

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

**YEARLY INDIVIDUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED ON  
DECEMBER 31<sup>st</sup> 2010**

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

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**BALANCE SHEET**

COUNTY: 32 Sibiu  
 LEGAL PERSON: SNTGN Transgaz S.A.  
 ADDRESS: Medias, Str P-ta 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  
 NACE GROUP CODE: 4950  
 VAT NUMBER:  
RO13068733

**BALANCE SHEET**

|  | Row       | Note        | December 31 <sup>st</sup> , 2009<br>(RON) | December 31 <sup>st</sup> , 2010<br>(RON) |
|--|-----------|-------------|---|---|
| <b>A. FIXED ASSETS</b>   |           |             |   |   |
| <b>I. INTANGIBLE ASSETS</b>  |           |             |   |   |
| 1. Setup expenses  | 01        |             | -   | -   |
| 3. Concessions, patents, licenses, trade marks and similar rights and other intangible asset | 03        |             | 492.076.640                               | 493.833.209                               |
| 5. Advance payments and intangible assets in progress  | 05        |             | <u>4.006.382</u>                          | <u>3.958.223</u>                          |
| <b>TOTAL</b>   | <b>06</b> | <b>1 a)</b> | <b>496.083.022</b>                        | <b>497.791.432</b>                        |
| <b>II. TANGIBLE ASSETS</b>   |           |             |   |   |
| 1. Land lots and buildings   | 07        |             | 1.924.073.125                             | 2.248.840.900                             |
| 2. Technical equipment and machines  | 08        |             | 74.398.001                                | 78.829.250                                |
| 3. Other equipment, machinery and furniture  | 09        |             | 7.987.438                                 | 7.295.310                                 |
| 4. Advance payments and tangible assets in progress  | 10        |             | <u>434.997.400</u>                        | <u>396.222.107</u>                        |
| <b>TOTAL</b>   | <b>11</b> | <b>1 b)</b> | <b>2.441.455.964</b>                      | <b>2.731.187.567</b>                      |
| <b>III. CAPITAL ASSETS</b>   |           |             |   |   |
| 3. Participating interests   | 14        | 1 c)        | 14.423.310                                | 38.333.046                                |
| 6. Other loans   | 17        | 1 c)        | <u>4.757.359</u>                          | <u>7.758.771</u>                          |
| <b>TOTAL</b>   | <b>18</b> |             | <b>19.180.669</b>                         | <b>46.091.817</b>                         |
| <b>FIXED ASSETS - TOTAL</b>  | <b>19</b> |             | <b>2.956.719.655</b>                      | <b>3.275.070.816</b>                      |
| <b>B. CURRENT ASSETS</b>   |           |             |   |   |
| <b>I. INVENTORIES</b>  |           |             |   |   |
| 1. Raw materials and consumables   | 20        |             | 26.691.646                                | 20.992.549                                |
| 2. Production in progress  | 21        |             | 8.189.652                                 | 6.636.035                                 |
| 3. Finished products and goods   | 22        |             | -   | -   |
| 4. Advance payments for the purchase of inventory  | 23        |             | <u>73.852</u>                             | <u>25.539</u>                             |
| <b>TOTAL:</b>  | <b>24</b> |             | <b>34.955.150</b>                         | <b>27.654.123</b>                         |
| <b>II. RECEIVABLES</b>   |           |             |   |   |
| 1. Trade receivables   | 25        | 5; 11       | 235.753.742                               | 318.160.782                               |

Notes from 1 to 22 and the Forms 30 și 40 are an integral part of these financial statements.

**BALANCE SHEET**

|                      |           |       |                           |                           |
|----------------------|-----------|-------|---------------------------|---------------------------|
| 4. Other receivables | 28        | 5; 12 | <u>9.549.835</u>          | <u>15.558.276</u>         |
| <b>TOTAL</b>         | <b>30</b> |       | <b><u>245.303.577</u></b> | <b><u>333.719.058</u></b> |

|  | Row       | Note     | December 31 <sup>st</sup> ,<br>2009<br>(RON) | December 31 <sup>st</sup> , 2010<br>(RON) |
|--|-----------|----------|--|---|
| <b>III. SHORT TERM INVESTMENTS</b>   |           |          |  |   |
| 2. Other short term investments  | 32        |          | -  | <u>171.851.407</u>                        |
| <b>TOTAL</b>   | <b>33</b> |          | -  | <b><u>171.851.407</u></b>                 |
| <b>IV. CASH AT BANK AND IN HAND</b>  |           |          |  |   |
|  | <b>34</b> | 13       | <b><u>196.566.265</u></b>                    | <b><u>25.755.236</u></b>                  |
| <b>CURRENT ASSETS - TOTAL</b>  |           |          |  |   |
|  | <b>35</b> |          | <b>476.824.992</b>                           | <b>558.979.824</b>                        |
| <b>C. ADVANCE EXPENSES</b>   |           |          |  |   |
|  | <b>36</b> |          | <b>1.340.719</b>                             | <b>1.540.861</b>                          |
| <b>D. DEBTS: AMOUNTS TO BE PAID WITHIN ONE YEAR'S TIME</b>                   |           |          |  |   |
| 2. Amounts due to credit institutions  | 38        | 5; 16    | 59.281.631                                   | 38.942.605                                |
| 3. Advance payments cashed in the orders account                             | 39        | 5        | 138.063                                      | 4.209.677                                 |
| 4. Business debts - suppliers  | 40        | 5; 14    | 112.327.235                                  | 154.522.365                               |
| 8. Other debts, including fiscal debts and debts related to social insurance | 44        | 5; 15    | <u>165.106.858</u>                           | <u>159.503.227</u>                        |
| <b>TOTAL</b>   | <b>45</b> |          | <b><u>336.853.787</u></b>                    | <b><u>357.177.874</u></b>                 |
| <b>E. NET CURRENT ASSETS/NET CURRENT DEBTS</b>                               |           |          |  |   |
|  | <b>46</b> |          | <b>141.211.185</b>                           | <b>203.263.326</b>                        |
| <b>F. TOTAL ASSETS MINUS CURRENT DEBTS</b>                                   |           |          |  |   |
|  | <b>47</b> |          | <b>3.097.930.840</b>                         | <b>3.478.334.142</b>                      |
| <b>G. DEBTS: AMOUNTS DUE IN MORE THAN ONE YEAR'S TIME</b>                    |           |          |  |   |
| 2. Amounts due to credit institutions  | 49        | 5; 17    | 41.569.032                                   | 78.709.526                                |
| 8. Other debts, including fiscal debts and debts related to social insurance | 55        | 5; 18    | <u>485.879.745</u>                           | <u>485.515.196</u>                        |
| <b>TOTAL</b>   | <b>56</b> |          | <b><u>527.448.777</u></b>                    | <b><u>564.224.722</u></b>                 |
| <b>H. PROVISIONS</b>   |           |          |  |   |
| 1. Provisions for retirement fund and similar obligations                    | 57        |          | 23.292.752                                   | 25.513.286                                |
| 2. Other provisions  | 59        |          | <u>7.993.764</u>                             | <u>5.736.026</u>                          |
| <b>TOTAL</b>   | <b>60</b> | <b>2</b> | <b><u>31.286.516</u></b>                     | <b><u>31.249.312</u></b>                  |
| <b>I. ADVANCE INCOME</b>   |           |          |  |   |
| 1. Investment subsidies  | 61        |          | 174.730.164                                  | 296.387.937                               |

**BALANCE SHEET**

|  |           |                    |                    |
|--|-----------|--------------------|--------------------|
| 2. Unearned revenues of which:                   | 62        | 1.197.384          | 125.381            |
| Amounts to resume in a period of up to one year  | 63        | 100.739            | 79.485             |
| Amounts to resume in a period exceeding one year | 64        | 1.096.645          | 45.896             |
| <b>TOTAL</b>                                     | <b>66</b> | <b>175.927.548</b> | <b>296.513.318</b> |

|   | <b>Row</b> | <b>Note</b> | <b>December 31<sup>st</sup>, 2009</b> | <b>December 31<sup>st</sup>, 2009</b> |
|---|------------|-------------|---------------------------------------|---------------------------------------|
|   |            |             | <b>(RON)</b>                          | <b>(RON)</b>                          |
| <b>J. CAPITAL AND RESERVES</b>                          |            |             |                                       |                                       |
| <b>I. CAPITAL</b>                                       |            |             |                                       |                                       |
| Subscribed and paid-in share capital                    | <b>67</b>  | 7           | <b>117.738.440</b>                    | <b>117.738.440</b>                    |
| <b>II. SHARE PREMIUM</b>                                |            |             |                                       |                                       |
|   | <b>71</b>  |             | -                                     | -                                     |
| <b>III. REVALUATION RESERVES</b>                        |            |             |                                       |                                       |
| <b>Balance C</b>  | <b>72</b>  |             | <b>550.825.229</b>                    | <b>514.995.580</b>                    |
| <b>IV. RESERVES</b>                                     |            |             |                                       |                                       |
| 1. Legal reserves                                       | 73         |             | 23.547.688                            | 23.547.688                            |
| 3. Reserve representing the revaluation reserve surplus | 75         |             | 92.332.828                            | 128.162.477                           |
| 4. Other reserves                                       | 76         |             | <u>1.282.097.481</u>                  | <u>1.427.433.573</u>                  |
| <b>TOTAL</b>  | <b>77</b>  |             | <b>1.397.977.997</b>                  | <b>1.579.143.738</b>                  |
| <b>V. REPORTED PROFIT OR LOSS</b>                       |            |             |                                       |                                       |
| <b>Balance D</b>  | <b>82</b>  |             | <b>1.804.469</b>                      | <b>1.804.469</b>                      |
| <b>VI. PROFIT OR LOSS OF THE FINANCIAL YEAR</b>         |            |             |                                       |                                       |
| <b>Balance C</b>  | <b>83</b>  |             | <b>298.631.541</b>                    | <b>376.352.986</b>                    |
| Profit appropriation                                    | 85         |             | -                                     | -                                     |
| <b>EQUITY - TOTAL</b>                                   | <b>86</b>  |             | <b><u>2.363.368.738</u></b>           | <b><u>2.586.426.275</u></b>           |
| <b>CAPITALS - TOTAL</b>                                 | <b>88</b>  |             | <b><u>2.363.368.738</u></b>           | <b><u>2.586.426.275</u></b>           |

Authorized and signed on behalf of the Board of Directors on March 18<sup>th</sup>, 2011 by:

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

General Manager,  
Mr. Florin Cosma

Manager of Economic Department,  
Mr. Radu Moldovan

## PROFIT AND LOSS ACCOUNT

### PROFIT AND LOSS ACCOUNT

|   | Row       | Notw         | Year ended on<br>December 31 <sup>st</sup> ,<br>2009<br>(RON) | Year ended on<br>December 31 <sup>st</sup> ,<br>2010<br>(RON) |
|---|-----------|--------------|---|---|
| 1. Net turnover   | 01        | 10 e)        | <u>1.187.350.293</u>  | <u>1.312.997.932</u>  |
| Sold production   | 02        |              | 1.187.350.293   | 1.312.997.932   |
| Revenue from goods sold   | 03        |              | -   | -   |
| 2. Revenues corresponding to the<br>production being carried out                |           |              |   |   |
| <u>Balance C</u>  | 07        |              | 3.694.052   | -   |
| Balance D   | 08        |              | -   | 1.553.617   |
| 3. Production carried out by the entity for<br>its own purposes and capitalized | 09        |              | 2.262.656   | 6.414.751   |
| 4. Other operating income   | 10        |              | <u>26.707.803</u>   | <u>25.074.305</u>   |
| <b>OPERATING INCOME - TOTAL</b>   | <b>12</b> |              | <b><u>1.220.014.804</u></b>                                   | <b><u>1.342.933.371</u></b>                                   |
| 5. a) Expenditures with raw materials and<br>expendable goods                   | 13        |              | 171.736.850   | 154.042.611   |
| Other material expenditures   | 14        |              | 4.274.567   | 4.400.391   |
| 5. b) Other external expenditures<br>(energy and water)                         | 15        |              | 5.160.003   | 5.512.957   |
| Expenditures with goods   | 16        |              | -   | -   |
| <b>6. Personnel expenditures, of which:</b>                                     | 18        |              | <b><u>224.549.127</u></b>                                     | <b><u>250.644.153</u></b>                                     |
| a) Wages and allowances   | 19        |              | 175.376.233   | 194.404.585   |
| b) Insurance expenditures and social<br>protection expenditures                 | 20        |              | 49.172.894  | 56.239.568  |
| <b>7. a) Value adjustments regarding<br/>tangible and intangible assets</b>     | 21        | 1, a),<br>b) | <u>127.557.350</u>  | <u>135.266.706</u>  |
| a. 1) Expenditures  | 22        |              | 127.557.350   | 135.266.706   |
| <b>7. b) Value adjustments regarding<br/>current assets</b>                     | 24        |              | <u>1.698.061</u>  | <u>(35.989.111)</u>   |
| b.1) Expenditures   | 25        |              | 14.273.550  | 8.169.746   |
| b. 2) Revenue   | 26        |              | 12.575.489  | 44.158.857  |
| <b>8. Other operating expenditures</b>  | 27        |              | <u>338.280.208</u>  | <u>385.428.756</u>  |
| 8.1 Expenditures regarding external<br>labour                                   | 28        |              | 136.023.032   | 159.670.746   |
| 8.2 Expenditures with other taxes,<br>fees and similar levies                   | 29        |              | 124.925.289   | 151.782.676   |
| 8.3 Other expenditures  | 30        | 19           | 77.331.887  | 73.975.334  |

Notes from 1 to 22 and Forms 30 and 40 are an integral part of the financial statements.

## PROFIT AND LOSS ACCOUNT

|  | Row       | Note | Year ended on<br>December 31 <sup>st</sup> ,<br>2009<br>(RON) | Year ended on<br>December 31 <sup>st</sup> ,<br>2010<br>(RON) |
|--|-----------|------|---|---|
| Provision adjustments  | 32        |      | 1.611.060   | (37.204)  |
| Expenditures   | 33        |      | 9.130.682   | 7.818.207   |
| Revenue  | 34        |      | <u>7.519.622</u>  | <u>7.855.411</u>  |
| <b>OPERATING EXPENDITURES - TOTAL</b>  | <b>35</b> |      | <b>874.867.226</b>  | <b>899.269.259</b>  |
| <b>Operating profit or loss Profit</b>   | <b>36</b> |      | <b>345.147.578</b>  | <b>443.664.112</b>  |
| 9. Income from participating interests   | 38        |      | -   | -   |
| 10. Income from other investment and loans which are part of the fixed assets                  | 40        |      | 100   | 171   |
| 11. Interest income  | 42        |      | 34.717.805  | 14.836.179  |
| Other financial income   | 44        |      | <u>3.735.189</u>  | <u>19.340.175</u>   |
| <b>FINANCIAL INCOME - TOTAL</b>  | <b>45</b> |      | <b>38.453.094</b>   | <b>34.176.525</b>   |
| 12. Value adjustments in respect of financial assets and of investments held as current assets | 46        |      | -   | -   |
| Expenditures   | 47        |      | -   | -   |
| Revenue  | 48        |      | -   | -   |
| 13. Interest expenditures  | 49        |      | 12.645.100  | 5.462.109   |
| Other financial expenditures   | 51        |      | <u>9.674.067</u>  | <u>20.874.007</u>   |
| <b>FINANCIAL EXPENDITURES - TOTAL</b>  | <b>52</b> |      | <b>22.319.167</b>   | <b>26.336.116</b>   |
| <b>FINANCIAL PROFIT OR LOSS</b>  |           |      |   |   |
| - Profit   | 53        |      | 16.133.927  | 7.840.409   |
| - Loss   | 54        |      | -   | -   |
| <b>14. CURRENT PROFIT OR LOSS Profit</b>   | <b>55</b> |      | <b>361.281.505</b>  | <b>451.504.521</b>  |

| Row | Note | Year ended on<br>December 31 <sup>st</sup> , | Year ended on<br>December 31 <sup>st</sup> , |
|-----|------|--|--|
|-----|------|--|--|

Notes from 1 to 22 and Forms 30 and 40 are an integral part of the financial statements.

**PROFIT AND LOSS ACCOUNT**

|   |           | <b>2009</b>               | <b>2010</b>               |
|---|-----------|---------------------------|---------------------------|
|   |           | <b>(RON)</b>              | <b>(RON)</b>              |
| <b>TOTAL INCOME</b>                                 | <b>61</b> | <b>1.258.467.898</b>      | <b>1.377.109.896</b>      |
| <b>TOTAL EXPENDITURES</b>                           | <b>62</b> | <b>897.186.393</b>        | <b>925.605.375</b>        |
| <b>GROSS PROFIT OR LOSS</b>                         |           |                           |                           |
| <b>Profit</b>                                       | <b>63</b> | <b>361.281.505</b>        | <b>451.504.521</b>        |
| 18. Profit tax                                      | 65        | 10 d) <u>62.649.964</u>   | <u>75.151.535</u>         |
| <b>20. NET PROFIT OR LOSS OF THE FINANCIAL YEAR</b> |           |                           |                           |
| <b>Profit</b>                                       | <b>67</b> | <b><u>298.631.541</u></b> | <b><u>376.352.986</u></b> |

All the company's operations are continuous.

Signed on behalf of the Board of Directors on March 18<sup>th</sup>, 2011 by:

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

General Manager,  
Mr. Florin Cosma

Manager of Economic Department,  
Mr. Radu Moldovan



## CASH FLOW STATEMENT

### CASH FLOW STATEMENT

|   | Note | Year ended on<br>December 31 <sup>st</sup> ,<br>2009<br>(RON) | Year ended on<br>December 31 <sup>st</sup> ,<br>2010<br>(RON) |
|---|------|---|---|
| <b>Operating activities:</b>  |      |   |   |
| Net profit  |      | 298.631.541   | 376.352.986   |
| Depreciation expenditures   |      | 127.557.350   | 135.266.706   |
| Expenses / (income) regarding the provisions<br>for current assets                      |      | 1.669.484   | (36.031.162)  |
| Loss from receivables of various debtors  |      | 28.577  | 42.051  |
| Adjustment of the value of the tangible and<br>intangible fixed assets                  |      | 1.611.060   | (37.204)  |
| Effect of the variation of the exchange rate  |      | 1.663.743   | 822.351   |
| Income from subsidies   |      | (6.193.259)   | (8.672.862)   |
| Income from interests   |      | (34.717.805)  | (14.836.179)  |
| Expenses for interests  |      | 12.645.100  | 5.462.109   |
| Loss from the sale of tangible assets   |      | 416.815   | 1.698.382   |
| Profit tax  |      | <u>62.649.964</u>   | <u>75.151.535</u>   |
| <b>Increase of the operating cash flow before the<br/>change in the working capital</b> |      | <b>465.962.570</b>  | <b>535.218.713</b>  |
| Decrease in the inventory balance   |      | 4.798.918   | 5.067.192   |
| Increase in the balance of trade receivables and<br>other receivables                   |      | (69.450.944)  | (87.475.459)  |
| Increase in the balance of trade debts and other<br>debts                               |      | <u>43.799.595</u>   | <u>158.943.264</u>  |
| <b>Net cash flow from operational activities</b>  |      | <b>445.110.139</b>  | <b>611.753.710</b>  |
| Interests cashed in   |      | 34.554.866  | 14.907.081  |
| Paid interests  |      | (10.750.426)  | (4.921.337)   |
| Payments corresponding to the contribution of<br>the employees to the profit            |      | (7.519.622)   | (7.808.325)   |
| Paid profit tax   |      | <u>(51.444.567)</u>   | <u>(78.819.502)</u>   |
| <b>Net cash flow from operating activities</b>  |      | <b>409.950.390</b>  | <b>535.111.627</b>  |
| Purchases of capital assets   |      | (12.289.736)  | (27.000.415)  |
| Sales of fixed assets   |      | 91.794  | 354.662   |
| Purchases of fixed assets   |      | <u>(373.157.300)</u>  | <u>(401.570.430)</u>  |
| <b>Cash flow from investment activities</b>   |      | <b>(385.355.242)</b>  | <b>(428.216.183)</b>  |

|      |  |  |
|------|--|--|
| Note | Year ended on<br>December 31 <sup>st</sup> ,<br>2009 | Year ended on<br>December 31 <sup>st</sup> ,<br>2010 |
|------|--|--|

Notes from 1 to 22 and Forms 30 and 40 are an integral part of the financial statements.

## CASH FLOW STATEMENT

|   |    | (RON)                       | (RON)                       |
|---|----|-----------------------------|-----------------------------|
| Reimbursements of loans   |    | (32.113.023)                | (28.619.232)                |
| Loan draws  |    | -                           | 75.500.000                  |
| Paid dividends  |    | <u>(122.500.718)</u>        | <u>(152.831.849)</u>        |
| <b>Cash flows from /(used in) funding activities</b>            |    | <b><u>(154.613.741)</u></b> | <b><u>(105.951.081)</u></b> |
| <b>Cash flow - total</b>  |    | <b>(130.018.593)</b>        | <b>944.363</b>              |
| <b>Changes in the cash and cash equivalents</b>                 |    |                             |                             |
| <b>Cash and cash equivalents at the beginning of the period</b> | 13 | 326.584.858                 | 196.566.265                 |
| <b>Changes in the cash and cash equivalents</b>                 |    | <u>(130.018.593)</u>        | <u>944.363</u>              |
| <b>Cash and cash equivalents at the end of the period</b>       | 13 | <u>196.566.265</u>          | <u>197.510.628</u>          |

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

General Manager,  
Mr. Florin Cosma

Manager of Economic Department,  
Mr. Radu Moldovan

## STATEMENT REGARDING THE CHANGES IN EQUITY CAPITAL

### STATEMENT REGARDING THE CHANGES IN EQUITY CAPITAL

| Equity capital item  | Balance on                    | Increases                 | Decreases/<br>Distributions | Balance on  | Increases                 | Decreases/<br>Distributions | Balance on                                 |
|--|-------------------------------|---------------------------|-----------------------------|---|---------------------------|-----------------------------|--|
|  | January 1st,<br>2009<br>(RON) |                           |                             | December 31 <sup>st</sup> ,<br>2009<br>and January 1 <sup>st</sup> ,<br>2010<br>(RON) |                           |                             | December 31 <sup>st</sup><br>2010<br>(RON) |
| Subscribed capital (note 7)  | 117.738.440                   | -                         | -                           | 117.738.440   | -                         | -                           | 117.738.440                                |
| Revaluation reserves   | 586.393.642                   | -                         | 35.568.413                  | 550.825.229   | -                         | 35.829.649                  | 514.995.580                                |
| Legal reserves   | 23.547.688                    | -                         | -                           | 23.547.688  | -                         | -                           | 23.547.688                                 |
| Other reserves   | 1.174.965.179                 | 107.132.302               | -                           | 1.282.097.481   | 145.336.092               | -                           | 1.427.433.573                              |
| Profit or loss carried forward<br>resulting from adjustments carried<br>out on the opening reserves  |                               |                           |                             |   |                           |                             |  |
| Balance due  | 8.602.641                     | -                         | 8.602.641                   | -   | -                         | -                           | -  |
| Profit or loss carried forward<br>resulting from the application of the<br>Accounting Regulations compliant<br>with the fourth Directive of the<br>European Economic Community |                               |                           |                             |   |                           |                             |  |
| Balance due  | 1.804.469                     | -                         | -                           | 1.804.469   | -                         | -                           | 1.804.469                                  |
| Revaluation reserve surplus  | 56.764.415                    | 35.568.413                | -                           | 92.332.828  | 35.829.649                | -                           | 128.162.477                                |
| Profit or loss of the financial year   |                               |                           |                             |   |                           |                             |  |
| Credit balance   | 239.007.090                   | 298.631.541               | 239.007.090                 | 298.631.541   | 376.352.986               | 298.631.541                 | 376.352.986                                |
| <b>Total equity</b>  | <b><u>2.188.009.344</u></b>   | <b><u>441.332.256</u></b> | <b><u>265.972.862</u></b>   | <b><u>2.363.368.738</u></b>   | <b><u>557.518.727</u></b> | <b><u>334.461.190</u></b>   | <b><u>2.586.426.275</u></b>                |

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

General Manager,  
Mr. Florin Cosma

Manager of Economic Department,  
Mr. Radu Moldovan

Notes from 1 to 22 and Forms 30 and 40 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**THE REPORTING ENTITY**

These financial statements are submitted by SNTGN TRANSGAZ SA.

**1. FIXED ASSETS**

**a) Intangible assets**

These include patents, licenses and computer programs:

|   | <u>Concessions</u><br>(RON) | <u>Licenses,<br/>computer<br/>programs and<br/>other intangible<br/>assets</u><br>(RON) | <u>Advance<br/>payments and<br/>intangible<br/>assets in<br/>progress</u><br>(RON) | <u>Total</u><br>(RON)     |
|---|-----------------------------|---|--|---------------------------|
| <b>Cost</b>   |                             |   |  |                           |
| Balance on January 1 <sup>st</sup> , 2010                     | 482.787.647                 | 48.676.861  | 4.006.382  | 535.470.890               |
| Increases   | -                           | 7.454.570   | 8.015.957  | 15.470.527                |
| Output / transfers  | -                           | -   | 8.064.116  | 8.064.116                 |
| Balance on December 31 <sup>st</sup> , 2010                   | 482.787.647                 | 56.131.431  | 3.958.223  | 542.877.301               |
| <b>Cumulated depreciation</b>                                 |                             |   |  |                           |
| Balance on January 1 <sup>st</sup> , 2010                     | -                           | 39.387.868  | -  | 39.387.868                |
| Depreciation registered during the year                       | -                           | 5.698.001   | -  | 5.698.001                 |
| Balance on December 31 <sup>st</sup> , 2010                   | -                           | 45.085.869  | -  | 45.085.869                |
| <b>Net accounting value on January 1<sup>st</sup>, 2010</b>   | <b><u>482.787.647</u></b>   | <b><u>9.288.993</u></b>   | <b><u>4.006.382</u></b>  | <b><u>496.083.022</u></b> |
| <b>Net accounting value on December 31<sup>st</sup>, 2010</b> | <b><u>482.787.647</u></b>   | <b><u>11.045.562</u></b>  | <b><u>3.958.223</u></b>  | <b><u>497.791.432</u></b> |

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. FIXED ASSETS (CONTINUED)

#### b) Tangible assets

|   | <b>Land lots<br/>and<br/>buildings<br/>(RON)</b> | <b>Technical<br/>systems and<br/>machines<br/>(RON)</b> | <b>Other<br/>systems,<br/>equipment<br/>and<br/>furniture<br/>(RON)</b> | <b>Advance<br/>payments<br/>and tangible<br/>assets in<br/>progress<br/>(RON)</b> | <b>Total<br/>(RON)</b>      |
|---|--|---|---|---|-----------------------------|
| <b>Cost/evaluation</b>  |  |   |   |   |                             |
| Balance on January 1st,<br>2010                                   | 2.733.810.505                                    | 168.997.167   | 12.971.375  | 434.997.400   | 3.350.776.447               |
| Increases/ transfers  | 436.009.562                                      | 23.173.798  | 945.274   | 401.394.773   | 861.523.407                 |
| Reductions/ transfers   | 5.110.751  | 3.114.628   | 49.134  | 440.170.066   | 448.444.579                 |
| Balance on December<br>31st, 2010                                 | 3.164.709.316                                    | 189.056.337   | 13.867.515  | 396.222.107   | 3.763.855.275               |
| <b>Cumulated depreciation</b>                                     |  |   |   |   |                             |
| Balance on January 1st,<br>2010                                   |  |   |   |   |                             |
| Depreciation recorded<br>during the year                          | 809.737.380                                      | 94.599.166  | 4.983.937   | -   | 909.320.483                 |
| Reductions or resumptions   | 109.441.775                                      | 18.508.644  | 1.618.286   | -   | 129.568.705                 |
| Balance on December<br>31 <sup>st</sup> , 2010                    | <u>3.310.739</u>                                 | <u>2.880.723</u>  | <u>30.018</u>   | -   | <u>6.221.480</u>            |
|   | 915.868.416                                      | 110.227.087   | 6.572.205   | -   | 1.032.667.708               |
| <b>Net accounting value on<br/>January 1<sup>st</sup>, 2010</b>   | <b><u>1.924.073.125</u></b>                      | <b><u>74.398.001</u></b>                                | <b><u>7.987.438</u></b>   | <b><u>434.997.400</u></b>   | <b><u>2.441.455.964</u></b> |
| <b>Net accounting value on<br/>December 31<sup>st</sup>, 2010</b> | <b><u>2.248.840.900</u></b>                      | <b><u>78.829.250</u></b>                                | <b><u>7.295.310</u></b>   | <b><u>396.222.107</u></b>   | <b><u>2.731.187.567</u></b> |

The tangible assets include assets which are completely depreciated having an inventory value of 74.740.553 RON (52.140.055 RON on December 31st, 2009). The constructions also include the special constructions of the type - gas pipes.

#### Revaluation of the tangible assets

On December 31st, 2008, 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. 1752/2005. The revaluation work was carried out by the trading company DARIAN ROM SUISSE SRL 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. FIXED ASSETS (CONTINUED)

The revaluation surplus has been credited into the account of revaluation reserves within the equity capital.

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

|  | <u>2009</u><br>(RON) | <u>2010</u><br>(RON) |
|--|----------------------|----------------------|
| The revaluation reserve at the beginning of the financial year             | 586.393.642          | 550.825.229          |
| Transferred amounts from the revaluation reserve during the financial year | <u>35.568.413</u>    | <u>35.829.649</u>    |
| The revaluation reserve at the end of the financial year                   | <u>550.825.229</u>   | <u>514.995.580</u>   |

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

|                        | <u>December 31<sup>st</sup>,</u><br><u>2009</u><br>(RON) | <u>December 31<sup>st</sup>,</u><br><u>2010</u><br>(RON) |
|------------------------|--|--|
| Cost                   | 1.983.088.935  | 2.441.174.009  |
| Cumulated depreciation | <u>535.438.677</u>                                       | <u>628.034.647</u>                                       |
| Net amount             | <u>1.447.650.258</u>                                     | <u>1.813.139.362</u>                                     |

#### c) Capital assets

|   | <u>Balance on</u><br><u>January</u><br><u>1st, 2010</u><br>(RON) | <u>Increases</u><br>(RON) | <u>Reductions</u><br>(RON) | <u>Balance on</u><br><u>December</u><br><u>31st, 2010</u><br>(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                                 | 14.423.310   | 23.912.974                | 3.238                      | 38.333.046   |
| Titles held as fixed assets                             | 6.461.736  | -                         | -                          | 6.461.736  |
| Depreciation provision                                  | (6.461.736)  | -                         | -                          | (6.461.736)  |
| Other financial receivables                             | <u>4.757.359</u>   | <u>3.168.443</u>          | <u>167.031</u>             | <u>7.758.771</u>   |
|   | <u>19.180.669</u>  | <u>27.081.417</u>         | <u>170.269</u>             | <u>46.091.817</u>  |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. FIXED ASSETS (CONTINUED)

On December 31st, 2010, the company held titles under the form of participating interests within the following :

| <u>Company</u>                          | <u>Country</u> | <u>Business area</u>  | <u>Registration date</u> | <u>Percentage held 2009 (%)</u> | <u>Percentage held 2010</u> | <u>Amount on December 31st, 2008 (RON)</u> | <u>Amount on December 31st, 2009 (RON)</u> |
|---|----------------|---|--------------------------|---------------------------------|-----------------------------|--|--|
| Resial SA                               | Romania        | 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                       | Romania        | 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)                                |
| Wirom Gaz SA                            | Romania        | Gas import, manufacturing of pipes and underground storage facilities | August 1994              | 0,02                            | -                           | 3.238                                      | -  |
| Nabucco Gaz Pipeline International GmbH | Austria        | The manufacturing and exploitation of the Nabucco pipeline            | February 2004            | 16,67                           | 16,67                       | 14.420.072                                 | 38.332.992                                 |
| Nabucco Gaz Pipeline LTD Sirketi        | Turkey         | The manufacturing and exploitation of the Nabucco pipeline            | August 2010              | -                               | 0,5                         | -  | 54   |
|   |                |   |                          |                                 |                             | <u>14.423.310</u>                          | <u>38.333.046</u>                          |

## NOTES TO THE FINANCIAL STATEMENTS

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, 2010 since the company Resial SA is undergoing a liquidation procedure.

The contribution within SC Mebis SA Bistrița (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, 2009 and on December 31st, 2010 since the company is undergoing an insolvency procedure.

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 („RWE”). 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 by 5.600.000 EUR.

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”.

The date of June 18<sup>th</sup>, 2010 marked the incorporation of the Company NABUCCO GAS PIPELINE LIMITED ŞIRKETI Turkey having its office in Ankara (the subsidiary of the Company Nabucco Gas



## **NOTES TO THE FINANCIAL STATEMENTS**

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Pipeline International GmbH). The company has 5 shareholders: Nabucco Gas Pipeline International GmbH, BOTAS-Turkey, Bulgargaz-Bulgaria, SNTGN Transgaz SA-Romania, MOL-Ungaria and OMV Gas &Power GmbH – Austria.

The sharecapital of the Company NABUCCO GAS PIPELINE LIMITED ŞIRKETI amounts to 5.000 TRL, divided into 200 shares, each having a nominal value of 25 TRL. The share capital is totally subscribed by the shareholders as follows: Nabucco Gas Pipeline International GmbH 98% of the shares and each of the other shareholders having 0.5% of the shares.

The company has not undertaken any obligation and has not made any payment on behalf of the companies within which it holds titles under the form of participating interests.

### *Shares held as capital assets*

The long term securities are evaluated at the historic cost minus the possible adjustments for the decrease in value. The classification of the real estate as capital assets or short term investments is carried out depending on the Company's decision regarding the period of holding the securities, up to one year or for more than one year.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. PROVISIONS FOR RISKS AND CHARGES

| <u>Name of the provision</u>   | <b>Balance on 1<sup>st</sup><br/>January 2010</b> | <b>Transfers</b>                  |                                   | <b>Balance on<br/>31st December 201</b> |
|--|---|-----------------------------------|-----------------------------------|---|
|  | <b>(RON)</b>                                      | <b>into<br/>account<br/>(RON)</b> | <b>from<br/>account<br/>(RON)</b> | <b>0<br/>(RON)</b>                      |
|  | 1   | 2                                 | 3                                 | 4=1+2-3                                 |
| Provision for the amounts corresponding to the contribution of the employees to the profit | 7.808.325   | -                                 | 7.808.325                         | -                                       |
| Nabucco Provision Reserve fund   | 39.799  | 47.823                            | 39.799                            | 47.823                                  |
| Provisions for guarantees granted to customers   | 145.640   | 340.215                           | -                                 | 485.855                                 |
| Provision for litigations  | -   | 5.202.348                         | -                                 | 5.202.348                               |
| Provision for pensions and other similar obligations                                       | <u>23.292.752</u>                                 | <u>2.220.534</u>                  |                                   | <u>25.513.286</u>                       |
|  | <u>31.286.516</u>                                 | <u>7.810.920</u>                  | <u>7.848.124</u>                  | <u>31.249.312</u>                       |

#### *Provision for the retirement funds*

The provision for pensions and other similar obligations was created for the benefits which shall be granted to the employees at the moment of their retirement depending on their seniority in the gas industry according to the collective labour contract concluded with the company's employees.

#### *Provision for litigations*

On December 31<sup>st</sup>, 2010, SNTGN Transgaz SA created a provision for litigations amounting to 5.202.348 RRON which refers to the follows cases:

SC Termoficare 2000 Pitești for which the Commerical Court Arges took the civil decision of December 6<sup>th</sup>, 2010 forcing Transgaz to pay the amount of 4711727.24 RON representing penalties and damages, Transgaz filed an appeal and requested that the execution of the decision be suspended. Bălășoiu Marian presenting claims regarding the lack of land lot amounting to 490.621,25 RRON, on the dockets of the Drăgășani Court. Transgaz submitted to CEDO an application regarding the infringement of the national norms concerning the right of publis ownership of the Romanian state.

### 2. 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, modified via the Order of the Minister of Public Finance no.144/2005 regarding the appropriation of the profit within the national companies, national corporations and entirely state-owned and majority state-owned trading companies via Government Emergency

## NOTES TO THE FINANCIAL STATEMENTS

Ordinance no. 55/June 23<sup>rd</sup>, 2010 article V regarding certain measures for reducing the public expenses.

### 3. APPROPRIATION OF PROFIT (CONTINUED)

| <u>Destination</u>            | <b>Financial year<br/>ended on<br/><u>31st December 2009</u><br/>(RON)</b> | <b>Financial year<br/>ended on<br/><u>31st December<br/>2010</u><br/>(RON)</b> |
|-------------------------------|--|--|
| Net profit to be appropriated | 298.631.541  | 376.352.986  |
| Appropriations for:           |  |  |
| - Other reserves              | 145.336.092  | -  |
| - Legal reserve               | <u>153.295.449</u>   | <u>-</u>   |
| Profit non appropriated       | <u>-</u>   | <u>376.352.986</u>   |

#### Dividends

Within the General Shareholders' Assembly ("AGA") established for the date of April 28th, 2011 the approval of the profit appropriation is to be granted regarding the financial year ended on December 31st, 2010; the Board of Directors shall propose for approval a dividend of 28.77 RON/share for the year 2010.

The complete appropriation of the profit for 2009 was approved within the ordinary general shareholders' assembly in its meeting on April 27th, 2010. The company declared dividends amounting to 13.02 RON/share for 2009.

### 3. ANALYSIS OF THE OPERATING PROFIT/LOSS

| <u>Indicator</u>  | <b>Financial year<br/>ended on<br/><u>31st December 2009</u><br/>(RON)</b> | <b>Financial year ended<br/>on<br/><u>31st December 2010</u><br/>(RON)</b> |
|---|--|--|
| <b>1. Net turnover</b>  | <b><u>1.187.350.293</u></b>  | <b><u>1.312.997.932</u></b>  |
| 2. Cost of goods sold and services provided<br>(3+4+5)                      | 808.462.233  | 874.290.133  |
| 3. Expenses related to the core business                                    | 462.242.960  | 486.673.434  |
| 4. Expenses related to auxiliary operations                                 | 40.245.417   | 41.033.700   |
| 5. Indirect production expenses   | <u>305.973.856</u>   | <u>346.582.999</u>   |
| <b>6. The gross profit/loss corresponding to the net<br/>turnover (1-2)</b> | <b>378.888.060</b>   | <b>438.707.799</b>   |
| 7. Sales expenses   | -  | -  |

## NOTES TO THE FINANCIAL STATEMENTS

|  |                           |                           |
|--|---------------------------|---------------------------|
| 8. General management expenses             | 66.404.993                | 24.979.126                |
| 9. Other operating income                  | <u>32.664.511</u>         | <u>29.935.439</u>         |
| <b>10. Operating profit/loss (6-7-8+9)</b> | <b><u>345.147.578</u></b> | <b><u>443.664.112</u></b> |

### 4. ACCOUNTS RECEIVABLE AND PAYABLE

| <u>Receivables</u> | <u>Note</u> | <u>Balance on</u>         | <u>Maturity Date</u> |                    |
|--------------------|-------------|---------------------------|----------------------|--------------------|
|                    |             | <u>31st December 2010</u> | <u>under 1 year</u>  | <u>over 1 year</u> |
|                    |             | (RON)                     | (RON)                | (RON)              |
|                    |             | 1 (col. 2+3)              | 2                    | 3                  |
| Trade receivables  | 11          | 318.160.782               | 318.160.782          | -                  |
| Other receivables  | 12          | <u>15.558.276</u>         | <u>15.558.276</u>    | -                  |
|                    |             | <u>333.719.058</u>        | <u>333.719.058</u>   | -                  |

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

| <u>Debts</u>   | <u>Note</u> | <u>Balance on</u>         | <u>Maturity Date</u> |                    |                    |
|--|-------------|---------------------------|----------------------|--------------------|--------------------|
|  |             | <u>31st December 2010</u> | <u>under 1</u>       | <u>1 - 5 years</u> | <u>over 5</u>      |
|  |             | (RON)                     | <u>year</u>          | (RON)              | <u>years</u>       |
|  |             | 1 (col. 2+3+4)            | (RON)                | (RON)              | (RON)              |
|  |             |                           | 2                    | 3                  | 4                  |
| Trade debts  | 14          | 154.522.365               | 154.522.365          | -                  | -                  |
| Advance payments from customers  |             | 4.209.677                 | 4.209.677            | -                  | -                  |
| Amounts owed to credit institutions  | 16; 17      | 117.652.131               | 38.942.605           | 78.709.526         | -                  |
| Debts regarding the concession of the goods belonging to the state public domain | 18          | 482.787.647               | -                    | -                  | 482.787.647        |
| Other debts, including tax debts and debts to the social security fund           | 15; 18      | <u>162.230.776</u>        | <u>159.503.227</u>   | -                  | <u>2.727.549</u>   |
|  |             | <u>921.402.596</u>        | <u>357.177.874</u>   | <u>78.709.526</u>  | <u>485.515.196</u> |

## NOTES TO THE FINANCIAL STATEMENTS

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

### 5. 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 January 2005 (“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 („OMFP 3055”), 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 29<sup>th</sup> 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

## NOTES TO THE FINANCIAL STATEMENTS

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.

### 6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

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 drawing 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. At the end of every month, the balances in foreign currency are converted into RON at the exchange rate communicated by the National Bank of Romania for the last banking day of the month. 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) Set-up expenditure*

The expenditure corresponding to the set-up or the development of the company such as: taxes and other registration and recording expenses, expenditure corresponding to the issue and the sale of shares and bonds, expenses for surveying the market, advertising expenses and other expenses of this kind related to the set-up and the extension of the activity of the company, are capitalized and are subject to a straight-line depreciation for a 1-year period.

The depreciation is calculated starting from the month prior to the one when the capitalization of the respective expenses was registered.

##### *(ii) Development expenditure*

The development expenditure generated by the practical application of the results of the research or other knowledge within a plan or project which focuses on the production of materials, devices, products, processes, systems or new or substantially improved services, prior to the beginning of the production or the commercial use is recognized as intangible assets and it is paid during the period of the contract or during the use period.

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



## NOTES TO THE FINANCIAL STATEMENTS

### 6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

- a) Its completion is feasible from a technical perspective so that it is available for use or sale;
- b) The management intends to complete it and use it or sell it;
- c) There is the capacity of using it or selling it;
- d) The manner in which the intangible asset shall generate possible future economic benefits can be justified;
- e) Technical, financial resources are available and other types of resources in order to complete the development and in order to use or sell the intangible asset;
- f) The expenditure which can be attributed to the fixed asset can be evaluated during the period of its development.

The development expenditure which does not fulfill the criteria mentioned previously is considered expenses at the moment when it is generated. The development expenditure which has been registered as expenses is not capitalized during the subsequent periods.

#### (iii) *Trade fund*

The trade fund represents the difference between the purchase cost and the just value on the date of the transaction of the part of the net purchased assets.

The trade fund is recognized during a purchase or merger, when the transfer of all the assets or of a part of them is carried out and, where applicable, the transfer of all debts and equity capital is carried out. The transfer should be associated to a transaction represented by an integrated assembly of operations and assets organized for the purpose of obtaining benefits. The registration of the assets and the debts received during the transfer is carried out at the just value determined through their individual evaluation.

The trade fund is depreciated in a straight line during a period of 5 years.

The trade fund generated internally is not recognized as an asset.

#### (iv) *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 a value determined through concession. The depreciation of the concession is recorded for the period of using such established according to the contract.

The concessions have been recorded at the stock value of the tangible assets belonging to the public domain and which were the object of the concession agreements concluded with the National Agency of Mineral Resources ("A.N.R.M."), approved via the Government Decision no. 668/2002, published in the Official Journal no. 486/2002. Accordingly, the company recorded a long term debt corresponding to the concession.



**6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)**

According to the provisions of Law 213/November 17th, 1998 regarding the public property and its regime and of Government Decision 1031/December 14th, 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 this agreement, the company registers a royalty expense of 10% of the income obtained from the national gas transport and transit services performed.

The investments made from own financing surces for the concessioned goods are depreciated according to the Order 555/April 24<sup>th</sup>, 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, as goods to be returned to the issuer of the concession at the end of the concession agreement.

The goods to be returned to the issuer of the concession at the end of the concession agreement which are subject to concession, the goods created through investments by the company as well as the goods resulted from the carrying out of the modernization and development programs which are compulsory according to the concession agreement.

(v) *Licenses, computer programs and other intangible assets*

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

(vi) *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

## **NOTES TO THE FINANCIAL STATEMENTS**

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(„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 subsequently 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 the 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 out at the correct value determined on 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.

According to the Order of the Minister of Finance 3055 the just values of the revaluated tangible assets are reviewed for and update on a regular basis so that the accounting value should not be very different from the value which would have been determined by using the just amount on the date of the balance sheet. If there is no information from the market regarding the just amount, the just amount is estimated on the basis of the net cash flows or of the depreciated replacement cost.

If a tangible asset completely depreciated can still be used, at the moment of revaluating such, a new value shall be established as well as a new period of economic use corresponding to the estimated period to be used further on.

The cost of a tangible asset includes the costs initially estimated regarding the disassembly and moving such upon decommissioning as well as upon restoring the location on which the fixed asset is located when these amounts can be estimated in a credible manner and the company has an obligation regarding the disassembly, the displacement of the tangible asset and the restoration of the location.

The maintenance and the repair works of the tangible assets 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.

The fixed assets such as stock objects, including tools or instruments, are recorded within the expenses at the moment when they are commissioned and they are not included within the accounting value of the tangible assets.

**(2) Depreciation**

## NOTES TO THE FINANCIAL STATEMENTS

The depreciation is calculated based on the accounting 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:

| <u>Asset</u>                             | <u>Years</u> |
|--|--------------|
| Buildings and constructions              | 5 - 45       |
| Technical equipment and machines         | 3 - 20       |
| Other equipment, machinery and furniture | 3 - 30       |

The depreciation is calculated starting from the month following the commissioning and until the total recovery of their accounting value.

Regarding the tangible assets are meant to be preserved, the expenditure shall be registered with the depreciation.

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

### 6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

(3) Sale/decommissioning 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 an operation is included in the current profit and loss account.

- (4) 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. The depreciation is calculated starting from the month following the commissioning and until the total recovery of their accounting value.

(5) Indebtedness costs

The expenses corresponding to the interests related to all the loans are registered as expenditure at the moment when they are generated.

#### **E. Depreciation of the tangible and intangible assets**

Upon the completion of the financial year, the value of the tangible and intangible asset items is harmonized with the results of the stock keeping. In this sense, the net accounting value is compared with the value established on the basis of the stock keeping also called stock value. The minus difference between the stock value and the net accounting value of the fixed asset items are registered within the accounting system on the basis of an additional depreciation if the assets which can be depreciated for which the depreciation is irreversible or an adjustment is carried out for the depreciation or the decrease in value when the depreciation is reversible. The stock value is established depending on the use of the good, its condition 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 loans 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 cost also includes the trading costs. The capital assets are assessed subsequently at the input value minus the cumulated adjustments for the loss of value.

#### **G. Stocks**

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

## NOTES TO THE FINANCIAL STATEMENTS

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### **H. Trade receivables**

The trade receivables are recorded at the invoiced value at the moment when they are considered achievable 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 include the short term bank deposits and other short term investments (bonds, shares and other securities purchased for the purpose of ensuring a profit within a short period of time). The short time securities accepted for trading operations on a regulated market are evaluated on the date of the balance sheet at the quotation value on the last day of trading, and the untraded securities are evaluated at the historic cost minus the possible adjustments for the decrease in value.

**J. Cash and cash equivalents**

The cash and the cash equivalents are pointed out 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. Dividends**

The dividends are registered 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 granting 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 corresponding 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 capitalized 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 throughout the period of the reimbursement. The amounts due are

**NOTES TO THE FINANCIAL STATEMENTS**

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included within the short or long term debts. The interest element is included within the profit and loss account throughout the period 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.

The value of the provisions regarding the pensions is settled by the relevant specialists (actuaries).

**Q. The employees' benefits****(1) The benefits granted upon retirement**

Within the normal carrying out 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.

On the basis of the collective labour contract, the company undertook to pay to its employees at the moment of their 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 to the present value using an updating 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 3055/2009 (respectively the Order of the Minister of Finance 2.374/2007), the value of the provision of December 31<sup>st</sup>, 2010 and December 31<sup>st</sup>, 2009 was calculated by a company specialized in this field, S.C. GELID ACTUARIAL COMPANY S.R.L. in Bucharest.

## NOTES TO THE FINANCIAL STATEMENTS

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On the basis of the collective labour contract and of Law 571/2008 regarding the Fiscal Code, starting in October 2008, the company paid 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. 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 do 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. Approximately 2% of the receivables achieved during the year ended on December 31<sup>st</sup>, 2010 (4% in 2009) were compensated in this way.

**S. Subsidies****(1) Subsidies corresponding to the assets**

The subsidies received for the purpose of purchasing assets 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.

**(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.

**T. 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)****U. 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 is 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.

**V. 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.

**W. Operating expenses**

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

**X. 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. CONTRIBUTIONS AND FINANCING SOURCES

#### a) Participation certificates, securities, convertible bonds

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

#### b) Share capital

The shareholding structure communicated by the Depozitarul Central S.A. on December 31<sup>st</sup>, 2010 is presented as follows:

|   | <u>Number of shares</u>  | <u>Amount</u><br>(RON)    | <u>Percentage</u><br>(%) |
|---|--------------------------|---------------------------|--------------------------|
| The Romanian State via the Ministry of Economy, Commerce and the Business Environment | 8.654.970                | 86.549.700                | 73,5102                  |
| Shareholders – natural persons  | 542.153                  | 5.421.530                 | 4,6047                   |
| Shareholders – legal persons  | 812.101                  | 8.121.010                 | 6,8975                   |
| SC Fondul „Proprietatea” SA   | <u>1.764.620</u>         | <u>17.646.200</u>         | <u>14,9876</u>           |
|   | <b><u>11.773.844</u></b> | <b><u>117.738.440</u></b> | <b><u>100,0000</u></b>   |

All the shares are common, they have been subscribed and they are fully paid up on December 31<sup>st</sup>, 2010. All the shares have the same voting right and they have a nominal value of 10 RON/share (December 31<sup>st</sup>, 2009: 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 26<sup>th</sup> - December 7<sup>th</sup>, 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 27<sup>th</sup>, 2007 being granted by the Sibiu Trade Register Office.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. CONTRIBUTIONS AND FINANCING SOURCES (CONTINUED)

From January 24<sup>th</sup>, 2008, the amount of 1.177.384 shares are traded with the Bucharest Stock Exchange. On December 31<sup>st</sup>, 2010, the number of the shares which are traded at the Bucharest Stock Exchange amounts to 1.354.254 (2009: 1.354.171).

#### c) Bonds

The company did not have bonds issued on December 31<sup>st</sup>, 2010 nor on December 31<sup>st</sup>, 2009.

### 8. INFORMATION REGARDING THE EMPLOYEES, DIRECTORS AND MANAGERS

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

|                     | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u><br/>(RON)</b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup><br/>2010</u><br/>(RON)</b> |
|---------------------|---|---|
| Salary expenditure: | 3.807.285   | 3.664.425   |
| Directors           | 152.944   | 4.020   |
| Managers            | 3.654.341   | 3.660.405   |

|   | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u><br/>(RON)</b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup><br/>2010</u><br/>(RON)</b> |
|---|---|---|
| Salaries to be paid at the end of the period: | 335.078   | 142.516   |
| Directors                                     | 148.924   | 235   |
| Managers                                      | 186.154   | 142.281   |

The company concluded contracts for professional liability insurance for a number of 54 persons which are members of the company's management team. The policy was concluded with S.C. Carpatica Asig S.A. Sibiu, declared a winner after applying the procedure "request for proposal". The total insured amount was 55.000.000 Euros, for an insurance premium of 75.000 Euros/year.

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

Throughout the financial year, 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

## NOTES TO THE FINANCIAL STATEMENTS

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 31<sup>st</sup>, 2010, the company had an average number of 4,962 employees (financial year ended on December 31<sup>st</sup>, 2009: 4.984).

The employees is further analyzed as follows:

|  | <u>2009</u>  | <u>2010</u>  |
|--|--------------|--------------|
| Administrative personnel                     | 1.102        | 1.193        |
| Directly and indirectly productive personnel | <u>3.882</u> | <u>3.769</u> |
|  | <u>4.984</u> | <u>4.962</u> |

|                             | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2009</u><br>(RON) | Financial year<br>ended on<br><u>December 31<sup>ST</sup></u><br><u>2010</u><br>(RON) |
|-----------------------------|---|---|
| Employee salary expenditure | <u>175.376.233</u>  | <u>194.404.585</u>  |

|   | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2009</u><br>(RON) | Financial year<br>ended on<br><u>December 31<sup>ST</sup></u><br><u>2010</u><br>(RON) |
|---|---|---|
| Salaries to be paid at the end of the period: | <u>8.835.912</u>  | <u>10.721.395</u>   |

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 9. ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS

#### 1. Liquidity indicators

|  | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2009</u> | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2010</u> |
|--|--|--|
| a) Indicator of the current liquidity                  |  |  |
| $\frac{\text{Current assets}}{\text{Current debts}} =$ | 1,42   | 1,57   |

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

|  | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2009</u> | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2010</u> |
|--|--|--|
| b) Indicator of immediate liquidity                                    |  |  |
| $\frac{\text{Current assets} - \text{Stocks}}{\text{Current debts}} =$ | 1,31   | 1,49   |

#### 2. Risk indicators

|   | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2009</u><br>(%) | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2010</u><br>(%) |
|---|---|---|
| a) Indicator of the indebttness degree                            |   |   |
| $\frac{\text{Borrowed capital}}{\text{Own capital}} \times 100 =$ | 1,76  | 3,04  |

Where:

- borrowed capital = credits over one year.

|   | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2009</u> | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2010</u> |
|---|--|--|
| b) Indicator regarding the interest coverage  |  |  |
| $\frac{\text{Profit prior to the payment of the interest and the profit tax}}{\text{Interest expenditure}} =$ | 29,57  | 83,66  |

#### 3. Operation indicators (management indicators)

|                            | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2009</u><br>(days) | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2010</u><br>(days) |
|----------------------------|--|--|
| a) Debt turnover - clients |  |  |



## NOTES TO THE FINANCIAL STATEMENTS

|    |  |  |  |
|----|--|--|--|
|    | $\frac{\text{Average balance - clients}}{\text{Turnover}} \times 365 =$                          | 99   | 97   |
| b) | Credit turnover - supplier   |  |  |
|    |  | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u><br/>(days)</b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2010</u><br/>(days)</b> |
|    | $\frac{\text{Average balance - suppliers}}{\text{Purchases of goods and services}} \times 365 =$ | 84   | 86   |

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

|    |   |   |   |
|----|---|---|---|
| c) | Turnover of fixed assets  |   |   |
|    |   | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u></b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2010</u></b> |
|    | $\frac{\text{Turnover}}{\text{Fixed assets (including the public domain)}} =$ | 0,49  | 0,48  |
| d) | Turnover of total assets  |   |   |
|    |   | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u></b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2010</u></b> |
|    | $\frac{\text{Turnover}}{\text{Total assets (including the public domain)}} =$ | 0,35  | 0,34  |

### 4. Profitability indicators

|    |   |   |   |
|----|---|---|---|
| a) | Profitability of the used capital   |   |   |
|    |   | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u><br/>(%)</b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2010</u><br/>(%)</b> |
|    | $\frac{\text{Profit prior to the payment of the interest and the profit tax}}{\text{Used capital}} =$ | 15,55   | 17,15   |
| b) | Gross sales margin  |   |   |
|    |   | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u><br/>(%)</b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2010</u><br/>(%)</b> |
|    | $\frac{\text{Gross profit from sales}}{\text{Turnover}} =$  | 29  | 34  |

## NOTES TO THE FINANCIAL STATEMENTS

### 5. indicators regarding the result per share

#### a) Basic/diluted earnings per share

|   | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u></b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2010</u></b> |
|---|---|---|
| $\frac{\text{Profit of the financial year}}{\text{Average number of shares}} =$ | 25,36   | 31,97   |

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

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

|  | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u></b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2010</u></b> |
|--|---|---|
| $\frac{\text{Market price of the share}}{\text{Result per share}} =$ | 5,72  | 7,06  |

## 10. OTHER INFORMATION

### a) Presentation of the company

The company Transgaz S.A. Mediaș has its office in Piața C.I. Motaș nr. 1, Mediaș, 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, respectively.

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

## NOTES TO THE FINANCIAL STATEMENTS

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 5 B.

### 10. OTHER INFORMATION (CONTINUED)

The main exchange rates used for exchanging into RON the balances in foreign currency on December 31st, 2009 and on December 31st, 2010 are the following:

| <u>Foreign currency</u>  | <u>Abbrevia<br/>tion</u> | <u>Exchange rate</u><br><u>(RON for 1 unit of foreign currency)</u> |                                      |
|--------------------------|--------------------------|---|--------------------------------------|
|                          |                          | <u>December 31<sup>ST</sup> 2009</u>                                | <u>December 31<sup>ST</sup> 2010</u> |
| US dollar                | USD                      | 2,9361  | 3,2045                               |
| European Unique Currency | EUR                      | 4,2282  | 4,2848                               |

**d) Information regarding the current profit tax**

|  | <u>Financial year<br/>ended on<br/>December 31<sup>ST</sup> 2009</u> | <u>Financial year<br/>ended on<br/>December 31<sup>ST</sup><br/>2010</u> |
|--|--|--|
|  | <u>(RON)</u>   | <u>(RON)</u>   |
| Total income                                       | 1.258.467.898  | 1.377.109.896  |
| Total expenses                                     | (959.836.357)  | (1.000.756.910)  |
| Net accounting profit                              | 298.631.541  | 376.352.986  |
| Non-taxable income                                 | (20.129.557)   | (153.370.692)  |
| Legal reserve                                      | -  | -  |
| Nondeductible expenses                             | <u>134.769.499</u>   | <u>271.333.514</u>   |
| Taxable profit                                     | 413.271.483  | 494.315.808  |
| Calculated tax profit                              | 66.123.437   | 79.090.529   |
| Fiscal credit:<br>amounts representing sponsorship | <u>(3.473.473)</u>   | <u>(3.938.994)</u>   |
| Current tax profit                                 | <u>62.649.964</u>  | <u>75.151.535</u>  |

## NOTES TO THE FINANCIAL STATEMENTS

The tax rate is 16% in both presented years.

### 10. OTHER INFORMATION (CONTINUED)

#### e) Turnover

Presentation of the turnover based on types of operations:

|   | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u></b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup></u><br/><u>2010</u></b> |
|---|---|--|
|   | <b>(RON)</b>  | <b>(RON)</b>   |
| Income from internal transport services<br>and international gas transit services | 1.181.929.757   | 1.308.102.616  |
| Income from various activities  | <u>5.420.536</u>  | <u>4.895.316</u>   |
|   | <b><u>1.187.350.293</u></b>   | <b><u>1.312.997.932</u></b>  |

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

The company has had the following expenses:

|         | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u></b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup></u><br/><u>2010</u></b> |
|---------|---|--|
|         | <b>(RON)</b>  | <b>(RON)</b>   |
| Rents   | 932.647   | 1.117.482  |
| Royalty | <u>118.192.976</u>  | <u>130.810.263</u>   |
|         | <b><u>119.125.623</u></b>   | <b><u>131.927.745</u></b>  |

#### g) Fees paid to the auditors

In 2010, the company paid to the auditors fees for the statutory financial audit for the year 2009 amounting to 115.744 lei, and other fees for other insurance services amounting to 92.595 RON. The fees do not include VAT.

## NOTES TO THE FINANCIAL STATEMENTS

### 10. OTHER INFORMATION (CONTINUED)

#### h) Possiblew debts and granted commitments

##### *Commitments*

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*

|                                     | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup></u><br><u>2010</u> |
|-------------------------------------|--------------------------------------|--|
|                                     | (RON)                                | (RON)  |
| Endorsements and warranties granted | <u>7.102.978</u>                     | <u>6.769.456</u>                               |

The endoisements 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

|                                     | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup></u><br><u>2010</u> |
|-------------------------------------|--------------------------------------|--|
|                                     | (RON)                                | (RON)  |
| Endorsements and warranties granted | <u>18.190.800</u>                    | <u>42.993.224</u>                              |

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

Standard&Poor's Agency maintained the Transgaz rating following the evaluation process recently carried out. The financial assessment agency Standard & Poor's published on January 26<sup>th</sup>, 2011 a report regarding the latest developments regarding the company's operations, under the perspective of the profitability, the structure of the capital, the cash flow, ending with the evaluation of the perspectives of such. The elements which support the rating granted to Transgaz in 2008 and whose perspective has undergone an improvement in March 2010, respectively BB+, with a stable perspective for the loans in foreign currency, respectively BBB-, with a stable perspective for the loans in national currency, have been reiterated.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. TRADE RECEIVABLES

|  | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup> 2010</u> |
|--|--------------------------------------|--------------------------------------|
|  | (RON)                                | (RON)                                |
| Trade receivables – internal clients                     | 309.964.200                          | 347.000.812                          |
| Trade receivables – external clients                     | 19.644.585                           | 24.098.653                           |
| Provisions for the depreciation of the trade receivables | <u>(93.855.043)</u>                  | <u>(52.938.683)</u>                  |
|  | <b><u>235.753.742</u></b>            | <b><u>318.160.782</u></b>            |

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

|  | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup> 2010</u> |
|--|--------------------------------------|--------------------------------------|
|  | (RON)                                | (RON)                                |
| Non-eligible VAT                                     | 4.157.122                            | 3.386.101                            |
| Interests to receive                                 | 166.950                              | 33                                   |
| Other receivables – various debtors                  | 5.225.763                            | 14.823.505                           |
| Provisions for the depreciation of other receivables | <u>-</u>                             | <u>(2.651.363)</u>                   |
|  | <b><u>9.549.835</u></b>              | <b><u>15.558.276</u></b>             |

### 13. CASH AT BANK AND IN HAND

|  | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup> 2010</u> |
|--|--------------------------------------|--------------------------------------|
|  | (RON)                                | (RON)                                |
| Cash assets at bank in RON               | 180.230.774                          | 24.358.988                           |
| Cash assets at banks in foreign currency | 14.654.100                           | 1.201.537                            |
| Cash in hand                             | 118.138                              | 126.276                              |
| Other amounts                            | <u>1.563.253</u>                     | <u>68.435</u>                        |
|  | <b><u>196.566.265</u></b>            | <b><u>25.755.236</u></b>             |

## NOTES TO THE FINANCIAL STATEMENTS

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

|                             | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup></u><br><u>2010</u> |
|-----------------------------|--------------------------------------|--|
|                             | (RON)                                | (RON)  |
| Cash at bank and in hand    | 196.566.265                          | 25.755.236                                     |
| Short term deposits at bank | -                                    | <u>171.755.392</u>                             |
|                             | <u>196.566.265</u>                   | <u>197.510.628</u>                             |

### 14. TRADE DEBTS WHICH SHOULD BE PAID WITHIN ONE YEAR

|  | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup></u><br><u>2010</u> |
|--|--------------------------------------|--|
|  | (RON)                                | (RON)  |
| External providers of fixed assets       | 1.520.497                            | -  |
| Internal providers of fixed assets       | 36.423.393                           | 45.934.147                                     |
| Internal providers                       | 46.303.349                           | 88.634.171                                     |
| External providers                       | 1.382.267                            | 141.720  |
| Internal providers – unreceived invoices | 26.697.729                           | 19.812.327                                     |
| External providers – unreceived invoices | -                                    | -  |
|  | <u>112.327.235</u>                   | <u>154.522.365</u>                             |

**NOTES TO THE FINANCIAL STATEMENTS**

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

|  | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup> 2010</u> |
|--|--------------------------------------|--------------------------------------|
|  | (RON)                                | (RON)                                |
| Profit tax   | 25.794.253                           | 22.126.286                           |
| VAT to be paid   | 21.117.738                           | 16.739.091                           |
| Other taxes and fees   | 37.718.700                           | 38.292.013                           |
| Social insurance   | 8.542.108                            | 7.965.196                            |
| Salary tax   | 2.966.588                            | 3.055.375                            |
| Penalties for dividends unpaid corresponding to the years 2000-2003 and 2006 | 51.717.551                           | 51.717.551                           |
| Other debts  | <u>17.249.920</u>                    | <u>19.607.715</u>                    |
|  | <b><u>165.106.858</u></b>            | <b><u>159.503.227</u></b>            |

*Penalties for the failure to timely pay the dividends*

During the years 2000, 2001, 2002 and 2003, the company declared yearly dividends 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 dividends 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**

|   | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup> 2010</u> |
|---|--------------------------------------|--------------------------------------|
|   | (RON)                                | (RON)                                |
| Current part of the long term loans (Note 17) | 59.151.955                           | 38.771.406                           |
| Interests to be paid                          | <u>129.676</u>                       | <u>171.199</u>                       |
|   | <b><u>59.281.631</u></b>             | <b><u>38.942.605</u></b>             |

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

| <u>Bank</u>                    | <u>Currency</u> | <u>Contract term</u>         | <u>Interest</u>  | <u>December 31<sup>ST</sup> 2010</u><br>(RON) |
|--------------------------------|-----------------|------------------------------|--|---|
| <i>Current account credits</i> |                 |                              |  |   |
| BRD Societe Generale           | RON             | August 31 <sup>ST</sup> 2011 | Romanian Interbank Offer Rate at 1 year + 0.90% per year |   |
|                                | -               |                              |  |   |



## **NOTES TO THE FINANCIAL STATEMENTS**

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The credit with BRD Group Societe General has a threshold of 45.000.000 RON and is available until August 31<sup>st</sup>, 2011. On December 31<sup>st</sup>, 2010, the company had not drawn amounts from that credit.

## NOTES TO THE FINANCIAL STATEMENTS

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

|   | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup> 2010</u> |
|---|--------------------------------------|--------------------------------------|
|   | (RON)                                | (RON)                                |
| Long term loans                               | 100.720.987                          | 117.480.932                          |
| Current part of the long term loans (Note 16) | <u>(59.151.955)</u>                  | <u>(38.771.406)</u>                  |
|   | <b><u>41.569.032</u></b>             | <b><u>78.709.526</u></b>             |

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

|                       | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup> 2010</u> |
|-----------------------|--------------------------------------|--------------------------------------|
|                       | (RON)                                | (RON)                                |
| Between 1 and 2 years | 23.462.644                           | 33.409.526                           |
| Between 2 and 5 years | 18.106.388                           | 45.300.000                           |
| Over 5 years          | -                                    | -                                    |
|                       | <b><u>41.569.032</u></b>             | <b><u>78.709.526</u></b>             |

The long term loans are analyzed below:

|   | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup> 2010</u> |
|---|--------------------------------------|--------------------------------------|
|   | (RON)                                | (RON)                                |
| Loan from the International Bank for Reconstruction and Development | 6.628.723                            | 4.917.776                            |
| Loans from Gazprombank  | 28.277.484                           | -                                    |
| Loan from ABN-AMRO Bank   | 5.103.109                            | -                                    |
| Loans from Efibanca   | 2.469.567                            | -                                    |
| Loan from UniCredit Tiriac  | 58.242.104                           | 37.063.156                           |
| Loan from BRD G.S.G.  | -                                    | <u>75.500.000</u>                    |
|   | <b><u>100.720.987</u></b>            | <b><u>117.480.932</u></b>            |

#### 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 1<sup>st</sup>, 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

## NOTES TO THE FINANCIAL STATEMENTS

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.

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

On October 2<sup>nd</sup>, 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, 2010: 1.534.646,81 USD) and has an interest of 0.5% over the cost of the Qualified Loans as IBRD stipulates. The interest rate applicable for 2010 was approximately 9.50%.

The loan was totally drawn and partially paid until December 31<sup>st</sup>, 2010.

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, valud 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 31<sup>st</sup>, 2010, a deposit of 507,666 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 April 2008. The reimbursement started in March 2008, in 19 quarterly installments.

#### **Loan from BRD Group Societe Generale**

The loan was contracted on December 16<sup>th</sup>, 2010 following a public tender procedure, with a margin of 0.5% over the ROBOR interest for 3 months and was meant for partially financing the company's investment program for the period 2010 – 2011. The contracted amount of 120.000.000 RON, was completely drawn until April 30<sup>th</sup>, 2011. The reimbursement started in March 2011 and shall be completed by 2015.

For the loans from BRD G.S.G. and Unicredit Tiriac warranties were granted under the form of the assignment of claims on the natural gas transport contract carried out by Transgaz with its clients as follows:

**Creditor**  
Unicredit Tiriac

**Assignment of claims**  
Interagro SA

## NOTES TO THE FINANCIAL STATEMENTS

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BRD – long term loan  
BRD – line of credit

Electrocentrale Galați SA  
Termoelectrica SA  
E.On Gaz România SA  
GDF SUEZ Energy Romania SRL  
Azomures SA

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Interest rate

The exposure to the risk concerning the variation of the interest rates and the actual interest rate are presented as follows:

|                        | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u></b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup></u><br/><u>2010</u></b> |
|------------------------|---|--|
|                        | (RON)   | (RON)  |
| <b>Total loans:</b>    |   |  |
| Variable interest rate | 85.909.476  | 117.480.932  |
| Fixed interest rate    | <u>14.811.511</u>   | <u>-</u>   |
|                        | <b><u>100.720.987</u></b>   | <b><u>117.480.932</u></b>  |

|  | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u></b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup></u><br/><u>2010</u></b> |
|--|---|--|
|  | (RON)   | (RON)  |

#### Actual interest rate:

|                       |       |      |
|-----------------------|-------|------|
| Long term loans - USD | 4,59  | 4,94 |
| Long term loans - EUR | 3,55  | 2,00 |
| Long term loans - RON | 12,97 | 5,89 |

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

|  | <b><u>December 31<sup>ST</sup> 2009</u></b> | <b><u>December 31<sup>ST</sup></u><br/><u>2010</u></b> |
|--|---|--|
|  | (RON)                                       | (RON)  |
| Obligations within the concession contracts<br>(Note 1 a)) | 482.787.647                                 | 482.787.647  |
| Other debts  | <u>3.092.098</u>                            | <u>2.727.549</u>                                       |
|  | <b><u>485.879.745</u></b>                   | <b><u>485.515.196</u></b>                              |

**19. EXPENSES FOR THE COMPENSATIONS, DONATIONS AND ASSETS DISPOSED**

|  | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u></b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup></u><br/><u>2010</u></b> |
|--|---|--|
|  | <b>(RON)</b>  | <b>(RON)</b>   |
| Gas grant                                  | 50.898.023  | 49.930.251   |
| Subsidies and donations                    | 3.477.664   | 6.283.955  |
| Expenses corresponding to the fixed assets | 508.608   | 2.053.044  |
| Other fines and compensations              | 679.951   | 2.889.913  |
| The employees' contribution to the profit  | 7.519.622   | 7.808.325  |
| Other operating expenses                   | <u>14.248.019</u>   | <u>5.009.846</u>   |
|  | <b><u>77.331.887</u></b>  | <b><u>73.975.334</u></b>   |

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.

**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 making the financial or operating decisions.

The affiliated/linked parties include the companies in which the company holds significant 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 authority to plan, manage and control the activities of both companies.

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

|                              | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2009</u> | Financial year<br>ended on<br><u>December 31<sup>ST</sup></u><br><u>2010</u> |
|------------------------------|--|--|
|                              | (RON)  | (RON)  |
| GDF SUEZ Energy Romania SA   | 245.439.969  | 278.336.183  |
| E. ON Gaz Romania SA         | 199.548.678  | 213.580.835  |
| Electrocentrale București SA | 123.344.851  | 129.070.196  |
| OMV Petrom SA                | 33.535.233   | 22.422.551   |
| Electrocentrale Galați SA    | 22.738.686   | 22.842.735   |
| Termoelectrica SA            | 11.193.284   | 5.409.918  |
| Electrocentrale Deva SA      | 8.311.556  | 5.959.629  |
| SNGN Romgaz SA               | 2.757.346  | 2.002.430  |
| Grup Dezvoltare Rețele SA    | <u>976.958</u>   | <u>1.144.649</u>   |
|                              | <b><u>647.846.561</u></b>  | <b><u>680.769.126</u></b>  |

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

|                                     | Financial year<br>ended on<br><u>December 31<sup>ST</sup> 2009</u> | Financial year<br>ended on<br><u>December 31<sup>ST</sup></u><br><u>2010</u> |
|-------------------------------------|--|--|
|                                     | (RON)  | (RON)  |
| SNGN Romgaz SA                      | 119.831  | 157.014  |
| E. ON Gaz Romania SA                | -  | 6.000  |
| E. ON Gaz Distribuție SA            | 5.130  | 601.342  |
| GDF SUEZ Energy Romania SA          | 1.936  | 23.257   |
| OMV Petrom SA                       | 4.827  | 71.019   |
| Electrocentrale București SA        | 902.143  | 500  |
| Electrocentrale Deva SA             | -  | 10.437   |
| Electrocentrale Galați SA           | -  | 23.856   |
| Electrocentrale Oradea SA           | -  | 500  |
| Termoelectrica SA                   | 500  | -  |
| NABUCCO GAS PIPELINE Romania<br>SRL | -  | 1.761  |
| BAT Medias                          | 1.149  | 5.827  |
| Grup Dezvoltare Rețele SA           | <u>3.355</u>   | <u>-</u>   |
|                                     | <b><u>1.038.871</u></b>  | <b><u>901.513</u></b>  |

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

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

|                          | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u><br/>(RON)</b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup><br/>2010</u><br/>(RON)</b> |
|--------------------------|---|---|
| E. ON Gaz Distributie SA | 37.412  | 9.954.775   |
| Termoelectrica SA        | -   | 7.682.895   |
| OMV Petrom SA            | <u>30.043.481</u>   | <u>43.351.260</u>   |
|                          | <b><u>30.080.893</u></b>  | <b><u>60.988.930</u></b>  |

**(iv) Natural gas purchases (excluding VAT)**

|                | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u><br/>(RON)</b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup><br/>2010</u><br/>(RON)</b> |
|----------------|---|---|
| SNGN Romgaz SA | <u>148.877.015</u>  | <u>134.173.113</u>  |

**(v) Purchases of other services (excluding VAT)**

|                              | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup> 2009</u><br/>(RON)</b> | <b>Financial year<br/>ended on<br/><u>December 31<sup>ST</sup><br/>2010</u><br/>(RON)</b> |
|------------------------------|---|---|
| OMV Petrom SA                | 4.677.435   | 4.078.850   |
| E. ON Gaz Romania SA         | 882.386   | 826.579   |
| GDF SUEZ Energy Romania SA   | 459.429   | 351.047   |
| SNGN Romgaz SA               | 39.081  | 235.291   |
| Electrocentrale Deva SA      | 20.873  | 12.168  |
| Electrocentrale Bucuresti SA | 10.990  | 9.986   |
| E. ON Gaz Distributie SA     | 2.831   | 6.785   |
| BAT Medias                   | <u>287.657</u>  | <u>1.022.455</u>  |



**20. TRANSACTIONS WITH THE AFFILIATED/LINKED PARTIES  
(CONTINUED)**
**(vi) Client receivables**

|                                      | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup></u><br><u>2010</u> |
|--------------------------------------|--------------------------------------|--|
|                                      | (RON)                                | (RON)  |
| Electrocentrale București SA         | 48.906.273                           | 46.717.105                                     |
| GDF SUEZ Energy Romania SA           | 47.270.682                           | 79.498.408                                     |
| E. ON Gaz Romania SA                 | 36.450.544                           | 74.305.662                                     |
| Electrocentrale Galați SA            | 4.177.154                            | 7.293.962                                      |
| OMV Petrom SA                        | 2.493.275                            | 1.264.774                                      |
| Termoelectrica SA (net of provision) | 1.902.654                            | 1.140.069                                      |
| Electrocentrale Deva SA              | 820.337                              | 1.081.044                                      |
| Grup Dezvoltare Rețele SA            | 205.679                              | 254.204  |
| BAT Medias                           | 82                                   | 231  |
| SNGN Romgaz SA                       | 14.371                               | 208.326  |
|                                      | <u>142.241.051</u>                   | <u>211.763.785</u>                             |

**(vii) Debts to the natural gas providers**

|             | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup></u><br><u>2010</u> |
|-------------|--------------------------------------|--|
|             | (RON)                                | (RON)  |
| SNGN Romgaz | <u>58.576.415</u>                    | <u>53.345.941</u>                              |

**(viii) Debts to providers of other services**

|                              | <u>December 31<sup>ST</sup> 2009</u> | <u>December 31<sup>ST</sup></u><br><u>2010</u> |
|------------------------------|--------------------------------------|--|
|                              | (RON)                                | (RON)  |
| E. ON Gaz Romania SA         | 199.372                              | 183.711  |
| OMV Petrom SA                | 163.137                              | 4.651  |
| GDF SUEZ Energy Romania SA   | 56.773                               | 90.154   |
| Electrocentrale Deva SA      | 2.027                                | 15.866   |
| Electrocentrale Bucuresti SA | 1.197                                | 1.094  |
| BAT Medias                   | 53.367                               | 114.850  |
| SNGN Romgaz SA               | 1.016                                | 923  |
|                              | <u>476.889</u>                       | <u>411.249</u>                                 |

## 21. FINANCIAL RISK MANAGEMENT

### Financial risk factors

Due to the type of operations carried out, the company is exposed to various risks including the following: the credit risk, the currency risk, the interest rate risk and the liquidity risk. The management of the company intends to reduce the potentially adverse effects associated with these risk factors upon the financial performance of the company.

*a. The credit risk*

The company is subject to a credit risk due to its trade receivables and the other types of receivables. The references regarding the creditworthiness of the clients are normally obtained from all the new clients, the due date of the debts is carefully monitored and the amounts due after the deadline is exceeded are promptly tracked.

*b. The currency risk*

The company is subject to variations in the exchange rate through the debt generated by the loans or the trade debts expressed in foreign currency. Due to the associated high risks, the company's policy is not to use financial instruments for reducing this risk.

*c. The interest rate risk*

The financial cash flows of the company are affected by the variations in the interest rate mainly due to the loans having a variable interest rate (Notes 16 and 17). The company does not use financial instruments in order to protect itself from the variation of the interest rate.

*d. The liquidity risk*

The cautious management of the liquidity risk involves maintaining sufficient cash and available credit lines (Note 16). Due to the type of operations, the company intends to have flexible financing options, by maintaining available credit lines for financing the operating activities.

**22. 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 has undergone multiple changes during recent years and is in a state of harmonization with the European Union jurisprudence. 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 determined on the basis of the period of the delay plus 0.04% delay interest per day). In Romania, the financial year remains open for the fiscal check for a period of 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 environment problems as being significant; as a result, the company did not register any obligations on December 31<sup>st</sup>, 2010 and December 31<sup>st</sup>, 2009 for any anticipated costs, including legal fees and consultancy 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 led, 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 an increase in the volatility of the exchange rate of the national currency, the increase in the interest rate and the continued recession. The management considers that it has taken all action necessary in order to minimize the effects of these uncertainties on the company's operations.

**22. 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 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

General Manager  
Mr. Florin Cosma

Manager of Economic Department  
Mr. Radu Moldovan

### INFORMATIVE DATA

- lei

| <b>I. Data regarding the recorded result</b>  | <b>Row no.</b> | <b>No. of units</b>      | <b>Amounts</b>              |                        |
|---|----------------|--------------------------|-----------------------------|------------------------|
| A   | B              | 1                        | 2                           |                        |
| Units recording profit  | 01             | 1                        | 376.352.986                 |                        |
| Units recording loss  | 02             |                          |                             |                        |
| <b>II. Data regarding payment due</b>   | <b>Row no.</b> | <b>Total columns 2+3</b> | <b>Of which</b>             |                        |
|   |                |                          | <b>For current activity</b> | <b>For investments</b> |
| A   | B              | 1                        | 2                           | 3                      |
| Overdue amounts – total (row 04+08+14 la 18 +22), of which:   | 03             | 364.380                  | 10.027                      | 354.353                |
| Overdue suppliers – total (row 05 to 07), of which:   | 04             | 364.380                  | 10.027                      | 354.353                |
| - over 30 days  | 05             |                          |                             |                        |
| - over 90 days  | 06             | 364.380                  | 10.027                      | 354.353                |
| - over 1 year.  | 07             | -                        | -                           | -                      |
| Overdue obligations to the social security budget – total (row 09 to 13), of which:                           | 08             | -                        | -                           | -                      |
| - contributions to state social security system due by the employers, employees and other assimilated persons | 09             | -                        | -                           | -                      |
| - contributions for the health insurance fund   | 10             | -                        | -                           | -                      |
| - contribution for additional retirement fund   | 11             | -                        | -                           | -                      |
| - contributions for the unemployment fund from the employees  | 12             | -                        | -                           | -                      |
| - other social debts  | 13             | -                        | -                           | -                      |
| Overdue debts to the special budget funds and other funds   | 14             | -                        | -                           | -                      |
| Overdue obligations to other creditors  | 15             | -                        | -                           | -                      |
| Taxes and fees unpaid at the due deadline to the state budget   | 16             | -                        | -                           | -                      |
| Taxes and fees unpaid at the due deadline to the local budgets  | 17             | -                        | -                           | -                      |
| Bank credits unpaid at the due date – total (row 19 to 21), of which:   | 18             | -                        | -                           | -                      |
| - overdue after 30 days   | 19             | -                        | -                           | -                      |
| - overdue after 90 days   | 20             | -                        | -                           | -                      |
| - overdue after 1 year  | 21             | -                        | -                           | -                      |
| Overdue interests   | 22             | -                        | -                           | -                      |

| <b>III. Average number of employees</b> | <b>Row no.</b> | <b>31.12.2009</b> | <b>31.12.2010</b> |
|---|----------------|-------------------|-------------------|
| A                                       | B              | 1                 | 2                 |
| Average number of employees             | 23             | 4.984             | 4.962             |

**FORM 30**

| <b>IV: Payments of interests and royalties</b>  | <b>Row no.</b> | <b>Amounts (RON)</b> |                   |
|---|----------------|----------------------|-------------------|
| Gross incomes from interest paid by the Romanian legal persons to the natural persons which do not reside in the member states of the European Union, of which:             | 24             |                      | -                 |
| - tax due to the state budget   | 25             |                      | -                 |
| Gross incomes from interest paid by the Romanian legal persons to the affiliated legal persons*) which do not reside in the member states of the European Union, of which:  | 26             |                      | -                 |
| - tax due to the state budget   | 27             |                      | -                 |
| Gross incomes from royalties paid by the Romanian legal persons to the affiliated legal persons*) which do not reside in the member states of the European Union, of which: | 28             |                      | -                 |
| - tax due to the state budget   | 29             |                      | -                 |
| <b>V. Meal tickets</b>  | <b>Row no.</b> | <b>Amounts (RON)</b> |                   |
| <b>A</b>  | <b>B</b>       | <b>1</b>             |                   |
| The value of the meal tickets granted to the employees  | 30             |                      | 9.160.451         |
| <b>VI. Expenses incurred for the research and development activity**)</b>   | <b>Row no.</b> | <b>31.12.2009</b>    | <b>31.12.2010</b> |
| <b>A</b>  | <b>B</b>       | <b>1</b>             | <b>2</b>          |
| Research and development expenses, of which:  | 31             | -                    | -                 |
| - of public funds   | 32             | -                    | -                 |
| - of private funds  | 33             | -                    | -                 |
| <b>VII. Innovation expenses ***)</b>  | <b>Row no.</b> | <b>31.12.2009</b>    | <b>31.12.2010</b> |
| <b>A</b>  | <b>B</b>       | <b>1</b>             | <b>2</b>          |
| Innovation expenses**)-total (rows 35 to 37), of which:   | 34             | -                    | -                 |
| - innovation expenses completed during the period   | 35             | -                    | -                 |
| - innovation expenses being completed during the period   | 36             | -                    | -                 |
| - innovation expenses abandoned during the period   | 37             | -                    | -                 |
| <b>VIII. Other information</b>  | <b>Row no.</b> | <b>31.12.2009</b>    | <b>31.12.2010</b> |
| <b>A</b>  | <b>B</b>       | <b>1</b>             | <b>1</b>          |
| Capital assets, in gross amounts (rows 39+47), of which:  | 38             | 43.758.906           | 70.670.054        |
| Assets held with affiliated entities, participating interests, other fixed assets and long term bonds, in gross amounts (rows 40 to 46), of which:                          | 39             | 39.001.547           | 62.911.283        |
| - listed shares issued by residents   | 40             | -                    | -                 |
| - unlisted shares issued by residents   | 41             | 24.581.475           | 24.578.237        |
| - shares issued by residents  | 42             | -                    | -                 |
| - bonds issued by residents   | 43             | -                    | -                 |
| - shares issued by the undertakings for collective investment (including the financial investment companies (SIF)) issued by residents                                      | 44             | -                    | -                 |
| - shares issued by non-residents  | 45             | 14.420.072           | 38.333.046        |
| - bonds issued by non-residents   | 46             | -                    | -                 |
| Long-term receivables, in gross amounts (rows 48+49), of which:   | 47             | 4.757.359            | 7.758.771         |
| - long term receivables in RON and expressed in RON, whose settlement is carried out function of the exchange rate of a certain currency (in acc. 267)                      | 48             | 4.757.359            | 7.374.572         |

**FORM 30**

|   |    |             |             |
|---|----|-------------|-------------|
| - long term receivables in foreign currency (in acc. 267)   | 49 | -           | 384.199     |
| Trade receivables, advance payments granted to suppliers and other assimilated accounts, in gross amounts (acc. 4092+411+413+418) | 50 | 329.608.785 | 371.099.465 |
| Receivables regarding the personnel and assimilated accounts (acc. 425+4282)  | 51 | 1.287.745   | 1.283.231   |
| Receivables regarding the social security budget and the state budget (acc. 431+437+4382+441+4424+4428+444+445+446+447+4482)      | 52 | 4.160.122   | 3.410.352   |
| The receivables of the entity in its relations with the affiliated entities (acc. 451)  | 53 | -           | -           |
| Other receivables (acc. 451+453+456+4582+461+471+473)   | 54 | 7.057.580   | 16.838.727  |
| Interests to cash in (acc. 5187)  | 55 | 166.950     | 33          |
| Short term investments, in gross amounts (acc. 501+505+506+508) (rows 57 to 63), of which:  | 56 | -           | -           |
| - listed shares issued by residents   | 57 | -           | -           |
| - unlisted shares issued by residents   | 58 | -           | -           |
| - shares issued by residents  | 59 | -           | -           |
| - bonds issued by residents   | 60 | -           | -           |
| - shares issued by the undertakings for collective investment (including the financial investment companies (SIF))                | 61 | -           | -           |
| - shares issued by non-residents  | 62 | -           | -           |
| - bonds issued by non-residents   | 63 | -           | -           |
| Other amounts to cash in (acc. 5113+5114)   | 64 | -           | -           |
| Cash in hand in RON and foreign currency (rows 66+67), of which:  | 65 | 118.138     | 126.277     |
| - in RON (acc 5311)   | 66 | 84.492      | 116.585     |
| - in foreign currency (acc 5314)  | 67 | 33.646      | 9.692       |
| Current accounts at bank in RON and foreign currency (rows 69+70), of which:  | 68 | 194.884.874 | 25.560.525  |
| - in RON (acc 5121)   | 69 | 180.230.774 | 24.358.988  |
| - in foreign currency (acc 5124)  | 70 | 14.654.100  | 1.201.537   |
| Other current accounts at the bank and letters of credit (rows 72+73), of which:  | 71 | 1.490.308   | -           |
| - amounts undergoing settlement, letters of credit and other amounts to be cashed in, in RON (acc. 5112+5125+5411)                | 72 | -           | -           |
| - amounts undergoing settlement and letters of credit in foreign currency (acc. 5125+5412)  | 73 | 1.490.308   | -           |
| Debts (rows 75+78+81+84+87+90+91+94 to 100), of which:  | 74 | 865.499.948 | 921.527.977 |
| - bond loans and the corresponding interest, in gross amounts (acc. 161+1681) (rows 76+77), of which:                             | 75 | -           | -           |
| - in RON  | 76 | -           | -           |
| - in foreign currency   | 77 | -           | -           |
| - short term internal bank credits and the corresponding interests (acc. 5191+5192+5197+of acc.5198), (rows 79+89), of which:     | 78 | -           | -           |
| - in RON  | 79 | -           | -           |
| - in foreign currency   | 80 | -           | -           |

**FORM 30**

|   |                |                   |                   |
|---|----------------|-------------------|-------------------|
| - short term external bank credits and the corresponding interests (acc. 5191+5194+5195+of acc.5198), (rows 82+83), of which:         | 81             | -                 | -                 |
| - in RON  | 82             | -                 | -                 |
| - in foreign currency   | 83             | -                 | -                 |
| - long term internal bank credits and the corresponding interests (acc. 1621+1622+1627+of acc.1682), (rows 85+86), of which:          | 84             | 63.345.533        | 112.670.249       |
| - in RON  | 85             | 58.242.104        | 112.670.249       |
| - in foreign currency   | 86             | 5.103.429         | -                 |
| - long term external credits (acc. 1623+1624+1625+ of acc.1682), (rows 88+89), of which:  | 87             | 37.505.130        | 4.981.882         |
| - in RON  | 88             | -                 | -                 |
| - in foreign currency   | 89             | 37.505.130        | 4.981.882         |
| - Credits from the state treasury (acc. 1626 + of acc. 1682)  | 90             | -                 | -                 |
| - Other loans and corresponding interests (acc. 166+167+1685+1686+1687) (rows 92+93), of which:                                       | 91             | 485.879.745       | 485.515.196       |
| - in RON and expressed in RON, whose settlement is carried out function of the exchange rate of a certain currency                    | 92             | 485.821.244       | 485.264.584       |
| - in foreign currency   | 93             | 58.501            | 250.612           |
| - Trade debts, advance payments received from clients and other assimilated accounts, in gross amounts (acc. 401+403+404+405+408+419) | 94             | 112.465.298       | 158.732.042       |
| - Debts regarding the personnel and assimilated accounts (acc. 421+423+424+426+427+4281)  | 95             | 10.639.501        | 12.405.966        |
| - Debts regarding the social security budget and the state budget (acc. 431+437+4381+441+4423+4428+444+446+447+4481)                  | 96             | 96.192.050        | 88.230.123        |
| - Debts of the entity in its relations with the affiliated entities (acc. 451)  | 97             | -                 | -                 |
| - Amounts owed to the shareholders (acc.455)  | 98             | -                 | -                 |
| - Other debts (acc. 451+453+455+456+457+4581+462+472+473+269+509)   | 99             | 59.472.691        | 58.992.519        |
| - Paid interest (acc. 5186)   | 100            | -                 | -                 |
| Subscribed and paid up capital (acc. 1012), (rows 102-105), of which:   | 101            | 117.738.440       | 117.738.440       |
| - listed shares   | 102            | 117.738.440       | 117.738.440       |
| - unlisted shares   | 103            | -                 | -                 |
| - shares  | 104            | -                 | -                 |
| - subscribed and paid up capital by non-residents (of acc. 1012)  | 105            | -                 | -                 |
| Patents and licenses (of acc. 205)  | 106            | 35.000.973        | 37.542.659        |
| <b>IX. Information regarding collaborator expenses</b>  | <b>Row no.</b> | <b>31.12.2009</b> | <b>31.12.2010</b> |
| <b>A</b>  | <b>B</b>       | <b>1</b>          | <b>2</b>          |
| Collaborator expenses (acc. 621)  | 107            | 76.458            | 138.231           |

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



**FORM 30**

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General Manager,  
Mr. Florin Cosma

Manager of Economic Department,  
Mr. Radu Moldovan

**STATEMENT OF FIXED ASSETS**

**1. FIXED ASSETS**

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| Statement of fixed assets                          | Gross values |                      |                    |                    |   |                                  |
|--|--------------|----------------------|--------------------|--------------------|---|----------------------------------|
|  | Row no.      | Initial balance      | Increases          | Reductions         |   | Final balance<br>(col.5 = 1+2-3) |
|  |              |                      |                    | Total              | Of which:<br>disassemblies and<br>scrapping |                                  |
| A  | B            | 1 (1)                | 2 (2)              | 3 (3)              | 4 (4)                                       | 5 (5)                            |
| <b>Intangible assets</b>                           |              |                      |                    |                    |   |                                  |
| Set-up and development expenses                    | 01           | -                    | -                  |                    | X   | -                                |
| Other fixed assets                                 | 02           | 531.464.508          | 7.454.570          | -                  | X   | 538.919.078                      |
| Advance payments and intangible assets in progress | 03           | 4.006.382            | 8.015.957          | 8.064.116          | X   | 3.958.223                        |
| <b>TOTAL (rows 01 to 03)</b>                       | <b>04</b>    | <b>535.470.890</b>   | <b>15.470.527</b>  | <b>8.064.116</b>   | <b>X</b>                                    | <b>542.877.301</b>               |
| <b>Tangible assets</b>                             |              |                      |                    |                    |   |                                  |
| Land lots  | 05           | 52.201.683           | 2.324.225          | -                  | X   | 54.525.908                       |
| Buildings  | 06           | 2.681.608.822        | 433.685.337        | 5.110.751          | 3.010.810                                   | 3.110.183.408                    |
| Technical equipment and machines                   | 07           | 168.997.167          | 23.173.798         | 3.114.628          | 2.943.350                                   | 189.056.337                      |
| Other equipment, machinery and furniture           | 08           | 12.971.375           | 945.274            | 49.134             | 49.134                                      | 13.867.515                       |
| Advance payments and tangible assets in progress   | 09           | 434.997.400          | 401.394.773        | 440.170.066        | X   | 396.222.107                      |
| <b>TOTAL (rows 05 to 09)</b>                       | <b>10</b>    | <b>3.350.776.447</b> | <b>861.523.407</b> | <b>448.444.579</b> | <b>6.003.294</b>                            | <b>3.763.855.275</b>             |

**FORM 40**

|   |           |                      |                    |                    |                  |                      |
|---|-----------|----------------------|--------------------|--------------------|------------------|----------------------|
| <b>Capital assets</b>                       | <b>11</b> | <b>43.758.906</b>    | <b>27.081.418</b>  | <b>170.270</b>     | <b>X</b>         | <b>70.670.054</b>    |
| <b>FIXED ASSETS – TOTAL (rows 04+10+11)</b> | <b>12</b> | <b>3.930.006.243</b> | <b>904.075.352</b> | <b>456.678.965</b> | <b>6.003.294</b> | <b>4.377.402.630</b> |

**FORM 40**
**2. DEPRECIATIONS**

- lei -

| Components of fixed assets                | Row no.   | Initial balance    | Depreciation during the year | Depreciation which is removed from the records | Depreciation at the end of the year (columns 9=6+7-8) |
|---|-----------|--------------------|------------------------------|--|---|
| A   | B         | 6 (1)              | 7 (2)                        | 8 (3)  | 9 (4)   |
| <b>Intangible assets</b>                  |           |                    |                              |  |   |
| Set-up and development expenses           | 13        | -                  | -                            | -  | -   |
| Other fixed assets                        | 14        | 39.387.868         | 5.698.001                    | -  | 45.085.869  |
| <b>TOTAL (rows 13+14)</b>                 | <b>15</b> | <b>39.387.868</b>  | <b>5.698.001</b>             | <b>-</b>                                       | <b>45.085.869</b>                                     |
| <b>Tangible assets</b>                    |           |                    |                              |  |   |
| Land lots                                 | 16        | -                  | 2.778                        | -  | 2.778   |
| Buildings                                 | 17        | 809.737.380        | 109.438.997                  | 3.310.739                                      | 915.865.638   |
| Technical equipment and machines          | 18        | 94.599.166         | 18.508.644                   | 2.880.723                                      | 110.227.087   |
| Other equipment, machinery and furniture  | 19        | 4.983.937          | 1.618.286                    | 30.018   | 6.572.205   |
| <b>TOTAL (rows 16 to 19)</b>              | <b>20</b> | <b>909.320.483</b> | <b>129.568.705</b>           | <b>6.221.480</b>                               | <b>1.032.667.708</b>                                  |
| <b>DEPRECIATIONS – TOTAL (rows 15+20)</b> | <b>21</b> | <b>948.708.351</b> | <b>135.266.706</b>           | <b>6.221.480</b>                               | <b>1.077.753.577</b>                                  |

**3. PROVISIONS FOR IMPAIRMENT**

- lei -

| Components of fixed assets                               | Row no.   | Initial balance   | Provisions created during the year | Write-back of provisions | Final balance<br>(columns 13 = 10+11-12) |
|--|-----------|-------------------|------------------------------------|--------------------------|--|
| A  | B         | 10 (1)            | 11 (2)                             | 12 (3)                   | 13 (4)                                   |
| <b>Intangible assets</b>                                 |           |                   |                                    |                          |  |
| Set-up and development expenses                          | 22        | -                 | -                                  | -                        | -  |
| Other fixed assets                                       | 23        | -                 | -                                  | -                        | -  |
| Advance payments and intangible assets in progress       | 24        | -                 | -                                  | -                        | -  |
| <b>TOTAL (rows 22 la 24)</b>                             | <b>25</b> | <b>-</b>          | <b>-</b>                           | <b>-</b>                 | <b>-</b>                                 |
| <b>Tangible assets</b>                                   |           |                   |                                    |                          |  |
| Land lots  | 26        | -                 | -                                  | -                        | -  |
| Buildings  | 27        | -                 | -                                  | -                        | -  |
| Technical equipment and machines                         | 28        | -                 | -                                  | -                        | -  |
| Other equipment, machinery and furniture                 | 29        | -                 | -                                  | -                        | -  |
| Advance payments and tangible assets in progress         | 30        | -                 | -                                  | -                        | -  |
| <b>TOTAL (rows 26 to 30)</b>                             | <b>31</b> | <b>-</b>          | <b>-</b>                           | <b>-</b>                 | <b>-</b>                                 |
| <b>Capital assets</b>                                    | 32        | <b>24.578.237</b> | -                                  | -                        | <b>24.578.237</b>                        |
| <b>Provisions for impairment – TOTAL (rows 25+31+32)</b> | <b>33</b> | <b>24.578.237</b> | -                                  | -                        | <b>24.578.237</b>                        |

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

 General Manager,  
Mr. Florin Cosma

 Manager of Economic Department,  
Mr. Radu Moldovan