S.N.G.N. ROMGAZ S.A.
INDIVIDUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY EU

TOGETHER WITH
THE INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of
S.N.G.N. Romgaz S.A.
Medias, Romania

INDEPENDENT AUDITOR'S REPORT

Report on the Individual Financial Statements

1. We have audited the accompanying individual financial statements of S.N.G.N. ROMGAZ S.A., which comprise the statement of individual financial position as at December 31, 2012, and the statement of individual comprehensive income, statement of individual changes in equity and statement of individual cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Individual Financial Statements

2. Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these individual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the individual financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the individual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the individual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the individual financial statements.

Deloitte

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the individual financial statements present fairly, in all material respects the individual financial position of S.N.G.N. ROMGAZ S.A. as at December 31, 2012, and its individual financial performance and its individual cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Matters

7. This report is made solely to the shareholders of the Company, as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholders of the Company as a body, for our audit work, for this report, or for the opinion we have formed.

Deloitte Audit SRL

Deloitte Audit SRL
Bucharest, Romania
August 22, 2013

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	Year ended Dec 31, 2012 '000 RON	Year ended Dec 31, 2011 '000 RON	Year ended Dec 31, 2010 '000 RON
Revenue	4	3,837,941	4,195,477	3,497,461
Cost of commodities sold	6	(904,580)	(1,168,545)	(715,785)
Investment income	5	148,326	106,797	94,287
Other gains and losses	7	(49,806)	76,596	(36,646)
Changes in inventory of finished goods and work in progress		110,852	80,545	80,007
Raw materials and consumables used	6	(118,364)	(131,475)	(125,868)
Depreciation, amortization and impairment expenses	8	(606,114)	(703,384)	(840,006)
Employee benefit expense	9	(503,044)	(478,322)	(477,755)
Finance cost	10	(24,233)	(24,705)	(27,463)
Exploration expense	14	(193,304)	(186,868)	(126,209)
Other expenses	11	(435,705)	(505,728)	(906,189)
Other income	4	133,672	82,074	106,372
Profit before tax		**1,395,641**	**1,342,462**	**522,206**
Income tax expense	12	(276,462)	(154,767)	(177,739)
Profit for the year		**1,119,179**	**1,187,695**	**344,467**
Weighted average no. of shares		38,303,838	38,303,838	38,303,838
Basic and diluted earnings per share		0.0292	0.031	0.009
Total comprehensive income for the year		**1,119,179**	**1,187,695**	**344,467**

The individual financial statements were approved by the board of directors and authorized for issue on August 22,, 2013.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

The accompanying notes form an integrant part of these financial statements.

STATEMENT OF INDIVIDUAL FINANCIAL POSITION AT DECEMBER 31, 2012

	Note	Dec 31, 2012 '000 RON	Dec 31, 2011 '000 RON	Dec 31, 2010 '000 RON
Assets				
Non-current assets				
Property plant and equipment	**13**	5,880,770	6,364,469	6,534,469
Other intangible assets	**15**	230,704	117,504	189,309
Associates	**26**	7,614	7,084	7,337
Trade and other receivables	**17a**	52,646	145,350	92,053
Other financial assets	**27, 31**	1,646	900	900
Other non-current assets	**29, 17b**	16,926	8,572	-
Total non-current assets		**6,190,306**	**6,643,879**	**6,824,068**
Current assets				
Inventories	**16**	507,849	451,241	1,084,461
Trade and other receivables	**17a**	906,806	930,760	860,337
Other financial assets	**31**	928,235	1,090,101	203,693
Other assets	**17b**	132,434	165,689	93,786
Cash and cash equivalents	**30**	1,739,330	1,428,649	808,335
Total current assets		**4,214,654**	**4,066,440**	**3,050,612**
Total assets		**10,404,960**	**10,710,319**	**9,874,680**
Equity and liabilities				
Capital and reserves				
Share capital	**18**	1,890,297	1,890,297	1,890,297
Reserves	**19**	1,773,651	1,680,547	1,602,021
Retained earnings		5,680,812	5,592,775	5,190,342
Total equity		**9,344,760**	**9,163,619**	**8,682,660**
Non-current liabilities				
Retirement benefit obligation	**21**	63,785	53,627	52,773
Deferred tax liabilities	**12**	257,835	266,159	400,310
Provisions	**21**	164,515	253,387	211,573
Total non-current liabilities		**486,135**	**573,173**	**664,656**

STATEMENT OF INDIVIDUAL FINANCIAL POSITION AT DECEMBER 31, 2012

	Note	Dec 31, 2012 '000 RON	Dec 31, 2011 '000 RON	Dec 31, 2010 '000 RON
Current liabilities				
Trade and other payables	**22**	292,685	638,688	286,144
Borrowings	**20**	-	6,803	13,230
Current tax liabilities		68,044	79,133	55,036
Provisions	**21**	28,735	20,130	27,132
Other liabilities	**22**	184,601	228,773	145,822
Total current liabilities		**574,065**	**973,527**	**527,364**
Total liabilities		**1,060,200**	**1,546,700**	**1,192,020**
Total equity and liabilities		**10,404,960**	**10,710,319**	**9,874,680**

The individual financial statements were approved by the board of directors and authorized for issue on August 22, 2013.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

STATEMENT OF INDIVIDUAL CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012

	Share capital '000 RON	Legal reserve '000 RON	Other reserves '000 RON	Retained earnings *) '000 RON
Balance as of Jan 1, 2012	**1,890,297**	**76,607**	**1,603,940**	**5,592,775**
Total comprehensive income for the year	-	-	-	1,119,179
Dividends paid	-	-	-	(938,038)
Increase other reserves	-	-	93,104	(93,104)
Balance as of Dec 31, 2012	**1,890,297**	**76,607**	**1,697,044**	**5,680,812**
Balance as of Jan 1, 2011	**1,890,297**	**76,607**	**1,525,414**	**5,190,342**
Total comprehensive income for the year	-	-	-	1,187,695
Dividends paid	-	-	-	(706,736)
Increase other reserves	-	-	78,526	(78,526)
Balance as of Dec 31, 2011	**1,890,297**	**76,607**	**1,603,940**	**5,592,775**
Balance as of Jan 1, 2010	**1,890,297**	**76,607**	**1,525,414**	**5,431,682**
Total comprehensive income for the year	-	-	-	344,467
Dividends paid	-	-	-	(585,806)
Balance as of Dec 31, 2010	**1,890,297**	**76,607**	**1,525,414**	**5,190,342**

Dividends per share in 2012 are of thousand RON 0.024 (2011: thousand RON: 0.018; 2010: thousand RON 0.015).

*) See, also, note 3 and note 18.

The individual financial statements were approved by the board of directors and authorized for issue on August 22, 2013.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

STATEMENT OF INDIVIDUAL CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

	Year ended Dec 31, 2012 '000 RON	Year ended Dec 31, 2011 '000 RON	Year ended Dec 31, 2010 '000 RON
Cash flows from operating activities			
Net profit for the year	**1,119,179**	**1,187,695**	**344,467**
Adjustments for:			
Income tax expense	276,462	154,767	177,739
Interest expense	562	1,097	1,673
Unwinding of decommissioning provision	23,671	23,608	25,790
Interest revenue	(148,326)	(106,797)	(94,287)
(Gain)/Loss on disposal of non-current assets	15,741	4,886	(21,178)
Change in decommissioning provision recognized in profit or loss, other than unwinding	(27,414)	(16,296)	(3,659)
Change in other provisions	20,377	4,960	6,687
Impairment of exploration assets	(81,696)	22,189	134,125
Exploration projects written-off	193,304	186,868	126,209
Impairment of property, plant and equipment	45,470	6,001	6,237
Depreciation and amortization	642,340	675,194	699,644
Impairment of investment in associates	-	3,391	-
Losses from trade receivables and other assets	134,707	(81,390)	56,926
Receivables reactivated	(115,824)	(100)	(1)
Movement in write-down allowances for inventory	-	(8,434)	(494)
	2,098,553	**2,057,639**	**1,459,878**
Movements in working capital:			
(Increase)/Decrease in inventory	(56,608)	641,654	(26,140)
(Increase)/Decrease in trade and other receivables	89,070	(318,195)	(283,349)
Increase/(Decrease) in trade and other liabilities	(382,836)	659,057	301,369
Cash generated from operations	**1,748,179**	**3,040,155**	**1,451,758**
Interest paid	(651)	(1,178)	(1,721)
Income taxes paid	(295,874)	(264,821)	(246,964)

The accompanying notes form an integrant part of these financial statements.

STATEMENT OF INDIVIDUAL CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Net cash generated by/(used in) operating activities	**1,451,654**	**2,774,156**	**1,203,073**
Cash flows from investing activities			
Acquisition of investments in associates	(530)	(3,138)	(700)
Decrease/(Increase) in other financial assets	178,593	(873,040)	(47,151)
Interest received	130,618	93,204	102,996
Proceeds from sale of non-current assets	793	1,008	48,028
Loans granted to associates	(8,119)	(8,347)	
Acquisition of non-current assets	(283,137)	(357,898)	(540,456)
Acquisition of exploration assets	(214,439)	(292,549)	(367,927)
Net cash (used in)/generated by investing activities	**(196,221)**	**(1,440,760)**	**(805,210)**
Cash flows from financing activities			
Repayment of borrowings	(6,714)	(6,346)	(4,544)
Dividends paid	(938,038)	(706,736)	(585,807)
Net cash (used in)/generated by financing activities	**(944,752)**	**(713,082)**	**(590,351)**
Net increase/(decrease) in cash and cash equivalents	**310,681**	**620,314**	**(192,488)**
Cash and cash equivalents at the beginning of the year	**1,428,649**	**808,335**	**1,000,823**
Cash and cash equivalents at the end of the year	**1,739,330**	**1,428,649**	**808,335**

The individual financial statements were approved by the board of directors and authorized for issue on August 22, 2013.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

1. BACKGROUND AND GENERAL BUSINESS

Information regarding Romgaz S.A., the "Company"

The Romanian gas sector was reorganized in accordance with Government Decision 575 published in the Official Gazette of June 27, 2001.

The Exploration and Production of Natural Gas Company "Exprogaz" SA merged with the National Company for Underground Storage of Natural Gas "Depogaz" SA – the new entity being called the Natural Gas National Company "Romgaz" SA, recorded as joint-stock company in compliance with legislation in force in Romania. S.N.G.N. Romgaz S.A. took over all rights and liabilities, staff and all ongoing contracts from the two merging companies. The Ministry of Economy and Commerce, as representative of the Romanian State, is the shareholder of S.N.G.N. Romgaz S.A. together with Fondul Proprietatea S.A.

Romgaz S.A. has as main activity:

1. geological research for the discovery of natural gas, crude oil and condensed reserves;
2. exploitation, production and usage, including trading, of mineral resources;
3. natural gas production for:
   - ensuring the storage flow continuity;
   - technological consumption;
   - delivery in the transportation system;
4. underground storage of natural gas;
5. commissioning, interventions, capital repairs for wells equipping the deposits, as well as the natural gas resources extraction wells, for its own activity and for third parties.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The individual financial statements of the Company have been prepared in accordance with the provisions of the International Financial Reporting Standards as adopted by the European Union (IFRS) For the purposes of the preparation of these financial statements, the functional currency of the Company is deemed to be the Romanian Leu (RON). IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB, however, the differences have no impact on the Company's individual financial statements for the years presented.

For all periods up to and including the year ended December 31, 2012, S.N.G.N. ROMGAZ S.A. prepared its individual financial statements in accordance with local generally accepted accounting principles (Local GAAP), represented by MOF 3055/2009 for the years 2012, 2011 and 2010. These are the Company's first set of individual financial statements prepared under IFRS as adopted by the EU. Refer to Note 3 for information on how the Company adopted IFRS.

Basis of preparation

The individual financial statements have been prepared on a going concern basis under the historical cost convention adjusted for hyperinflation effects until December 31, 2003 for share capital. For items of property, plant and equipment, the Company selected the deemed cost method allowed for by IFRS 1. The deemed cost as of January 1, 2010 was determined based on a valuation report prepared by an independent appraiser. These financial statements are prepared based on the statutory accounting records prepared by the Company in accordance with Romanian accounting principles which have been adjusted for to comply with IFRS. The principal accounting policies are set out below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Accounting is kept in Romanian and in the national currency. Items included in these individual financial statements are denominated in Romanian lei and have been prepared on a going concern basis.

The Company prepares individual financial statements as it has no subsidiaries and incorporated the entities associated, entities over which the Company has a significant influence, by equity accounting. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When necessary, adjustments are made to the financial statements of associates to bring their accounting policies into line with those used by the Company.

These individual financial statements are prepared for general purposes, for users familiar with the International Financial Reporting Standards as adopted by EU; these are not special purpose financial statements, prepared for listing purposes or other specific purposes. Consequently, these individual financial statements must not be used as sole source of information by a potential investor or other users interested in a specific transaction.

Associated entities

An associate is a company over which the Company exercises significant influence through participation in decision making on financial and operational policies of the entity invested in. The results, assets and liabilities of associates are incorporated in the individual financial statements using the equity method.

Joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

When the Company undertakes its activities under joint venture arrangements directly, the Company's share of jointly controlled assets and liabilities incurred jointly with other venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Company's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Company and their amount can be measured reliably.

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),

The adoption of these amendments to the existing standards has not led to any changes in the Company's accounting policies

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective *(continued)*

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" - Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 1 "Presentation of financial statements" -Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 32 "Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to various standards "Improvements to IFRSs (2012)" resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective *(continued)*

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at date of publication of the individual financial statements:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015),
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosures,
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014),
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the individual financial statements of the Company in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Company's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the individual financial statements, if applied as at the balance sheet date.

Revenue recognition

Revenues refer to goods sold (gas) and services supplied.

Revenue from the sale of goods is recognized when all of the following conditions are met:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition *(continued)*

Revenue from rendering of services is based on the stage of completion as a percentage from total revenues from service contract, the percentage being determined by the fraction between the performed services until the balance sheet date and the total services to be performed.

Revenue arising from royalties is recognized on an accrual basis in accordance with the substance of the relevant agreements.

Interest revenue is recognized periodically and proportionally as the respective revenue is generated on accrual basis.

Dividends are recognized as revenue when the legal right to receive payment is established.

Foreign currencies

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash. The Company operates in Romania and it has the Romanian Leu (RON) as its functional currency.

In preparing the individual financial statements of the Company, transactions in currencies other than functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognized in profit or loss in the period in which they arise.

Employee benefits

(1) Benefits granted upon retirement

In the normal course of business, the Company makes payments to the Romanian State on behalf of its employees, at statutory rates. All employees of the Company are members of the Romanian State pension plan. These costs are recognized in the statement of comprehensive income together with the related salary costs.

Based on the Collective Labor Agreement, the Company is liable to pay to its employees at retirement a number of gross salaries, according to the years worked for the Company, work conditions etc. To this purpose, the Company recorded a provision for benefits upon retirement. This provision was computed according to actuary methods based on estimates of the average salary, the average number of salaries payable upon retirement, on the estimate of the period when they shall be paid and it was brought to present value using a discount factor based on interest related to a maximum degree of security investments (government securities).

The Company does not operate any other pension scheme or post-retirement benefit plan and, consequently, has no obligation in respect of pensions.

(2) Employee participation to profit

For the years 2012, 2011 and 2010, the Company recorded an expense with a liability related to the fund for employee participation to profit in compliance with legislation in force.

Liabilities related to the fund for employee participation to profit will be settled in less than a year and are measured as the amounts to be paid at the time of settlement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions for decommissioning of wells and restoration of lands damaged by the activity of exploiting natural gas resources

Liabilities for decommissioning costs are recognized when the Company has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

The Company recorded a provision for decommissioning wells and restoring lands used in the activity of exploiting natural resources and returning them to the economic circuit. This provision was computed based on the estimated future expenditure determined in accordance with local conditions and requirements and it was brought to present value using a discount factor based on interest related to a maximum degree of security investments (government securities).

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognized. The item of property, plant and equipment is subsequently depreciated as part of the asset.

The Company applies IFRIC 1 related to Changes in existing decommissioning, restoration and similar liabilities.

The change in the decommissioning provision for wells is recorded as follows:

a. subject to (b), changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period.

b. the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in profit or loss.

c. if the adjustment results in an addition to the cost of an asset, the Company shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount, and shall account for any impairment loss.

Once the related asset has reached the end of its useful life, all subsequent changes of debt shall be recognised in the income statement in the year when they occur.

The periodical unwinding of the discount is recognised annually in profit or loss as a finance cost as it occurs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the individual financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost.

Property, plant and equipment

(1) Cost

(i) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of any decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

(ii) Development expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including service and unsuccessful development or delineation wells, is capitalized within property, plant and equipment and is depreciated from the commencement of production as described below in the accounting policy for property, plant and equipment.

(iii) Maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programmes are capitalized and amortized over the period to the next inspection. Overhaul costs for major maintenance programmes, and all other maintenance costs are expensed as incurred.

(2) Depreciation

For indirectly productive tangible assets, depreciation is computed using the straight–line method over the estimated useful life of assets, as follows:

Asset	**Years**
Specific buildings and constructions	10 - 50
Technical installations and machines	3 - 20
Other plant, tools and furniture	3 – 30

Land is not depreciated as it is considered to have an indefinite useful life.

For directly productive tangible assets (assets related to natural gas extraction), the Company applies the depreciation method based on the unit of production in order to reflect in the profit or loss an expense proportionate with income realized from sale of production obtained from the total natural gas reserve certified at the beginning of the period. According to this method the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the proved developed reserves at the beginning of the period.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at historical cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Items of tangible fixed assets that are retired or otherwise disposed of are eliminated from the statement of financial position along with the corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the current year's result.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

(1) Cost

Natural gas exploration, appraisal and development expenditure is accounted for using the principles of the successful efforts method of accounting.

(i) Exploration and appraisal expenditure

Costs directly associated with an exploration well are initially capitalized as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an intangible asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of natural gas are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment.

(ii) Other intangible assets

Licenses for software, patents and other intangible assets are recognized at acquisition cost. Exploitation and storage licenses issued by the National Authority for Energy Regulation (“ANRE”) and concessions for natural gas fields from the National Agency for Mineral Resources (“ANRM”) are recognized at cost from the moment they are obtained by the Company.

Intangible assets are not revalued.

(2) Amortization

(i) Development expenses

Capitalized development expenses are amortized on a straight-line basis starting with the date when production is launched for the period the asset is expected to generate economic benefits.

(ii) Other intangible assets

Patents, trademarks and other intangible assets are amortized using the straight-line method over their useful life, but not exceeding 20 years. Licenses related to the right of use of computer software are amortized over a period of 3 years. Exploitation, respectively storage licenses, are amortized over the period for which they were issued.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is generally determined using the specific identification method. The cost of finished goods and production in progress includes materials, labour, expense incurred for bringing the finished goods at the location and in the existent form and the related indirect production costs. Write down adjustments are booked against slow moving, damaged and obsolete inventory, when necessary. The net realizable value is estimated based on the selling price less any completion and selling expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities

Company's financial assets include cash and cash equivalents, trade receivables, other receivables, loans and other investments. Financial liabilities include interest-bearing bank loans and overdrafts and trade and other payables, accruals. For each item the accounting policies on recognition and measurement are disclosed in this note. Management believes that the estimated fair values of these instruments approximate their carrying amounts.

Financial assets are classified into the following categories: 'held-to-maturity investments' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, including trade and other receivables, bank balances and cash and other receivables, are initially recognized at fair value, net of transaction costs. Subsequently these are recorded at amortized cost using the effective interest method, less any impairment. Any difference between the initial recognition and repayable amount is recognized in profit and loss over the period of the loan, using the effective interest rate method.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities, other than financial liabilities at fair value through profit or loss, are deducted from the fair value of financial liabilities on initial recognition.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The classification of investment depends on the nature and purpose and is determined at the time of initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Available for sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or held-to-maturity investments.

Shares held in unquoted equity instrument are classified as being AFS and are stated at fair value where it can be measured. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

De-recognition of financial assets and liabilities

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves

Reserves include:

- legal reserves, which are used annually to transfer profits from retained profits, up to 5% of the statutory profit being transferred each year, but not to exceed 20% of the Company's statutory share capital;
- other reserves, which represent allocations from profit in accordance with Government Ordinance no. 64/2001, paragraph (g) for the Company's development fund.

Use of estimates

The preparation of the financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, that the management has made in the process of applying the Company's accounting policies, and that have the most significant effect on the amounts recognized in the individual financial statements.

Estimates related to revenue recognition

As of December 31, 2012 the Company recorded an estimate on invoices to be issued of thousand RON 388,109 (2011: thousand RON 598,288; 2010: thousand RON 354,552) related to goods delivered in the financial year for which no invoice was yet issued. In making its judgment, the management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed analysis, the management is satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate.

Estimates related to allowance for doubtful debts

One of the largest customer balance (S.C. ELECTROCENTRALE BUCURESTI S.A.) was assumed to be recoverable due to an in-kind settlement agreement whereby S.C. ELECTROCENTRALE BUCURESTI S.A. was to transfer one of its power units (CET IERNUT) to S.N.G.N. Romgaz S.A. An independent valuation report rendered this assumption invalid. Receivable balances were fully provided when preparing these financial statements (see also Note 17).

The Company recorded allowances for other bad debts related to receivables from various customers due to existing litigating cases related to these receivables. The estimated recoverability of the related receivables is nil.

The rest of the allowance for bad debt recorded relates to the effect of loss of value as a result of the exceeding of the maturity by more than 1 year. The estimate was performed based on prior history.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Estimates related to the exploration expenditure on undeveloped fields

If field works prove that the geological structures are not exploitable from an economic point of view or that they do not have hydrocarbon resources available, capitalised expenses are written off. The write off is performed based on geological experts technical expertise.

Estimates related to the developed proven reserves

The Company applies the depreciation method based on the unit of production in order to reflect in the income statement an expense proportionate with income realized from sale of production obtained from the total natural gas reserve certified at the beginning of the period. According to this method the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the gas reserve certified at the beginning of the period. The gas reserves are updated on an annual basis starting 2011 (in the previous years, the gas reserves were updated every five years) based on internal assessment approved by ANRM (the national authority).

Estimates related to the decommissioning provision

Liabilities for decommissioning costs are recognized when the Company has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

The Company recorded a provision for decommissioning wells and restoring lands used in the activity of exploiting natural resources and returning them to the economic circuit.This provision was computed based on the estimated future expenditure determined in accordance with local conditions and requirements and it was brought to present value using a discount factor based on interest related to a maximum degree of security investments (government securities).

Estimates related to the retirement benefit obligation

Under the Collective Labor Contract, the Company is obliged to pay to its employees when they retire a multiplicator of the gross salary, depending on the length within the Company, working conditions etc. This provision was calculated based on actuarial methods to estimate the average wage, the average number of employees to pay at retirement, the estimate of the period when they will be paid and was brought to this value using a discount factor based on interest on investments with the highest degree of safety (government bonds).

The Company does not operate any other pension plan or retirement benefits, and therefore has no other obligations relating to pensions.

Estimates regarding the environment provision

The Company records a provision for the restoration of land and for the redemption of the land to the agricultural circuit, based on management’s estimate of the necessary costs to be incurred in order to restore the land to its original state. The estimate is based on previous experience and based on budgeted well drilling and exploration.

Comparative information

For each item of the statement of financial position, the statement of comprehensive income, and, where is the case, for the statement of changes in equity and for the statement of cash flows, for comparative information purposes is presented the value of the corresponding item for the previous year ended.

3. ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

These individual financial statements for the year ended December 31, 2012, are the first individual financial statements that the Company has prepared in accordance with IFRS as endorsed by the EU. For periods up to and including the year ended December 31, 2012, the Company prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP, being the Ministry of Finance Order 3055/2009 for the years 2012, 2011 and 2010). Accordingly, the Company has prepared individual financial statements which comply with IFRS as endorsed by the EU applicable for annual periods ending on or after December 31, 2012, together with the comparative period data as at and for the year ended December 31, 2012.

In preparing these individual financial statements, the Company's opening individual financial position was prepared as at January 1, 2010 (date of transition).

This note explains the reconciliation of the individual statement of financial position and equity reported in accordance with previous GAAP to equity in accordance with IFRS for both the date of transition to IFRS (January 1, 2010) and the end of the latest period presented in the Company's most recent annual financial statements in accordance with previous GAAP (December 31, 2012) as well as a reconciliation to its total comprehensive income in accordance with IFRS for the latest period in the Company's most recent annual financial statements (for the year 2012).

	As at Dec 31, 2012 (end of last period presented under previous GAAP)		
	Previous GAAP	**Effect of transition to IFRSs**	**IFRSs**
	'000 RON	**'000 RON**	**'000 RON**
Assets			
Non-current assets			
Property plant and equipment	5,624,939	255,831	5,880,770
Other intangible assets	230,704	-	230,704
Associates	7,614	-	7,614
Trade and other receivables	-	52,646	52,646
Other financial assets	1,646	-	1,646
Other assets	22,749	(5,823)	16,926
Total non-current assets	**5,887,652**	**302,654**	**6,190,306**
Current assets			
Inventories	507,854	(5)	507,849
Trade and other receivables	1,603,745	(696,939)	906,806
Other financial assets	2,500,060	(1,571,825)	928,235
Other assets	377,957	(245,523)	132,434
Cash and cash equivalents	167,173	1,572,157	1,739,330
Total current assets	**5,156,789**	**(942,135)**	**4,214,654**
Total assets	**11,044,441**	**(639,481)**	**10,404,960**

3. ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

	As at Dec 31, 2012 (end of last period presented under previous GAAP)		
	Previous GAAP	Effect of transition to IFRSs	IFRSs
	'000 RON	'000 RON	'000 RON
Equity and liabilities			
Capital and reserves			
Issued capital	383,038	1,507,259	1,890,297
Reserves	8,363,254	(6,589,603)	1,773,651
Retained earnings	1,235,692	4,445,120	5,680,812
Total equity	**9,981,984**	**(637,224)**	**9,344,760**
Non-current liabilities			
Retirement benefit obligation	63,785	-	63,785
Deferred tax liabilities	-	257,835	257,835
Provisions	181,676	(17,161)	164,515
Total non-current liabilities	**245,461**	**240,674**	**486,135**
Current liabilities			
Trade and other payables	114,564	178,121	292,685
Current tax liabilities	-	68,044	68,044
Provisions	-	28,735	28,735
Deferred revenue	1,588	(1,588)	-
Other liabilities	700,844	(516,243)	184,601
Total current liabilities	**816,996**	**(242,931)**	**574,065**
Total liabilities	**1,062,457**	**(2,257)**	**1,060,200**
Total equity and liabilities	**11,044,441**	**(639,481)**	**10,404,960**

3. ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

	As at Jan 1, 2010 (date of transition)		
Assets	**Previous GAAP**	**Effect of transition to IFRSs**	**Opening IFRS statement of financial position**
	'000 RON	**'000 RON**	**'000 RON**
Non-current assets			
Property plant and equipment	5,341,523	1,371,024	6,712,547
Other intangible assets	159,458	-	159,458
Associates	7,537	(900)	6,637
Trade and other receivables	-	8,635	8,635
Other financial assets	-	900	900
Other assets	7,338	(7,338)	-
Total non-current assets	**5,515,856**	**1,372,321**	**6,888,177**
Current assets			
Inventories	1,076,185	(18,358)	1,057,827
Trade and other receivables	1,277,755	(387,134)	890,621
Other financial assets	388,971	(223,719)	165,252
Other assets	27,927	93,467	121,394
Cash and cash equivalents	773,766	227,057	1,000,823
Total current assets	**3,544,604**	**(308,687)**	**3,235,917**
Total assets	**9,060,460**	**1,063,634**	**10,124,094**
Equity and liabilities			
Capital and reserves			
Issued capital	383,038	1,507,259	1,890,297
Reserves	7,348,003	(5,745,982)	1,602,021
Retained earnings	577,451	4,854,231	5,431,682
Total equity	**8,308,492**	**615,508**	**8,924,000**

3. ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

	As at Jan 1, 2010 (date of transition)		
	Previous GAAP	Effect of transition to IFRSs	Opening IFRS statement of financial position
	'000 RON	'000 RON	'000 RON
Non-current liabilities			
Borrowings	11,966	-	11,966
Retirement benefit obligation	44,590	-	44,590
Deferred tax liabilities	-	463,533	463,533
Provisions	235,866	(44,353)	191,513
Total non-current liabilities	**292,422**	**419,180**	**711,602**
Current liabilities			
Trade and other payables	195,015	39,897	234,912
Borrowings	5,856	-	5,856
Current tax liabilities	-	61,037	61,037
Provisions	-	13,087	13,087
Deferred revenue	4,564	-	4,564
Other liabilities	254,111	(85,075)	169,036
Total current liabilities	**459,546**	**28,946**	**488,492**
Total liabilities	**751,968**	**448,126**	**1,200,094**
Total equity and liabilities	**9,060,460**	**1,063,634**	**10,124,094**

3. ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Equity reconciliation

	As at Jan 1, 2010 (date of transition)	As at Dec 31, 2012 (end of last period presented under previous GAAP)
	'000 RON	'000 RON
Total equity under previous GAAP	**8,308,492**	**9,981,984**
Correction of errors – carrying value of receivables (i)	(382,503)	(644,081)
Revaluation reserve (ii)	-	(995,451)
Correction of errors - decommissioning provision (iii)	(13,998)	(82,327)
Deferred tax (iv)	(428,187)	(257,835)
Property, plant and equipment (ii)	1,440,811	1,342,470
Others	(615)	-
Total adjustments to equity	**615,508**	**(637,224)**
Total equity under IFRS	**8,924,000**	**9,344,760**

Some of the most important effects of transition to IFRS are described below:

(i) Correction of errors – carrying value of receivables

One of the largest customer balance (S.C. ELECTROCENTRALE BUCURESTI S.A.) was assumed to be recoverable due to an in-kind settlement agreement whereby S.C. ELECTROCENTRALE BUCURESTI S.A. was to transfer one of its power units (CET IERNUT) to S.N.G.N. Romgaz S.A. An independent valuation report rendered this assumption invalid. Receivable balances were fully provided when preparing these financial statements (see also Note 17).

(ii) Revaluation reserve and property, plant and equipment

At the date of first time adoption of IFRS (date of transition being January 1, 2010), the Company adopted the fair value of tangible assets as deemed cost. Under local GAAP, the Company presented items of property, plant and equipment at revalued amounts. In the year ended December 31, 2011 the Company revalued its property, plant and equipment for local GAAP purposes. As in its individual IFRS financial statements the Company uses the cost model for property, plant and equipment, the results of the statutory revaluation were reversed. The fair value report resulted in an increase of thousand RON of 1,440,811 of the Company's property, plant and equipment. Subsequently, the individual financial statements were adjusted to reflect the new deemed cost in the movement and depreciation of its property, plant and equipment.

(iii) Correction of errors - decommissioning provision

The Company reanalyzed the concession terms used and total wells in its computation of the decommissioning provision, identifying errors in the terms used and wells for which a decommissioning obligation existed. Hence, it recalculated the decommissioning provision in accordance with legislation in force as of each year end date.

3. ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(iv) Deferred tax

Under local GAAP, the deferred tax concept was not recognized. As per IAS 12 “Income Taxes”, taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled, and deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled, should generate deferred tax liabilities or deferred tax assets.

An adjustment for recognition of deferred tax liability was booked against retained earnings in the Company’s opening individual financial statements as of the date of transition to IFRS, and subsequently in each year’s profit or loss.

Effect of IFRS adoption for the individual statement of comprehensive income for the year ended December 31, 2012

	Year ended Dec 31, 2012 (the latest period presented under previous GAAP)		
	Previous GAAP	**Effect of transition to IFRSs**	**IFRSs**
	'000 RON	**'000 RON**	**'000 RON**
Revenue	3,837,941	-	3,837,941
Cost of commodities sold	(904,580)	-	(904,580)
Investment income	148,326	-	148,326
Other gains and losses	25,619	(75,425)	(49,806)
Changes in inventory of finished goods and work in progress	110,852	-	110,852
Raw materials and consumables used	(151,783)	33,419	(118,364)
Depreciation and amortization expenses	(694,138)	88,024	(606,114)
Employee benefit expense	(503,092)	48	(503,044)
Finance cost	(561)	(23,672)	(24,233)
Exploration expense	-	(193,304)	(193,304)
Other expenses	(724,286)	288,581	(435,705)
Other income	384,535	(250,863)	133,672
Profit before tax	**1,528,833**	**(133,192)**	**1,395,641**
Income tax expense	(284,786)	8,324	(276,462)
Profit for the year	**1,244,047**	**(124,868)**	**1,119,179**
Total comprehensive income for the year	**1,244,047**	**(124,868)**	**1,119,179**

3. ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of profit	**Year ended Dec 31, 2012 (the latest period presented under previous GAAP)**
	'000 RON
Previous GAAP	**1,244,047**
Geological quota (v)	(53,740)
Correction of errors – see (i) above	(106,393)
Decommissioning provision – see (iii) above	9,588
Deferred tax – see (iv) above	(27,023)
Property, plant and equipment – see (ii) above	52,700
Total adjustment to profit or loss	**(124,868)**
Profit or loss under IFRSs	1,119,179
Total comprehensive income under IFRSs	**1,119,179**

(v) Geological quota

Geological quota included in the Company's statutory financial statements amounts to thousand RON 3,317,187 as of December 31, 2012 (thousand RON 3,370,583 as of December 31, 2011; thousand RON 3,362,272 as of December 31, 2010). The Company benefits from the geological quota facility whereby it can charge up to 35% of the value of gas sold and collected during the year. This facility was recognized in reserves for statutory purposes. Currently, this quota is restricted to investment purposes. The quota is recorded as an expense in the Company's statutory financial statements prepared in accordance with Romanian Accounting Standards and is non-deductible for fiscal purposes since 2004.

Of the total amount of thousand RON 3,317,187 as of December 31, 2012 (thousand RON 3,370,583 as of December 31, 2011; thousand RON 3,362,272 as of December 31, 2010), an amount of thousand RON 486,388 represents geological quota as of December 31, 2004. The Company has decided to maintain this as permanent reserves and not to be used anymore for investments. The geological quota and its use are subject to changes in legal requirements. The amount of thousand RON 486,388 is included in other reserves, the remaining balance being recorded in retained earnings.

Exploration expenses are recorded in the statutory financial statements as a reduction of the reserve related to the quota. For IFRS purposes, for the years ended December 31, 2012, December 31, 2011 and December 31, 2010 all transactions involving the geological quota were adjusted through profit or loss.

In accordance with Ministry of Public Finance Order No. 881/2012, companies listed on a regulated stock market must prepare IFRS financial statements. Following Romgaz's listing in 2013, for the year ended December 31, 2013 the Company will prepare financial statements in accordance with IFRS, which will be then subject to statutory audit. Those financial statements will be the basis for profit appropriation decisions by the Company's shareholders. Ministry of Public Finance Order no. 1286/2012 regulates the transition to IFRS. Following IFRS related restatements to the Company's financial statements, the structure of these financial statements will change significantly. The retained earnings following the transition to IFRS are not fully realised, hence it will not be subject to full distribution to shareholders as dividends.

3. ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

No statement of comprehensive income was produced under previous GAAP. Therefore the reconciliation of profit starts with profit under previous GAAP.

Effect of IFRS adoption to the individual statement of cash flows	**Year ended Dec 31, 2012 (the latest period presented under previous GAAP)**		
	Previous GAAP	**Effect of transition to IFRSs**	**IFRSs**
	'000 RON	**'000 RON**	**'000 RON**
Net cash flow from operating activities	1,219,505	232,149	1,451,654
Net cash flow from investing activities	720	(196,941)	(196,221)
Net cash flow from financing activities	(944,751)	(1)	(944,752)
Net increase (decrease) in cash and cash equivalents	**275,474**	**35,207**	**310,681**
Cash and cash equivalents at beginning of period	**1,441,391**	**(12,742)**	**1,428,649**
Cash and cash equivalents at end of period	**1,716,865**	**22,465**	**1,739,330**

Analysis of cash and cash equivalents under IFRSs	**Jan 1, 2010**	**Dec 31, 2012**
	'000 RON	**'000 RON**
Cash and cash equivalents consist of:		
Current bank accounts in RON	772,539	165,130
Current bank accounts in foreign currency	778	1,956
Petty cash	26	38
Short-term deposits	-	1,288,204
Treasury bonds with maturity below three months	227,478	283,983
Amounts under settlement	2	19
Total	**1,000,823**	**1,739,330**

4. REVENUE AND OTHER INCOME

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Revenue from gas sold - internal production	2,507,522	2,466,162	2,350,601
Revenue from gas acquired for resale	1,053,431	1,353,944	859,369
Revenue from sale of goods	447	675	328
Revenue from services	270,167	368,274	277,792
Other operating revenues	140,046	88,496	115,743
Total	**3,971,613**	**4,277,551**	**3,603,833**

Revenue from gas sold recorded in 2012 includes discounts granted of thousand RON 5,042 for early payment (2011: thousand RON 15,673, 2010: thousand RON thousand 76,755).

5. INVESTMENT INCOME

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Interest revenue	148,326	106,797	94,287
Total	**148,326**	**106,797**	**94,287**

6. COST OF COMMODITIES SOLD AND RAW MATERIALS AND CONSUMABLES USED

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Consumables used	115,699	125,109	120,977
Cost of gas sold	904,580	1,168,545	715,785
Other consumables	2,665	6,366	4,891
Total	**1,022,944**	**1,300,020**	**841,653**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

7. OTHER GAINS AND LOSSES

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Forex gain	10,823	8,432	20,317
Forex loss	(26,005)	(12,926)	(21,486)
Gain/(Loss) on disposal of property, plant and equipment	(15,741)	(4,866)	21,178
Allowances and write offs, net	(134,707)	81,390	(56,926)
Write down allowances for inventory, net	-	8,434	494
Reactivated receivables	115,824	100	1
Impairment of financial assets	-	(3,391)	-
Other losses	-	(577)	(224)
Total	**(49,806)**	**76,596**	**(36,646)**

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSE

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Depreciation	642,340	675,194	699,644
Out of which:			
Depreciation of property plant and equipment	623,177	653,068	678,548
Amortization of intangible assets	19,163	22,126	21,096
Impairment of fixed assets	(36,226)	28,190	140,362
Total depreciation, amortization and impairment	**606,114**	**703,384**	**840,006**

9. EMPLOYEE BENEFITS AND SOCIAL CHARGES

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Wages and salaries	379,946	360,364	363,193
Social security charges	112,154	106,755	103,600
Meal tickets	10,944	11,203	10,962
Total	**503,044**	**478,322**	**477,755**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

10. FINANCE COSTS

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Interest expense	562	1,097	1,673
Unwinding of the decommissioning provision	23,671	23,608	25,790
Total Interest	**24,233**	**24,705**	**27,463**

11. OTHER EXPENSES

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Electricity	107,082	86,876	80,151
Protocol and advertising	486	4,374	4,495
Logistic expenses	15,776	19,124	23,512
Taxes and duties	260,074	260,801	267,459
Bank commissions and similar charges	711	1,078	1,139
Insurance expenses	3,406	4,531	5,240
Compensations,fines and penalties	61	6,167	2,785
Provision expenses	(7,037)	(11,336)	3,028
Other operating expenses	55,146	134,113	518,380
Total	**435,705**	**505,728**	**906,189**

In 2010, the Company recorded an expense, in amount of thousand RON 400,000 representing a donation to the Romanian State as per Shareholders' decision. This was consequent upon the Government Ordinance 18/2010, where Romgaz could donate up to thousand RON 400,000.

12. INCOME TAXES

Income tax	**Year ended Dec 31, 2012**	**Year ended Dec 31, 2011**	**Year ended Dec 31, 2010**
Current year tax expense	284,786	288,918	240,962
Deferred income tax expense/(revenue)	(8,324)	(134,151)	(63,223)
Income tax expense	**276,462**	**154,767**	**177,739**

The tax rate used for the 2012, 2011 and 2010 reconciliations above is the corporate tax rate of 16% payable by corporate entities in Romania on taxable profits under tax law in that jurisdiction.

The total charge for the year can be reconciled to the accounting profit as follows:

Deferred tax reconciliation	**Year ended Dec 31, 2012**	**Year ended Dec 31, 2011**	**Year ended Dec 31, 2010**
Accounting profit before tax	**1,395,641**	**1,342,462**	**522,206**
Income tax expense calculated at 16%	223,303	214,794	83,553
Effect of income exempt of taxation	(44,295)	(105,893)	(7,109)
Effect of expenses that are not deductible in determining taxable profit	105,778	180,017	164,518
Effect of temporary differences	(8,324)	(134,151)	(63,223)
Income tax	**276,462**	**154,767**	**177,739**

12. INCOME TAXES (continued)

Components of deferred tax (asset)/liability:

	Dec 31, 2012		Dec 31, 2011		Dec 31, 2010	
Components of deferred tax	**Cumulative temporary differences**	**Deffered tax (asset)/liability**	**Cumulative temporary differences**	**Deffered tax (asset)/liability**	**Cumulative temporary differences**	**Deffered tax (asset)/liability**
Provisions	(261,640)	(41,862)	(330,751)	(52,920)	(298,692)	(47,792)
Other liabilities	-	-	-	-	(596)	(95)
Property, plant and equipment	2,101,600	336,256	2,304,338	368,694	3,089,140	494,262
Total	**1,611,470**	**257,835**	**1,663,491**	**266,159**	**2,501,946**	**400,310**
Charged to income		**(8,324)**		**(134,151)**		**(63,223)**

13. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage Assets	Tangible exploration assets - WIP	Capital work in progress - other	Total
	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON
Cost									
As of Jan 1, 2012	**89,021**	**360,665**	**4,266,532**	**791,656**	**153,141**	**1,370,645**	**650,503**	**211,008**	**7,893,171**
Additions, of which:	2,923	8,247	274,104	57,582	747	139,932	28,406	289,784	801,725
- transfers	1,343	7,662	245,500	48,133	543	139,932	-	12,467	455,580
- decommissioning	-	-	12,970	-	-	-	-	-	12,970
Disposals, of which:	-	(13,511)	(110,342)	(2,262)	(282)	(6,471)	(141,926)	(301,506)	(576,300)
- transfers	-	(12,465)	-	-	-	-	(141,581)	(301,267)	(455,313)
- exploration expenditure written-off	-	-	-	-	-	-	(345)	-	(345)
- decommissioning	-	-	(99,713)	-	-	-	-	-	(99,713)
As of Dec 31, 2012	**91,944**	**355,401**	**4,430,294**	**846,976**	**153,606**	**1,504,106**	**536,983**	**199,286**	**8,118,596**
Accumulated depreciation									
As of Jan 1, 2012	**-**	**26,739**	**921,082**	**204,463**	**46,755**	**137,319**	**-**	**-**	**1,336,358**
Charge for the period	-	13,969	395,492	109,199	23,755	80,762	-	-	623,177
Depreciation charged to JV	-	-	3,865	-	-	-	-	-	3,865
Disposals	-	(92)	(923)	(1,423)	(103)	(1,883)	-	-	(4,424)
As of Dec 31, 2012	**-**	**40,616**	**1,319,516**	**312,239**	**70,407**	**216,198**	**-**	**-**	**1,958,976**
Impairment									
As of Jan 1, 2012	**-**	**12,465**	**-**	**-**	**-**	**-**	**166,343**	**13,536**	**192,344**
Charge for the period	-	-	43,726	-	-	-	42,064	1,871	87,661
Transfers	-	(12,338)	-	-	-	-	-	12,338	-
Release during the period	-	(127)	-	-	-	-	(1,028)	-	(1,155)
As of Dec 31, 2012	**-**	**-**	**43,726**	**-**	**-**	**-**	**207,379**	**27,745**	**278,850**
Carrying value as of Jan 1, 2012	**89,021**	**321,461**	**3,345,450**	**587,193**	**106,386**	**1,233,326**	**484,160**	**197,472**	**6,364,469**
Carrying value as of Dec 31, 2012	**91,944**	**314,785**	**3,067,052**	**534,737**	**83,199**	**1,287,908**	**329,604**	**171,541**	**5,880,770**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage Assets	Tangible exploration assets - WIP	Capital work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of Jan 1, 2011	**84,846**	**324,946**	**4,030,295**	**650,334**	**150,719**	**1,296,944**	**674,469**	**272,918**	**7,485,471**
Additions, of which:	4,175	35,878	265,388	143,182	3,023	74,908	52,923	321,002	900,479
- transfers	2,176	35,752	200,048	142,790	3,023	74,908	-	-	458,697
- decommissioning	-	-	48,835	-	-	-	-	-	48,835
Disposals, of which:	-	(159)	(29,151)	(1,860)	(601)	(1,207)	(76,889)	(382,912)	(492,779)
- transfers	-	-	-	-	-	-	(76,889)	(382,829)	(459,718)
- decommissioning	-	-	(25,442)	-	-	-	-	-	(25,442)
As of Dec 31, 2011	**89,021**	**360,665**	**4,266,532**	**791,656**	**153,141**	**1,370,645**	**650,503**	**211,008**	**7,893,171**
Accumulated depreciation									
As of Jan 1, 2011	**-**	**13,206**	**483,421**	**98,463**	**23,798**	**63,085**	**-**	**-**	**681,973**
Charge for the period	-	13,694	433,805	107,005	24,114	74,450	-	-	653,068
Depreciation charged to JV	-	-	4,157	-	-	-	-	-	4,157
Disposals	-	(161)	(301)	(1,005)	(1,157)	(216)	-	-	(2,840)
As of Dec 31, 2011	**-**	**26,739**	**921,082**	**204,463**	**46,755**	**137,319**	**-**	**-**	**1,336,358**
Impairment									
As of Jan 1, 2011	**-**	**-**	**-**	**-**	**-**	**-**	**249,029**	**20,000**	**269,029**
Charge for the period	-	-	-	-	-	-	45,964	6,001	51,965
Transfers	-	12,465	-	-	-	-	-	(12,465)	-
Release during the period	-	-	-	-	-	-	(128,650)	-	(128,650)
As of Dec 31, 2011	**-**	**12,465**	**-**	**-**	**-**	**-**	**166,343**	**13,536**	**192,344**
Carrying value as of Jan 1, 2011	**84,846**	**311,740**	**3,546,874**	**551,871**	**126,921**	**1,233,859**	**425,440**	**252,918**	**6,534,469**
Carrying value as of Dec 31, 2011	**89,021**	**321,461**	**3,345,450**	**587,193**	**106,386**	**1,233,326**	**484,160**	**197,472**	**6,364,469**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage Assets	Tangible exploration assets - WIP	Capital work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of Jan 1, 2010	**80,869**	**298,822**	**3,708,851**	**536,971**	**143,263**	**1,011,428**	**615,258**	**469,784**	**6,865,246**
Additions, of which:	3,977	27,775	341,699	115,327	7,744	303,071	175,011	451,547	1,426,151
- transfers	2,363	27,758	308,769	113,995	7,882	303,071	-	-	763,838
- decommissioning	-	-	18,997	-	-	-	8,574	-	27,571
Disposals, of which:	-	(1,651)	(20,255)	(1,964)	(288)	(17,555)	(115,800)	(648,413)	(805,926)
- transfers	-	-	-	-	-	-	(115,800)	(647,883)	(763,683)
- decommissioning	-	-	(14,101)	-	-	-	-	-	(14,101)
As of Dec 31, 2010	**84,846**	**324,946**	**4,030,295**	**650,334**	**150,719**	**1,296,944**	**674,469**	**272,918**	**7,485,471**
Accumulated depreciation									
As of Jan 1, 2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Charge for the period	-	13,554	478,949	98,867	23,866	63,312	-	-	678,548
Depreciation charged to JV	-	-	4,586	-	-	-	-	-	4,586
Disposals	-	(348)	(114)	(404)	(68)	(227)	-	-	(1,161)
As of Dec 31, 2010	**-**	**13,206**	**483,421**	**98,463**	**23,798**	**63,085**	**-**	**-**	**681,973**
As of Jan 1, 2010	**-**	**-**	**-**	**-**	**-**	**-**	**138,936**	**13,763**	**152,699**
Charge for the period	-	-	-	-	-	-	110,093	6,237	116,330
Release during the period	-	-	-	-	-	-	-	-	-
As of Dec 31, 2010	**-**	**-**	**-**	**-**	**-**	**-**	**249,029**	**20,000**	**269,029**
Carrying value as of Jan 1, 2010	**80,869**	**298,822**	**3,708,851**	**536,971**	**143,263**	**1,011,428**	**476,322**	**456,021**	**6,712,547**
Carrying value as of Dec 31, 2010	**84,846**	**311,740**	**3,546,874**	**551,871**	**126,921**	**1,233,859**	**425,440**	**252,918**	**6,534,469**

14 EXPLORATION FOR NATURAL GAS RESOURCES

The following financial information represents the amounts included within S.N.G.N. Romgaz S.A. totals relating to activity associated with the exploration for and evaluation of natural gas resources. All such activity is recorded within the Upstream segment.

	Dec 31, 2012 '000 RON	Dec 31, 2011 '000 RON	Dec 31, 2010 '000 RON
Exploration expenditure written off	193,304	186,868	126,209
Net movement in exploration assets' impairment	(81,696)	22,189	134,125
Exploration assets	532,863	566,108	569,015
Liabilities	(27,245)	(5,378)	(2,786)
Net assets	505,618	560,730	566,229
Capital expenditure	227,709	292,121	361,486
Net cash used in investing activities	(214,439)	(292,549)	(367,927)

15. OTHER INTANGIBLE ASSETS

	Development expenses	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of Jan 1, 2012	**3,910**	**142,394**	**225,701**	**445**	**372,450**
Additions, of which:	236	12,624	199,303	4,881	217,044
- transfers	230	12,296	-	-	12,526
Disposals, of which:	-	(10,043)	(200,724)	(5,326)	(216,093)
- transfers	-	-	(7,467)	(5,326)	(12,793)
- exploration expenditure written-off	-	-	(192,959)	-	(192,959)
As of Dec 31, 2012	**4,146**	**144,975**	**224,280**	**-**	**373,401**
Accumulated amortization					
As of Jan 1, 2012	**3,815**	**107,378**	**-**	**-**	**111,193**
Charge for the period	137	19,026	-	-	19,163
Disposals	-	(8,680)	-	-	(8,680)
As of Dec 31, 2012	**3,952**	**117,724**	**-**	**-**	**121,676**
Impairment					
As of Jan 1, 2012	**-**	**-**	**143,753**	**-**	**143,753**
Charge for the period	-	-	-	-	-
Release during the period	-	-	(122,732)	-	(122,732)
As of Dec 31, 2012	**-**	**-**	**21,021**	**-**	**21,021**
Carrying value as of Jan 1, 2012	**95**	**35,016**	**81,948**	**445**	**117,504**
Carrying value as of Dec 31, 2012	**194**	**27,251**	**203,259**	**-**	**230,704**

15. OTHER INTANGIBLE ASSETS (continued)

	Development expenses	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of Jan 1, 2011	**3,910**	**121,814**	**182,453**	**10,587**	**318,764**
Additions, of which:	-	25,665	239,198	4,518	269,381
- transfers	-	24,491	-	-	24,491
Disposals, of which:	-	(5,085)	(195,950)	(14,660)	(215,695)
- transfers	-	-	(8,810)	(14,660)	(23,470)
- exploration expenditure written-off	-	-	(186,868)	-	(186,868)
As of Dec 31, 2011	**3,910**	**142,394**	**225,701**	**445**	**372,450**
Accumulated amortization					
As of Jan 1, 2011	**3,308**	**87,269**	**-**	**-**	**90,577**
Charge for the period	507	21,619	-	-	22,126
Disposals	-	(1,510)	-	-	(1,510)
As of Dec 31, 2011	**3,815**	**107,378**	**-**	**-**	**111,193**
Impairment					
As of Jan 1, 2011	**-**	**-**	**38,878**	**-**	**38,878**
Charge for the period	-	-	107,937	-	107,937
Release during the period	-	-	(3,062)	-	(3,062)
As of Dec 31, 2011	**-**	**-**	**143,753**	**-**	**143,753**
Carrying value as of Jan 1, 2011	**602**	**34,545**	**143,575**	**10,587**	**189,309**
Carrying value as of Dec 31, 2011	**95**	**35,016**	**81,948**	**445**	**117,504**

15. OTHER INTANGIBLE ASSETS (continued)

	Development expenses	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000RON	'000RON	'000RON	'000RON	'000RON
Cost					
As of Jan 1, 2010	**3,853**	**109,749**	**130,032**	**1,362**	**244,996**
Additions, of which:	57	13,280	186,475	11,154	210,966
- transfers	57	9,224	-	-	9,281
Disposals, of which:	-	(1,215)	(134,054)	(1,929)	(137,198)
- transfers	-	-	(7,507)	(1,929)	(9,436)
- exploration expenditure written-off	-	-	(126,209)	-	(126,209)
As of Dec 31, 2010	**3,910**	**121,814**	**182,453**	**10,587**	**318,764**
Accumulated amortization					
As of Jan 1, 2010	**2,772**	**67,920**	**-**	**-**	**70,692**
Charge for the period	536	20,560	-	-	21,096
Disposals	-	(1,211)	-	-	(1,211)
As of Dec 31, 2010	**3,308**	**87,269**	**-**	**-**	**90,577**
Impairment					
As of Jan 1, 2010	**-**	**-**	**14,846**	**-**	**14,846**
Charge for the period	-	-	57,470	-	57,470
Release during the period	-	-	(33,438)	-	(33,438)
As of Dec 31, 2010	**-**	**-**	**38,878**	**-**	**38,878**
Carrying value as of Jan 1, 2010	**1,081**	**41,829**	**115,186**	**1,362**	**159,458**
Carrying value as of Dec 31, 2010	**602**	**34,545**	**143,575**	**10,587**	**189,309**

16. INVENTORIES

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Spare parts and materials	121,399	108,139	113,282
Work in progress	258	74	622
Finished goods	211,024	132,339	81,227
Residual products	64	59	18
Inventories at third parties	35,231	74,500	68,227
Commodities (gas from import)	148,928	145,185	838,573
Packaging	4	4	5
Impairment for slow moving inventory	(9,059)	(9,059)	(17,493)
Total	**507,849**	**451,241**	**1,084,461**

17. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Trade receivables - short term	1,286,212	963,989	1,071,078
Bad debt allowances - short term (17 c)	(767,515)	(631,517)	(565,293)
Trade receivables - long term	104,078	198,074	292,396
Bad debt allowances - long term (17 c)	(51,432)	(52,724)	(200,343)
Accrued receivables	388,109	598,288	354,552
Total trade receivables	**959,452**	**1,076,110**	**952,390**

b) Other assets

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Advance paid to suppliers	32,185	125,192	64,350
Joint venture receivables	7,125	3,093	3,101
Loans to associates	16,466	8,347	-
Interest on loan to associates	460	225	-
Other receivables	89,344	34,081	19,226
Prepayments	1,934	2,823	4,807
VAT not yet due	1,865	518	2,315
Bad debt allowances for other receivables (17 c)	(19)	(18)	(13)
Total other assets	**149,360**	**174,261**	**93,786**

17. ACCOUNTS RECEIVABLE (continued)

c) Changes in the allowance for doubtful debts

	2012	2011	2010
	'000 RON	'000 RON	'000 RON
At Jan 1	**684,259**	**765,649**	**709,052**
Charge during the period	134,724	415,753	56,597
Releases during the period	(17)	(497,143)	-
At Dec 31	**818,966**	**684,259**	**765,649**

The Company concluded an agreement with one of its customers (S.C. Electrocentrale Bucuresti S.A.) to accept settlement of its receivables against transfer of a electricity production unit, assuming that the carrying value of this in kind settlement is sufficient to compensate the receivable. Based on an independent appraiser assessment the value is insufficient to recover the receivable. To reflect this, the Company has made corrections to the receivable balances and recorded a bad debt allowance of thousand RON 466,328 in its opening financial statements at the date of transition to IFRS, i.e. January 1, 2010. Subsequently, the cumulative allowance recorded for this receivable was of thousand RON 504,776 as of December 31, 2010, and thousand RON 537,689 as of December 31, 2011.

As of December 31, 2012, the Company recorded also allowances for bad debts related to receivables from GHCL Upsom of thousand RON 60,842 (2011: thousand RON 58,383; 2010: thousand RON 58,226), Interagro of thousand RON 48,188 (2011: thousand RON 52,723; 2010: thousand RON 185,568) and CET Iasi of thousand RON 46,271 (2011: thousand RON 27,204; 2010: thousand RON 14,775) due to existing financial conditions of these customers as well as ongoing litigating cases related to these receivables.

The rest of the allowance for bad debt recorded as of December 31, 2012, relates to the effect of loss of value as a result of the exceeding of the maturity by more than 1 year.

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Current and not impaired	282,597	168,844	331,418
Overdue receivables but not impaired			
less than 30 days overdue	11,971	12,040	25,395
30 to 90 days overdue	1,350	11,170	6,274
90 to 360 days overdue	63,274	24,700	16,774
over 360 days overdue	212,151	261,068	217,977
Total past due but not impaired	**288,746**	**308,978**	**266,420**

18. SHARE CAPITAL

	Share capital		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	‘000 RON	‘000 RON	‘000 RON
38,303,828 fully paid ordinary shares – nominal value	383,038	383,038	383,038
Hyperinflation adjustment	1,507,259	1,507,259	1,507,259
Total	**1,890,297**	**1,890,297**	**1,890,297**

The hyperinflation adjustment was recorded against retained earnings, in accordance with the provisions of IAS 29 Financial Reporting in Hyperinflationary Economies.

The shareholding structure as at December 31, 2012, December 31, 2011 and December 31, 2010 is as follows:

	Number of shares	Amount	Percentage (%)
		'000 RON	
Romanian State through the Ministry of Economy, Commerce and Business Environment (“M.E.C.M.A.”)	32,560,984	325,610	85,01
„Proprietatea” Fund	5,742,854	57,428	14,99
Total	**38,303,838**	**383,038**	**100,00**

All shares are ordinary and were subscribed and fully paid as at December 31, 2012. All shares carry equal voting rights and have a nominal value of RON 10/share. (December 31, 2011 and December 31, 2010: RON 10/share).

“Proprietatea” Fund

Based on Law 247- 2005 title VII art. 6 and art. 12 of Government Decision no.1481/ 2005, S.C “Fondul Proprietatea” S.A was incorporated, its initial share capital being created from assets stated under art.3 par. (1) let. a) – e) of title VII of Law 247/ 2005.

According to legal provisions in force, M.E.C.M.A. participated in 2005 to the creation of the initial capital of Fondul Proprietatea with shares in several trading companies in its portfolio. According to provisions 1.2 of Annex to Title VII of Law no.247/2005, M.E.C.M.A. contributed to the creation of capital of S.C. Fondul Proprietatea S.A. with shares representing 14.99% of Romgaz share capital as at that date.

19. RESERVES

Description and nature of the Company's reserves is as follows:

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Legal reserves	76,607	76,607	76,607
Other reserves	1,697,044	1,603,940	1,525,414
Total reserves	**1,773,651**	**1,680,547**	**1,602,021**

The legal reserves are made annually according to local requirements from the statutory profit of the Company, as per the quotas and within the limits set by the law (up to 20% of the issued capital). The legal reserves can be used only under the conditions stated by the law.

Other reserves represent allocations from profit in accordance with Government Ordinance no. 64/2001, paragraph (g) for the Company's development fund.

20. BORROWINGS

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Current portion			
Current portion of long-term loans	-	6,714	13,060
Interest related to long-term borrowings	-	89	170
	-	6,803	13,230
Long-term portion			
Long-term portion of long-term loans	-	-	-
Total borrowings	**-**	**6,803**	**13,230**

Long-term borrowing: loan from IBRD

The loan from the International Bank for Reconstruction and Development ("IBRD" – RO 3723) was granted with a view to rehabilitate the oil and gas sector in Romania, within a Loan Agreement signed on 1 June 1994.

The loan was denominated in USD (balance as at December 31, 2011: USD 2,010,348 the equivalent of thousand RON 6,714, balance as at December 31, 2010: USD 4,075,312 the equivalent of thousand RON 13,060) and was subject to an interest rate of 0.5% over the cost of Qualified Borrowings as provided by IBRD. The interest rate applicable in 2011 was approximately 7.97% (2010: approximately 7.67%).

As at December 31, 2010 the Company has not fulfilled all the financial covenants as per the contract concluded and the loan has been presented on short term.

As at December 31, 2012 the loan has been fully reimbursed.

20. BORROWINGS (continued)

Interest rate

Exposure to interest rates variance and effective interest rate are disclosed as follows:

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Floating interest rate	-	6.713	13.059

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	(%)	(%)	(%)
Effective interest rate: Long-term borrowings – foreign currency	8.03	7.97	7.67

21. PROVISIONS

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Decommissioning provision - long term portion	164,515	253,387	211,573
Decommissioning provision - short term portion	11,001	12,615	23,723
Retirement benefit obligation	63,785	53,627	52,773
Other provisions	17,734	7,515	3,409
Total	**257,035**	**327,144**	**291,478**

21. PROVISIONS (continued)

Decommissioning provision

At each balance sheet date, the Company revises estimates regarding future decommissioning liabilities, using best estimates considering the applicable legislation. In determining those provisions management of the Company considers existing and future technologies that are expected to be used in the period when it is expected that the costs will be incurred.

Decommissioning provision movement	**2012**	**2011**	**2010**
	'000 RON	**'000 RON**	**'000 RON**
At Jan 1	**266,002**	**235,296**	**199,695**
Additional provision recorded against non-current assets	12,970	48,835	27,571
Unwinding effect	23,671	23,608	25,790
Recorded in profit or loss	(27,414)	(16,296)	(3,659)
Release against non-current assets	(99,713)	(25,441)	(14,101)
At Dec 31	**175,516**	**266,002**	**235,296**

The Company makes full provision for the future cost of decommissioning natural gas wells on a discounted basis upon installation. The provision for the costs of decommissioning these wells at the end of their economic lives has been estimated using existing technology, at current prices or future assumptions, depending on the expected timing of the activity, and discounted using a real discount rate of 11% (2011 12.26%; 2010: 15.12%). The average period over which these costs are generally expected to be incurred is estimated to be approximately 17 years. While the provision is based on the best estimate of future costs and the economic lives of the wells, there is uncertainty regarding both the amount and timing of these costs.

Retirement benefit obligation

In the ordinary course of business, the Company make payments from health funds, state pensions and unemployment benefits on behalf of its employees at statutory rates. All Company's employees are members of the Romanian state pension plan. These costs are recognized in profit or loss in the same time with the wages recognition.

Under the Collective Labor Contract, the Company is obliged to pay to its employees when they retire a multiplicator of the gross salary, depending on their seniority within the Company, working conditions etc. This provision was calculated based on actuarial methods to estimate the average wage, the average number of employees to pay at retirement, the estimate of the period when they will be paid and was brought to this value using a discount factor based on interest on investments with the highest degree of safety (government bonds).

21. PROVISIONS (continued)

Retirement benefit obligation (continued)

The Company does not operate any other pension plan or retirement benefits, and therefore has no other obligations relating to pensions.

The provision for pensions and similar obligations amounting to thousand RON 63,785 was established for the benefits that employees will be granted at the time of retirement according to seniority in the gas industry under the collective labour agreement signed by employees of the Company. Increase of thousand RON 10,158 in the provision is due to change in the calculation assumptions regarding discount rate and wage growth rate.

Other provisions

As of December 31, 2012, the Company recorded a provision for environment restoration of thousand RON 17,734. The provision was recorded for the restoration of land and for the redemption of the land to the agricultural use, based on management's estimate of the necessary costs to be incurred in order to restore the land to its original state.

22. TRADE AND OTHER CURRENT LIABILITIES

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Accruals	36,379	18,134	23,150
Payables related to employees	42,138	41,366	36,912
Trade payables	19,277	25,071	21,803
Payables to fixed assets suppliers	58,909	20,422	35,763
Gas royalty	55,476	59,180	55,901
Social security taxes	13,254	14,944	14,058
Other current liabilities	17,029	7,508	8,251
Joint venture payables	2,594	4,214	3,886
Advances from customers	178,121	575,060	205,428
VAT	50,611	97,586	22,599
Other taxes payable	3,498	3,976	4,215
Total	**477,286**	**867,461**	**431,966**

23. FINANCIAL INSTRUMENTS

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, inflation risk interest rate risk), credit risk, liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance within certain limits. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. The Company does not use derivative financial instruments to hedge certain risk exposures.

Management reviews financial risks periodically, with the objective of ascertaining whether they are likely to exceed certain limits. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

23. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

(a) Market risk

(i) *Foreign exchange risk*

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and euro. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The Company imports gas from European countries, has foreign currency denominated trade payables.

Due to the high costs associated, the Company's policy is not to use derivative financial instruments to reduce this risk.

The official exchange rates were RON 3.3575 to USD 1 and RON 4.4287 to EUR 1 (December 31, 2011: RON 3.3393 to USD 1 and RON 4.3197 to EUR 1; December 31, 2010: RON 3.2045 to USD 1 and RON 4.2848 to USD 1).

(ii) *Inflation risk*

The official inflation rate in Romania, during the year ended December 31 2012 was under 10% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy starting with January 1, 2004.

(iii) *Interest rate risk*

The Company was exposed in the past to interest rate risk due to loans from the International Bank for Reconstruction and Development. In 2012 the Company had repaid all its loans.

As of December 31, 2012, the Company had granted variable interest bearing loans of thousand RON 16,466 (December 31, 2011: thousand RON 8,347; December 31, 2010: 0).

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents, deposits with banks, trade receivables and loans. The Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of impairment provision, cash and cash equivalents and loans, represent the maximum amount exposed to credit risk. The Company has a concentration of credit risk in respect of its top 4 clients, which together amount to 75% of trade receivable balance at December 31, 2012. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the bad debt allowance already recorded.

23. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

(c) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's policy is to only resort to borrowing if investment needs cannot be financed internally.

(d) Fair value estimation

Carrying amount of financial assets and liabilities are assumed to approximate their fair values.

Financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short-term loans and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts. The carrying amounts represent the Company's maximum exposure to credit risk for existing receivables.

23. FINANCIAL INSTRUMENTS (continued)

Dec 31, 2012	EUR 1 EUR = 4.4287 '000 RON	GBP 1 GBP = 5.4297 '000 RON	USD 1 USD = 3.3575 '000 RON	RON 1 RON '000 RON	Total '000 RON
Financial assets					
Available for sale financial assets	-	-	-	1,646	1,646
Cash at bank and cash equivalents	24,071	14	366	1,714,879	1,739,330
Held-to-maturity investments	-	-	-	890,834	890,834
Interest on investments	-	-	-	37,401	37,401
Trade and other receivables	-	-	-	1,094,712	1,094,712
Loans granted	16,926	-	-	-	16,926
Total financial assets	**40,997**	**14**	**366**	**3,739,472**	**3,780,849**
Financial liabilities					
Trade and other payables	(39)	-	(27,985)	(267,661)	(295,685)
Total financial liabilities	**(39)**	**-**	**(27,985)**	**(267,661)**	**(295,685)**
Net	**40,958**	**14**	**(27,619)**	**3,471,811**	**3,485,164**

Dec 31, 2011	EUR 1 EUR = 4.3197 '000 RON	GBP 1 GBP = 5.1545 '000 RON	USD 1 USD = 3.3393 '000 RON	RON 1 RON '000 RON	Total '000 RON
Financial assets					
Available for sale financial assets	-	-	-	900	900
Cash at bank and cash equivalents	540	17	116	1,427,976	1,428,649
Held-to-maturity investments	-	-	-	1,070,839	1,070,839
Interest on investments	-	-	-	19,262	19,262
Trade and other receivables	-	-	-	1,191,762	1,191,762
Loans granted	8,572	-	-	-	8,572
Total financial assets	**9,112**	**17**	**116**	**3,710,739**	**3,719,984**
Financial liabilities					
Trade and other payables	(2,674)	-	(60)	(287,382)	(290,116)
Loans and accrued interest	-	-	(6,803)	-	(6,803)
Total financial liabilities	**(2,674)**	**-**	**(6,863)**	**(287,382)**	**(296,919)**
Net	**6,438**	**17**	**(6,747)**	**3,423,357**	**3,423,065**

23. FINANCIAL INSTRUMENTS (continued)

Dec 31, 2010	EUR 1 EUR = 4.2848 '000 RON	GBP 1 GBP = 4.9673 '000 RON	USD 1 USD = 3.2045 '000 RON	RON 1 RON '000 RON	Total '000 RON
Financial assets					
Available for sale financial assets	-	-	-	900	900
Cash at bank and cash equivalents	161	2	88	808,084	808,335
Held-to-maturity investments	-	-	-	198,558	198,558
Interest on investments	-	-	-	5,135	5,135
Trade and other receivables	-	-	-	984,874	984,874
Total financial assets	**161**	**2**	**88**	**1,997,551**	**1,997,802**
Financial liabilities					
Trade and other payables	(3,924)	-	(9,884)	(208,438)	(222,246)
Loans and accrued interest	-	-	(13,230)	-	(13,230)
Total financial liabilities	**(3,924)**	**-**	**(23,114)**	**(208,438)**	**(235,476)**
Net	**(3,763)**	**2**	**(23,026)**	**1,789,113**	**1,762,326**

23. FINANCIAL INSTRUMENTS (continued)

The Company is mainly exposed in respect of the exchange rate of the EUR and USD vs. RON. The following table details the Company's sensitivity to a 5% increase/decrease in EUR and USD against RON. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Weakening of RON			
Profit/(loss)	668	(14)	(1,339)

Liquidity and interest risk

As of December 31, 2012, the Company's exposure to interest risk is limited, due to the fact that it has no borrowings and financial assets bear a fixed interest rate, except for the loans granted by the Company. However, these loans do not pose significant interest risk.

Maturity analysis for non-derivative financial assets and financial liabilities

Dec 31, 2012	Due in less than a month	Due in 1 - 3 months	Due in 3 months to 1 year	Due in 1 - 5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	778,038	16,207	112,561	52,646	-	959,452
Treasury bills	-	-	890,834	-	-	890,834
Total	**778,038**	**16,207**	**1,003,395**	**52,646**	**-**	**1,850,286**
Trade payables	(292,685)	-	-	-	-	(292,685)
Total	**(292,685)**	**-**	**-**	**-**	**-**	**(292,685)**
Net	**485,353**	**16,207**	**1,003,395**	**52,646**	**-**	**1,557,601**

23. FINANCIAL INSTRUMENTS (continued)

Dec 31, 2011	Due in less than a month	Due in 1 - 3 months	Due in 3 months to 1 year	Due in 1 - 5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	863,283	16,748	50,729	145,350	-	1,076,110
Treasury bills and bank deposits	-	-	1,070,839	-	-	1,070,839
Total	**863,283**	**16,748**	**1,121,568**	**145,350**	**-**	**2,146,949**
Trade payables	(638,688)	-	-	-	-	(638,688)
Total	**(638,688)**	**-**	**-**	**-**	**-**	**(638,688)**
Net	**224,595**	**16,748**	**1,121,568**	**145,350**	**-**	**1,508,261**

Dec 31, 2010	Due in less than a month	Due in 1 - 3 months	Due in 3 months to 1 year	Due in 1 - 5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	789,278	12,647	58,412	92,053	-	952,390
Treasury bills	-	-	198,558	-	-	198,558
Total	**789,278**	**12,647**	**256,970**	**92,053**	**-**	**1,150,948**
Trade payables	(264,661)	-	-	-	-	(264,661)
Total	**(264,661)**	**-**	**-**	**-**	**-**	**(264,661)**
Net	**524,617**	**12,647**	**256,970**	**92,053**	**-**	**886,287**

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's management, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

24. RELATED PARTY TRANSACTIONS

The main transactions and balances with related parties are detailed below.

(i) Sales of goods and services

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Sales of services			
Romgaz SA's associates	21,392	19,013	15,724
Sales of goods			
Romgaz SA's associates	-	-	9,531
Total	**21,392**	**19,013**	**25,255**

(ii) Purchases of goods and services

	Year ended Dec 31, 2012	Year ended Dec 31, 2011	Year ended Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Purchases of services			
Romgaz SA's associates	-	3,345	2,160
Total	**-**	**3,345**	**2,160**

(iii) Balances arising from the sale/purchase of goods/services

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Receivables from related parties			
Romgaz SA's associates	-	2,856	-
Total	**-**	**2,856**	**-**

25. INFORMATION REGARDING THE EMPLOYEES AND THE MEMBERS OF THE ADMINISTRATIVE BODIES, MANAGEMENT AND SUPERVISORY

The remuneration of directors and managers

The Company has no contractual obligations on pensions to former executives and directors of the Company.

During the year, no loans and advances were granted to directors and managers of the Company, except for work related travel advances, and they do not owe any amounts to the Company from such advances.

	Year ended Dec 31, 2012 '000 RON	Year ended Dec 31, 2011 '000 RON	Year ended Dec 31, 2010 '000 RON
Salaries paid to directors	8,985	7,413	8,853

	Dec 31, 2012 '000 RON	Dec 31, 2011 '000 RON	Dec 31, 2010 '000 RON
Salaries payable to directors	465	605	729

26. ASSOCIATES

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%) Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
SC Amgaz SA Medias	gas production	Romania	35	35	35
SC Depomures SA Tg.Mures	storage of natural gas	Romania	40	40	40
Energia Torzym Polonia	gas production	Poland	30	30	30
Cybinka Polonia	gas production	Poland	30	30	30
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25	-

	Dec 31, 2012 '000 RON	Dec 31, 2011 '000 RON	Dec 31, 2010 '000 RON
Investments in associates	12,409	9,878	8,740
Impairment	(4,795)	(2,794)	(1,403)
Total	**7,614**	**7,084**	**7,337**

Due to insignificant size of these companies, the Company did not include in these individual financial statements as of December 31, 2012 its share of the results obtained by the associates in the year ended December 31, 2012.

27. OTHER FINANCIAL ASSETS

Other financial Investments

Company	Activity	Percentage held	Value as of Dec 31, 2012	Impairment as of Dec 31, 2012	Carrying value as of Dec 31, 2012
			'000 RON	**'000 RON**	**'000 RON**
MKB Romexterra Bank S.A.	other activities - financial intermediations	0.12%	840	-	840
Mi Petrogas Services S.A.	services related to oil and natural gas extraction, excluding field work	10%	60	-	60
Black Sea LPG Romania S.A.	foreign trade, oil products trading and maritime transportation	6.30%	50	50	-
S.C. GHCL Upsom	manufacture of other chemical, anorganic base products	4.21%	17,100	17,100	-
Vanco Int Ltd		10%	149	-	149
Lukoil Oil Company		10%	597	-	597
Total			**18,796**	**17,150**	**1,646**

27. OTHER FINANCIAL ASSETS (continued)

Other financial Investments

Company	Activity	Percentage held	Value as of Dec 31, 2011	Impairment as of Dec 31, 2011	Carrying value as of Dec 31, 2011
			'000 RON	'000 RON	'000 RON
MKB Romexterra Bank S.A.	other activities - financial intermediations	0.43%	840	-	840
Mi Petrogas Services S.A.	services related to oil and natural gas extraction, excluding field work	10%	60	-	60
Black Sea LPG Romania S.A.	foreign trade, oil products trading and maritime transportation	6.30%	50	50	-
S.C. GHCL Upsom	manufacture of other chemical, anorganic base products	4.21%	17,100	17,100	-
Total			**18,050**	**17,150**	**900**

27. OTHER FINANCIAL ASSETS (continued)

Other financial Investments

Company	Activity	Percentage held	Value as of Dec 31, 2010	Impairment as of Dec 31, 2010	Carrying value as of Dec 31, 2010
			'000 RON	**'000 RON**	**'000 RON**
MKB Romexterra Bank S.A.	other activities - financial intermediations	0.43%	840	-	840
Mi Petrogas Services S.A.	services related to oil and natural gas extraction, excluding field work	10%	60	-	60
Black Sea LPG Romania S.A.	foreign trade, oil products trading and maritime transportation	6.30%	50	50	-
S.C. GHCL Upsom	manufacture of other chemical, anorganic base products	4.21%	17,100	17,100	-
Total			**18,050**	**17,150**	**900**

28. SEGMENT INFORMATION

a) Products and services from which reportable segments derive their revenues

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the upstream segment, storage services and others, including headquarters. The Directors of the Company have chosen to organize the Company around difference in activities performed.

Specifically, the Company is organized in the following segments:

- upstream, which includes exploration activities, natural gas production and gas trade; these activities are performed by Medias, Mures and Bratislava branches.

- storage activities, performed by the Ploiesti branch;

- other activities, such as technological transport, well operations and corporate activities.

b) Segment assets and liabilities

Dec 31, 2012	Upstream '000 RON	Storage '000 RON	Other '000 RON
Property plant and equipment	4,005,412	1,368,467	506,891
Other intangible assets	210,276	885	19,543
Trade and other receivables	934,017	24,429	1,006
Other non-current assets	-	-	16,926
Inventories	410,297	80,971	16,581
Other financial assets	432	504	936,559
Other assets	28,526	17,410	86,498
Cash and cash equivalents	229,941	47,208	1,462,181
Total assets	**5,818,901**	**1,539,874**	**3,046,185**
Retirement benefit obligation	-	-	63,785
Deferred tax liabilities	-	-	257,835
Provisions	193,250	-	-
Other liabilities	28,610	1,562	222,473
Trade and other payables	245,645	4,909	42,131
Total liabilities	**467,505**	**6,471**	**586,224**

28. SEGMENT INFORMATION (continued)

Dec 31, 2011	Upstream '000 RON	Storage '000 RON	Other '000 RON
Property plant and equipment	4,393,512	1,284,874	686,083
Other intangible assets	91,347	853	25,304
Trade and other receivables	1,055,710	19,702	698
Other non-current assets	-	-	8,572
Inventories	354,216	74,031	22,994
Other financial assets	545	-	1,097,540
Other assets	17,623	37,628	110,438
Cash and cash equivalents	194,026	42,066	1,192,557
Total assets	**6,106,979**	**1,459,154**	**3,144,186**
Retirement benefit obligation	-	-	53,627
Deferred tax liabilities	-	-	266,159
Provisions	273,517	-	-
Other liabilities	25,387	1,291	281,228
Trade and other payables	601,784	4,722	32,182
Borrowings	-	-	6,803
Total liabilities	**900,688**	**6,013**	**639,999**

Dec 31, 2010	Upstream '000 RON	Storage '000 RON	Other '000 RON
Property plant and equipment	4,497,468	1,288,343	748,658
Other intangible assets	169,497	1,349	18,463
Trade and other receivables	925,313	26,407	670
Inventories	976,756	93,789	13,916
Other financial assets	1,236	-	210,694
Other assets	44,931	26,957	21,898
Cash and cash equivalents	141,498	19,261	647,576
Total assets	**6,756,699**	**1,456,106**	**1,661,875**
Retirement benefit obligation	-	-	52,773
Deferred tax liabilities	-	-	400,310
Provisions	238,705	-	-
Other liabilities	25,359	2,326	173,173
Trade and other payables	236,827	6,432	42,885
Borrowings	-	-	13,230
Total liabilities	**500,891**	**8,758**	**682,371**

28. SEGMENT INFORMATION (continued)

The Company's main clients are identified in the table below. All sales are revenue recorded in the upstream segment.

Client	Year ended Dec 31, 2012 '000 RON	Year ended Dec 31, 2011 '000 RON	Year ended Dec 31, 2010 '000 RON
E.ON GAZ ROMANIA SA TG.MURES	955,507	605,978	456,130
SC GDF SUEZ SA	731,126	743,846	459,992
ELECTROCENTRALE BUCURESTI	332,981	300,453	229,335
AZOMURES	322,626	486,748	332,543
SC CONEF SRL	230,214	200,458	200,343
ARELCO BUCURESTI	207,617	140,384	61,842
ELECTROCENTRALE GALATI	191,729	167,863	164,269
TRANSGAZ	118,201	143,588	134,384
TEN GAZ (former AMGAZ)	101,293	200,953	132,560
INTERAGRO	-	336,103	594,750

c) Segment revenues, results and other segment information

Year ended Dec 31, 2012	Upstream '000 RON	Storage '000 RON	Other '000 RON	Adjustment and eliminations '000 RON	Total '000 RON
Sales and other operating revenues	3,594,986	245,075	342,852	(344,972)	3,837,941
Less: sales and other operating revenues between segments	(4,550)	-	(340,422)	344,972	-
Third party sales and other operating revenues	**3,590,436**	**245,075**	**2,430**	**-**	**3,837,941**
Interest income	8,208	4,164	135,954	-	148,326
Interest expense	(23,904)	(329)	-	-	(24,233)
Depreciation and amortisation	(431,443)	(88,372)	(86,299)	-	(606,114)
Segment profit/(loss) before tax	**1,348,685**	**(4,678)**	**51,634**	**-**	**1,395,641**

28. SEGMENT INFORMATION (continued)

c) Segment revenues, results and other segment information (continued)

Year ended Dec 31, 2011	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Sales and other operating revenues	3,853,607	344,583	348,538	(351,251)	4,195,477
Less: sales and other operating revenues between segments	(5,020)	-	(346,231)	351,251	-
Third party sales and other operating revenues	**3,848,587**	**344,583**	**2,307**	**-**	**4,195,477**
Interest income	7,963	1,457	97,377	-	106,797
Interest expense	(23,856)	(849)	-	-	(24,705)
Depreciation and amortisation	(528,212)	(71,466)	(103,706)	-	(703,384)
Segment profit/(loss) before tax	**1,209,137**	**121,457**	**11,868**	**-**	**1,342,462**

Year ended Dec 31, 2010	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Sales and other operating revenues	3,240,744	295,879	355,255	(394,417)	3,497,461
Less: sales and other operating revenues between segments	(4,774)	(50,267)	(339,376)	394,417	-
Third party sales and other operating revenues	**3,235,970**	**245,612**	**15,879**	**-**	**3,497,461**
Interest income	11,929	2,766	79,592	-	94,287
Interest expense	(26,164)	(1,299)	-	-	(27,463)
Depreciation and amortisation	(683,370)	(67,355)	(89,281)	-	(840,006)
Segment profit/(loss) before tax	**701,101**	**120,706**	**(299,601)**	**-**	**522,206**

29. OTHER NON-CURRENT ASSETS

During 2011, Romgaz S.A. signed two loan contracts with Energia Torzym Spolka and Energia Cybinka Spolka, each with a maximum amount of EUR 5,000,000. Both agreements will terminate on December 31, 2015. Interest will be calculated on the balance of the loan drawn down on an annual basis rate equivalent to ECB Euro base interest rate plus 1% per annum. The applicable ECB Euro base interest rate will be used as at the last working day of a calendar year. Interest is not to be capitalized.

As of December 31, 2012, Romgaz S.A. has a receivable balance of thousand EUR 840/thousand RON 3,721 (2011: thousand EUR 945/thousand RON 4,082) and related interest of thousand RON 180 from Energia Cybinka Spolka and a receivable balance of thousand EUR 2,878/thousand RON 12,745 (2011: thousand EUR 1,039/thousand RON 4,490) and related interest of thousand RON 279 from Energia Torzym

Spolka.

30. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks, short term deposits and treasury bonds with maturity under 3 months. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents	**Dec 31, 2012**	**Dec 31, 2011**	**Dec 31, 2010**
	'000 RON	**'000 RON**	**'000 RON**
Current bank accounts in RON	165,130	82,888	62,472
Current bank accounts in foreign currency	1,956	673	251
Petty cash	38	38	31
Short-term deposits	1,288,204	1,336,896	745,580
Treasury bonds with maturity under 3 months	283,983	8,146	-
Amounts under settlement	19	8	1
Total	**1,739,330**	**1,428,649**	**808,335**

31. OTHER FINANCIAL ASSETS

Other financial assets represent mainly treasury bonds with a maturity of over 3 months.

	Dec 31, 2012	**Dec 31, 2011**	**Dec 31, 2010**
	'000 RON	**'000 RON**	**'000 RON**
Shares in unquoted entities	1,646	900	900
Held-to-maturity investments	928,235	1,090,101	203,693
Total	**929,881**	**1,091,001**	**204,593**

32. COMMITMENTS UNDERTAKEN

	Dec 31, 2012	**Dec 31, 2011**	**Dec 31, 2010**
	'000 RON	**'000 RON**	**'000 RON**
Commitments for purchase of import gas	283,642	612,786	864,574
Capital commitments	27,888	29,209	37,491
Other commitments	2,812	3,587	-
Total	**314,342**	**645,582**	**902,065**

From the facility of million USD 29 given by RBS Bank for opening letters of credit in favor of suppliers, as at December 31, 2012 are available for utilization thousand USD 20,694 (2011: thousand USD 20,253; 2010:thousand USD 28,300).

33. COMMITMENTS RECEIVED

	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
	'000 RON	'000 RON	'000 RON
Endorsements and collaterals received	966	636	389

Endorsements and collateral received represent letters of guarantee and restricted bank deposits held with banks as performance guarantees and advance return from tangible asset and production suppliers.

34. CONTINGENCIES

(a) *Litigations*

The Company is subject to several legal actions arisen in the normal course of business. The management of the Company considers that they will have no material adverse effect on the results and the financial position of the Company.

(b) *Ongoing judicial procedures for which Romgaz SA is not claimant or defendant*

On December 28, 2011, 27 former and current employees were notified by DIICOT (Direction for Investigation of Crimes of Organized Criminal Activity and Terrorism) regarding an investigation related to sale contracts signed with one of the Company's clients which are suspected to have been granted unauthorized discounts to this client during the period 2005-2010. The Direction mentioned that this may have resulted in a loss of USD 92 million for the Company. The internal analysis carried out by the Company's specialized departments concluded that the agreement was in compliance with legal provisions and all discounts were granted based on approvals from the Ministry of Economy and Finance and decisions of the General Shareholders' Board and Board of Directors. The management of the Company believes the investigation will not have a negative impact on the individual financial statements.

Also, during 2013 the National Agency for Integrity has initiated an investigation against a former general manager of the Company, as a result of identifying some indications of conflict of interest in awarding contracts to companies in which he has been administrator before becoming general manager of the Company. The management of the Company carried out an analysis and concluded that the investigation is ungrounded and that it will not have a negative impact over the Company's individual financial statements.

We mention that the risk assessment carried out by the Company was performed without having access to the investigation files prepared by the National Agency for Intergrity and the Direction for Investigation of Crimes of Organized Criminal Activity and Terrorism. The Company is fully cooperating with DIICOT and ANI in providing all information necessary.

(c) *Taxation*

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (0.1% per day). In Romania, tax periods remain open for fiscal verification for 5 years. The Company's management considers that the tax liabilities included in these individual financial statements are fairly stated.

(d) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at December 31, 2010, and December 31, 2011 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans, related to environmental matters. As of December 31, 2012 the Company has recorded a provision for land restauration of thousand RON 17,734.

34. CONTINGENCIES (continued)

(e) *Licenses for operation in the gas production field*

The Company operates natural gas fields based on the license issued by the National Agency for Mineral Resources (ANRM). Licenses for the extraction of hydrocarbons (natural gas and condensate) expire between 2011 and 2028 and may be extended upon request.

(f) *Insurance policies*

As at the end of 2012, 2011 and 2010, the Company has concluded insurance policies for tangible assets.

35. EVENTS AFTER THE BALANCE SHEET DATE

In January, 2013 the Company signed a protocol with Electrocentrale Bucuresti for the takeover of a unit of assets, “CTE Iernut” from Electrocentrale Bucharest able to produce energy separately to offset the receivables from Electrocentrale Bucuresti. Based on a revaluation report issued in 2013 by an independent appraiser, the plant is worth mil. RON 40, value that could be obtained if the plant’s activity is discontinued.

In 2013, the share capital of the Company was increased by in-kind contribution of the shareholders with thousand RON 2,384, representing the value of land for which the Company obtained ownership deeds.

Based on General Meeting of Shareholders’ decision no. 6/24.05.2013, in May and June 2013, S.N.G.N. Romgaz S.A. paid its shareholders dividends of thousand RON 1,060,114, as follows: thousand RON 901,172 to the Ministry of Economy and thousand RON 158,942 to S.C. Fondul Proprietatea S.A.

On February 13, 2013, S.N.G.N. Romgaz S.A. signed an Option Agreement with OMV Petrom SA and Exxon Mobil Exploration and Production Romania Limited Nassau (Bahamas) Bucharest Branch, regarding the exploitation of new gas fields in Pelican XIII and Midia XV perimeters located in the Black Sea. The agreement is conditional upon:

- Completion of the transfer from the current titleholders (Sterling Resources Ltd. and Petro Ventures Europe BV) to ExxonMobil and OMV Petrom S.A., and

- A commercial discovery of hydrocarbons in the Relevant Portion has to be notified to National Agency for Mineral Resources.

36. APPROVAL OF INDIVIDUAL FINANCIAL STATEMENTS

The individual financial statements were approved by the board of directors and authorized for issue on August 22, 2013.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director