THE NATIONAL NATURAL GAS TRANSMISSION COMPANY TRANSGAZ SA

REPORT ISSUED BY THE BOARD OF ADMINISTRATION

SEMESTER I 2015

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MESSAGE OF THE CHAIRMAN OF THE BOARD OF ADMINISTRATION

Dear shareholders,
Dear investors,

The National Natural Gas Transmission Company TRANSGAZ is the technical operator of the National Natural Gas Transmission System and ensures the performance in terms of efficiency, transparency, safety, non-discriminatory access and competitiveness of the national strategy established for domestic and international transmission, natural gas dispatching, research and design in the field of natural gas transmission, in compliance with the national and European legislation and standards of quality, performance, environment and sustainable development.

TRANSGAZ is a joint stock company, listed at the Bucharest Stock Exchange and it is administered by the Board of Administration using a unitary system. In compliance with the current legislation on corporate governance, the Board of Administration was appointed by the General Meeting of Shareholders by cumulative vote on 10.07.2013, and it ensures the administration of the company in line with the **Management plan of the company between 2013 and 2017**, a plan unanimously approved by the company's shareholders by the Decision No. 9/23.09.2013 of the General Ordinary Assembly of the Shareholders.

In compliance with the legal provisions, the Board of Administration has delegated the management of the company to the director-general, Mr **Petru Ion Vaduva** who, together with the executive management, ensures through the management plan, the operationalization of strategic directions approved by the Management Plan of the company.

The management plan of SNTGN Transgaz SA Medias is governed by a responsible, professional and ethical attitude in relation to all stakeholders (shareholders, employees, partners, community, state authorities and institutions, media, etc.) and reflects the administrators' vision on strategic redefining and company streamlining directions in line with the safety and energy security requirements of the European energy policy, with the competitiveness and sustainable development as well as with the future needs and opportunities of Romania to become a major player on the European natural gas market.

Making the company's importance more responsible both as an engine of the national economy and as a vector of the country's economic growth, through its role in the development of the energy sector and transformation of Romania into a European energy power, the company administrators are currently on the verge of starting one of the largest and most important development programs of natural gas transmission infrastructure of Romania in the last 20 years, having investment projects **estimated at EUR 1.5 billion**.

In the context of profiling two major new sources of natural gas supply, **the natural gases from the Caspian Sea region** and **those recently discovered in the Black Sea**, the investments proposed by Transgaz in the **Development Plan of the National Transmission System of natural gases over the next 10 years**, plan approved by the NREA by the Decision no. 2819/17.12.2014 are strategic investments in the energy field for the development of the natural gas transmission infrastructure of Romania and its compliance with the requirements of European legislation in the field.

The proposed investments will result in securing an appropriate degree of interconnectivity with neighbouring countries; creating several natural gas transmission routes at a regional level for natural gas transmission from various new sources of supply; creating the necessary infrastructure for takeover and transmission of natural gases from offshore perimeters in the Black Sea in order to capitalize them on the Romanian market and other markets in the region; extending the natural gas transmission infrastructure in order to improve natural gas supply in deficient areas; creating an integrated single market in the European Union.

Given the complex and extensive investment program, Transgaz envisages, in addition to its own sources of funding, the use of additional external funding under advantageous conditions. Thus, the company has a professional department for accessing European funds and for International Relations, having the role of accessing European funds and of developing international cooperation relations. At the same time, Transgaz developed a Financing Committee having the role of attracting funding from international financial institutions, from other banking and financial institutions as well as from the capital market by issuing bonds.

The strategic vision of those who today bear the responsibility of this company's destiny focuses on professional and efficient management, on being able to face challenges and constraints, on the development and modernization of the national transmission infrastructure of natural gases, on competitiveness and capitalizing on existing and future opportunities, so as TRANSGAZ shall become a recognized carrier of natural gases on the international market of natural gases, a leader on the energy market in the region, an important link in the national and European energy chain.

Pursuing our proposed objectives on operational effectiveness, performance optimization and sustainable development of society, and observing the principles of good corporate governance, the company administrators shall fulfil their mandate responsibly, efficiently, transparently and professionally towards all stakeholders.

Yours sincerely,

ION STERIAN

Chairman of the Board of Administration

1. ISSUER IDENTIFICATION DATA

1.1 Report and issuer identification data

Semestrial report according to the provisions of Article 227 of Law no. 297/June 28, 2004, regarding the capital market, as amended and supplemented
For the semester concluded on: June 30th, 2015
Report date: August 11th, 2015
Company name: The National Gas Transmission Company "TRANSGAZ" SA
Registered office: Mediaş, Constantin I. Motaş square, no.1, zip code: 551130
Telephone/Fax number: 0269-803333/0269-839029
VAT Number: RO13068733
Registration number with the Trade Register: J32/301/2000
Subscribed and paid up capital: RON 117,738,440
Regulated market for the trading of issued securities: Bucharest Stock Exchange

Main characteristics of the securities issued by Transgaz: 11,773,844 ordinary, registered, indivisible, freely tradable shares as of January 24, 2008, with a face value of RON 10/share.

The financial and economic indicators presented in this report are calculated based on the financial statements drawn-up in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), according to the Order of the Minister of Public Finance no. 881/June 25, 2012 and the accounting regulations approved by Order of the Minister of Public Finance no. 1286/October 1, 2012 – updated.

1.2 Main activities

Transgaz is a joint stock company, operating according to the provisions of the Romanian legislation and its updated Articles of Incorporation. It is a company listed on the Bucharest Stock Exchange, stock exchange symbol – TGN.

Mission

SNTGN TRANSGAZ SA Mediaş is the technical operator of the National Transmission System (NTS) of natural gas and ensures the fulfilment in conditions of efficiency, transparency, safety, non-discriminatory access and competitiveness of the national strategy established for domestic and international transmission of natural gas, natural gas dispatching, research and design in the field of natural gas transmission, in compliance with the national and European laws and standards of quality, performance, environment and sustainable development.

1.3 Structure

Transgaz was set up in 2000, based on the GD no. 334/ April 28, 2000 *on the reorganisation of the former National Natural Gas Company (SNGN) "Romgaz" SA, published in the Official Gazette of Romania, Part I, no. 194/04.05.2000.*

Based on GD no. 334/2000, SNGN "Romgaz" SA was restructured and reorganized, by division, SNGN "Romgaz" S.A. being disestablished, and the main activities in the natural gas sector were separated and organized in separate activities.

Following the mentioned reorganisation, Transgaz became the technical operator of the NTS and is responsible for its functioning in conditions of quality, safety, economic efficiency and environmental protection.

By ANRE Order no. 3 / January 22, 2014 regarding the approval of the certification of the National Gas Transmission Company "Transgaz" - SA Mediaş as transmission and system operator of the National gas transport system was established that *the National Gas Transmission Company "Transgaz" - SA Mediaş must be organized and must operate as an "independent system operator".*

In addition, as operator of the NTS, Transgaz has the obligation, according to the provisions of Law no. 346/2007 regarding the measures for ensuring the natural gas supply safety and to the regulations of the European Union, to ensure the interconnection with similar natural gas transmission systems from neighbouring countries, creating the technical and technological conditions necessary for ensuring the natural gas supply safety.

SNTGN "TRANSGAZ" SA (Transgaz) conducts its activity in the following locations:

- **Transgaz registered office**: Mediaş, str. Piaţa C. I. Motaş no. 1, Sibiu County, zip code 551130;
- **Exploitation and Maintenance Department**: Mediaş, str. George Enescu no. 11, Sibiu County, zip code 551018;
- **Design and Research Department**: Mediaş, str. Unirii no. 6, Sibiu County, zip code 550173;
- **Bucharest Gas Market Operation Division**: Bucharest, Calea Dorobanţi no. 30, District 1, zip code 010573;
- **Bucharest Agency**: Romania, Bucharest, 55, Primaverii Bvd.
- **European Funds and International Cooperation Division:** Romania, Bucharest Calea Victoriei, no.155, District 1, zip code 010073.

Transgaz owns 9 regional offices and a branch:

- **Arad Regional Office**, str. Poetului no. 56, Arad, Arad County, zip code 310369;
- **Bacău Regional Office**, str. George Bacovia no. 63, Bacău, Bacău County, zip code 600238;
- **Brăila Regional Office**, str. Ion Ghica no. 5, Brăila, Brăila County, zip code 810089;
- **Braşov Regional Office**, str. Grigore Ureche no. 12A, Braşov, Braşov County, zip code 500449;
- **Bucharest Regional Office**, str. Lacul Ursului no. 24, 6th District, Bucharest, zip code 060594;
- **Cluj Regional Office**, str. Crişului no. 12, Cluj-Napoca, Cluj County, zip code 400597;

- **Craiova Regional Office**, str. Arhitect Ioan Mincu no. 33, Craiova, Dolj County, zip code 200011;
- **Mediaş Regional Office**, str. George Coşbuc no. 29, Mediaş, Sibiu County, zip code 551027;
- **Constanţa Regional Office**, str. Caraiman no. 2 bis, Constanţa, Constanţa County, zip code 900117;
- **Mediaş Branch,** Sos. Sibiului no. 59, Mediaş, Sibiu County.

1.4 Shareholders

According to the provisions of the Government Emergency Ordinance no. 86/17.12.2014 on the establishment of reorganisation measures at the level of the central public administration and for the amendment and supplementation of regulatory acts, exercising the rights and complying with the obligations which arise from the capacity of shareholder of the Romanian state in THE NATIONAL GAS TRANSMISSION COMPANY Transgaz S.A. Mediaş shall be carried out by the Ministry of Economy, Trade and Tourism.

On June 30th, 2015, the shareholding structure of Transgaz structure is as follows:

- 58,5097% - Romanian state represented by the Ministry of Economy, Trade and Tourism – 6.888.840 shares;
- 41.4903% - Free float – 4.885.004 shares, of which:
  - 8.1757% *natural persons* – 962.596 shares
  - 33.3146% *legal persons* – 3.922.408 shares

Shareholder's name	Number of shares	Percentage %
The State of Romania represented by Ministry of Economy, Trade and Tourism	6.888.840	58,5097
Free float - Other shareholders (natural and legal persons)	4.885.004	41,4903
Total	11.773.844	100,00

Table 1 – Shareholding Structure of Transgaz on 30.06.2015

The number of shareholders of Transgaz registered with SC Depozitarul Central S.A. at the end of the 1st semester of 2015, on the registration date, respectively June 24th, 2015, was of 8.116, dropping by 1,35% (110 shareholders) compared to the beginning of the year, when there were 8.226 registered shareholders.

The share capital of Transgaz on June 30th, 2015 is of RON 117.738.440 and is divided into 11.773.844 registered shares, each share having a face value of RON 10.

Transgaz did not carry out transactions with its own shares and, consequently, at the end of the 1st semester of 2015 the company does not hold any of its own shares.

2. EXECUTIVE SUMMARY

2.1 Indicators of the operational activity

The evolution of the natural gas quantities circulated and transmitted through the National Natural Gas Transmission System (NTS), the evolution of the technological consumption in the 1st semester of 2015, compared to the 1st semester of 2014 are as follows:

Indicator	MU	1st semester 2015	1st semester 2014	+/-	+/-
Circulated gas	thousand cm	6.501.532	6.900.295	- 398.763	-6%
Transported gas	thousand cm	6.480.291	6.139.548	340.743	6%
Technological consumption	thousand cm	21.148	41.458	-20.310	-49%
Share tech. consumption/circulated gas	%	0.33%	0.60%		-46%

Table 2 - Evolution of the quantities of circulated and transmitted natural gas and of the technological consumption in the 1st semester of 2015 vs. the 1st semester of 2014

Chart 1 - Quantities of circulated and transmitted natural gas and of the technological consumption for the 1st semester of 2015 vs. the 1st semester of 2014

Chart 2 – The evolution of the quantities of circulated and transmitted natural gas and of the technological consumption for the 1st semester of 2015 vs. the 1st semester of 2014

Chart 3 – The evolution of the ratio of technological consumption in the total of circulated gas for the 1st semester of 2015 vs. the 1st semester of 2014

	TOTAL 2015
PLANNED TECH. CONS THOUSAND CM	**92.434**
ACHIEVED TECH. CONS. THOUSAND CM	**21.148**

Table no. -3 – Technological consumption gas amounts achieved vs. planned in the 1st semester of 2015

Chart 5 – Level of decreasing the technological consumption achieved vs. planned in the 1st semester of 2015

The accelerated decrease of the technological consumption and of the technological losses against the planned level was due to the management involvement in the controlled sizing of the natural gas purchasing for the technological consumption and for the implementing of a **Priority program of measures for the reduction of the measurable and immeasurable consumptions.**

Thus, as we can see, in the 1st semester of 2015, compared to the same period of the previous year, the evolution of the technological consumption on NTS has shown a pronounced downward trend, this being with 49% less than the one registered in the 1st semester of 2014 and with 23% more reduced towards the planned level.

Gas quantities circulated throw the NTS in semester 1 2015 as compared to scheduled amounts – mil. Cm								
No.		**January**	**February**	**March**	**April**	**May**	**June**	**TOTAL**
1	**ROMGAZ**	487	443	489	447	446	434	2,746
2	**PETROM**	363	333	371	360	363	337	2,127
3	**OTHERS**	38	39	42	38	40	43	240
4	**CURRENT IMPORT**	45	21	16	0,9	0,2	0,2	83,3
5	**Withdrawal from storages**	568	477	221	39	0	0	1,305
6	**ACHIEVED**	**1,501**	**1,313**	**1,139**	**884**	**849**	**814**	**6,501**
7	**PLANNED**	**1,606**	**1,367**	**1,171**	**1,016**	**1.030**	**994**	**7.185**

Table no.4- The quantities of natural gas circulated in the NTS in the 1st semester of 2015, as compared to the planned ones

Chart no.5- The quantities of natural gas circulated in the NTS in the 1st semester of 2015, by origin sources

Chart no.6- The quantities of natural gas circulated on monthly basis in NTS in the 1st semester of 2015 - achieved vs. planned

Quantities of natural gas transmitted to direct consumers and distributions in NST in the 1st semester of 2015 Achieved vs. planned – thousands of cubic meters								
No.		**January**	**February**	**March**	**April**	**May**	**June**	**Total**
1	Planned	1.583.937	1.347.951	1.154.774	1.002.511	1.019.243	984.302	7.092.719
2	Achieved	1.492.548	1.308.300	1.136.436	884.811	847.767	810.430	6.480.291

Chart no. 7- The quantities of natural gas transported on monthly basis to the direct consumers and distributions in NTS in the 1st semester of 2-15 achieved vs the planned ones

As you can see, in the 1st semester of 2015, the natural gas quantity transmitted was of 6,48 billion cm, with 0.6 billion cubic meters lower than the planned quantity.

Quantities of gas intended for storage in the 1st semester of 2015 as compared to the planned ones – thousands of cubic meters								
No.		**Jan**	**Feb**	**Mar.**	**Apr.**	**May**	**Jun.**	**TOTAL**
1	**PLANNED**	-	-	-	178.000	422.000	450.000	1.050.000
2	**ACHIEVED**	-	-	-	122.483	406.279	360.722	889.483

Table no.6- The quantities of natural gas intended to be stored in the 1st semester of 2015 achievements vs the planned ones

Chart no.8- The quantities of natural gas intended to be stored in the 1st semester of 2015 achievements vs the planned ones (thousands of cubic meters)

The natural gas quantities in storages in the 1st semester of 2015 is of approx. 85% of the planned ones

The comparative evolution of the incomes from operations, obtained by the company in the 1st semester of 2015, is presented in the table below:

Specifications	Achievements		Dynamics (%)
	1st semester of 2015	1st semester of 2014	
1	2	3	4=2/3*100
Income from transmission activity			
- thousands RON	660.193	714.322	92,42
- MWh	69.118.324	65.415.523	105,66
- RON/MWh	9,55	10,92	87,47
- thousands cm	6.480.291	6.139.549	105,55
- RON/1000 cm	101,88	116,35	87,56
Income from the international transmission activity		-	
- thousands RON	158.798	133.302	119,13
Other operating income		-	
- thousands RON	29.140	13.388	217,66
TOTAL OPERATING INCOME	**848.132**	**861.012**	**98,50**

Chart no.9 –Structure of the incomes from operations in the 1st semester of 2015 vs. the 1st semester of 2014

Chart no.10 – The share of the activities in the total incomes from operations in the 1st semester of 2015 vs. the 1st semester of 2014

Indicator	Unit	1st semester 2015	1st semester 2014	Variation %
1	2	3	4	5=3/4*100
Turnover	mil.RON	820,38	849,13	96,61
Operations income	mil.RON	848,13	861,01	98,50
Operation expenses	mil.RON	474,53	508,30	93,36
Operations profit	mil.RON	373,60	352,71	105,92
Financial Profit	mil.RON	14,00	6,05	231,40
Tax on profit	mil.RON	68,51	66,66	102,78
Income from deferred income tax	mil.RON	2,47	2,27	108,81
Net profit	mil.RON	321,56	294,37	109,24

Table 8 – Evolution of the operational performance indicators for the 1st semester of 2015 vs. the 1st semester of 2014

Chart 13–Net profit in the 1st semester of 2015 vs. the 1st semester of 2014 – mil. RON

Chart 12 –Turnover in the 1st semester of 2015 vs. the 1st semester of 2014 – mil. RON

Chart 14 – Evolution of income, expenses and operational profit in the 1st semester of 2015 vs. the 1st semester of 2014

2.2 Indicators of financial results

The economic-financial activity of THE NATIONAL GAS TRANSMISSION COMPANY Transgaz S.A. from the 1st semester of 2015 was conducted based on the indicators included in the income and expenses budget approved under GD no. 237/07.04.2015 and under the Resolution of the General Ordinary Meeting of the Shareholders no. 1/27.04.2015.

The main economic-financial indicators achieved in the 1st semester of 2015 as compared to the 1st semester of 2014 are presented as follows:

No.	Indicator	Unit	1st semester 2015	1st semester 2014
1	Turnover	thousand RON	820.382	849.129
2	Total income	thousand RON	865.604	870.202
3	Total expenses	thousand RON	478.008	511.444
4	Gross profit	thousand RON	387.596	358.757
5	Profit tax	thousand RON	68.514	66.663
6	Income from deferred profit tax	thousand RON	2.474	2.273
7	Net profit	thousand RON	321.557	294.367
8	Total comprehensive income for the period	thousand RON	321.557	294.367
9	Transmitted gas	thousand RON	6.480.291	6.139.549
10	Investment expenses	thousand RON	56.101	35.641
11	Rehabilitation expenses	thousand RON	11.174	17.247
12	Technological consumption	thousand RON	21.671	37.446
13	Technological consumption	thousand RON	21.140	41.459

Table 9 – Evolution of the main economic-financial indicators in the 1st semester of 2015 vs. the 1st semester of 2014

Chart no. 15–Evolution of the main economic and financial indicators in the 1st semester of 2015 vs. the 1st semester of 2014

Transgaz holds the monopoly status in Romania in terms of natural gas transmission and circulates around 90% of the total consumed natural gas. Of the total income achieved in the 1st semester of 2015, approximately 18.35% are in foreign currency, being achieved from the international natural gas transmission activity.

On June 30th, 2015, the company's assets in bank accounts amounted to RON 812.963.498 RON, out of which 9,42 % liquid assets denominated in foreign currency, most of it in EUR.

Chart 15–The evolution of the investments and rehabilitation expenses in the 1st semester of 2015 vs. the 1st semester of 2014

The Transgaz performance in the analysed period is also reflected by the evolution of the following indicators:

Indicators	Calculation formula	1st semester 2015	1st semester 2014
Profitability indicators			
EBITDA in total sales	EBITDA / Turnover	57.20	52.36

EBITDA in own capitals	EBITDA / Own capitals	13.83	14.18
Gross profit share	Gross profit / Turnover	47.25	42.25
Capital affordability share	Net profit / Own capitals	9.48	9.39
Current liquidity indicator	Tangible assets / Short term debts	2.51	2.00
Immediate liquidity indicator	Tangible assets - Stocks / Short term debts		2.43
Debt degree indicator	Leased capital / Own capitals		
Interest covering share	EBIT / Interest bearing expenses	1,675.24	486.83
Debts rotation speed - clients	Clients average balance x 181 days / Turnover	89.83	76.41
Credits rotation speed - suppliers	Suppliers average balance x 181 days / Turnover	12.32	15.27

Table 10 – Evolution of profitability, liquidity, risk and management indicators in the 1st semester of 2015 vs. the 1st semester of 2014

Chart 17– Evolution of profitability indicators for the 1st semester of 2015 vs. the 1st semester of 2014

Chart 17– Evolution of liquidity indicators for the 1st semester of 2015 vs. the 1st semester of 2014

2.3 Indicators of the investment activity

The investment activity in the 1st semester of 2015 was directed mainly towards the upgrading and development of the NTS in order to improve its efficiency, increase its capacity and develop new consumption areas.

The implementation of the Repairs, Rehabilitation and Maintenance Program for NTS in the 1st semester of 2015 compared to the planned level is presenting as follows:

No. crt.	Chapter name	Plan 2015 (RON)	Achievements 1st semester of 2015 (RON)	%
0	1	2	3	4=3/2*100
Chap. A. REPAIR AND REHABILITATION WORKS FOR NTS (RON)				
1	Repairs and rehabilitation of main pipelines	99.207.178	8.484.483	8,55%
2	Rehabilitation of Regulating and Metering Stations (S.R.M.)	400.000	-	-
3	Rehabilitation of Technological Nodes	-	-	-
4	Rehabilitation of Compressor Stations	200.000	-	-
5	Repairs of special facilities corresponding to SRMs and SCVs	-	-	-
6	Rehabilitation of Cathode protection systems (SPC)	610.240	58.824	9,64%
7	Repairs and TC equipment	-	-	-
8	Repairs of buildings	2.952.240	190.121	6,44%
	TOTAL WORKS	**103.369.658**	**8.733.428**	**8,45%**
Chap. B. MAINTENANCE SERVICES FOR NTS (RON)				
	Total maintenance services	**25.745.954**	**2.441.046**	**9,48%**
TOTAL WORKS + SERVICES (third parties)		**129,115,612**	**129.115.612**	**11.174.474**

Table 11- Implementation of the Repairs, Rehabilitation and Maintenance Programme for NTS in the 1st semester of 2015

Chart 18 - Level of fulfilment of the Repairs, Rehabilitation and Maintenance Programme for NTS in the 1st semester of 2015

Chart 19- Degree of fulfilment of the Repairs, Rehabilitation and Maintenance Programme for NTS in the 1st semester of 2015, per chapter

The value of the Repairs, Rehabilitation and Maintenance Programme for NTS in the year 2015 is of 129.115.612 RON, at the end of the 1st semester of 2015 being recorded achievements amounting to 11.174.474 RON, corresponding to a fulfilment of the program in a proportion of 8,65%. Due to the fact that, during the cold season (November – March), no current maintenance works or connection works are executed, necessitating to interrupt natural gas supply for a continuous period of more than 12 hours, this aspect being also stipulated by:

- Law no. 346/2007 art. 12 (2), all the works necessitating the stoppage of the pipes were ceased in order to provide the transmission and safety capacity in NST operation;
- Some of the constructors, with whom contracts were concluded, were declared bankrupt and it was necessary to resume the tender procedure;
- Difficulties were faced during the process for drawing up the documentation to promote the procurement procedures;
- Difficulties were faced in obtaining the construction permits from institutions and authorities;

the achievements for the 1st semester of 2015 at chapter A. "Works" were low as compared to the planned level.

The value of the achievements for the 1st semester of 2015to the maintenance program originate, mainly, from the settlement of NST repair and rehabilitation works based on the performed physical studies, NST maintenance services, supply of materials and equipment for the contracted works which are in the process of execution.

For chapter "B. Services", they were ensured where it was necessary. It is worth mentioning that they represent necessities that cannot be easily predicted and if they are not necessary they represent savings in the budget and not failures to accomplish.

The causes that led to accomplishing the Repairs, Rehabilitation and Maintenance Program NTS for the 1st semester of 2015 in a percentage of only 10% are presented in ***Chapter 3.2.3* – Achieved rehabilitation, repairs and maintenance works for NTS vs. the planned ones.**

Investment program

The implementation of the investments modernization and development program for the 1st semester, structured by work chapters and investment objectives, is presented in the table below:

Chapter	Works category	Plan 2015		Achieved 1st semester of 2015		%
		Physical (km)	Value (RON thousand)	Physical (km)	Value (RON thousand)	
0	1	2	3	4	5	6=5/3* 100
Chap. A	**NTS modernization and development works**	**245,30**	**529.315**	**11,20**	**35.512**	**6,71**
1	**Modernization and retrofitting of the National Gas Transmission System**	**-**	**102.298**	**-**	**12.548**	**12,27**
1.1.	*Modernization of the technological installations afferent to the National Gas Transmission System (SRM, SCV, PM, NT)*	-	*65.028*	-	*12.548*	*19,30%*
1.2.	*Data acquisition and control system*	-	*37.270*	-	*0*	*0*
2	**Development of the National Gas Transmission System and afferent installations**	**245,30**	**427.017**	**11,20**	**22.964**	**5,38**
2.1.	*Natural gas transmission pipes*	*243,20*	*148.988*	*11,20*	*13.109*	8,80
2.2.	*Interconnection pipes*	*2,10*	*18.180*		*73*	0,40
2.3.	*Transmission capacity increasing*	-	*154.11*	-	*7.645*	4,96
2.4.	*Surface construction and installation works for SRM*	-	*22.102*	-	*132*	0.60
2.5.	*Cathode protection stations*	-	*501*	-	*0*	0
2.6.	*Installations afferent to the information technology and telecommunications*	-	*73.298*	-	*175*	0,24
2.7.	*Surface construction and installation works for odourization*	-	*6.442*	-	*812*	12,60
2.8.	*Hydrotechnical works*	-	*2.892*	-	*1.018*	35,20
2.9.	*Filtering installations*	-	*500*	-	*0*	*0*
Chap. B	**Own assets modernization and development works**	**-**	**42.784**	**-**	**9.047**	**21,15**
1	**Other works**	**-**	**13.556**	**-**	**59**	**0,44**
2	**List of the devices, equipment and endowments**	**-**	**28.728**	**-**	**8.988**	**31,29**
3	**Land procurement**		**500**		**0**	**0**
Cap. C	**Access works to NTS**		**3.000**	**0,31**	**1.468**	**48,93**
TOTAL planned investments		**245,30**	**575.100**	**11,51**	**46.027**	**8,00**
Expenses related to studies and projects			**24.705**		**4.769**	**19,30**
Other investment expenses					**5.305**	**x**
OVERALL TOTAL		**245,30**	**599.805**	**11,51**	**56.101**	**9.35**

Table 12- Fulfilment of the Investment Programme in the 1st semester of 2015

The value of the investments planned for the 1st semester of 2015 is 575,100 thousands le and the value of the achievements in the end of the 1st semester of 2015 is 46.027 thousands RON, which represents that the program was 8% complied with.

Chart 20– Achievement of investments in the 1st semester of 2015 vs. Investment program in 2015

Chart 21– Achievements in the 1st semester of 2015 vs 2015 program under the Programme for Investment Development and Upgrading by chapters

The causes that led to a fulfilment of the investment program in a percentage of only 8% mainly consist of legal matters related to access in the field, authorizations which were not obtained in due time, changes implemented by NARMPP in the tender validation procedures etc.

Detailed, the causes that led to the fulfilment of the investment modernization and development program for the 1st semester of 2015, in a percentage of only 8%, are presented in Chapter 3.2.2.

SCADA

An important direction for the improvement of the quality of the execution and the efficiency of the operational activity of THE NATIONAL GAS TRANSMISSION COMPANY Transgaz SA Mediaş is the implementation of the Data control and acquisition System (SCADA), which is a legal obligation , provided initially in Art 25 of Gas Law no.

351/2004 and reiterrated in Art. 130, point c, of Natural gas and Electricity Law no. 123/2012.
As the technical operator of the NTS, the company has to increase the security of natural gas supply. In this respect, THE NATIONAL GAS TRANSMISSION COMPANY Transgaz SA initiated the procedure for the implementation, maintenance and development of a monitoring, control and acquisition of the SCADA data system.
The project is an important step in NST development and modernization, by implementing it being intended to increase the efficiency of the NTS operation and dispatching process.
The project is in the 3rd implementation stage and the stage of the implementation/achievement is detailed according to the following objectives:

Objective Type	In the contract	Connected
National Dispatching Center Medias	1	1
Natural gas Dispatching Center Bucharest	1	1
Territorial dispatching operations	9	9
Metering regulating stations	948	948
Line valves	106	106
Technological Hubs	39	4
Compressor Stations	5	1
International Transit Stations	6	6
Import Stations	2	2
Underground storages	7*	7*
Internal producers	4	4
Total	**1,128**	**1,105**

*Note: * The underground facility AMGAZ was neutralized and shall not be implemented any more*

Table no. 13 –SCADA project implementation level

Chart no. 22 –SCADA implementation level by objectives

During 2015, works have been executed at the following locations:

- Metering and regulating stations – 25MRS were executed and finalized ;
- Technological hubs – works were executed and performed in 17 NT;
- Underground storages – 7 Underground storages were executed and finalized;
- Compressor stations – 2 Compressor stations were executed and finalized at GCS Onesti;
- Data are collected from all four internal producers.

The finalization of SCADA implementation (the achievement of the 3rd stage – the final stage) is extremely important because the informatics system will enable:

- The transmittal, in real-time, of the technological data (pressure, flow, temperature, gas quality, calorific power) to the national dispatching centre;
- The improvement of TRANSGAZ' ability to control and react rapidly and efficiently to any potential risk to interrupt the activity contributing to the increase of the security of the operation of the national gas transmission system;
- Ensure the necessary conditions to provide short term natural gas transmission services in/out of the national gas transmission system and to execute the contacts related to this type of services, according to the requirements of the Regulation (EC) no. 715/2009.

The situation of the total investment costs (thousand RON):

	Planned 2015	**Achieved 1st semester of 2015**
Investments of which:	607.106	56.101
-Works for the access to the NTS surpassing the tariff related to the connection to the NTS	*3.000*	*1.257*
Repayment of loans for investments	24.000	12.000
TOTAL EXPENSES INCURRED WITH INVESTMENTS	**631.106**	**68.101**

Table 14- Situation of total expenses incurred with investments (thousands RON)- the 1st semester of 2015

Sources available for investments financing (thousands RON):

	Planned 2014	**Achieved 2014**
▪ Net profit allocated for own financing	180.172	149.781
▪ Amortization and depreciation	172.141	73.778
▪ NTS connection tariff	-	465

▪ European funds	64.008	-
▪ Bond issuance	500.000	-
▪ Net profit allocated for own financing	379.492	426.064
TOTAL FINANCING SOURCES	**1.295.814**	**650.088**

Table 15- Investment financing sources (thousands RON) in the 1st semester of 2015

Accessing European funds

The activity of accessing the European funds from the 1st semester of 2015 has developed mainly for:

- Identifying the financing possibilities from the future period, based on the programs promoted by the European Committee;
- Supporting TRANSGAZ' projects with financing potential from Structural Funds;
- The tracking / monitoring of the execution contracts that benefit of communitarian financing;
- Preparation of the financing requests and of the related documentations;
- Inter-department collaboration in order to issue the necessary documentation for the financing requests and information transmission in order to know the granting mechanisms of the European finances.

From the main achievements in the 1st semester of 2015, the following are worth mentioning:

The following activities were performed for the projects under implementation for which received grants from European funds:

- Drawing up reports, letters, documents which were sent regularly (resulted from the obligations of the Funding Contracts) to the funding bodies, European Commission and to the Management Authority / Intermediary Body for Energy for the management of Transgaz' projects which benefited from European grants, in accordance with the provisions of the Funding Decisions/Contracts;
- Providing support, collaboration, information additional to various forms of assessment/verification which the European non-repayable funding projects were subjected to.

"*Interconnection Bulgaria -Romania"* Project

- Monitoring the eligible expenses related to the implementation of the Giurgiu – Ruse project, resulted from the contracts related to the execution of the works on the terrestrial and undercrossing sections of the Danube river;

- Consultations in view of identifying the solutions on the extension of the eligibility period of the costs until 31.12.2016 (drawing-up the Technical Implementation Summary, the Application for the extension of the cost eligibility period);

"Development of the Technical Projects at three Compression Stations on CIP 7.1.5. route" project

- Drawing up the documents requested by INEA – E.C. in order to rectify the coordinates of the approved Funding Contract;
- Analysing and drawing-up the documentation afferent to the procurement of the technical project development services for the project "Upgrading Șinca Turbo-compressor Station and the related installations";
- Drawing-up the documentation afferent to the formalities for the procurement of the design services and execution works for the project "Upgrading Șinca Turbo-compressor Station and the related installations", in order to audit these formalities of management, according to the provisions of the related financing contract ;
- Informing OIE by notifications and progress reports with regard to the implementation of the project.

"Ensuring the reversible gas flow through the transit pipeline dedicated to Bulgaria" project

- after the notification received from the European Commission on the suspension of EU funding for the project "Ensuring reversible gas flow through the transit pipeline dedicated to Bulgaria", justifying documents were drawn-up and provided to DG-ENERGY from the European Commission for partial disconnection, the disconnection being approved for the amount of EUR 202,718;
- Managing cashing/reimbursement of the eligible/non-eligible amounts afferent to the project.

SCADA project

- Collaboration with UMP SCADA team in order to draw-up the documents necessary to be submitted to the final payment application of the balance.

In order to obtain new funding afferent to TRANSGAZ projects, the following activities were performed:

- Identification of the priority axis in the Financing programs 2014 – 2020, for which TRANSGAZ could submit Financing Requests and which will be achieved after the opening of these programs and the publication of the Applicants' Guides;
- Interventions for the allocation of funds in the financial years 2014–2020, for the gas transmission sector through the Large Infrastructure Operational Program;
- Developing a project portfolio with fundable potential as a result of the assessment of the eligibility criteria of funding programs, like: Competitiveness Operational Program, Large Infrastructure Operational Program;
- Cooperate with the parties involved in supplying the information, documentation, neccesary forms for drawing up the Financing Requests and in the conduct and monitoring of the projects financed by european funds, national and international authorities;

2.4 Indicators of management performance

In compliance with Chapter 6 of the Management Plan of THE NATIONAL GAS TRANSMISSION COMPANY Transgaz SA Mediaş for 2013-2017, named "*Performance Criteria and Objectives*", the performance criteria and objectives are defined and set as follow

Standard performance criteria and objectives

Although these criteria are relevant to the year, at 30.06.2015 they are as follows:

Performance criteria	Performance objective	Management Plan 2015	Achieved 1st semester of 2015	Achievement degree
Implemented investments – thousand RON	Achieving the programmed level	254.000	54.762	21,56%
EBITDA –thousands RON	Increasing EBITDA	619.625	469.237	75,73%
Work productivity – RON/pers	Increasing work productivity in value units (turnover / average personnel no.);	344.627	170.659	49,52%
Overdue payments- thousand RON	Making payments according to contract terms (in current prices)	0	0	100%
Overdue receivables – thousand RON	Decreasing the volume of overdue receivables (in current prices)	68.590	157.269	43,61%

Technological consumption- %	Meeting the quantities of natural gas representing technological consumption	100.00%	9%	1.068,72%
Operating expenses for 1000 RON operating income RON	Decreasing operating expenses for 1000 RON operating income	748.64	559,51	133,80%

Table 16 – Degree of fulfilment of standard performance indicators in the 1st semester of 2015

Performance criteria	**Performance objective**	**Weighting coefficient %**	**Achievement degree 2015 %**	**Fulfilment level in the 1st semester of 2015 according to the weighting coefficient**
Commissioned investments –thousand RON	Achieving the programmed level	15	21,56%	3,23
EBITDA –thousand RON	Increasing EBITDA	15	75,73%	11,36
Work productivity – RON/pers	Increasing work productivity in value units (turnover / average personnel no.);	15	49,52%	7,43
Overdue payments - thousand RON	Making payments according to contract terms (in current prices)	15	100,00%	15,00
Overdue receivables – thousand RON	Decreasing the volume of overdue receivables (in current prices)	10	43,61%	4,36
Technological consumption %	Meeting the quantities of natural gas representing technological consumption	15	1068,72%	160,31
Operating expenses la 1000 RON operating income RON	Decreasing operating expenses for 1000 RON operating income	15	133,80%	20,07
TOTAL		**100%**		**221,76**

Table 17– Level of fulfilment of standard performance indicators in the 1st semester of 2015

Chart 23– Aggregate level of fulfilment of standard performance indicators in the 1st semester of 2015

Performance criteria and objectives for determining the variable component of the remuneration

PERFORMANCE CRITERION	PERFORMANCE OBJECTIVE	Management plan 2015	Achieved 1st semester of 2015	Achievement degree %
EBITDA – thousand RON	Fulfilment of the EBITDA target undertaken in the Management Plan	619.625	469.237	76%
Operating expenses without amortisation thousand RON	Reducing the level of operating expenses (without amortisation expenses) actually incurred in relation to the level undertaken in the Management Plan	1.077.002	378.895	284%
Investment –thousand RON	Increasing the level of investments actually made in relation to the level undertaken in the Management Plan	352.200	56.101	16%

Table 18– Degree of fulfilment of performance indicators for determining the variable component of the remution for the 1st semester of 2015

Chart 24 – Level of fulfilment of performance indicators for determining the variable component of the remution in the 1st semester of 2015

Indicators underlying the performance of the natural gas transmission service

The performance standard for the natural gas transmission service, approved by the Decision of the president of the National Energy Regulatory Authority in the field of natural gas no. 1.361/13.12.2006 and published in the Official Gazette 27 bis in 16 January 2007, as amended and completed by the Order of the REGULATORY AUTHORITY FOR ENERGY President no. 45/24.04.2008, regulates the commercial quality criteria, defined by the performance indicators in order to ensure the natural gas transmission services and the ancillary services performed by the transmission system operator (TSO).

Performance indicator (no. article)	Objective	Achievements 2015
IP1–Solve the access requests for the connection to the NTS (art.5)	98%	100%
IP2–Execute the NTS connection installation related to the access requests (art.6 lit(a) și (b))	98%	100%
IP4 – Notification on the resumption of the service provision (art.8 (1) letter (a) and (b))	95%	100%
IP5– Notification on the planned interruptions in the service provision and its resumption (art.9 (1))	100%	100%
IP6–Solve the complaints of the NTS users on natural gas metering (art.10 (1) letter (a) and (b))	98%	100%
IP7–Solve the referrals related to the integrity and NTS operation under safety conditions (art.11 par. (2))	95%	100%
IP8–The obligations of the TSO to inform the applicants/users, according to other regulations of the Narional Regulatory Authority on natural gas (ANRGN) (art.12)	95%	100%
IP11 – Safety indicators (art.15 (1) letter (a)) RCA	maximum 8,3%	7,4%
(art.15 (1) letter (b)) NAP	0.8	0.01
(art.15 (1) letter (c)) NAP_T	0.1	0.00

Table 19 –Achievement of the performance indicators related to the gas transmission service for 2014

IP10-Tel Verde: 0800872674 is mentioned on the web page of the company www.transgaz.ro

Total number of calls received at DNGN Medias (called **telverde**) in the 1st semester of 2015 is of 18 calls

Content of the calls:

- Request for information on permits – 8 calls;
- Samsung representative office search – 3 calls;
- Request for information on lands – 3 calls;
- Request for Transgaz facsimile number – 1 call;
- Request for the telephone number of the cadastre service – 1 call;
- Request for information of a submitted documentation – 1 call;
- Request for information on GMOIS platform operation – 1 call;

The reported issues solving modality – all the calls were effectively addressed.

Other performance indicators

In the 1st semester of 2015, the company's management has undertaken a number of technical organizational and economic measures that allowed optimization of both the image and reputation capital of the company in relation to stakeholders and development of a more efficient, more accountable and more transparent organizational climate in terms of activity and management of employed resources, consistent with the requirements of European and national regulations on natural gas transmission.

3. ANALYSIS OF THE COMPANY'S ACTIVITY

3.1 Analysis of the operational activity

3.1.1 Regulatory framework

The main object of activity of Transgaz - **NACE Code 4950 –*Transport via pipelines*** – is defined by law as the activity organized for the circulation of natural gas through the National Natural Gas Transmission System (NTS) or through other transmission systems.

In addition, Transgaz also carries out related/secondary activities supporting its main object of activity, according to the legislation in force and the company's updated Articles of Incorporation.

According to the regulatory framework applicable to the natural gas sector, Transgaz conducts the natural gas transmission activity based on the specific field legislation and the Concession Agreement concluded with the National Agency for Mineral Resources approved by GD no. 668/2002, as amended and supplemented, and on the Licence to Operate the Natural Gas Transmission System no. 1933 granted by Decision no. 3911/20.12.2013 for the development of the natural gas transmission system operation issued by the National Energy Regulatory Authority (REGULATORY AUTHORITY FOR ENERGY).

The natural gas transmission activity is a public service of national interest and it is included in the regulated segment of the domestic natural gas market. The transmission service has a natural monopoly status and is carried out based on a tariff regulated by REGULATORY AUTHORITY FOR ENERGY. The contracts for the provision of natural gas transmission services are usually concluded for a period of 1 gas year, based on the Framework Contract appendix to the Network Code for the National Natural Gas Transmission System, approved by Order of the President of REGULATORY AUTHORITY FOR ENERGY no. 16/March 27, 2013, as amended and supplemented.

Another important legislation for Transgaz' activity is the REGULATORY AUTHORITY FOR ENERGY Order no.34/2013 on the approval of the Regulation for granting permits for establishment and licensing in the natural gas sector.

Transgaz has managed together with its specialists the specific regulation projects launched in a public debate REGULATORY AUTHORITY FOR ENERGY and has participated both at the revision activities of the Network Code provisions within the different joint committees and working groups with REGULATORY AUTHORITY FOR ENERGY and other involved institutions (*The Coordination/supervising committee of the activities regarding the provisions of the Network Code; the Working group for the revision of the Network Code coordinated by REGULATORY AUTHORITY FOR ENERGY; the Operative working group for the modification of the Network Code; the Joint working group* TRANSGAZ-OMV PETROM-EXXON*)* and to the revision activity of the concession agreement.

The legislative regulations adopted during the 1st semester of 2015, which refer to Transgaz activity, are:

Law no. 1/07.01.2015 for the rejection of the Government Emergency Ordinance no. 91/2013 on the procedures for the prevention of insolvency, published in the Official Gazette no. 18/09.01.2015;

Government Decision no. 5/07.01.2015 on the establishment of the price for the procurement of natural gas from the internal production for household customers and thermal energy producers, only for the quantities of natural gas used to produce thermal energy in the co-generation power plants and in thermal power plants dedicated to the consumption of the population, until June 30th, 2015, published in the Official Gazette no. 15/08.01.2015;

Law no. 10/08.01.2015 for the approval of the Government Emergency Ordinance no. 32/2001 on undertakings for collective investments in transferable securities and investment management companies, and amending and supplementing Capital Market Law No. 297/2004 on capital market, and also for the amendment and supplementation of regulatory acts, published in the Official Gazette no. 22/12.01.2015;

Law no. 11/08.01.2015 on the approval of the Government Emergency Ordinance no. 102/2013 for the amendment and supplementation of the Law no. 571/2003 on the Fiscal Code and regulation of financial and fiscal measures, published in the Official Gazette no. 24/13.01.2015;

Law no. 12/20.01.2015 for the amendment and supplementation of the Law no. 53/2003 – Labour Code, published in the Official Gazette no. 52/22.01.2015;

Government Decision no. 41/21.01.2015 for the amendment and supplementation of the Government Decision no. 47/2013 on the organisation and operation of the Ministry of Economy, published in the Official Gazette no. 73/28.01.2015;

Regulatory Authority for Energy Order no. 1/21.01.2015 regarding the implementation of the National Register of the Participants in the agri-energy Market and the approval of the Procedure for the Registration of the participants on the agri-energy market, published in the Official Gazette no. 80/30.01.2015;

Regulatory Authority for Energy Order no. 3/30.01.2015 for the amendment of the Order of the President of the Regulatory Authority for Energy no. 9/2013 on setting-

up the Technical Commission for the Approval of the Feasibility Studies prepared in order to lease the natural gas distribution service and to issue the compliant permits for the economic operators from the natural gas sectors, published in the Official Gazette no. 109/11.02.2015;

Order no. 150/11.02.2015 regarding the amendment and supplementation of the Accounting Regulations compliant with the international financial reporting standards applicable to the trading companies whose securities are admitted for transaction on a regulated market, approved under Order no. 1.286/2012, published in the Official Gazette no. 136/23.02.2015;

Government Decision no. 122/25.02.2015 for the approval of the National Action Plan in the Field of Energy Efficiency, published in the Official Gazette no. 169/11.03.2015;

Government Emergency Ordinance no. 2/11.03.2015 for the amendment and supplementation of regulatory acts and also other measures, published in the Official Gazette no. 176/13.03.2015;

Order no. 14/11.03.2015 for the approval of the methodology regarding the annual determination of the minimum natural gas stock level for the holders of the natural gas supply licenses and for the holders of the natural gas transmission system operation licenses, published in the Official Gazette no. 181/17.03.2015;

Order no. 16/18.03.2015 for the approval of the framework procedure regarding the obligation of the electrical energy and natural gas suppliers to solve the complaints of the final customers, published in the Official Gazette no. 193/23.03.2015;

Regulation no. 3/25.03.2015 for the amendment and supplementation of CNVM Regulation no. 1/2006 regarding the issuers and the operations with securities and of CNVM Regulation no. 6/2000 with regard to exercising certain rights of the shareholders in the general meetings of the shareholders of the trading companies, published in the Official Gazette no. 206/27.03.2015;

Law no. 58/26.03.2015 regarding the rejection of the Government Emergency Ordinance no. 18/2013 for the appointment of the public entity which exercises, on behalf of the state, the capacity of shareholder in the "TRANSELECTRICA" S.A. National Electrical Energy Transmission Company and in "TRANSGAZ" S.A. National Gas Transmission Company from Medias, published in the Official Gazette no. 205/27.03.2015;

Government Decision no. 237/07.04.2015 regarding the approval of the income and expense budget for 2015 for "TRANSGAZ" S.A. National Gas Transmission Company from Medias, which is under the authority of the Ministry of Economy, Trade and Tourism, published in the Official Gazette no. 239/08.04.2015;

Government Emergency Ordinance no. 6/07.04.2015 for the amendment and supplementation of the Law no. 571/2003 on Fiscal Code, published in the Official Gazette no. 250/14.04.2015;

Government Emergency Ordinance no. 13/20.05.2015 regarding the set-up, organisation and operation of the National Public Procurement Agency, published in the Official Gazette no. 362/26.05.2015;

Government Decision no. 359/20.05.2015 for the amendment and supplementation of regulatory acts from the field of labour security and health, published in the Official Gazette no. 374/28.05.2015;

Government Decision no. 367/27.05.2015 for the amendment and supplementation of the Methodological Norms for the Application of the Law no.

571/2003 on Fiscal Code, approved under the Government Decision no. 44/2004, published in the Official Gazette no. 373/28.05.2015;

Law no. 123/29.05.2015 for the approval of the Government Emergency Ordinance no. 20/2014 on setting-up the Department for Privatisation and Management of the State Contributions, establishing measures to make efficient the privatization activity for the development, under profitability conditions, of the activity of the economic operators with state capital, in order to exercise the rights and to comply with the obligations which arise from the capacity of the state shareholder in the case of certain economic operators, and also for the amendment and supplementation of regulatory acts, published in the Official Gazette no. 386/03.06.2015;

Law no. 133/08.06.2015 for the amendment and supplementation of the Law no. 46/2008 – Forest Code, published in the Official Gazette no. 411/10.06.2015;

Order no. 86/ 10.06.2015 for the amendment and supplementation of the Regulation regarding the organised framework for transactions on the centralized market of natural gas managed by OPCOM – S.A., approved under the Order of the President of the Regulatory Authority for Energy no. 52/2003, published in the Official Gazette no. 424/15.06.2015.

In the 1st semester of 2015, the National Gas Transmission Company, "Transgaz" S.A., has drawn-up the following **legislative amendments / proposals:**

- Draft law regarding the approval of the **Government Emergency Ordinance no. 22/2014** for the amendment and supplementation of the Law no. 50/1991 regarding the authorization of the execution of the construction works (Draft Law-x no. 318/2014) – April, 2015.
  Status: under debate by the Legal Commission – Chamber of Deputies;
- Draft law for the approval of the **Government Emergency Ordinance no. 50/2014** regarding the amendment and supplementation of the Oil Law no. 238/2004 (Draft Law-x no. 578/2014) – April, 2015.
  Status: under debate by the Commission for Industries and Services – Chamber of Deputies;
- Draft law regarding the amendment and supplementation of the **Government Ordinance no. 80/2001** regarding the establishment of expenditure norms for the public administration authorities and public institutions (Draft Law-x no. 356/2015) – July, 2015.
  Status: the project was voted by the Chamber of Deputies on 29.06.2015 and it was subject to promulgation.

In the 1st semester of 2015, in accordance with the European legislation and regulations, a series of actions were carried out, among which:

- Preparing and sending the answers to letters received from Romanian or foreign persons or organisations with regard to the application by Transgaz of the European regulations;
- Participations in meetings of Transgaz – ExxonMobil – OMV Petrom common work group in order to draw-up and promote to the Regulatory Authority for Energy the regulation framework necessary for the reservation of capacity and transmission contracts afferent to the gas from the Black Sea;

- Participations in the common meetings of the transmission operators and regulation authorities in order to adopt a solution for the reservation of the capacity pooled for the entire RO-HU-AT transmission corridor; drawing-up the documentation necessary to launch a non-binding open season process in the second half of the year;
- Negotiation of the conclusion of a cooperation agreement with MIDIA RESOURCES SRL;
- Preparing *NTS access strategy for the gas producers from the Black Sea* and subjecting it to the internal debate of the Strategic Development Committee;
- RO-BG-UA trilateral meeting occasioned by the request of UKRTRANSGAZ to conclude an Interconnection Agreement with TRANSGAZ and by the expiry on 31.12.2015 of the contract for gas transit on II line, concluded with GAZPROM; participation in an internal work group in order to draw-up the proposed interconnection agreement;
- Management of the issues related to the infringement procedure initiated by the European Commission against Romania, with implications for TRANSGAZ, namely case 2009/2193, by drawing-up information to the MINISTRY OF FOREIGN AFFAIRS;
- Management of the relationship with ENTSOG with regard to the issue of the amendments to the European network codes and the European regulations in progress;
    - *Supplementation of (EU) Regulation no. 984/2013 on the establishment of a network code regarding the mechanisms assigning the capacity in the gas transmission systems with provisions regarding the incremental capacity;*
    - *Amendment of (EU) Regulation no. 994/2010 on the measures guaranteeing the natural gas supply security, launched for public debate by the Commission;*
- Drawing-up information addressed to the MINISTRY OF ECONOMY AND THE MINISTRY OF FOREIGN AFFAIRS with regard to the status of the project for the development of the capacity of transmitting gas to Moldova Republic;
- Participation in the review of the Report of Provisional Measures according to (EU) regulation no. 312/2014 for setting-up a network code in order to balance the natural gas transmission networks.

3.1.2 The activity of natural gas transmission

In the 1st semester of 2014, the regulated tariffs for the provision of natural gas transmission services via NTS were set based on the following regulations:

- **REGULATORY AUTHORITY FOR ENERGY Order no. 39/June 19th, 2013** applied for the period July 1st, 2013 – June 30th, 2014;
- **REGULATORY AUTHORITY FOR ENERGY Order no. 1/15th January 2014** regarding the establishment of the regulated tariffs for rendering the uninterruptible services for natural gas transmission through the National Transmission System in the period February 1st 2014-June 30th 2014.

On May 21st 2014 was published the REGULATORY AUTHORITY FOR ENERGY Order No.32 on the approval of the Methodology for the establishment of the regulated income, the total income and the regulated tariffs in the natural gas sector.

The main modifications to setting the income related to the transmission activity, performed by the REGULATORY AUTHORITY FOR ENERGY Order no. 32 versus the REGULATORY AUTHORITY FOR ENERGY Order no. 22/2013 are the following:

- Setting the annual increase rate of the economic efficiency for the natural gas transmission activity at the value of 3,5% for each year of the third regulation period, in the interval July 2014 – September 2017;
- From the fourth year of the regulation period (2012-2017) the starting date of the year within the periods is October 1st. Until the third year (2014-2015), the regulation year was starting at July 1st.
- Introduction of the following terms within the formula for the determination of the income:

  ΔVA(i) – the amount allowed to be recovered in the year (i) from the amount approved by the Regulation Committee of REGULATORY AUTHORITY FOR ENERGY, determined according to the legal in force provisions by compensating the unrealized incomes recognized by REGULATORY AUTHORITY FOR ENERGY for the second regulation period with the cumulated amount of the efficiency bonuses obtained from the development of the natural gas transmission activity determined for each year of the second regulation period;

  ΔCT(i) – the correction component of the technological consumption for the previous years.
- OPEX, including the technological consumption, is adjusted through the Order 22 with the inflation diminished with the annual increase rate of the economic efficiency; Through the Order 32, OPEX is similarly adjusted the without the technological consumption, and the technological consumption **CT(i)** – is determined as the product between the quantity of natural gas afferent to the technological consumption established according to the legal in force provisions for the year (i-1) and the estimated purchase cost for the year (i);
- setting the RAB (x) at the beginning of the regulation period in Order 32, the RAB (x-1)values from the previous period are not inflated with the cumulated rate of the inflation from the regulation period (x-1), as it was stipulated in the Order 22/2012.

Modifications related to tariffs setting

The setting of **tariffs for capacity booking** by entry/exit points / groups of points grouped based on the "adjacent system type" criterion, respectively:

- The group of the entry points from the production fields, from the LNG terminals and from the biogas or other gases generates installations that comply with the quality conditions in order to be delivered / transmitted in / through the NTS;
- The entry points from the interconnection with other natural gas transmission systems;
- The group of the entry points from the underground storages;
- The group of the exit points to the distribution systems, the upstream pipelines and the final clients directly connected to the transmission system;
- The group of the exit points to the underground storages;
- The group of the exit points from the interconnection with other natural gas transmission systems.

Setting the types of services related to gas transmission for which capacity booking tariffs are set, that is:

- **Long term** natural gas transmission services**:**
  - Firm transmission services contracted for a natural gas year or multiple natural gas years;
  - Uninterruptible transmission services contracted for a natural gas year;
- **Short term** natural gas transmission services**:**
  - Firm / uninterruptible transmission services contracted for a quarter or multiple quarters, within the natural gas year;
  - Firm / uninterruptible transmission services contracted for a month or multiple months, within the quarter;
  - Firm / uninterruptible transmission services contracted for a natural gas day or multiple natural gas days, within a month.

On June 26th 2014 the ***REGULATORY AUTHORITY FOR ENERGY Order no. 54*** *regarding some measures for the development of the natural gas market,* established some measures regarding the obligation of the users to introduce until July 7th 2014, on the online platform, the capacity booking requests for long term firm services, and by quarters.

Following this order, the contracts concluded for the natural gas year 2013-2014 were extended until the date of August 1st 2014 and the new tariffs according to the methodology approved through the Order 32/2014 were to be set and applied starting with August 1st 2014.

As of **August 1st, 2014, and, therefore, for the 1st semester of 2015**, the tariffs regulated for the provision of the services of natural gas transmission via NST were established based on the following regulations:

- **Order of the Regulatory Authority for Energy no. 77/July 22nd, 2014** regarding the approval of the regulated budget, the total income and the transmission tariffs for the activity of natural gas transmission via the national transmission system for the period July 1st, 2014 – September 30th, 2015;
- **Order of the Regulatory Authority for Energy no. 80/August 14th, 2014** for the amendment of annex no. 1 to the Order of the president of the Regulatory Authority for Energy no. 70/2014 regarding the approval of the regulated budget, the total income and the transmission tariffs for the activity of natural gas transmission via the national transmission system for the period July 1st, 2014 – September 30th, 2015.

The natural gas transmission service ensures the fulfilment of Transgaz' obligations under its own program, namely to provide the network users access services to the NTS based on equivalent, non-discriminatory and transparent conditions and contractual terms.

The transmission agreements concluded with the beneficiaries of the services are consistent with the regulated framework agreement and provide the legal framework for the provision of firm and interruptible transmission services.

The provision of the transmission service designates all the activities and operations carried out for and in relation to transmission capacity booking and the transmission through the NTS of determined natural gas quantities.

The transmission of natural gas quantities is performed from the commercial delivery/receipt points from the entry in the NTS to the commercial delivery/receipt points from the exit from the NTS, *natural gas volumes required to cover losses in the NTS being the responsibility of Transgaz*.

Through the transmission services contracted in the 1st semester of 2015, the total amount of **69.118.324 MWh** (6,480.291 thousand cm) was transmitted out of which to:

Distribution:	42.384.625 MWh (3.965.562 mii mc); -61,32%
Direct consumers:	17.273.831 MWh (1.625.246 mii mc); -24,99%
Storage:	9,459,868 MWh (889,483 thousands cm): -13.69%
Reverse flow (Csanadpalota):	0 MWh (0 thousand cubic meters): -0%

Based on the invoiced amount, the firs 10 beneficiaries of the natural gas transmission service in the 1st semester of 2015 are:

The main users of NTS in the 1st semester of 2015	**Invoiced value exclusive of VAT [RON]**	**%**
GDF SUEZ ENERGY	198,959,620.36	23%
E.ON ENERGIE ROMANIA	197,951,733.75	23%
OMV PETROM GAS SRL BUC	118,948,928.53	14%
ELECTROCENTRALE BUCURESTI	89,953,546.82	11%
AZOMURES TG.MURES	87,964,375.54	10%
INTERAGRO SA BUC.	64,128,772.41	7%
ROMGAZ SA. MEDIAS	50,222,163.55	6%
INTERAGRO SRL BUC.	16,797,017.59	2%
WIEE ROMANIA SRL	16,443,181.29	2%
CONEF GAZ BUCURESTI	14,773,352.60	2%

Table 20 – The share of the main users of the NTS in the 1st semester of 2015

In order to cover the losses from the NTS and for the own technological consumption in the 1st semester of 2015, Transgaz purchased natural gas amounting to **237.922 MWh (21.140 thousands cubic meters)** natural gas.

Chart no.26 - The share of the main users of the NTS in the 1st semester of 2015

The Board of Administration, based on the Report no. DO 16988/16.04.2015, has approved under the Decision no. 14/2015 the contracting of services of reservation in the underground storage facilities for maintaining on stock **212.000 MWh** of natural gas destined to ensure a balance in the system and its safe operation.

In the 1st semester of 2015, as a result of the measures taken during the operation activity, at the level of the ***National Natural Gas Dispatching Centre*** a series of activities were performed, out of which we would like to mention the following:

- NST topology, which will be the basis of the implementation, via SIMONE programme, of NST hydraulic calculation model, which implied drawing in AUTOCAD over 13,000 km of pipeline (divided into approx. 6,000 sections), almost 8,800 topology points, 3,262 sectioning valves and 124 regulating valves, 1,111 delivery points in NST, 150 points of entry into NST plus 40 simplified SCVs operating schemes, technological nodes and interconnections;
- Completing the mapping of SCADA instrumentation codes with the codes of topology points and the status register of the valves for the preparation of SIMONE simulator running for the line-pack calculation on NST and its utilization to foresee the gas requirement per NTS for the following day in order to prepare the transmission programs for the following day etc.;
- Implementing the new methodology for the calculation of the technological gas consumption for the works carried out in NTS, for pipeline emptying and filling, defects, accidents etc.;
- Completing the preparative works, which will determine the implementation of NST electronic parameter register with SCADA data.

Other actions related to the operation activity in the 1st semester of 2015:

- Daily/monthly determination and monitoring of the technological consumption at NTS level and regional offices and maintaining it within the approved percentage range;

- Participation in the Work Group for the amendment/supplementation of the *Intermediate Review Project of the* ***Network Code for the National Transmission System*** for the purpose of applying it in 2015-2016 gas year, based on the following principles:
  - establishing the daily imbalances of the network users and application of penalty system to them;
  - purchasing by Transgaz of a balancing gas quantity and selling it to the network users who created imbalances;
  - implementing a Virtual Transaction Point in which NU to carry out FTG within 24 hours as of the communication by Transgaz of the daily imbalance;
  - revaluating and applying the reserved capacity exceeding tariff;
  - reserving the capacity of an NU by NST input points can be different from the reservation of capacity in NST output points;
  - the nominations of an NU by NST input and output points shall be balanced;
  - amending/supplementing the framework transmission contract so that to be correlated with the new amendments.
- Preparation of the necessary data with regard to technical capacities and gas flows in order to substantiate the transmission tariffs for 2015-2016 gas year;
- Preparation and testing of the new developments of Romsys for the implementation of the long term transmission contracts in GMOIS platform;
- Carrying out auctions of capacity grouped in Csanádpalota interconnection point every month of the 1st semester of 2015, in accordance with the Tender Calendar agreed with FGSZ Zrt. in OST affiliation and cooperation agreement;
- Actions regarding the compliance with the transparency requirements provided by (EU) Decision no. 715/30.04.2015 for the amendment of Annex I of (EC) Regulation no. 715/2009:
  - Implementation of the publication of all types of capacities by points relevant on a timescale of 24 months in advance;
  - Testing and verifying the data published on Transgaz website and on ENTSOG transparency PDWS platform.
- Drawing-up and submitting, in order to be signed, the ***convention on setting the technological parameters related to the physical entry/exit points in the National natural gas transmission system*** with the producers, distribution operators, storage operators, direct clients or their suppliers, according to the Order of the President of the REGULATORY AUTHORITY FOR ENERGY no. 79/30.10.2014 underlying the execution of the Transmission contracts with the network users.
- the daily calculation of the imbalances and the monitoring of the main NU according to the provisions of art. 5 (3) of the REGULATORY AUTHORITY FOR ENERGY President Order no. 54/26.06.2014.

The quantity of natural gas transmitted through the transit pipelines in the 1st semester of 2015 is of ***7.325.660,721 thousand cubic meters (77.803.235,251 MWh).***

3.1.3 International natural gas transmission

The international natural gas transmission is performed using dedicated pipelines which are not interconnected to the national transmission system (NTS) and, therefore, it *is not considered a regulated activity and the tariffs were commercially set by negotiations between the parties*.

The international natural gas transmission ensures the transit of natural gas from the Russian Federation to Bulgaria, Turkey, Greece and other countries, through three gas pipelines, between Isaccea and Negru-Vodă.

This activity is conducted based on the three contracts concluded between Transgaz and Bulgargaz EAD (Bulgaria), respectively Gazprom Export (Russian Federation). The legal framework for the conclusion of the contracts is represented by the following intergovernmental agreements:

Fig.1- International natural gas transmission pipelines

- *The Convention regarding the construction of a pipeline on the territory of the Socialist Republic of Romania (SRS) to ensure the gas transit from U.S.S.R. to the People's Republic of Bulgaria, signed on November 29, 1970;*
- *The Convention between the governments of S.R.R. and U.S.S.R. regarding the transit on the territory of S.R.R. of natural gas from U.S.S.R. to Turkey, Greece and other countries, signed on December 29, 1986;*
- *The Convention between the governments of Romania and the Russian Federation regarding the extension of the capacity of the natural gas transit pipelines on the territory of Romania, for increasing the supplies of natural gas from the Russian Federation to third party countries and to Romania, signed on October 25, 1996;*
- *The cooperation agreement in the energy sector concluded on October 29, 2002 between the Ministry of Energy and Energy Resources of Bulgaria and the Ministry of Industry and Resources of Romania.*

The conventions concluded with the Russian side were denounced by the GD no. 1278/ December 27, 2011, based on the provisions of article 351, paragraph 2 of the Treaty regarding the functioning of the European Union. The validity period of the three contracts is as follows:

- Contract no. 10.726 of October 19th, 2005, concluded with **Bulgargaz EAD Bulgaria**, **(section I)** valid until December 31st, 2016;
- Contract no. 2102-06 of June 3rd, 1987 valid until December 31, 2011, extended by two addendums until **December 31st, 2015**;
- Contract no. 643/00157629/210247 of September 24th, 1999, valid until **December 31st, 2023.**

According to the provisions of the abovementioned contracts, the payment of services is made in foreign currency, entirely depending upon the ordered capacity (*"ship or pay" contracts)*.

3.1.4 Other activities

Other activities with a marginal contribution to the turnover of the company are mainly the sales of assets, rents and royalties.

3.1.5 Evaluation of the provision of natural gas transmission service

Transgaz is the only transmission system operator in Romania. In the table below is presented the evolution of the provision of domestic and international natural gas transmission services for the 1st semester of 2015 as compared to the 1st semester of 2014.

Specifications	Results (thousands RON)		Dynamics (%)
	1st sem. 2015	1st sem. 2014	
Revenue from transmission	660.193	714.322	92,42
Revenue from international gas transmission	158.798	133.302	119,13

Table 21– Evolution of income from domestic and international natural gas transmission in the 1st semester of 2015 vs. the 1st semester of 2014

The transmission of natural gas via NTS covers over 90% of the natural gas consumed in Romania and, therefore, it may be deemed that the company does not face competitive situations in the field and it does not significantly depend on a client or a group of clients from its portfolio.

Results in the 1st semester of 2015 versus results in the 1st semester of 2014

The situation of the financial results on June 30th, 2015 as compared to results achieved in the similar period of the year 2014 is presented in the table below:

RON **mii**

Name	Result 1st sem. 2015	Result 1st sem. 2014	Modifications
1	2	3	4=2/3x100-100
Operating revenue	848.132	861.012	-1%
Financial revenue	17.473	9.190	90%
TOTAL REVENUE	**865.604**	**870.202**	-1%
Operating expenses	474.534	508.300	-7%
Financial expenses	3.474	3.144	10%
TOTAL EXPENSES	**478.008**	**511.444**	-7%
GROSS PROFIT -total, of which:	**387.596**	**358.757**	8%
· from operation	373.597	352.712	6%
· from the financial activity	13.999	6.045	132%
Tax on profit	**68.514**	66.663	3%
Income from deferred tax on profit	2.474	2.273	9%
NET PROFIT	848.132	861.012	-1%

Table 22- Financial results in the 1st semester of 2015 vs financial results in the 1st semester of 2014

Chart 28 – Financial results in the 1st semester of 2015 vs financial results in the 1st semester of 2014 (thousand RON)

Chart 28 – Financial results in the 1st semester of 2015 vs. financial results in the 1st semester of 2014 (%)

The total revenue registered in the 1st semester of 2015 are equal to the results obtained in the 1st semester of 2014, and a decrease of **4.597** ***thousands RON*** was recorded.

The revenues were influenced mainly by the following factors:

- *The revenues obtained from capacity booking increased by* ***78.167 thousand RON*** *due to;*
- the increase of the fixed component share in the total revenues from 35% to 50%;
- increased of the booked capacity with 97.531.645 MWh because of the introduction starting with 1 August 2014 of capacity booking on entry-exit points*;*
- *the revenues obtained from the volumetric component lower with* ***132.296 thousand RON*** *because of:*
- the decrease of the variable component share in the total revenues from 65% to 50%;
- increase of the invoiced gas quantity with 3.702.801 MWh (340.743 thousand cubic meters), detailed by categories of consumers as follows:

		1st sem. 2014	1st sem. 2015	Differences
Quantity transmitted for direct consumers	MWh	26.033.000	26.733.698	700.698
	Thousand cubic meters	2.443.442	2.514.729	71.287
Quantity transmitted for distributions	MWh	39.382.523	42.384.625	3.002.102
	Thousand cubic meters	3.696.106	3.965.562	269.456
Total	MWh	65.415.523	69.118.324	3.702.801
	Thousand cubic meters	6.139.549	6.480.291	340.743

- as of the third year of the third regulation period (2014-2015), the modality of allocating the total revenues, which was the basis of the tariffs for the transmission activity, is of 50% for the fixed component and 50% for the volumetric component. This fact determines a redistribution of the transmission revenues as follows: diminution of transmission revenues during the winter trimesters because of the decrease of income from the transmitted volumes and increase of transmission revenues during the summer trimesters due to the increase of the revenues from capacity booking as compared to the previous gas year.

- *the revenues from the international natural gas transmission* higher with **25.497 thousand RON** due to the variations of the exchange rates of the contract currencies;

- *other operation revenues* higher with **15,752 thousand RON** due to the registration of the amounts afferent to the reversion of the income acknowledged in advance by Transgaz as a result of the right to cash the remaining amount of the investments made in NST upon the completion of the Lease Agreement;

- *the financial income with a positive influence of* **8,283 thousand RON** due to the revenues from interests registered as effect of the update by discounting the debts for the regulated amount left undepreciated of the basis of regulated assets upon the completion of the Lease Agreement.

Total expenses decreased by **7%** as opposed to the 1st semester of 2014 their level being by **33,436 thousand RON** lower.

Operating expenses decreased by 7% as opposed to the 1st semester of 2014, respectively by cu **33.766 thousand RON**.

The excess of 40.668 thousand RON was recorded, especially for the following items of expenditure:

- consumption and technological loss in the transmission system have decreased with **15.774 thousand RON,** due to two factors:
  - the quantity of natural gas destined to technological consumption was lower than the one provided in the 1st semester of 2014 by 220.908 MWh/20.318 thousands mc (▼148 %), with a favourable influence of 18.029 thousands RON;
  - the average purchase price in the 1st semester of 2015 was higher than the one provided in the 1st semester of 2014 by 9,47 RON/MWh with a negative influence of 2.254 thousand RON;
- royalty for NST concession: 2.863 thousand RON;
- expenses with other taxes and duties: 5.870 thousand RON;
- other operating expenses: 10.024 thousand RON;
- personnel expenses: 1.671 thousand RON;
- maintenance and transmission: 4,466 thousand RON;

Excess of 6.903 thousand RON was registered, being caused by the increase of the depreciation cost ((▲ 3.787 thousand RON), of the provision costs for risks and expenses (▲ 1.973 thousand RON) and of the costs of materials and auxiliary materials (▲ 1.142 mii RON).

The financial expenses registered an increase by **330 thousand RON** on account of the exchange rate difference costs .

Compared with the achievements on June 30th, 2014, the gross profit achieved in the 1st semester of 2015 is higher by 84% that is by 28,839 thousand RON.

Achievements in the 1st semester of 2015 versus the Budget of the 1st semester of 2015

The main economic-financial indicators achieved in the 1st semester of 2015, as compared to the provisions of the Revenue and Expense Budget (REB), approved under the Government Decision no. 237/2015, are presented in the table below:

thousands RON

Name	REB 1st sem. 2015	Achieved 1st semester 2015	Modification
1	2	3	4=3/2x100-100
Operating revenue	875.038	848.132	-3%

Financial revenue	5.827	17.473	200%
TOTAL REVENUE	**880.865**	**865.604**	-2%
Operating expenses	599.631	474.534	-21%
Financial expenses	2.378	3.474	46%
TOTAL EXPENSES	**602.009**	**478.008**	-21%
GROSS RESULT (row 3.- row 6.), of which:	**278.856**	**387.596**	39%
From operation	275.407	373.597	36%
From the financial activity	3.449	13.999	306%
Tax on profit	**41.877**	**63.565**	64%
Tax on deferred profit	2.640	-2.474	-6%
NET PROFIT	**239.619**	**321.557**	34%

Table 23– Financial Results in the 1st semester of 2015 vs. the Budget of the 1st semester of 2015

Chart 29 – Achieved vs Budget in the 1st semester of 2015-thousand RON

Chart 30 – Achieved vs Budget in the 1st semester of 2015 (%)

The total revenues are 2% lower than the ones provided in the REB, registering an decrease of **15.260 thousand RON.**

The revenue was influenced by the following factors:

- The natural gas transmission services recorded a decrease of **55.993 thousands RON** determined, mainly by
  - *the lower gas quantity transmitted* compared to the planned one by 6.064.497 MWh /612.428 thousand cm (▼8%) with a negative influence of **36.486 thousand RON;**
  - *the average capacity booking tariff* lower than the planned one by 0,067 RON/MWh/hour, with a negative influence of **16,659 thousand RON;**
  - *the booked capacity* lower by 2.282.504 *MWh* with a negative influence of **2.849 thousand RON;**
- The revenue from international natural gas transmission services recorded an increase of **20.094 thousands RON** due to the variation of the exchange rates of the currencies provided in the contracts;
- Other revenues from operation have increased with **8.993 thousand RON** compared to the level provided in REB, due to the amounts afferent to the reversion of the income acknowledged in advanced by Transgaz as a result of the right to cash the remaining amount of the investments made in NST upon the completion of the Concession Agreement;
- The financial revenues have increased as compared to the level from REB of **11.647 thousand RON** due mainly to the revenues from interests registered as effects of the update by discount of the debts for the regulated amount remained undepreciated of the basis of regulated assets upon the completion of the Concession Agreement.

The total expenses are **21%** lower as compared to the approved plan, their level being lower by **124.002** thousand RON than the provisions of the REB.

The operating expenses are **21%** lower as compared to the REB approved, that is **125.098** thousand RON.

Savings amounting to* 131.539 *thousand RON were recorded, mainly under the following expenditure items:

- consumption and technological loss of natural gas in the transmission system **68.422** thousand RON, due to two factors:
  - the quantity of natural gas destined to the technological consumption is lower than the one provided in the program by 741.877 MWh/71.294 thousand cubic meters (▼76%), with a favourable influence of 68.216 thousand RON;
  - the average purchase price is lower by 0.87 RON/MWh than the one provide in REB with a negative influence of 206 thousand RON;
- maintenance and transmission: 30.218 thousand RON;
- personnel expenditures: 12.067 thousand RON;
- ancillary material expenditures: 8.308 thousand RON;
- monopoly tax: 6.527 thousand RON;
- royalty expenditures: 3.590 thousand RON;
- tax and charges: 2.303 thousand RON;
- expenditures with the provision for risks and expenses: 103 thousands RON.

Excess amounting 6.441 thousands RON were recorded, mainly due to depreciation expenses (▲1.119 thousand RON) and to other operating expenses (▲5.323 thousand RON).
The financial expenses are higher as compared to the level provided in the REB by **1,096 thousand RON** on account of the expenses related to the exchange rate differences.

The gross profit is **39%** higher than the one provided in the management plan, its level being higher by **108,741 thousand RON above the provisions of the REB**, and the **net profit** higher **by 34% than the planned one**, namely by **81,939 thousand RON than REB**.

Name	Achieved in the 1st sem. 2015 vs. the 1st sem. 2014	Achieved in the 1st sem. 2015 vs. REB of the 1st sem. 2014
TOTAL REVENUES	1%	-2%
TOTAL EXPENSES	-7%	-21%
GROSS RESULT	8%	39%
TAX ON PROFIT	3%	68%
NET PROFIT	9%	34%

Table 24– Results of the 1st semester of 2014, REB of the 1st semester of 2015 (%)

Chart 31. – Results of the 1st semester of 2015 vs. Results of the 1st semester of 2014, REB in the 1st semester of 2015 (%)

3.1.6 Evaluation of the research and design activity

The research and design activity was carried out in the 1st semester of 2015 on two directions: design and scientific research.

A. Design activity

- **Drawing up design works within the Design and Research Department**

During the 1st semester of 2015, 239 design works were performed within the division, out of which 581 works endorsed in TEC Transgaz, with a total value of the investment amounting to 188,897,258 RON**,** as follows:

- Solution Studies – 142.317.512 RON;

- 49 investment works – 35.942.540 RON;
- 6 maintenance works – 9.596.067 RON;
- 1 work for access granting to the NTS – 1.041.139 RON;

the rest of the works being in different development stages.

Important works undertaken in 2015:

- Feasibility study and Technical Project for the *development on the territory of Romania of the National natural gas transmission system on the route Bulgaria-Romania-Hungary-Austria*.
- Feasibility study regarding: The gas transmission pipeline Black Sea shore – Podișor;
- Feasibility study regarding *Developments of NST in the North-Eastern area of Romania in order to improve the supply with natural gas of the area and ensure the capacity of transmission towards Moldova Republic;*
- Feasibility study and Technical Project regarding the gas transmission pipeline Gherăiești-Lețcani;
- Reverse flow Ukraine – necessary modifications to be executed in GMS Isaccea I and GMS Isaccea II in order to deliver gas to Ukraine;
- Surveillance of the design works developed by third parties after the subsequent contracts concluded.

Out of 59 design works, 18 works were endorsed by the TEC with a total value of the investment of 94.847.212 RON, and the rest are in different development stages.

In the first semester of 2015, a total number of 298 design works were executed, 76 works endorsed by TEC, with a total investment value of 283.744.470 RON.

Chart 32– Number of design works approached and endorsed in TEC Transgaz in the 1st semester of 2015

B. The scientific research activity

The scientific research activity was carried out according to the ***Scientific Research, Technological Innovation and Standardization Program for 2015.*** It includes 14 research themes, out of which 4 were carried out in the period 2013-2014, and the other 10 were new themes for 2015.

During the 1st semester of 2015, within the department, 4 research works were in progress, all of which being endorsed by TEC Transgaz, amounting 223.800 RON.

3.1.7 Evaluation of the procurement activity

The purchases for ensuring the technical and material resources are made under firm contracts or orders, concluded by observing the applicable laws, both from the domestic market and imports.
At the foundation of the **Annual Program of the Public Procurement 2015 (P.A.A.P. 2015) the necessary of works, products and services, were calculated** as they are contained in the **Program for upgrading, Investments development**, **Rehabilitation program and Maintenance services assurance** as well as in the **Program** regarding **other services executed by third parties** and the **Supply program**, in the form they have been approved through the H.C.A. no. 45/08.12.2014.

The program contains **the totality of the contracts/frame agreements** that THE NATIONAL GAS TRANSMISSION COMPANY Transgaz SA Medias intended to **attribute/conclude during the year 2015.** As well as **the procedures started in 2014**, which, until the end of the year, **have not been attributed/not finalized** have been kept in the program for the year 2015 with the mention that they are **under development**.

The total value of the **Annual Program of the Public Acquisitions for the year 2015,** approved by **the Resolution of the Board of Administration no. 2/2015** was of **1,03 bln RON** (equivalent of 233,5 mill. Euro) out of which **the estimated value of the contracts that will be attributed through acquisition procedures** based on the P.A.A.P. 2015 was of **1,01 bln RON (**equivalent of 229,1 mill. euro**),** and the estimated value of **the direct Procurement** , is of **0,02 bln RON** (equivalent of 4,4 mill. euro).

Upon the 11 rectifications/updates of the Annual Program of the Public Procurement for the year 2015 that became necessary due to the revision of the execution programs on which is based the foundation of R.E.B**, the total value of the Annual Program of the Public Procurement for the year 2015** has become **1,01 bln RON** (equivalent of 229,1 mill. Euro).
From the total value mentioned for the section **acquisition procedures** the estimated value is of **0,98 bln RON** (equivalent of 222.8 mill. euro), and the estimated value of the **direct Procurement** is of **0,03 bln RON** (equivalent of 6,3 mill. euro).

PROCUREMENT PROCEDURES:

Based on the provisions of the P.A.A.P. 2015 (procedures section, updated) respectively from **338 active positions** (less the relocated ones, but including the new entries), upon the requests of the interested departments/directions/services **155 procedures have been initiated out of which 91 were finalized**, 67 procedures are under development, in different stages.

Additionally, 35 procedures are not initiated, with documentations at DAPC, **and up to the total of active positions in the program, 145 positions are not requested by the interested departments/directorates/services** (representing 42.90%).

From a physical point of view of the total number of procedures stipulated in the updated P.A.A.P., **the execution percentage is of 26,92%,** and **from the value point of view the execution degree is of 15,76%** (the achieved value in relation to the total

estimated value). In percentage, the 35 procedures that are not initiated and are under development represent 10,36 % of the total positions in the plan.

The situation of the execution of the procurement procedures is as follows:

Procedures summary (physical)		
Total positions on 30.06.2015, out of which:	**338**	% achievement from P.A.A.P (procedures sections)
- started	67	19.82%
- executed	91	26.92%
- not started (under development DAPC)	35	10.36%
- not requested	145	42.90%

Procedures summary (value)-RON		
Total value at 30.06.2015, out of which:	984.712.065	% achievement from P.A.A.P (procedures sections)
- started	126.506.947	12,85%
-achieved	155.237.685	15,76%
- not started (under development DAPC)	124.803.958	12,67%
- not requested	492.548.365	50,02%

NOTE: The percentage for the executed procedures represents the final realized value reported to the total estimated value; and for the started, but not finished ones and for the not started ones represents their estimated value reported to the total estimated value (this is why the amount of the percentages is less than 100% afferent to the value differences between the estimated values and the awarded ones)

For the 91 positions from PAAP, procedures section, the situation of the achievements as compared to the estimated ones is as follows:

No. positions from PAAP	Estimated value - RON	Achieved value-RON	Achievement percent %
91	240.852.795	155.237.685	64.45%

THE TOTAL SITUATION OF THE CONCLUDED CONTRACTS (including, as well, the subsequent contracts granted based on the frame agreements) is briefly presented in the next table:

Contract type	Total value of the contracts	Number of granted contracts/ Frame agreements	Out of which, no. of subsequent contracts	Value of the subsequent contracts	Results value from the PAAP

	(RON without TVA)			(RON without TVA)	(RON without TVA)
Works contracts	**119.925.369.44**	16	1	354.461,51	119.570.907,48
Services contracts*	**29.040.825**	84	35	11.330.696,94	17.710.128,01
Products contracts	**27.387.583**	46	11	9.430.933,12	17.956.649,48
TOTAL CONTRACTS	**176.353.777**	**14**	**47**	**21.116.091,57**	**155.237.684,97**

Table 26 – Situation of the contracts concluded through acquisition procedures in the 1st semester of 2015

DIRECT PURCHASES:

Based on the provisions in Appendix 1 to the P.A.A.P. updated, namely out of 646 **active positions** (less the relocated ones, but including the new entries) and upon the requests of the interested departments/directions/services **384 direct purchases have been initiated** out of which **375 direct purchases** were finalized, **and up to the total number of active positions from the program 256 positions are not requested by the interested departments/directorates/services (representing 39,63%)**.
From the physical point of view of the total number of direct Procurement from the approved program **the execution percentage of the direct purchases is of 58,05%**, and **the value is of 19,88% (achieved value in relation to the total estimated value).**

Direct purchases summary (physical)		
Total positions at 30.06.2015, out of which:	**646**	% achievement direct purchases
- started	9	1.39%
- achieved	375	58.05%
- not started (under development at DAPC)	6	0,93%
- not requested	256	39.63%

Direct purchases summary (value)		
Total value at 30.06.2015, out of which:	**27.805.746**	% achievement direct purchases
- started	1.284.204	4,62%
- achieved	5.526.925	19,88%
- not started (under development at DAPC)	364.630	1,31%
- not requested	11.101.099	39,92%

NOTE. The percentage of direct purchases represents the final value achieved related to the total estimated value; and for the initiated but not completed ones their estimated value reported to the total estimated value

(therefore the sum of percentages is less than 100% related to the differences in values from estimated to awarded)

For the 375 positions in PAAP, Annex 1 – Direct purchases, the situation of the achievements as compared to the estimated values, exclusively for these, is presented as follows:

No. positions from PAAP	Estimated value -RON	Achieved value-RON	Achievement percent %
375	15.055.812,26	5.526.924,56	36,70%

The total situation of the direct purchases

Based on the provisions in Appendix 1 to the P.A.A.P. updated, and upon the requests of the interested departments/directorates/services, the total situation of the direct procurement in the 1st semester of 2015 is as follows:

Contract type	Total value contracts/ Orders	Number of public procurement contracts	Value of public procurement contracts	Direct purchase orders number	Direct purchase orders value	Value of procurement not included in Annex 1-AD	Number orders of procurement program .	Value in procurement program.	Value of achievements in Annex 1-AD
	(RON without TVA)		(RON without TVA)		(RON without TVA)	(RON without TVA)		(RON without TVA)	(RON without TVA)
Works	2.013.065,29	17	2.013.065,29	0	0,00	0,00	0		2.013.065,29
Services	1.513.809,62	45	1.334.513,21	19	179.296,41	16.203,15	0		1.497.606,47
Products	2.050.386,80	1	66.940,24	92	1.201.169,11	34.134,00	260	782.277,45	2.016.252,80
TOTAL	**5.577.261,71**	**63**	**3.414.518,74**	**111**	**1.380.465,52**	**50.337,15**	**260**	**782.277,45**	**5.526.924,56**

Table 25 - Situation of the contracts concluded through direct purchases in the 1st semester of 2015

Direct Procurement Services reported to the Supply service in the amount of 782.277,45 RON for 260 positions in PAAP 2015 were achieved under the delegation of powers to regional offices under Report no.798/08.01.2015 and under Decision no. 159/10.03.2015.

3.1.8 Procurement and disposals of assets

Except for the acquisition of assets necessary to carry out and develop the activity, as well as for the assets taken out of service under the law, the company recorded no other similar operations in the 1st semester of 2015.

3.1.9 Internal and external audit of the company's activity

The internal public Audit Activity was set up at the level of Transgaz at the end of 2007, by the creation of the Internal Audit Office.

The first Internal Audit Plan was implemented in 2008. Since then, annual audit plans have been developed for each financial year.

In addition to the annual plans, the internal audit structure develops multiannual plans, for 3 calendar years, according to the Law no.672 / 2002, art.13.let.b. The analysis of the risks related to the entity's activities are carried out at the end of each calendar year by the structure internal audit, as provided by Law no.672 / 2002, Article 16, paragraph 1.

The audit of the financial situations was performed by the auditors at "Pricewaterhouse Coopers Audit SRL" (PwC).

3.1.10 Evaluation of the human resources and social dialogue activity

On June 30th, 2015, THE NATIONAL GAS TRANSMISSION COMPANY Transgaz SA had 4.775 employees with individual employment contracts, of which 4.727 for an indefinite period and 48 for a definite period.

The number of employees at the end of the 1st semester of 2015 is down by 45 people compared to that at the end of 2014, the policy of reducing the number of staff in line with the retirements, during this period, 75 retirements being recorded.

From 27.04.2015 until 03.06.2015, negotiations took place between the Employer, represented by the negotiation commission coordinated by the director-general and medias Gas Transmission Trade Union for the conclusion of the Collective Work Contract at the level of SNTGN TRANSGAZ S.A. The contract was approved by the Board of Administration in public meeting on 15.06.205 and registered with the Territorial Labour Inspectorate from Sibiu under no. 112/23.06.2015. The collective work contract at unit level was enforced on 25.06.2015 and it shall be valid for 24 months.

In order to improve the use of qualified personnel for performing the duties entirely in the new working conditions, according to the Management Plan of THE NATIONAL GAS TRANSMISSION COMPANY TRANSGAZ S.A. 2013-2017, service contract no. 283/08.06.2015 was concluded between SNTGN TRANSGAZ S.A. and Deloitte Consultanta S.R.L., its scope being to develop the normative with the time rules and the standardization of the personnel for the operation, interventions and maintenance of the NTS and the related facilities.

The duration of the contract is of 22 weeks, and 112 technical works shall be standardized under it, these being executed during NST and technical equipment operation, revision, repair and interventions. After the opening meeting of 07.07.2015, on 13.17.2015 the project entered the 1st stage of measuring the execution durations for the first set of 30 technical works from the list.

Intending to optimally size the requirement of human resources in relation to the actual necessities of activity and development of the company, some of the activities from the Public Procurement and Contracting Department and from the European Fund Accessing and International Relationship Department were organisationally redesigned together with the tasks and responsibilities of the personnel who carries out such activities.

The evolution of the number of the company's employees during the period 2012 – the 1st semester of 2015 is presented in the table below:

Specification	2012	2013	2014	1st sem. 2015
Number of employees in the beginning of the period	4.962	4.97	4.901	4.820
Number of new employees	117	65	120	60
Number of persons who have ceased employment with the company	101	142	201	105
Number of employees at the end of the period	**4.978**	**4.901**	**4.820**	**4.775**

Table 26 – Evolution of the number of employees during the period between 2012 and the 1st semester of 2015

Graph 33 - Evolution of the number of employees during the period between 2012 and the 1st semester of 2015

The evolution of the staff structure per education category reveals the company's interest to cover staffing needs by employing highly qualified specialists and by the continuous improvement of the existing staff, the trend towards increasing the number of employees with higher education in parallel with the decrease of employees with high school education and the number of employees with general education and training courses is obvious:

Item no.	Category	2012	2013	2014	1st semester of 2015
1	Higher education graduates	1.069	1.096	1.169	1.195
2	High school graduates	1.597	1.565	1.521	1.496
3	Vocational education graduates	917	896	877	862
4	graduates of general education + training course	1.400	1.344	1.253	1.222
*	**TOTAL employees**	**4.978**	**4.901**	**4.820**	**4.775**

Table 27 – The evolution of the staff per education category between 2012 and the 1st semester of 2015

Chart 34 - The evolution of staff per category of study between 2012 and the 1st semester of 2015

The training, retraining and professional development of the employees within the company was made based on the Training plan developed at company level, in line with the provisions of the Collective Labour Contract in force at this level.

Thus, in the 1st semester of 2015 there were training and retraining courses organized with external trainers in the country, for 346 employees in trades specific to the company's field of activity.
In the same period, a total of 147 employees participated in courses organized by external trainers from abroad. Through our own training and formation centre a total of 98 employees were trained in the 1st semester of 2015, in two series, for the position of gas extraction, transmission and distribution operator for which we hold a CNFPA (The National Trainer's Training and Retraining Centre) certification.
The degree of unionization of the workforce was 98,5% of the total 4.775, 4,705 employees being union members (compared to the end of 2014, when the degree of unionization of the workforce was 98,21%).

There are four trade unions in which Transgaz employees are enrolled namely:

- The "Transport Gaz Medias" Trade Union;
- The Free THE NATIONAL GAS TRANSMISSION COMPANY TRANSGAZ SA Medias Trade Union;
- The "CERTEH" Medias Technological Research Trade Union;
- The "Metan" Medias Professional Trade Union.

The "Transport Gaz Medias" Trade Union is the union representative at the unit level, according to Law no.62 / 2011 on the Social Dialogue, art .51, letter c. and therefore it represented the employees at the conclusion and performance of the Collective labour contract concluded at SNTGN TRANSGAZ S.A. level.

The relations between employer and employees are covered by the Collective labour contract at company level as well as by the individual employment contracts of the employees. The relations between employer and employees fall under the legal provisions in force during 2015, with no conflicting elements in relation to these relations.

3.1.11 Evaluation of the activity of HSSEQ

In the 1st semester of 2015, the actions carried out with regard to the Control Body, Environmental Quality, Protection and Security activity, mainly targeted the implementation of the measures included in the Management plan, in the Policy Statement, the annual programs approved by the Board of Administration and/or director-general of THE NATIONAL GAS TRANSMISSION COMPANY TRANSGAZ SA and the fulfilment of the responsibilities set by ROF and the legislative provisions specific to the areas of activity.

The Activity related to the Control Body, Environmental Quality, Protection and Security comprises aspects regarding:

- Activities carried out in the field of Labour Security and Health;
- Activities carried out in the field of environment protection;
- Activities carried out in the field of Environment Quality Management System;
- Activities carried out in the field of Protection, Guard and Security;
- Activities carried out in the field of Document Management;
- Activities carried out in the field of Control Body.

Activities carried out in the field of Labour Security and Health	In the 1st semester of 2015, the activity in the field of labour security and health was mainly focused on the compliance with the legislative provisions, taking all the measures in order to ensure the security and health of the workers, especially by accomplish those contained in the "Prevention and Protection Plan". In order to diminish and/or eliminate the risks of accidents or professional illness in the company, specific actions were performed, contributing to the materialization of the planned measures, priority having those with technical, organisational and sanitary-medical character.
Activities carried out in the field of environment protection	The activity in the field of environment protection was mainly focused on the conformity and compliance with the legislative regulations and with those imposed by the environment and water management authorizations. Thus, at company level, there are 18 environment authorizations and 126 water management authorizations. In the 1st semester of 2015, as a result of the inspections performed by the Environmental Guard, the company **was not sanctioned for the failure to comply with the provisions in the field of environment protection.**
Activities carried out in the field of Environment Quality Management System	In the 1st semester of 2015 – *The Process of Audit of the Integrated Quality-Environment-Health and Occupational Security Management System* was carried out according to the approved program.
Activities carried out in the field of Protection, Guard and Security	The activity of the Protection, Guard and Emergency Situation Service (SPPSU) is focused on guarding the valuables and assets belonging to "Transgaz", preventing and limiting the emergency situations, which can affect the integrity of S.N.T., keeping the record and applying the actions of mobilizing the employees at the workplaces, and also the situation regarding the record of assets that can be seized and of the transportation vehicles.
Activities carried out	In the 1st semester of 2015, the activity in the field of document

in the field of Document Management	management was mainly focused on the compliance with the legislative provisions, and it was attempted to improve the procedures for the registration, correspondence and archiving of the documents created and held by the company.
Activities in the field of Control Body	The missions of the Control Body were focused on ensuring a minimization of the risks of errors and incompliance, striving to obtain performances at all the levels from the company. Thus, the stress was mainly put on: • Identifying the possible factors which can affect the achievement of the management plan; • Proposing viable solutions for the period of the projects, first of all of those funded from European funds. • In the 1st semester of 2015, 10 control missions were carried out (of which two missions were initiated in 2014).

3.1.12 Disputes

According to the Register of cases kept by the Legal and Litigation Division, **the situation for the 1st semester of 2015 of the disputes in which THE NATIONAL GAS TRANSMISSION COMPANY Transgaz SA Medias was involved** is as follows:

- **37 causes**, of which:
  - **20** cases – as plaintiff;
  - **17** cases – as defendant;

Resolutions:

- 5 cases with resolutions favourable for Transgaz (the delivered resolutions are not definitive);
- 1 unfavourable case;
- 31 cases pending resolution.

Values:

Values of cases in which Transgaz acts as plaintiff: **RON 4,8 million.**

Values of cases in which Transgaz acts as defendant: **RON 6,9 million.**

- 66 cases pending resolution.

Chart 35 - Structure and number of disputes in which the company was involved in the 1st semester of 2015

3.1.13 Other aspects of the company's activity

In order to implement the strategy of the Management Plan during the period 2013-2017 THE NATIONAL GAS TRANSMISSION COMPANY Transgaz SA, given the EU's requirements regarding the development of the NTS interconnection with the similar transmission systems in neighbouring countries and the discovery of significant reserves of natural gas in the Black Sea in December 2013 *the Black Sea Project Management* Unit was established within Transgaz.

The main activity of Black Sea PMU is to ensure the integrated management of the infrastructure development projects of the Romania's National Transmission System for Gas (NTS) to retrieve gas from the Black Sea in accordance with the NTS Development Plan 2014-2023.

A series of activities and discussions of technical, legal, economic, financial and regulatory nature were started in this regard with the stakeholders for the successful implementation of the necessary infrastructure projects. Among these activities we emphasize the following:

- **Cooperation with companies holding exploration licenses for perimeters in the Black Sea**

With a view of making an appropriate sizing of the NTS for extracting natural gas volumes from the fields in the Black Sea, discussions with various manufacturers who hold exploration and exploitation licenses in the said areas were initiated. Based on this Cooperation Agreement, signed during 2014 with ExxonMobil and OMV Petrom S.A., Transgaz continuously collaborates with the representatives of the involved parties in order to mutually inform with regard to the development plans and aligning the charts. Also, cooperation agreements are in advanced phase of negotiation in order to conclude new cooperation agreements with other concessionaires holding exploration and exploitation licenses in the Black Sea.

Obtaining grants in order to finance the projects

The process for obtaining grants was continued for works through the Connecting Europe Facility (CEF) mechanism for the common interest project "*Gas pipeline from Bulgaria to Austria via Romania and Hungary".*

In this regard, it was agreed together with FGSZ (Transmission System Operator on the territory of Hungary) with regard to the final form of the common investment application, also including the coordinated proposal of cross-border cost allocation. It was submitted to the relevant regulation authorities from Romania and Hungary in April, 2015 in order to issue a mandatory cross-border cost allocation decision in order to obtain non-repayable funding via CEF mechanism.

For the development of the tree compression stations located on the segment from Romania of BRUA project, the Funding Contract was signed with Innovation and Networks Executive Agency (INEA), Department C – Connecting Europe Facility (CEF), for a grant of EUR 1.519.342, representing 50% of the total value of the costs for the development of the compression stations.

The collaboration with the United States Trade Development Agency continued in order to obtain grants so as to validate the feasibility studies for the southern and central corridors for natural gas transmission. The due diligence procedure requested by USTDA was complied with, and additional information were provided, being requested through the agency of USTDA Consultant responsible for drawing-up the report regarding the projects from the oil and gas sector from Romania. Based on this report, USTDA is going to announce in July the projects that are eligible for grants.

Measures in order to include Transgaz projects on the second list of projects of common interest

In close cooperation with FGSZ Hungary and Gas Connect Austria, the Cost-Benefit Analyses were prepared, these being afferent to the groups of projects in which Transgaz was involved in accordance with the new methodology "Energy System Wide Cost Benefit Analisys" issued by ENTSOG in August, 2014. The analyses were provided on due date (13.05.2015) to the European Commission, ACER and the relevant regulation authorities from Romania, Austria and Hungary and they shall represent the basis of the assessment of the projects proposed for the inclusion on the second list of the common interest projects.

- **Cooperation with ENTSOG**

Since the edition of 2015, the Ten-Year Network Development Plan (TYNDP) developed by ENTSOG will be particularly important as it will provide a basis for selecting projects of common interest (CIP) at European level. Thus, during January – June, 2015, Transgaz, through representatives from Black Sea PMU, has contributed to the completion of this plan.

BRUA Feasibility Study

The feasibility study was completed by the Design and Research Department, revised with the contribution of Black Sea PMU and submitted for approval to C.T.E. until the provided due date (30.06.2015), the activities completed at the level of feasibility study being those mainly related to: the selection and visualization of the entire route of the pipeline, less a section from Hurezani-Haţeg line of approximately 15 km length, which shall be visualized during the following period, selection of the locations of the three compression stations, obtaining the Urbanism Certificates for the entire route of the pipeline and for the three compression stations, geotechnical studies and hydrological studies.

Development of Compression Stations

The awarding documentation for the selection of the developer of the three compression stations (specification conditions, technical sheets etc.) was completed and uploaded in SEAP in order to be validated by ANRMAP. According to the chart for the implementation of the project, the awarding of the contract for the development of the compression stations is provided for 05.10.2015.

Process for obtaining the Environment Approval

The documents necessary to initiate the tender for the procurement of the services for the assessment of the environment impact according to the national requirements (EIA) and for obtaining the Environment Approval for BRUA project were drawn-up, the the documentation was published on SEAP. In parallel, under the management of Black Sea PMU, the project presentation statement was prepared in EIA procedure and it was submitted to the National Agency for Environment Protection, continuing with the project classification stage.

Cooperation with the operators of the transmission systems and with the national regulation authorities on Romania, Hungary, Austria corridor

In the first half of 2015, meetings were organised with the National Regulation Authorities from Romania, Hungary and Austria and with the operators of the transmission systems from the relevant countries, namely FGSZ and Gas Connect, for the establishment of the capacity allocation concepts on BRUA corridor, the details regarding the capacity booking platforms, the details regarding the status of the promoted common interest projects, the timeline for the open season procedure, the non-binding stage organised by SNTGN Transgaz S.A., FGSZ and Gas Connect in cooperation with the regulation authorities from the three countries, and of the documentation draft for this procedure.
Transgaz, through its representatives appointed from Black Sea PMU, continues to participate, along with other Nabucco partners in the voluntary liquidation process of the company Nabucco Gas Pipeline International.

Currently there are ongoing negotiations regarding the possibility and method of distribution between the shareholders of the remaining assets of the Project Company as well as the recovery of additional amounts.
Mostly probable, the distribution shall be performed in accordance with the provisions of JVA Termination and NIC Asset Distribution Agreement, this agreement being in the draft stage. It is estimated that in the beginning of September, 2015, the agreement shall reach the final draft stage, subsequently being subject to the specific approval procedures at the level of each associate. In the case of Transgaz, the approval of the agreement is the responsibility of the General Extraordinary Meeting of the Shareholders.

Elements regarding the activity of Transgaz at international level

In order to implement the strategic objectives of transforming into a European-sized company, Transgaz needs to strengthen its status conferred both by the geographic location and the monopoly on the operation of the national transmission system for gas, asserting its regional importance by participation and active involvement in forums, organizations and European authorities in the field, by participation in projects of regional and European interest and by establishing active partnerships with companies in the field.

In order to achieve these objectives, in the 1st semester of 2015, Transgaz had an intense cooperation with gas transmission operators from the neighbouring countries (Bulgaria, Hungary, Moldova, Ukraine, Serbia), the Directorate General for Energy of the

European Commission, Companies in the natural gas field, Transmission System Operators for Gas from the European Union, as follows:

Cooperation with the Gas Transmission System Operators from the neighbouring countries (Bulgaria, Hungary, Moldova, Ukraine, Serbia) in order to implement and jointly operate the cross-border interconnections	***Cooperation with BULGARTRANSGAZ EAD, Bulgaria:*** ▪ Organizing and participating in meetings with the representatives of Bulgartransgaz on the Bulgaria-Romania interconnection project in order to analyse the implementation stage of the construction works of the main thread of the Danube river under-crossing pipeline in order to interconnect the gas transmission systems from Romania and Bulgaria; ▪ Managing and participating in drafting the common Bulgartransgaz-Transgaz documents related to the public procurement procedure of the building services for the secondary thread of the Danube river undercrossing pipeline; ▪ Managing and participating in drafting the correspondence related to the joint operation of the Negru Voda I cross-border interconnection point. The last comments and proposals for the modification of the Operation Agreement draft were submitted to BULGARTRANSGAZ in the beginning of April; ▪ Participation in meetings between Transgaz and Bulgartransgaz in the capacity of operators of the interconnections between the two EU member states, in order to align the actions necessary to the implementation of the requirements of the Network Codes regarding the Capacity Allocation, Balancing and Interoperability Mechanisms.
	Cooperation with FGSZ Ltd.: ▪ Drafting and monitoring the correspondence regarding the input data harmonization process for the Cost-Benefit Analysis specific to CIP project no. 7.1.5. "*Gas Pipe from Bulgaria in Austria via Romania and Hungary" (BRUA);* ▪ Participation in the drafting and development of the new investment application in order to obtain EU financial assistance through the Connecting Europe Facility mechanism to develop BRUA project; ▪ Participation in collaboration meeting in the sense of harmonizing the measurement units used for the operation of the natural gas transmission systems and of implementing the Network Code regarding the capacity allocation mechanisms; ▪ Management of the correspondence and meetings regarding the Regional Capacity Booking Platform; ▪ Participation in discussions with FGSZ regarding RBP platform. Discussions took place at Budapest

	between Transgaz, FGSZ, Bulgartransgaz and DESFA in order to analyse the platform proposed by the operator of the natural gas transmission system from Hungary.
	Collaboration with UKRTRANSGAZ and NAFTOGAZ: ▪ Conclusion of a *Memorandum Of Understanding,* which is focused on the consolidation of the existent collaboration relations, increase of safety in supplying natural gas to the region and cooperation for identification of optimal solutions of ensuring the continuity of deliveries; ▪ Discussions took place and correspondence was mutually addressed with regard to making efficient the common operating process of Isaccea and Medieşu Aurit cross-border interconnection points and implementation of the European network cod requirements; ▪ In order to implement the requirements of the Network Code for interoperability, the parties analyse the possibility to conclude Interconnection Agreements; ▪ An internal work group was set up for the negotiation of the provisions of the Interconnection Agreement with Ukraine, the Directorate for International Relations providing the support and interface with Ukrtransgaz and Naftogaz representatives.
Cooperation with the European Commission and other institutional relationships:	▪ Permanent collaboration with the European Commission with regard to Transgaz projects included in the first list of the Common Interest Projects, at the level of the European Union, but also with regard to the projects promoted in order to be included in the second list of the Common Interest Projects; ▪ Annual mandatory reporting to the European Commission regarding the current status of the projects on the first CIP list; ▪ Submitting to the European Commission the data regarding the projects promoted in the second list of the Common Interest Projects, at European Union level; ▪ Participation in meetings in which presentations were made and the projects were supported in order to introduce them in the new CIP list; ▪ Coordination of drawing-up the Cost-Benefit Analysis for Transgaz projects promoted in CIP list, according to ENTSO-G methodology. ▪ Participation in the meetings of the regional groups

	defined by regulation no. 347/2012, in the project selection process for the following CIP list; ▪ Participation in setting-up CESEC (Central East South Europe Connectivity) work group, whose scope is to identify the priority projects for the region and to provide the necessary aid to the promoters and MS in order to implement the respective projects. ▪ Promotion of the project *Phased Romanian system reinforcement,* which is focused on the necessary NST developments for the assurance of the integration in the regional market of bidirectional interconnections existing and planned with Bulgaria, Ukraine, Moldova Republic and Hungary, including the developments necessary in the transmission systems of these countries, the project being included in the priority list by our company; ▪ Participation in signing a Memorandum of Understanding between the ministries responsible for energy from the states from the region and maintenance of a permanent connection with the European Commission for the following stage of the action plan.
Collaboration with other national and European institutions	A permanent connection was maintained with: ▪ ACER, by completing the reports for the projects included in the first CIP list, preparing the materials and information requested by them; ▪ DG Energy from the European Commission, by submitting the requested information, participating in the studies performed by them, maintaining a permanent connection and correspondence; ▪ The Regulatory Authority for Energy regarding the coordination of the project "Natural gas pipeline from Bulgaria to Austria via Romania and Hungary" (BRUA); ▪ The relevant ministries regarding the events at inter-ministry level, like the Mixed Intergovernmental Commissions, the economic missions, the inter-ministry reunions, which Transgaz was invited to participate in.
Cooperation with Transmission System Operators for Gas from the European Union within the European Network of Transmission System Operators for Gas (ENTSOG):	▪ Participation in the meetings of ENTSOG CEE group, a group of the European Natural Gas Transmission System Operators, members of ENTSOG, from the central-eastern area of Europe; ▪ Collaboration with and participation in Early Warning System East work group, set-up within ENTSOG, by which it is desired to establish scenarios as response to possible crisis situations in energy field.

	▪ Involvement in the process and correspondence referring to the cost-benefit analysis for the projects proposed for the second CIP list; ▪ Permanent correspondence with ENTSOG for all the subjects in which Transgaz is involved.
Collaboration with other companies from the natural gas sector	**Eustream AS. Slovakia** ▪ Meetings were organised and correspondence was sent with regard to the possibility of developing a collaboration; ▪ A Memorandum of Understanding draft was drawn-up and the organisational interface of all the meetings was ensured. **DESFA, Greece** ▪ Correspondence was addressed with regard to the identification of the possibilities to develop possible collaboration directions and it was discussed about the opportunity of signing a Memorandum of Understanding. **The National Grid, UK** ▪ Discussions took place in order to identify collaboration opportunities. **Balkan Energy Group, Macedonia** ▪ Correspondence was addressed and a meeting was organized in order to identify potential collaboration directions. **Ernst&Young, Poland** ▪ Correspondence with Ernst&Young Poland and organisation of a meeting for an exchange of expertise with regard to accessing European funds. **International suppliers of services and equipment for gas industry** (Bain Italia, Mitsui & Co Germania, etc.)

Other cooperation actions

- Board of AdministrationMonitoring and managing the activities conducted within some associations or organizations to which our company has become a full member or associate member (ENTSOG, CNR-CME; The oil and gas engineering company society, the Chamber of Commerce, Industry and Agriculture - Sibiu The Romanian Fracture Mechanics Association; AmCham; the Romanian Energy Association, Petroleum Clum, the Balkan and Black Sea Petroleum Association, Pigging Products and Services Association, GIE), and the necessary steps were taken for paying the annual fees and participating in events organized by them. One of these events was Romania Energy Day 2015 organised by the Romanian Energy Centre on May 26th, 2015 at the European Parliament. Upon Transgaz suggestion, energy companies from the European member states with which Transgaz is in close cooperation (Bulgartransgaz, FGSZ, Eustream, Gas Connect, Desfa, etc.) were invited to participate in the event;

- Taking the necessary measures in order to waive the capacity of member of Gas Infrastructure Europe association, considering Transgaz appurtenance to ENTSO-G;
- Analysis of the bids and launching orders with regard to certain catalogues, brochures, publications released at international level, relevant for the field of activity of Transgaz (Pipelines International, Great Southern Press Australia).
- Drawing-up a regular summary of the articles relevant for the activity sector of Transgaz, published in the press from CSI states.

During the 1st semester of 2015, Transgaz, through the management and representatives of Department of the European Funds Accessing and International Relations Division (DAFERI) participated in a series of meetings with various external partners, meetings that have had a significant impact on the company's business and objectives.

Participation in seminars, forums, conferences, thematic workshops:

- "GROW your REGOn" conference organised by Directorate General Internal Market, Industry and Entrepreneurship and SMEs (GROW) and General Directorate Regional and Urban Policy (REGIO), April, 2015, Brussels;
- "ENERGY FORUM 2015" conference organised by BusinessMark, May, 2015;
- American Heroes conference at Bucharest;
- Conference on Clusters at EU level;
- Meeting organised by CRE at Bucharest with regard to the visit of the delegation of the representatives of TBEA Southern Power Transmission and Distribution Industry Group company; a general presentation of our company was provided and it was discussed about the possibility of collaboration between the Romanian side present to discussions and the Chinese side;
- "Unlocking the energy potential from South-Eastern Europe by regional political energy cooperation" conference, whose scope was to initiate a dialogue between the governmental representatives of the states from South-Eastern Europe with regard to the benefits of a regional cooperation in the field of energy policies, Sofia, Bulgaria.

Participation in meetings with the representatives of the national and international institutions

- Business Breakfast meeting at Bucharest with Mr. Marius Nica – Minister of European Funds, during which, several subjects were approached, of which: novelties in the field of public procurement legislation, status of the Operational Programmes afferent to 2014-2020 period, results of the absorption of the European funds afferent to 2007-2013 period;
- Business Breakfast meeting at Bucharest with Mrs Angela Filote – Official Representative of EC, during which, several subjects were approached, of which: the new investment plan of EC, funding opportunities – May, 2015;
- Bilateral meeting between TRANSGAZ – CEZ Tomis Team + CIGA ENERGY in order to submit an application in partnership within ORIZONT 2020 Programme – upon the initiative of CEZ, the submission of an application based on Orizont 2020 Proramme, by which Transgaz shall transmit to the final client, AUDI, "green gas" taken from the project promoter and obtained as a result of a technological procedures from wind energy – January, 2015.

Participation in technical presentations and works in the field of activity of the company

- Participation in the presentation made by Huawei company for data transmission products and equipment;
- Participation in the work for the relocation of an optical fibre route inside the premises of the National Dispatch Centre from Bucharest.

3.2 Analysis of the development activity

3.2.1 The main components of the NTS infrastructure

The main components of the National Transmission System for gas on June 30th, 2015 are as follows:

Name of NTS objective/component	U.M.	
Transmission pipelines and connections of gas supply, of which transit pipelines	km	13.266 553
Measurement regulating stations (MRS) in operation	pc	1.121 (1.234 measurement directions)
Valve control stations (VCS, NT)	pc	51
Import gas measuring stations (GMS)	pc	6
Measuring stations located on the gas transit pipelines (GMS)	pc	6
Gas compression stations (GCS)	pc	4
Cathode protection stations (CPS)	pc	1037
Gas odorization stations (GOS)	pc	818

Table 28 – Main components of the NTS on June 30th, 2015

The National Transmission System (NTS) has coverage across the entire national territory and has a radial-ring structure.

The ability to transmit and transit natural gas is provided through a network of pipelines and supply fittings with diameters between 50 mm and 1200 mm at pressures between 6 bar and 40 bar, with the exception of international transmission (54 bar).

The operation of the NTS is done via 9 regional transmission operations, in turn composed of 52 sectors. From the technological point of view the NTS consists of 9 sub-regional transmission systems for natural gas.

Illustration 2 - Map of the Natural Gas Transmission System

Description and analysis of the degree of wear of the NTS components

An analysis of the main objectives belonging to the NTS in terms of service life is shown in the table below:

Service life	Transport pipelines (km)	Supply fittings (km)	Number of Directions for Metering Regulating Stations
> 40 years	5.974	308	131
Between 30 and 40 years	2.191	106	50
Between 20 and 30 years	742	211	104
Between 10 and 20 years	1.227	753	522
< 10 years	1.324	430	427
TOTAL	**11.458**	**1.808**	**1.121 MRSs (1.234 metering directions)**
	13.266		

Table 29–Main components of the NTS on 30.06.2015, in terms of service life

To be noted that in terms of natural gas transmission pipelines from the 13.266 km in operation, about 71% have a higher effective service life of 20 years, close to their normal service life.

The diagnostics performed, in which the intelligent PIG for about 2.281km (2.942 km taking into account multiple inspections) reveal high enough levels of tubular material defects, mainly due to the technical state of the active insulation, made for about 79,5% of the pipelines of the system based on bitumen currently aged and damaged, which

may increase the electricity consumption recorded in the 1.037 pipeline cathode protection stations.

Approximately 96% of the pipelines and fittings that are in use have cathode protection. Potential intensive metering were performed for 53,78 km of pipelines.

The handing over of the gas to the distributors and end users is done by the 1.234 MRSs (directions of metering) that are included in the upgrading / rehabilitation programs to be integrated into a SCADA automatic control and monitoring system. Of the 1.234 MRSs (directions for use) in operation in the first stage, a total of 948 are considered for the implementation of the SCADA system.

The compression capability is provided by four gas compression stations, placed on the main transmission directions. They are equipped with equipment and facilities made in the 70s, which in many cases fail to meet the performance required by the transmission parameters. During 2014 and the 1st semester of 2015, rehabilitation / upgrading works were conducted to the Sinca and Onesti compression stations.

Also, scheduled rehabilitation works - technical revisions were carried out for the compression groups as well as repairs of parts with third parties. Checks and calibrations were carried out for the automation systems, rehabilitation works at the facilities inside the Sinca GCS. Within the Onesti GCS further upgrading works were made and are currently carried out at the keyboard of the group start-up sequence.

The gas dispatching in the NTS is performed by manoeuvres also carried out in the interconnection nodes of the main pipelines. Most nodes are equipped mainly with manually operated manoeuvre valves and equipment for tracking parameters, most of which are out-dated in terms of performance and operation safety. From the existing technological nodes about 20% are new or rehabilitated. During the implementation of the SCADA system, the process of modernizing the technological nodes will continue.

Gas odorization is ensured by a number of 818 odorization facilities of which 502 systems are a new, by sampling and by injection ensuring an optimal odorization of the transported gas. Of the 502 modern systems, a total of 29 are centralized - serving several delivery points. The other 316 "evaporation/drip" type systems are systems that cannot provide a continuous and controlled odorization and can lead to situations of under or overodorization and thus to an increased consumption of odorant. Out of these 14 facilities are centralized.

It should be stressed however that although the infrastructure is quite out-dated, the technical condition of the NTS is maintained at an appropriate level due to the fact that the operation is carried out based on a predominantly preventive planned and corrective maintenance system and based on some upgrading programs.
These programs are founded on the Technical Rules on the maintenance of the NTS as they are carried out on a longer period of time due to their high levels.

Cross-border interconnection points

Currently, the import of natural gas to Romania is achieved by 3 cross-border interconnection points:

UKRAINE	HUNGARY
Orlovka (UA) – Isaccea (RO) Dn = 1000 mm, Capacity = 8.6 Mld.mc/year P_{max} = 55 bars	**Szeged (HU) – Arad(RO)- Csanadpalota** Dn = 700 mm, Capacity = 1.75 Mld.mc/year P_{max} = 63 bars
Tekovo (UA) – Medieşu Aurit (RO) Dn = 700 mm, Capacity = 4.0 Mld.mc/year P_{max} = 70 bar	

Illustration 3 – Cross-border interconnection points of the NTS

3.2.2. Investments made in the 1st semester of 2015 versus Investments scheduled in 2015

Compared to the estimated value of the programme for the Upgrading and Development of Investments for 2015 of 575.000 thousand lei, the total value of the achievements is RON 46.027thousand, which is a fulfilment of the program at a rate of 8%.

The status of the achievements related to the ongoing objectives of the upgrading and development program at the end of the 1st semester of 2015 are as follows:

- **Upgrading of the Sinca TCS -** The upgrading works contracted in 2013 are in progress;
- **Upgrading the fixed monitoring systems for methane gas, flame detection and fire extinction at Silistea TCS and Onesti TCS –** the works are in the phase of execution with commissioning due date in the 3rd trimester of 2015;
- **Upgrading and automation of technological nodes –** of the 34 technological nodes contained in the schedule-annex 1, 13 technological nodes are being executed by Medias Subsidiary (Afumaţi, Hurezani, Turburea, Isaccea, Codlea, Lăzăreşti, Feliceni, Schitu Goleşti, Bogata 3, Drăgăşani, Munteni, Horea and Ungheni). The completion of the works to other nodes is conditioned by the supply of the valves by HEPA Company. The due date estimated for completion is quarter III 2015. 15 nodes have execution contracts concluded with third party companies (Racova, Moşu, Gherăieşti, Filipeşti, Botorca, Haţeg, Jugureanu, Moisica, Dealu Frumos, Podişor, Medieşu Aurit, Sărmăşel, Band, Oneşti and Paltin). From these nodes, works were completed in 5 (Medieşu Aurit, Sărmăşel, Band, Oneşti and Paltin), 6 are in the process of execution (Moşu, Gherăieşti, Botorca, Haţeg, Podişor and Jugureanu), and 4 are interrupted because of the lack of Construction Permit or because some technical problems (Racova, Dealu Frumos, Moisica and Filipeşti). Two nodes, namely Manesti and Jugureanu, are part of a tender procedure, and for 4 nodes (Corbu, Ceanu Mare, Băcia and Recaş) the technical projects for the supply of electricity, automations, security and fire prevention installations were not completed.
- **Upgrading of the Onesti STC -** The upgrading works are underway and due for acceptance in quarter III 2015;
- **Campulung Moldovenesc – Vatra Dornei Ø10" gas transmission pipeline –** The project is contracted since 2012. This year, the works on Campulung Moldovenesc – Pojorata section of 9,2 km shall be completed, this section being commissioned, the rest of 25 km not being executed because of the lack of ROMSILVA permit necessary to obtain the Construction Permit. In July, a new contract shall be concluded for the execution of the road and water under-crossings;
- **Vaslui – Letcani (Mogosesti – Letcani) Ø16" gas transmission pipeline –** the work is in progress, with completion due date in quarter IV 2015;
- **Crevedia – Mosu Technological Node Ø32" gas transmission pipeline –** The project is to be completed in the quarter III 2015;
- **Vaslui – Iasi (Vaslui – Mogosesti section) Ø16" gas transmission pipeline –** the works are currently interrupted because ROMSILVA permit was not obtained in order to cross an afforested area of 1.700 m.
- **PM Ghercesti – SDE Craiova Ø24" gas transmission pipeline –** The execution works for the pipeline thread were completed and accepted. Because of the coupling issues, the designed coupling solution was modified and a new contract was signed for its execution. Due date for completion: quarter III 2015;
- **Ganesti – Idrifaia – Coroi Ø28" gas transmission pipeline -** The works are in progress, the due date for completion being the quarter I 2016. Currently, there are delays in delivering the tubular material by the supplier;
- **Crevedia - Podisor Ø32" gas transmission pipeline –** The works refer to the restoration of the duct from the area of the landlord Apostolache, on approximately

300 m. Currently, the tubular material was ordered, the works being executed by Medias subsidiary. We estimate that the works shall be completed in quarter IV 2015;

- **Turda – Cluj, Turda - Copăceni – Vâlcele area, Ø12" gas transmission pipeline** – The works are being contracted since 2012, of the four areas proposed for replacement, only one area was executed, because only for that area there was a Construction Permit. Because for the other three areas the consent of the affected landlords was not obtained, their execution is cancelled;
- **Deviation of the Bucecea – Siret Ø10"/Ø8"pipe connection, in the area of the Varful Campului accumulation lake** – Completed works.
- **Deviation of Fântânele - Bistriţa Ø10"- Ø6" gas transmission pipeline, thread I and II, area Fântânele** – The works are in progress, with completion due date in the quarter III 2015;
- **Deviation of Band - Sărmăşel Ø20" gas transmission pipeline, Pusta area** – The works are completed and accepted;
- **Sărmăşel-Baia Mare-Satu Mare Ø 20" gas transmission pipeline, Sucutard area** – The works have not been initiated, because the constructor has not succeeded in procuring the tubular material, motivated by the insolvency of the supplier, ZIMTUB Zalău; therefore, the situation shall be reanalysed;
- **Systematization of natural gas supply in the Fundulea – Branesti area** – The works are in progress, until now installing the regulation panel, followed by the execution of the couplings and electrical connection. Because the execution due date was exceeded, penalties shall be levied;

- **Camaras – Lunca Catcaului Ø12" gas transmission pipeline, Taga area –** The work is in progress. Penalties are to be charged due to the failure to meet the works completion deadline;
- **Turnu Magurele – Corabia Ø12" gas transmission pipeline** – The work is completed;
- **Negru Voda – Techirghiol – Constanta Ø12" gas transmission pipeline (Pecineaga – Techirghiol section) –** This pipeline section is an extension to the Negru Voda – Pecineaga – Mangalia pipeline. The technical documentation is currently in the drafting stage, with deadline on August 15, 2015;
- **Masloc – Recas Ø24" gas transmission pipeline** – The performance works for the pipeline with a length of 21.5 km were commenced in 2013, 15,5 km of pipeline being currently completed and accepted. The performance works in the forest section were suspended in 2014 due to the failure to obtain ROMSILVA's approval to transit the forest area, approval required for the release of the Building Permit;
- **Coroi – Paltin Ø24" gas transmission pipeline Seleus – Barcut section, Retis area** – Currently undergoing the tendering stage, offer opening deadline: July 14, 2015;
- **Turburea – Aninoasa Ø12" gas transmission pipeline** – The works for the natural gas transmission pipeline are performed by the Medias Branch, and the undercrossing works by directed drilling of Gilort river were contracted in June. Completion deadline: quarter III 2015;
- **Natural gas supply for the localities in the northern area of Prahova county (Buda – Slanic Prahova Ø10" pipeline)** – The technical documentation is currently being drafted, with delivery deadline set for August 31, 2015;

- **Technical solution in view of avoiding exceeding the 6 Bar pressure in the Ø20" pipeline MRS FORTUS Iasi Connection** – The procurement procedure is currently in progress.
- **MRS Ludus connection pipeline Ø10" –** The technical documentation is currently being drafted, with delivery deadline set on August 15, 2015;
- **MRS Sebes connection pipeline** – The technical documentation is currently being drafted and actions are taken for obtaining the Building Permit;
- **Moinesti – Darmanesti deviation pipeline Ø12", Darmaneasa area** – The procurement procedure is currently in progress;
- **Mounting of pig entry chamber (temporary) Dn 800 mm on the Batani – Onesti pipeline Ø32", Bogdanesti area** – The technical documentation is currently being drafted, with delivery deadline set for August 15, 2015;
- **Preparation of the Seleus – Cristur – Batani Ø28 pipeline " in view of transforming it into a pigable pipeline –** The procurement procedure is currently in progress;
- **Plataresti – Balaceanca gas transmission pipeline Ø20"** – The technical documentation is currently being drafted, with delivery deadline set for August 31, 2015;
- **Crossing of Argesel river with Schitu Golesti – Slatioarele pipeline Ø20", in Piscani area** – The procurement procedure is currently in progress;
- **Gheraiesti – Letcani gas transmission pipeline Ø28"** – The technical documentation is currently being drafted, with delivery deadline set for July 31, 2015. The feasibility study was approved by CTE;
- **Interconnection of Ganesti – Ungheni pipeline Ø10" with VEST III (Band - Bacia) pipeline Ø24" at Ganesti, Mures county** – The procurement procedure is currently in progress;
- **Giurgiu – Ruse interconnection pipeline** – The tender procedure was annulled for the secondary pipe, and the tender book is to be completed and a new procedure is to be initiated;

- **Construction works and surface facilities for the metering regulating stations**
  - MRS Isalnita – the technical project is pending approval by CTE Transgaz;
  - MRS Craiova Est – work in the design stage;
  - MRS Fantanele (Mures) – the work is contracted, and the O.I. is to be issued;
  - MRS Sangeorgiu de Mures – in the design stage, delivery deadline for the technical project July 31, 2015;
  - MRS Boboc – is currently in progress with completion deadline for the 4th quarter of 2015;
  - MRS Sancraieni – work in progress at Medias Branch;
  - MRS Lot 1, 2 and 3 – the procurement contracts having as subject matter the procurement of SRMs are currently in progress;
  - MRS Iijila – Macin – the performance works were contracted in June, the O.I. is to be issued;
  - MRS Brazi – the procurement procedure is currently in progress;
  - MRS Campina – the procurement procedure is currently in progress;

- **Cathodic protection stations –** For SPC Harlesti Connection, the land owner's approval was obtained. The building permit is to be obtained. The SPCs Busteni and Sangeorgiu de Mures are waived according to DEM notice no. 27070/08.06.2015.

The SPCs on the Gura Sutii pipeline Ø16" – SRM IVECO and SPC Lalos are currently being designed;

- **Works related to information technology and telecommunications -** The achievements for the 2nd quarter are the purchase value of the computer technology and software;
- **Construction works and surface facilities for the odorization facilities -** For the 92 facilities contracted with SC TOTAL GAS Iasi and SC SUDOCOR VMV – Fagaras, the contracts are ongoing, and for lot 2, the procurement procedure is currently in progress;

- **Hydrotechnical works**
  - Left bank consolidationfor Provita river in Magureni area – the work is completed and accepted;;
  - Restoration of bottom sill at Vulcanita – ongoing work with SC AMARAD Arad, completion deadline: 3rd quarter of 2015;
  - The Prahova river bank consolidation, upstream area MRS Poiana Campina – the work is completed and accepted;;
  - Oituz river bank consolidation at Poiana Sarata for protecting the Moghioros – Onesti pipeline – work in progress with SC CECONI Bixad, with completion deadline: 3rd quarter of 2015;
  - Oituz river bank consolidation at Harja for protecting the Moghioros – Onesti pipeline, pipe I and II – the work is completed and it is to be accepted;
  - Bed land planning and restoration of the Valea Cerbului stream undercrossing with the natural gas pipeline Ø28" Valea Cerbului-Platou Izvor Sinaia, Valea Cerbului area – work is completed and accepted.
  - Repair of Posada – Bobolia pipeline and Prahova river bank consolidation, Poiana Campina area – completed work;
  - Prahova river bank consolidation for protecting pipeline Ø20" Colibi – Point D – Pole 89 – Bucharest, Comarnic Baraci area – completed worl.

- **Thermal networks and power stations at the administrative offices and SRMs** – The thermal facilities are currently being designed at SRM Slobozia and industrial water treatment station from Medias Branch, and the heating plant at SRM Aghiresu is currently under construction;
- **Administrative offices and production units** – construction works are currently performed for the building of Transgaz headquarters in Medias, 6 Carpati Street and at the ALA shelter from the headquarters, and the other objectives are currently being designed;
- **NTS access works -** The achievements are the value of the execution works for 8 connections and GMS for: Corabia SC EGGER Radauti, SC SAM MILLS Botiz, CET Botosani, Turceni, Slobozia, Frumusica and Bucovat.

We still face difficulties in achieving some investment objectives such as:

- **the Plataresti – Balaceanca Ø20" pipeline** – the work is suspended due to lack of agreements from some landowners, being necessary to divert the pipeline on another route;
- **the Campulung Moldovenesc – Vatra Dornei Ø 10″ gas transmission pipeline,** is the stage I of the 9,2 km long pipeline thread of between Campulung

Moldovenesc and Pojorata is underway, 8,2 km of pipeline thread of this section having been executed. There were problems with landowners that do not allow building the pipeline through their gardens and at the undercrossing of 2 roads. Also, the continuation of the works on the forestry real estate on the 26,47 kilometres long section designed from the Pojorata to Vatra Dornei is subject to approval of ROMSILVA, necessary to obtain the Building Permit, which to date has not been issued;

- **the Vaslui – Iasi (Vaslui – Mogosesti section) Ø16" gas transmission pipeline -** construction works are stopped because of the problems with obtaining the approval of ROMSILVA for the land located on the forestry real estate, approval required to be issued the Building Permit;
- **the Sarmasel – Baia Mare – Satu mare Ø20" gas transmission pipeline, Sucutard area** – the works were not initiated due to the failure of the pipe supplier to fulfill its contractual obligations.

In order to solve the problems encountered during the execution works and the achievement of scheduled objectives the following measures were taken:

- law suits were opened for the owners who have not given their consent for the access to their land of the constructors. In the cases where no consensus was reached in the legal way, steps were taken to start expropriation procedures;
- in some more difficult areas, in terms of obtaining agreements from the landowners or at the request of the local government, it was decided to redesign the pipeline route and the technical solutions to achieve the construction;
- for the areas on forest real estate for which the approval of ROMSILVA was not obtained, as a result of the amendment of the legislation in the field, the discussions will be resumed to settle the disagreements arisen when crossing these areas.
- Penalties will be charged for the failure to comply with the contractual obligations to supply materials.

Please note that most investment objectives for which no achievements were made, in the 1st semester of 2015, are in the design or procurement stage, the actual achievements will be made in the following period, or are in the procurement phase. Also, there are a number of objectives in the design phase that face difficulties in obtaining agreements from the landowners, reason for which the building permits cannot be obtained.

3.2.3 NTS Rehabilitation, repair and maintenance works during the 1st semester of 2015 vs. programed in 2015

As compared to the estimated value of NTS Rehabilitation, Repair and Maintenance Program (PRRASM) per 2015 of RON 129.116 the total value of accomplishments in 1st

semester of 2015 is of RON 11.174, which means a 9% accomplishment of the program. The status of accomplishments within PRRASM program at the end of 1st semester of 2015 is as follows:

Chapter A. NTS repair and rehabilitation works

Chapter A "**NTS repair and rehabilitation works**" with a total value of RON 103.369.658 represents 80.06% of the entire program. The 6 months value of planned works is of RON 8.733.428, representing supply expenses with materials and equipment for contracted works and assembly constructions expenses in execution stages depending on accomplishments. 59 programmed works, with an estimated value of RON 99 207 178 are grouped as follows:

- 22 budget positions are contracted and are pending performance, having an estimated value of RON 37.282.834 (budgeted 2015);
- 8 positions are under purchase procedure from Public Procurement and Contracting Division having estimated values amounting to RON 13.544.050;
- 27 positions are in different design stages. The total value thereof, estimated to RON 45.472.665 will be corrected after the issue of documentations and after the performance of the procurement procedures;
- 1 position is allotted to emergency intervetions (effects of inundations, floods, land sliding) amounting to RON 2.000.000;
- 1 position "Provita river left bank protection, Magureni area" in amount of RON 907.630 has been transfered to NTS Modernization, Development and Investment Program.

Of the 27 positions under project, 4 are special works which have been contracted, but the contracts are terminated due to constructors' bankruptcy. This is the case of "**Undercrossing Olt river by a 10" Ø pipeline Dragasani-Caracal**" (Caracal gas supply connection), work contracted with SC. Condmag S.A., failed due to breakage of the drill, "**Rehabilitation of banks and signalling at Danube crossing by transit pipelines**" work contracted with S.C. Confort S.A. Galati and "**Airline Crossings at Dejutiu respectively Secuieni with a 28 Ø pipeline Coroi Bucuresti"** both contracts concluded with SC Pegamont SRL.

For repair works of gas regulating and measuring stations a single work is planned "**GMS CET Arad repair**" having an estimated value of RON 400.000. In this respect, the project was approved during the CTE Transgaz meeting and the documents on the commencement of the legal procurement procedure were submitted to Public Procurement and Contracting Division.

As concerns the repair and preservation of technological and auxiliary installation of Batani compresser station, with the purpose of performing museal arrangements of compresser stations, the budgeting of such repairs was done at "**Restore of technological installation at CS Batani**" in order to set up the "Gas compresser installations" museum, with an estimated value of RON 200.000. At this moment provisional surveys were made for specific works, the tenderbook being in issue.

In case of repair works performed at catodic protection systems 2 works are proposed:
- "**CPS Gura Sutii Repairs**" with an estimated value of RON 71.500, contracted value of RON 58.824 (the work is completed);

-"**Deep well groundbed repairs**" with an estimated value of RON 550.000 whose procurement documentation is pending issue (tenderbook).

The total value of the annex to the programme was increased to RON 610 240 after including the amount of RON 1 416, to May 2015 reupdate. This value represents the amount of expenses for compensation of the crop on the land affected after installation of SPC Budesti.
As concerns the group of repair works peformed at adminstrative buildings, technological installaitons' servicing areas (GMS), sectoral offices and work force restauration centers, the total value of this group is of RON 2.952.240 and is 20.4%, respectively RON 603.284 contracted, the value difference being allotted to objectives whose documetations (technical specifications and tenderbooks or projects) are under elaboration.

Chapter B. Maintenance services

The value of expenses covering the necessary external performances registerd during the 1st semester of 2015 is mainly identified for corrective interventions, namely repairs, revisions and current maintenance of NTS installations, being mainly done during the hot season, when the minimum load is recorded in natural gas transmission system.

The value registered for services during the 1st semester of 2015 amounts to RON 2.441.045, representing the costs of repairs of NTS objectives made in intervention and service regime. Of this value, RON 2.068.581 represents "**Work machines, tools and installations services and auxiliary services**" allotted to the maintenance of transportation and construction logistic equipment for Medias Branch respectively repairs and maintenance of company's vehicle fleet.

We mention that some of the services are intended to answer all possible situations that are not promoted unless in case its is needed and, therefore, the loaw value of accomplishments represents savings and not non-performances.

3.2.4 Development projects

In consideration of compliance with the European Directive EC/73/2009 Art. 22, on the compulsory character of drafting **Ten-year Development Plan** for all gas transmission system in the European Union, SNTGN TRANSGAZ SA Medias, as technical operator of the National Transmission System for gas in Romania drafted the **Development Plan of the national gas transmission system during the period 2014-2023.**

The document presents the development directions of the Romanian gas transmission network and the major projects that the company intends to implement in the next 10 years in order to achieve a maximum degree of transparency in the development of the national gas transmission system and the possibility of the actors on the market to be timely informed on the existing and planned transmission capacity so that by public

consultations, the decisions on the investments in the gas transmission network to meet the market requirements.

The Development Plan of the National gas Transmission System (NTS) during the period from 2014 to 2023 prepared in accordance with A**rt. 125 paragraph 6 of Law No.123 / 2012 of electricity and gas**, with the objectives set in the Romania's Energy Strategy for the period 2011 to 2035 and the Energy Pact of May 2013 meet the European energy policy on:

- ensuring safety of natural gas supply;
- increasing the interconnection of the national gas transmission network to the European network;
- increasing the flexibility of the national gas transmission network;
- liberating the gas market;
- integrating the gas market in the European Union.

Being a transmission and system operator certified under the provisions of the third energy law package, TRANSGAZ is a member of ENTSOG (The European Network of Transmission System Operators for Gas), a body in which the company cooperates with all the transmission and system operators of the European Union to create a common regulatory framework and a common development vision and strategy at the level of the European Union in view of creating an integrated energy market**.**

In this context, the development plan of the national gas transmission system during the period 2014 - 2023 envisaged the coordination with the development plans envisaged by other operators in the region.

The development projects described in the development plan were identified following detailed analyses and evaluations carried out by the company in the last half year and consider the latest developments of trends and supply scenarios on the European gas market.

A sustainable development of the gas transmission infrastructure from Romania requires a large investment programme to allow the alignment of the NTS to the transmission and operating requirements of the European gas transmission network.

In the context of the geopolitical and geo strategic nature of the European energy routes, Romania benefits from the advantages of its geographical location on the major transmission corridors and access to major resources of natural gas recently discovered in the Black Sea, aspect leading to the need for the efficient use of these opportunities.

Through the **10 Year National gas transmission system development plan**, Transgaz, proposes major investment projects for the strategic and sustainable development of the gas transmission infrastructure in Romania and its compliance with the requirements of the relevant European regulations.

The orientation of the gas transmission system operators in the neighbouring countries to create new cross-border transmission capacities or amplify the existing ones clearly shows concern for a significant increase in the degree of interconnection in an area of Europe where there is still much to be done for a fully integrated market.

The 10 Year National gas transmission system development plan was approved by ANRE by Decision no. 2819/17.12.2014 and is posted on the company's website.

In all this picture, Romania is the country with the most developed market and, especially, with the lowest dependence on imported gas. Adding to this landscape, in addition to its favourable geostrategic position, the newly-revealed resources in the Black Sea and the future potential created by the shale gas, Romania could clearly play a defining role in the region.

In this context the natural gas transmission infrastructure is probably the most important factor, and **Transgaz** is currently facing a major challenge: **the development - in the shortest time possible – of gas transmission corridors that would ensure the required degree of interconnectivity at European level as well as enough gas transmission potential in harnessing the resources on the local and regional market.**

Illustration 4 – The natural gas transmission corridors of the NTS

Given the estimated potential of the natural gas reserves in the Black Sea, in order to provide transmission of the volumes retrieved from the off-shore production, needed for the domestic consumption and in case of excess volumes to ensure their export on the markets of the European Union and the Republic of Moldova, **SNTGN TRANSGAZ S.A.** intends to implement in the coming years, an ambitious plan for the development of

the gas transmission infrastructure of about 1,5 billion euros, contributing to the development of a regional energy corridor.
Specifically, it is intended to develop two transport corridors in Romania (**a southern-Danubian one**, in a first step, and **a central one**, in a second step, in the event that the operation of the Black Sea exceeds the current estimates) that will ensure the connection between the gas reserves in the Black Sea area and the Central-Western European markets, while ensuring the backbone of the Romania's national transmission system for gas.
Thus the project proposed in the **10 Year National gas transmission system development plan 2014 – 2023** are:

1. Development in Romania of the National Gas Transmission System on the Bulgaria - Romania - Hungary - Austria Corridor;
2. Development in Romania of the Southern Transmission Corridor for retrieving the gas from the Black Sea shore
3. Project on the interconnection of the national transmission system with the international gas transmission pipelines;
4. Project on the development of the NTS in the North East of Romania in order to improve the gas supply to the area and to ensure the transmission capacity to Republic of Moldova;
5. Development in Romania of the Central Transmission Corridor for retrieving the gas from the Black Sea shore.

The Southern Danube Corridor

Consists in developing the following two projects:

a) Development on the Romania territory of the national gas transmission system on the Bulgaria – Romania – Hungary – Austria corridor

The project aims to create transmission capacity between the interconnection points of the Romanian and the Hungarian system, namely that of Bulgaria.
For this purpose it is necessary to build a pipeline with a length of approximately 550 km on the **Podisor - Corbu - Hateg - Horia** route and **3 new compression stations at Hateg, Horia and Corbu**.
The estimated total value of the investment is **560 million euros**, of which **414 million euros for the new gas transmission pipelines** and **146 million euros for the new compression stations. The estimated time for completion is April 2019.**

b) Development of the Southern Danube Corridor in Romania for extracting gas from the Black Sea (the Tuzla – Podisor pipeline)

The second project will create a connection between **the Black Sea shore and the Podisor technological node**, the gas from the offshore exploitation can be extracted in the continuity of the Southern Danube Corridor (Bulgaria - Romania - Hungary - Austria) and transmitted to the Central-Western European markets. In this regard a new pipeline with length of **285 km** is required. The cost of this project is about **262 million euros**, the estimated time for completion is April 2019.

II.2 The central corridor (Isaccea-Onesti-Coroi-Hateg-Horia)

Assuming that the transmission capacity needed for the capitalization of the Black Sea gas on the Central-Western European markets exceeds the transmission potential of the Southern Danube Corridor, TRANSGAZ planned the development of the **central corridor** that practically follows the route of some pipelines in the current system but which currently operate at technical parameters that are unsuitable for a thoroughfare artery.

The project consists in **the rehabilitation of about 400 km** of pipeline of the current system, the **replacement / construction of 400 km of new pipeline** and **four compression stations** on the route of this corridor, with an installed capacity of 66 MW. The investment is estimated at **544 million euros**.

II.3 Development of the National Transmission System in view of increasing the transmission capacity in the North-Eastern region of the country and on the Romania – Republic of Moldova interconnector

In order to ensure the parameters stipulated in the data sheet of the project to implement the interconnection of the National Transmission System for Gas with the similar system in the Republic of Moldova it is necessary to carry out further developments both of the Romanian natural transmission system for gas and of the one in the Republic of Moldova.

The technical solution agreed by the two countries to increase the transmission capacity of the interconnection (1,5 bn m^3/year (171.000 m^3/h) at a pressure of 38 bar at the

border) is estimated at **110 million euros** and consists of building the following objectives:

- New compression station at Onesti
- New compression station at Gheraiesti
- New transmission pipeline Dn 700 Onesti – Gheraiesti with a length of 103 km
- New transmission pipeline Dn 700 Gheraiesti – Letcani with a length of 60 km

For the period **2014 - 2020** one of the main European funding programme of energy infrastructure projects is the **"Connecting Europe Facility" (CEF).**

The programme provides the possibility of co-financing (50% non-refundable) for studies and works only for projects that have the status of **PROJECTS OF COMMON INTEREST (PCI),** status conferred by document of delegation of the European Commission. The existence of projects promoted by TRANSGAZ with PCI status does not also confer the certainty of the EU co-financing that depends on policies of EU energy flows, budget limitations, strict evaluation criteria and geo-strategic considerations.

Among the projects described above, projects proposed by TRANSGAZ on the first **list** of **projects of common interest** are the following:

1. Development on the Romanian territory of the national gas transmission system on the Bulgaria - Romania - Hungary - Austria corridor. (The Southern Danube Corridor) - PCI 7.1.5

2. Interconnection between the national transmission system with the transit pipes - PCI 6.15.1

3. Ensuring the reversible flow at Isaccea = PCI 6.15.2

We mention that **Transgaz** proposed to include on the second list of projects of common interest (list to be published in autumn 2015) all the projects that make up the two natural gas transportation corridors in Romania (Southern Corridor and Central Corridor) so as to maximize the opportunities to attract funding under this program (CEF). In addition to the development through potential financing through CEF, **"The AGRI Pipeline-Romanian section (the East-West pipeline)"** also has the status of **PCI** (6.22.1)

Capitalizing its status as **PCI promoter**, TRANSGAZ applied and received a non-refundable financing of 1,5 million euros for designing compression stations on the Southern Danube Corridor. Based on CEF provisions, TRANSGAZ jointly with FGSZ (Hungary) drafted an investment application submitted in April 2015 to ANRE based on which the Regulator should issue the **Cross-border cost allocation decision, this being one of the eligibility conditions required by CEF program.**

Thus, TRANSGAZ drafts the Financing Application for PCI 7.1.5 jointly with the related document in order to be submitted between 30.06.2015 – 14.10.2015, period corresponding to the second appeal on CEF for "works".

Given the complexity of the CEF grant approval procedures and the fact that this program, due to the limited funds available compared to the required financing, is a tool of last resort, the company will try to **co-finance both through European funds** allocated to Romania through the Large Infrastructure Operational Programme 2014-2020 and through **the financial instruments provided by the EBRD, EIB** and other financing institutions.

The NTS development plan for the next 10 years is based on two fundamental initiatives undertaken by the ***Romanian Government, respectively the Government***

Memorandum on the measures required for connecting the future gas production from the Romanian perimeters in the Black Sea to the National Transmission System (NTS) for gas, document under which Transgaz concluded a cooperation agreement with Exxon and OMV Petrom and the ***Memorandum of Understanding between the Ministry of Economy, Trade and Business Environment of Romania and the Ministry of Economy of the Republic of Moldova on the preparation of the conditions for the construction of the Iasi-Ungheni high pressure gas pipeline.***

These documents create a solid premise for the identification of the future development needs of the Romanian transmission system. In this respect, based on analyses of technical solutions and - for some of the projects - some pre-feasibility studies, Transgaz proposed the major projects listed above. As a result, these projects are in various stages of analysis and studies without final investment decisions. The final investment decision will be taken only when the elements underlying it will be known, namely the capacity committing application and the funding sources.

The ability of Transgaz to execute this investment programme depends significantly on the lines of action of the long-term national energy strategy and the support of the majority shareholder, the Romanian Government, especially when the programme aims on the one hand, at exploiting the economic resources essential to the Romania's welfare in the near and distant future and on the other hand at increasing the confidence of foreign investors in Romania's ability to create favourable development conditions and to attract foreign investments.

3.3 Analysis of the corporate activity

3.3.1 Activity on the capital market

SNTGN TRANSGAZ SA Mediaş, by ensuring an efficient management and by responsibly fulfilling the measures unertake towards the shareholders, investor, business environment and community, succedeed in occupying during the first semester of 2015 the 8th place in TOP 10 **companies listed at the Bucharest Stock Exchange** and 7th place in the Top of the most valuable 30 local companies listed on the Stock Exchange, with a 25% increase of stock exchange capitalization compared to the same period of 2014, according to the classification published in 2015 Financiar magazine.

The TGN share is a portfolio, attractive share, because of the object of activity of the company, the status of monopoly held by Transgaz in the transmission of natural gas, the position of the company on the national and international energy market, the robust financial profile and the company's ability to generate performance, stable and predictable income, the attractive dividend policy and the quality of the administration act of the new company management.

3.3.1.1 Features and evolution of the securities issued by Transgaz

In order to analyze the Transgaz capital market activity in the 1st semester of 2015 compared to the 1st semester of 2014,, the following grounds were taken into account:

- Registration of the transfer of a number of 6.888.840 shares from the account of the Romanian State through the Ministry of Public Finance in the account of the Romanian State through the General Secretariat of the Government according to the provisions of GEO no. 6/12.02.2014;
- Registration of the transfer of a number of 6.888.840 shares from the account of the Romanian State through the General Secretariat of the Government in the account of the Romanian State through the Ministry of Economy, Trade and Tourism following the enforcement of the provisions of GEO no. 86/17.12.2014 on measures to reorganize the central public administration, amending and supplementing certain normative acts;
- Approval through Decision no 1 of the General Ordinary Meeting of Shareholders of 27.04.2015, published with the Official Gazette of Romania, Part IV, no. 2365/12.05.2015, of a gross dividend related to 2014 financial year in amount of RON 21,80/share. Gross dividend per share was determined based on the provisions of Government Ordinance no. 64 of August 30th 2001 on the distribution of profit between national companies and trade companies having partial or entire state owned capital as well as autonomous administrations under the condition of applying the 50,00156% share to the distribution of profit as dividends.

Thus:

- In the 1st semester of 2015 the **average closing price of the TGN share** increased by more than the level of the 1st semester of 2014, registering a spectacular increase by 49% more than during the same period of the previous year, following the publication of positive preliminary financial results for 2014;
- In the 1st semester of 2015, traded volumes varied below the level of the 1st semester of 2014, exceeding the values of the previous year in June 2015;
- Traded values had an evolution simlar to the one of traded volumes;
- **The main stock indicators** had similar values during the 1st semester of 2015 compared to 1st semester of 2014, except for EPS (earning per share) that significantly increased due to the increase of net profit;
- **The market capitalization of the company** at 30.06.2015 was of RON 3,01 billion (Euro 672 million) and RON 578 million (~Euro 119 million) over the level registered on 30.06.2014;
- Following the market capitalization values recorded by the company, **Bucharest Stock Market placed Transgaz on the 8th place in TOP 10 traded during the 1st semester of 2015;**
- As regards the **number of shareholders**, it fluctuated for the whole period from listing to the present, so therefore at the date of registration for dividend payment for 2014 and 24.06.2015, Transgaz has a number of 8.116 shareholders, 131 less than it had at the end of 1st semester of 2014.

TGN share

During the 1st semester of 2015 the average TGN share closing price increased compared to the 1st semester of 2014 volume, registering spectacular increases between 32% and 49%.
Thus, if at the beginning of the year 2015 the TGN share price was RON 266,40/share, after the submission of the annual 2014 preliminary financial results it increased to RON 277,00/share, more by 49% compared to the same period of the previous year.

Moreover, the average closing price has reached the value of 276 lei/share before the date of registration, respectively June 24th 2015, followed by a slight decrease to 257 lei/share..

Graphically, the value of the average closing price of the Transgaz share during the 1st semester of 2015 compared to the 1st semester of 2014 is the following:

Graphic 36 – Average closing price of the TGN share in the 1st sem. of 2015 vs. 1st sem. of 2014

Therefore, the presented analysis results into the fact that in the 1st semester of 2015 the average closing price of TGN share recorded significant increases higher than the ones of the 1st semester of 2014.

Volumes traded during the 1st semester of 2015 fluctuated below the level of 2014, reaching a value similar to April, followed by a slight positive fluctuation in June (due to the high number of transactions made around the registered date, namely June 24th 2015).

Values of transactions increased similary to traded volumes, exceeding in April the limit of the similar period of 2014 and then recording an increase in June by approximately 60% compared to the same month of the previous year.

Graphically the situation is **as follows:**

Graphic 37 –Volume of TGN transactions the 1st sem. of 2015 vs. 1st sem. of 2014

Graphic 38 –Value of TGN transactions in the 1st sem. of 2015 vs. 1st sem. of 2014

Stock indicators: P/BV, EPS, PER, DIVY

Date	P/BV	PER*	DIVY	EPS*
30.06.2015	0,91	6,02	8,48	42,68
30.06.2014	0,79	7,25	8,53	28,41

* values reported at December 31st 2014, respectively December 31st 2013

where

P/BV – (Price to book value) - Rate price for the book value of a share – it expresses the coverage of the book value of a share on account of its quotation (Own capitals/no. of shares).

The book value of the TGN share at 30.06.2015 was of RON 282.57/share, and TGN quotation at 30.06.2015 – 257.000 RON/share determined a subunit value of 0.91 of P/BV indicator, which means that the company does not cover shareholders' value, but we can observe that due to management's efforts, the value of the indicator as at 30.06.2015 significantly increased compared to the value as at 30.06.2014.

PER – (Price to earnings ratio) P/E –The share price/profit per share – it shows the redemption term of an investment in a share (price paid per share) of profits obtained by the issuer (EPS). The lower the index (and the lower the redemption period), the better for investors; therefore, the decrease of this indicator's value as at 30.06.2015 compared to the same period of 2014 indicates an increase of the efficiency of the investment in TGN share.

Dividend yield (DIVY) – has suffered a slight decrease, due to the decrease of the share applicable to the distribution of company's profit in the form of dividends from 60,02435% in 2014 to 50,00156% in 2015.

EPS – Earnings per share – Profit per share (net profit/number of shares) – it measures the part of profit which returns for each share, recording a significant increase due to the increase of net profit.

Company		P/E	P/BV	EV/EBITDA
Enagas	Spain	15.0	2.7	11.0
SNAM Rete Gas	Italy	12.8	2.2	10.7
Fluxys	Belgium	29.2	2.4	10.9
Media		**15**	**2.4**	**10.9**
Transgaz	**Romania**	6.4	1.0	3.5
Premium /Discount		-57.33%	-58.80%	-68.29%

Table 30 - The value of stock indexes within Transgaz, compared to similar companies in Europe

TGN weight in the composition of stock indices (BET, BET-C, BET-NG, BET-XT)

NAME OF THE STOCK INDEX	30.06.2015	POSITION
BET (reference index of BSE representing the most liquid 10 companies listed at BSE)	5,32%	7
BET-TR (total yield index launched by BSE in October 2014)	5,54%	7
BET-NG (sectoral index / energy-utilities)	11,29%	4
BET – XT (blue-chip index, reflects the evolution of prices of the most liquid 25 traded companies)	4,87%	7
BET-BK (a price index weighted with free-float capitalization of the most traded listed companies)	4,41%	15
ROTX (price index weighted with free-float capitalization reflecting in real time the movement of "blue chip"	3,99%	8

shares traded on BSE)		

Stock exchange capitalization

Currency	Year 2015		Year 2014	
	01.01.2015	**30.06.2015**	**01.01.2014**	**30.06.2014**
LEI	3.095.343.588	3.008.217.142	2.184.048.062	2.425.411.864
EUR	690.400.943	672.452.697	486.620.039	552.863.429
EUR exchange/NBR	4,4834	4,4735	4,4882	4,3870

Stock Exchange capitalization of the company on 30.06.2015 was of 3,01 billion RON(672 mil. euro), respectively by 578 million RON(~119 million euro) above the level registered at the end of 1st semester of 2014.

million RON million EURO

Graphic 39–Evolution of stock exchange capitalization of TGN in the 1st sem. of 2015 vs. 1st sem. of 2014

Bucharest Stock Exchange situated Transgas on 8th place in TOP 10 trading depending on the traded values registered by the company during the first 6 months of 2015.

Modifications in the shareholding structure

As a result of the enforcement of the provisions of **Government Emergency Ordinance no. 6/2014** in February 2014 was registered the transfer of a number of 6.888.840 shares, representing 58.5097% of the share capital, from the account of the Romanian State through the Ministry of Public Finance in the account of the Romanian State through the General Secretariat of the Government. Following the transfer, the synthetic structure of Transgaz shareholding is changed and, at this date it is the following:

Shareholder name	Number of shares	Percentage %
Romanian State through the Secretariat General of the Government	6.888.840	58,5097
Free float – Other shareholders (natural and legal	4.885.004	41,4903

persons)		
Total	11.773.844	100.00

Table 31 – Structure of Transgaz shareholding on 31.12.2014

According to GEO no. 86/17.12.2014 on establishing reorganization measures at central public administration level and on the amendment and supplementing of certain norms, the exercise of the rights and fulfilment of obligations resulting from the quality of shareholder of Romanian state with **SNTGN Transgaz SA Mediaş** is done by the Ministry of Economy, Trade and Tourism.

Therefore, at the end of 1st semester of 2015 the structure of Transgaz shareholding was the following: Romanian State represented by the Ministry of Economy, Trade and Tourism – 6.888.840 shares, free float – 4.885.004 shares, out of which natural persons – 962.596 shares (8,1757%) and legal entities – 3.922.408 shares (33,3146%).

Shareholder name	Number of shares	Percentage %
Romanian State represented by the Ministry of Economy, Trade and Tourism	6.888.840	58,5097
Free float – Other shareholders (natural and legal persons)	4.885.004	41,4903
Total	11.773.844	100,00

Table 32 – Structure of Transgaz shareholding on 30.06.2015

Transgaz share capital on June 30th 2015 was of RON 117.738.440 and is divided in 11.773.844 nominal shares, each share having a nominal value of RON 10.

Transgaz did not perform any transactions having as object own shares and, therefore, at the end of 1st semester of 2015 the company does not hold own shares.

Evolution of the number of shareholders:

The number of Transgaz shareholders oscillated throughout the period from listing until now, therefore at the end of the first semester of 2015, respectively at the registration date of June 24th 2015, 8.116 shareholders were registered with Depozitarul Central, 1,35% (110 shareholders) less than at the beginning of the year when 8.226 shareholders were registered.

Graphic 40– The evolution of the number of Transgaz shareholders between listing date and 30.06.2015

Stock performance, improved corporate image and strengthening credibility among financial analysts and actual and potential investors are certainly the result of the efforts of all company decision makers to optimize over the long term the activity outcomes and the management act quality in line with the strategic sustainable and competitive development of Transgaz.

As a result of these efforts, the number of invitations addressed to Transgaz to participate in national and international events tackling with specific core business themes or topics of general interest or related to capital market increased.

3.3.1.2 Dividend policy

The approval of gross dividend per share for 2014 financial year was determined based on the provisions of ***Government Ordinance no. 64*** *of 30 August 2001 on the allocation of profit to national companies, national companies and companies with capital fully or mainly owned by the state, autonomous administrations, on condition of applying the 50,00156% share to the distribution of profit as dividends. The distribution share provided in 2014 income and expenses budget approved by GD no. 462/04.06.2014 is of 50%.*

The company registers and pays dividends allotted from the net profit, only after the approval of the yearly financial statements by the General Meeting of Shareholders.

Through Decision no. 1 of the General Ordinary Meeting of Shareholders from 27.04.2015 published in the Official Gazette of Romania, part IV, no. 2365/12.05.2015 was approved the payment of a gross dividend corresponding to the 2014 fiscal year, amounting to 21,80 Ron/share.

The payment of dividends corresponding to 2014 financial year started on July 15th 2015. Following the new legal changes according to art. 146 line (5^1) of the Law no. 297/2004 on the capital market, as updated, the payment of dividends due to shareholders is done hrough the Depozitarul Central and the participants to the clearing-settlement system and the registry and the appointed payment agent – BRD Group Societe Generale – for shareholders registered with Transgaz Shareholders' Registry on June 24th 2015.

Intention of Transgaz to purchase own shares

Not applicable

Number and face value of shares issued by the mother company owned by branches

Not applicable.

Bonds and/or other debt securities

Decision no. 4 of the General Extraordinary Meeting of Shareholders as of June 16th 2015 approved the commencement of the procedure on the issue of corporate, unsecured, non-convertible in stock bonds with a maximum value of RON 500 million, with a fixed interest of maximum 4,5% with a due date within minimum 5 years in order to finance the "Development plan for the National Gas Transmission System between 2014-2023."

3.3.2 Significant mergers or reorganizations during the financial year

During the first semester of 2015 no mergers or reorganizations took place at the company level.

3.3.3 Corporate Governance

Corporate governance is a concept of very wide connotation, which includes elements such as: managers' responsibility for the accuracy of information contained in the financial statement, the existence of very tight deadlines for financial reporting, communication and full transparency on the financial results, the transparency of the internal audit, of processes and external audit.

In detail, corporate governance refers to how rights and responsibilities are divided between categories of participants to the company activity, such as the board of administration, managers, shareholders and other interest groups, while specifying how decisions are made as regards the company activity, how strategic objectives are defined, which are the means of attaining them and how is economic performance monitored.

Practice confirms the need to intensify efforts of accepting corporate governance, as it has been observed that organizations which are dedicated to the implementation of its principles have even managed to maximize performance.

The general and specific strategic objectives of Transgaz activity are established in the context of alignment to the requirements of the new energy policy regarding energy safety and security, sustainable development and competitiveness.

In this context, the implementation and development of corporate governance principles, the development of responsible, transparent business practices becomes more and more a necessity in the substantiation and application of strategies and business policies of companies.

Adhering to this goal, Transgaz pursues that through the effective application of the provisions of Rules of Corporate Governance it would ensure a rigorous framework of sizing and regulating the principles of corporate governance at the level of the company.

The reporting on corporate governance must be presented in Administrators' Report starting with 2010 for all companies listed on stock exchange.

The companies listed on stock exchange that decided to implement the corporate governance principles shall compulsory fill in, starting with 2011 the Statement "Apply or Explain". Transgaz adhered to the Code of Corporate Governance of Bucharest Stock Exchange and applies some of the recommendations of this code according to the Statement on the compliance or non-compliance with the provisions of the Code of Corporate Governance (Statement "Apply or Explain"), the recommendations related to principles no. 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 15. 17.18 and explains the recommendations related to principle no. 14, 16 and 19.

The rules of corporate governance of the company was endorsed by the Board of Administration through Decision n. 3/18.01.2011 and approved by the General Meeting of Shareholder in 2 March 2011, through GMS Decision no. 1/2011 (art. 4) and updated on 28.04.2015

The document has a structure which complies with requirements in the field and comprises a number of **9 chapters**, as follows:

-	Chapter 1 – ***Corporate governance structures***: the Board of Administration, Advisory Committees, Executive Management. The executive management responsibilities are established through the Rules of Organization and Operation of Transgaz and through the Code of Professional Conduct are regulated the ethical norms of conduct compulsory for all employees and are applied in all organizational and hierarchical structures of the company;
-	Chapter 2 - ***The rights of shares owners*:** the rights of the share owners, the treatment of shares owners;
-	Chapter 3 - ***The Board of Administration****:* the role and obligations of the Board of Administration, the structure of the Board of Administration, the appointment of the members of the Board of Administration and the remuneration of the members of the Board of Administration;
-	Chapter 4 –***Transparency, financial reporting, internal control and risk management:*** transparency and financial reporting;
-	Chapter 5 - ***the conflict of interests and transactions with persons involved***: the conflict of interests; transactions with persons involved;
-	Chapter 6 - ***The regime of corporate information***;
-	Chapter 7 - ***Social responsibility***;
-	Chapter 8 - ***The management system***;

- Chapter 9 – ***Final provisions***.

The Advisory Committees established at the level of the Board of Administration

The activity conducted in the 1st semester of 2015 by the five advisory committees established at the Board of Administration level under the provisions of:

- Art. 140^2 of Law 31/1990 on trading companies, subsequently amended and supplemented, republished,
- the Code of Corporate Governance of BSE,
- Art. 4 of the Decision of the Board of Administration no. 7 of 27 May 2013
- Art. 9 of the Decision of the Board of Administration no. 13 of 29.07.2013
- Art. 4 of the Decision of the Board of Administration no. 2 of 10.02.2014 and
- Art. 1 of the Decision of the Board of Administration no. 21 of 16.06.2014

envisaged the monitoring of actions conducted by the members of advisory committees in accordance with the areas in which they were designated and is materialized in their quarterly activity report, which highlights:

- How were consulted by the members of the Advisory Committee the materials and documents of various organizational structures of SNTGN Transgaz SA;
- The analyses carried out by the members of Advisory Committee regarding the content of submitted documents and materials;
- The proposals / measures / recommendations of the Advisory Committees members regarding the contents of materials and documents submitted for analysis and endorsement/ approval of the Board of Administration and
- the documents through which the Board of Administration decided in plenary with regard to the contents and issues addressed in documents submitted for analysis / endorsement / approval

The manner of presenting the monitoring and evaluation report of the activity of Advisory Committees established at the level of the Board of Administration in 2014 was conceived in a way which would reflect precisely and in a comprehensive manner the whole activity regarding the analysis, consultation and decision-making process regarding the company activity.

No.	Description	Responsible	Committee structure
1.	Report regarding the monitoring and evaluation of the activity of the Advisory Committee of Nomination and Remuneration during January – December 2014	The Advisory Nomination and Remuneration Committee	**Sterian Ion** **Cernov Radu Ştefan** **Iliescu Bogdan George**
2.	Report regarding the monitoring and evaluation of the activity of the Advisory Committee of Strategy and Development during January – December 2014	The Advisory Strategy and Development Committee	**Sterian Ion** **Văduva Petru Ion** **Iliescu Bogdan George** **Neacşu Vlad Nicolae** (until 24 January 2014) **Vulpescu Dumitru Remus** (from 10 February 2014 – according to BoD Resolution 2/10.02.2014) **Rizoiu Andrei** (from 16 June 2014 – according to BoD Resolution 21/16.06.2014)

3.	Report regarding the monitoring and evaluation of the activity of the Advisory Regulatory Committee and Relations with Public Authorities during January – December 2014	The Advisory Regulatory Committee and Relations with Public Authorities	**Sterian Ion** **Văduva Petru Ion** **Cernov Radu Ștefan**
4.	Report regarding the monitoring and evaluation of the activity of the Advisory Committee for Safety and Security of SNT during January – December 2014	The Advisory Safety and Security Committee of SNT	**Sterian Ion** **Văduva Petru Ion** **Neacșu Vlad Nicolae** (until 24 January 2014) **Vulpescu Dumitru Remus** (from 10 February 2014 – according to BoD Resolution 2/10.02.2014) **Rizoiu Andrei** (from 16 June 2014 – according to BoD Resolution 21/16.06.2014)
5.	Report regarding the monitoring and evaluation of the activity of the Advisory Audit and Rating Committee during January – December 2014	The Audit and Rating Advisory Committee	**Cernov Radu Ștefan** **Iliescu Bogdan George** **Neacșu Vlad Nicolae** (until 24 January 2014) **Vulpescu Dumitru Remus** (from 10 February 2014 – according to BoD2/10.02.2014) **Rizoiu Andrei** (from 16 June 2014 – according to BoD Decisions 21/16.06.2014)

Appointment of the Board of Administration members

The company's Nomination and Remuneration Committee coordinates the Board of Administration member appointing process and issues recommendations for the position of administrator and for the Board of Administration vacancies, following a formal, well-established and transparent procedure.

The list of candidates for the position of administrator must be submitted to the company at least 15 days before the date set for the holding of the General Assembly of the Shareholders, and published on the company's website in due time.

Remuneration of the Board of Administration members

The company's Nomination and Remuneration Committee sets the administrators' and directors' remuneration policy. The Committee has to present to the Board of Administration proposals regarding the administrators' and directors' remuneration, compliant with the company's remuneration policy.

The remuneration of the non-executive administrators is proportional to the responsibilities and to the time dedicated to exercising their obligations.

The total amount of the direct and indirect remuneration of the administrators and directors, broken down by fixed and by variable components, is presented in the Annual Report.

Transparency

SNTGN TRANSGAZ SA periodically and continuously provides to the media and on the company's website (www.transgaz.ro) reports on the important company events, including without limitation, the financial situation, the performance, the ownership and management.

The company prepares and makes available relevant information periodically and continuously, meeting the requirements of the International Financial Reporting Standards and of the environmental, social and corporate governance standards.

Information is offered both in Romanian and in English. The company holds meetings with the financial analysts, brokers, market specialists and investors four times a year, according to the financial communication calendar of the BSE.

Financial reporting

TRANSGAZ's Audit and Rating Committee analyzes periodically the efficiency of the financial reporting, internal control and risk management system of the company.

The Audit and Rating Committee performs audit analyses and prepares audit reports based on them, and verifies the compliance of the audit reports with the audit plan approved by the company.

The advisory Committee assists the members of the Board of Administration in monitoring the reliability and integrity of the financial information supplied by the company, in particular by revising the relevance and consistency of the accounting standards applied (the consolidation criteria included) in monitoring the rating of SNTGN Transgaz SA.

The Committee cooperates with the company's external financial auditor, who presents to the Committee a report of the relationship existing between the external auditor and the company and its group.

The Audit and Rating Committee monitors the independence and objectivity of the financial auditor in particular by monitoring the rotation of the partners of the audit firm dedicated to the company, and makes recommendations to the Board of Administration regarding the selection, appointment, reappointment, replacement of the financial auditor and the terms and conditions of his/her remuneration.

Conflict of interests

The members of the Board of Administration must take decisions in the company's exclusive interests and have the obligation to refrain from taking part in any deliberation or decision that creates a conflict between their personal interests and those of the company or any subsidiary controlled by the company.

Trade with the parties involved

Each member of the Board of Administration must ensure that a direct or indirect conflict of interests with the company or a subsidiary controlled by the company is avoided, and in case such conflict arises, he/she has the obligation to refrain from deliberating or voting on the relevant issue, in accordance with the legal provisions.

For ensuring the procedural fairness of the transactions with the parties involved, the members of the Board of Administration must apply without limitation the following criteria:

- the maintaining of the Board of Administration's or General Assembly of the Shareholders' competence, as appropriate, for the approval of the most important transactions;
- the requiring of a prior opinion of the internal control body with regard to the most important transactions;
- the entrusting of the negotiations related to such transactions to one or several independent administrators or to the administrators who have no ties with the related parties;
- the recourse to independent experts.

Corporate information regime

The Board of Administration sets the corporate information sharing policy, in compliance with the laws in force and the company's Articles of Incorporation. The information sharing policy must guarantee equal access to information for the shareholders, investors and key shareholders, and must not allow abuses regarding confidential information or information of transactions with related parties.

Executive management

The management of SNTGN TRANZGAZ SA is ensured by the director - general, who has two deputy directors - general and executive directors subordinated. The director - general is appointed by the Board of Administration from the board members or outside such board and is confirmed by the General Meeting of the Shareholders.

Relation with stakeholders

The general and strategic objectives of the SNTGN TRANSGAZ activity are established in the context of alignment to the requirements of the new European energy policy on energy safety and security, sustainable development and competitiveness.

In this context, the implementation and development of the corporate governance principles, development of responsible, transparent business practices becomes more and more a necessity in the substantiation and application and strategies and business policies of companies.

Adhering to this goal, SNTGN TRANSGAZ SA Mediaş pursues also through its own governance rules to ensure a rigorous framework of sizing and regulating corporate

governance at the society level, to develop an efficient and proactive relational system in relation to shareholders and stakeholders.

SHAREHOLDERS

- Continuiity of activities
- maximization of the company's value
- increased return on investments
- cost optimization
- improved investment program execution
- efficient management of activities
- transparency and efficient communication

SUPPLYER

- securing the technical quality of the services
- suppliers' satisfaction streamlining
- securing service continuity

CLIENTS

- quality increase
- compliance with the gas transmission Performance Standard
- securing the commercial quality of gas transmission services
- securing gas supply continuity

ANRE

- Transparency
- compliance with ANRE regulations
- NTS optimal operation and maintenance
- cooperation in order to define and meet TSO requirements

- Transparency and communication
- efficient cooperation
- professional ethics
- accurate and timely reporting

STATE AUTHORITIES

MEDIA

- direct acces to public data
- improvement of the company's image and reputation
- professional deontology

PUBLIC OPINION

- Transparency
- improve of the company's image
- corporate social responsibility
- environmental respect and sustainability

EMPLOYEES

- Transparency and communication, professional ethics
- operational stability
- social dialogue
- the company's sustainable development
- appropriate motivation
- improvement of the organisational climate

The Transgaz administrators consider that, by acting in the spirit of the best corporate governance practices, the proposed objectives may be attained and the capital of trust of stakeholders in the company's capabilities to ensure maximization of the activity efficiency would increase.

Communication and Social Corporate Responsibility

A part of the sustainable development strategy of SNTGN TRANSGAZ SA, **the communication and social responsibility policy** has as objective to permanently increase the transparent level of communication and accountability of the company towards employees, shareholders, partners, community and environment and to streamline all actions conducted in this regard. The account of social involvement actions of Transgaz is published on the company's web page.

Organizational conduct

The SNTGN TRANSGAZ SA Code of Professional Conduct sets the ethical rules of professional and social behavior necessary for obtaining social and professional reports appropriate for creating and maintaining the high-level corporate prestige and values.

LEGAL ACTS CONCLUDED UNDER ART. 52 PARAGRAPH (1) AND PARAGRAPH (6) OF GEO no. 109/30.11.2011

legal acts with companies in which the Romanian State exercises direct or indirect control reported during the 1st semester of 2015:

Parties to the Contract	concluded between SNTGN Transgaz SA and the Ploieşti Underground Gas Storage Subsidiary
Contract no.	Contract no. 8284/2015
Contract scope	Underground storage of natural ags services
Mutual debts	N/A
Contract value	RON 2.900.160 without VAT (ESTIMATED)
Penalties and warranties stipulated	**Penalties:** (1) If the provider does not fulfil, due to its own fault, the obligation to provide the underground storage of natural gas services according to the program agreed herein, as well as any other obligations established herein, the beneficiary has the right to request and receive damages corresponding to the prejudice. 2) Non-fulfillment of the payment obligation concerning the value of underground storage of natural gas services provided at art. 10 line (2) shall lead to: a) a delay penalty calculated to the value of the unpaid amount, equal to the level of interests due for non-payment within due term of the budgeting obligations for each day of delay, starting with the 16th calendar day as of the issue of the invoice and until the entire payment thereof, including the payment date, in case of non-fulfilment of the payment obligation within a grace period of 15 calendar days as of due date) interruption of provision of natural gas extraction services from

	underground storage deposits with a 3 calendar days notice starting with the 31st calendar day as of the date of issue of the invoice; c) execution of the security set up according to art. 15; d) right of retention of the quantity of stored natural gas. 3) The right to exercise the security execution and retention may also be applied in case of non-fulfilment by the beneficiary of the contractual obligations, other than the one provided at line (2). 4) If the measures provided at lines (2) and (3) can not entirely cover provider's prejudice, the beneficiary shall pay damages according to the legal effectual provisions. **Guarantees** The parties guarantee to each other the observance of the contractual obligations undertaken herein. If the parties constitute security interests the guarantee agreements will be concluded at the date of signing this agreement.
Payment terms and modalities	15 calendar days from the invoice issuing date
Contract duration	16.04.2015- 15.04.2016

According to agreement no. 292/25.05.2015, SNTGN Transgaz SA has opened on 26.05.2015 a term deposit at EXIMBANK Bucharest, for a period of one month, without any prolongations, for the amount of RON 40.000.000. The interest percentage rate applicable to the deposit is of 1,05% per year.

According to agreement no. 292/25.05.2015, SNTGN Transgaz SA has opened on 26.05.2015 a term deposit at EXIMBANK Bucharest, for a period of one month, without any prolongations, for the amount of RON 40.000.000. The interest percentage rate applicable to the deposit is of 0,95% per year.

3.4 Analysis of the financial activity

3.4.1 Financing standing

According to article 1 of the Order of the Ministry of Public Finance no. 881/25 June 2012 *on the application of the International Financial Reporting Standards by companies having securities admitted to trading on a regulated market,* starting with the financial year 2012, the companies having securities admitted to trading on a regulated market

are obliged to apply the International Financial Reporting Standards *(IFRS)* upon preparation of the individual annual financial statements.

As at 30.06.2015, the company's financial standing is as follows:

Name of indicator	31.12.2014	30.06.2015	Dynamics (%)
	thousand RON	thousand RON	
0	1	2	3=2/1
Intangible assets	2.534.880	2.508.356	98,95%
Tangible assets	654.840	641.392	97,95%
Financial assets available for sale	0	0	0.00%
Trade and other receivables	539.216	554.390	102.81%
Fixed assets	**3.728.936**	3.704.138	99.33%
inventories	36.645	41.393	112.96%
Trade and other receivables	401.552	393.783	98.07%
Cash and bank accounts	557.868	813.218	145.77%
Current assets –TOTAL	**996.065**	1.248.394	125.33%
TOTAL ASSETS	**4.725.001**	**4.952.532**	**104.82%**
Debt payable within one year	320.350	496.518	154.99%
Long-term Debt	1.077.684	1.064.160	98.75%
Total Debt	**1.398.034**	**1.560.678**	**111.63%**
Equity	**3.326.967**	**3.391.854**	**101.95%**
Share capital	117.738	117.738	100,00%
Hyperinflation adjusted share capital	441.418	441.418	100,00%
Capital premiums	247.479	247.479	100,00%
Other reserves	1.265.797	1.265.797	100,00%
Reported result	1.254.535	1.319.422	105,17%
Total equity and debt	**4.725.001**	**4.952.533**	**104,82%**

Table 33- the company's financial standing during 2014-1st semester of 2015

Intangible Assets

From 2010, in accordance with the EU approval process, the Company started to apply IFRIC 12 ***Service Concession Arrangements***, 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 pipeline system, which are transferred to the regulatory authority at the end of the concession agreement.

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 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 recycled it as intangible asset. The company has tested the intangible assets recognized at the time without identifying impairment.

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

Intangible assets are depreciated to zero value during the remaining period of the concession agreement.

Intangible assets have decreased by RON 26.524 compared to 31.12.2014, mainly due to the fact that the developments brought to the national transmission system were exceeded by the depreciation expense registered for this type of intangible assets.

Tangible Assets

Tangible assets include auxiliary buildings of operating assets, office buildings, land, assets used for the transit activity, as well as objectives related to the national transmission system taken over free of charge. The value of tangible assets has decreased by RON 13.448 as compared to Dec. 2014, mainly due to the fact that the tangible assets inflow of RON 23.859 were lower than the depreciation cost for tangible assets amounting to RON 37.307.

Financial fixed assets

At the end of 2014 the value of the financial fixed assets in the company's balance sheet was zero, a value determined by the 100% provisioning of all shareholding interest.

The highest share of the financial fixed assets is represented by Transgaz' shareholding in Nabucco Gas Pipeline International GmbH Viena (NIC) share capital, a company currently in liquidation following the shareholders decision to close out the company.

Although there is a chance the company may have an inflow of additional amounts from NIC liquidation, due to the high uncertainty of such inflow the company's investment of RON 138.544.435 in NIC has been fully provisioned as at December 31st, 2014, remaining unchanged as at June 30th 2015.

Inventories

As at June 30th 2015 the inventories have shown an increase of RON 4.748 as compared to December 31st, 2014 due to the purchase of spare parts for the company's repair works and investment program.

Trade receivables and other receivables

As at June 30th 2015 the balance figure of the trade receivables and other receivables has increased by RON 7.769 as compared to December 31st 2014, mainly due to the following factors:

- increase of debts towards ANRM by the amount of RON 15.174 due to the enforcing of Law 127/2014 on October 5th, 2014 according to which if the Service Concession Agreement is terminated, regardless of the termination reason, or the Agreement expires, the investment of the transmission system operator is transferred to the transmission system owner or to other grantor against a consideration equal to the regulated un-depreciated value set by the National Energy Regulatory Authority. As at the date of the balance-sheet the company has recognised a receivable for the remaining regulated value and an accrued income to the present value. The accrued income is recognised in the profit or loss account for the remaining duration of the Service Concession Agreement;
- A decrease of the customer receivable balance by RON 23.814 following the income decrease from gas transmission during summer as compared to the winter time;
- Increase of advance payments to suppliers by RON 27.596;
- A balance increase of other receivables by RON 6.819 mainly due to the registration of natural gas transportation license;
- An increase of provision allowances for impairment of trade receivables and other receivables by RON 18.370.

Cash at bank and in hand

As at June 30th 2015 the company's cash increased by RON 255.350 thousand as compared to the end of 2014.

Debts due in one year

In the structure of debts due in one year, the following changes have been noticed compared to June 30th 2015:

- **A balance increase in trade payables and other payables by RON 196.092** mainly due to the increase of debts for dividends to be paid by RON 255.752, decrease of trade payables by RON 20.433, decrease of debts towards fixed-assets suppliers by RON 20.809, decrease of debts for royalties by RON 6.228, to the decrease of VAT payable by RON 4.533, to the increase of debts with other tax by RON 76, to the decrease of employees' payments by RON 658, to the decrease of other debts by RON 7.076;

- **A decrease of the provisions for risk and charges by RON 8.416** due to a decrease of the provision for participation of employees to profit by RON 4.930, a decrease of the provision for the mandate contract by RON 3.486;

- **An increase of corporate tax payables by RON 492**;

- **reimbursement of the amount of RON 12.000** representing loan contracted from BRD Group Societe Generale for partial financing of Company's investment program.

Long-term debts

The evolution of long-term debts is due to the following aspects:

- **The decrease of accrued income by RON 11.050**, mainly caused due to the recording at income of the portion corresponding to the current period and to an accounting accrual legislation change according to which the Company is entitled to recover the remaining un-depreciated value of the goods afferent to the company's investments as titleholder of the National Gas Transmission System;

- **The decrease of deferred tax liabilities by RON 2.474** is mainly due to the decrease of the variation between the basis of accounting and the tax base for Transgaz' tangible and intangible assets.

As at June 30th 2015, the situation of medium and long term loans secured by Transgaz is as follows:

Financing bank	Loan currency	Loan value (thousand RON)	Balance on 30.06.2015 (thousand RON)
BRD GSG	RON	120.000,00	12.000,00

Table 34– Medium and long term loans as at 30.06.2015

Equity

The subscribed and paid up capital remained unchanged.

Increase in retained earnings by RON 64.887 is determined by the distribution of profit for 2014.

3.4.2 Comprehensive income

The situation of profit and loss account on 30.06.2015 was:

Specifications	Achievements Sem.I (thousand RON)		Dinamica (%)
	2015	2014	
1	2	3	4=2/3
TOTAL revenues, of which:	**865.604**	**870.202**	99,47
Operating revenues	848.132	861.012	98,50
Financial revenues	17.473	9.190	190,14
TOTAL expenses, of which:	**478.008**	**511.444**	93,46
Operating expenses	474.534	508.300	93,36
Financial expenses	3.474	3.144	110,48
GROSS PROFIT, of which:	**387.596**	**358.757**	108,04
Operating result	373.597	352.712	105,92
Financial result	13.999	6.045	231,56
IMCOME TAX	**68.514**	**66.663**	102.77
Revenues from deferred income tax	**2.474**	**2.273**	108,84
NET PROFIT	**321.557**	**294.367**	109,24

Table 35 – Situation of profit and loss account at 30.06.2015

Operating revenues

The revenues from operating activity are:

Specifications	Achievements in Sem.I		Dinamics (%)
	2015	2014	
1	2	3	4=2/3*100
Revenues from transportation activity			
- thousand lei	660.193	714.322	92,42
- MWh	69.118.324	65.415.523	105,66
- lei/MWh	9,55	10,92	87,47
- thousand cubic meters	6.480.291	6.139.549	105,55
- lei/1000 cubic meters	101,88	116,35	87,56
Revenues from international transport			
- thousand RON	158.798	133.302	119,13
Other operating expenses			
- thousand RON	29.140	13.388	217,66
TOTAL OPERATING REVENUES	**848.132**	**861.012**	98,50

Table 36 – Incomes from exploitation activities accrued during the 1st semester of 2015 vs. the 1st semester of 2014

Operating expenses

The expenses from operating activities accrued during the 1st semester of 2015 compared to the 1st semester of 2014 were as follows:

	Achievements in 1st semester		Dinamics (%)
Specifications	**2015**	**2014**	
1	2	3	4=3/2
Depreciation	95.639,18	91.851,86	104,12
Salary indemnities and other salary expenses and benefits granted to employees	173.310,45	174.981,37	99,05
Technological consumption, used materials and consumables, of which:	34.142,70	48.774,92	70,00
Technological consumption and losses on transportation system	21.671,15	37.445,58	57,87
- quantity of technological consumption MWH	237.922,12	458.830,39	51,85
- quantity of technological consumption thousand cubic meters	21.140,37	41.458,68	50,99
Additional materials	10.154,71	8.890,40	114,22
Other material expenses	2.316,85	2.438,94	94,99
Other expenses on royalties	81.899,14	84.762,44	96,62
Maintenance and transportation, of which:	17.408,10	21.874,44	79,58
Works, services performed by third parties	11.174,47	17.246,60	64,79
Taxes and other amounts duet o state, of which:	33.296,77	39.166,45	85,01
Charge for granting gas transmission and international transit license	3.161,88	8.983,82	35,20
Monopol tax	26.962,11	26.066,30	103,44
Tax on special constructions	619,20	961,02	64,43
Expenses on risks and expenses provision	-8.415,69	-10.388,67	81,01
Other operating expenses	47.253,57	57.277,17	82,50
TOTAL OPERATING EXPENSES	**474.534,23**	**508.299,99**	**93,36**

Table 37 – Expenses of operating activities accrued during 1st sem. of 2015 vs. 1st sem. of 2014

3.4.3 Cash flow statement

The situation of cash flows as at 30.06.2015 was:

Indicator	For 6 months ended on June 30 (thousand RON)

	2014	2015
Profit before tax	358.757	387.596
Adjustments for:		0
Depreciation	91.852	95.639
Profit/(loss) from assignment of fixed assets	19	58
Provisions for risks and expenses	-10.389	-8.416
Revenues from connection charges, bob-refundable funds and free of charge goods	-8.455	-8.853
Allowances for doubtful debts	30.734	18.370
Expenses on interest	726	223
Incomes from interests	-4.445	-11.161
Profit/(loss) from write-down of inventories	105	660
Effect of exchange rates' variation on other items than the operating ones	-412	-25
Revenues from rights of claim of the regulated unedpreciated value at the cessation of the assignment agreement	0	-13.112
Operating profit before changes to working capital	**458.492**	**460.981**
(Increase)/decrease of trade receivables and other receivables	52.413	-30.721
(Increase)/decrease of inventories	463	-5.408
Increase/(Decrease) of commercial debts and other debts	14.957	-25.980
Operating-generated cash	**526.326**	**398.872**
Paid interests	-726	-223
Received interests	4.664	10.078
Paid corporate tax	-36.947	-68.021
Net cash entries from operating activity	**493.317**	**340.705**
Casch flow from investments		
Payments for purchase of tangible and intangible assets	-39.538	-76.533
Cash from connection charges and non-refundable funds	1.298	4.094
Net cash used in investment activities	**-38.239**	**-72.438**
Treasury flow from financing activities		
Paid dividends	-871	-917
Reimbursements of long term loans	-12.000	-12.000
Net cash used in financing activities	**-12.871**	**-12.917**

Net change of cash and cash equivalent	442.207	255.350
Cash and cash equivalent at the beginning of the year	267.262	557.868
Cash and cash equivalent at the end of the period	709.468	813.218

Table 38 – Situation of treasury flows between December 2014-June 2015

The analysis of the cash flow as of June 30th 2015 results into an increase of available funds by RON 103.749 compared to December 31st 2014.

The changes brought to the structure of cash flow for 1st semester of 2015 as compared to the 1st semester of 2014 are:

- cash flow generated from the exploitation is of RON 340.705, by RON 152.612 less than in 2014;
- cash flow used in investment activity is of RON -72.438, by RON 34.199 higher than in 2014;
- cash flow used in financing activity is of RON -12.917, by RON 46 thousand higher than in 2014.

3.4.4 Evaluation of activity on financial risk management

Financial risk factors

By 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.

Market risk

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 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 sales in foreign currencies (mainly incomes from international transmission) are used to settle liabilities denominated in foreign currencies.

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

	June 30th 2015 (not audited)	**December 31st 2014**
Impact on profit and loss and on equity of:		
USD appreciation by 10%	167.955	2.103.397
USD depreciation by 10%	(167.955)	(2.103.397)
EUR appreciation by 10%	18.440.729	6.838.279
EUR depreciation by 10%	(18.440.729)	(6.838.279)

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 1st semester of 2015 would have been lower/higher by RON 910.188 (1st semester of 2014: 1.572.714 RON).

Interest rate risk on cash flow and fair value

The Company is exposed to interest rate risk by its long and short-term loans, most of them having 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 the 1st semester of 2015, if the interest rates had been by 50 basis points lower/higher, with all the other variables maintained constant, the profit related to the quarter and equity would have been by RON 1.368.347 (1st semester of 2014: 905.760 lei) lower/higher, as a net result of the interest rate variation for bank deposits, and the interest rate variation for floating rate obligations.

Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company has drawn up a number of policies, through their application ensuring that sales of products and services are made to proper customers.

The book value of receivables, net of provisions for doubtful debts, represents the maximum value exposed to credit risk. The Company's credit risk is concentrated on

the 5 main customers, which together account for 61% of the trade receivable balances on June 30th 2015 (December 2014: 65%, June 2014: 67%).

Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the provisions already made. Cash is with financial institutions, which are considered as associated to a minimum performance risk.

	June 30th 2015	**December 31st 2014**
No rating	1.578.633	1.574.693
BB-	-	262.217.263
BB	294.505.948	-
Ba1	4.170.453	730.107
BBB-	40.290.995	1.785.923
BBB	184.407.523	7.130.249
BBB+	112.870.976	284.236.404
A	102.733	-
A+	175.036.238	71.652
	812.963.499	557.746.291

Liquidity risk

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

The company projects cash flows. The financial position of the Company continuously monitors Company's liquidity requirement to make sure there is enough cash to meet the operational requirements, maintaining at the same time a sufficient level of unused borrowing facilities at any time, so that the company does not break the limits or loan agreements (where applicable) for any of its credit 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 the obligations on June 30th 2015 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Maturity analysis of financial liabilities on June 30th 2015 is as follows:

	Total amount	less than 1 year	1-5 years	over 5 years
Loans	12.085.100	12.085.100	-	-
Trade payables and other payables	353.642.539	353.642.539	-	-
	365.727.639	**365.727.639**		**-**

Maturity analysis of financial liabilities on December 31st 2014 is the following:

	Total amount	less than 1 year	1-5 years	over 5 years
Loans	24.333.300	24.333.300		-
Trade payables and other payables	146.207.860	146.207.860		-
	170.541.160	**170.541.160**		**-**

Trade payables and other liabilities include trade payables, suppliers of fixed assets, dividends payable, payables to the Ministry of Economy and Tourism and other payables.

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, Transgaz monitors the capital based on the debt leverage. 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", as the statement of the financial position shows), except cash and cash equivalent. The total capital is calculated as "equity", according to the statement of the financial position, plus the net debt.

In 2015, the Company's strategy, that remained unchanged compared to 2014, was to keep the debt leverage degree as low as possible to keep a significant capacity to borrow funds for future investments, where and when the case. Rate of debt was zero as at June 30th 2015 and December 2014.

	June 30th 2015	December 31st 2014

Total loans	12.000.000	24.000.000
Loss: cash and cash equivalent	(813.217.592)	(557.868.004)
Net cash position	(801.217.592)	(533.868.004)

Fair value estimate

The fair value of financial instruments traded on an active market is based on market prices quoted at the end of the reporting period.

The fair value of 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 to approximate their fair value.

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.

4. COMPANY MANAGEMENT

4.1 The Board of Administration

Company administrators at the beginning of 2015 and at 30.06.2015:

- **STERIAN ION –** *non-executive administrator - Chairman of the Board of Administration;*
- **VĂDUVA PETRU ION –** *executive director - general;*
- **ILIESCU BOGDAN-GEORGE –** *non-executive administrator;*
- **CERNOV RADU ŞTEFAN -** *non-executive administrator;*
- **RIZOIU ANDREI -** *non-executive administrator*

During the 1st semester of 2015 no changes were made to the membership of the Boad of Administration

The administrators' resumes

The administrators' resumes may be found on Transgaz webpage at www.transgaz.ro

Agreements/understandings or special family ties

According to information provided by administrators, there is no agreement or family tie between the respective person and another person due to which that person was appointed administrator.

Administrator's participation to Transgaz capital

The Company's administrators do not own shares in the share capital of the company

4.2 Executive management

Members of the executive management have individual labour agreements concluded for indefinite periods. The management and execution staff in Transgaz is appointed, hired or laid off by the Director-General.

According to the information available, there is no agreement, covenant or family tie between the mentioned persons and another person due to which they have been appointed as members of the executive management. The table below shows the members of the executive management holding shares in Transgaz:

Name and first name	Position	Number of shares as at 30.06.2015	Interest share (%)
Lupean Marius	Director	20	0,000169
Tătaru Ion	Director	25	0,000212
Comaniţă Adela	Director	7	0,000059
Şai Alexandru	Director	10	0,000084
Pătârniche Mihai	Director	97	0,000823
Laţa Ilie	Director	46	0,000390
Rusu Ioan	Director	2.508	0,021301
Nita Viorel	Director	5	0,000042

Table 39- Members of the executive management holding shares in Transgaz as at 30.06.2015

The following persons represent the Company's executive management:

Crt. No.	Name and first name	Position	Division
1	Petru Ion Văduva	Director-General	
2	Gheorghe Haţegan	Deputy Director-General	
3	Tarsac Grigore	Deputy Director-General	
4	Marius Lupean	Director	Economic Division
5	Ghidiu Elisabeta	Director	Strategy and Corporate Management Division
6	Stroia Marius	Director	Operation Division
7	Tătaru Ion	Director	Development Division
8	Cosma Florin	Director	Exploitation and Maintenance Division
9	Leahu Mihai	Director	Engineering and Research Division
10	Achim Viorel Ciprian	Director	HSQE Division

11	Alic Ciprian Octavian	Director	European Funds and International Relations Division
12	Gruia Daniel	Director	IT, Communication and SCADA Division
13	Luca Bogdan Avram	Director	Public Purchase and Procurement Division
14	Idu Olga		Legal Division
15	Mateş Angela	Director	HR Division
16	Niculescu Oana	Director	Budgeting Strategy Division
17	Mareş Gabriela	Director	Regulations and Licence Division
18	Fodor Mihai Iuliu	Director	Budgeting Finances Division
19	Comăniţă Adela	Director	Accounting Division
20	Deac Sorin Gabriel	Director	Works Preparation and Execution Division
21	Rău Ioan	Director	Commercial Division
22	Şai Alexandru	Director	Gas Metering, Gas Quality Division
23	Pătârniche Mihai	Director	The National Gas Dispatching Centre
24	Bunea Florin	Deputy Director	Gas Market Operator Division Bucharest
25	Barbu Viorel	Director	NTS Reconditioning Division
26	Ilies Ovidiu	Director	European Funds Division
27	Drusan Nicolae	Director	Protection and Security Division
28	Muntean Aurel	Deputy Director	Gas Metering, Gas Quality Division
29	Lascu Sergiu	Deputy Director	IT and Communication Division
30	Pânzar Adela	Deputy Director	Public Purchase and Procurement Division
31	Ilie Laţa	Director	Medias Subsidiary
32	Rusu Ioan	Director	Medias Regional Offices
33	Schmidt Hăineală Eduard	Director	Bacău Regional Offices
34	Ţandrău Marcel	Director	Cluj Regional Offices
35	Gherghe Cristian	Director	Constanţa Regional Offices
36	Niţă Viorel	Director	Craiova Regional Offices
37	Gurgu Victor	Director	Brăila Regional Offices
38	Cristoloveanu Gheorghe	Director	Braşov Regional Offices
39	Bâldea Dan	Director	Bucharest Regional Offices
40	Bachios Gheorghe	Director	Arad Regional Offices

Table 40–SNTGN Transgaz SA Mediaş executive management

4.3. Potential litigation or administrative procedures

Reference: Disputes or administrative procedures in which it has been involved during the past 5 years, referring to the administrative and executive management as well as the ones that concern their ability to fulfil the tasks within Transgaz.

5. OTHER ASPECTS

The list of all entities Transgaz holds shares in

- **NABUCCO GAS PIPELINE INTERNATIONAL GmbH,** based in Vienna, company in which Transgaz owns equity interests of 17.93% of the share capital and whose

object of activity is the development of Nabucco project. The lack of perspective of Nabucco project in the context of failure to be selected by Shah Deniz Consortium and the uncertainty of commissioning new gas fields in the predictable future in the Caspian Sea and Middle East determined Nabucco shareholders to make the decision of liquidating the project company and the National Nabucco Companies (NNCs), voluntary liquidation controlled by NIC shareholders through a liquidator;

- **SC MEBIS SA Bistriţa,** based in Bistriţa, (J06/150/1991) in which Transgaz owns a 17.47% stake, whose object of activity is the development of metal structures and complex welded assemblies, assemblies and hydraulic products. The company is under liquidation proceedings, reason due to which SC MEBIS SA share has been entirely provisionsed. Transgaz has no obligations towards SC MEBIS SA;
- **SC "Resial" SA** based in Alba Iulia (J01/77/1991) in which Transgaz owns a 68.16% stake, whose main activity is the manufacture and marketing of alumina silicate refractory products. The company has entered the liquidation procedure in 2006; the procedure is performed by a court enforcement officer appointed by the court of law and can not be controlled by Transgaz, therefore the share is not consolidated and is registered at a cost less the provision for impairment set up at 100% of the cost.

The loan granted to SC RESIAL SA is entirely provisioned. The management is not expecting Transgaz to redeem any amount of this share and does not register any residual obligations towards SC RESIAL SA.

Infographic monitoring of news on Transgaz in 1st semester of 2015

From the monitoring of the news on Transgaz activity on the media channels in the 1st semester of 2015 we summed up a no. of 75, out of which:

Neutral news	25	37%
Positive news	20	30%
Negative news	22	33%
Total news	67	100%

Share of news regarding the activity of Transgaz - sem I 2015

Monthly distribution of news in the 1st semester of 2015 and classification by type: positive, neutral, negative.

Monthly distribution of news in the 1st semester of 2015 and classification by subject: investment, financial results, European grants, capital market, development plan:

Review of Transgaz Rating

On June 24th 2015 Standard&Poor's Rating Services has improved Transgaz SA Medias rating from "BB" to "**BB+**" with **a stable perspective.**

The decision of the financial evaluation agency to improve Transgaz's rating admits the success of management team's efforts to improve and modernize the operational activity and institutional transparency of company's investment program.

At the same time, the rating agency has admitted the progresses made in the activity of regulatory authority and in stabilizing the regulatory framework.

Among the positive items mentioned in Standard&Poor's analysis are:

- improvement of predictability and transparency of the regulation activity for natural gas transportation services in Romania, by keeping the current background unchanged until the end of the current regulating period;
- cash flow predictability at least until 2017, at the end of the regulating period;
- increase of capacity reservation rates to 50%<
- obtaining efficiency increments for a five years period and ensuring a higher remuneration for new investments following the recognition of revenues from the previous regulating period;
- increase of average and long term investments starting with the second half of 2015.

The stable perspective reflects Standard&Poor's opinion according to which the regulation background has improved, remains predictable and transparent and Transgaz will be able to obtain solid operational and financial results in the following two or three years.

The report also provides that a two stages increase of Romania's rating may determine an improvement of company's rating to the extent both company's crediting profile and governmental support remain unchanged.

Note: Annexes 1 and 2 are integral part hereof.

ION STERIAN – Non-executive Administrator - Chairman of the Board of Administration

PETRU ION VĂDUVA – Executive Administrator –Director - General

RADU ŞTEFAN CERNOV – Non-executive Administrator

BOGDAN GEORGE ILIESCU - Non-executive Administrator

ANDREI RIZOIU - Non-executive Administrator