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

YEARLY INDIVIDUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED ON DECEMBER 31ST 2011

Drawn up according to the Order of the Minister of Public Finance no. 3055/2009 and its subsequent amendments

TRANSGAZ
MAGISTRALA ENERGIEI

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The following appendix is not part of the financial statements, being included only for the purpose of drawing attention to the additional reports which should be drawn up according to the Order of the Minister of Public Finance 3055 by the directors.

BALANCE SHEET

COUNTY: 32 Sibiu
LEGAL PERSON: **SNTGN Transgaz S.A.**
ADDRESS: Mediaş, Str P-ţa C. I. Motaş nr 1
PHONE NO.: 0269/803.333, FAX: 0269/834.616
REGISTERED WITH THE TRADE REGISTER UNDER NO.:
J32/301/2000

PROPERTY TYPE: 14
MAIN OPERATION
Transport via pipes (natural gas)
NACE GROUP CODE: 4950
VAT NUMBER:
RO13068733

BALANCE SHEET

	Row	Note	December 31st, 2010 (RON)	December 31st, 2011 (RON)
A. FIXED ASSETS				
I. INTANGIBLE ASSETS				
3. Concessions, patents, licenses, trade marks and similar rights and other intangible asset	03		493.833.209	9.689.647
5. Advance payments and intangible assets in progress	05		3.958.223	1.606.977
TOTAL	**06**	**1 a)**	497.791.432	11.296.624
II. TANGIBLE ASSETS				
1. Land lots and buildings	07		2.248.840.900	2.905.678.194
2. Technical equipment and machines	08		78.829.250	73.319.987
3. Other equipment, machinery and furniture	09		7.295.310	6.355.741
4. Advance payments and tangible assets in progress	10		396.222.107	337.655.981
TOTAL	**11**	**1 b)**	**2.731.187.567**	**3.323.009.903**
III. CAPITAL ASSETS				
3. Participating interests	14		38.333.046	65.384.006
6. Other loans	17		7.758.771	3.096.432
TOTAL	**18**	1 c)	**46.091.817**	**68.480.438**
FIXED ASSETS - TOTAL	**19**		**3.275.070.816**	**3.402.786.965**
B. CURRENT ASSETS				
I. INVENTORIES				
1. Raw materials and consumables	20		20.992.549	23.463.169
2. Production in progress	21		6.636.035	9.374.695
3. Finished products and goods	22		-	10.388.000
4. Advance payments for the purchase of inventory	23		25.539	21.905
TOTAL:	**24**		**27.654.123**	**43.247.769**
II. RECEIVABLES				

BALANCE SHEET

	Row	Note	December 31st, 2010 (RON)	December 31st, 2011 (RON)
1. Trade receivables	25	0, 11	318.160.782	357.256.587
4. Other receivables	28	0, 12	15.558.276	9.612.398
TOTAL	**30**		**333.719.058**	**366.868.985**

	Row	Note	December 31st, 2010 (RON)	December 31st, 2011 (RON)
III. SHORT TERM INVESTMENTS				
2. Other short term investments	32		171.851.407	255.607.046
TOTAL	**33**		**171.851.407**	**255.607.046**
IV. CASH AT BANK AND IN HAND	**34**	13	**25.755.236**	**19.154.501**
CURRENT ASSETS - TOTAL	**35**		**558.979.824**	**684.878.301**
C. ADVANCE EXPENSES	**36**		**1.540.861**	**1.371.954**
D. DEBTS: AMOUNTS TO BE PAID WITHIN ONE YEAR'S TIME				
2. Amounts due to credit institutions	38	0; 16	38.942.605	50.230.970
3. Advance payments cashed in the orders account	39	0	4.209.677	2.985.304
4. Business debts - suppliers	40	0; 14	154.522.365	133.649.611
8. Other debts, including fiscal debts and debts related to social insurance	44	0;15	159.503.227	171.261.309
TOTAL	**45**		**357.177.874**	**358.127.194**
E. NET CURRENT ASSETS/NET CURRENT DEBTS	**46**		**203.263.326**	**327.978.596**
F. TOTAL ASSETS MINUS CURRENT DEBTS	**47**		**3.478.334.142**	**3.730.765.561**
G. DEBTS: AMOUNTS DUE IN MORE THAN ONE YEAR'S TIME				
2. Amounts due to credit institutions	49	0; 17	78.709.526	72.000.000
8. Other debts, including fiscal debts and debts related to social insurance	55	0; 18	485.515.196	3.147.643
TOTAL	**56**		**564.224.722**	**75.147.643**
H. PROVISIONS				
1. Provisions for retirement fund and similar obligations	57		25.513.286	28.936.726
2. Other provisions	59		5.736.026	13.490.650
TOTAL	**60**	**2**	**31.249.312**	**42.427.376**
I. ADVANCE INCOME				

BALANCE SHEET

1. Investment subsidies	61		296.387.937	350.311.199
2. Deferred revenue, of which:	62		125.381	145.844
Amounts to be recongnized as income within one year	**63**		79.485	144.465
Amounts to be recongnized as income in a period exceeding one year	**64**		45.896	1.379
TOTAL	**66**		**296.513.318**	**350.457.043**

	Row	Note	December 31st, 2010 (RON)	December 31st, 201 (RON)
J. CAPITAL AND RESERVES				
I. CAPITAL				
Subscribed and paid-in share capital	**67**	7	**117.738.440**	**117.738.440**
III. REVALUATION RESERVES				
Balance C	**72**		**514.995.580**	**1.116.507.511**
IV. RESERVES				
1. Legal reserves	73		23.547.688	23.547.688
3. Reserve representing the revaluation reserve surplus	75		128.162.477	162.264.262
4. Other reserves	76		1.427.433.573	1.465.053.067
TOTAL	**77**		**1.579.143.738**	**1.650.865.017**
V. REPORTED LOSS				
Balance D	**82**		**1.804.469**	**1.804.469**
VI. PROFIT OF THE FINANCIAL YEAR				
Balance C	**83**		**376.352.986**	**379.571.465**
EQUITY - TOTAL	**86**		**2.586.426.275**	**3.262.877.964**
CAPITALS - TOTAL	**88**		**2.586.426.275**	**3.262.877.964**

Authorized and signed on behalf of the Board of Directors on March 21st, 2012 by:

President of the Board of Directors,
Mr. Victor Alexandru Schmidt
Illegible signature

General Manager,
Mr. Florin Cosma
Illegible signature

Manager of Economic Department,
Mr. Radu Moldovan
Illegible signature

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PROFIT AND LOSS ACCOUNT

	Row	Note	Year ended on December 31st, 2010 (RON)	Year ended on December 31st, 2011 (RON)
1. Net turnover	01	10 e)	1.312.997.932	1.343.321.806
Sold production	02		1.312.997.932	1.343.321.806
2. Variation of the cost of production being carried out				
Balance C	07		-	2.738.660
Balance D	08		1.553.617	-
3. Production carried out by the entity for its own purposes and capitalized	09		6.414.751	3.157.083
4. Other operating income	10		25.074.305	55.146.577
OPERATING INCOME - TOTAL	**12**		**1.342.933.371**	**1.404.364.126**
5. a) Expenditures with raw materials and expendable goods	13		154.042.611	157.485.527
Other material expenditures	14		4.400.391	3.654.528
5. b) Other external expenditures (energy and water)	15		5.512.957	6.308.894
Expenditures with goods	17		-	62.338
6. **Personnel expenditures, of which**:	18		250.644.153	303.199.187
a) Wages and allowances	19		194.404.585	234.173.075
b) Insurance expenditures and social protection expenditures	20		56.239.568	69.026.112
7. a) Value adjustments regarding tangible and intangible assets	21	1a), b)	135.266.706	163.318.194
a. 1) Expenditures	22		135.266.706	163.461.322
a.2) Incomes	23		-	143.128
7. b) Value adjustments regarding current assets	24		(35.989.111)	(12.368.428)
b.1) Expenditures	25		8.169.746	10.714.801
b. 2) Revenue	26		44.158.857	23.083.229
8. Other operating expenditures	27		385.428.756	329.079.638
8.1 Expenditures regarding external labour	28		159.670.746	156.905.314
8.2 Expenditures with other taxes, fees and similar levies	29		151.782.676	147.983.324
8.3 Expenditures with compensations, donations and assets disposed	30	19	73.975.334	24.191.000

Notes from 1 to 21 and Forms 30 and 40 are an integral part of the financial statements.

PROFIT AND LOSS ACCOUNT

	Row	Note	Year ended on December 31st, 2010 (RON)	Year ended on December 31st, 2011 (RON)
Provision adjustments	32		(37.204)	11.178.065
Expenditures	33		7.818.207	15.917.248
Revenue	34		7.855.411	4.739.183
OPERATING EXPENDITURES - TOTAL	**35**		**899.269.259**	**961.793.267**
Operating profit				
Profit	**36**	**4**	**443.664.112**	**442.570.859**
10. Income from other investment and loans which are part of the fixed assets	40		171	22.276
11. Interest income	42		14.836.179	18.719.668
Other financial income	44		19.340.175	40.399.080
FINANCIAL INCOME - TOTAL	**45**		**34.176.525**	**59.141.024**
13. Interest expenditures	49		5.462.109	9.269.198
Other financial expenditures	51		20.874.007	30.182.213
FINANCIAL EXPENDITURES - TOTAL	**52**		**26.336.116**	**39.451.411**
FINANCIAL PROFIT				
- Profit	**53**		**7.840.409**	**19.689.613**
14. CURRENT PROFIT				
Profit	**55**		**451.504.521**	**462.260.472**

	Row	Note	Year ended on December 31st, 2010 (RON)	Year ended on December 31st, 2011 (RON)
TOTAL INCOME	**61**		**1.377.109.896**	**1.463.505.150**
TOTAL EXPENDITURES	**62**		**925.605.375**	**1.001.244.678**

Notes from 1 to 21 and Forms 30 and 40 are an integral part of the financial statements.

GROSS PROFIT OR LOSS				
Profit	**63**		**451.504.521**	**462.260.472**
18. Profit tax	65	10 d)	75.151.535	82.689.007
20. NET PROFIT OF THE FINANCIAL YEAR				
Profit	**67**		**376.352.986**	**379.571.465**

All the company's operations are continuous.

Signed on behalf of the Board of Directors on March 21st, 2012 by:

President of the Board of Directors,
Mr. Victor Alexandru Schmidt
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General Manager,
Mr. Florin Cosma
Illegible signature

Manager of Economic Department,
Mr. Radu Moldovan
Illegible signature

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CASH FLOW STATEMENT

	Note	Year ended on December 31st, 2010 (RON)	Year ended on December 31st, 2011 (RON)
Operating activities:			
Net profit		376.352.986	379.571.465
Adjustment of the value of the tangible and intangible fixed assets		135.266.706	163.318.194
Adjustment of the value of the current assets		(35.989.111)	(12.368.428)
Adjustment regarding the provisions for risks and expenditure		(37.204)	11.178.065
Effect of the variation of the exchange rate		822.351	(151.231)
Income from subsidies		(8.672.862)	(12.987.374)
Income from interests		(14.836.179)	(18.719.668)
Expenses for interests		5.462.109	9.269.198
Loss from the sale of tangible assets		1.698.382	1.474.468
Other financial expenses		-	(1.235.809)
Profit tax		75.151.535	82.689.007
Increase of the operating cash flow before the change in the working capital		535.218.713	602.037.887
(Increase) / decrease in the inventory balance		5.067.192	(14.877.655)
Increase in the balance of trade receivables and other receivables		(77.775.621)	(27.573.006)
Increase in the balance of trade debts and other debts		67.994.211	968.794
Net cash flow from operational activities		530.504.495	560.556.020
Interests cashed in		14.907.081	18.200.668
Paid interests		(4.921.337)	(9.406.649)
Payments corresponding to the contribution of the employees to the profit		(7.808.325)	-
Paid profit tax		(78.819.502)	(78.007.085)
Net cash flow from operating activities		453.862.412	491.342.954
Purchases of capital assets		(27.000.415)	(26.353.874)
Sales of fixed assets		354.662	716.324
Purchases of fixed assets		(401.570.430)	(116.808.582)
Cash flow from investment activities		(428.216.183)	(142.446.132)

	Note	Year ended on December 31st, 2010	Year ended on December 31st, 2011

	Note	(RON)	(RON)
Reimbursements of loans		(28.619.232)	(47.808.857)
Loan draws		75.500.000	44.500.000
Investment subsidies		81.249.215	58.486.331
Paid dividends		(152.831.849)	(335.224.068)
Cash flows used in funding activities		**(24.701.866)**	**(280.046.594)**
Cash flow - total		**944.363**	**68.850.228**
Changes in the cash and cash equivalents			
Cash and cash equivalents at the beginning of the period	13	196.566.265	197.510.628
Changes in the cash and cash equivalents		944.363	68.850.228
Cash and cash equivalents at the end of the period	13	197.510.628	266.360.856

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STATEMENT REGARDING THE CHANGES IN EQUITY CAPITAL

Equity capital item	**Balance on January 1st, 2010 (RON)**	**Increases (RON)**	**Decreases/ Distributions (RON)**	**Balance on December 31st, 2010 and January 1st, 2011 (RON)**	**Increases (RON)**	**Decreases/ Distributions (RON)**	**Balance on December 31st 2011 (RON)**
Subscribed capital (note 7)	117.738.440	-	-	117.738.440	-	-	117.738.440
Revaluation reserves	550.825.229	-	35.829.649	514.995.580	762.734.825	161.222.894	1.116.507.511
Legal reserves	23.547.688	-	-	23.547.688	-	-	23.547.688
Other reserves	1.282.097.481	145.336.092	-	1.427.433.573	37.619.494	-	1.465.053.067
Profit or loss carried forward resulting from the application of the Accounting Regulations compliant with the fourth Directive of the European Economic Community							
Balance due	1.804.469	-	-	1.804.469	-	-	1.804.469
Revaluation reserve surplus	92.332.828	35.829.649	-	128.162.477	34.101.785	-	162.264.262
Profit of the financial year							
Credit balance	298.631.541	376.352.986	298.631.541	376.352.986	379.571.465	376.352.986	379.571.465
Total equity	**2.363.368.738**	**557.518.727**	**334.461.190**	**2.586.426.275**	**1.214.027.569**	**537.575.880**	**3.262.877.964**

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Mr. Radu Moldovan

Notes from 1 to 21 and Forms 30 and 40 are an integral part of the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

REPORTING ENTITY

These financial statements are drawn up by SNTGN TRANSGAZ SA ("The Company").

1. FIXED ASSETS

a) Intangible assets

These include patents, licenses and computer programs:

	Concessions (RON)	Licenses, computer programs and other intangible assets (RON)	Advance payments and intangible assets in progress (RON)	Total (RON)
Cost				
Balance on January 1st, 2011	482.787.647	56.131.431	3.958.223	542.877.301
Increases	-	4.591.003	2.239.610	6.830.613
Output / transfers	(482.787.647)	-	(4.590.856)	(487.378.503)
Balance on December 31st, 2011	-	60.722.434	1.606.977	62.329.411
Cumulated depreciation				
Balance on January 1st, 2011	-	45.085.869	-	45.085.869
Depreciation registered during the year	-	5.946.918	-	5.946.918
Balance on December 31st, 2011	-	51.032.787	-	51.032.787
Net accounting value on January 1st, 2011	**482.787.647**	**11.045.562**	**3.958.223**	**497.791.432**
Net accounting value on December 31st, 2011	**-**	**9.689.647**	**1.606.977**	**11.296.624**

On December 31st, 2010, the concessions represent the amount of the concession of the National system of natural gas distribution according to the concession agreement concluded by the National Mineral Resources Agency (A.N.R.M.) on March 22nd, 2002 and approved via the Government Decision no. 668/20th June 2002. Starting on July 2002, according to Government Decision 1031/1999 and Government Decision 1326/2001, the company does not depreciate this concession.

On the basis of Law 259/2007, letters D and E of appendix no. 3 to the methodological norms regarding the registration within the accounting of the assets which make up the public area of the state and the administrative-territorial units approved under GD 1031/1999 have been cancelled.

1. FIXED ASSETS (CONTINUED)

b) Tangible assets

	Land lots and buildings (RON)	Technical systems and machines (RON)	Other systems, equipment and furniture (RON)	Advance payments and tangible assets in progress (RON)	Total (RON)
Cost/evaluation					
Balance on January 1st, 2011	3.164.709.316	189.056.337	13.867.515	396.222.107	3.763.855.275
Increases/ transfers	158.202.791	15.255.451	878.575	98.965.852	273.302.669
Revaluation increases	1.587.020.925	-	-	-	1.587.020.925
Reductions/ transfers	(5.373.155)	(2.785.032)	(37.555)	(157.531.978)	(165.727.720)
Revaluation reductions	(268.923.095)	-	-	-	(268.923.095)
Balance on December 31st, 2011	4.635.636.782	201.526.756	14.708.535	337.655.981	5.189.528.054
Cumulated depreciation					
Balance on January 1st, 2011	915.868.416	110.227.087	6.572.205	-	1.032.667.708
Depreciation recorded during the year	119.728.232	20.588.807	1.810.914	-	142.127.953
Reductions or resumptions	(3.365.500)	(2.609.125)	(30.325)	-	(6.004.950)
Revaluation reductions	(126.415.534)	-	-	-	(126.415.534)
Revaluation increases	824.142.974	-	-	-	824.142.974
Balance on December 31st, 2011	**1.729.958.588**	128.206.769	8.352.794	-	1.866.518.151
Net accounting value on January 1st, 2011	**2.248.840.900**	**78.829.250**	**7.295.310**	**396.222.107**	**2.731.187.567**
Net accounting value on December 31st, 2011	**2.905.678.194**	**73.319.987**	**6.355.741**	**337.655.981**	**3.323.009.903**

The tangible assets include assets which are completely depreciated having an inventory value of 60.668.821 RON (74.740.553 RON on December 31st, 2010). The buildings category also includes the special constructions such as natural gas transfer pipes.

Revaluation of the tangible assets

On December 31st, 2011, the land lots and the buildings belonging to the patrimony of SNTGN TRANSGAZ SA were revaluated according to the Order of the Minister of Public Finance of Romania no. 3055/2009 ("OMF 3055/2009"). The revaluation work was carried out by the trading company DARIAN SRS SA Cluj – Napoca, which is authorized by the National Association of Evaluators in Romania (ANEVAR). The above mentioned company drew up an Evaluation report which was compliant with the requirements, standards, recommendations and the work methodology established by ANEVAR.

1. FIXED ASSETS (CONTINUED)

The revaluation surplus was credited into the revaluation reserve account within the equity capital. The decreases resulting from the revaluation for which there is no revaluation surplus previously underlined in the revaluation reserve account within equity capital have been underlined within the profit and loss account as adjustments of the value of the tangible assets. On December 31st, 2011 the amount of the decreases mentiuoned previously was 15.386.451 RON. For decreases in value corresponding to the previous years revaluation incomes were underlined within the profit and loss acount amounting to 143.128 RON.

The changes in the revaluation reserve during the financial year are presented as follows:

	2010 (RON)	2011 (RON)
The revaluation reserve at the beginning of the financial year	550.825.229	514.995.580
Differences from the revaluation transferred during the financial year	-	762.734.825
Transferred amounts from the revaluation reserve during the financial year	(35.829.649)	(161.222.894)
The revaluation reserve at the end of the financial year	514.995.580	1.116.507.511

If the tangible assets had been recorded with a historical cost, these tangible assets would have had the following values:

	December 31st , 2010 (RON)	December 31st, 2011 (RON)
Cost	2.441.174.009	2.612.682.183
Cumulated depreciation	628.034.647	734.762.567
Net amount	1.813.139.362	1.877.919.616

Pledged and restricted tangible assets

On December 31st, 2011 and December 31st, 2010, the Company did not have pledged and restricted tangible assets.

Tangible assets used within leasing contracts in which the company is a lessee

On December 31st, 2011 and December 31st, 2010, the Company did not have any tangible assets used within financial leasing contracts.

c) Capital assets

	Balance on January 1st, 2011 (RON)	Increases (RON)	Reductions (RON)	Balance on December 31st, 2011 (RON)
Equity securities within the companies within the group	18.116.501	-	-	18.116.501
Depreciation provision	(18.116.501)	-	-	(18.116.501)
Participating interests	38.333.046	27.050.960	-	65.384.006
Titles held as fixed assets	6.461.736	-	-	6.461.736
Depreciation provision	(6.461.736)	-	-	(6.461.736)
Other financial receivables	7.758.771	1.576.067	6.238.406	3.096.432
	46.091.817	**28.627.027**	**6.238.406**	**68.480.438**

1. FIXED ASSETS (CONTINUED)

On December 31st, 2011, the company held titles under the form of participating interests within the following :

Company	Country	Business area	Registration date	Percentage held 2010 (%)	Percentage held 2011	Amount on December 31st, 2010 (RON)	Amount on December 31st, 2011 (RON)
Resial SA	România	Fire resistant products	December 2003	68,16	68,16	18.116.501	18.116.501
Provision for impairment						(18.116.501)	(18.116.501)
Mebis SA Bistrița	România	Metal structures and welded assemblies	February 2004	17,47	17,47	6.461.736	6.461.736
Provision for impairment						(6.461.736)	(6.461.736)
Nabucco Gaz Pipeline International Gmbh	Austria	The manufacturing and exploitation of the Nabucco pipeline	February 2004	16,67	16,67	38.332.992	65.383.952
Nabucco Gaz Pipeline LTD Sirketi	Turkey	The manufacturing and	August 2010	0,5	0,5	54	54

exploitation of the Nabucco pipeline		
		65.384.006
	38.333.046	

Resial SA

Participation within SC Resial SA (68,16%) was obtained in December 2003 via the direct execution of a pledge for the recovery of a trade receivable on SC Caloni Serv Com Azuga.

In February 2004 the company initiated the drawing up of a sale offer, according to the law, for reducing the contribution by 35.16% of the shares of Resial SA. Since this offer had not become true prior to December 31st, 2005, the contribution within Resial was classified as „Equity securities held within companies within the group" and was entirely provisioned. The company management deems it prudent to keep the provision also on December 31st, 2011 since the company Resial SA is undergoing a liquidation procedure.

Mebis SA

The contribution within SC Mebis SA Bistriţa (17.47%) was obtained in February 2004 via the direct execution of a pledge for the recovery of a trade receivable amounting to 6.461.736 RON regarding SC Caloni Serv Com Azuga. The company management entirely provisioned this fixed asset on December 31st, 2010 and on December 31st, 2011 since Mebis SA is undergoing insolvency procedures.

Nabucco Gas Pipeline International GmbH

The month of February 2004 marked the set up of the survey company – Nabucco Company Pipeline Study GmbH, having its office in Wien, Austria while the month of October 2005 marked the renaming of the company as NABUCCO Gas Pipeline International Gmbh (NIC). The initial share capital of the company, with a total amount of 35.000 EUR, was made up of an equal contribution with a share of 20% of every of the five founding companies of the respective Consortium: BOTAS-Turkey, Bulgargaz-Bulgary, SNTGN Transgaz-Romania, MOL-Hungary and OMV Erdgas- Austria. The company NABUCCO Gas Pipeline International shall have subsidiaries in every of the transited countries.

The month of February 2008 marked the signing of the documents regarding the cooptation within the company Nabucco of a new shareholder, respectively the company RWE Gas Midstream in Germany. From the point of view of the associating mechanism, RWE became a shareholder through the decision of increasing the share capital of NIC, the other associated shareholders giving up their first refusal right. Consequently, the shares issued by NIC, amounting to 7000 EUR have been purchased by RWE, thus changing the contribution share to the share capital of NIC, of every shareholder, from 20% to 16.67%.

At the same time, following the new financing mechanism at the level of company NIC, through capital contributions and subsequent incorporation of such within the share capital, in 2008, the share capital of NIC thus increased from 762,000 Euros (127,000 Euros/shareholder), as it results from the justifying excerpt of the Commercial Court in Wien, issued on March 5th, 2008. At the end of 2009 the contribution of Transgaz increased to 3.444.450 Euros subsequent to the 2009 transfer of 3.317.450 Euros as contributions to the share capital of the company NIC. In 2010, the contribution of SNTGN Transgaz SA to the share capital of NIC was supplemented with 5.600.000 Euros and in 2011 the contribution amounted to 6.400.000 Euros.

The project Nabucco has been included within the power strategy of Romania for the period 2007-2020 under chapter IV „The objectives for developing the power sector and the measures stipulated in order to ensure that these objectives are reached”.

Nabucco Gas Pipeline Limited Şirketi

The company NABUCCO GAS PIPELINE LIMITED ŞIRKETI Turkey was set up on June 18th, 2010, having its office in Ankara (subsidiary of the Company Nabucco Gas Pipeline International GmbH). This company has 5 shareholders: Nabucco Gas Pipeline International GmbH, BOTAS – Turkey, Bulgarian Energy Holding EAD-Bulgaria, SNTGN Transgaz SA-Romania, MOL-Hungary and OMV Gas & Power GmbH – Austria.

The share capital of NABUCCO GAS PIPELINE LIMITED ŞIRKETI amounts to 5,000 TRL, being split up into 200 shares, each having a nominal value of 25 TRL. The share capital is totally subscried by the shareholders as follows: Nabucco Gas Pipeline International GmbH 98% of the shares and each of the other shareholder, 0.5% each of the shares.

The company did not undertake any obligation and it did not make any payment on behalf of the companies in which it owns titles under the form of participating interests.

2. PROVISIONS FOR RISKS AND CHARGES

Name of the provision	Balance on 1st January 2011 (RON) 1	Transfers into account (RON) 2	Transfers from account (RON) 3	Balance on 31st December 2011 (RON) 4=1+2-3
Provision for the amounts corresponding to the contribution of the employees to the profit	-	9.687.150	-	9.687.150
Nabucco Provision Reserve fund	47.823	1.053.324	-	1.101.147
Provisions for guarantees granted to customers	485.855	1.040.939	-	1.526.794
Provisions for litigations	5.202.348	684.938	4.711.727	1.175.559
Provision for pensions and other similar obligations	25.513.286	3.423.440	-	28.936.726
	31.249.312	15.889.791	4.711.727	42.427.376

3. APPROPRIATION OF PROFIT

The above mentioned appropriations were carried out by the company according to the applicable regulations regarding the compulsory allotments that is according to Law 31/1990 regarding the trading companies, amended with the subsequent supplements and the Government Emergency Ordinance no. 64/2001, regarding the appropriation of the profit within the national companies, national corporations and entirely state-owned and majority state-owned trading companies, with its subsequent amendments and supplements.
For 2010, the provisions of article V of GEO no. 55/2010 were also applied regarding certain measures meant for reducing the public expenditure.

4. APPROPRIATION OF PROFIT (CONTINUED)

Destination	Financial year ended on 31st December 2010 (RON)	Financial year ended on 31st December 2011 (RON)
Net profit to be appropriated	376.352.986	379.571.465

Appropriations for:		
- other reserves	(37.619.494)	-
- dividends	(338.733.492)	-
Profit non appropriated	-	379.571.465

Proposed /declared dividends

Within the General Shareholders' Assembly ("AGA") established for the date of April 24th, 2012 the approval of the profit appropriation is to be granted regarding the financial year ended on December 31st, 2011. The dividends proposed or declared after December 31st, 2011 shall be presented as a reduction of the reserves in the financial statements of 2012 (in a similar manner, the dividents corresponding to 2010, proposed or declared after December 31st, 2010 have been presented as a recution of the reserves in the financial statements of 2011).

The complete appropriation of the profit for 2010 was approved within the ordinary general shareholders' assembly in its meeting on June 10th, 2009. The company declared dividends amounting to 28.77 RON/share for 2010.

3. ANALYSIS OF THE OPERATING PROFIT/LOSS

Indicator	Financial year ended on 31st December 2010 (RON)	Financial year ended on 31st December 2011 (RON)
1. Net turnover	**1.312.997.932**	**1.343.321.806**
2. Cost of goods sold and services provided (3+4+5)	874.290.133	881.783.663
3. Expenses related to the core business	486.673.434	486.467.620
4. Expenses related to auxiliary operations	41.033.700	45.072.110
5. Indirect production expenses	346.582.999	350.243.933
6. The gross profit/loss corresponding to the net turnover (1-2)	**438.707.799**	**461.538.143**
8. General management expenses	24.979.126	80.152.733
9. Other operating income	29.935.439	61.185.449
10. Operating profit/loss (6-8+9)	**443.664.112**	**442.570.859**

5. ACCOUNTS RECEIVABLE AND PAYABLE

Receivables	Note	Balance on 31st December 2011 (RON)	Maturity Date under 1 year (RON)	Maturity Date over 1 year (RON)
		1 (col. 2+3)	2	3

Trade receivables	11	357.256.587	357.256.587	-
Other receivables	12	9.612.398	9.612.398	-
		366.868.985	366.868.985	-

The balance of the trade receivables representing the amounts to be received from the affiliated parties is presented in Note 20.

Debts	**Note**	**Balance on 31st December 2011 (RON)**	**Maturity Date under 1 year (RON)**	**1 - 5 years (RON)**	**over 5 years (RON)**
		1 (col. 2+3+4)	2	3	4
Trade debts	0	133.649.611	133.649.611	-	-
Advance payments from customers		2.985.304	2.985.304	-	-
Amounts due to credit institutions	0; 17	122.230.970	50.230.970	72.000.000	-
Other debts, including tax debts and debts to the social security fund	15; 18	174.408.952	171.261.309	-	**3.147.643**
		433.274.837	**358.127.194**	**72.000.000**	**3.147.643**

The balance of the trade debts representing the amounts to be paid to the affiliated parties is described under Note 20.

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

The main accounting policies adopted for the drawing up of these financial statements are presented below.

A. The basis for drawing up the financial statements

(1) General information

These financial statements have been drawn up according to the following:

(i) the Accounting Law 82/1991 republished in June 2008 ("Law 82");

(ii) The accounting regulations according to the European directives approved via the Order of the Minister of Public Finance of Romania 3055/2009, with its subsequent amendments; the Order of the Minister of Public Finance 3055 states that the legal persons provided under article 1 paragraph 1 of Law 82 applies the accounting regulations according to the Directive IV of the European Economic Community, and the yearly consolidated financial statements are drawn up according to Directive VII of the European Economic Community;

(iii) Regulation specific to the natural gas domain;

(iv) Law 332/June 29th 2001 regarding the promotion of the direct investments with a significant impact upon the economy. This law states that the direct investments having a significant impact upon the economy (with an amount exceeding the equivalent of one million US dollars) benefit from the use of the accelerated depreciation according to the provisions of republished Law 15/1994 regarding the depreciation of the fixed assets in tangible and intangible assets, with its subsequent amendments and supplements.

These financial statements have been drawn up on the basis of the convention regarding the historical cost, with the exceptions further presented in the accounting policies.

(2) The use of the estimates

The drawing up of the financial statements according to the Order of the Minister of Public Finance no. 3055/2009 and the subsequent amendments requests that the company management should make estimates and hypotheses which have an impact upon the reported amounts of the assets and liabilities, the presentation of the assets and contingent debts at the date of drawing up of the financial statements and the reported income and expensed for the respective period. Although these estimates are carried out by the company management on the basis of the best available information at the date of the financial statements, the achieved results can be different from these estimates.

(3) Continuity of the activity

These financial statements have been drawn up on the basis of the principle of the continuity of the activity which implies the fact that the company shall carry out its activity further as usual in the near future. In order to assess the applicability of this assumption, the management analyzes the provisions regarding the future cash inflow.

On the basis of these analyses, the management considers that the company shall be able to continue its activity in the near future and, consequently, the application of the continuity of the activity in drawing up the financial statements is justified.

(4) The currency for darwing up the financial statements

The accounting records are drawn up in Romanian and with the national currency. The elements included in these financial statements are presented in Romanian RON.

B. The conversion of the transactions in foreign currency

The company transactions in foreign currency are recorded at the exchange rates communicated by the National Bank of Romania ("NBR") for the date of the transactions. The balances in foreign currency are converted into RON at the exchange rate communicated by the National Bank of Romania for the date of the balance. The income and the loss resulted from the settlement of the transactions in a foreign currency and from the exchange of the assets and the currency debts expressed in foreign currency are acknowledged from the profit and loss account within the financial result.

C. Intangible assets

(i) Development expenditure

The development expenditure generated by the practical application of the results of research or other knowledge within a plan or project regarding the production of materials, devices, products, processes, systems or new services or substantially improved, prior to the start of the manufacturing or commercial use is recognised as an intangible asset and is subject to depreciation during the period of the contract or the period of exploitation.

The intangible asset generated by development (or the stage of development of an internal project) is recognised if the following criteria are met:

a) it's tehnical completion is feasable so that it should be available for use or sale;
b) the management intends to complete it and use it or sell it;
c) there is the possibility to use or sell it;
d) the manner in which the intangible asset shall generate likely future economic benefits can be proved;
e) technical, financial and other resuorces are available, resources proper for completing the development and in order to use or sell the intangible asset;
f) the expenditure which can be attributed to the intangible asset during its development can be assessed.

The development expenditure which does not fulfill the criteria mentioned previously is considered an expense at the moment when they are generated. The development expenditure which have been considered expenditure are not capitalized during the subsequent periods of time.

(ii) Concessions

The concessions are recorded at the purchase cost or the contribution value.

The concessions received are reflected as intangible assets when the concession contract establishes a period and an amount set for the concession. The depreciation of the concession is recorded for the period of use of use, established according to the contract.

The concessions have been registered at the inventory value of the tangible assets which belong to the public domain and which were subject to the concession agreement concluded with the National Agency for Mineral Resources ("N.A.M.R."), approved through the Governmental Decision no. 666/2002, published in the Official Gazzette no. 486/2002. The company has accordingly recorded a long term debt correspondiong to the concession.

According to the provisions of Law 213/1998 regarding the public propetty and its regime and of Government Decision 1031/1999 regarding the approval of the methodological norms regarding the accounting registration of the goods which are part of the state public domain, the company does not depreciate the fixed assets which represent the object of the concession agreement.

According to the concession agreement concluded with the National Agency for Mineral Resources and the Petrol Law no. 238/2004 with its subsequent amendments and supplements, the company registers a royalty expense of 10% of the income obtained from the international gas transport and transit services performed.

On the basis of Law 259/2007, letters D and E of appendix no. 3 to the methodological norms regarding the registration within the accounting of the assets which make up the public area of the state and the administrative-territorial units approved under GD 1031/1999 are cancelled. Starting with 2011, the company has registered the goods which belong to the public domain and which are subject to the concession agreement into off balance sheet accounts according to the provisions of the Order of the Ministry of Public Finance 3055/2009. The company has removed the amount of these concessions both from the intangible fixed assets and the obligations to the state.

The investments made from own financing surces for the concessioned goods are depreciated according to the Order 555/April 24th 2003, and upon the expiry of the normal use period or of the concession contract shall be included within the inventory of the goods within the state public domain.

The assets to be returned are the goods which are the object of the concession, the goods carried out through investments by the company as well as the ones resulted from carrying out the compulsory modernisation and development programs according to the concession agreement.

(iii) Licenses, computer programs and other intangible assets

The licenses, the computer programs and other intangible assets are registered at the purchase price and are depreciated using the staright-line method throughout the functional life of such, but no more than 3 years.

(iv) Advance payments and other intangible assets

Within the advance payments and the intangible assets the advance payments granted to the providers of intangible assets, the computers programs created by the entity or bought from third parties for own use necessity are recorded as well as other intangible assets of the company.

The expenses which allow the intangible assets to generate future economic benefits over the initially estimated performance are added to the original cost of such. These expenses are capitalized as intangible assets but they are not an integral part of the intangible assets.

D. Tangible assets

(1) Cost/assessment

The tangible assets are initially assessed on the basis of the purchase cost.

A part of the tangible assets have been reassessed on the basis of certain government decisions („GD”) 945/1990, 2665/1992, 26/1992, 500/1994 and 983/1998 by indexing the historical cost with the indices provided in the respective governmental decisions. The increases of the accounting values of the tangible assets resulted from such reassessments have been initially credited within reserves from revaluation but suibsequently except for the Government Decision 983/1998, within the share capital, according to the provisions of the respective government decision.

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

On December 31st, 2002, the tangible assets have been revaluated on the basis of the government decision 403/2000. According to the government decision 403/2000, the historical cost or the value resulted from the application of the previous government decisions regarding the revaluation of the tangible assets and the cumulated depreciation have been indexed with the cumulative indices of the inflation between the date of acquisition or he date of the last revaluation and the balance date. At the same time, the government decision 403/2000 stipulates the adjustment of the value indexed by comparison to the use value and the market value. The increase of the accounting value resulted from such revaluations was credited within the revaluation reserve.

On December 31st, 2008, the tangible assets have been revaluated on the basis of the Order of the Minister of Finance 1752 which stipulates that the revaluation of the tangible assets be carried aut at the correct value determine don the basis of certain assessments carried out, usually, by specialists trained in evaluations. The increase of the accounting value resulted from such revaluations was credited within the revaluation reserve.

On December 31st, 2011, the tangible assets were revaluated, on the basis of the Order of the Minister of Public Finance 3055/2009, which establishes that the revaluation of the tangible assets is carried out based on the fair value established on the basis of certain assessments usually carried out by experts qualified in the evaluation field. The increase in the accounting value resulted from such revaluations was credited in the revaluation reserve if there was no previous decrease recognissed as expenditure corresponding to that asset or recognised as an income which should compensate the expenditure corresponding to the decrease previously recognised for that asset. The decrease in the accounting value is recognised as an expenditure with the entire amount of the depreciation when the revaluation reserve does not include any amount registered regarding that asset or as a decrease of the revaluation reserve with the minimum value between the value of that reserve and the value of the decrease, and the possible difference remained uncovered is registered as expenditure.

According to the Minister of Finance 3055/2009, the fair values of the revaluated tangible fixed assets are updated pretty regularly, so that the accounting amount should not be different from the one that might be determined by using the fair value on the date of the balance sheet. If there is no information on the market regarding the fair value, the fair value is estimated on the basis of the net cash flows or the depreciated replacement cost.

The management has updated the accounting value of the revaluated tangible fixed assets according to the Order of the Minister of Finance 3055/2009 on the date of the balance sheet, based on the fair value.

If a tangible asset completely depreciated may still be used, on the occasion of the revaluation, this shall have another set value and a new period of economic use corresponding to the estimated period of future use.

The cost of a tangible fixed asset also includes the costs estimated initially for the disassembly and movement of such upon decommissioning as well as for the restauration of the location where the fixed asset is placed when these amounts may be estimated credibly and the company should disassemble, move the tangible asset and remake the location.

The maintenance and the repair works of the tangible asets are recorded within the expenses when they occur, while the significant improvements made for the tangible assets which increase the value or their operating life or which significantly increase the capacity for generating economic profits are capitalized.

(2) Depreciation

The depreciation is calculated base don the input value, using the straight-line method throughout the estimated operating life of the assets, except for the tangible assets which benefit from the provisions of law no. 332/2001 regarding the investments having a significant impact upon the economy.

The tangible assets benefiting from the provisions of law no. 332/2001 regarding the investments having a significant impact upon the economy are depreciated using the accelerated method.

The economic life used for various categories of fixed assets are the following:

Asset	**Years**
Buildings and constructions	5 - 45
Technical equipment and machines	3 - 20
Other equipment, machinery and furniture	3 - 30

Depreciation is calculated starting in the month following the commissioning and until the complete recovery of their accounting value.

Concerning the tangible assets which are in state of preservation, the depreciation expenditure continues to be registered.

Land lots are not depreciated because thay are considered to have an unlimited operating life.

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

(3) Sale/decomissioning of tangible assets

The tangible assets which are decommissioned or sold are removed from the balance sheet together with the corresponding depreciated cumulated. Any profit or loss resulting from such on operation is included in the current profit and loss account, under "Other operating incomes" or "Other operating expenses", where applicable.

When the company acknowledges within the accounting value of a tangible asset the cost of a partial replacement (the replacement of a component), the accounting value of the replaced part together with the corresponding depreciation will be decommissioned.

(4) Debt costs

The interest expenses corresponding to all the loans are considered expenses when they are generated.

E. Impairement of tangible and intangible assets

At the end of the financial year, the amount of the elements of tangible and intangible assets is hamonized with the results of the stock-keeping procedure. For this purpose, the net accounting value is compared to the amount established on the basis of the inventory, called inventory value. The minus differences between the inventory value and the net accounting value of the fixed assets are regoistered in the accounting based on an additional depreciation, regarding the assets which can be depreciated for which the depreciation is irreversible or an adjustment is carried out for depreciation or value loss, when the depreciation is reversible. The inventory value is established depending on the utility of the asset, its status and the market price.

F. Capital assets

The capital assets include the assets held with the affiliated entities, the loans granted to the affiliated entities, the participating interests, the loas granted to the entities to which the company is linked based on the participating interests as well as the investments held as fixed assets.

The capital assets are acknowledged within the balance sheet at the purchase price or the value determined by the contract for being granted such. The purchase price also includes the trading costs. The capital assets are assessed subsequently at the input value minus the cumulated adjustments for the permanent loss of value.

The long term securities are assessed at the historical cost less the possible adjustments for the value loss. The separation of the securities into financial assets or short term investments is carried out depending on the intention of the company regarding the period of holding the securities of up to one year or more than one year.

G. Stocks

The stocks are registered at the lowest value between the cost and the net achieved value. The cost is calculate don the basis of the first in- first out method (FIFO). Where necessary, provisions for slow moving stocks, obsolescent stocks or worn stocks.

The materials such as the inventory goods, including tools and instruments, are registered as expenses at the moment when they are consumed and they are not included in the accounting amount of the tangible assets.

H. Trade receivables

The trade receivables are recorded at the invoiced value less the provision for the impairment for such receivables. The provision for the impairment of the trade receivables is created if there is objective evidence regarding the fact that the company shall not be able to collect all the amounts at the initial deadlines.

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

I. Short term financial investments

These includ the short term bank deposits and other short term investments (bonds, shares and other securities purchased for the purpose of achieving a short term profit). The short term securities admitted for transaction on a regulated market are assessed on the date of the balance sheet based on the stoke exchange value on the last day of the trading operation, and the ones not traded at the historical cost less the possible adjustments for value loss.

J. Cash and cash equivalents

The cash and the cash equivalents are pointed aut within the balance sheet on the basis of the cost. For the statement regarding the cash flow, the cash and the cash equivalents include the petty cash, the cash within bank accounts, short term financial investments, net of overdraft account. Within the balance sheet, the overdraft account is presented within the debts which should be paid within one year – amounts due to credit institutions.

K. Share capital

The common shares are classified within the equity.

L. Dividents

The dividends are acknowledged within the equity within the period when they are declared.

M. Loans

The short and long term loans are initially recorded at the received amount, the net of the costs corresponding to the grating of the loan. Within the following period, the loans are registered at the depreciated cost using the method of the actual return, the differences between the amounts received (net of the transaction costs) and the normal redemption value being acknowledged within the profit and loss account during the period of the loan contract.

The short term part of the long term loans is classified under “Debts which should be paid within one year” and included together with the accumulated interest at the date of the accounting balance sheet under "Amounts owed to credit institutions" in the current debts.

N. The accounting of the leasing contracts in which the company is the lessee

(1) The financial leasing contracts

The leasing contracts for the tangible assets for which the company undertakes all the risks and benefits corresponding to the property are classified as financial leasing contracts. The financial leasing is cpaitalized at the estimated updated value of the payments. Each payment is divided between the capital element and the interest element in order to be granted a constant interest rate thorughout the period of the reimbursement. The amounts due are included within the short or long term debts. The interest element is included within the profit and loss account throughout the priod of the contract. The assets owned within the financial leasing contract are capitalized and depreciated throughout their functional life.

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

(2) The operational leasing contracts

The leasing contracts in which a significant part of the risks and the benefits associated with the property are retained by the lessor and are classified as operational leasing contracts. The payments carried within such a contract (net of every facilities granted by the lessor) are acknowledged within the profit and loss account on a straight basis during the period of the contract.

O. Trade debts

The trade debts are recorded at the value of the amounts which are to be paid for the goods or services received.

P. Provisions

The provisions are acknowledged at the moment the company has a legal or implicit obligation generated by a previous event when in order to settle the obligation it is probably necessary to use a resource output and when a credible estimate could be made regarding the value of the obligation.

Litigation provisions
The company creates provisions for litigations for such causes in which the legal department considers that the chnaces of winning are reduced.

Q. Provision for retirement benefits

On the basis of the collective labour contract, the company undertook to pay to its employees at the moment of theri retirement an amount representing a multiple of their gross salary, depending on their work seniority with the company, the labour conditions, etc. In this sense, the company recorded a provision for the retirement benefits. This provision has been calculated on the basis of actuarial method depending on the estimated average salary, the average number of salaries to be paid upon retirement (depending on the number of employees which is expected to retire from the company), the estimated period when such shall be paid and has been brought tp the present value using an updading factor based on the interest corresponding to investments with a maximum level of safety (sovereign debts). According to the Order of the Minister of Finance 2.374 as of December 12th, 2007, the value of the provision of dEcember 31st, 2009 and December 31st, 2008 was calculated by a company specialized in this field, S.C. GELID ACTUARIAL COMPANY S.R.L. in Bucharest.

On the basis of the collective labour contract and of Law 571/2008 regarding the Fiscal Code, starting in October 2008, the company payd a contribution to the optional retirements funds – IIIrd pillar, for each employee within the threshold amount representing the equivalent of 200 Euros/year.

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

Starting on November 2008, the company has concluded a voluntary health insurance of additional type, for its employees on the basis of the collective labour contract and of the provisions of Law 571/2003 regarding the Fiscal Code, for which it pays the equivalent of the amount of 200 Euros/year for each employee.

R. Employees' benefits

Within the normal carrying aut of the operations, the company carried out payments to the state health, retirement and unemployment funds into the account of its employees at the statutory rates. All the employees of the company are members of the retirement plan of the Romanian state. These accounts are acknowledged within the profit and loss account once the salaries are also acknowledged

S. Compensations and barter transactions

A part of the receivables resulting from the sales are compensated with other companies either via a series of transactions which doe not involve cash (mutual compensations) or to a lower extent via direct transactions with goods and/or services, concluded with the final client (barter). Such transactions are excluded from the cash flows presented by the company within the cash flow statements. Appromatively 0.15% of the receivables achieved during the year ended on December 31st, 2011 (2% in 2010) were compensated in this way.

T. Subsidies

(1) Subsidies corresponding to the assets

The subsidies received for the purpose of purchasing asets such as tangible assets are recorded as subsidies for investment within the accounting balance sheet and are acknowledged in the profit and loss account as the expenses regarding depreciation are recorded or when the retirement or the sale of the assets purchased from the respective subsidy takes place.

In 2011, amounts from European non-reimbursable funds have been cashed in for the following projects:

i. for the work "Dn 700x6.3 Mpa interconnecting pipe of the natural gas transfer system in Romania and the West European System on the Szeged-Arad direction", an amount of 7.500.022,72 Euros for the works and an amount of 2.697,08 Euros for the external audit have been cashed in;

ii. for the project "Ensuring the reversible gas flow in the transit pipe dedicated to Bulgaria", the pre-financing application has been drawn up and an advance payment of 306.500 Euros has been carried out, representing 20% of the amopunt of the estimated and eligible amount.

(2) Subsidies corresponding to the income

The subsidies corresponding to the income are presented as an income within the profit and loss account for the period corresponding to the corresponding expenses which these subsidies will compensate.

U. Tax

(1) Current tax profit

The company records the current profit tax on the basis of the profit taxable from the tax reports according to the relevant Romanian laws.

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

V. Acknowledgement of incomes

The incomes refer to the services provided and the goods sold.

The incomes corresponding to the services provided are acknowledged on the basis of the completion stage, expressed in percentage from the total incomes corresponding to the service contract, the percentage being determined function of the ratio between the services provided until the date of the balance sheet and the total services which should be performed.

The incomes from the sale of goods are acknowledged at the moment when the company has transferred to the buyer the main risks and benefits associated with the ownership of the goods. The amounts cashed in from the beneficiaries for connecting such to the national natural gas transport network are initially recorded as subsidies for investments and resumed under incomes throughout the functional period of the asset.

The incomes from delayed payment penalties are acknowledged at the moment they occur; due to the high level of uncertainty, these incomes are considered to be achieved at the moment of their being cashed in.

The interest incomes are acknowledged periodically, proportionally when the respective income if generated on the basis of the accrual-based accounting.

The dividends received by the company are acknowledged as incomes at the moment when the legal right to receive such amounts is set.

In such financial statements, the incomes and the expenses are presented at their gross value. Within the accounting balance sheet, the debts and the receivables from the same partners are presented at the net value at the moment when there is a compensation right.

W. Turnover

The turnover represents the amounts invoiced and to be invoiced, net of VAT and trade discounts for the goods delivered or the services performed for third parties.

X. Operating expenses

The operating expenses are acknowledged throughout the period to which they refer.

Y. The just value of the financial instruments

The financial instruments outlined within the accounting balance sheet include the petty cash and the bank accounts, the trade receivables and other receivables, the trade debts and other debts, as well as the amounts owed to credit institutions. The specific methods for acknowledgement are presented within the individual policies corresponding to each element.

7. CONTRIBUTIONS AND FINANCING SOURCES

a) Participation certificates, securities, convertible bonds

The company did not issue any participation certificates, bonds or other securities except fir the own common shares.

b) Share capital

The shareholding structure communicated by the Depozitarul Central S.A. on December 31st, 2011 is presented as follows:

	Number of shares	Amount (RON)	Percentage (%)
The Romanian State via the Ministry of Economy, Commerce and the Business Environment ("M.E.C.")	8.654.917	86549.170	73,5097
Shareholders – natural persons	602.577	6.025.770	5,1179
Shareholders – legal persons	751.730	7.517.300	6,3847
SC Fondul „Proprietatea" SA	1.764.620	17.646.200	14,9876
	11.773.844	**117.738.440**	**100,0000**

All the shares are common, they have been subscribed and they are fully paid up on December 31st, 2011. All the shares have the same voting right and they have a nominal value of 10 RON/share (December 31st, 2010: 10 RON/share).

Fondul Proprietatea

On the bases of Law 247/2005, title VII article 6 and article 12, of the Government Decision no. 1481/2005, SC „Fondul Proprietatea" SA was set up, the initial share capital of such being made up of the shares provided under article 3 paragraph (1) letter a) – e) of title VII of Law 247/2005.

According to the legal provisions, the Ministry of Economy and Commerce took part in 2005 in the set up of the initial capital of Fondul Proprietatea with shares from multiple trading companies included in its portfolio. According to the provisions under point 1.2 of Appendix to Title VII of Law no. 247/2005, the Ministry of Economy and Commerce contributed to the set up of the capital of SC Fondul Proprietatea SA with shares representing 15% of the share capital of Transgaz at that date.

Listing with the Bucharest Stock Exchange

In 2007 the company increased its share capital by 10%, respectively with a number of 1.384.956 shares, via a public offer of shares; the shareholder Fondul Proprietatea used its preemptive right proportional to the contribution share to the share capital, respectively for a number of 207.572 shares, while the rest of 1.177.384 shares were publicly offered via the sale of shares, carried out during the period November 26th - December 7th, 2011. After the public offer carried out, the share capital increased from 103.888.880 RON to 117.738.440 RON, according to the Certificate of recorded amendments no. 51657 / December 27th, 2007 being granted by the Sibiu Trade Register Office.

7. CONTRIBUTIONS AND FINANCING SOURCES (CONTINUED)

From January 24th, 2008, the amount of 1.177.384 shares are traded with the Bucharest Stock Exchange. On December 31st, 2011, the number of shsres which are traded at the Bucharest Stock Exchange amounts to 1.354.307 (2010: 1.354.354).

c) Bonds

The company did not have bonds issued on December 31st, 2011 nor on December 31st, 2010.

8. INFORMATION REGARDING THE EMPLOYEES, DIRECTORS AND MANAGERS

a) The allowances granted to the members of the board of directors, management and surveillance bodies

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
Salary expenditure:	3.644.425	4.460.830
Directors	4.020	3.484
Managers	3.660.405	4.457.346

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
Salaries to be paid at the end of the period:	142.516	164.137
Directors	235	893
Managers	142.281	163.244

In 2011, the company concluded contracts for professional liability insurance for a number of 59 persons which are members of the company's management team.

b) The advance premiums and the credits granted to the members of the board of directors, management and surveillance bodies

Throughout the financial year ended on December 31st, 2011, no advance payments or credits have been granted to the directors and the management team of the company, except for the advance payments of the salaries and for the business travels carried out for the company, and these do not own any amount to the company at the end of the year generated by such advance payments.

The company does not have any contractual obligations regarding the retirement allowances to the former managers and directors of the company.

8. INFORMATION REGARDING THE EMPLOYEES, DIRECTORS AND MANAGERS (CONTINUED)

c) The employees

During the financial year ended on December 31st, 2011, the company had an average number of 4,951 employees (financial year ended on December 31st, 2009: 4,962).

The employees is further analyzed as follows:

	2010	2011
Administrative personnel	1.193	1.206
Directly and indirectly productive personnel	3.769	3.745
	4.962	**4.951**

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
Employee salary and indemnity expenditure	194.404.585	234.173.075

As presented in Note 19, according to the collective labour contract, the employees of the company receive a yearly material allowance equal to the value of 6,500 cm of natural gas. The allowance is paid in monthly instalments, at the final regulated average price of the natural gas. For 2010, the gas allowance and the corresponding contributions were presented within the profit and loss account under "Other expenses". FFor 2011, the expenditure with the gas allowance is presented within the profit and loss account under "Salaries and indemnities" and the expenses with the corresponding contributions are presented under "Expenditure corresponding to insurance and social security".

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
Salaries to be paid at the end of the period:	10.721.395	9.034.156

According to the collective labour contract, the company offers to the employees certain retirement benefits depending on the labour seniority in the natural gas industry and other benefits which have been described under note 6Q. As it is described in Note 2, the company creates provisions corresponding to these benefits on the basis of the current value of the future obligations to the employees.

9. ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS

1. Liquidity indicators

a) Indicator of the current liquidity	**Financial year ended on December 31ST 2010**	**Financial year ended on December 31ST 2011**
Current assets / Current debts =	1,57	1,92

9. ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS (CONTINUED)

b) Indicator of immediate liquidity	**Financial year ended on December 31ST 2010**	**Financial year ended on December 31ST 2011**
(Current assets - Stocks) / Current debts =	1,49	1,79

2. Risk indicators

a) Indicator of the indebtness degree	**Financial year ended on December 31ST 2010 (%)**	**Financial year ended on December 31ST 2011 (%)**
Borrowed capital / Own capital x 100 =	3,04	2,21

Where:

- borrowed capital = credits over one year.

b) Indicator regarding the interest coverage

	Financial year ended on December 31ST 2010	**Financial year ended on December 31ST 2011**
Profit prior to the payment of the interest and the profit tax / Interest expenditure =	83,66	50,87

3. Operation indicators (management indicators)

a) Debt turnover - clients

	Financial year ended on December 31ST 2010 (days)	Financial year ended on December 31ST 2011 (days)
$\frac{\text{Average balance - clients}}{\text{Turnover}} \times 365 =$	97	103

b) Credit turnover - supplier

		Financial year ended on December 31ST 2010 (days)	Financial year ended on December 31ST 2011 (days)
$\frac{\text{Average balance - suppliers}}{\text{Turnover}} \times 365 =$	37	39	

9. ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS (CONTINUED)

c) Turnover of fixed assets

	Financial year ended on December 31ST 2010	Financial year ended on December 31ST 2011
$\frac{\text{Turnover}}{\text{Tangible fixed assets}} =$	0,48	0,40

d) Turnover of total assets

	Financial year ended on December 31ST 2010	Financial year ended on December 31ST 2011
$\frac{\text{Turnover}}{\text{Total assets (including the public domain)}} =$	0,34	0,33

4. Profitability indicators

a) Profitability of the used capital

	Financial year ended on December 31ST 2010 (%)	Financial year ended on December 31ST 2011 (%)
$\frac{\text{Profit prior to the payment of the interest and the profit tax}}{\text{Used capital}} =$	17,15	14,14

b) Gross sales margin

	Financial year ended on December 31st 2010 (%)	Financial year ended on December 31st 2011 (%)
Gross profit from sales / Turnover =	34	33

5. Indicators regarding the result per share

a) Basic/diluted earnings per share

	Financial year ended on December 31st 2010	Financial year ended on December 31st 2011
Profit of the financial year / Average number of shares =	31,97	32,24

9. ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS (CONTINUED)

b) Ratio between the market price of the share and the result per share

	Financial year ended on December 31ST 2010	Financial year ended on December 31ST 2011
Market price of the share / Result per share =	7,06	7,54

10. OTHER INFORMATION

a) Presentation of the company

The company Transgaz S.A. Mediaş has its office in Piaţa C.I. Motaş nr. 1, Mediaş, jud. Sibiu, Romania.

On the basis of the Government Decision no. 334/2000, Transgaz S.A. is the legal successor of the former S.N.G.N. ROMGAZ S.A., which divided into five independent trading companies, legal persons, set up function of the the main business area, respectively: exploration – production, transport – transit - dispatching, storage and gas distribution.

Transgaz S.A. has as a main business object the transport, transit and dispatching of the natural gas and is the technical operator of the national natural gas transport system, in which quality it should ensure the proper, safe, efficient operation of the system, ensuring at the same time the protection of the environment.

According to article 8 of the Oil Law no. 134/1995, the National gas transport system ("SNTG") is part of the state public domain and has a strategic importance. According to Law no. 219/1998 regarding the regime of the concessions, corroborated with Law no. 134/1995, the goods which are part of the public domain of the state could be transferred.

b) Information regarding the relations of the company with the subsidiaries, associated companies or with other companies in which strategic participating titles are owned

The company's contributions are described in Note 1 (c) – "Capital assets". There are no other companies associated or companies in which strategic participating titles are held.

c) The method used for expressing in national currency the patrimony elements, the income and the expenses indicated in foreign currency

The method used for expressing in national currency the patrimony elements, the income and the expenses indicated in foreign currency is presented under Note 6 B.

10. OTHER INFORMATION (CONTINUED)

The main exchange rates used for exchanging into RON the balances in foreign currency on December 31st, 2010 and on December 31st, 2011 are the following:

Foreign currency	Abbreviation	Exchange rate (RON for 1 unit of foreign currency) December 31ST 2010	December 31ST 2011
US dollar	USD	3,2045	3,3393
European Unique Currency	EUR	4,2848	4,3197

d) Information regarding the current profit tax

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
Total income	1.377.109.896	1.463.505.150
Total expenses	(1.000.756.910)	(1.083.933.685)
Net accounting profit	376.352.986	379.571.465
Non-taxable income	(153.370.692)	(142.427.265)
Nondeductible expenses	271.333.514	302.616.558
Taxable profit	494.315.808	539.760.758
Calculated tax profit	79.090.529	86.361.721
Fiscal credit:		
amounts representing sponsorship	(3.938.994)	(3.672.714)
Current tax profit	75.151.535	82.689.007

The tax rate is 16% in botht presented financial years.

e) Turnover

Presentation of the turnover based on types of operations:

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
Income from transport services and international gas transit services	1.308.102.616	1.336.978.729
Income from various activities	4.895.316	6.343.077
	1.119.389.990	**1.343.321.806**

f) Expenses corresponding to the rent and the royalties pais within the concession contracts

The company has had the following expenses:

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
Rents	1.117.482	842.108
Royalty	130.810.263	133.697.873
	131.927.745	**134.539.981**

g) Fees paid to the auditors

In 2011, the company paid to the auditors the following amounts:
- fees for the statutory financial audit for the year 2010 amounting to 126.500 lei;
- fees for the statutory financial audit for the year 2011 amounting to 11.820 le and fees for other insurance services amounting to 115.317 lei;

The fees do not include VAT.

10. OTHER INFORMATION (CONTINUED)

h) Possiblew debts and granted commitments

Commitments

The company concluded an agreement with the National Agency for Natural Resources whose object is the concession of the main pipes, the systems, the quipment and the endowments corresponding to the National Transfer System for natural gas and the operation activity of the National Transfer System for natural gas. On December 31st, 2010, the value of the assets which represent the object of the concession was 482.787.647 lei. Via Governmental Decision no. 1146/2011, the change in the inventory value of the goods in the public domain of the state is approved following the revaluation; these goods are the object of the concession agreement. The revaluated value of these goods on December 31st, 2011, registered by the company as costs off balance sheet is 1.434.226.508 lei.

The company has long term contracts concluded for the provision of international tranzit services with Gazexport and Gazprom from the Russian Federation. The value of the services is established yearly on the basis of the tranzit capacity ordered for the respective year.

Warranties granted to third parties

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Endorsements and warranties granted	6.769.456	2.328.869

The endorsements and warranties granted represent warranty letters granted for the benefit of the clients as an obligation under the natural gas transport service contracts as well as for the benefit of the providers of fixed assets.

i) Commitments received

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Endorsements and warranties granted	42.993.224	41.510.737

The endorsements and the warranties received represent warranty letters and restricted bank deposits created as a performance bond by the tangible asset providers as well as receivable transfers for the benefit of the company.

j) Events subsequent to the date of the balance sheet

Via Governmental Decision 827/2010 for the approval of the strategy of selling certains shares issued by

SNTGN Transgaz SA through methods specific to the financial market, the sale of a shares package representing 15% of the share capital of the company, managed with the help of the Ministry of Economy, Commerce and Business Environment, through methods specific to the financial market, respectively public offer. The public offer of sale is carried out through an authorized intermediate, selected according to the legal provisions, respectively through the intermediation union made of Raiffeisen Capital & Investment SA, Wood & Company Financial Services and BT Securities SA. the European Commission has approved the co-financing of 43 major Community projects in the power sector, project meant to ensure the increase of the safety in the supply of natural gases and power as well as the power security of Europe.

10. OTHER INFORMATION (CONTINUED)

Through the decision of the General Shareholders' Meeting of February 10th, 2012, the participation of the company to the concolidated budget of the company Nabucco Gas Pipeline International GmbH (NIC) was approved for the 1st semester of 2012 with the amount of 10.21 million Euros corresponding to a contribution of 16.67% to the share capital of NIC, being part of the incomes and expenses budget of the company.

11. TRADE RECEIVABLES

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Trade receivables – internal clients	347.000.812	369.643.568
Trade receivables – external clients	24.098.653	22.162.934
Provisions for the depreciation of the trade receivables	(52.938.683)	(34.549.915)
	318.160.782	**357.256.587**

As it is provided under Note 17, a part of the company's receivables are created as a warranty in favour of certain banks for the loans granted to the company.

12. OTHER RECEIVABLES

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Non-eligible VAT	3.386.101	4.151.747
Interests to receive	33	27
Other receivables – various debtors	14.823.505	12.025.321
Provisions for the depreciation of other	(2.651.363)	(6.564.697)

receivables		
	15.558.276	**9.612.398**

13. CASH AT BANK AND IN HAND

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Cash assets at bank in RON	24.358.988	16.141.213
Cash assets at banks in foreign currency	1.201.537	2.821.007
Cash in hand	126.276	119.273
Other amounts	68.435	73.008
	25.755.236	**19.154.501**

For the purpose of presenting the statement of the cash flow, the cash and the cash equivalents include the following elements:

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Cash at bank and in hand	25.755.236	19.154.501
Current account credit (Note 16)	-	(7.785.673)
Government bonds	171.755.392	254.992.028
	197.510.628	**266.360.856**

14. TRADE DEBTS - SUPPLIERS

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Internal providers of fixed assets	45.934.147	30.696.041
Internal providers	88.634.171	78.285.050
External providers	141.720	297.695
Internal providers – unreceived invoices	19.812.327	24.370.825
	154.522.365	**133.649.611**

15. OTHER DEBTS, INCLUDING FISCAL DEBTS AND DEBTS FOR THE SOCIAL INSURANCE WHICH SHOULD BE PAID WITHIN ONE YEAR

	December 31ST 2010 (RON)	**December 31ST 2011** (RON)
Profit tax	22.126.286	26.808.208
VAT to be paid	16.739.091	17.573.244
Other taxes and fees	38.292.013	39.812.744
Social insurance	7.965.196	8.260.601
Salary tax	3.055.375	2.971.080
Penalties for dividends unpaid corresponding to the years 2000-2003 and 2006	51.717.551	51.717.551
Other debts	19.607.715	24.117.881
	159.503.227	**171.261.309**

Penalties for the failure to timely pay the dividents

During the years 2000, 2001, 2002 and 2003, the company declared yearly dividents which it paid in installments considering them as a debt to the shareholder. The Ministry of Economy and Commerce, as a shareholder, considered these debts as being budgetary and calculated penalties for their delayed payment.

In November 2005, upon the shareholder's request, the company recorded the amount of 45.483.318 RON representing these penalties. During 2006, the company paid made a delayed payment regarding the dividens for the year 2005 and the shareholder cashed in delay penalties amounting to 6.234.233 RON recorded by the company for that year.

16. SHORT TERM AMOUNTS DUE TO CREDIT INSTITUTIONS

	December 31ST 2010 (RON)	**December 31ST 2011** (RON)
Current account credits	-	7.785.673
Current part of the long term loans (Note 17)	38.771.406	42.411.549
Interests to be paid	171.199	33.748
	38.942.605	**50.230.970**

The short term loans are analyzed below (current account credits):

Bank	**Currency**	**Contract term**	**Interest**	**December 31ST 2009** (RON)
Current account credits				
BRD Societe Generale	RON	August 29th 2014	Romanian Interbank Offer Rate at 1 year + 0.70% per year	7.785.673

The credit with BRD Group Societe General has a threshold of 100.000.000 RON and is available until August 29th, 2014.

17. AMOUNTS DUE TO CREDIT INSTITUTIONS WHICH SHOULD BE PAID IN A PERIOD EXCEEDING ONE YEAR

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Long term loans	117.480.932	114.411.549
Current part of the long term loans (Note 16)	(38.771.406)	(42.411.549)
	78.709.526	**72.000.000**

The long term part of the loans is reimbursable as follows:

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Between 1 and 2 years	33.409.526	24.000.000
Between 2 and 5 years	45.300.000	48.000.000
	78.709.526	**72.000.000**

The long term loans are analyzed below, including their current part:

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Loan from the International Bank for Reconstruction and Development	4.917.776	2.527.341
Loan from UniCredit Tiriac	37.063.156	15.884.208
Loan from BRD Societe Generale	75.500.000	96.000.000
	117.480.932	**114.411.549**

Loan from the International Bank for Reconstruction and Development

The loan from the International Bank for Reconstruction and Development ("IBRD" – RO 3723) was granted for the rehabilitation of the petrol and gas domain in Romania within a Loan Agreement signed on June 1st, 1994.

The entire loan should have been paid back by SNGN Romgaz as a holding company of the entities within the Romgaz group. According to the Government Decision 334/2000 and following the restructuring of the gas sector, a part of this loan has been transferred to the newly set up companies. The part of the IBRD credit acknowledged by the company is based on an agreement concluded between the companies detached from the Romgaz group following the latest reorganization.

On October 2nd, 2001, the company concluded a Subsidiary Loan Agreement with the Ministry of Public Finance regarding its part of the loan. According to this Subsidiary Loan Agreement, the company shall reimburse the due installments and the corresponding interest to the Ministry of public Finance 15 days prior to the payments which the Ministry will carry out to the IBRD.

The loan is carried out in USD (balance on December 31st, 2011: 756.847,55 USD) and has an interest of 0.5% over the cost of the Qualified Loans as IBRD stipulates. The interest rate applicable for 2011 was approximately 11.22%.

The loan was totally drawn and partially paid until December 31st, 2011.

The interest shall be paid in RON to the Ministry of Public Finance, the exchange rate taken into account being the one communicated by the National Bank of Romania, valid at the due date to IBRD. A commission of 10% of the amount of the payable interest is due to the Ministry of Public Finance.

According to the Subsidiary Loan Agreement, the loan is guaranteed via a deposit equal to the amount of the following reimbursable installment. On December 31st, 2011, a deposit of 500,000 USD was created.

Loan from UniCredit Tiriac

The loan was contracted in October 31st, 2007 following a public tender, with a margin of 0% over the BUBOR interest for 3 months and was meant for partially financing the company's investment program. The contracted amount was 100.600.000 RON, an amount completely drawn until December 31st, 2008. The reimbursement started in March 2008, in 19 quarterly installments.

Loan from BRD Societe Generale

On December 16th, 2010, a loan of 120.000.000 lei was contracted for the purpose of partially financing the investment program of the company; the bank declared successful in the tender organized for the purpose of purchasing the loan was BRD Societe Generale. The interest of the loan is Romanian Interbank Offer Rate (ROBOR) at 3 months plus the margin of 0.5%. The loan was drawn fully and partially paid until December 31st, 2011.

The reimbursement shall be carried out in equal quarterly instalments for a period of 5 years, the final due date being December 31st, 2015.

For the loans from BRD Societe Generale and Unicredit Tiriac warranties were granted under the form of receivable assignments regarding the natural gas transfer contract carried out by Transgaz with clients as follows:

Creditor:	**Receivable assignment**
Unicredit Tiriac	Interagro SA
	Electrocentrale Galati SA
	Termoelectrica SA

	E.On Gaz România SA
BRD Societe Generale -long term loan	GDF SUEZ Energy Romania SRL
BRD Societe Generale -credit line	Azomureş SA

17. AMOUNTS DUE TO CREDIT INSTITUTIONS WHICH SHOULD BE PAID IN A PERIOD EXCEEDING ONE YEAR (CONTINUED)

Interest rate

All the loans have a floating interest rate.

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
Actual interest rate:		
Long term loans - USD	4,94	11,22
Long term loans - EUR	2,00	-
Long term loans - RON	5,89	6,45

The accounting amount of the long term part of the loans is approximately the same as their just value.

18. OTHER DEBTS, INCLUDING FISCAL DEBTS AND LONG TERM DEBTS FOR THE SOCIAL SECURITY SYSTEM

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Obligations within the concession contracts (Note 1 a))	482.787.647	-
Other debts	2.727.549	3.147.643
	485.515.196	**3.147.643**

19. OTHER EXPENSES

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)

Gas grant	49.930.251	-
Subsidies and donations	6.283.955	3.672.714
Expenses corresponding to the transfer of the fixed assets	2.053.044	2.190.792
Incomes from the sale of fixed assets	-	(716.324)
Other fines and compensations	2.889.913	5.112.665
The employees' contribution to the profit	7.808.325	-
Other operating expenses	5.009.846	13.931.153
	73.975.334	**24.191.000**

Gas grant

According to the collective labour contract, the company's employees receive yearly a financial grant equal to the value of 6,500 c.m. of natural gas. The grant is paid in monthly installments, at the day's price of the natural gas. For 2011, the gas grant and the corresponding contributions were presented within the profit and loss account under "Other expenses". In 2011, the expenses corresponding to the gas grant is presented in the profit and loss account under "Salaries and indemnities" and the expenses with the corresponding contributions are presented under "Expenses for insurance and social security".

20. TRANSACTIONS WITH THE AFFILIATED/LINKED PARTIES

The parties are considered to be affiliated/linked if one of such has the ability to control the other party or to have a significant influence upon the other party in amking the financial or operating decisions.

The affiliated/linked parties include the companies in which the company holds fignificant shares (described under Note 1 c), the companies which are under the common control of the Romanian state or in which the state has a significant influence and companies which have as directors key employees from the management team of Transgaz SA, employees which have the auithority to plan, manage and control the activities of both companies.

The following transactions and balances have been achieved with these entities:

20. TRANSACTIONS WITH THE AFFILIATED/LINKED PARTIES (CONTINUED)

(i) Sales of gas transport and gas sale services (excluding VAT)

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
Electrocentrale Bucureşti SA	129.070.196	141.496.053
Electrocentrale Galaţi SA	22.842.735	22.364.821
Termoelectrica SA	5.409.918	10.533.794
Electrocentrale Deva SA	5.959.629	6.331.636
SNGN Romgaz SA	2.002.430	741.399
	165.284.908	**181.467.703**

(ii) Sales of other goods and services (excluding VAT)

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
SNGN Romgaz SA	157.014	170.202
Electrocentrale Bucuresti SA	500	2.569.154
Electrocentrale Deva SA	10.437	-
Electrocentrale Galaţi SA	23.856	24.968
Electrocentrale Oradea SA	500	-
Termoelectrica SA	-	500
	192.307	**2.764.824**

20. TRANSACTIONS WITH THE AFFILIATED/LINKED PARTIES (CONTINUED)

(iii) Performing services corresponding to the taxes for connection (excluding VAT)

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
Termoelectrica SA	7.682.895	4.922.841

(iv) Natural gas purchases (excluding VAT)

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
SNGN Romgaz SA	134.173.113	143.588.344

(v) Purchases of other services (excluding VAT)

	Financial year ended on December 31ST 2010 (RON)	Financial year ended on December 31ST 2011 (RON)
SNGN Romgaz SA	235.291	1.402.486
Electrocentrale Deva SA	12.168	19.468
Electrocentrale Bucuresti SA	9.986	11.838
Termoelectrica SA	-	5.717
	257.445	**1.439.509**

20. TRANSACTIONS WITH THE AFFILIATED/LINKED PARTIES (CONTINUED)

(vi) Client receivables

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Electrocentrale Bucureşti SA	46.717.105	66.513.220
Electrocentrale Galaţi SA	7.293.962	6.643.378
Termoelectrica SA (net of provision)	1.140.069	4.069.777
Electrocentrale Deva SA	1.081.044	1.935.049
SNGN Romgaz SA	208.326	195.459
	56.440.506	**79.356.883**

(vii) Debts to the natural gas providers

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
SNGN Romgaz	53.345.941	56.811.500

(viii) Debts to providers of other services

	December 31ST 2010 (RON)	December 31ST 2011 (RON)
Electrocentrale Deva SA	15.866	19.748
Electrocentrale Bucuresti SA	1.094	1.339
Termoelectrica SA	-	489
SNGN Romgaz SA	923	145.722
	17.883	**167.298**

21. CONTINGENCIES

(a) Lawsuits

The company is subject to different lawsuits resulting from the normal carrying out of the operations. The company's management considers that these assets shall not have a significant adverse effect upon the economic results and the financial position of the company, in addition to the amounts recorded within these financial statements.

(b) Taxes

The Romanian tax system is in an advanced state of consolidation and harmonization with the European laws. However, there are still different construals of the fiscal laws. Under certain circumstances, the fiscal authorities can differently approach various aspects, proceeding to the calculation of certain taxes and additional taxes and interests and corresponding delay penalties (currently, penalties established for the period of delay, plus 0.04% per day of delay of the interest). In Romania, the financial year remains open for the fiscal check during 5 years. The company's management considers that the fiscal obligations included in these financial statements are appropriate.

(c) Contingencies regarding the environment

The regulations regarding the environment are undergoing harmonization with the UE laws in Romania. The company's management does not consider that the expenses associated with the possible environemtn problems as being being significant; as a result, the company did not register any obligations on December 31st, 2011 and December 31st, 2010 for any anticipated costs, including legal fees and consyultancy fees, feasibility studies, the design and implementation of remedy plans, regarding the environmental elements.

(d) The worldwide financial crisis

The current worldwide liquidity crisis which started in mid 2008 lead, among others, to a low level of financing for the capital market, low levels of liquidity in the bank sector and, occasionally, higher rates for the interbank loans and a very high volatility of the stock exchanges.
At the same time, the volatility of the RON exchange rate and of the main currencies used for the international exchanges was very high.

The management cannot reliably estimate the effects upon the financial position of the company of a volatility of the exchange rate of the national currency, of the increase of the interest rates and of the continuing recession. The management considera that it has taken all aciton necessary in order to minimize the effects of these uncertainties upon the operations of the company.

(d1) Impact upon liquidity

The volume of financing in the economy has decreased significantly during the last years. This fact may affect the capacity of the company of being granted new loans and/or of refinancing the existing loans under terms and conditions similar to the previous financing operations.

(d2) Impact upon clients/creditors

The clients and other debtors of the company can be affected by the market conditions, and this could have an impact upon thjeir capacity to pay back the owed amounts. This could also have an impact upon the estimates of the company's management regarding the cash flows and on the evaluation of the impairment of the capital and non-capital assets. To the extent to which there are information available, the management has properly presented the reviewed estimates regarding the future cash flows in assessing the impairment.

(d3) Revaluation of the properties maintained at a fair value

The real estate market in Romania was significantly affected by the recent volatility of the financial markets, resulting in the limited access to credits for companies and natural persons. Consequently, the accounting amount of the tangible assets assessed at fair value was updated in order to reflect the market status on the date of the balance sheet. However, in certain cases, the lack of reliable data regarding the market determines the company to modify its assessment methods. Additional informations are presented in Note 6D.

21. CONTINGENCIES (CONTINUED)

(e) Other contingencies

During the period May 2000 - June 2004, the company has a development share amounting to 226.300.000 RON and it took over from Romgaz SA (at the moment of separating as as a legally different entity) the amount of 63.200.000 RON as development share. During its operations, the company financed the investments in tangible assets from its own sources (including the development share), there being no distinct evidence regarding the fixed assets purchased from the funds set up strictly from the development share. The company has not set up a development share from July 2004.

The decision of the Fiscal Commission to approve the unitary solution regarding the accounting and fiscal treatment of the reserves resulting from the set up of the development share (Decision 4 of July 2004) states that the amounts deduced under this form (development share) and recorded in the reserve accounts are like investment subsidies, both from an accounting point view and a fiscal point of view. This implies that as the assets financed from this sources are depreciated or as they are reduced from the accounting the respective reserves are recorded as incomes (with the same amount like the amounts recorded for the expenses regarding the depreciation).

The company's management considers that the treatment provided by the fiscal decision 4 is applicable only to the development share created after the application of such decision, thus, it does not apply to the company, which did not create funds from the development share after July 2004.

President of the Board of Directors
Mr. Victor Alexandru Schmidt
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General Manager
Mr. Florin Cosma

Illegible signature

Manager of Economic Department
Mr. Radu Moldovan

Illegible signature

Official stamp: Transgaz SA Medias, Romania, J32/301/2000

SOCIETATEA NAŢIONALA DE TRANSPORT GAZE NATURALE "TRANSGAZ" SA MEDIAŞ

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TRANSGAZ

REPORT

Regarding the interntal control/management system on December 31st, 2011

On the basis of the provisions of article 4 paragraph (3) of the Governmental Ordinance no. 119/1999 regarding the preventive internal control and the financial control republished with its subsequent amendments and supplements, the undersigned, **Cosma Emil Florin,** as **General Manager,** I declare that **SNTGN Transgaz SA Mediaş** has an internal control/management system whose concept and application allow the executive management team of the company to supply a reasomable warranty that the public funds allotted for the purpose of fulfilling the general and specific objectives have been used under legal, regular, efficient, and economical conditions.

This statement is based on a realistic, correct, complete and trustworthy assessment of the internal control/management system of the entity, expressed on the basis of its self-assessment.

The control/management system partially includes self-control mechanism, and the application of the measures meant to increase its efficiency is not based on the assessment of the risks.

I metion that the statements included in this report were expressed by undertaking management responsibility and are based in the data, information and the aspects noticed and written down in the documentation of the self-assessment of the internal control/management system owned within **SNTGN Transgaz SA Mediaş** as well as within the internal audit and external audit reports.

This report was drawn up according to the Instructions regarding the drawing up, the approval and the presentation of the report regarding the internal control/management system, provided in appendix no. 4 of the Order of the Ministry of Public Finance no. 946/2005 for the approval of the Code of internal control including the management/internal control standards with the publis entities and for the development of the internal control/management systems, with its subsequent amendments and supplements.

Based on the results of the self-assessment, I hereby mention that on December 31st, 2011, the internal control/management system of **SNTGN Transgaz SA** is **partially compliant** with the standards included in the internal control/management code, containing the internal control/management standards of the public entities.

General Manager
Florin Emil Cosma

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