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

INTERIM FINANCIAL STATEMENTS FOR NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

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

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

	Note	30 September 2014 (unaudited)	31 December 2013
ASSET			
Fixed assets			
Intangible Assets	9	2.520.592.494	2.533.955.229
Tangible Assets	7	659.671.383	694.970.616
Financial assets available for sale	10	5.953.263	5.953.263
		3.186.217.140	3.234.879.108
Current assets			
Inventories	11	32.548.645	34.054.464
Commercial receivables and other receivables	12	289.485.145	398.892.681
Cash and cash equivalent	13	549.772.010	267.261.555
		871.805.800	700.208.700
Total asset		4.058.022.940	3.935.087.808
EQUITY AND DEBTS			
Equity			
Share capital	14	117.738.440	117.738.440
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	1.167.253.790	1.000.200.731
		3.239.686.352	3.072.633.293
Long-term debts			
Long-term loans	16	6.000.000	24.000.000
Provision for employee benefits	21	59.468.378	59.468.378
Deferred income	17	359.324.937	370.180.329
Deferred tax payment	18	82.293.276	85.768.551
		507.086.591	539.417.258

Notes 1 to 33 are part of these financial statements.

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

	Note	30 September 2014 (unaudited)	31 December 2013
Current debts			
Commercial debts and other debts	19	235.819.094	262.154.273
Provision for risks and charges	20	13.734.425	21.010.439
Current tax payment	18	33.159.078	11.335.145
Provision for employee benefits	21	4.537.400	4.537.400
Short-term loans	16	24.000.000	24.000.000
		311.249.997	323.037.257
Total debts		818.336.588	862.454.515
Total equity and debts		4.058.022.940	3.935.087.808

Endorsed and signed on behalf of the Board of Administration on 10 November 2014 by:

Chairman of the Board of Administration
Ion Sterian

Director - General
Petru Ion Vaduva

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME
(expressed in RON, if not specified otherwise)

	Note	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Revenues from the domestic transmission activity		980.738.639	824.052.743
Revenues from the international transmission activity		201.770.241	202.420.299
Other revenues	22	24.145.753	23.643.982
		1.206.654.633	1.050.117.024
Depreciation	7, 9	(138.076.459)	(135.386.291)
Wages, salaries and other salary related expenses		(253.598.148)	(217.778.616)
Technological consumption, materials and consumables used		(85.573.660)	(90.755.961)
Expenses with royalties		(118.250.888)	(102.647.305)
Maintenance and transport		(36.147.447)	(58.861.894)
Other benefits to employees	26	(14.532.538)	(40.535.322)
Taxes and other amounts owed to the state		(58.955.896)	(33.959.553)
Expenses with the provision for risks and charges		7.276.015	3.703.838
Other operating expenses	23	(73.973.334)	(33.427.461)
Operating profit		434.822.278	340.468.459
Financial income	24	23.883.963	15.394.864
Financial expenses	24	(3.761.969)	(117.858.491)
Financial income, net		20.121.994	(102.463.627)
Profit before tax		454.944.272	238.004.832
Profit tax expense	18	(80.907.035)	(76.384.965)
Net profit for the period		374.037.237	161.619.867
Earnings per share, basic and diluted (expressed in RON per share)	28	31,77	13,73
Total comprehensive income for the period		374.037.237	161.619.867

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INTERIM STATEMENT OF CHANGES IN EQUITY
(expressed in RON, if not specified otherwise)

	Note	Share Capital	Share capital adjustments	Share premium	Other reserves	Retained earnings	Total equity
Balance on 1 January 2013		117.738.440	441.418.396	247.478.865	1.265.796.861	915.143.887	2.987.576.449
Net profit for the period		-	-	-	-	161.619.867	161.619.867
Dividends related to 2013	15	-	-	-	-	(250.665.139)	(250.665.139)
Balance on 30 September 2013 (unaudited)		117.738.440	441.418.396	247.478.865	1.265.796.861	826.098.615	2.898.531.177
Net profit for the period		-	-	-	-	172.871.548	172.871.548
Actuarial gain/loss for the period		-	-	-	-	1.230.568	1.230.568
Balance on 31 December 2013		117.738.440	441.418.396	247.478.865	1.265.796.861	1.000.200.731	3.072.633.293
Net profit for the period		-	-	-	-	374.037.237	374.037.237
Dividends related to 2013	15	-	-	-	-	(206.984.178)	(206.984.178)
Balance on 30 September 2014 (unaudited)		117.738.440	441.418.396	247.478.865	1.265.796.861	1.167.253.790	3.239.686.352

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INTERIM CASH FLOWS STATEMENT
(expressed in RON, if not specified otherwise)

	Note	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Cash generated from operations	25	630.790.058	502.975.025
Interest paid		(995.558)	(2.921.806)
Interest received		7.863.245	8.096.695
Profit tax paid		(62.558.377)	(116.480.085)
Net cash inflow from operating activities		575.099.368	391.669.829
Cash flow from investment activities			
Payments to acquire tangible and intangible assets		(76.210.063)	(114.795.586)
Proceeds from disposal of tangible assets		6	135.275
Purchase of financial investments, net		-	(33.187.583)
Net cash used in investment activities		(76.210.057)	(147.847.894)
Cash flow from financing activities			
Dividends paid		(200.400.352)	(252.326.669)
Cash flows from connection fees and grants		2.021.496	48.090.073
Proceeds for financial investments		-	16.985.593
Repayments of long-term loans		(18.000.000)	(18.000.000)
Net cash used in financing activities		(216.378.856)	(205.251.003)
Net change in cash and cash equivalents		282.510.455	38.570.932
Cash and cash equivalent at beginning of year	13	267.261.555	178.637.942
Cash and cash equivalent at end of period	13	549.772.010	217.208.874

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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 2014, the majority shareholder of the Company is the Romanian state, through the General Secretariat of the Government.

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

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

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

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

These financial statements were authorized to be issued by the Board of Administration on 10 November 2014.

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

2. OPERATIONAL FRAMEWORK OF THE COMPANY

Romania

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

(i) The analysis of the most recent macroeconomic data highlights the establishment of the annual inflation rate at lower levels, on a heading inferior to the one forecasted previously, mainly under the influence of the evolution of the prices set for the agro-food products as well as the reduced inflation in the euro area.

(ii) The monetary policy interest rate of the RNB kept decreasing during 2014. If, in the beginning of January 2014 it was 3.75%, in the meeting on 30 September 2014, the Board of Administration of the Romanian National Bank decided to decrease the monetary policy interest rate to 3.0% per year, from 3.25% (set on 4 August 2014 by the Board of Administration of the Romanian National Bank) starting with 1 October 2014, at the same time with the adequate administration of the liquidities in the bank system. At the same time measures to decrease the minimum reserve services rate applicable to liabilities in lei of the credit institutions were taken at the level of 10% from 12% starting with the application period 24 October – 23 November 2014. The rate of the minimum reserve services applicable to the liabilities in currency is maintained at the level of 16%.

(iii) The rating agency Standard & Poor's reconfirmed the rating related to the Romania's governmental long and short term debt in currency and in the local currency presented in a release of the Public Finance Ministry. According to the agency the preservation of Romania's rating is due mainly to the positive expectations related to the economic growth of, on average, 2.7% during the period 2014-2017, the continuation of the fiscal consolidation process and the external deleverage of Romania.

At the end of trimester III 2014 the RON appreciated from the beginning of the current year by 1.6% as compared to the EUR (the EUR) (4.4114 on 30 September 2014; 4.4847 on 1 January 2014) and depreciated by 7.5% as compared to the US Dollar (3.5019 on 30 September 2014; 3.2551 on 1 January 2014). In trimester III of 2013 the RON depreciated by 0.7% as compared to the EUR (4.4604 on 30 September 2013; 4.4287 on 1 January 2013) and appreciated by 1.56% as compared to the USD (3.3051 on 30 September 2013; 3.3575 on 1 January 2013).

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation

The interim financial statements of the Company for nine months ended 30 September 2014 were prepared in accordance with the IAS 34 Interim Financial Reporting adopted by the European Union ("EU IFRS"). The interim financial statements were prepared based on the historical cost convention, except for the financial assets available for sale, which are presented at fair value.

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

New accounting regulations

The new or reviewed standards and interpretations mandatory for the accounting periods of the Company as of 1 January 2014:

IFRS 10, Consolidated Financial Statements (issued in May 2011 and applicable for the annual periods as of 1 January 2013; applicable for EU IFRS as of 1 January 2014). The amendment does not impact the interim financial statements of the Company.

IFRS 11, Joint Arrangements, (issued in May 2011 and applicable for the annual periods as of 1 January 2013; applicable for EU IFRS as of 1 January 2014), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities - Non-Monetary Contributions by Venturers". The amendment does not impact the financial statements of the Company.

IAS 27, Separate Financial Statements (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013, applicable to EU IFRS as of 1 January 2014), was modified and its objective is now to prescribe the accounting provisions and disclosure for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. Recommendations on control and consolidated financial statements have been replaced by IFRS 10, Consolidated Financial Statements. The amendment does not impact the interim financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 28, Investments in Associates and Joint Ventures (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013; applicable to EU IFRS from 1 January 2014). The amendment to IAS 28 resulted from the IASB project on joint ventures. When discussing that project, the Council decided to include joint ventures accounting on equity method in IAS 28, as this method is applicable both to joint ventures and associated entities. With this exception, other recommendations remain unchanged. The amendment does not impact the interim financial statements of the Company.

Transition Guidance (Amendments to IFRS 10, IFRS 11, IFRS 12) (issued on 28 June 2012 and effective for the annual periods as of 1 January 2013; applicable to EU IFRS as of 1 January 2014). The amendments clarify the guidance for transition to IFRS 10 *Consolidated financial statements*. Entities that adopt IFRS 10 should establish control on the first day of the reporting period in which IFRS 10 is adopted and if the conclusion of consolidation under IFRS 10 is different from IAS 27 and SIC 12, the comparative period (i.e. 2012 for entities that adopt IFRS 10 in 2013) is changed, except when it is not possible. The amendments also provide simplification of transition to IFRS 10, IFRS 11 "Joint Ventures" and IFRS 12 "Disclosure of Interests in Other Entities", limiting the requirement to provide comparative information adjusted for the previous period to that used as a comparison. Also, the amendments will replace the requirement to present comparative information for the disclosures relating to unconsolidated structures entities for periods prior to IFRS 12 to be applied for the first time. The amendment does not impact the interim financial statements of the Company.

Amendments to IFRS 10, IFRS 12 and IAS 27 (issued on 31 October 2012 and effective for annual periods as of 1 January 2014; applicable to EU IFRS as of 1 January 2014) The amendments introduce a definition of an investment company as an entity that (i) obtains funds from investors in order to provide them with investment management services, (ii) undertakes to investors that the business objective is to invest funds only for capital growth or income from investments and (iii) measures and evaluates its investments on a fair value basis. An investment company must register its subsidiaries at fair value in the profit or loss account and consolidate those subsidiaries which provide services related to the entity's investments. IFRS 12 was modified to introduce new requirements relating to presentation, including significant judgments used in determining whether an entity is an investment company and information about the financial support or other support granted to an unconsolidated subsidiary, regardless if this support is at intention level or it has already been granted to the subsidiary. The amendment does not impact the interim financial statements of the Company.

Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (issued on 29 May 2013 and effective for annual periods beginning as of 1 January 2014; early application is possible if IFRS 13 is effective for the same reporting accounting period). These amendments remove the requirement of recoverable amount disclosures for impaired assets if the cash-generating unit contains goodwill or intangible assets with indefinite life and there has been no impairment. The amendment does not impact the interim financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for the annual periods as of 1 January 2014). The amendments allow the continuation of hedge accounting in the situation when a derivative financial instrument appointed as hedge instrument is novate (more specifically, the parties agreed to replace the initial provider with a new one) to perform centralized clearing activities through a third party, as a consequence of laws or regulations, if certain specific conditions are met. The amendment does not impact the interim financial statements of the Company.

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

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

The Company still analyzes the impact of these standards:

IFRIC 21 - Taxes (issued on 20 May 2013 and applicable for the annual periods as of 1 January 2014; applicable for EU IFRS as of 1 January 2015). The interpretation clarifies the accounting for the obligation to pay a fee that is not a profit tax. The chargeable event giving rise to the obligation to pay the fee is set out in legislation. The fact that an entity is economically required to continue to operate in a future period or to prepare financial statements in accordance with the going concern principle does not create an obligation. The same principles of recognition apply in the intermediary and annual financial statements. Implementation of interpretation for liabilities arising from transactions with green certificates is optional.

IFRS 9, Financial Instruments: Classification and Evaluation. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to meet the classification and valuation of financial liabilities in December 2011 and to (i) replace the date of entry into force with the annual periods as of 1 January 2015 and (ii) add transitional disclosures. The key features of this standard are:

- Financial assets must be classified into two valuation categories: those subsequently valued at fair value and those subsequently valued at amortized cost. The decision will be made at initial recognition. The classification depends on the entity's business model used in managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently valued at amortized cost only if it is a debt instrument and if (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows and (ii) the contractual cash flows of the asset represent only payments of loan and interest (that is, they have only "basic loan features"). All other debt instruments shall be measured at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- All equity instruments shall be subsequently measured at fair value. Equity instruments held for trading will be measured at fair value through profit or loss. For all other equity instruments, an irrevocable choice on initial recognition can be made, consisting of recognition, consisting of the recognition of gains and losses realized and unrealized at fair value, through other items of the comprehensive result, and not through profit or loss. There will be no reversal of gains and losses at the fair value in the profit and loss account. This choice will be made separately, for each instrument. Dividends shall be presented in profit or loss, as long as they represent the return on investment.
- Most IAS 39 provisions on the classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The main change was that the entity will have to present the effects of changes in credit risk of financial liabilities designated at fair value through profit or loss in other items of the comprehensive income.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (issued in November 2013 and applicable for the annual periods as of 1 July 2014) Changes give the possibility to entities to recognize the employees' contributions as a reduction of the cost of providing the service for the period when the service is actually provided by the employee, without contributing to the periods of service provision, if the value of employees' contributions is independent from the number of years of service.

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

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

IFRS 3 was changed to clarify that (1) the obligation to pay a contingent liability that meets the definition of a financial instrument is classified as a financial or capital liability, based on the definitions of IAS 32 and (2), contingent liabilities that are not of capital nature, both financial and non-financial, are valued at fair value at each reporting date, with changes in fair value recognized in the profit and loss account. Amendments to IFRS 3 are applicable for business combinations where the acquisition date is on or after 1 July 2014.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 16 and IAS 38 were amended to clarify how the gross book value and accumulated depreciation are treated if an entity uses the revaluation model.

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

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

Basis for Conclusions on IFRS 1 is amended to clarify that, if a new version of a standard is not yet mandatory, but is available for early adoption, a first-time adopter may use either the new version or the previous one, provided that the same standard applies to all periods presented.

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

The amendment to IFRS 13 clarifies that exemption allowing an entity to assess the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts (including contracts for the sale or purchase of non-financial items) that are within the scope of IAS 39 or IFRS 9.

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

IFRS 14 Deferral Accounts (issued in January 2014 and applicable for the annual periods as of 1 January 2016). IFRS 14 allows those who adopt IFRS for the first time to recognize the amounts related to rate regulation in accordance with generally accepted accounting principles used previously. However, to increase comparability with entities that already apply IFRS and do not recognize these amounts, the standard requires that the effect of rate regulation be submitted separately. An entity already presenting IFRS financial statements is not eligible to apply the standard.

Acquisition of an interest in a joint operation – Amendments to the IFRS 11 (issued in May 2014 and applicable as of 1 January 2016).

Clarification of acceptable methods of depreciation and amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and applicable as of 1 January 2016).

IFRS 15, Revenue from contracts with customers (issued on 28 May 2014 and applicable as of 1 January 2017)

Agriculture: Amendments to IAS 16 and IAS 41 (issued on 30 September 2014 and applicable as of 1 January 2016).

3.2 Reporting on segments

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

3.3 Transactions in foreign currency

a) Functional currency

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

b) Transactions and balances

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

On 30 September 2014, the exchange rate communicated by NBR was 1 U.S. dollar ("USD") = 3.5019 lei (RON) (30 September 2013: 1 USD = 3.3051 RON, 31 December 2013: 1 USD =3.2551 RON) and 1 Euro ("EUR") = 4.4114 RON (30 September 2013: 1 EUR = 4.4604 RON, 31 December 2013:1 EUR = 4.4847 RON).

3.4 Accounting for the effects of hyperinflation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible Assets

Computer Software

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

Service Concession Agreement

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

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

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

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

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

3.6 Tangible Assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of non-financial assets

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

3.8 Assets of public domain

In accordance with Public Domain Law No. 213/1998, pipelines for gas transmission are public property. Government Decision 491/1998, confirmed by Government Decision 334/2000, states that fixed assets with a gross historical statutory book value of RON 474,952,575 (31 December 2013: RON 474,952,575) representing gas pipelines are managed by the Company. Therefore, the Company has the exclusive right to use such assets during the concession and shall return them to the state at the end of this period (see Note 8). The Company receives most of the benefits associated with the assets and is exposed to most of the risks, including the obligation to maintain network assets over a period at least equal to the remaining useful life, and the financial performance of the Company is directly influenced by the state of the network. Therefore, before 1 January 2010, the Company recognized those assets as tangible assets, with a proper reserve in the shareholders' equity (see Note 5.2.). Accounting policies applied to these assets were the same as those applied to the Company's tangible assets (Notes 3.7 and 3.6).

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

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

3.9 Financial assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Loans and receivables

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

(b) Financial assets available for sale

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

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

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

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

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

(c) Impairment of financial assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 stated at amortized cost

Impairment testing of trade receivables is described above.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Assets classified as available for sale

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

3.10 Inventories

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

The cost is determined based on the first in, first out method. Where necessary, provision is made for obsolete and slow moving inventories. Individually identified obsolete inventories are provided for the full value or written off. For slow moving inventory, an estimate is made of the age of each main category on inventory rotation.

3.11 Trade receivables

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

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

3.12 Value Added Tax

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Cash and cash equivalent

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

3.14 Equity

Share capital

Ordinary shares are classified as equity.

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

Dividends

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

3.15 Borrowings

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

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

3.16 Current and deferred profit tax

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

3.17 Commercial payables and other payables

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

3.18 Deferred income

Deferred income is recorded for connection taxes applied to customers upon their connection to the gas transmission network, for the objectives received free of charge and for grants collected. The deferred income is recorded in the profit and loss account for the useful life of related assets (connection pipes, metering - regulating stations, meters).

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Social insurance

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

Gas aid

Before April 2014 the Company committed, under the collective labour contract, to grant employees a material aid equal to the equivalent value of a certain amount of gas (see Note 26); these amounts are presented under "Other benefits to employees", for the period when they are recorded. The value of the gas aid is calculated at the regulated selling price applied to the amount agreed under the collective labour contract. Since April 2014 the gas aid was included into the gross salary, as a monthly fixed amount, under "Salary expense".

Profit sharing and bonuses

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

3.20 Provisions for risks and charges

The provisions for risks and charges are recognized when the Company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, which incorporates economic benefits and for which a credible estimate can be made in terms of the obligation value. Where there are similar obligations, the probability for an outflow of resources to be necessary for settlement is set after the assessment of the obligation class as a whole. The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced. Where the Company expects the reimbursement of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain. Provisions are measured at the discounted value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.21 Income recognition

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

a) Income from services

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

b) Income from the sale of goods

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

c) Interest income

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

d) Income from dividends

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

e) Mutual compensation and barter transactions

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

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

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

f) Income from penalties

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

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) Market risk

(i) Currency risk

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

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

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

	30 September 2014 (unaudited)	**31 December 2013**
Impact on profit and loss and on equity of:		
USD appreciation by 10%	2.037.917	3.654.009
USD depreciation by 10%	(2.037.917)	(3.654.009)
EUR appreciation by 10%	7.709.631	2.635.180
EUR depreciation by 10%	(7.709.631)	(2.635.180)

(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 first three trimesters of 2014 would have been lower/higher by RON 2.362.768 (the same period of 2013: RON 3.013.485).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The Company is exposed to interest rate risk by its long and short-term borrowings, of which most have variable rates. Also, the Company is exposed to the interest rate risk by deposits with banks. The Company has not concluded any commitment to diminish the risk. For the average exposure in 2014, if the interest rates had been by 50 basis points lower/higher, with all the other variables maintained constant, the profit related to the first trimesters of 2014 and equity would have been by RON 1.525.192 lower/higher, especially as a result of reducing the interest rate for bank deposits and for floating rate obligations.

(b) Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company has drawn up a number of policies, through their application ensuring that sales of products and services are made to proper customers. The book value of receivables, net of provisions for doubtful debts, represents the maximum value exposed to credit risk. The Company's credit risk is concentrated on the 5 main customers, which together account for 63% of the trade receivable balances on 30 September 2014 (2013: 65%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the provisions already made.

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

	30 September 2014 (unaudited)	**31 December 2013**
No rating	114.708	59.511
BB-	289.572.352	86.883.471
BBB-	1.235.581	1.922.703
BBB	3.669.323	-
BBB+	199.804.993	122.973.017
BA1	23.676.112	-
A	30.073.144	53.982.844
A+	113.270	66.924
Caa2	1.238.367	1.262.981
	549.497.850	267.151.451

(c) Liquidity risk

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

The table below shows obligations on 30 September 2014 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Maturity analysis of financial liabilities on 30 September 2014 is as follows:

	Total amount (unaudited)	less than 1 year (unaudited)	1-5 years (unaudited)	over 5 years (unaudited)
Borrowings	30.821.400	24.766.200	6.055.200	-
Commercial payables and other payables	159.474.219	159.474.219	-	-
	190.295.619	184.240.419	6.055.200	-

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

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

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

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

In 2014 the Company's strategy, unchanged since 2013, is to keep the indebtedness degree as low as possible, to keep a significant capacity to borrow funds for future investments. The net indebtedness degree on 3o June 2014 and on 31 December 2013:

	30 September 2014 (unaudited)	31 December 2013
Total borrowings (Note 16)	30.000.000	48.000.000
Except: cash and cash equivalents (Note 13)	(549.772.010)	(267.261.555)
Net cash position	(519.772.010)	(219.261.555)

Fair value estimate

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

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

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

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

5.1 Assumptions for the determination of the provision for retirement benefits

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

5.2 The accounting treatment of the concession agreement

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

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

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

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

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

5.4 Impairment of tangible and intangible assets

The company is testing at the end of each reporting period whether the tangible and intangible assets have suffered any impairment, in accordance with the policies in Note 3.7. The recoverable amount of the cash-generating units has been determined based on the value in use. The value in use is determined based on projected cash flows before tax, estimated by the Company`s management for a period of three years. Cash flows for the following periods are extrapolated using an estimated growth rate equal to inflation.

6. INFORMATION ON SEGMENTS

The information on segments provided to the Board of Administration, which makes the strategic decisions for the reporting segments, related to nine months ended 30 September 2014, is as follows:

	Domestic gas transmission (unaudited)	International gas activity (unaudited)	Unallocated (unaudited)	Total (unaudited)
Income from domestic transmission	980.738.639	-	-	980.738.639
Income from the international transmission activity	-	201.770.241	-	201.770.241
Other revenues	8.604.747	-	15.541.006	24.145.753
Total income	989.343.386	201.770.241	15.541.006	1.206.654.633
Depreciation	(112.262.931)	(23.360.731)	(2.452.797)	(138.076.459)
Operating expenses other than depreciation	(578.888.350)	(39.572.662)	(15.294.884)	(633.755.896)
Operating result	-	-	-	434.822.278
Net financial gain	-	-	-	20.121.994
Profit before tax	-	-	-	454.944.272
Profit tax	-	-	-	(80.907.035)
Net profit	-	-	-	374.037.237
Assets on segments	3.043.868.852	411.589.937	602.564.151	4.058.022.940
Liabilities on segments	683.130.446	9.133.553	126.072.589	818.336.588
Capital expenditure - increases in assets in progress	90.040.427	-	-	90.040.427
Non-cash expenses other than depreciation	35.179.255	(3.543.613)	(4.067.907)	27.567.735

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

6. INFORMATION ON SEGMENTS (CONTINUED)

Unallocated assets include:	**602.564.151**
Tangible and intangible assets	45.893.949
Financial assets	5.953.263
Cash	549.772.010
Other assets	944.929
Unallocated liabilities include:	**126.072.589**
Deferred tax	82.293.276
Tax payable	33.159.078
Dividends payable	10.241.075
Other debts	379.160

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

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

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

	Domestic Clients (unaudited)	**Foreign Clients (unaudited)**	**Total (unaudited)**
Income from domestic transmission	980.738.639	-	980.738.639
Income from the international transmission activity	-	201.770.241	201.770.241
Other revenues	23.349.595	796.158	24.145.753
	1.004.088.234	202.566.399	1.206.654.633

All the Company assets are located in Romania. All the Company activities are carried out in Romania. The Company has receivables from external clients amounting to RON 23.570.610 (2013: RON 22.433.191).

6. INFORMATION ON SEGMENTS (CONTINUED)

The information on segments provided to the Board of Administration, which makes the strategic decisions for the reporting segments, related to the financial year ending on 31 December 2013, is as follows:

	Domestic gas transmission	International gas transit	Unallocated	Total
Income from domestic transmission	1.210.480.230	-	-	1.210.480.230
Income from the international transmission activity	-	268.537.107	-	268.537.107
Other revenues	11.002.356	-	26.620.611	37.622.967
Total income	1.221.482.586	268.537.107	26.620.611	1.516.640.304
Depreciation	(145.965.364)	(31.436.743)	(3.478.006)	(180.880.113)
Operating expenses other than depreciation	(735.263.582)	(49.299.024)	(15.399.910)	(799.962.516)
Operating result	-	-	-	535.797.675
Net financial gain	-	-	-	(105.864.876)
Profit before tax	-	-	-	429.932.799
Profit tax	-	-	-	(95.441.384)
Net profit	-	-	-	334.491.415
Assets on segments	3.129.312.918	483.557.025	322.217.865	3.935.087.808
Liabilities on segments	751.496.738	13.392.012	97.565.765	862.454.515
Capital expenditure - increases in assets in progress	170.547.973	-	8.315	170.556.288
Non-cash expenses other than depreciation	14.683.300	487.496	127.806.316	142.977.112

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

Unallocated assets include:	
Tangible and intangible assets	48.376.748
Financial assets	5.953.263
Cash	267.261.555
Other assets	626.299
	322.217.865
Unallocated liabilities include:	
Deferred tax	85.768.551
Tax payable	11.335.145
Other debts	462.069
	97.565.765

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.

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

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

	Domestic Clients	Foreign Clients	Total
Revenues from the domestic transmission activity	1.210.480.230	-	1.210.480.230
Revenues from the international transmission activity	-	268.537.107	268.537.107
Other revenues	37.049.665	573.302	37.622.967
	1.247.529.895	269.110.409	1.516.640.304

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

7. TANGIBLE ASSETS

	Land and buildings	Assets of the transmission system	Other fixed assets	Assets in progress	Total
On 30 September 2013 (unaudited)					
Cost on 1 January 2013	242.556.113	990.885.435	236.204.988	11.298.723	1.480.945.259
Accumulated depreciation on 1 January 2013	(97.857.480)	(462.524.561)	(178.135.307)	-	(738.517.348)
Initial net book value	144.698.633	528.360.874	58.069.681	11.298.723	742.427.911
Inflows	713.010	-	415.991	8.979.183	10.108.184
Transfers	3.617.715	-	10.188.501	(13.806.216)	-
Outflows (net book value)	(2.333)	(15.992)	(88.159)	-	(106.484)
Reclassification	22.682.444	(4.627.473)	(18.054.971)	-	-
Expense with depreciation	(8.588.213)	(25.700.202)	(8.753.117)	-	(43.041.532)
Final net book value	163.121.256	498.017.207	41.777.926	6.471.690	709.388.079
Cost	275.635.089	981.948.925	217.384.723	6.471.690	1.481.440.427
Accumulated depreciation	(112.513.833)	(483.931.718)	(175.606.797)	-	(772.052.348)
Final net book value	163.121.256	498.017.207	41.777.926	6.471.690	709.388.079
On 31 December 2013					
Initial net book value	163.121.256	498.017.207	41.777.926	6.471.690	709.388.079
Inflows	-	-	9.881	(163.820)	(153.939)
Transfers	683.577	-	2.665.578	(3.349.155)	-
Outflows (net book value)	-	(3.235)	(7.588)	-	(10.823)
Expense with depreciation	(2.704.442)	(8.556.652)	(2.991.607)	-	(14.252.701)
Final net book value	161.100.391	489.457.320	41.454.190	2.958.715	694.970.616
Cost	276.318.655	981.934.809	220.028.197	2.958.715	1.481.240.376
Accumulated depreciation	(115.218.264)	(492.477.489)	(178.574.007)	-	(786.269.760)
Final net book value	161.100.391	489.457.320	41.454.190	2.958.715	694.970.616

7. TANGIBLE ASSETS (CONTINUATION)

	Land and buildings	Assets of the transmission system	Other fixed assets	Assets in progress	Total
On 30 September 2014 (unaudited)					
Initial net book value	161.100.391	489.457.320	41.454.190	2.958.715	694.970.616
Inflows	-	-	-	6.437.595	6.437.595
Transfers	97.710	-	5.878.078	(5.975.788)	-
Outflows (net book value)	(2.544)	-	(26.071)	-	(28.615)
Expense with depreciation	(7.183.735)	(25.662.585)	(8.861.893)	-	(41.708.213)
Final net book value	154.011.822	463.794.735	38.444.304	3.420.522	659.671.383
Cost	276.411.364	981.934.809	222.297.039	3.420.522	1.484.063.734
Accumulated depreciation	(122.399.542)	(518.140.074)	(183.852.735)	-	(824.392.351)
Final net book value	154.011.822	463.794.735	38.444.304	3.420.522	659.671.383

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

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

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

8. SERVICE CONCESSION AGREEMENT

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

Upon expiration of the agreement, the assets belonging to the public domain existing at the time of signing the agreement and all investments made in the system will be returned to the state free of charge. 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 to the NAMR and then approved by the ANRE;
- The Company is exempt from the payment of import duties for the assets acquired for operation, improvement or development of the system;
- The Company must annually publish by 30 October the available capacity of the system for the following year;
- The Company must annually respond to the clients' orders by 30 November and the NAMR must be informed on all rejected orders decided by the Company's management;
- The Company must keep a specific level of functioning (guaranteed through a mandatory minimum investment programme);
- royalties are paid as percentage (by 30 September 2007: 5%, as of October 2007: 10%) of the gross income from the operation of the national transmission system (domestic and international transmission);
- all operating expenses for operating the system are incurred by the Company;
- The Company may cancel the agreement by notifying the NAMR 12 months in advance;
- The NAMR may cancel the agreement by a 6-month prior notice, if the Company fails to comply with the contractual conditions; it also has the option to cancel the agreement with a 30-day prior notice for "national interest" reasons; in this case, the Company will receive compensation equal to the average net profit of the past 5 years multiplied by the remaining duration of the agreement.

The concession agreement does not include an automatic renewal clause.

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

9. INTANGIBLE ASSETS

	SCA related assets	Computer software	Intangible assets in progress	Total
On 30 September 2013 (unaudited)				
Cost on 1 January 2013	5.322.966.364	68.176.103	234.204.721	5.625.347.188
Accumulated amortization at 1 January 2013	(3.068.321.928)	(61.233.468)	-	(3.129.555.396)
Initial net book value	2.254.644.436	6.942.635	234.204.721	2.495.791.792
Inflows	1.377.005	71.101	92.325.136	93.773.242
Transfers	99.935.509	1.079.313	(101.014.822)	-
Amortization	(88.727.005)	(4.129.674)	-	(92.856.679)
Final net book value	2.267.229.945	3.963.375	225.515.035	2.496.708.355
Cost	5.424.278.878	45.949.479	225.515.035	5.695.743.392
Accumulated amortization	(3.157.048.933)	(41.986.104)	-	(3.199.035.037)
Net book value	2.267.229.945	3.963.375	225.515.035	2.496.708.355
On 31 December 2013				
Initial net book value	2.267.229.945	3.963.375	225.515.035	2.496.708.355
Inflows	-	-	69.415.788	69.415.788
Transfers	91.165.630	3.036.676	(94.202.306)	-
Amortization	(30.539.863)	(822.807)	-	(31.362.670)
Provisions for impairment	-	-	(806.244)	(806.244)
Final net book value	2.327.855.712	6.177.244	199.922.273	2.533.955.229
Cost	5.515.444.508	48.986.155	200.728.517	5.765.159.180
Accumulated amortization	(3.187.588.796)	(42.808.911)	-	(3.230.397.707)
Provisions for impairment	-	-	(806.244)	(806.244)
Net book value	2.327.855.712	6.177.244	199.922.273	2.533.955.229
On 30 September 2014 (unaudited)				
Initial net book value	2.327.855.712	6.177.244	199.922.273	2.533.955.229
Inflows	85.933	-	83.602.831	83.688.764
Transfers	56.254.619	1.368.765	(57.623.384)	-
Amortization	(94.694.965)	(2.356.534)	-	(97.051.499)
Final net book value	2.289.501.299	5.189.475	225.901.720	2.520.592.494
Cost	5.571.785.060	50.354.921	226.707.964	5.848.847.945
Accumulated amortization	(3.282.283.761)	(45.165.446)	-	(3.327.449.207)

Provisions for impairment	-	-	(806.244)	(806.244)
Net book value	2.289.501.299	5.189.475	225.901.720	2.520.592.494

10. FINANCIAL ASSETS AVAILABLE FOR SALE

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

Company	Activity	% Percentage owned 2014 (unaudited)	% Percentage owned 2013	30 September 2014 (unaudited)	31 December 2013
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
Mebis SA	Production distribution and supply of natural gas	17,47	17,47	6.461.736	6.461.736
Nabucco Gas Pipeline International Gmbh	Gas transmission	17,93	17,93	138.544.435	138.544.435
Minus provision for impairment of investments in:					
Resial SA and Mebis SA				(24.578.237)	(24.578.237)
Nabucco Gas Pipeline International Gmbh				(132.591.172)	(132.591.172)
				5.953.263	5.953.263

Shares in Resial SA

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

Shares in Mebis SA

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

Shares in Nabucco Gas Pipeline International Gmbh

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

10. FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

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

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

On 30 September 2014, NIC's ownership structure was the following: Botas - Turkey 17.93% (2013: 17.93%), Bulgargaz - Bulgaria 17.93% (2013: 17.93%), SNTGN Transgaz SA - Romania 17.93% (2013: 17.93%), MOL - Hungary 10.35% (10.35%), OMV Gas & Power GmbH - Austria 35.86% (2012: 35.86%).

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

The Company`s investment in NIC amounting to RON 138,544,435 was provisioned in 2013 with the amount of RON 132,591,172. For the amount of RON 5,953,263 remaining unprovisioned, there are prospects of recovery from the liquidation of NIC. During 2014 an advance payment was cashed after the liquidation of NIC amounting to EUR 959.350,39 and respectively EUR 1.468.500 after the reconciliation of the amounts transferred in an escrow account by the Shah Deniz Consortium.

The fair value of the investment cannot be estimated, because the shares are not listed.

11. INVENTORIES

	30 September 2014 (unaudited)	31 December 2013
Gas inventories	10.388.000	10.388.000
Spare parts and materials	29.815.274	31.215.906
Provisions for slow moving inventories	(7.654.629)	(7.549.442)
	32.548.645	34.054.464

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

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES
13.

	30 September 2014 (unaudited)	31 December 2013
Trade receivables	340.778.171	415.962.124
Advance payments to suppliers	19.772.237	20.062.868
Undue VAT	2.118.758	1.627.472
Loan to Resial SA (Note 10)	1.770.346	1.770.346
Other receivables	14.873.318	14.558.994
Provision for impairment of trade receivables	(80.939.425)	(43.703.129)
Provision for impairment of other receivables	(8.888.260)	(11.385.994)
	289.485.145	398.892.681

On 30 September 2014, the amount of RON 44,432,519 (31 December 2013: RON 43,108,052) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 45% in USD (2013: 43%) and 55% in EUR (2013: 57%).

Trade receivables were pledged as collateral for banks for loans, as mentioned in Note 16. The total amount of receivables pledged on 30 September 2014 is of RON 6.598.970 (31 December 2013: RON 69,395,056).

12. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

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

	30 September 2014		31 December 2013	
	Trade receivables (unaudited)	Other receivables (unaudited)	Trade receivables	Other receivables
Current and not impaired (1)	223.360.338	29.373.649	231.540.586	26.409.953
Overdue but not impaired				
- overdue less than 30 days	21.560	187.289	114.246.925	160.096
- overdue between 30 and 90 days	27.049.583	13.936	7.848.354	57.887
- overdue more than 90 days	9.407.265	71.525	18.623.130	5.750
Due, but not impaired - total (2)	36.478.408	272.750	140.718.409	223.733
Impaired (gross)				
- overdue between 30 and 90 days	4.939.739	1.128	1.193.275	2.102
- overdue between 30 and 360 days	32.549.091	17.454	1.834.103	2.883.896
- overdue more than 360 days	43.450.595	8.869.678	40.675.751	8.499.996
Total impaired (3)	80.939.425	8.888.260	43.703.129	11.385.994
Except the provision for impairment (4)	80.939.425	8.888.260	43.703.129	11.385.994
Total trade receivables and other receivables (1+2+3-4)	259.838.746	29.646.399	372.258.995	26.633.686

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

	30 September 2014 (unaudited)	31 December 2013
Group 1	187.477.198	163.415.006
Group 2	35.883.140	68.125.580
Trade receivables	223.360.338	231.540.586

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

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

12. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Movements in the provision account are analyzed below:

	30 September 2014 (unaudited)	31 December 2013
Provision on 1 January	55.089.123	54.928.617
(Income)/expense with the provision for doubtful debts (Note 23)	34.738.562	160.506
Provision at the end of the period	89.827.685	55.089.123

13. CASH AND CASH EQUIVALENT

	30 September 2014 (unaudited)	31 December 2013
Cash at bank in RON	496.420.335	245.704.410
Cash at bank in foreign currency	53.077.515	21.447.041
Other cash equivalents	274.160	110.104
	549.772.010	267.261.555

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

The weighted average effective interest related to short-term bank deposits was of 2.22% on 30 September 2014 (3.84% on 31 December 2013) and these deposits have an average maturity of 30 days. Deposits with initial maturity of up to 3 months are also included.

For the presentation of the cash flow statement, cash and cash equivalents include:

	30 September 2014 (unaudited)	30 September 2013 (unaudited)
Cash and cash equivalents	549.772.010	230.798.656
Overdraft	-	(1.544.751)
Restricted cash	-	(12.045.031)
	549.772.010	217.208.874

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital	Share premium	Total
IFRS				
On 31 December 2013	11.773.844	117.738.440	247.478.865	365.217.305
On 30 September 2014	11.773.844	117.738.440	247.478.865	365.217.305
Capital adjustment to the hyperinflation accumulated on 31 December 2003 and 30 September 2014	-	441.418.396	-	441.418.396
On 31 December 2013, 30 September 2014	11.773.844	559.156.836	247.478.865	806.635.701

The authorized number of ordinary shares is 11,773,844 (31 December 2013: 11,773,844) with a nominal value of RON 10 each. Each share represents one vote. The ownership structure on 30 September 2014 is the following:

	Number of ordinary shares	Statutory value (RON)	Percentage (%)
The Romanian state, represented by the General Secretariat of the Government	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 2013 is the following:

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

14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

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 interim financial statements, the Company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

15. OTHER RESERVES, LEGAL RESERVES AND RETAINED EARNINGS

Other reserves

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

Legal reserve

In accordance with the Romanian legislation and the Company's Articles of Incorporation, it must transfer five percent of the profit from the statutory financial statements in a statutory reserve of up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for distribution on 30 September 2014, amounts to RON 23,547,688 (31 December 2013: RON 23,547,688). The legal reserve is included in the "Retained earnings" in these financial statements.

Dividend distribution

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

16. LONG-TERM BORROWINGS

The long-term tranche of long-term borrowings

	Currency	30 September 2014 (unaudited)	31 December 2013
BRD Groupe Societe Generale ("BRD")	RON	6.000.000	24.000.000
		6.000.000	24.000.000

The current tranche of long-term borrowings

	Currency	30 September 2014 (unaudited)	31 December 2013
BRD Groupe Societe Generale ("BRD")	RON	24,000,000	24,000,000
		24,000,000	24,000,000

Long-term borrowings are described below:

BRD GSG

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

The maturity of the borrowing from BRD is presented below:

	30 September 2014 (unaudited)	31 December 2013
Within 1 year	24.000.000	24.000.000
Between 1 and 2 years	6.000.000	24.000.000
	30.000.000	48.000.000

The borrowing from BRD G.S.G. is secured by receivables from GDF Suez Energy Romania SA and Azomures SA.

16. LONG-TERM BORROWINGS (CONTINUED)

Overdraft from BRD GSG

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

This facility was guaranteed with a lien on receivables from contracts concluded with Azomures SA and GDF Suez Energy Romania SA having a value of RON69,395,056 on 31 December 2013.

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

	30 September 2014 (unaudited)	31 December 2013
Current portion of long-term borrowings	24,000,000	24,000,000

The effective interest rate

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

	30 September 2014 (%) (unaudited)	31 December 2013 (%)
Long-term borrowings in RON	4,86	5,48

16. LONG-TERM BORROWINGS (CONTINUED)

Fair value

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

	Book values		Fair values	
	2014 (unaudited)	**2013**	**2014 (unaudited)**	**2013**
BRD GSG	30.000.000	48.000.000	30.129.540	47.768.228
	30.000.000	48.000.000	30.129.540	47.768.228

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

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

	30 September 2014 (unaudited)	**31 December 2013**
Variable interest rate	30.000.000	48.000.000

The variable interest rate can be analyzed as follows:

	30 September 2014 (unaudited)	**31 December 2013**
6 months or less	30.000.000	48.000.000

The Company has the following undrawn facilities

	30 September 2014 (unaudited)	**31 December 2013**
Facilities in RON		100,000,000

17. DEFERRED INCOME

Deferred income consists of connection taxes charged to clients for their connection to the national gas transmission system, of assets taken over for free for connection to the network and grants. The Company uses the connection tax to achieve the connection to the national transmission system of the client's objectives. Deferred income (presented as "income from the connection taxes") is registered as income for the period when the related assets are depreciated (Note 22).

	30 September 2014 (unaudited)	31 December 2013
Initial balance	370.180.329	362.261.072
Increases	1.979.167	54.510.890
Reimbursed amounts	-	(29.633.634)
Amounts recorded in the income (Note 22)	(12.834.559)	(16.957.999)
Final balance	359.324.937	370.180.329

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

18. PROFIT TAX

Profit tax expense

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Expense with the profit tax - current	84.382.310	78.911.700
Deferred tax - impact of temporary differences	(3.475.275)	(2.526.735)
Profit tax expense	80.907.035	76.384.965

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

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Profit before tax	454.944.271	238.004.832
Theoretical expense with the tax the statutory rate of 16% (2013: 16%)	72.791.083	38.080.773
Non-taxable income	(26.628.898)	(24.183.331)
Non-deductible expenses	34.744.850	62.487.523
Profit tax expense	80.907.035	76.384.965
Profit tax related liability, current	33.159.078	19.771.630

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

18. PROFIT TAX (CONTINUED)

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 30 September 2014 (31 December 2013: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(income from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:

	30 September 2014 (unaudited)	Movement	31 December 2013	Movement	30 September 2013 (unaudited)	Movement	1 January 2013
Deferred tax payment							
Tangible and intangible assets	92.534.200	(3.475.275)	96.009.475	(1.806.542)	97.816.017	(2.526.735)	100.342.752
Deferred tax recoverable							
Provision for employee benefits	(10.240.924)	-	(10.240.924)	(270.715)	(9.970.209)	-	(9.970.209)
	82.293.276	(3.475.275)	85.768.551	(2.077.257)	87.845.808	(2.526.735)	90.372.543

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

18. PROFIT TAX (CONTINUED)

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

	30 September 2014 (unaudited)	31 December 2013
Deferred tax liabilities payable in more than 12 months as reported	82.293.276	85.768.551

19. TRADE PAYABLES AND OTHER PAYABLES

	30 September 2014 (unaudited)	31 December 2013
Trade payables	49.539.055	59.920.774
Suppliers of fixed assets	33.696.845	20.549.846
Dividends payable	10.241.075	3.657.249
Debts to the Ministry of Economy and Trade (see below)	51.717.551	51.717.551
Debts related to royalties	33.488.453	45.254.429
Other taxes	17.589.635	18.570.857
Amounts payable to employees	10.270.679	13.523.126
VAT payable	14.996.108	33.460.633
Other debts	14.279.693	15.499.808
	235.819.094	262.154.273

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

On 30 September 2014, the amount of RON 110.478 (31 December 2013: RON 1,664,280), representing suppliers and other debts, is expressed in foreign currency, especially in EUR and GBP.

20. PROVISIONS FOR RISKS AND CHARGES

	30 September 2014 (unaudited)	31 December 2013
Current provision		
Provision for litigation	4.499.043	9.178.089
Provision term contract	-	1.490.084
Provision for employee participation in profits	9.235.382	10.342.266
	13.734.425	21.010.439

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

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

The main actuarial assumptions used for calculation at the date of 31 December 2013 were as follows:

a) Discount rate:

- The following values were used: long-term inflation rate 2% per year, effective long-term rate of return for government bonds 2.2% per year, forward rate 4.2% per year, non-liquidity premium for Romania 0%;

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

c) The growth rate of salaries - for 2013 and subsequent years was estimated at a salary growth rate of 2% above the consumer price index;

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

On 30 September 2014 the Company analyzed the actuarial assumptions used and decided that there are no significant changes.

21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Movement in the provision for employee benefits

1 January 2013	62.313.809
Interest cost	5.045.534
Current service cost	1.582.869
Payments from provisions during the year	(3.705.866)
Actuarial gain for the period	(1.230.568)
31 December 2013	64.005.778
of which:	
Short-term	4.537.400
Long-term	59.468.378
Interest cost	-
Current service cost	-
Payments from provisions during the year	-
Actuarial gain for the period	-
30 September 2014 (unaudited)	64.005.778
of which:	
Short-term	4.537.400
Long-term	59.468.378

22. OTHER INCOME

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Revenue from penalties for late payment to clients	1.275.720	3.468.685
Income from connection fees, grants and goods taken free of charge	12.834.559	12.486.011
Rental income	1.109.654	1.112.568
Income from the sale of waste materials	2.702.802	1.818.474
Income from engineering services	-	1.798.881
Other operating income	6.223.018	2.959.363
	24.145.753	23.643.982

23. OTHER OPERATING EXPENSES

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Loss on impairment of receivables	34.738.561	(3.234.884)
Security and protection expenses	11.429.837	7.779.527
Utilities	4.760.044	5.309.489
Telecommunications	3.677.802	2.840.005
Gas storage capacity booking	2.088.200	1.626.040
Maintenance expenses	945.385	2.452.799
Rent	1.031.011	833.787
Marketing and protocol expenses	721.651	599.803
Training services	756.090	938.708
Insurance premia	590.614	521.187
Penalties and fines	184.922	269.374
Bank charges and other fees	467.537	934.947
Loss/(gain) on impairment of inventories	105.188	-
Research expenses	271.701	193.824
Sponsorship expenses	1.147.666	1.964.040
Loss on disposal of fixed assets	28.499	(30.032)
Loss on receivables	-	(214)
Other	11.028.626	10.429.061
Total	73.973.334	33.427.461

24. NET FINANCIAL INCOME/(EXPENSES)

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Income from foreign exchange differences	3.793.240	7.632.118
Interest income	7.639.729	7.762.569
Other financial income	12.450.994	177
Financial income	23.883.963	15.394.864
Expenses from foreign exchange differences	(2.766.406)	(4.261.232)
Interest expense	(995.558)	(2.921.806)
Adjustments for impairment of financial assets (Note 10)	-	(110.671.172)
Other financial expenses	(5)	(4.281)
Financial expenses	(3.761.969)	(117.858.491)

25. CASH GENERATED FROM OPERATION

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Profit before tax	454.944.272	238.004.832
Adjustments for:		
Amortization	138.076.459	135.386.291
Gain/(loss) on disposal of fixed assets	28.499	(30.032)
Provisions for risks and charges	(7.276.015)	(3.703.838)
Revenues from connection fees, grants and goods taken free of charge	(12.834.559)	(12.486.011)
Provision for impairment of receivables	34.738.562	(3.234.884)
Provisions for impairment of financial assets	-	110.671.172
Loss/(gain) on impairment of inventories	105.188	-
Loss on receivables	-	(214)
Interest expense	995.558	2.921.806
Interest income	(7.639.729)	(7.762.569)
Effect of exchange rate fluctuation on other items than operating	(206.522)	(44.551)
Operating profit before changes in working capital	600.931.713	459.722.002
(Increase)/decrease in trade and other receivables		
(Increase)/decrease in inventories	(16.505.395)	34.114.025
Increase/(decrease) in trade payables and other debts	1.400.631	2.128.729
Cash generated from operations	44.963.109	7.010.269
	630.790.058	502.975.025

26. OTHER EMPLOYEE BENEFITS

In accordance with the collective labour contract, in 2013 and in the first three months of 2014, the employees are entitled to receive a material aid equal to the equivalent of 6,500 m^3 of gas per year per employee (calculated at the average domestic monthly price per cubic meter). The total value of benefits granted to employees in the nine months ended 30 September 2013 is of RON 41,121,208, the average price in the nine months ended 30 September 2013 for 1000 m^3 is of RON 1.420,40 (nominal - RON 133,60/MWh). The value of the benefits granted in the first three months of 2014 is RON 14.651.057, the average price in the three months period concluded on 31 March 2014 for 1.000 cm is RON 1.455,20 (nominal -136,87 RON/MWh).

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

27. TRANSACTIONS WITH RELATED PARTIES

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

	Nine months ended 30 September 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Salary paid to the members of the Board of Administration	6.755.822	3.708.257
Social contribution of the Company	1.858.828	1.027.530
	8.614.650	4.735.787

In the periods ended 30 September 2014 and 30 September 2013, no advance payments and loans were granted to the Company's administrators and management, except advance payments from salaries and those for work travel, and they don't owe any amount to the Company at the end of the period coming from such advance payments.

The Company has no contractual obligations related to pensions to the former managers and administrators of the Company.

ii) Loan to a related party

	30 September 2014 (unaudited)	31 December 2013
Loan to Resial SA	1,770,346	1,770,346
Minus the provision for loan impairment	(1,770,346)	(1,770,346)
	-	-

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

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 2014 (unaudited)	Nine months ended 30 September 2013 (unaudited)
Profit attributable to the Company's equity holders	374.037.237	161.619.867
Weighted average of the number of shares	11.773.844	11.773.844
Basic and diluted earnings per share (RON per share)	31,77	13,73

29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH

Compensations

Approximately 5.82% of the receivables were settled by transactions that haven't involved cash outflows during the period ended 30 September 2014 (31 December 2013: 2.46%). Transactions mainly represent sales of products and services in exchange for raw materials and services or offsets with clients and suppliers within the operating cycle.

Barter transactions

No barter transactions were made in 2014 and 2013.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

i) Commitments

The Service Concession Agreement (S.C.A. - Note 8) specifies that, at the end of the agreement, the NAMR is entitled to receive back, for free, 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.

The minimum investment program for the period of 2012-2016 was approved under Government Decision No. 919/2012.

ii) Taxation

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

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

iii) Insurance policies

The Company does not have insurance policies related to operations, complaints on products, or for the public debt. The company has insurance policies for buildings and mandatory civil liability policies for the car fleet. Moreover, the company has contracted professional liability insurance services for the members of the Board of Administration and for 24 managers (58 managers in 2013).

iv) Environmental aspects

Environmental regulations are under development in Romania and the Company did not record any obligation on 30 September 2014 and 31 December 2013 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management believes there are no significant obligations related to environmental aspects.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

v) Lawsuits and other actions

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

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

vi) Government policies in the gas sector in Romania

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

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

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

vii) The political and economic situation in Ukraine

Between February - September 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 20-30% of the necessary transported gas through the Company's pipelines. It's likely that Gazprom Export stops the supplies of gas transported domestically or internationally through Romania or that Ukraine prevents the transit of gas supplied by Gazprom Export on its territory. The Company cannot estimate at this point the impact of such events on its activity of domestic and international transmission.

31. RESTATEMENTS RELATED TO THE PREVIOUS PERIODS

The Company prepared and submitted interim financial statements for the nine months ended 30 September 2013. The comparative figures in the interim financial statements prepared by the Company for the nine months ended 30 September 2014 are different as compared to the interim financial statements previously submitted as follows:

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

Before 31 December 2013, the Company recognized at the end of the year the obligation and expense related to the employee participation in profits. The obligation was classified as short-term debt, and the expense was classified as an expense on wages, salaries and other expenses of salary type.

In 2013, the Company analyzed the degree of uncertainty of the debt on the personnel participation in profits and considered that it had to recognized at the end of the year a provision for risks and charges, following that, after the approval of profit redistribution, to reverse the provision and recognize the obligation and the salary expense related to the personnel participation in profits.

These financial statements include the following restatements:

	Nine months ended 30 September 2013 (unaudited)
Increase in Revenues from provisions for risks and charges	(10.024.648)
Increase in Wages, salaries and other salary related expense	10.024.648

Provision for employee profit sharing

Provision for employee profit sharing registration for the nine months ended 30 September 2014.

	Nine months ended 30 September 2013 (unaudited)
Increase in Cost of provisions for risk and charges	7.653.371
Increase in receivables from provisions for risks and charges	(7.653.371)

31. RESTATEMENTS RELATED TO THE PREVIOUS PERIODS (CONTINUED)

Profit tax

As of 1 January 2013, the Company opted to state and pay the income tax annually, with quarterly prepayments . In this case the adjustment is made at the end of the year, the Company having the obligation to pay the tax difference at the beginning of the following year. The Company calculated the profit tax obligation and profit tax expense based on the actual income and expense and presented the following restatement.

	Nine months ended 30 September 2013 (unaudited)
Decrease in profit tax expense	(9.798.404)
Decrease in Trade payables and other payables	9.798.404

Repairs carried out internally

Some of the repairs carried out by the Company are from own sources, for these being registered repair expenses internally generated having a corresponding income. The Company decided to present the analysis of the expenses using a classification based on their type, and does not present in the statement of financial position the value of these expenses and the value of the corresponding income. The following restatements were presented:

	Nine months ended 30 September 2013 (unaudited)
Decrease in other income	4.521.123
Decrease in maintenance and transportation expense	(3.921.121)
Decrease in other operating expense	(600.002)

The Company made the following reclassifications due to the decision not to present in the statement of comprehensive income the expenses which according to the IFRS are included in the value of some assets and the value of the corresponding income. In 2013, the entire value was adjusted at Consumption materials and consumables used.

	Nine months ended 30 September 2013 (unaudited)
Increase in expense with Consumption materials and consumables used	6.218.433
Decrease in salary expense	(3.833.322)
Decrease in depreciation expense	(511.919)
Decrease in other employee benefits	(585.886)
	(734.627)

Decrease in other expense	
Decrease in maintenance and transport expense	(552.679)

32. SUBSEQUENT EVENTS

Legislative issues

New regulations affecting the activity of the Company:

The Law no. 127 on 30 September 2014 for the amendment and supplementation of Electricity and Gas Law no. 123/2012 and Oil Law no.238/2004 that includes modifications related to the means to compensate the transmission operator at the conclusion of the Concession Agreement: at the conclusion, by any reason, of the concession agreement the goods related to the investments achieved by the transmission and system operator of the National gas transmission system, as licensee, are taken over by the owner of the National gas transmission system, as concession provider, or by any other licensee with the agreement of the concession provider, against the payment of a compensation equal to the regulated undepreciated amount set by NERA.

33. SEASONABILITY OF OPERATIONS

Due to the seasonal nature of the gas transmission activity, larger income and bigger profits are recorded from January to March and from October to December. In 2013, approximately 31% of the income was recorded between January and March.

Chairman of the Board of Administration
Ion Sterian

Director - General
Petru Ion Vaduva

Chief Financial Officer
Marius Lupean