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

INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

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

INTERIM FINANCIAL STATEMENTS

Contents

	Note	30 September 2019 (unaudited)	31 December 2018
ASSET			
Fixed assets			
Rights of use of the leasing assets	9	2.829.139.664	2.301.804.939
Intangible Assets	9	10.035.872	-
Tangible Assets	7	486.125.505	513.263.137
Financial assets	10	131.537.801	45.600.828
Trade receivables and other receivables	**Error! Reference source not found.**	656.330.981	629.754.861
Deffered tax	18	9.070.512	-
		4.122.240.335	**3.490.423.765**
Current assets			
Inventories	11	490.241.120	255.241.340
Commercial receivables and other receivables	12	323.044.028	541.390.038
Cash and cash equivalent	13	385.780.501	708.752.317
		1.199.065.649	**1.505.383.695**
Total asset		**5.321.305.984**	**4.995.807.460**
EQUITY AND DEBTS			
Equity			
Share capital	14	117.738.440	117.738.440
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15,15	1.265.796.861	1.265.796.861

Notes 1 to 34 are part of these financial statements.

Retained earnings	15,15	1.609.965.562	1.640.298.503
		3.682.398.124	**3.712.731.065**
Long-term debts			
Long-term loans	16	473.088.000	233.195.000
Provision for employee benefits	21	107.072.136	107.072.136
Deferred revenue	17	644.752.258	519.718.816
Deferred tax payment	18	-	4.302.215
Commercial debt and other debts	19	7.490.859	-
		1.232.403.253	**864.288.167**

	Note	**30 September 2019 (unaudited)**	**31 December 2018**
Current debts			
Commercial debts and other debts	19	385.664.705	397.200.648
Provision for risks and charges	20	14.359.134	18.647.787
Current tax payment	18	3.540.975	-
Provision for employee benefits	21	2.939.793	2.939.793
		406.504.607	**418.788.228**
Total debts		**1.638.907.860**	**1.283.076.395**
Total equity and debts		**5.321.305.984**	**4.995.807.460**

Endorsed and signed on behalf of the Board of Administration as at November 11, 2019 by:

Chairman of the Board of Administration
Lăpușan Remus Gabriel

Director General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 34 are part of these financial statements.

STATEMENT OF THE COMPREHENSIVE INCOME
(expressed in lei, unless otherwise stated)

	Note	The nine months ended as at 30 September 2019 (unaudited)	The nine months ended as at 30 September 2018 (unaudited) (retreated)
Revenue from the domestic transmission activity		791.477.564	828.181.273
Revenue from the international transmission activity		255.503.605	238.801.097
Other revenue	22	38.531.465	26.071.412
Operational revenue before the balancing and construction activity according to IFRIC12		**1.085.512.634**	**1.093.053.782**
Depreciation	7,9	(145.169.327)	(139.247.992)
Employees costs	24	(296.603.771)	(287.021.919)
Technological consumption, materials and consumables used		(80.734.698)	(70.531.618)
Expenses with royalties		(103.951.471)	(106.698.238)
Maintenance and transmission		(19.206.465)	(23.981.974)
Taxes and other amounts owed to the state		(79.700.009)	(58.282.856)
Revenue/ (Expenses) with provisions for risks and expenses		4.288.653	4.458.125
Other operating expenses	23	(119.919.649)	(73.785.222)
Operational profit before the balancing and construction activity according to IFRIC12		**244.515.897**	**337.962.088**
Revenue from the balancing activity		250.929.758	118.837.728
Expenses with balancing gas		(250.929.758)	(118.837.728)
Revenue from the construction activity according to IFRIC12	32	521.459.417	109.545.456
Cost of assets constructed according to IFRIC12	32	(521.459.417)	(109.545.456)
Operational profit		**244.515.897**	**337.962.088**
Financial revenue	25	41.522.259	36.560.161
Financial expenses	25	(20.741.548)	(18.008.942)
Financial revenue, net		**20.780.711**	**18.551.219**
Profit before tax		**265.296.608**	**356.513.307**
Profit tax expense	18	(40.608.088)	(56.567.543)
Net profit for the period		**224.688.520**	**299.945.764**
Earnings per share, basic and diluted (expressed in RON per share)	28	19,08	25,48
Total comprehensive income for the period		**224.688.520**	**299.945.764**

Chairman of the Board of Administration
Lăpușan Remus Gabriel

Director General
Ion Sterian

Chief Financial Officer
Marius Lupean

	Note	Share Capital	Share capital adjustments	Share premium	Other reserves	Retained earnings	Total equity
Balance on 1 January 2018, reported		117.738.440	441.418.396	247.478.865	1.265.796.861	1.695.280.597	3.767.713.159
Retreated	32	-	-	-		- 1.554.761	1.554.761
Balance on 1 January 2018, retreated		117.738.440	441.418.396	247.478.865	1.265.796.861	1.696.835.358	3.769.267.920
Net profit for the period, reported						299.945.764	299.945.764
Transactions with shareholders:							
Divident related to 2017	15	-	-	-	-	(534.297.041)	(534.297.041)
Balance on 30 September 2018, (unaudited)		117.738.440	441.418.396	247.478.865	1.265.796.861	1.462.484.081	3.534.916.643
Net profit for the period		-		-	-	195.729.344	195.729.344
Actuarial gain/loss for the period						(4.442.437)	(4.442.437)
Transactions with shareholders:							
Dividends for 2017		-	-	-	-	(13.472.485)	(13.472.485)
Balance on 31 December 2018		117.738.440	441.418.396	247.478.865	1.265.796.861	1.640.298.503	3.712.731.065
Net profit for the period, reported						224.688.520	224.688.520
Transactions with shareholders:							
Divident related to 2018	15	-	-	-	-	(255.021.461)	(255.021.461)
Balance on 31 September 2019 (unaudited)		117.738.440	441.418.396	247.478.865	1.265.796.861	1609.965.562	3.682.398.124

Chairman of the Board of Administration
Lăpușan Remus Gabriel

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

CASH FLOWS STATEMENT
(expressed in lei, unless otherwise stated)

	Note	The nine months ended as at 30 September 2019 (unaudited)	The nine months ended as at 30 September 2018 (unaudited)
Cash generated from operations	26	**332.827.034**	**377.332.756**
Interest paid		-	(913.139)
Interest received		1.677.235	4.562.547
Tax on profit payments		(19.382.263)	(63.069.758)
Net cash inflow from operation activities		**315.122.006**	**317.912.406**
Cash flow from investment activities			
Payments to acquire tangible and intangible assets		(673.347.839)	(108.687.353)
Financial investment/shares		(86.007.405)	(43.578.347)
Receipts from the disposal of tangible assets		146.396	-
Cash flows from connection fees and grants		141.722.028	66.992.636
Net cash used in investment activities		**(617.486.820)**	**(85.273.064)**
Cash flow from financing activities			
Drawings long term loans		234.915.000	163.289.500
Dividends paid		(255.522.002)	(532.208.070)
Net cash used in financing activities		**(20.607.002)**	**(368.918.570)**
Net change in cash and cash equivalents		**(322.971.816)**	**(136.279.228)**
Cash and cash equivalent as at the beginning of the year	13	**708.752.317**	**1.062.351.834**
Cash and cash equivalent as at the end of the period	13	**385.780.501**	**926.072.606**

Chairman of the Board of Administration
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1. GENERAL INFORMATION

The National Gas Transmission Company - SNTGN Transgaz SA (`Company`) has as main activity the transmission of natural gas. Also, the Company maintains and operates the national gas transmission system and carries out research and design activities in the area of natural gas transmission. On 30 September 2019, the majority shareholder of the Company is the Romanian state, through the Ministry of Economy.

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

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

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

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

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

2. OPERATIONAL FRAMEWORK OF THE COMPANY

Romania

The Romanian authorities continued the economic reforms as this follow –up is necessary for the consolidation of the internal macro-financial framework. Thus the premises of the correct administration of the possible unfavourable evolutions are created, evolutions that may appear if the high aversion towards risk occurs again in the financial markets. The positive performances the Romanian economy registered must be consolidated by the application of a coherent mix of policies.

(i) The latest World Bank estimate indicated that Romania's economy will increase by only 3.6% in 2019, and the latest report increased this estimate to 4.2%. For comparison, in 2019 the Government is counting on an economic growth of 5.5%, but it has much to recover in the second part of the year, considering that in the first semester the advance of the economy was of only 4.7%. The European Commission anticipates an advance of only 4% of the GDP of the local economy, and the most recent IMF forecast is 3.1% of GDP. The World Bank states that Romania's growth was stronger than expected, of 4.7% in the first half of 2019. "The economic activity was driven by private consumption, supported by an expansionary fiscal policy and a return on investments. The labor market has strengthened, unemployment reaching historical values. The increase in salaries and pensions has contributed to the continuous reduction of poverty. The risks of the prospect of economic growth have increased and come from the weaker demand from the big export markets, a tightening of the labor market and the uncertainty of the fiscal policy ", the institution indicates. Private consumption remained the main driver of economic growth, increasing by 6.1% year-on-year, supported by increases in wages in the public sector, minimum wages and pensions, which increased available incomes. Investments increased to 12.4% year-on-year, due to better-than-expected performance in construction, retail and services. Exports grew by 2.7% year-on-year, reflecting lower demand on major export markets and slowing industrial exports, while imports remained solid (increasing by 6.4%) on the background of strong domestic demand. In terms of production, information technology and communications (increasing by 9.9%) and construction (increasing by 14.9%) were the main growth factors. The industry has stagnated due to slowing production and slowing export dynamics.

(ii) In the meeting held on 3 October 2019, the Board of Administration of the National Bank of Romania decided to maintain the interest rate of monetary policy at the level of 2,50% percent per year, to maintain the interest rate for the deposit facility to 1.50% per year and the interest rate for the loan facility to 3.50% percent per annum and to maintain the current levels of minimum mandatory reserve ratios applicable to credit and foreign currency liabilities of credit institutions.

(iii) Romania had in July 2019 as well the highest annual rate of inflation among EU Member States, with an advance of consumer prices of 4.1%, rising from the level of 3.9% recorded in June, indicate the data released by the European Statistical Office (Eurostat). If consumer prices in Romania increased compared to June, the annual inflation rate in the European Union (EU) decreased in July 2019 to 1.4% from 1.6% in June, while inflation in the euro area dropped to 1%, from a level of 1.3% recorded in June. Among the EU member states, the highest annual inflation rate was registered in Romania (4.1%), Hungary (3.3%), Latvia and Slovakia (both with 3%). At the opposite end, the member countries with the lowest annual inflation rate were Portugal, a country with a negative inflation rate of 0.7%, while in Cyprus consumer prices increased by 0.1%, and in Italy by 0.3%. As for Romania, the data previously published by the National Institute of Statistics (INS) indicate that the annual inflation rate rose to 4.1%, in July this year, from 3.84% in June, due to the increase in the prices of food by 5.15%, services by 4.11% and non-foods by3.44%. The governor of the National Bank of Romania, Mugur Isarescu, announced earlier this month that the central bank kept the inflation forecast at 4.2% by the end of this year and estimates an inflation of 3.4% by the end of next year. The NBR estimated in May 2019 an inflation of 3.3% for December 2020 ".

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

(iv) The international rating agency Fitch granted, for the first time, the "BBB-" rating with a stable outlook to Transgaz Mediaş (TGN), according to the release issued by the Bucharest Stock Exchange (BSE). Thus, Transgaz is evaluated at the rating level of our country and with two levels above the level previously held. The rating given to company by Fitch reflects the solid profile of Transgaz' activity as a concessionaire and operator of the natural gas transmission network in Romania, as well as the anticipation of a progressive contraction of the international activity of gas transit that derives from the traditional routes. The rating is backed by the country's gas transportation regulations and our expectations that a significant current investment in the Bulgaria-Romania-Hungary-Austria (BRUA) corridor will be added to Transgaz' regulated asset base (RAB), which is the basis for future earnings.

In the end of semester III 2019 as compared to the end of 2018 the leu has depreciated against the EURO („EUR") by 1,87% (1 EUR= 4,7511 lei as at 30 September 2019, 1 EUR = 4,6639 lei as at 31 December 2018) and by 6,76% against the US dollar („USD") (1 USD = 4,3488 lei as at 30 September 2019, 1 USD = 4,0736 lei as at 31 December 2018).

In the end of quarter III 2018 as compared to the end of 2017 the leu has depreciated against the EURO („EUR") by 0,09% (1 EUR= 4,6637 lei as at 30 September 2018, 1 EUR = 4,6597 lei as at 31 December 2017) and by 3,33% against the US dollar („USD") (1 USD = 4,0210 lei as at 30 September 2018, 1 USD = 3,8915 lei as at 31 December 2017).

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation

The financial statements of the Company were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (`EU IFRS`). The financial statements were prepared based on the historical cost convention, except for the financial assets which are measured at fair value by the profit and loss account or at the fair value among other elements of the comprehensive income.

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

Accounting regulations applicable as of 2016

Amendments to various standards "Improvements to IFRSs (2014-2016 Cycle)" resulting from the annual project to improve IFRSs (IFRS 1, IFRS 12, IAS 28) mainly to eliminate inconsistencies and to clarify certain formulations (Amendments to IFRS 12 are appplicable for the annual periods beginning on or after 1 January 2017 and the Amendments to IFRS 1 and IAS 28 are appplicable for the annual periods beginning on or after 1 January 2018).

(a) Standards and interpretations applicable as of 2017

The following standards and amendments of the current standards, issued by the International Accounting Standard Board (`IASB`) and adopted by the European Union (EU) became applicable in 2017:

Amendments to IAS 12 "Profit tax"
Amendments to Deferred tax recognition for unrealized assets clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and at cost for tax purposes will give rise to a deductible temporary difference regardless of whether the holder of the debt instrument expects to recover the accounting value of the debit instrument by sale or by use;
- The accounting value of an asset does not limit the estimation of the future taxable profits;
- Estimates of future taxable profits exclude tax deductions resulting from the lapse of taxable temporary differences;
- The entity estimates a deferred tax in combination with other deferred taxes. Where tax law restricts the use of tax losses, an entity will estimate deferred tax in combination with other deferred tax of the same type.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Amendments are applicable for the period starting from or after 2017. The previous application is allowed;

The amendments to IAS 7 `Treasury flows Statements` – Disclosure initiative (appplicable for the annual periods beginning on or after 1 January 2017);

(b) Standards and interpretations applicable as of 2018

At the date of reporting of these Financial Statements, the following standards, revisions and interpretations became applicable:

- **IFRS 9 `Financial Instruments` -** adopted by the the UE on 22 November 2016 (appplicable for the annual periods beginning on or after 1 January 2018) replaces IAS 39 – Financial Instruments, Recognition and Metering;

IFRS 9 includes the requirements on financial instruments referring to recognition, clasification, evaluation, depreciation loss, derecognition and hedge accounting against risks:

- *Classification and evaluation*: IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income elements, at fair value through profit or loss. The IFRS 9 classification is determined by the cash flow and business model in which an asset is held. This unitary approach based on principles eliminates the financial asset classification categories in IAS 39: held-to-maturity, loans and advances and available-for-sale financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

  According to IFRS 9, derivatives incorporated into contracts, where the host instrument is a financial instrument for the purpose of this standard, are not separate, but the entire hybrid instrument is considered for classification.

- *Depreciation loss:* IFRS 9 introduces a new anticipated impairment loss model based on expected loss, which will require anticipated recognition of expected losses from impairment of receivables. The standard requires entities to recognize the anticipated impairment losses on receivables from the time of initial recognition of financial instruments, and to recognize the anticipated impairment losses over their lifetime. The amount of expected loss will be updated for each reporting period so as to reflect changes in credit risk as compared to initial recognition.

- *Depreciation:* applies to commercial receivables that do not have a funding component is measured at amortized cost (the condition is that assets are held within a business model whose objective is to collect cash flows;

- *Hedge accounting:* IFRS 9 introduces a significantly improved hedge accounting model which includes additional disclosure requirements for risk management activity. The new model is a significant revision of the hedge accounting principles, which allows the alignment of the accounting treatment with the risk management activities.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 15 "Revenues from contracts with the clients" as subsequently amended and amendments to IFRS 15 "Effective date of IFRS 15" adopted by the EU on 22 September 2016 (applicable for the annual periods beginning on or after 1 january 2018);

IFRS 15 establishes a single model for the entities for revenue accounting resulting from customer contracts, replacing the following standards and interpretations from the date of entry into force:
- IAS 18 - Revenue;
- IAS 11 - Construction Contracts
- IFRIC 13 - Customer Loyalty Programs;
- IFRIC 15 - Agreements on the Construction of Real Estate;
- IFRIC 18 - Transfers of Assets from Customers;
- SIC 31 – Income - Barter transactions involving advertising services

The core principle of IFRS 15 is that an entity recognizes revenue to illustrate the transfer of the goods or services promised to customers at a value that reflects the consideration the entity expects to have the right to exchange for those goods or services. An entity recognizes revenue in accordance with this essential principle by applying the following steps: contract identification; identifying performance obligations from the contract; determining the transaction price; assigning the transaction price for the performance obligations of the contract; recognizing revenue when (or as) fulfills an execution obligation.

Amendments to IAS 40 `Investment Property` –property related to Investment transactions (*appplicable for the annual periods beginning on or after 1 January 2018*);

IFRIC 22 "Currency and advance payment transactions" (applicable for the annual periods beginning on or after 1 january 2018); the interpretation refers to the determination of the transaction date to determine the exchange rate to be used for the initial recognition of an asset, expense or income (or part thereof) in the derecognition of a non-monetary asset or non-monetary debt generated by a payment in advance in foreign currency. IFRIC 22 does not provide for guidance on the definition of the monetary and non-monetary items. A payment or advance payment generally leads to the recognition of a non-monetary asset/debt, but it may also lead to the recognition of a monetary asset/liability.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and interpretations which will enter into force/applicable as of 2019 or at a subsequent date

At the date of the reporting these Financial Statements the following standards and interpretations are not applicable and they will enter into force beginning on or after 1 January 2019:

- **IFRS 16 "Leasing"** (applicable for the annual periods beginning on or after 1 January 2019); at the date of entry into force IFRS 16 will replace the following standards and interpretations:
  - IAS 17 - Leasing;
  - IFRIC 4- Determining the extent to which an engagement contains a leased contract;
  - SIC 15 - Operational Leasing - Incentives;
  - SIC 27- Evaluation of the economic substance of the transactions involving the legal form of a lease contract.

IFRS 16 provides a model for controlling leases by setting principles for the recognition, measurement and presentation of lease contracts, ie the right to control the use of an asset identified for a certain period of time in exchange for a consideration. The right to control the use of the identified asset exists if the client has the right to obtain to a large extent all the economic benefits and also the right to determine the manner and purpose in which the asset is used. IFRS 16 introduces significant changes in accounting for the lease, in particular by eliminating the distinction between financial and operating leases, and requires the lessee to recognize a usable asset and a lease liability at the date of commencement of the contract, except for short-term leases or renting low-value assets.

- Amendments to IFRS 2 `Share-based Payment` – Classification and measurement of share-based payment transactions (appplicable for the annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 4 `Insurance Contracts` - Applying IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts (appplicable for the annual periods beginning on or after 1 January 2018 or at the application for the first time of IFRS 9 `Financial Instruments`;
- Amendments to IFRS 10 `Consolidated financial statements` and IAS 28 `Investments in Associates and Joint Ventures`- Sale or contribution of assets between an investor and its associate ot joint venture and its further amendments (the effective date was deferred indefinitely until completion of the research on the equity method);

3.2 Reporting on segments

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

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Transactions in foreign currency

a) *Functional currency*

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

b) *The rounding level used in the presentation of the financial statements*

In the financial statements the value are presented rounded by units.

c) *Transactions and balances*

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

3.4 Accounting for the effects of hyperinflation

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

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

3.5 Intangible Assets

Computer Software

Licenses acquired related to rights of use of the computer software are capitalized on the basis of the costs incurred with the acquisition and operation of the software in question. These costs are amortized over their estimated useful lives (three years).
Costs associated with developing or maintaining computer software are recognized as expenses in the period in which they are registered.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service Concession Agreement

From 2010, the Company started to apply IFRIC 12, `***Service Concession Commitments***`, adopted by the EU. The scope of IFRIC 12 includes: the existing infrastructure at the time of signing the concession agreement and, also, modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement.

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

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

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

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

3.6 Tangible Assets

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

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

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

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Before 31 December 2008, costs of indebtedness were incurred as they occurred. As of 1 January 2009, costs of indebtedness attributable directly to the acquisition, construction or production of an asset with a long production cycle are capitalized as part of the cost of the respective asset. Costs of indebtedness attributable directly to the acquisition, construction or production of an asset with a long production cycle are those costs of indebtedness that would have been avoided if expenses with the asset hadn't been made. To the extent that funds are borrowed specifically for obtaining a long-cycle production asset, the borrowing costs eligible for the capitalization of the respective asset is determined by the actual cost generated by that borrowing during the period, minus the revenue from the temporary investments of those borrowings. To the extent that funds are generally borrowed and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset.
The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for achieving production of a qualifying asset.
The costs of the funds borrowed for especially for obtaining a long lead asset (achievement of the investment) are capitalized by the company on the asset as a difference between the current leverage costs related to such loan during the period and any revenues from the investments obtained from the temporary investment of these loans.
Borrowing costs attributable to the liability are recognized as an expense in the period in which they are incurred, unless the operator has the contractual right to receive an intangible asset, in which case the borrowing costs attributable to an arrangement are capitalized during the engagement stage.
Assets' residual values and useful lives are reviewed and adjusted as appropriate, at the end of each reporting period.

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

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

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of non-financial assets

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

3.8 Assets of public domain

In accordance with Public Domain Law No. 213/1998, pipelines for gas transmission are public property. Government Decision 491/1998, confirmed by Government Decision 334/2000, states that fixed assets with a gross historical statutory book value of lei 474,952,575 (31 December 2017: RON 474,952,575) representing gas pipelines are managed by the Company. Therefore, the Company has the exclusive right to use such assets during the concession and shall return them to the state at the end of this period (see Note 8). The Company receives most of the benefits associated with the assets and is exposed to most of the risks, including the obligation to maintain network assets over a period at least equal to the remaining useful life, and the financial performance of the Company is directly influenced by the state of the network. Therefore, before 1 January 2010, the Company recognized those assets as tangible assets, with a proper reserve in the shareholders' equity (see Note 5.2.). Accounting policies applied to these assets were the same as those applied to the Company's tangible assets (Notes 3.7 and 3.6).

The Company adopted IFRIC 12 as of 1 January 2010 and reclassified these assets and the subsequent improvements as intangible assets (except for international transmission pipelines).

Starting with 01.01.2018, IFRS 15 Revenues from the contracts with the clients became applicable in Romania. This standard replaces a set of older standards (such as IAS 11, IAS 18) and changes IFRIC 12 giving a new interpretation to the contract notion. Therefore, our company registered the discounted receivables related to the regulated value remained undepreciated at the end of the concession agreement as a counterperformace and an intangible asset at a value diminished with the amount of the discounted receivables.
In accordance with Public Concession Law No. 238/2004, a royalty is due for public goods managed by companies other than state-owned. The royalty rate for using the gas transmission pipelines is set by the government. As of October 2007, the royalty was set at 10% of the revenue. The duration of the concession agreement is 30 years, until 2032.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets

The Company classifies its financial assets into the following categories: measured at fair value through profit or loss, measured at depreciated cost and measured at fair value by other elements of the comprehensive income. Classification is made depending on the purpose for which the financial assets were acquired. The management sets the classification of these fixed assets upon initial recognition.

(a) Loans and receivables

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

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The company recognized for the investments made until the balance sheet date an updated receivable related to the regulated value remained undepreciated at the end of the concession agreement, at a counterperformance and an intangible asset at a value less the updated receivable. The discount rate used to calculate the present value of the debt is long-term government bonds, zero coupon, over a period close to the remainder of the concession agreement. The initial measurement of the compensation is made at the fair value which reflects the credit risk which applies to the regulated amount remaining unamortized at the end of the contract. Subsequent valuation is done at amortized cost using the effective interest method. The actual interest rate used is based on historical data and does not change according to market interest rate.

(b) Financial assets measured at fair value through the profit or loss account or measured at fair value by other elements of the comprehensive income

IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income elements, at fair value through profit or loss account. The classification on IFRS 9 is determined by the cash flow characteristics and the business model in which an asset is held. This unitary approach based on principles eliminates the classification of financial assets in IAS 39: held-to-maturity, loans and advances and available-for-sale financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

Upon initial recognition, an entity may make an irrevocable choice to present to other comprehensive income elements the subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor is it a recognized contingent consideration by an acquirer in a business combination to which IFRS 3 applies. In this case he/she will recognize in the income statement the dividends from that investment.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of financial assets

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

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

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

The Company assesses first whether objective evidence of impairment exists.

i) Assets registered at amortized cost

Impairment testing of trade receivables is described above.
For loans and receivables, the amount of the loss is measured as the difference between the asset's book value and the updated value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original rate; the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the Company may measure impairment based on the fair value of an instrument using an observable market price.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), the resumption of impairment loss recognized previously recognized in profit or loss.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Assets measured at fair value through the profit or loss account or at the fair value by other elements of the comprehensive income

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

3.10. Inventories

Inventories are stated at the lower of cost and net achievable value.
The components recovered from disassemblings and repairs of pipelines built by the Company are recorded as stocks at a value determined by a technical committee. The amount so determined does not exceed the net achievable value.
The cost is determined based on the first in, first out method. Where necessary, adjustment is made for obsolete and slow moving inventories. Individually identified obsolete inventories are adjusted for the full value or written off. For slow moving inventory, an estimate is made of the age of each main category on inventory rotation.
The cost of natural gas used for the balancing activity related to the transmission system is determined based on the average weighted cost method.

3.11. Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If the collection period is one year or less (or in the normal operating cycle of the business), they are classified as current assets. If not, they are presented as fixed assets.
Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, minus the adjustments for impairment.

3.12. Value Added Tax

The value added tax must be paid to tax authorities based on the monthly VAT declaration by the 25th of the following month, regardless of the collection of receivables from customers. Tax authorities allow the settlement of VAT on a net basis. If the deductible VAT is higher than the output VAT, the difference is refundable at the request of the Company. That VAT can be refunded after a tax audit, or, even in its absence, if certain conditions are met. VAT on sales and purchases which are not settled at the end of the reporting period is recognized in the statement of financial

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

position at net value and disclosed separately as a current asset or liability. In cases where adjustments were made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including the VAT. The related VAT must be paid to the state and can be recovered only in the event of debtor prescription, as a result of bankruptcy decision.

3.13. Cash and cash equivalent

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

3.14 Equity

Share capital

Ordinary shares are classified as equity.

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

Dividends

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

3.15 Borrowings

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

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

3.16 Current and deferred profit tax

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

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

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3.16 Commercial payables and other payables

Suppliers and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. Commercial payable accounts and other payables are closed as a result of the payment of debts, offsetting with receivables or their write-off through the profit and loss account.

3.17 Deferred revenue

Deferred revenue is recorded for connection fees applied to customers upon their connection to the gas transmission network, for the objectives received free of charge and for grants collected.

The grants collected are assimilated to the governmental subsidies.

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

For the connection fees applied to the clients for their connection to the gas transmission network and to the facilities received free of charge, for the grants the Company chose to record the total asset value and a deferred revenue.

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The Company recognized for the investments made until the balance sheet date an updated receivable related to the remaining unamortised value at the end of the concession agreement at a counterperformance and an intangible asset at a value less the updated receivable.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Employee benefits

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

Benefits granted on retirement

Under the collective agreement, the Company must pay the employees on retirement a compensatory amount equal to a certain number of gross salaries, depending on the time worked in the gas industry, working conditions etc. The company recorded a provision for such payments (see Note 21). The obligation recognized in the balance sheet represents the present value of the obligation at the balance sheet date. The obligation is calculated annually by independent experts using the Projected Unit

Credit Method. The present value is determined by discounting future cash flows with the interest rate of the long-term government bonds.

The current service cost is recognized in the profit and loss account in the employee costs. Interest expense is included in the profit and loss account in the financial costs.
Actuarial gain or loss due to changes in actuarial assumptions is recognized in the statement of comprehensive income in the period for which the actuarial calculation is made.

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

Profit sharing and bonuses

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

3.20 Provisions for risks and charges

The provisions for risks and charges are recognized when the Company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, which incorporates economic benefits and for which a credible estimate can be made in terms of the obligation value. Where there are similar obligations, the probability for an outflow of

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

resources to be necessary for settlement is set after the assessment of the obligation class as a whole. The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced. Where the Company expects the reimbursement of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain.

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

3.21 Revenue recognition

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

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

a) *Revenue from services*

Revenues from the domestic and international gas transmission consist in booking the transmission capacity and transmission through the NTS of the determined quantities of natural gas, expressed in units of energy, during the period of validity of a gas transmission contract and are recognized at the moment of their delivery. During the administration of the transmission contracts, the TSO issues and submits to the NU, by the 15th of the month following the month for which the transmission service was provided: an invoice for the transmission services rendered for the previous month, prepared based on the final allocations; an invoice related to the final daily imbalances registered in the previous month; and an invoice related to the value of the booked capacity overrun tariff.

b) *Revenue from the sale of goods*

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

c) *Interest revenue*

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

d) *Revenue from dividends*

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

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Mutual compensation and barter transactions

A relatively reduced part of the sales and purchases are compensated by mutual agreements, barter or non-cash agreements. These transactions generally occur in the form of cancellation of balances, either bilaterally or through a chain involving several companies (see Note 28).

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

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

f) Revenue from penalties

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

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) *Market risk*

(i) Currency risk

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	30 September 2019 (unaudited)	31 December 2018
Impact on profit and loss and on equity of:		
USD appreciation by 10%	127.623	121.191
USD depreciation by 10%	(127.623)	(121.191)
EUR appreciation by 10%	(20.087.881)	36.181.580
EUR depreciation by 10%	20.087.881	(36.181.580)

(ii) Price risk

The Company is exposed to the commodity price risk related to gas purchased for own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 2.210.025, on September 2019 (September 2018: lei 2.096.540).

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

The Company is exposed to interest rate risk by its bank deposits. The Company did not conclude any commitment to diminish the risk. For the average exposure of the period , if the interest rates had been lower/higher by 50 basis points, with all the other variables maintained constant, the profit related to the period and equity would have been lower/higher by 878.436 (December 2018: lei 3.051.941 lower/higher) as a result of reducing the interest rate for bank deposits, respectively of the interest rate on the variable interest obligations.

(b) *Credit risk*

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company drew up a number of policies, through their application ensuring that sales of products and services are made to proper customers. The book value of receivables, net of adjustments for doubtful debts, represents the maximum value exposed to credit risk. The Company's credit risk is concentrated on the 5 main customers, which together account for 47 % of the trade receivable balances on 30 September 2019 (31 December 2018: 50%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made. As at 30 September 2019 the company has available payment guarantees from its clients amounting to lei de 187.142.283 .

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

	31 September 2019 (unaudited)	31 December 2018
Without rating	800.845	2.106.827
BB+	24.592.750	347.913.691
BBB-	35.563.726	13.569.848
BBB+	323.701.855	344.645.980
A	137.452	137.989
AA-	619.833	216.037
	385.416.461	**708.590.372**

All the financial institutions are presented in the Fitch rating or equivalent.

(c) ***Liquidity risk***

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

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

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

The table below shows obligations on 30 September 2019 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Maturity analysis of financial liabilities on 30 September 2019 is as follows:

	Total amount	Less than 1 year	1-5 years	over 5 years
Loans	522.810.450	6.174.744	153.402.127	363.233.579
Commercial payables and other payables	244.351.929	244.351.929	-	-
	767.162.379	250.526.673	153.402.127	363.233.579

Maturity analysis of financial liabilities on 31 December 2018 is as follows:

	Total amount	Less than 1 year	1-5 years	over 5 years
Loans	259.278.444	3.121.315	70.206.550	185.950.579
Commercial payables and other payables	258.674.859	258.674.859	-	-
	517.953.303	261.796.174	70.206.550	185.950.579

Commercial payables and other payables include trade payables, suppliers of fixed assets, dividends payable, payables and other payables (see Note 19) and are not included: payables generated as a result of the legal provisions imposed by the authorities, payables to the employees and advance registered revenue.

Financial instruments categories:

	30 September 2019 (unaudited)	31 December 2018
Financial assets		
Cash and cash equivalents	342.175.756	417.345.117
Term bank deposits	43.604.745	291.407.201
Loans and receivables	1.034.261.334	1.295.387.229
Financial assets available for selling	156.424.947	70.417.542
Provisions related to financial assets available for selling	(24.887.146)	(24.816.713)
	1.551.579.636	**2.049.740.376**

	30 September 2019 (unaudited)	31 December 2018
Financial liabilities		
Debts evaluated to amortised cost		
Loans	473.076.444	233.195.000
Liabilities evaluated at fair value		
Financial securities for contracts	82.006.675	6.311.084
Commercial liabilities and other liabilities	162.345.254	252.363.775
	717.428.373	**491.869.859**

In the category including loans and liabilities, the liabilities related to employees and payables registered in advance are not included.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

The company's objectives related to capital management refer to keeping the Company's capacity to continue its activity in order to provide compensation to shareholders and benefits to the other stakeholders and maintain an optimal structure of the capital, as to reduce capital expenditure. There are no capital requirements imposed from outside.
As for the other companies in this sector, the Company monitors the capital based on the indebtedness degree. This coefficient is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including `current and long-term borrowings`, according to the statement of financial position), except for cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of the financial position, plus the net debt.

In 2019 the Company's strategy, unchanged since 2018, is to keep the indebtedness degree as low as possible, to keep a significant capacity to borrow funds for future investments. The net indebtedness degree on 30 September 2019 and on 31 December 2018 is reflected in the table below:

	30 September 2019 (unaudited)	31 December 2018
Total borrowings	473.088.000	233.195.000
Except: cash and cash equivalents (Note 13)	(385.780.501)	(708.752.317)
Net cash position	87.307.499	(475.557.317)

Fair value estimate

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

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

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

5.1 Assumptions for the determination of the provision for retirement benefits

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

The present value of the obligations at 31 December 2018 is of lei 110.011.930 (Note 21).

The presentation of the current value for the 2018 depending on the following variables:

	31 December 2018
Inflation rate +1%	123.608.092
Inflation rate -1%	97.974.861
Investment return +1%	98.512.238
Investment return -1%	123.509.498

Analysis of the maturity of benefits payments:

	31 December 2018
Up to one year	2.939.793
Between 1 and 2 years	2.897.013
Between 2 and 5 years	7.472.724
Between 5 and 10 years	40.447.484

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

5.2 The accounting treatment of the concession agreement

As indicated in Note 8, in May 2002 the Company concluded a Concession Agreement with the National Agency for Mineral Resources (`NAMR`), which entitles the Company to use the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the Company according to Public Domain Law No. 213/1998, Government Decision (`GD`) No. 491/1998 and GD No. 334 of 2000 by which the Company was established. According to the provisions of this agreement, the Company receives most of benefits associated to assets and is exposed to most of the risks. Therefore, the Company recognized these assets in the statement of the financial position, with an appropriate reserve in equity. Regarding the already existing infrastructure on the date of signing the Concession Agreement, given that the Company has no payment obligations at the time of terminating the Concession Agreement (but only obligations on maintenance and modernization, investments in new pipelines), the Company's management considered that it is, in substance, an equity component, defined as the residual interest in the Company's assets after the deduction of all debts. In addition, because the Company and its predecessor, SNGN Romgaz SA, were controlled by the Romanian state, the publication of Public Patrimony Law (i.e. loss of property) and the reorganization of SNGN Romgaz SA into 5 companies can be treated as transactions with shareholders, in its capacity of shareholder, which supports the recognition of transactions in equity. As of 2010, the Company applied IFRIC 12 (Note 3.5).

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

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

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

According to ANRE Order no.18/ 2019, as the holder of the operating license of the national natural gas transmission system issued by ANRE, the Company has the obligation to pay ANRE an annual contribution equal to 2% of the turnover achieved from the activities which are the subject of the licenses granted.

5.4 Long-term receivables

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

The Company believes that the legislative change represents a compensation for the value of the investments made, which the Company will not recover through the tariff, implicitly the value of the intangible asset not recovered through the tariff, recognized for the right to charge users.

As of 01.01.2018, IFRS 15 "Revenue from contracts with customers" became applicable in Romania. This Standard supersedes a number of older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the Company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long term receivable (compensation) upon the commissioning of the investment.

The present value was determined for the remaining period of the concession contract (the year 2032), because it is estimated that it will not be terminated before the expiration date (see Note 3.9 (a)).
In 2019 ANRE Order nr. 41/2019 entered into force providing for the adjustment of the regulated value of the assets at the inflation rate. The receivables are recognized in the financial statements at amortized cost in accordance with IFRS9 and does not contain updates related to market changes.

6. INFORMATION ON SEGMENTS

Reporting segments are set according to the nature of the activities conducted by the company: the regulated activity, the unregulated activity and other activities. As transmission system operator, the company reported annually to the National Regulatory Authority on the activity performed on the four reporting segments.

The segment information provided to the Board of Administration , which makes strategic decisions for reportable segments, for the period ended 30 September 2019 are:

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from domestic transmission	791.477.564	-		-	791.477.564
Revenue from international transmission	-	255.503.605	-	-	255.503.605
Other revenue	23.081.361	-	-	15.450.104	38.531.465
Operating revenue before the balancing and the	**814.558.925**	**255.503.605**	**-**	**15.450.104**	**1.085.512.634**

construction activity according to IFRIC12					
Depreciation	(116.467.132)	(24.343.585)	-	(4.358.610)	(145.169.327)
Operating expenses other than depreciation	(564.873.727)	(41.358.074)	-	(89.595.609)	(695.827.410)
Profit from operation before the balancing and construction activity according to IFRIC12	**133.218.066**	**189.801.946**	**-**	**(78.504.115)**	**244.515.897**
Revenue from the balancing activity	-	-	250.929.758	-	250.929.758
Cost of balancing gas	-	-	(250.929.758)	-	(250.929.758)
Revenue from the construction activity according to IFRIC12	-	-	-	521.459.417	521.459.417
Cost of assets built according to IFRIC12	-	-	-	(521.459.417)	(521.459.417)
Operating profit					**244.515.897**
Net financial gain	-	-	-	-	20.780.711
Profit before tax					**265.296.608**
Profit tax	-	-	-	-	(40.608.088)
Net profit					**224.688.520**
Assets on segments	4.312.969.601	331.166.978	112.816.279	564.353.126	5.321.305.984
Liabilities on segments	1.561.164.521	29.243.798	39.039.888	9.459.653	1.638.907.860
Capital expenditure - increases in assets in progress	**660.471.856**	**-**	-	**22.589**	**660.494.445**
Non-cash expenses other than depreciation	**60.700.023**	**1.803.196**	-	**425.603**	**62.928.822**

Assets shown for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. Assets shown for the balancing segment comprise mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

Unallocated assets include:	
Tangible and intangible assets	33.341.877
The rights of use of the leasing assets	10.035.872
Financial assets	131.537.801
Cash	385.780.501
Other assets	3.657.075
	564.353.126

Unallocated liabilities include:	
Deferred tax	3.540.975
Payable tax	4.857.137
Dividends payable	1.061.541
Other debts	**9.459.653**

6. INFORMATION ON SEGMENTS (CONTINUED)

Liabilities presented for the two main operating segments consist of payables and borrowings contracted by the Company for the acquisition of assets for the respective segments. Liabilities shown
for the balancing segment comprise mainly commercial debts from the balancing activity.
Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the expense with the impairment of inventories, other risk provisions.
International transmission services are provided for several foreign clients, while the domestic transmission activity is performed for several domestic clients.

	Domestic Clients	Foreign Clients	Total
Revenue from the domestic transmission	790.911.472	566.092	791.477.564
Revenue from international transmission	335.328	255.168.277	255.503.605
Other revenue	37.641.734	889.731	38.531.465
	828.888.534	256.624.100	1.085.512.634

Domestic clients with over 10% of the total revenue include:	**Percentage of the total revenue**
ENGIE ROMANIA S.A.	15%
SNGN ROMGAZ S.A.	12%
OMV PETROM S.A.	11%

All Company's assets are located in Romania. All Company's activities are carried out in Romania. The Company has external receivables amounting to lei 24.547.274 (31 December 2018: lei 25.617.027).
The *domestic gas transmission* segment includes information related to the activity of domestic gas transmission, which is regulated by the National Regulatory Authority as well as the operating and financial revenues related to the claims for the regulated value of the regulated asset base remained undepreciated in the end of the Concession Agreement; the *international gas transmission* segment includes information related to the activity of pipeline gas transmission without the transhipment of the Romanian territory, of which the activity performed through the Isaccea 2 – Negru Vodă 2 and Isaccea 3 – Negru Vodă 3 pipeline is not regulated, the related tariffs being set on commercial bases by negotiation between the parties, and the activity performed through the Isaccea 1 – Negru Vodă 1 pipeline is regulated starting from 1 October 2016; *the balancing* segment includes expenses and revenue related to the balancing activity of the national transmission system, activity developed starting with 1 December 2015 neutral in financial terms, any profit or loss from this activity will be distributed to clients for whom domestic transmission services are provided; the *unallocated* segment includes activities with a low share in the company's revenue such as sales of assets, rents, royalties.

The information on segments provided to the Board of Administration, who makes strategic decisions for the reporting segments, related to the financial year ended 31 December 2018, is as follows:

6. INFORMATION ON SEGMENTS (CONTINUED)

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from domestic transmission	1.178.419.674	-	-	-	1.178.419.674
Revenue from international transmission	-	324.380.804	-	-	324.380.804
Other revenue	51.685.794	-	-	53.950.426	105.636.220
Operating revenue before the balancing and the construction activity according to IFRIC12	**1.230.105.468**	**324.380.804**	**-**	**53.950.426**	**1.608.436.698**
Depreciation	(151.199.173)	(31.828.995)	-	(4.993.527)	(188.021.695)
Operating expense other than depreciation	(707.574.147)	(50.161.907)	-	(101.194.308)	(858.930.362)
Profit from operation before the balancing activity according to IFRIC12	-	-	-	-	**561.484.641**
Revenue from the balancing activity	-	-	235.427.293	-	235.427.293
Cost of balancing gas	-	-	(235.427.293)	-	(235.427.293)
Revenue from the construction activity according to IFRIC12	-	-	-	405.793.585	405.793.585
Cost of assets built according to IFRIC12	-	-	-	(405.793.585)	(405.793.585)
Profit from operation	**371.479.181**	**242.389.902**	**-**	**(52.384.442)**	**561.484.641**
Net financial gain	-	-	-	-	21.395.587
Profit before tax	-	-	-	-	**582.880.228**
Profit tax					(87.205.120)
Net profit					**495.675.108**
Assets on segments	3.709.437.875	352.259.381	144.737.737	789.372.467	4.995.807.460
Liabilities on segments	1.132.301.476	18.873.908	119.954.718	11.946.293	1.283.076.395
Capital expenditure - increases in assets in progress	421.491.278	-	-	28.416	421.519.694
Non-cash expenses other than depreciation	37.218.082	1.872.636	-	414.507	39.505.225

6. INFORMATION ON SEGMENTS (CONTINUED)

Assets indicated for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. The presented assets for the balancing segment are mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

Unallocated assets include:	
Tangible and intangible assets	34.158.078
Financial assets	45.600.828
Cash	708.752.317
Other assets	861.244
	789.372.467
Unallocated liabilities include:	
Deferred tax	4.302.215
Dividends payable	5.357.678
Other debts	2.286.400
	11.946.293

Liabilities shown for the two main operating segments consist of payables and borrowings contracted by the Company for the acquisition of assets for the respective segments. The debts presented in relation to the balancing segment are mainly trade payables from the balancing activity.

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

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

	Domestic Clients	Foreign Clients	Total
Revenue from domestic transmission	1.175.180.341	3.239.333	1.178.419.674
Revenue from international transmission	495.728	323.885.076	324.380.804
Other revenue	104.472.988	1.163.232	105.636.220
	1.280.149.057	328.287.641	1.608.436.698

Domestic clients with over 10% of the total revenue include:	Percentage of the total revenue
ENGIE ROMANIA S.A.	19%
OMV PETROM GAS SRL	12%

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

7. TANGIBLE ASSETS

	Lands and buildings	Assets of the transmission system	Other fixed assets	Assets in progress	Total
On 30 September2018 (unaudited)					
Cost on 1 January 2018	**279.746.273**	**957.225.955**	**262.677.605**	**18.486.701**	**1.518.136.534**
Depreciation accumulated on 1 January 2018	(147.718.908)	(605.699.488)	(206.162.698)	-	(959.581.094)
Net book value	**132.027.365**	**351.526.467**	**56.514.907**	**18.486.701**	**558.555.440**
	-	-	-	-	-
Inflows	-	-	-	13.627.226	13.627.226
Reclassifications	-	(3.717)	-	-	(3.717)
Transfers	393.552	(152.608)	11.862.595	(12.103.539)	0
Outflow (net book value)	(8.305)	0	(104.035)	-	(112.340)
Expense with depreciation	(4.826.491)	(23.150.177)	(15.321.795)	-	(43.298.463)
Final net book value	**127.586.121**	**328.219.965**	**52.951.672**	**20.010.388**	**528.768.146**
Cost	279.971.860	957.069.630	266.714.151	20.010.388	1.523.766.029
Accumulated depreciation	(152.385.739)	(628.849.665)	(213.762.479)	-	(994.997.883)
Final net book value	**127.586.121**	**328.219.965**	**52.951.672**	**20.010.388**	**528.768.146**
On 31 december 2018					
Initial net book value	**127.586.121**	**328.219.965**	**52.951.672**	**20.010.388**	**528.768.146**
Inflow	-	-	-	1.120.669	1.120.669
Transfers	216.221	-	15.636.193	(15.852.414)	-
Outflow (net book value)	-	-	2	-	2
Expense with depreciation	(1.576.659)	(7.716.166)	(5.676.673)	1	(14.969.497)
Adjustments for impariment	-	-	-	(1.656.183)	(1.656.183)
Final net book value	**126.225.683**	**320.503.799**	**62.911.194**	**3.622.461**	**513.263.137**
Cost	280.188.081	957.069.630	278.280.052	5.278.644	1.520.816.407
Accumulated depreciation	(153.962.398)	(636.565.831)	(215.368.858)	-	(1.005.897.087)
Adjustments for impariment	-	-	-	(1.656.183)	(1.656.183)
Final net book value	**126.225.683**	**320.503.799**	**62.911.194**	**3.622.461**	**513.263.137**
La 30 September 2019					
Initial net book value	**126.225.683**	**320.503.799**	**62.911.194**	**3.622.461**	**513.263.137**
Inflow	-	-	-	17.395.417	17.395.417
Reclassification	1.178.503	-	27.885	-	1.206.388
Transfers	796.177	-	13.229.786	(14.025.963)	-
Outflow (net book value)	(5.334)	(302)	(37.378)	-	(43.014)
Expense with depreciation	(5.232.757)	(23.117.013)	(17.346.653)	-	(45.696.423)
Final net book value	**122.962.272**	**297.386.484**	**58.784.834**	**6.991.915**	**486.125.505**
Cost	282.132.936	957.068.832	285.049.398	8.648.097	1.532.899.263
Accumulated depreciation	(159.170.664)	(659.682.348)	(226.264.564)	-	(1.045.117.576)
Provisions for impariment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	**122.962.272**	**297.386.484**	**58.784.834**	**6.991.915**	**486.125.505**

The gross book value of the fully depreciated assets, still used, is lei 286.692.070 lei (31 December 2018: 273.561.000 lei). As at 30 September 2019 the advances granted for the procurement of tangible assets in the amount of lei 366,001 are presented in the ongoing assets.

7. TANGIBLE ASSETS (CONTINUED)

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

The assets used for the provision of international transmission services through the Isaccea 2 - Negru Vodă 2 and Isaccea 3 – Negru Vodă 3 pipelines do not fall within the scope of IFRIC 12.

The Company does not depreciate the tangible fixed assets that are approved to be disposed of.

8. SERVICE CONCESSION AGREEMENT

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

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

The main terms of the concession agreement are the following:

- The Company is entitled to operate directly the assets subject to the concession agreement and to apply and collect tariffs for domestic and international transmission from clients in exchange for services provided; the Company is the only entity authorized to operate the pipelines of the national gas transmission system, no sub-concession being allowed;
- Any change of tariffs must be proposed by the Company and then approved by the ANRE;
- The Company is exempt from the payment of import duties for the assets acquired for operation, improvement or development of the system;
- The Company must annually publish by 30 October the available capacity of the system for the following year;

- The Company must annually respond to the clients' orders by 30 November and the NAMR must be informed on all rejected orders decided by the Company's management;
- The Company must keep a specific level of functioning (guaranteed through a mandatory minimum investment programme);
- royalties are paid as percentage (by 30 September 2007: 5%, as of October 2007: 10%) of the gross revenue from the operation of the national transmission system (domestic and international transmission);
- all operating expenses for operating the system are incurred by the Company;
- The Company may cancel the agreement by notifying the NAMR 12 months in advance;
- The NAMR may cancel the agreement by a 6-month prior notice, if the Company fails to comply with the contractual conditions; it also has the option to cancel the agreement with a 30-day prior notice for `national interest` reasons; in this case, the Company will receive compensation equal to the average net profit of the past 5 years multiplied by the remaining duration of the agreement.

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

9. INTANGIBLE ASSETS

	Assets related to the ACS	Information program	Intangible assets in progress	Total
On 30 September 2018 (unaudited)				
Cost as at 1 January 2018	**6.076.105.751**	**50.568.382**	**200.167.387**	**6.326.841.520**
Depreciation accumulated on 1 January 2018	(3.783.080.684)	(48.342.995)	-	(3.831.423.679)
Adjustments for impairment	-	-	(4.856.743)	(4.856.743)
Receivable Concession Agreement	(529.761.578)	-	-	(529.761.578)
Concession Agreement receivable depreciation	90.827.909	-	-	90.827.909
Net book value	**1.854.091.398**	**2.225.387**	**195.310.644**	**2.051.627.429**
Cash-in	-	-	110.710.259	110.710.259
Reclassifications	3.717	-	-	3.717
Transfers	10.449.966	3.216.043	(13.666.009)	-
Cash-out	(2.051)	-	-	(2.051)
Depreciation	(118.833.142)	(1.171.012)	-	(120.004.154)
Receivable Concession Agreement	(2.110.531)	-	-	(2.110.531)
Concession Agreement receivable depreciation	22.654.176	-	-	22.654.176
Final net book value	**1.766.253.533**	**4.270.418**	**292.354.894**	**2.062.878.845**
Cost	6.086.542.188	53.784.425	297.211.638	6.437.538.251
Accumulated depreciation	(3.901.898.631)	(49.514.007)	-	(3.951.412.638)
Provisions for impairment	-	-	(4.856.744)	(4.856.744)
Receivable Concession Agreement	(531.872.109)	-	-	(531.872.109)
Concession Agreement receivable depreciation	113.482.085	-	-	113.482.085
Net book value	**1.766.253.533**	**4.270.418**	**292.354.894**	**2.062.878.845**
As at 31 December 2018				
Initial net book value	**1.766.253.533**	**4.270.418**	**292.354.894**	**2.062.878.845**

Cash-in	-	-	296.061.783	296.061.783
Transfers	71.435.846	276.669	(71.712.515)	-
Depreciation	(42.418.450)	(405.112)	-	(42.823.562)
Provisions for impairment	-	-	(2.157.507)	(2.157.507)
Receivable Concession Agreement	(19.869.154)	-	-	(19.869.154)
Concession Agreement receivable depreciation	7.714.534	-	-	7.714.534
Final net book value	**1.783.116.309**	**4.141.975**	**514.546.655**	**2.301.804.939**
Cost	6.157.978.033	54.061.094	521.560.905	6.733.600.032
Accumulated depreciation	(3.944.317.080)	(49.919.119)	-	(3.994.236.199)
Provisions for impairment	-		(7.014.250)	(7.014.250)
Receivable Concession Agreement	(551.741.263)	-	-	(551.741.263)
Concession Agreement receivable depreciation	121.196.619	-	-	121.196.619
Net book value	**1.783.116.309**	**4.141.975**	**514.546.655**	**2.301.804.939**
As at 30 September 2019				
Initial net book value	**1.783.116.309**	**4.141.975**	**514.546.655**	**2.301.804.939**
Cash-in	-	-	643.099.028	643.099.028
Reclassifications	(1.206.388)	-	(1.578.873)	(2.785.261)
Transfers	29.425.221	1.803.445	(31.228.666)	-
Depreciation	(122.554.568)	(1.814.713)	-	(124.369.281)
Receivable Concession Agreement	(10.317.027)	-	-	(10.317.027)
Concession Agreement receivable depreciation	23.835.793	-	(2.128.527)	21.707.266
Final net book value	**1.702.299.340**	**4.130.707**	**1.122.709.617**	**2.829.139.664**
Cost	6.186.196.866	55.864.539	1.131.852.394	7.373.913.799
Accumulated depreciation	(4.066.871.647)	(51.733.832)	-	(4.118.605.479)
Provisions for impairment	-	-	(7.014.250)	(7.014.250)
Receivable Concession Agreement	(562.058.290)	-	-	(562.058.290)
Concession Agreement receivable depreciation	145.032.411	-	(2.128.527)	142.903.884
Net book value	**1.702.299.340**	**4.130.707**	**1.122.709.617**	**2.829.139.664**

As at 30 September 2019 the advances granted for the procurement of development works related to the national gas transmission system in the amount of lei 119,220,292 are presented in the ongoing intangible assets.

The remaining life of the intangible assets is presented in Note 3.5 and Note 3.8.

The rights of use of the assets acquired in leasing (IFRS 16)

As of 1 January 2019 the company applies IFRS 16 for the leasing contracts complying with the recognition criteria and recognized the intangible asset as a right of use related to the lease contract:

	Assets acquired in leasing according to IFRS16
Cost on 1 January 2019	-
Accumulated depreciation	-
Initial net book value	-
Inflows	11.903.529
Depreciation	(1.867.657)
Final net book value	**10.035.872**

10. FINANCIAL ASSETS

Financial assets consist of unlisted stakes in the following companies:

Company	Activity	% Percentage owned 2019	% Percentage owned 2018	30 September 2019 (unaudited)	31 December 2018
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
Mebis SA	Gas production distribution and supply	17,47	17,47	6.461.736	6.461.736
Phaedra's SHA	Gas transmission	33,33	33,33	315.084	238.477
Eurotransgaz	Gas transmission	100	100	131.531.626	45.600.828
Minus adjustments for impairment of investments in: Resial SA, Mebis SA and Phaedra's SHA				(24.887.146)	(24.816.714)
				131.537.801	45.600.828

Shares in Resial SA

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

Shares in Mebis SA

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

Participation in the Limited liability company Eurotransgaz Ltd.

By EGMS Resolution 10/12.12.2017 the establishment of the company EUROTRANSGAZ Ltd. on the territory of the Republic of Moldova was approved for the successful participation in the privatization of the State Enterprise Vestmoldtransgaz. In 2018, Transgaz participated in the increase of Eurotransgaz' share capital to ensure the financial sources necessary for the procurement of the State Enterprise Vestmoldtransgaz.

In 2019 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of 13.784.238 euro and 83.471.503 Moldavian lei for the operation and ensuring the financial sources necessary for the performance of the investment program of the State Enterprise Vestmoldtransgaz.

Participation in Phaedra's SHA

The consortium consisting in Reganosa, Transgaz and EBRD submitted a tender for the participation in the second round of the privatization of a 66% stake of the company DESFA, the Greek operator of the gas transmission network. Consortium was not declared successful in the tender for the procurement of DESFA, Phaedra'SHA is in liquidation, and the company recorded an adjustment for the impairment of 100% of the cost.

In case of the financial assets held by Transgaz, i.e. Mebis SA, Phaedra S.A and Resial SA , the application of IFRS 9 has no impact whatsoever, as such assets are measured at the fair value by the profit and loss account and 100% impairment adjustments were established.
The share titles held in Eurotransgaz S.R.L, represent an equity investment recognized according to IFRS 9, which as at the date of the transaction was measured at the fair value by other elements of the comprehensive income.
The standard is not applied to the interests in subsidiaries, associated entities and joint ventures accounted for pursuant to IFRS 10 Consolidated financial statements, IAS 27 Individual financial statements or IAS 28 Investments in associated entities and in joint ventures and Transgaz, as sole shareholder of Eurotransgaz SRL, applies these standards upon the consolidation of the financial statements.

11. INVENTORIES

	30 September 2019 (unaudited)	31 December 2018
Gas inventories	20.859.061	30.865.253
Spare parts and materials	105.922.917	78.950.598
Materials in custody to third parties	391.848.689	174.188.219
Adjustments for the impairment of inventories	(28.389.547)	(28.762.730)
	490.241.120	255.241.340

ANRE Order 160/2015sets the obligations of Transgaz, as the transmission system operator, regarding the balancing of the national transmission system.
Within the materials in custody to third parties stocks are included in the amount of 381.630.861 lei purchased by the company for the achievement of the BRUA Phase I project.
Movements in the adjustments account are analysed below:

	30 September 2019 (unaudited)	31 December 2018
Adjustment on 1 January	28.762.730	20.593.986
(Revenue)/expense with the adjustment for the impairment of the inventories (Note 23)	(373.183)	8.168.744
Adjustment in the end of the period	28.389.547	28.762.730

In 2019 adjustments for the impairment of the inventories were constituted according to Note 3.10.

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES

	30 September 2019 (unaudited)	31 December 2018
Trade receivables	579.883.043	705.024.026
Advance payments to suppliers of goods and services	118.430	156.315
Loan to Resial SA (Note 10)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	656.330.981	629.754.861
Non-refundable loans as subsidies	3.127.035	3.905.908
Other receivables	155.720.293	190.183.321
Adjustment for impairment of trade receivables	(370.462.745)	(312.732.990)
Provision for impairment of other receivables	(47.112.374)	(46.916.888)
	979.375.009	**1.171.144.899**

The company challenged administratively the tax decision on additional tax payment obligations in the amount of RON 25,409,833 issued by ANAF consisting of revenue tax, VAT, penalties and late payments, and set up an adjustment. The company paid the amounts mentioned in the tax decision in order to be able to carry out the activities in the directions set by the management and to facilitate the financing of future projects.

The advance payments granted to the company in the context of the contractual relationships are guaranteed by the suppliers by letters of bank guarantee.

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

On 30 September 2019 the company established guarantees for third parties, two letters of bank guarantee in the total amount of lei 11.000.000 issued by the Romanian Commercial Bank valid until 31.03.2020.

All the letters are guaranteed by collateral deposits in the same amount.

On 30 September 2019, the amount of Lei 25.762.804 (31 December 2018: Lei 86.731.826) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 5% in USD (31 December 2018: 2%) and 95% in EUR (31 December 2018: 98%).

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

	30 September 2019 (unaudited)	31 December 2018
Current and not impaired (1)	**170.875.164**	**347.260.252**
IFRS 9 provision	674.591	467.070
Overdue but not impaired		
- overdue less than 30 days	21.206.449	39.301.469
- overdue between 30 and 90 days	5.870.079	5.864.812
- overdue more than 90 days	12.143.197	331.573
Due, but not impaired - total (2)	**39.219.725**	**45.497.854**
Impaired (gross)		
- outstanding less than de 30 days	36.434	74.421
- overdue between 30 and 90 days	1.562.294	1.086.687
- overdue between 90 and 360 days	44.300.957	18.909.219
- overdue more than 360 days	324.563.060	292.662.663
Total impaired (3)	**370.462.745**	**312.732.990**
Except the adjustment for impairment (4)	**370.462.745**	**312.732.990**
Total trade receivables (1+2+3-4)	**209.420.298**	**392.291.036**

IFRS 9 introduces a new model for forecasting impairment loss based on the estimated loss. This model entails the anticipated recognition of the loss from receivables impairment. The standard provides for the fact that the entities register the anticipated loss by receivables impairment from the moment of the financial instrument initial recognition and recognize the anticipated loss from the impairment over their entire life. The value of the anticipated loss will be discounted for each reporting period so that it reflects the cred risk changes as opposed to the initial recognition.

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

For the application of IFRS 9 on the held receivables, based on a loss estimation model, the clients categories were reconsidered starting from the IFRS 9 principle for the anticipation of a non-cashing in risk related to the current receivables.

The client categories established in respect of the current receivables based on this estimation model are: transit clients, transmission clients, dispute clients and various clients.

For the estimation of a non-cashing in risk related to the current receivables, a percentage of 5% was applied with a 25% non-cashing in probability assuming that a coherent accounting policity for receivables adjustment is applied within the company: the receivables exceeding the 30 days' time frame are adjusted for short periods of time with percentages gradually increased up to 100%.

As a result of this loss estimation model application, pursuant to IFRS 9, on 30 September 2019 additional impairment adjustments were registered – lei 669.175 for the Transmission Clients category and lei de 5.416 for the Different Clients category.

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

	30 September 2019 (unaudited)	31 December 2018
Group 1	163.828.640	310.849.895
Group 2	7.046.524	36.410.357
Trade receivables	170.875.164	347.260.252

Group 1 - existing clients/related parties where there were no recovery problems.
Group 2 - existing clients/related parties where payment delays were recorded in the past.

Movements in the provision account are analysed below:

	30 September 2019 (unaudited)	31 December 2018
Adjustment on 1 January	359.649.877	333.150.569
(Revenue)/expense with the adjustment for doubtful debts (Note 23)	57.925.242	26.499.308
Adjustment at the end of the period	417.575.119	359.649.877

In 2019 adjustments for receivables from insolvent companies or from companies in significant financial difficulties were established.

The company adjusts transmission revenue if it is unlikely to collect the consideration to which it will be entitled in exchange for the goods or services to be transferred to the customer.

13. CASH AND CASH EQUIVALENT

	30 September 2019 (unaudited)	31 December 2018
Cash at bank in RON	188.427.904	156.298.591
Cash at bank in foreign currency	196.988.557	552.291.781
Other cash equivalents	364.040	161.945
	385.780.501	708.752.317

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

The weighted average of the effective interest related to short-term bank deposits was of 0.91% on 30 September 2019 (0.46% on 31 December 2017) and these deposits have a maximum maturity of 30 days.

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital	Share premium	Total
IFRS				
On 31 December 2018	11.773.844	117.738.440	247.478.865	365.217.305
On 30 September 2018 (unaudited)	11.773.844	117.738.440	247.478.865	365.217.305
Capital adjustment to the hyperinflation accumulated on 31 December 2003	-	441.418.396	-	441.418.396
On 31 December 2018, 30 September 2019	11.773.844	559.156.836	247.478.865	806.635.701

The authorized number of ordinary shares is 11,773,844 (31 December 2018: 11,773,844) with a nominal value of RON 10 each. Each share represents one vote. The ownership structure on 30 September 2019 is the following:

	Number of ordinary shares	Statutory value (RON)	Percentage (%)

The Romanian state, represented by the Ministry of Economy	6.888.840	68.888.400	58,5097
Other shareholders	4.885.004	48.850.040	41,4903
	11.773.844	117.738.440	100,0000

The ownership structure on 31 December 2018 is the following:

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

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

15. OTHER RESERVES, LEGAL RESERVES AND RETAINED EARNINGS

Other reserves

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

Legal reserve

In accordance with the Romanian legislation and the Company's Articles of Incorporation, it must transfer five percent of the profit from the statutory financial statements in a statutory reserve of up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for allocation on 31 December 2018, amounts to Lei 23,547,688 (31 December 2017: Lei 23,547,688). The legal reserve is included in the `Retained earnings` in these financial statements.

Dividend allocation

In the course of 2019, the Company declared and allocated a dividend of RON 21,66 /share, related to the profit of the previous year (2018: Lei 45.38 per share). The total dividends declared from the profit of 2018 are RON 255.021.461,04 (dividends declared from the profit of 2017: RON 534.297.041).
In December 2018 the Company approved and distributed a dividednd in the amount of 1.14 lei/share of the existing amounts in the account "Other reserves" as at 31 december 2017. The amount of the declared dividends is of lei 13.472.486.

16. LONG-TERM BORROWINGS

European Investment Bank (EIB)

The company signed with the European Investment Bank the following loans for the financing of the project "Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria route" ("BRUA Phase 1").

- Loan Agreement no. 83644RO concluded on 27.10.2017 for the amount of EUR 50 million, fixed interest rate, maturity of 15 years, grace period of 3 years at principal repayment.
- Loan Agreement no.88825RO concluded on 14.12.2017 for the amount of EUR 50 million, with disbursements in Lei or EUR (at the choice of the Company), with fixed or variable interest (at the choice of the Company), maturity of 15 years, the grace period of 3 years of repayment of the principal.

The Company signed with the EIB the Loan Agreement no.89417RO on 17.12.2018 for the financing of the project "Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas" (Black Sea - Podişor) for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment. The open-ended contract allows the use of the loan in Lei or in EUR (at the option of the Company) with fixed or variable interest (at the option of the Company)

On January 24, 2019, the Company signed a loan agreement with the European Investment Bank for the amount of EUR 100 million, maturity 15 years, grace period of 3 years at the repayment of the principal, in order to finance the project "Development on the territory of Romania of the Southern Transmission Corridor for taking over gas from the Black Sea shore ".

16. LONG TERM LOANS (CONTINUATION)

The financial commitments undertaken by the Loan Agreements requires the company to comply with the negotiated limits of the following financial indicators: the ratio of the total net debts to the Borrower's RAB, the net leverage ratio and the Interest coverage rate.

In 2017 the company received from the Loan Contract no 83644RO the first tranche of EUR 15 million issued by EIB on 30 November 2017, in 28 February 2018 the second tranche of the loan amounting to EUR 15 million and on 30 April 2018, the third tranche of the loan amounting to EUR 20 mil. was received.

The maturity of the loan 83644RO from the EIB is illustrated below:

	30 September 2019 (unaudited)	31 December 2018
Within 1 year	-	-
Between 1 and 5 years	69.366.060	58.765.140
Over 5 years	168.188.940	174.429.860
	237.555.000	233.195.000

During the year 2019 the Company received from the Loan Agreement no. 88825RO a tranche of EUR 30 million.

The maturity of the loan 88825RO from the EIB is illustrated below:

	30 September 2019 (unaudited)	31 December 2018
Within 1 year	-	-
Between 1 and 5 years	31.997.204	-
Over 5 years	110.535.796	-
	142.533.000	-

The book value of the short term loans approximate their fair values.

European Bank for Reconstruction and Development (EBRD)

On 23 February 2018 Transgaz signed with EBRD a contract amounting to Lei 278 million, the equivalent of EUR 60 million, for the financing of the BRUA Project.

On 30 September 2019 no amount of the loan was drawn.

The Romanian Commercial Bank (BCR)

The company signed on 24.04.2019 the contract no. 20190409029 with the Romanian Commercial Bank for committing the financing in the amount of 186 million lei, the equivalent of 40 million EUR, with drawing and repayment in lei, maturity 15 years, grace period for principal repayment of 3 years, variable interest for the financing of the project “Development on the Romanian Territory of the National Gas Transmission System on the Bulgaria - Romania - Hungary - Austria Corridor "(" BRUA Phase 1 ").

On 23 September 2019 the first installment of the loan of 93 million lei was drawn.

The maturity of the loan from the BCR is illustrated below:

	30 September 2019 (unaudited)	31 December 2018
Within 1 year	-	-
Between 1 and 5 years	29.760.000	-
Over 5 years	63.240.000	-
	93.000.000	-

Fair value

The book values and fair values of the long term loans are as follows:

	Book values 2019	2018	Fair values 2019	2018
EIB 83644RO	237.555.000	233.195.000	237.631.456	233.276.105
EIB 88825RO	142.533.000	-	142.555.486	-
BCR	93.000.000	-	93.507.200	-
Total	**473.088.000**	**233.195.000**	**473.694.1402**	**233.276.105**

The fair value is determined based on the amount of the future discounted cash flows, by means of a discounting rate equal to the value of the interest to which the management considers that the company may obtain similar loans, at the end of the reporting period.

The exposure of the company's loans to the changes of the interest rate is as follows:

	30 September 2019	31 December 2018
Variable interest rate	235.533.000	-

17. DEFERRED REVENUE

Deferred revenue consists of connection fees charged to clients for their connection to the national gas transmission system, of assets taken over for free for connection to the network, grants and the right to recover the unamortized regulated value of the assets related to the investments made as operator. The Company uses the connection fee to achieve the connection to the national transmission system of the client's objectives. Deferred revenue (presented as `revenue from the connection fees`) is registered as revenue for the period when the related assets are depreciated and estimating the duration of the relationship with the client (Note 22).
Based on the connection contracts, the necessary infrastructure is built to ensure the estimated transmission capacity to be used throughout the duration of the concession agreemen.

	30 September 2019 (unaudited)	31 December 2018
Initial balance	541.987.503	497.755.179
Increases	141.722.028	67.112.639
Amounts recorded in the revenue (Note 22)	(16.688.586)	(22.880.315)
Final balance	667.020.945	541.987.503

The amount of lei 22.268.687 representing the current share of the deferred revenues is presented in the commercial debts and other debts.

The balance of the deferred revenue consists of:

	30 September 2019 (unaudited)	31 December 2018
Connections and assets received free of charge	253.461.988	265.035.065
Grants	413.558.957	276.952.438
	667.020.945	541.987.503

The company obtained from the European Union through the National Agency for Innovation and Networks (INEA), for the BRUA project, a grant of 1.519.342 Euros, representing 50% of the estimated eligible costs granted for financing the design for the three compressor stations (Podişor, Bibeşti and Jupa) and a grant of 179.320.400 Euro, representing 40% of the estimated eligible costs, granted for financing the BRUA Phase I project implementation.

In order to finance the implementation of the BRUA Phase I project, the following amounts were received as pre-financing: EUR 25.834.489,60 (in 2016) and EUR 13.839.087,37 (in 2018) and EUR 29.192.463,92 in 2019.

18. PROFIT TAX

Profit tax expense

	Nine months ended as at 30 September 2019	Nine months ended as at 30 September 2018 (unaudited)/retreated
Expense with the profit tax - current	53.980.815	61.681.832
Deferred tax - impact of temporary differences	(13.372.727)	(5.114.289)
Profit tax expense	40.608.088	56.567.543

In 2019 and in 2018, the Company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

	Nine months ended as at 30 September 2019 (unaudited)	Nine months ended as at 30 September 2018 (unaudited) (retreated)
Profit before tax	265.296.608	356.513.307
Theoretical expense with the tax the statutory rate of 16% (2018: 16%)	42.447.457	57.042.130
Non-taxable expenses, net	(1.839.369)	(474.587)
Profit tax expense	40.608.088	56.567.543
Profit tax related liability, current	3.540.975	-

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

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 30 September 2019 (30 September 2018: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(revenue from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:

18. PROFIT TAX (CONTINUED)

	30 September 2019 (unaudited)	Movement	31 December 2018	Movement	30 September 2018 (unaudited) (retreated)	Movement	1 January 2018 (retreated)
Deferred tax payment							
Tangible and intangible assets	70.088.531	(4.150.883)	74.239.414	(571.106)	74.810.520	(4.450.470)	79.260.990
Deferred tax recoverable							
Provision for employee benefits	(17.601.909)		(17.601.909)	(1.687.883)	(15.914.026)	-	(15.914.026)
Risks and expenses	(1.780.703)	1.155.528	(2.936.231)	(590.391)	(2.345.840)	-	(2.345.840)
Receivables and other assets	(59.776.431)	(10.377.372)	(49.399.059)	(2.963.194)	(46.435.865)	(663.819)	(45.772.046)
	(9.070.512)	(13.372.727)	4.302.215	(5.812.574)	10.114.789	(5.114.289)	15.229.078

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

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

	30 September 2019 (unaudited)	31 December 2018
Deferred tax receivable	(9.070.512)	-
Deferred tax liabilities/receivables in more than 12 months as reported	-	4.302.215

This version of the interim financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

19. TRADE PAYABLES AND OTHER PAYABLES

	30 September 2019 (unaudited)	31 December 2018
Trade payables	95.322.168	174.656.915
Suppliers of fixed assets	35.458.271	51.234.117
Dividends payable	4.857.137	5.357.678
Debts related to royalties	29.423.377	44.328.459
Other taxes	23.198.361	19.013.804
Amounts payable to employees	14.502.584	17.485.842
VAT not applicable	4.892.874	17.229.300
Compensations investment works	22.268.687	22.268.687
Transmission service guarrantees	77.545.586	10.377.593
Transmission services advances	47.026.893	18.199.697
Other debts	38.659.626	17.048.556
	393.155.564	397.200.648

On 30 September 2019, of the total trade payables and other debts the amount of lei 37.430.035 (31 December 2018: lei : 42.129.468) is expressed in foreign currency, especially in EUR.

20. PROVISIONS FOR RISKS AND CHARGES

	30 September 2019 (unaudited)	31 December 2018
Current provision		
Provision for litigation	3.229.735	1.841.652
Provision term contract	-	2.527.562
Provision for employee participation in profits	11.129.399	14.278.573
	14.359.134	18.647.787

Employees` profit share is calculated within the limit of 10% of the net profit, but not more than a monthly average salary achieved in the relevant financial year.

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

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

Assumptions 2018

The amount of the provision has been calculated individually for each distinct employee/beneficiary of the company using the actuarial calculation method and taking into account International Accounting Standards, in particular the IAS 19. The provision is calculated taking into account the long-term liabilities undertaken by the Company under the collective labour agreement. The calculation assumptions and specifications for the calculation model were established based on the company's previous experience and a set of assumptions about the company's future experience. The most important assumptions used are as follows:

- for the benefit consisting of basic salaries paid at retirement, this benefit is paid for company employees who reach retirement.
- age as a whole number, assessed from the date of birth communicated by the company for each beneficiary. The maximum possible age range was considered as 100 years, this being the maximum value defined in the available mortality tables.
- each person receives the full annual benefit he/she is entitled to, depending on the probability of annualized survival.
- The probability of individual survival was assessed depending on the age of each person on 31December 2018, and it is the probability that a person of a certain age on 31 December 2018 will survive up to a certain time in the future.
- the employee redundancy used in the calculation was established using a conservative approach, lower than those calculated on the basis of the company's past experience, this being a hypothesis that we considered reasonable on the basis of the information provided by the company.
- employee departure rates are important in the context when employees leave the company and no longer receive the benefit. The amount of the provision for the two benefits granted by the company covers the benefits that the company will pay to its current employees, who survive until the payment of each benefit and have been continuously employed by the company;
- The calculation parameters and assumptions used about the evolution of the consumer price index, the average annual return on investment and the annual percentage change of the salary were estimated from 2023 to take into account the target inflation level for the Euro area; for the period 2019-2022 the values were set to ensure natural progression up to the level of 2023, taking into account the values predicted by the National Bank of Romania.
- The calculation parameters and assumptions used for mortality rates are taken from the mortality tables published by the National Institute of Statistics and the values for departure rates were

estimated based on the data provided by the company and also on previous experience in making similar assessments.

Movement in the provision for employee benefits

1 January 2017	113.885.920
of which:	
Short-term	4.757.862
Long-term	109.128.058
Interest cost	1.708.289
Current service cost	4.909.607
Payments from provisions during the year	(3.215.188)
Actuarial gain/loss related to the period	(17.825.963)
31 December 2017	99.462.665
of which:	
Short-term	3.608.726
Long-term	95.853.939
Interest cost	3.850.418
Current service cost	5.582.701
Payments from provisions during the year	(3.326.292)
Actuarial gain/loss related to the period	4.442.437
31 december 2018	110.011.930
of which:	
Short-term	2939793
Long-term	107.072.137

22. OTHER REVENUE

	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited) / retreated
Revenues from penalties for delay payments applied to clients	7.554.543	4.186.302
Revenues from connection fees, grants and goods taken free of charge	16.688.586	17.304.826
Revenues from the sale of residual materials	654.713	691.943
Revenues from leases	1.175.384	1.193.258
Revenues from recovered materials	7.828.286	903.707
Other revenues from operation	4.629.953	1.791.376
	38.531.465	26.071.412

23. OTHER OPERATING EXPENSES

	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Sponsorship expenses	1.542.500	2.730.000
Utilities	5.302.808	4.616.439
Insurance premia	672.396	846.565
Maintenance expenses	747.292	665.104
Security and protection expenses	15.392.110	13.878.289
Professional training	794.566	512.432
Telecommunications	2.057.562	2.780.208
Net Loss on disposal of fixed assets	(105.223)	114.391
Bank charges and other fees	2.301.189	989.206
Rents	887.023	3.878.445
Loss from receivables	11.131	3.947
Loss/gain on impairment of receivables	65.391.699	19.342.543
Loss/gain from inventory depreciation	(373.183)	(1.975.505)
Research and studies expenses	328.515	280.970
Marketing and protocol expenses	148.587	884.443
Penalties and fines	1.655.489	301.611
Gas storage capacity booking	2.911.596	3.766.085
Expenses on the impairment of tangible assets	2.128.527	-
Other	18.125.065	20.170.049
	119.919.649	73.785.222

24. EMPLOYEE COSTS

	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Salaries and benefits	269.817.993	262.113.926
Cost of insurance and social security	17.433.335	16.059.487
Other employee costs	9.352.443	8.848.506
	296.603.771	287.021.919

Average number of employees in financial year:

	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
13.		
Blue collars	2.608	2.719
White collars	1.645	1.591
	4.253	4.310

25. NET FINANCIAL REVENUE/(EXPENSES)

	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
Revenue from foreign exchange differences	23.539.010	16.755.898
Interest revenue	17.935.904	19.804.263
Other financial revenue	47.345	-
Financial revenue	**41.522.259**	**36.560.161**
Expenses from foreign exchange differences	(20.671.115)	(16.257.426)
Interest expenses	-	(1.752.222)
Adjustments for the loss of value of financial assets	(70.433)	-
Other financial expenses	-	706
Financial expenses	**(20.741.548)**	**(18.008.942)**

26. CASH FROM OPERATION

	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited) retreated
Profit before tax	**265.296.608**	**356.513.307**
Adjustments for:		
Depreciation	145.169.327	139.247.991
Gain/(loss) on disposal of fixed assets	(105.223)	114.391
Provisions for risks and charges	(4.288.653)	(4.458.125)
Provisions for the imparment of stocks	(373.183)	(1.975.505)
Provisions for investments	2.128.527	-
Revenue from connection fees, grants and goods taken free of charge	(16.688.586)	(17.304.826)
Loss from claims of different creditors	11.131	3.947
Adjustments for the impairment of receivables	57.925.241	19.342.543
Interest expenses	-	1.752.222
Interest revenue	(17.935.904)	(19.804.263)
Provisions for the impairment of financial assets	70.432	-
Effect of exchange rate fluctuation on other items than operating	5.028.575	140.031
Other expenses and revenues	(317.374)	-
Operating Profit before the changes in working capital	**435.920.918**	**473.571.713**
(Increase)/decrease in trade and other receivables	86.905.998	2.489.694
(Increase)/decrease in inventories	(234.626.597)	(33.529.174)
Increase/(decrease) in trade payables and other debts	44.626.715	(65.199.477)
Cash generated from operations	**332.827.034**	**377.332.756**

27. TRANSACTIONS WITH RELATED PARTIES

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

During the periods ended 30 September 2019 and 30 September 2018 the following transactions with related parties were performed and the following balances were payable / receivable from related parties at the respective dates.

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

	Nine months ended 30 September 2019 (unaudited)	**Nine months ended 30 September 2018 (unaudited)**
Sallary paid to the members of the Board of Administration and management	13.686.775	13.058.761
Social contribution of the Company	307.952	264.362
	13.994.727	13.323.123

In the periods ended 30 September 2019 and 30 September 2018, no advance payments and loans were granted to the Company's administrators and management, except advance payments from salaries and those for business trips, and they don't owe any amount to the Company at the end of the period coming from such advance payments.

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

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

ii) Loan to a related party

	30 September 2019 (unaudited)	**31 December 2018**
Loan to Resial SA	1.770.346	1.770.346
Minus the adjustment for loan impairment	(1.770.346)	(1.770.346)
	-	-

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUATION)

iii) Revenue from related parties – services supplied (VAT excluded)

	Relationship	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
SNGN Romgaz	Entity under common control	129.526.453	75.438.600
Electrocentrale Deva SA	Entity under common control	1.625.678	1.714.768
Electrocentrale Bucureşti SA	Entity under common control	35.729.260	64.624.439
Electrocentrale Constanța	Entity under common control	(4.352.523)	-
E.ON Energie Romania	Entity under common control	55.781.562	62.402.720
		218.310.430	204.180.527

iv) Sales of goods and services (VAT excluded)

	Relationship	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
SNGN Romgaz	Entity under common control	1.440	640.962
Energoterm Tulcea SA	Entity under common control	-	1.922
Electrocentrale Deva SA	Entity under common control	20.641	35.587
Electrocentrale Bucureşti	Entity under common control	-	46.435
Electrocentrale Galati SA	Entity under common control	322.031	285.695
Electrocentrale Constanta	Entity under common control	271.654	83.668
E.ON Energie Romania	Entity under common control	226	-
		615.992	1.094.269

v) Gas sales – the balancing activity (without the VAT)

	Relationship	Six months ended 30 June 2019)	Six months ended 30 June 2018 (unaudited)
SNGN Romgaz	Entity under common control	8.276.256	1.893.479
Electrocentrale Deva SA	Entity under common control	3.242.770	1.071.818
Electrocentrale Bucureşti	Entity under common control	2.860.049	2.193.554
Electrocentrale Constanta	Entity under common control	16.698.657	-
E.ON Energie Romania	Entity under common control	18.805.787	10.934.307
		49.883.519	16.093.158

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUATION)

vi) Receivables from related parties (without the adjustment)

	Relationship	30 September 2019 (unaudited)	31 December 2018
SNGN Romgaz	Entity under common control	24.593.642	26.080.064
Electrocentrale Deva SA	Entity under common control	708.495	638.383
Electrocentrale Bucureşti SA	Entity under common control	7.188.746	25.924.390
Electrocentrale Galaţi	Entity under common control	31.733	-
Electrocentrale Constanţa	Entity under common control	498.828	2.487.375
E.ON Energie Romania	Entity under common control	7.605.287	25.457.928
VESTMOLDTRANSGAZ SRL	Entity under common control	664.144	-
		41.290.875	80.588.140

vii) Client receivables – the balancing activity (without the adjustment)

	Relationship	30 September 2019 (unaudited)	31 December 2018
SNGN Romgaz	Entity under common control	173.438	4.573.651
Electrocentrale Deva SA	Entity under common control	1.701.120	125.887
Electrocentrale Bucuresti	Entity under common control	294.211	1.471.193
Electrocentrale Constanta	Entity under common control	1.401.245	5.394.574
E.ON Energie Romania	Entity under common control	1.484.412	3.071.021
		5.054.426	14.636.326

viii) Procurement of gas from related parties (VAT excluded)

	Relationship	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
SNGN Romgaz	Entity under common control	85.212.006	-
E.ON Energie Romania	Entity under common control	-	54.342.140
		85.212.006	54.342.140

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUATION)

ix) Procurement of services from related parties (other services – VAT excluded)

	Relationship	Nine years ended 30 September 2019 (unaudited)	Nine years ended 30 September 2018 (unaudited)
SNGN Romgaz	Entity under common control	5.360.964	4.277.494
Electrocentrale București SA	Entity under common control	4.528	4.252
Termo Calor Pitești	Entity under common control	-	2.535
E.ON Energie Romania	Entity under common control	616.447	479.868
		5.981.939	4.764.149

x) Procurement of gas – the balancing activity (VAT excluded)

	Relationship	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited)
SNGN Romgaz	Entity under common control	7.920.114	21.750.115
Electrocentrale Deva SA	Entity under common control	721.911	5.072.350
Electrocentrale București	Entity under common control	9.492.251	3.652.463
Electrocentrale Constanta	Entity under common control	628.564	-
E.ON Energie Romania	Entity under common control	23.808.269	279.239
		42.571.109	30.754.167

xi) Debts to affiliated parties from gas supplies (VAT included)

	Relationship	30 September 2019 (unaudited)	31 December 2018
SNGN Romgaz	Entity under common control	25.374.804	13.269.220
		25.374.804	13.269.220

xii) Debts to affiliated parties from services (other services - VAT included)

	Relationship	30 September 2019 (unaudited)	31 December 2018
SNGN Romgaz	Entity under common control	222	500.136
Electrocentrale București	Entity under common control	463	487
E.ON Energie Romania	Entity under common control	339.187	1.131.853
		339.872	1.632.476

xiii) Debts to suppliers – balancing activity (VAT included)

	Relationship	30 September 2019 (unaudited)	31 December 2018
SNGN Romgaz	Entity under common control	1.005.588	2.715.878
Electrocentrale Deva SA	Entity under common control	170.674	38.697
Electrocentrale București	Entity under common control	648.877	3.155.294
E.ON Energie Romania	Entity under common control	1.674.914	10.601.236
		3.500.053	16.511.105

xiv) Guarantees from affiliates

	Relationship	30 September 2019 (unaudited)	31 December 2018 (unaudited)
SNGN Romgaz	Entity under common control	25.452.675	24.335.239
Electrocentrale Constanța	Entity under common control	2.440.509	164.899
Electrocentrale Deva SA	Entity under common control	1.027.953	169.053
E.ON Energie Romania	Entity under common control	14.765.281	8.059.011
		43.686.418	32.728.202

28. EARNINGS PER SHARE

The Company shares are listed on the first category of the Bucharest Stock Exchange.
Basic earnings per share are calculated by dividing the profit attributable to the Company's equity holders to the average number of ordinary shares existing during the year.

	Nine months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2018 (unaudited) (retreated)
Profit attributable to the Company's equity holders	224.688.520	299.945.764
Weighted average of the number of shares	11.773.844	11.773.844
Basic and diluted earnings per share (lei per share)	19,08	25,48

29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH

Compensations

Approximately 0.57 % of the receivables were settled by transactions that haven't involved cash outflows during the nine months period ended 30 September 2019 (30 September 2018: 0.24%).

Transactions mainly represent sales of products and services in exchange for raw materials and services or offsets with clients and suppliers within the operating cycle.

Barter transactions

No barter transactions were made in 2019 and 2018.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

i) Commitments

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

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

On 30 September 2019 the value of the contractual firm obligations for the purchase of tangible and intangible assets is of lei 995.708.382.

Eurotransgaz SRL, the company established and owned by Transgaz in Moldova, was appointed the winner of the privatization investment contest for the single patrimonial complex State Enterprise Vestmoldtransgaz operating the Iasi-Ungheni gas transmission pipeline on the territory of Moldova under the following conditions: payment of the sale price and making investments in the next two years for the construction of a gas transmission pipeline between Ungheni and Chisinau, as well as the necessary equipment for the operation of this pipeline.

The company prepares an inventory of the natural gas structure existing in the National Transmission System for the presentation in the financial statements.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

ii) Taxation

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

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

iii) Insurance policies

The Company does not have insurance policies related to operations, complaints on products, or for the public debt. The company has insurance policies for buildings and mandatory civil liability policies for the car fleet. Moreover, the company has contracted professional liability insurance services for the members of the Board of Administration and for 54 managers (49 managers in 2018).

iv) Environmental aspects

Environmental regulations are under development in Romania and the Company did not record any obligation on 30 September 2019 and 31 December 2018 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management of the company believes there are no significant obligations related to environmental aspects.

v) Lawsuits and other actions

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

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

As of 6 June 2016, the Company is subject to an inspection carried out by the European Commission - Directorate General for Competition under art. 20, paragraph (4) of Regulation (EC) No 1/2003 of the European Union Council on the implementation of EU rules on competition laid down in Art. 81 and 82 of the EC Treaty which became art. 101 and 102 respectively of the Treaty on the Functioning of the European Union. Based on their own estimates, the Company's management considers that there are no circumstances that would give rise to significant potential liabilities in this regard.

In 2017 one of the company’s administrators from the period 2013-2017 initiated court proceedings for the recovery of the amounts representing the difference not paid, amounts that he considered he is due according to the mandate contract during the period 2014-2016 and and in 2019 four administrators opened court actions to recover some amounts of money representing unpaid difference, amounts that they consider to be due as a result of the mandate contracts they have carried out in the period 2015-2017. Based on its own estimates the Company deems that there are no circumstances that could lead to potential significant obligations in this respect.

vi) Government policies in the gas sector in Romania

ANRE is an autonomous public institution and sets tariffs for the natural gas transmission activity charged by the Company. It is likely that the Agency decides the implementation of changes of the government strategies in the gas sector, determining changes in the tariffs approved for the Company and, thus, having a significant impact on the Company's revenue.

At the same time, the Romanian government could decide to change the royalty applied to the Company for using the assets part of the public domain according to SCA.

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

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

vii) The political and economic situation in Ukraine

As of 2014 the economic and political situation in Ukraine witnessed an accentuated deterioration. The Company has contracts for gas transmission from Russia to Bulgaria, Turkey, Greece and other countries. Also, Romania annually imports part of the necessary transported gas through the Company's pipelines. It's likely that Gazprom Export stops the supplies of gas transported domestically or internationally through Romania or that Ukraine prevents the transit of gas supplied by Gazprom Export on its territory.

viii) Grants for the Giurgiu – Ruse interconnector

The Company received grants for the building of the Giurgiu - Ruse interconnector. From technical reasons, the initial execution contract was terminated, the auction procedure being reinitiated for the completion of the work. The Company did not receive any request for reimbursement of funds and submitted a request for the extension of the deadline for work completion. The objective was accepted and commissioned at the end of 2016. In December 2017, the Company received from the European Commission the amount of EUR 1,883,690.39, representing the final tranche of the non-reimbursable financing of the project for the interconnection of the natural gas transmission systems of Romania and Bulgaria.

ix) Grants for the pipeline „ NTS developments in the North-Eastern area of Romania"

The company signed on 22.11.2018 with the Ministry of European Funds AM POIM the Financing Contract no. 226 with the scope of granting a grant for the implemantation of the project code MYSMIS 2014 - 122972 „ NTS developments in the North Eastern area of Romania in order to improve gas supply in the region and to ensure transmission capacities to the Republic of Moldova" within the Specific objective 8.2 – Increasing the interconnectivity of the National Transmission System with neighboring states. The amount of the grant is lei 214.496.026,71, namely 32,53% of the value of the eligible expenses.

x) Eurotransgaz Loan guarantee

The company is the guarantor in the loan contract no.90703 concluded on January 24, 2019 between the European Investment Bank and Eurotransgaz, worth 38 million euros, in order to finance the construction by Vestmoldtransgaz SRL of the natural gas transmission pipeline Ungheni Chisinau.

31. FEES OF THE STATUTORY AUDITOR

The fees for the financial year ended December 31, 2018 collected by BDO Audit SRL, invoiced in the nine months of 2019, are: 174,989 lei (without VAT) for statutory audit and 29,760 lei (without VAT) for other services than the statutory audit.

The fees related to the financial year ended as at 31 December 2017 charged by Deloitte Audit SRL, invoiced in nine months of 2018 are: lei 160.391 (VAT excluded) for the statutory audit and lei 61.787 (VAT excluded) for services other than the statutory audit and the fees related to semester II 2017 are: lei 98,791 for limited revision of the financial standing as at 30 June 2017 and lei 45,311 for other services than the statutory audit.

32. RETREATMENTS RELATED TO THE PREVIOUS PERIOD

The Company prepared and published financial statements for the financial year ended as at 30 September 2018. The compared figures from the financial statemenets prepared by the company for the financial year ended as at 30 September 2018 differ from the ones of the previously submitted financial statements as follows:

Registration of the receivable related to the regulated value remained undepreciated upon the termination of the Concession agreement.

As of 01.01.2018, IFRS 15 "Revenue from contracts with customers" became applicable in Romania. This Standard supersedes a number of older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the Company will recognize the updated receivable related to the regulated amount remaining undepreciated at the end of the concession agreement as a consideration and not as a grant, and the intangible asset will be presented in the financial statements at a value less the amount of the updated receivable.

	Nine ended 30 September 2018
Other revenues, previously reported	48.725.587
Other revenues, retreated	26.071.412
	(22.654.175)
Depreciation, previously reported	(161.902.167)
Depreciation, retreated	(139.247.992)
	22.654.175

Calculation of deferred income tax for provisions made for risks and expenses, trade receivables and other assets

In the past, the company calculated deferred income tax only for tangible assets and the provision for employee benefits and did not calculate deferred income tax for receivables and other provisions for risks and expenses.

	Nine months ended 30 September 2018
Deffered profit tax reported previously	(57.231.362)
Deffered profit tax, retreated	(56.567.543)
	663.819

33. REVENUE AND COSTS FROM THE CONSTRUCTION OF ASSETS

In accordance with IFRIC 12 the revenue and costs of network construction should be recognized in accordance with IFRS 15 "Revenues from contracts with the customers".

	Nine months ended 30 September 2019 (unaudited)	**Nine months ended 30 September 2018 (unaudited)**
Revenue from the construction activity according to IFRIC12	521.459.417	109.545.456
Cost of assets constructed according to IFRIC12	(521.459.417)	(109.545.456)

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

34. EVENTS SUBSEQUENT TO THE BALANCE DATE

In October 2019 the company approved the increase of the share capital of Eurotransgaz with the amount of EUR 6.471.177, in order to increase with the same amount of the share capital of Vestmoldtransgaz, the amount necessary for the implementation of the Investment Project carried out by Vestmoldtransgaz.

Chairman of the Board of Administration
Lăpușan Remus Gabriel

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean