credit risk. The Company's credit risk is centered on its 5 main clients, amounting together to 64% of the trade receivable balance on June 30th, 2013 (December 31st, 2012: 73%). Although the collection of receivables could be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the provisions already made.

The cash is placed in financial institutions considered to have a minimal risk of default.

c) Liquidity risk

A cautious liquidity risk management implies maintaining sufficient cash and availability of funds through an adequate amount of committed credit facilities.

The company provides a cash flow forecast. The Company's business function continuously monitors the forecasts of liquidity needs for the Company to ensure that there is enough cash to meet the operational requirements, maintaining at the same time a sufficient level of unused borrowing capacity under its credit facilities (note 16) at any moment in time, so that the Company does not breach the borrowing limits or agreements (as the case may be) for any of its credit facilities. These forecasts take into account the Company's plans to finance the debt, observe the agreements, comply with the internal objectives in terms of balance sheet indicators and, if applicable, external regulations or legal provisions – for example, currency restrictions.

The Company's finance department invests the cash surpluses in interest bearing current bank accounts and term deposits, choosing sufficiently liquid instruments or instrument of appropriate maturities to provide the adequate framework, set up according to the aforementioned provisions.

The table below shows liabilities on June 30th, 2013, by their remaining contractual maturity. The amounts disclosed in the maturity table represent the contractual undiscounted cash flows.

The maturity analysis of financial liabilities on June 30th, 2013 is as follows:

	Total amount	**less than 1 year**	**1-5 years**	**over 5 years**
Borrowings	64,156,943	26,514,488	37,642,455	-
Trade and other payables	205,675,295	205,675,295	-	-
	269,832,238	232,189,783	37,642,455	-

The maturity analysis of financial liabilities on December 31st, 2012 is as follows:

	Total amount	**less than 1 year**	**1-5 years**	**Over 5 years**
Borrowings	79,260,985	27,911,962	51,349,023	-
Trade and other payables	166,506,211	166,506,211	-	-
	245,767,196	194,418,173	51,349,023	-

Trade and other payables include trade payables, fixed assets suppliers, dividends to be paid, liabilities towards the Ministry of Economy and Trade and other payables (see Note 19).

Capital risk management

The Company's objectives with respect to capital management are to keep the Company operating at full capacity in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure, reducing the cost of capital. There are no externally imposed requirements.

Following the example of other companies in the industry, the Company monitors the capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including "current and long-term borrowings", as stated in the financial position statement), less the cash and cash equivalents. The total capital is calculated as "equity", as set forth in the financial position statement, plus the net debt.

In 2013, the Company's strategy, which was unchanged from 2012, aimed at keeping the gearing ratio as low as possible to maintain a high borrowing capacity for future investments, if and when required. The net gearing ratio on June 30th, 2012, and on December 31st, 2012:

	June 30th, 2013	December 31st, 2012
Total borrowings (Note 16)	59,861,529	72,000,000
Less: cash and cash equivalents (Note 13)	(216,915,802)	(178,637,942)
Net cash position	(157,054,273)	(106,637,942)

Fair value estimation

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

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

5. ESSENTIAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

Essential accounting estimations and hypotheses

The company draws up future estimates and hypotheses. The estimations and hypotheses are continuously evaluated and are based on the past experience and other factors, including predictions of future events thought to be reasonable under certain circumstances.

The accounting estimates resulted from the definition shall rarely equal the actual results obtained. The estimates and the hypotheses that present a significant risk to cause an important adjustment of the accounting value of the assets and liabilities in the following financial year are presented as follows.

5.1 Hypotheses for setting the value of the provision for the retirement benefits

This provision has been calculated based on the estimates on the average wage, the average number of employees and the average number of wages to be paid upon retirement, as well as the benefit payment schedule. The provision has been brought to the updated value by applying an updating factor calculated based on the interest rate without risk (for instance the interest rate for state obligations).

5.2 Accounting treatment of the assignment agreement

As shown by Note 8, in May 2002, the Company concluded an Assignment Agreement with NAMR, giving the Company the right to use the main pipes from the national gas transport system on a period of 30 years. Before the conclusion of this agreement, the pipes were managed by the Company according to the Law on the Public Domain no. 213/1998, the Government Decision ("GD") no. 491/1998 and GD no. 334 from 2000, according to which the Company was set up. According to the clauses of the agreement herein, the Company received the majority of the benefits associated to the assets and it was exposed to the majority of the risks. Therefore, the Company acknowledged these assets in the financial statement, together with a proper reserve in the own equity. Regarding the already existing infrastructure on the date of Assignment Agreement signature, given that the Company had no payment obligations up to the moment of Assignment Agreement termination (only obligations referring to the maintenance and modernization, investments in new pipes), the Company management considered that this was, in substance, a component of the own equity, defined as the residual interest in the Company assets after the deduction of all the debts. Moreover, due to the fact that the Company and its predecessor, SNGN Romgaz SA, were controlled by the Romanian State, the publication of the Law on the Public Domain (for instance the loss of property) and the reorganization of SNGN Romgaz SA in 5 companies, could be considered transactions with the shareholder, in its capacity of shareholder, supporting the acknowledgement of the transactions in the own equity. Since 2010, the Company has applied IFRIC 12 (Note 3.5).

5.3 The accounting treatment of all the payment royalties for the use of the national gas transport system

As shown by Note 8, the Company pays royalties, calculated as a percentage from the gross incomes obtained from the operation of the pipes from the national gas transport system. These costs have been acknowledged as expenses, rather than as a deduction from the revenues, because they are not similar to the fees cashed from clients and transmitted to the state, given the nature of the activity and the regulation environment:

- the Company revenues are based on the tariffs approved by a different regulator than the one that sets the royalties level;
- the expense with the royalties is an element considered in the calculation of the transport tariff;
- the full recovery of any increase of the royalties through future increases of the tariff is not guaranteed; and
- the tariffs may increase with a more than a year delay from the change of the royalties (as the case may be).

6. INFORMATION ON SEGMENTS

The information on segments provided to the administration board taking the strategic decisions for the reportable segments, associated to the exercise ended on 30 June 2013, are:

	Internal gas transport	International gas transit	Non-allocated	Total
Revenues from the transport/transit activity	600.860.490	135.102.242	-	735.962.732
Other revenues	5.485.497	-	14.670.266	20.155.763
Revenues – total	606.345.987	135.102.242	14.670.266	756.118.495
Depreciation	(72.932.663)	(15.686.403)	(1.771.129)	(90.390.195)
Operating expenses, others than depreciation	(348.322.645)	(21.782.616)	(5.654.279)	(375.759.540)
Operating result	-	-	-	289.968.760
Net financial gain	-	-	-	(103.212.661)
Profit before taxation	-	-	-	186.756.099
Income tax	-	-	-	(56.613.335)
Net profit	-	-	-	130.142.764
Assets on segments	2.958.013.287	502.158.592	289.199.407	3.749.371.286
Liabilities on segments	784.850.775	9.100.977	88.365.586	882.317.338
Capital expenses - assets increases in progress	67.891.997	584.917	8.316	68.485.230
Non-monetary expenses, others than depreciation	(3.007.804)	-	110.352.071	107.344.267

The assets presented for the two main operating segments mainly comprise tangible and intangible assets, stocks and receivables and mainly exclude the cash and the bank accounts.

Non-allocated assets include:	
Tangible and intangible assets	50.040.371
Financial assets	12.921.654
Cash	216.915.802
Other assets	9.321.580
	289.199.407
Non-allocated liabilities include:	
Deferred tax	87.845.808
Other liabilities	519.778
	88.365.586

The liabilities presented for the two main operating segments comprise operating debts and loans contracted by the Company for the purchase of the assets dedicated to the corresponding segments.

The non-monetary expenses, others than depreciation, comprise the expense with receivables impairment and the expense with the stocks impairment, other provisions for risks.

The transit services are provided for two external clients, while the transport activity is carried out for several internal clients. The transport revenues are obtained as follows: 67% from the distribution companies, 33% from the (large) eligible clients.

	Internal clients	External clients	Total
Revenues from the transport/transit activity	600.860.490	135.102.242	735.962.732
Other revenues	19.871.046	284.717	20.155.763
	620.731.536	135.386.959	756.118.495

All the assets of the Company are located in Romania. All the activities of the Company are carried out in Romania. The Company has receivables from external clients amounting to RON 53.288.348 (31 December 2012: RON 22.546.287). The information on the segments provided to the administration board taking the strategic decisions for the reportable segments, associated to the financial year ended on 31 December 2012, are:

	Internal gas transport	International gas transit	Non-allocated	Total
Revenues from transport/transit activity	1.052.112.211	275.875.022	-	1.327.987.233
Other revenues	9.549.938	-	27.832.180	37.382.118
Revenues - total	1.061.662.149	275.875.022	27.832.180	1.365.369.351
Depreciation, retreated	(125.478.351)	(35.238.575)	(3.822.724)	(164.539.650)
Operating expenses, others than depreciation	(773.062.699)	(52.979.485)	(9.866.460)	(835.908.644)
Operating result	-	-	-	364.921.057
Net financial gain	-	-	-	27.994.574
Profit before taxation	-	-	-	392.915.631
Income tax, retreated	-	-	-	(63.610.388)
Net profit, retreated	-	-	-	329.305.243
Assets on segments, retreated	3.045.911.956	515.087.312	344.824.579	3.905.823.847
Liabilities on segments	755.979.967	9.580.804	152.686.627	918.247.398
Transfers from fixed assets in progress	281.675.660	102.176	45.051	281.822.887

Capital expenses - increases of assets in progress	160.179.355	1.791.015	-	161.970.370
Non-monetary expenses, others than depreciation	45.260.792	837.532	3.517.080	49.615.404

The assets presented for the two main operating segments mainly comprise the tangible and intangible assets, stocks and receivables, and mainly exclude the cash and bank accounts.

Non-allocated assets include:	
Fixed assets	51.934.120
Financial assets	105.356.906
Cash	178.633.441
Other assets	8.900.112
	344.824.579
Non-allocated liabilities include:	
Deferred tax, retreated	90.372.543
Payable tax	57.339.891
Other liabilities	4.974.193
	152.686.627

The liabilities presented for the two main operating segments comprise operating debts and loans contracted by the Company for the purchase of assets corresponding to the respective segments.

The non-monetary expenses, others than depreciation, comprise the expense with the receivables impairment and the expense with the stocks impairment, other provisions for risks.

The transit services are provided for two external clients, while the transport activity is carried out for several internal clients. The revenues from transport are obtained as follows: 67% from the distribution companies, 33% from (large) eligible clients.

	Internal clients	External clients	Total
Revenues from the transport/transit activity	1.052.112.211	275.875.022	1.327.987.233
Other revenues	36.860.228	521.890	37.382.118
	1.088.972.439	276.396.912	1.365.369.351

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

7. TANGIBLE ASSETS

	Lands and buildings	Assets from the transport system	Other fixed assets	Assets in progress	Total
Year ended on 31 December 2012					
Cost on 1 January 2012	242.552.353	969.502.245	232.608.761	2.305.345	1.446.968.704
Depreciation cumulated on 1 January 2012	(91.410.291)	(427.980.755)	(166.711.797)	-	(686.102.843)
Initial net accounting value	151.142.062	541.521.490	65.896.964	2.305.345	760.865.861
Inputs	-	21.385.367	559.317	16.726.327	38.671.011
Transfers	354.121	69.704	7.309.124	(7.732.949)	-
Outputs (net accounting value)	(86.389)	(66.497)	(79.445)	-	(232.331)
Depreciation	(6.711.161)	(34.549.190)	(15.616.279)	-	(56.876.630)
Final net accounting value	144.698.633	528.360.874	58.069.681	11.298.723	742.427.911
Cost	242.556.113	990.885.435	236.204.988	11.298.723	1.480.945.259
Cumulated depreciation	(97.857.480)	(462.524.561)	(178.135.307)	-	(738.517.348)
Final net accounting value	144.698.633	528.360.874	58.069.681	11.298.723	742.427.911
Initial net accounting value	144.698.633	528.360.874	58.069.681	11.298.723	742.427.911
Inputs	713.011	-	415.991	8.979.183	10.108.185
Transfers	3.421.722	-	6.383.247	(9.804.969)	-
Outputs (net accounting value)	(2.333)	(15.992)	(71.999)	-	(90.324)
Reclassification	22.682.444	(4.627.473)	(18.054.971)	-	-
Depreciation	(5.806.870)	(17.141.138)	(5.788.444)	-	(28.736.452)
Final net accounting value	165.706.607	506.576.271	40.953.505	10.472.937	723.709.320
Cost	275.439.096	981.948.925	218.584.553	10.472.937	1.486.445.511
Cumulated depreciation	(109.732.489)	(475.372.654)	(177.631.048)	-	(762.736.191)
Final net accounting value	165.706.607	506.576.271	40.953.505	10.472.937	723.709.320

The gross accounting value of the fully depreciated assets, used as follows, is RON 159.135.768 (2012: RON 141.275.805).

Regarding the assets developed by the Company that are no essential for the service provision according to the assignment agreement, the state has the option to purchase these assets at the end of the assignment agreement. The company is not bound to keep these assets until the assignment agreement and is allowed to sell them. These assets do not classify in the field of activity of IFRIC 12. All the other assets that are part of the national gas transport system, including the improvements carried out after the signature of the assignment agreement and that must be handed over to NAMR at the end of the assignment agreement, classify in the field of activity of IFRIC 12.

The assets used for the transit services provision do no classify in the field of activity of IFRIC 12.

8. SERVICE ASSIGNMENT AGREEMENT

In May 2002, the Company concluded a service assignment agreement ("SAA") with NAMR, which gives the Company the right to operate the main pipes (gas mains) of the national gas transport system for a period of 30 years. Before the conclusion of this agreement, the pipes were managed by the Company according to the Law on the Public Domain no. 213/1998, the Government Decision ("GD") no. 491/1998 and GD no. 334 from 2000 through which the Company was set up. All the improvements or modernization activities carried out by the Company on the system are considered part of the system and become the property of NAMR at the end of their life cycle. The Company cannot sell or discard any asset that is part of the national transport system; the outputs may only be performed with the approval of the State.

Upon the agreement termination, the assets belonging to the public domain existing upon the signature of the agreement and all the investments performed in the system shall belong to the State with no additional charges. The Company holds and shall develop other assets that are not directly part of the national gas transport system, but they represent supplementary assets for the gas transport operations. NAMR has the option to buy these assets at their fair value upon the assignment agreement termination.

The main terms of the Assignment Agreement are the following:

- The company has the right to directly operate the assets that are the object of the Assignment Agreement and to apply and collect the transit and transport fees from the clients in exchange for the services provided. The Company is the only entity authorized to operate the pipes from the national gas transport system, no other sub-assignment being allowed;

- Any change of the fees must be proposed by the Company to NAMR and, then, approved by RERA;

- The Company is exempt from the payment of the import fees for the purchased assets in order to operate, improve or develop the system;

- Annually, the Company must publish the available capacity of the system for the following year, until 30 October;

- Annually, the clients' orders must be answered until 30 November, and NAMR must be informed in connection with all the orders rejected by the Company management;

- The Company must maintain a specific operating level (guaranteed by a minimum mandatory investment program);

- The royalties have been paid as a percentage (until 30 September 2007: 5%, since October 2007: 10%) from the gross income from the operation of the national transport system (transport and transit);

- All the operating expenses for the operation of the system are borne by the Company;

- The Company may annul the agreement through a prior 12-month notification to NAMR;

- NAMR may annul the agreement through a prior 6-month notification, if the Company does not comply with the contracting clauses; this has the option to annul the agreement with a 30-day notification from "national interest" reasons; in this case, the Company shall receive equal compensations with the average net profit of the last 5 years multiplied with the remaining duration of the agreement.

The Assignment Agreement does not include an automatic extension clause.

No amendments to the terms of the Assignment Agreement from June 2003 have been performed, except for the approval of the minimum investment plans.

9. INTANGIBLE ASSETS

	ACS associated assets	Other intangible assets	Intangible assets in progress	Total
Year ended on 31 December 2012				
Cost on 1 January 2012	5.075.309.306	64.042.027	340.751.812	5.480.103.145
Depreciation cumulated on 1 January 2012	(2.965.748.489)	(56.143.887)	-	(3.021.892.376)
Initial net accounting value	2.109.560.817	7.898.140	340.751.812	2.458.210.769
Inputs	-	4.134.076	145.244.043	149.378.119
Transfers	247.657.058	-	(247.657.058)	-
Outputs	-	-	(4.134.076)	(4.134.076)
Depreciation	(102.573.439)	(5.089.581)	-	(107.663.020)
Final net accounting value	2.254.644.436	6.942.635	234.204.721	2.495.791.792
Cost	5.322.966.364	68.176.103	234.204.721	5.625.347.188
Cumulated depreciation	(3.068.321.928)	(61.233.468)	-	(3.129.555.396)
Net accounting value	2.254.644.436	6.942.635	234.204.721	2.495.791.792

Six-month period ended on 30 June 2013				
Initial net accounting value	2.254.644.436	6.942.635	234.204.721	2.495.791.792
Inputs	1.377.005	1.079.313	59.506.047	61.962.365
Transfers	95.338.385	-	(95.338.385)	-
Outputs	-	-	(1.079.313)	(1.079.313)
Depreciation	(58.558.884)	(3.094.859)	-	(61.653.743)
Final net accounting value	2.292.800.942	4.927.089	197.293.070	2.495.021.101
Cost	5.419.681.754	45.878.378	197.293.070	5.662.853.202
Cumulated depreciation	(3.126.880.812)	(40.951.289)	-	(3.167.832.101)
Net accounting value	2.292.800.942	4.927.089	197.293.070	2.495.021.101

10. FINANCIAL ASSETS AVAILABLE FOR SALE

The financial assets available for sale comprise unlisted contributions in the following companies:

Company	Activity	% Percentage held 2013	% Percentage held 2012	30 June 2013	31 December 2012
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
Provision for impairment				(18.116.501)	(18.116.501)
Mebis SA	Gas production, distribution and provision	17,47	17,47	6.461.736	6.461.736
Provision for impairment				(6.461.736)	(6.461.736)
Nabucco Gas Pipeline International Gmbh	Gas transport	17,72	16,67	123.592.772	105.356.852
Provision for impairment				(110.671.172)	
Nabucco Gaz Pipeline LTD Sirketi		0,5	0,5	54	54
				12.921.654	105.356.906

The contribution to Resial SA

The shares held in Resial SA were obtained in December 2003 following a claims recovery procedure, owed by a client. Resial SA entered the liquidation procedure in 2006; the process being carried out by a court enforcement officer appointed by the court of law and it is outside the control of the Company, reason for which the contribution is not consolidated and it is recorded as an expense, except for the provision for impairment set up at 100% from the cost. The loan granted to Resial SA is also entirely provisioned. The management does not expect the Company to recover any amount from this contribution and the Company does not guarantee any kind of residual liabilities for Resial SA.

The contribution in Mebis SA

The shares held in Mebis SA were obtained in February 2004 following a claims recovery procedure, owed by the client. Mebis SA is in liquidation procedure, reason for which the contribution in Mebis SA was entirely provisioned. The Company does not have any obligations towards Mebis SA.

The contribution in Nabucco Gas Pipeline International Gmbh

Nabucco Gas Pipeline International Gmbh (“NIC”) is a limited liability company, having its head office in Vienna, Austria, set up with the purpose of carrying out the building of a gas pipe from Turkey through Bulgaria, Romania and Hungary to Austria.The Company contributed, together with other four shareholders, to the share capital of this company, each holding a percentage of 20% from the share capital. In February 2008, the share capital of NIC was increased through the contribution of a new shareholder, RWE Gas Midstream Germany.

In 2010, the contribution of the Company to the share capital of NIC was increased with EUR 5.6 million, in 2011 the contribution being in the amount of EUR 6.4 million, and in 2012 of EUR 9 million, reaching up to RON 105,356,906.

In 2012, the contribution quota of the Company within the Nabucco project increased from 16.67% to 17.38%, following the rejection of the associate FGSZ Hungary to ensure the future funding of the project.

On 31 December 2012, the contribution of the NIC shareholders was: BOTAS - Turkey 17.38%, Bulgargaz - Bulgaria 17.38%, SNTGN Transgaz SA - Romania 17.38%, MOL - Hungary 13.10%, OMV Gas & Power GmbH - Austria 17.38% and RWE Gas Midstream Germany 17.38%.

On 30 June 2013, the investment of the Company in NIC is RON 123,592,772 (31 December 2012: RON 105,356,852).

Following the failure to select the Nabucco Vest project as natural gas transport route, a provision in the amount of RON 110,671,172 was set up on 30 June 2013 for the impairment of financial assets, amount representing the contribution of Transgaz to the share capital of Nabucco Gas Pipeline International GmbH.

The contribution in Nabucco Gas Pipeline Limited Sirketi

On 18 June 2010, NABUCCO GAS PIPELINE LIMITED SIRKETI Turkey was set up, having its head office in Ankara (subsidiary of Nabucco Gas Pipeline International GmbH). The company has 5 shareholders: Nabucco Gas Pipeline International GmbH, BOTAS - Turkey, Bulgargaz - Bulgaria, SNTGN Transgaz SA - Romania, MOL - Hungary and OMV Gas & Power GmbH - Austria.

The share capital of NABUCCO GAS PIPELINE LIMITED SIRKETI is of TRL 5,000, comprising 200 shares, each with a nominal value of TRL 25. The share capital was subscribed as follows: Nabucco Gas Pipeline International GmbH 98% and each of the other parties contributed with 0.5% to the share capital.

11. STOCKS

	30 June 2013	31 December 2012
Gas stocks	10.388.000	10.388.000
Raw materials and materials	30.080.659	32.098.301
Provisions for slow moving stocks	(6.658.750)	(6.658.750)
	33.809.909	35.827.551

According to the Order of RERA no. 2 issued on 20 January 2011, 20 million cm (212 thousands MWh) of gas were deposited in subterraneous warehouses.

12. TRADING RECEIVABLES AND OTHER RECEIVABLES

	30 June 2013	31 December 2012
Trading receivables	256.204.978	378.482.000
Advances to supplies	29.339.656	923.074
Undue VAT	2.159.224	2.134.385
Loan to Resial SA (Note 10)	1.770.346	1.770.346
Other receivables	26.523.950	16.711.478
Provision for the impairment of trading receivables	(38.970.134)	(41.424.036)
Provision for the impairment of other receivables	(10.034.520)	(10.815.502)
	266.993.500	347.781.745

On 30 June 2013, the amount of RON 55,636,157 (31 December 2012: RON 27,280,240) representing trading receivables and other receivables, net, was expressed in foreign currency, of which 35% in USD (31 December 2012: 69%) and 65% in EUR (31 December 2012: 31%).

The trading receivables were deposited as pledge in favour of the banks for bank loans, as mentioned in Note 16. The total amount of the pledged receivables on 30 June 2013 was RON 18,314,265 (31 December 2012: RON 63,939,722).

The analysis according to the quality of the trading receivables and other receivables is the following:

	30 June 2013		31 December 2012	
	Trading receivables	Other receivables	Trading receivables	Other receivables
Current and unimpaired (1)	117.779.692	43.075.442	201.971.648	9.949.562
Outstanding, but unimpaired				
- outstanding less than 30 days	51.513.474	164.398	102.253.997	186.973
- outstanding between 30 and 90 days	30.720.209	5.215.286	26.969.834	74.887
- outstanding over 90 days	17.221.468	1.303.531	5.862.485	512.359
Owed, but unimpaired - total (2)	99.455.151	6.683.215	135.086.316	774.219
Impaired (gross)				
- outstanding between 30 and 90 days	90.646	610.440	1.040.665	17.051
- outstanding between 90 and 360 days	1.796.516	602.017	6.591.220	3.826.831
- outstanding over 360 days	37.082.972	8.822.063	33.792.151	6.971.620
Impaired total (3)	38.970.134	10.034.520	41.424.036	10.815.502
Except for the provision for impairment (4)	38.970.134	10.034.520	41.424.036	10.815.502
Total trading receivables and other receivables (1+2+3-4)	217.234.843	49.758.657	337.057.964	10.723.781

The analysis according to the quality of the loans, of the current and unimpaired financial assets, may be performed based on the historical information on the problems related to the recovery of these receivables.

	30 June 2013	31 December 2012
Group 1	67.046.750	149.598.937
Group 2	50.732.942	52.372.711
Trading receivables	117.779.692	201.971.648

Group 1 - existing clients/affiliated parties where no recovery problems occurred.

Group 2 - existing clients/affiliated parties where past payment delays existed, the largest amount of the receivables has been recovered.

The movements in the provision account are analysed below:

	30 June 2013	31 December 2012
Provision on 1 January	52.239.538	42.896.455
Expense/(revenue) with provision for the impairment of receivables	(3.234.884)	9.343.083
Provision at the end of the period	49.004.654	52.239.538

13. CASH AND CASH EQUIVALENT

	30 June 2013	31 December 2012
Cash at bank in RON	154.911.710	124.493.626
Cash at bank in foreign currency	61.946.406	54.031.727
Other cash equivalent	57.686	12.589
	216.915.802	178.637.942

The cash at bank in foreign currency is mainly expressed in EUR.

In order to present the statement of the treasury flow, the cash and the cash equivalent include:

	30 June 2013	31 December 2012
Cash and cash equivalent	216.915.802	178.637.942
Overdraft (Note 16)	(29.875.287)	-
Restricted cash	(3.746.021)	-
	183.294.494	178.637.942

The actual average interest rate associated to the short-term bank deposits was of 4.56% on 31 December 2012, and these deposits have the average maturity within 30 days. The deposits with initial maturity of up to 3 months are included.

14. SHARE CAPITAL AND EMISSION PREMIUM

	Number of common shares	Share capital	Emission premium	Total
On 31 December 2012	11.773.844	117.738.440	247.478.865	365.217.305
On 30 June 2013	11.773.844	117.738.440	247.478.865	365.217.305
Adjustment of the share capital according to the hyperinflation cumulated on 31 December 2003	-	441.418.396	-	441.418.396
Adjustment on 30 June 2013, 31 December 2012	11.773.844	559.156.836	247.478.865	806.635.701

The authorised number of common shares is 11,773,844 (31 December 2012: 11,773,844) with a nominal value of RON 10 each. Each share represents a vote. The structure of the shareholders, on 30 June 2013, is the following:

	Number of common shares	Statutory value (RON)	Percentage (%)
The Romanian State, represented by the Ministry of Public Finances (“MPF”)	6.888.840	68.888.400	58,5097
“Proprietatea” SA Fund	1.764.620	17.646.200	14,9876
Other shareholders	3.120.384	31.203.840	26,5027
	11.773.844	117.738.440	100,0000

Since 1 May 2013, the shares held by the Romanian State within the Company have been transferred from the administration of the Ministry of Economy to the administration of the Ministry of Public Finances, according to GEO 18/2013.

The structure of the shareholders, on 31 December 2012, was the following:

	Number of common shares	Statutory value (RON)	Percentage (%)
The Romanian State, represented by the Ministry of Public Finances (“MPF”)	8.654.917	86.549.170	73,5097
“Proprietatea” SA Fund	1.764.620	17.646.200	14,9876
Other shareholders	1.354.307	13.543.070	11,5027
	11.773.844	117.738.440	100,0000

In the statutory accountancy, before 1 January 2012, the Company included certain reserves from re-evaluation in the share capital for the re-evaluations carried out before 31 December 2001. In order to draw up the financial statements herein according to EU IFRS, such increases were not recognised because the adjustments according to the hyperinflation for fixed assets were annually recognised within the global result statement until 31 December 2003. Therefore, within these financial statements, the Company recorded only the cash or in-kind share capital, adjusted to the inflation on the date of the initial contribution, 31 December 2003, and the increase of the share capital that took place after 1 January 2004 was recognised in nominal terms.

15. OTHER RESERVES, LEGAL RESERVES AND REPORTED RESULT

Other reserves

Before the adoption of IFRIC 12, a reserve corresponding to the assets belonging to the public domain (Notes 3.8 and 5.2) was included in the own equity under the title of "Public domain reserve" at the value of the respective retreated assets according to the inflation until 1 January 2004. This was renamed "Other reserves" upon the adoption of IFRIC 12 (Note 3.5) in order to reflect the amendment of the associated assets status.

Legal reserve

According to the Romanian legislation and the Company articles of incorporation, this must transfer five percentage points from the profit of the statutory financial statements into a statutory reserve of up to 20% from the statutory share capital. The balance of the statutory reserve, which is not available for distribution on 31 December 2012, is the amount of RON 23,547,688 (31 December 2011: RON 23,547,688; 31 December 2010: RON 23,547,688). The legal reserve is included in the "Reported result" within the financial statement herein.

Dividends distribution

During 2013, the Company declared and distributed a dividend per share in the amount of RON 21.29 associated to the previous financial year profit (2012: RON 29.76 per share). The total of the declared dividends from the profit of 2012 is RON 250,665,139 (dividends declared from the profit of 2011: 350,389,597).

16. LONG-TERM LOANS

The part on the long term of the long-term loans

	Currency	30 June 2013	31 December 2012
BRD	RON	36.000.000	48.000.000
		36.000.000	48.000.000

The current part of the long-term loans

	Currency	30 June 2013	31 December 2012
BRD	RON	23.861.529	24.000.000
		23.861.529	24.000.000

The long-term loans are described as follows:

BRD GSG

The loan was contracted on 16 December 2010 in order to finance the investment program of the Company and has a ROBOR interest at three months of +0.5%. The total value is 120,000,000 RON. The reimbursement shall be performed on a period of 5 years in quarterly instalments, the final payment being due on 31 December 2015.

The maturity of the BRD loan is presented below:

	30 June 2013	31 December 2012
Within 1 year	23.861.529	24.000.000
Between 1 and 2 years	24.000.000	24.000.000
Between 2 and 5 years	12.000.000	24.000.000
	59.861.529	72.000.000

The BRD GSG loans are guaranteed with claims from E.ON Gaz Romania SA, Interagro, Electrocentrale Galati, Termoelectrica SA, GDF SUEZ Energy Romania.

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 at RON 100,000,000. This facility is guaranteed with a pledge on the claims generated by the agreements concluded with Azomures and GDF Suez in the amount of RON 47,178,530 on 30 June 2013 (RON 88,306,931 at 31 January 2012). The balance of the overdraft is RON 29,875,287 on 30 June 2013, zero on 31 December 2012. The interest rate on 30 June 2013 is ROBOR at 1 year of +0.7% p.a. (2012: ROBOR at 1 year of +0.7% p.a.).

The accounting value of the short-term loans approximates their fair value.

	30 June 2013	31 December 2012
Current portion of long-term loans	23.861.529	24.000.000
Overdraft	29.875.287	-
	53.736.816	24.000.000

The actual interest rate

According to the loan category, the actual interest rate may be analysed as follows:

	30 June 2013 (%)	31 December 2012 (%)
Long-term loans in USD	_	10,92
Long-term loans in RON	6,22	6,10

Fair value

The accounting values and the fair values of the long-term loans are the following:

	Accounting values		Fair values	
	2013	2012	2013	2012
BRD GSG	59.861.529	72.000.000	60.379.755	72.758.422
	59.861.529	72.000.000	60.379.755	72.758.422

The fair value is determined based on the value of the updated future treasury flows, by using an updating rate equal to the interest rate to which the management considers that the Company may obtain similar loans, at the end of the reporting period.

The exposure of the Company loans to the amendments of the interest rate is presented as follows:

	30 June 2013	31 December 2012
Variable interest rate	59.861.529	72.000.000

The variable interest rate may be analysed as follows:

	30 June 2013	31 December 2012
6 months or less	59.861.529	72.000.000

The company has the following non-withdrawn facilities:

	30 June 2013	31 December 2012
Facilities in RON	70.124.713	100.000.000

17. ACCRUED REVENUES

The accrued revenues consist of connection fees applied to clients for their connection to the national gas transport system or of assets taken over, free of charge, for the network connection. The Company uses the connection fee in order to perform the connection to the national gas transport system of the client's objectives. The accrued revenues (presented as "revenues from connection fees") are recorded in revenues for the period in which the associated assets are depreciated.

	The six-month period ended on 30 June 2013	**The year ended on 31 December 2012**
Initial balance	362.261.072	350.311.199
Increases	5.076.230	26.600.593
Revenues from connection fees	(8.339.491)	(14.650.720)
Final balance	358.997.811	362.261.072

18. INCOME TAX

The expense with the income tax

	30 June 2013	**30 June 2012**
The expense with the income tax - current	59.140.070	49.956.374
Deferred tax - impact of temporary differences	(2.526.735)	(1.649.000)
The expense with the income tax	56.613.335	48.307.374

In 2013, the Company chose the declaration and the payment of the annual income tax in advance payments performed on a quarterly basis.

In 2012, the Company calculated the income tax at the rate of 16% applied on the profit determined according to the Romanian legislation.

After the adoption of the EU IFRS as the statutory reporting frame, the annulment of the depreciation of the reserve from re-evaluation for which the deduction to the taxable profit calculation was granted, represents a similar element to the revenues and is taxable.

The depreciation of the adjustments from hyperinflation represents a deductible expense after the adoption of the EU IFRS as a statutory reporting frame.

Deferred tax

The payable and recoverable deferred taxes are evaluated at the actual tax rate of 16% on 30 June 2013 (31 December: 16%). The payable and recoverable deferred tax, as well as the expenses with/(revenues from) the deferred tax are recognised in the global result statement and are attributable to the following elements:

	30 June 2013	Movement	31 December 2012	Movement	1 January 2012
Payable deferred tax					
Tangible and intangible assets	97.816.017	(2.526.735)	100.342.752	(44.453.055)	144.795.807
Trading receivables	-	-	-		-
Recoverable deferred tax					
Previews	-	-	-		-
Provision for employees' benefits	(9.970.209)	-	(9.970.209)	(5.340.333)	(4.629.876)
	87.845.808	(2.526.735)	90.372.543	(49.793.388)	140.165.931

The debt related to the deferred income tax associated to the tangible and intangible assets is determined by the fact that: a) the fiscal value of the intangible assets does not include the updating with the inflation rate; b) the public domain assets do not represent assets to be depreciated from a fiscal point of view, regardless of the manner in which they are reflected in the accounting.

In 2012, the majority of the deferred income tax variation was due to the fiscal basis amendment, as a consequence of the EU IFRS adoption as a statutory reporting frame: for the tangible assets, in 2012, the fiscal basis was the historical cost, updated with the inflation rate, while, in 2011, the fiscal basis was the value of the tangible assets (either the historical cost or the re-evaluated value until 2013, as the case may be), depreciated on fiscal periods.

The amounts presented in the financial position statement comprise the following:

	30 June 2013	31 December 2012
Obligations regarding the deferred tax	87.845.808	90.372.543

19. TRADING LIABILITIES AND OTHER LIABILITIES

	30 June 2013	31 December 2012
Trading liabilities	58.107.569	80.293.647
Fixed assets suppliers	18.342.243	24.163.963
Payment dividends	42.351.401	6.378.354
Debts towards the Ministry of Economy and Commerce (see below)	51.717.551	51.717.551
Debts related to royalties	29.422.473	38.915.572
Other taxes	21.389.278	13.761.024
Payable amounts to employees	10.001.428	20.324.714
Payable VAT	8.460.035	25.885.958
Other liabilities	35.156.533	3.952.696
	274.948.511	265.393.479

In 2005, the Ministry of Economy and Commerce decided to request the Company the interest equivalent for the delays in the payment of the dividends declared and outstanding for the period 2000-2003. These being payable amounts to the majority shareholder at the time, these penalties constituted in fact an additional distribution to the shareholders. The majority shareholder of the Company notified the management that the payment of the penalties may be postponed until further notification, allowing the Company to use the respective amount to continue the network development.

On 30 June 2013, RON 22,201,403 (31 December 2012: RON 4,389,614) representing suppliers and other liabilities was expressed in foreign currency, especially EUR and USD.

20. PROVISIONS FOR RISKS AND EXPENSES

	30 June 2013	31 December 2012
Current provision		
Provision for warranties	4.540.881	4.147.964
Provision for disputes	3.933.702	4.418.640
	8.474.583	8.566.604

21. PROVISION FOR EMPLOYEES' BENEFITS

Employees' benefits

According to the collective labour agreement, the Company must pay the employees, upon retirement, compensation equal to a certain number of gross wages, according to the period worked for the gas industry, the working conditions, etc. The updated value of the provision was determined based on the estimated credit factor method. The following hypotheses were used in the calculation of the provision: the increase rate of the wage associated to the productivity increase rate, the number of the personnel according to the historical data provided by the Company and the schedule of benefits payment. The provision was calculated at the updated value by applying an updating factor based on a forward-type rate, calculated by using the Smith-Wilson method applied on the productivity curve associated to the state bonds expressed in RON, issued by the Ministry of Public Finances during the period 2007 - 2011. In 2010, 2011 and 2012, a risk free interest rate was used (for instance the interest for the state bonds issued in October 2010). In principle, all the amounts had to be paid in more than one year.

The main actual hypotheses used for the calculation as of 31 December 2012 were the following:

a) The updating rate:

- the following values were used: the long-term inflation rate of 2% p.a., the actual long-term productivity rate for the state bonds of 2.2% p.a., the forward-type rate of 4.2% p.a., the non-cash premium for Romania of 0%;

b) The inflation rate for 2012 was 4.95%, for 2013 it is estimated at 3.5% p.a., and for 2014-2026 at 3% p.a., then it shall follow a decreasing trend;

c) The wage increase rate - for 2012 and for the following years, a wage increase rate of 3% over the consumption price index was estimated;

d) The death rate among the employees is based on the Death rate table in Romania, issued by the National Institute of Statistics from Romania.

The movement in the provision for employees' benefits

1 January 2012	28.936.726
The updating effect	2.609.437
Provision increase	30.767.646
31 December 2012	62.313.809
The updating effect	-
Provision increase	-
30 June 2013	62.313.809

In 2012, the increase of the provision for employees' benefits was due to the renegotiation of the Collective Labour Agreement through the amendment of the amounts entitled for retirement and in case of death. The Collective Labour Agreement is renegotiated, in general, once every 3 - 5 years.

22. OTHER REVENUES

	30 June 2013	30 June 2012
Revenues for penalties on the delayed payments, applied on clients	3.352.340	7.954.524
Revenues from connection fees and goods taken over, free of charge	8.317.837	7.249.952
Revenues from rents	741.292	853.583
Revenues from the sale of residual materials	1.694.311	675.876
Revenues from design services	1.695.547	4.040.009
Other operating revenues	4.354.436	1.137.717
	20.155.763	21.911.661

23. OTHER OPERATING EXPENSES

	30 June 2013	30 June 2012
Sponsorship expenses	1.498.658	1.472.000
Utilities	3.931.104	3.500.703
Insurance premiums	386.530	1.019.564
Maintenance expenses	2.078.748	849.757
Security expenses	5.178.039	4.823.198
Professional training expenses	801.044	325.674
Telecommunications	1.792.857	1.820.089
Net loss from fixed assets assignment	90.324	216.462
Bank commissions and other commissions	179.906	175.900
Rents	587.561	541.682
Loss from receivables	-	40.638
Gain/(loss) from receivables impairment	(3.234.884)	(1.554.943)
Loss/(gain) from stocks impairment	-	511.392
Research expenses	193.824	217.160
Marketing and protocol expenses	425.940	442.737
Penalties and fines	215.029	345.019
Others	8.433.889	5.527.937
Total	22.558.569	20.274.969

24. NET FINANCIAL REVENUES/(EXPENSES)

	30 June 2013	30 June 2012
Revenues from exchange rate differences	6.468.075	23.020.782
Revenues from interests	6.634.296	7.359.640
Other financial revenues	77	-
Financial revenues	13.102.548	30.380.422
Expenses with exchange rate differences	(3.498.943)	(11.828.430)
Expenses with interests	(2.140.812)	(2.169.459)
Adjustments for the loss of value of the financial assets	(110.671.172)	-
Other financial expenses	(4.282)	-
Financial expenses	(116.315.209)	(13.997.889)

25. OPERATING CASH

	Notes	30 June 2013	30 June 2012
Profit before taxation		186.756.099	281.514.922
Adjustments for:			
Impairment and depreciation	7,9	90.390.195	81.683.146
Loss from fixed assets assignment	23	(44.951)	216.461
Provisions for risks and expenses	20	(92.021)	710.368
Revenues from connection fees	22,17	(8.317.837)	(7.249.952)
Provision for employees' benefits		-	-
Provisions for receivables impairment	12,23	(3.234.884)	(532.159)
Provisions for the financial assets impairment		110.671.172	-
Loss/(gain) from the stocks impairment	11,23	-	(511.392)
Loss from receivables		(215)	40.638
Interest expenses	24	2.140.812	2.169.459
Interest revenues	24	(6.634.296)	(7.359.640)
Effect of exchange rate variation on other elements than the operating ones		167.039	(683.046)
Other revenues/expenses		-	(4.258.753)
Operating profit before the changes in the current capital		371.801.113	345.740.052
(Increase)/decrease of trading receivables and other receivables		80.131.234	173.165.099
(Increase)/decrease of stocks		2.017.643	(2.326.797)
Increase/decrease of trading liabilities and other liabilities		(35.867.646)	(22.729.024)
Operating cash		418.082.344	493.849.330

26. OTHER EMPLOYEES' BENEFITS

According to the collective labour agreement, in 2012 and 2013, the employees were entitled to receive a material aid equal to the equivalent of 6,500 cubic metres of gas per year per employee (calculated at the monthly internal average price per cubic metre). The total value of the benefits granted to the employees during the six-month period of 2013 is RON 26,699,571 (1st semester of 2012: RON 25,416,778). The average price for the six-month period ended on 30 June 2013 for 1,000 cm is RON 1,303 (nominal - RON 123.72/MWh). The average price for the six-month period ended on 30 June 2012 for 1,000 cm is RON 1,238 (nominal - RON 117.51/MWh).

27. SIGNIFICANT TRANSACTIONS NOT IMPLYING CASH

Settlements

Approximately 0.30% from the receivables was settled through transactions that did not imply cash outputs during 2013 (2012: 0.14%). The transactions represent mainly sales of goods and services in exchange for raw materials and services or settlements with clients and suppliers within the operating cycle.

Barter transactions

No barter transactions were performed in 2013 and 2012.

28. CONTINGENCIES, ENGAGEMENTS AND OPERATING RISKS

i) Engagements

The Service assignment agreement (S.A.A. - Note 8) specifies that, upon the termination of the agreement, NAMR has the right to receive back, free of charge, all the public property goods existing upon agreement signature, as well as all the investments that are performed on the national transport system, according to the investment schedule set forth in the service assignment agreement. The Company also has other obligations related to the assignment agreement, as described in Note 8.

The minimum investment schedule for the period 2012-2016 was approved through Government Decision no. 919/2012.

ii) Taxation

The taxation system from Romania is undergoing a stage of consolidation and harmonisation with the European legislation. However, there are still different interpretations of the fiscal legislation. In certain situations, the fiscal authorities may treat certain aspects differently, by calculating taxes and additional fees and associated interests and delay penalties. In Romania, the fiscal exercise remains open for fiscal verification for a period of 5 years. The Company management considers that the fiscal obligations included in these financial statements are properly presented.

According to the Order of the Minister of Public Finances no. 881/2012, Transgaz has been drawing up the statutory financial statements according to IFRS since 2012, these statements representing the basis for determining the fiscal obligations of the Company. Because the fiscal rules for the taxpayers that apply the accounting regulations according to IFRS are new, there is the risk that a further fiscal control may have another interpretation than the Company regarding the manner of determining the fiscal basis.

iii) Insurance policies

The Company does not have insurance policies for the operations, the complaints regarding the products or for the public debt. The Company has insurance policies for buildings and civil liability insurance policies for the vehicles.

iv) Issues related to environmental protection

The environmental regulations continues to be a work in progress in Romania and, on June 30th, 2013, and on December 31st, 2012, the Company had no obligations of any kind related to anticipated expenses, including legal and consulting fees, location analysis, elaboration and implementation of restoration measures supporting the environmental protection. The management considers that there are no major obligations related to the environmental protection issue.

v) Legal actions and other actions

Occasionally, several complaints were filed against the Company. There are several cases pending before the court against the Company, dealing with the lack of use of the lands occupied by elements of the National Natural Gas Transmission System. Based on its own estimates and internal and external consultancy, the management of the Company believes that there will be no material losses relating to complaints in excess of the provisions created for such financial circumstances and it is not aware of events that may create significant potential obligations on this matter.

In 2012, the Company received a request for data and information within the investigation conducted by the Competition Council, instituted by Order no. 759 of 29.09.2011 and extended by Order no. 836 of 1.11.2011. The Company provided the requested data and information. Based on its own estimates, the management of the Company considers that there are no circumstances that may create significant potential obligations in this respect.

vi) Government gas policies in Romania

The National Energy Regulatory Authority is an autonomous public institution establishing the rates for the natural gas transmission activity charged by the Company. It is possible that the Agency decides to implement changes in the government's gas strategies, determining changes in the rates approved for the Company and, thus, having a significant impact on the Company's incomes. Moreover, the Romanian government could decide to modify the royalty rate applied to the Company for the use of the assets belonging to the public domain according to the Service Concession Arrangement. (Note 8).

At present, the effects of the future Romanian government gas policies on the value of the Company's assets and liabilities cannot be determined - if there shall be any.

There are different interpretations of the legislation in force. In certain situations, the National Energy Regulatory Authority can develop different approaches to certain issues, proceeding to calculate additional rates and late payment penalties. The management of the Company considers that its obligations towards the National Energy Regulatory Authority are pertinently set forth in these financial statements.

General Manager	Business Department Manager
Petru Ion Vaduva	Ioan Stefanescu