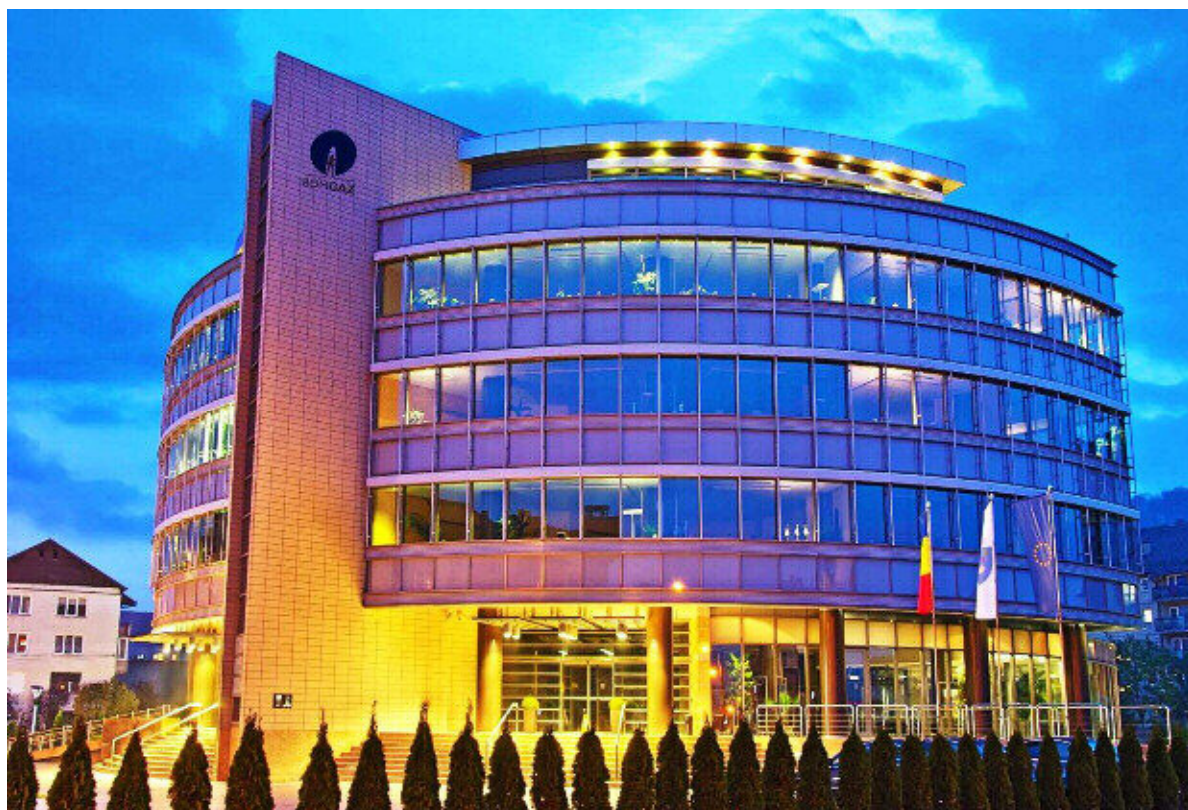




Societatea Națională de Gaze Naturale “ROMGAZ” SA

IST HALF YEAR REPORT
ON ECONOMIC- FINANCIAL ACTIVITY OF
ROMGAZ AS OF JUNE 30, 2015
(JANUARY 1, 2015- JUNE 30, 2015)



SUMMARY

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IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report based on	Article 227 of Law no. 297/2004 on capital market and Annex no. 31 of CNVM Regulation no. 1/2006 for the six-month period ended as of June 30, 2015 (H1 of the Financial Year 2015)
Report Date	August 14, 2015
Name of the Company	Societatea Națională de Gaze Naturale “ROMGAZ” SA
Headquarter	Mediaș, 4 Piața Constantin I. Motaș, code 551130, County Sibiu
Telephone/fax number	0040 269 201020/0040 269 846901
Web/E-mail	www.romgaz.ro / secretariat@romgaz.ro
Fiscal Code	14056826
Trade Registry No	J32/392/2001
Subscribed and paid in share capital	RON 385,422,400
Number of shares	385,422,400, each having a nominal value of RON 1
Regulated markets where the issued securities are traded:	Bucharest Stock Exchange BVB (shares), London Stock Exchange (GDRs)

I. 1ST HALF YEAR 2015 OVERVIEW

1.1. Company performances

The Company's operational and financial performances for H1 of 2015 are in accordance with planned performances by means of revenue and total income, due to achieving and even exceeding the budgeted total value for natural gas delivered - in the core activity of the company.

The revenue is in line with the approved budget. The total expenses are higher due to the adjustment for impairment of receivables of RON 185.3 million, that led to a net profit of RON 766.6 million, the company maintaining its extremely favourable profit margins.

As compared to the same period of the previous year, the company's performances were mainly influenced by the decrease of natural gas demand on the Romanian market by approx. 6%.

Relevant Financial Result

million RON

Q2 2014	Q1 2015	Q2 2015	Δ Q2 (%)	Main Indicators	H1 2014	H1 2015	Δ H1 (%)
1,077.0	1,365.5	869.6	-19.3	Revenue	2,526.3	2,235.1	-11.5
1,180.4	1,299.5	941.6	-20.2	Income	2,560.3	2,241.2	-12.5
823.4	620.5	668.60	-18.8	Expenses	1,470.7	1,289.1	-12.3
356.9	679.1	273.1	-23.5	Gross Profit	1,089.5	952.1	-12.6
94.3	116.0	69.5	-26.3	Profit Tax	218.6	185.5	-15.1
262.6	563.0	203.6	-22.5	Net Profit	871.0	766.6	-12.0
958.2	649.2	577.8	-39.7	Cash flow from operational activities	1,645.2	1,227.0	-25.4
333.1	665.5	261.4	-21.5	EBIT	1,048.1	926.8	-11.6
555.6	841.8	381.8	-31.3	EBITDA	1,414.4	1,223.7	-13.5
0.68	1.46	0.53	-22.5	EPS (RON)	2.26	1.99	-12.0
24.39	41.2	23.41	-4.0	Net Profit Rate (% from Revenue)	34.48	34.30	-0.5
30.93	48.7	30.05	-2.8	EBIT Ratio (% from Revenue)	41.49	41.47	-0.1
51.59	61.6	43.91	-14.9	EBITDA Ratio (% from Revenue)	55.99	54.75	-2.2
6,391	6,340	6,332	-0.9	Number of employees at the end of the period	6,391	6,332	-0.9

Note: income and expenses do not include in-house works capitalized as non-current assets.

Summary of main indicators:

- ↳ *Total Income* represents 99.9% of the planned income for H1 of 2015. The quarterly evolution shows the seasonable demand, emphasized by warm weather during May and June, and also the decrease of natural gas demand, especially from the chemical fertilisers industry, which led to a decrease of the production of natural gas delivered and implicitly to a lower revenue, operating income and profit than expected;
- ↳ Although the net profit, EBIT and EBITDA are lower as compared to H1 2014, when the Company recorded the best results ever, the financial indicator ratios as compared to revenue do not record significant deviations and are highly favourable: 34.3%, 41.5% and

54.7% (as compared to 34.5%, 41.5% and 56.0%, respectively during H1 of 2014), confirming the high profitability of the company;
↳ *EPS* (earnings per share) is RON 1.99.

Operational Results

Q2 2014	Q1 2015	Q2 2015	Δ Q2 (%)	Main Indicators	H1 2014	H1 2015	Δ H1 (%)
1,401.9	1,436.1	1,340.6	-4.4	Gas Produced (million m ³)	2,865.6	2,776.7	-3.1
1,360.0	1,708.6	1,183.7	-13.0	Gas delivered from domestic production (million m ^{3*})	3,205.5	2,877.1	-10.2
4.8	2.2	0.0	-	Delivered import gas (million m ³)	69.9	2.2	-96.9
1,364.8	1,710.8	1,183.7	-13.3	Total gas delivered (million m ³)	3,275.4	2,879.3	-12.1
103.1	104.5	97.3	-5.6	Petroleum Royalty (million m ³)	211.8	201.7	-4.8
1,122	1,912	3,600	+220.9	Condensate Production (tonnes)	2,159	5,512	+155.3
384.9	145.7	264.5	-31.3	Electricity delivered (GWh)	820.5	410.2	-50.0
29.5	1,151.2	38.9	+31.9	UGS gas withdrawn services (million m ³)	1,169.4	1,190.1	+1.8
569.5	292.2	438.9	-22.9	UGS gas injection services (million m ³)	609.6	731.1	+19.9

^{*)} – includes gas from current production, own gas withdrawn from UGS and acquired domestic gas and also includes gas delivered to Iernut and Cojocna.

Gas production was in the parameters expected when preparing the program for 2015, the achieved level representing 99.18% of the planned one. The quarterly evolution of gas production shows the seasonable demand, being potentiated by warm weather during May and June.

Romgaz produced 2,777 million m³ of natural gas during the first half of 2015, with 89 million m³ (3.1%) less than gas produced in the same period of the previous year.

The major decrease of demand in the chemical fertiliser sector and the decrease of electric power production, the delay of the regulations on minimum inventories for the 2015-2016 winter, the lack of will to comply with regulations of the main actors in natural gas sector due to the uncertainties on carrying out the price liberalization process, the entering into insolvency of some customers represented the determining factors.

By entering into production of Frasin – Gura Humorului and Caragele discoveries, the production of condensate recorded a major growth (155%) during H1 of 2015, with a quantity of approximately 5,500 tonnes.

The electric power quantity is lower due to (1) operation with a single energy group during Q1 in order to release the quantity of natural gas (approx. 65 million m³) necessary to cover the natural gas consumption during winter due to a major decrease of imported gas and (2) disadvantageous period during Q2 when the increased hydropotential and the boost of windpower have resulted in price discounts; all of these resulted in (3) a decrease in the Romanian power consumption by 5% during H1 of 2015 as compared to the same period of the previous year.

1.2. Highlights

During the reporting period

January 8, 2015

Law no. 11/2015 on approving the GEO no. 102/2013 on amending and supplementing Law no. 571/2003 on the Fiscal Code and on regulating certain fiscal-financial measures was enforced, by which the tax on special constructions, called «pole tax» has been reduced from 1.5% to 1% of the value of construction in balance as of December 31 of the previous year. Moreover, the document also amended the basis of calculation of this tax by means that the tax does not apply if modernization are performed to a building operated by lease, management or other contract with right of use.

March 18, 2015

By Resolution no. 2/2015 of the Ordinary General Meeting of Shareholders:

- ✗ Mrs. Sorana Rodica Baciu was appointed as Director for the vacancy following the resignation of Mr. Klingensmith David Harris. The mandate is valid until December 30, 2017;
- ✗ Mr. Dragos Dorcioman was appointed as Director for the vacancy following the resignation of Mr. Sergiu Cristian Manea. The mandate is valid for a period of one year or until new directors will be appointed under the provisions of GEO No. 109/2011, if the selection process is completed before the mentioned period.

March 27, 2015

ANRE (Regulatory Authority for Energy) issued Order no. 58/2015 regarding the establishment of regulated tariff for the provision of natural gas underground storage services by Societatea Națională de Gaze Naturale “ROMGAZ” – S.A. Mediaș, approving the regulated income of the fourth year of the third regulatory period (April 2015- March 2016) and the regulated tariffs to be applied during this period.

A comparison of the UGS approved tariffs and the existing UGS tariffs as of March 31, 2015 are shown below:

Tariff component	M.U	Tariffs (April 15, 2014-March 31, 2015)	Tariffs (April 01, 2015-March 31, 2016)
Volumetric component for natural gas injection	RON/MWh	2.53	2.37
Fixed component for capacity reservation	RON/MWh/full storing cycle	13.14	13.68
Volumetric component for natural gas withdrawal	RON/MWh	1.80	1.87

May 13, 2015

The Government issued Government Decision no 329/2015 on approving the income and expenditure budget for 2015 for Societatea Națională de Gaze Naturale ROMGAZ - S.A. Mediaș which is under the authority of the Ministry of Energy, Small and Medium Enterprises and Business Environment.

June 17, 2015

By Resolution no. 5/2015 of the Ordinary General Meeting of Shareholders the income and expenditure budget of the company for 2015 was settled.

After the reporting period

July 1, 2015

The Government issued *Government Decision no. 488/2015 on establishing the purchase price of natural gas from domestic production for household consumers and thermal energy producers, only for the natural gas quantities used to produce heat in cogeneration plants and heating plants for consumption by the population during July 1, 2015- June 30, 2021.*

Further to discussions on this matter with the representatives of the International Monetary Fund, European Union and World Bank, during the evaluation mission which was held during May 19 until May 26, 2015, the following timetable for price liberalization for natural gas from domestic production was agreed (the purchase price of natural gas from domestic production for domestic consumers and thermal energy producers, only for the quantities of natural gas used to produce heat in cogeneration plants and heating plants for consumption by the population) starting with July 1, 2015:

	Apr-Jun 2015	Jul 2015- Jun 2016	Jul 2016- Mar 2017	Apr 2017- Mar 2018	Apr 2018- Mar 2019	Apr 2019- Mar 2020	Apr 2020- Jun 2021
Price for domestic production from current production (RON/MWh)	53.3	60.0	66.0	72.0	78.0*	84.0*	90.0*

**) The purchase price of natural gas from domestic production for domestic consumers and thermal energy producers, only for the quantities of natural gas used to produce heat in cogeneration plants and heating plants for consumption by the population starting with April 2018, shall be established following the analysis of various influencing elements such as: market conditions, natural gas price recorded on domestic market and European market, developments in this sector, exchange rate differences etcetera.*

II. COMPANY OVERVIEW

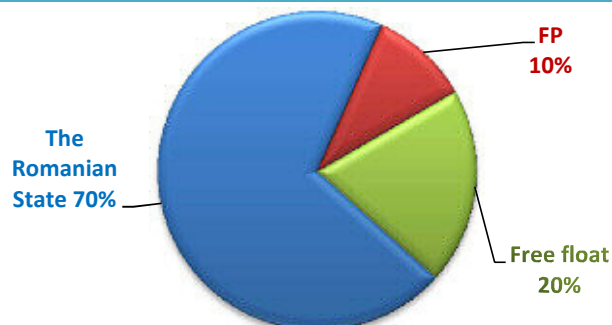
The company undertakes business in the following segments:

- ✘ natural gas exploration and production;
- ✘ UGS activity;
- ✘ natural gas supply;
- ✘ special well operations and services;
- ✘ maintenance and transportation services;
- ✘ power generation and supply;
- ✘ natural gas distribution.

Shareholder structure

As of June 30, 2015, the shareholder structure is as follows:

	Number of shares	%
The Romanian State ¹	269,823,080	70.0071
SC “Fondul Proprietatea” SA (FP)	38,542,960	10.0002
Free float – total, out of which:	77,056,360	19.9927
*legal persons	66,819,071	17.3366
*natural persons	10,237,289	2.6561
Total	385,422,400	100.0000



Company Organization

The structural organization of Romgaz is specific for organizations of a hierarchy-functional type, with six hierarchical levels from the company’s shareholders to the execution personnel.

Currently, the Company has seven branches established on the basis both of activities performed and territoriality (natural gas production branches), as follows:

- Medias Production Branch
- Târgu Mureş Production Branch
- Ploiesti Storage Branch
- SIRCOSS – Branch for Well Workover, Recompletions and Special Well Operations
- STTM – Technological Transport and Maintenance Branch
- SPEE – Iernut Power Generation Branch
- Bratislava Branch

¹ The Romanian State through the Ministry of Energy, Small and Medium Enterprises and the Business Environment

Company Management

The company is governed by a **Board of Directors** composed of 7 members, having on June 30, 2015 the following structure:

Item no.	Name	Institution of employment	Position in the Board
1	Negrut Aurora	Ministry of Energy, Small and Medium Enterprises and the Business Environment	Chairperson
2	Popescu Ecaterina	SC “Chimforex” SA	Member
3	Metea Virgil Marius	SNGN “Romgaz” SA	Member
4	Jansen Petrus Antonius Maria	Associate Lecturer London School of Business and Finance	Member
5	Chisalita Dumitru	Transilvania University Brasov	Member
6	Baciu Sorana Rodica	SC “ACGENIO” SRL	Member
7	Dorcioman Dragos	Ministry of Energy, Small and Medium Enterprises and the Business Environment	Member

The *directors’ CVs* can be found on the company webpage at:

<http://www.romgaz.ro/en/investor-relations/corporate-governance/board-of-administration.html>

On June 30, 2015, the only director *holding shares of the company* (5,513 shares purchased in the IPO, representing 0.00143038% of the share capital) was Mr. Metea Virgil Marius.

Virgil Marius Metea - Director General (CEO)

The Board of Directors appointed Mr. Virgil Marius Metea by Resolution no. 8 of June 12, 2013, as Director General and delegated him responsibilities and duties related to internal management and representation.

The table below shows the executive positions of the company and its branches:

Name	Position
ROMGAZ - Headquarters	
Cindrea Corin Emil	Deputy Director General
Rotar Dumitru Gheorghe	Deputy Director General
Dobrescu Dumitru	Deputy Director General
Ionascu Lucia	Economic Director
Ciolpan Vasile	Energy Trade Director
Stefanescu Dan Paul	Exploration-Production Director
Stan Ioan	Human Resource Management Director
Prisca Maria Magdalena	Financial Director
Stancu Lucian Adrian	Corporate Management, Quality, Environment Director
Bodogae Horea Sorin	Procurement Direction Director
Pavlovschi Vlad	Business Development Director
Balasz Bela Atila	Energy Management Director
Morariu Dan Nicolae	Information Technology and Telecommunication Director
Birsan Mircea Lucian	Technical Director
Medias Branch	
Totan Costel	Director
Achimet Teodora Magdalena	Economic Director
Sutoiu Florinel	Production Director
Man Ioan Mihai	Technical Director

Name	Position
Targu Mures Branch	
Avram Pantelimon	Director
Caraivan Viorica	Economic Director
Matei Gheorghe	Production Director
Stefan Ioan	Technical Director
Ploiesti Branch	
Carstea Vasile	Director
Ionescu Viorica Maria	Economic Director
Scarlatescu Virgil	Commercial Director
Vecerdea Dan Adrian	Storage Director
Iernut Branch	
Bircea Angela	Director
Vlassa Susana Ramona	Economic Director
Oprea Maria Aurica	Commercial Director
David Stefan	Technical Director
SIRCOSS	
Dinca Ispasian Ioan	Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Rusu Gratian	Director
Ilinca Cristian Alexandru	Economic Director
Cioban Cristian Augustin	Operation-Development Director

The table below shows the number of shares held by the executive board as of June 30, 2015:

Item no.	Name	Number of shares	Share in the share capital (%)
0	1	2	3
1	Rotar Dumitru Gheorghe	10,611	0.00275308
2	Ștefan Ioan	1,340	0.00034767
3	Cârstea Vasile	412	0.00010690
4	Prișcă Maria Magdalena	165	0.00004281
5	Morariu Dan Nicolae	52	0.00001349
6	Dincă Ispasian Ioan	48	0.00001245
7	Vecerdea Dan Adrian	45	0.00001168
8	Balasz Bela Atila	38	0.00000986

Human Resources

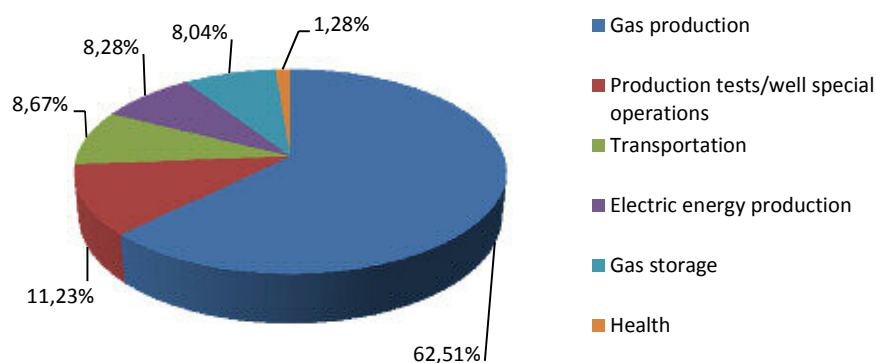
On June 30, 2015 the company had a number of 6,332 employees.

The table below shows the evolution of the employees' number between January 1, 2012 – June 30, 2015:

Description	2012	2013	2014	H1 2015
1	2	3	4	5
Employees at the beginning of the period	5,945	5,921	6,472	6,344
Newly hired employees	129	681 ^{*)}	92	73
Employees who terminated their labour relationship with the company	153	130	220	85
Employees at the end of the period	5,921	6,472	6,344	6,332

^{*)} the increase is due to the takeover of CTE Iernut employees

The structure of the employees by activities at the end of the reporting period is shown in the table below:



Romgaz on the stock exchange

As of November 12, 2013 the company's shares are traded on the regulated market governed by BVB (Bucharest Stock Exchange) and on the regulated market governed by LSE (London Stock Exchange), as GDRs issued by the Bank of New York Mellon.

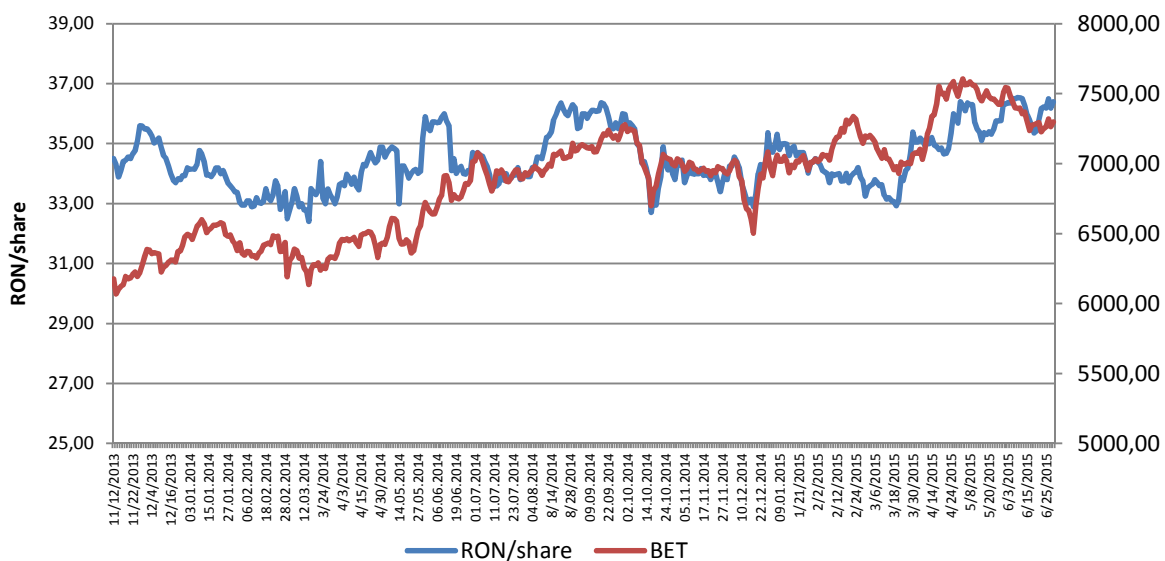
	June 30, 2014	June 30, 2015
Number of shares	385,422,400	385,422,400
Closing price (RON)	34.70	36.40
Market capitalization		
*mil. RON	13,374	14,029
*mil. EUR	3,049	3,136

At the end of H1 2015 Romgaz shares were quoted at RON 36.4, by 4.9% above the closing price on June 30, 2014.

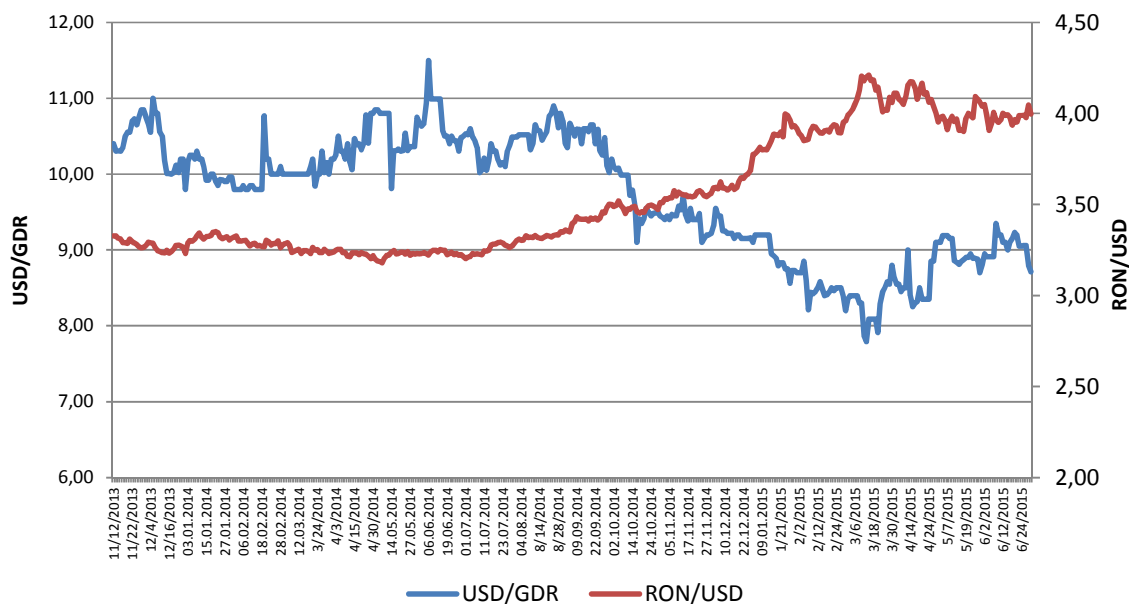
Romgaz ranges between the most significant local issuers and is also included in the trade indices on BVB and on other markets as well, as follows:

- 2nd place by market capitalization in the top of local issuers on BVB main segment. Having a market capitalization of RON 14,029 million, namely EUR 3,136 million on June 30, 2015, Romgaz is the second largest company listed in Romania, after OMV Petrom with a capitalization of RON 21,349 million, namely EUR 4,772 million;
- 2nd place by the average trading value for the last 12 months, in the top of local issuers on BVB main segment (RON 992 million, after Fondul Proprietatea);
- 13% and 12% weight in the BET index (top 10 issuers) and respectively in the BET-XT (BET Extended), 28% in the BET-NG index (energy and utilities), 14% in the BET-TR index (BET Total Return), 10% in the ROTX index (Romanian Traded Index);
- the issuer Romgaz is also included in the global indices allocated for Romania, for example FTSE (Financial Times Stock Exchange), MSCI (Morgan Stanley Capital International), S&P (Standard & Poor's), STOXX (oriented mainly on European markets), Russel Frontier.

Performance of Romgaz shares compared to the BET index, from listing until June 30, 2015 is shown below:



The figure below shows the evolution of GDRs traded on London Stock Exchange together with the evolution of the RON/USD exchange rate:



Romgaz shares in USD (GDRs) were influenced by the RON/USD exchange rate that recorded an appreciation in the last period.

III. REVIEW OF THE COMPANY'S BUSINESS

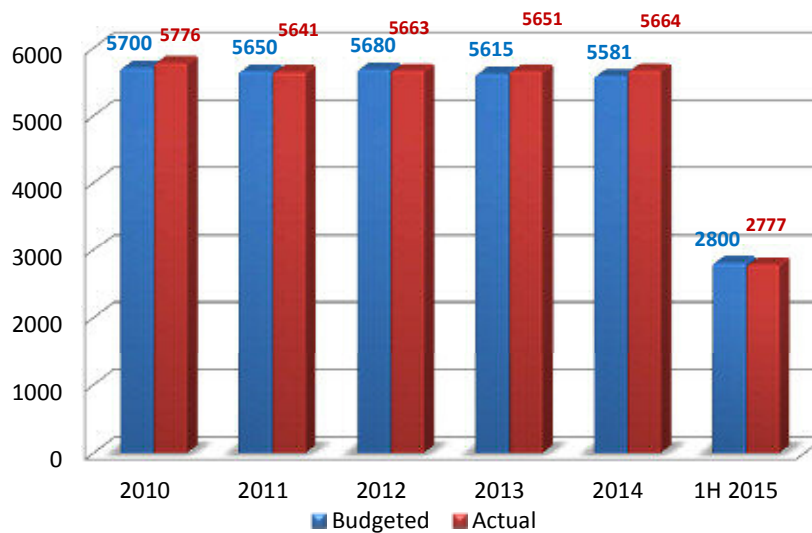
3.1. Operational Results

The 148 commercial fields, located in the Transylvanian Basin, Moldova, Muntenia and Oltenia, are operated by Medias and Tirgu Mures branches; 80% of Romgaz total production is achieved by 30 mature reservoirs in an advanced state of depletion, that have been producing for more than 30 years.

A retrospective analysis on the natural gas volumes produced between 2010 – 2015 is shown below:

Specifications	2010	2011	2012	2013	2014	H12015
1	2	3	4	5	6	7
Budgeted (mil.m ³)	5,700	5,650	5,680	5,615	5,581	2,800
Actual (mil.m ³)	5,776	5,641	5,663	5,651	5,664	2,777
Differences (Actual-Budgeted) mil. m ³	+76	-9	-17	+36	+23	-23
Actual [%]	101.3	99.8	99.7	100.7	100.8	99.2

The figure below shows the evolution of gas volumes produced between 2010 – 2014 and in H1 2015, budgeted vs. actual:



Further analysis of the production data shows that the produced gas volumes exceeded the expected gas volume. The natural decline of the gas reservoirs was mostly annulled in this period (between 1-2% per year, average decline in the last years).

Further to restructuring and modernisations performed in the last five years, the company has strengthened its activities by:

- ↳ Investments for modernising the surface facilities;
- ↳ Modernising the infrastructure of compressor stations (overhaul or new stations), decrease of gas gathering pressure by installing booster compressors (currently 17 booster compressors and 7 mobile booster compressors are operating).

During this period the following compressor stations were modernised and equipped with new performant units: Delenii, Cristur, Filitelnic, Balda, Sânmărtin and Grebeniş;

- ↳ All commercial gas delivery points were equipped with flow computers that enable the remote monitoring of the main parameters (pressure, temperature, gas flow);
- ↳ Gas quality increased after modernising the existing gas dehydration stations and installing new stations with state of the art technology (currently 71 silica gel, glycol and deliquescent salt dehydration stations are operating). Dehydration capacity of the gas delivered by Romgaz is 99%.

The table below shows the gas quantities produced, delivered, injected/withdrawn in/from the underground storage during January – June 2015 compared to the similar period of years 2013 and 2014 (million m³):

Item no.	Specifications	H1 2013	H1 2014	H1 2015	Ratios
0	1	2	3	4	5=4/3x100
1.	Gross production – total , out of which:	2,862.5	2,865.6	2,776.7	96.9%
1.1.	*own gas	2,773.0	2,772.6	2,675.6	96.5%
1.2.	*Schlumberger (100%)	89.5	93.0	101.1	108.7%
2.	Technological consumption	39.7	40.3	39.5	98.0%
3.	Net own gas production (1.-1.2.-2.)	2,733.3	2,732.3	2,636.1	96.5%
4.	Own gas stored in UGS	357.4	75.8	143.2	188.9%
5.	Own gas withdrawn from UGS	262.4	450.5	293.3	65.1%
6.	Difference from conversion to Gross Calorific Value	6.3	0.4	3.1	
7.	Delivered own gas (3.-4.+5.-6.)	2,632.0	3,106.6	2,783.1	89.6%
8.	Gas delivered to CTE Iernut and Cojocna	16.7	188.2	118.3	62.9%
9.	Own gas delivered to the market (7.-8.)	2,615.3	2,918.4	2,664.8	91.3%
10.	Gas from joint ventures^{*)} – total , out of which:	44.8	89.8	85.9	95.7%
	*Schlumberger (50%)	44.8	46.5	50.5	108.6%
	*Raffles Energy (37.5%)		0.5	0.2	40.0%
	*Amromco (50%)		42.8	35.2	82.2%
11.	Gas acquisition from domestic production	4.8	9.1	8.1	89.0%
12.	Traded domestic gas (9.+10.+11.)	2,664.9	3,017.3	2,758.8	91.4%
13.	Gas delivered from domestic production (8.+12.)	2,681.6	3,205.5	2,877.1	89.8%
14.	Delivered import gas	214.7	69.9	2.2	3.1%
15.	Total delivered gas (13.+14.)	2,896.3	3,275.4	2,879.3	87.9%
*	UGS gas extraction services	1,291.1	1,169.4	1,190.1	101.8%
*	UGS gas injection services	865.7	609.6	731.1	119.9%

^{*)} With respect to Romgaz – Schlumberger partnership, the gas produced is fully highlighted in Romgaz production, and then split in equal parts between the two partners, being sold separately by them. With respect to the partnerships with Amromco and Raffles Energy, the gas produced does not represent Romgaz production but the value of the gas is reflected in Romgaz revenue in compliance with the interest share held in the partnership.

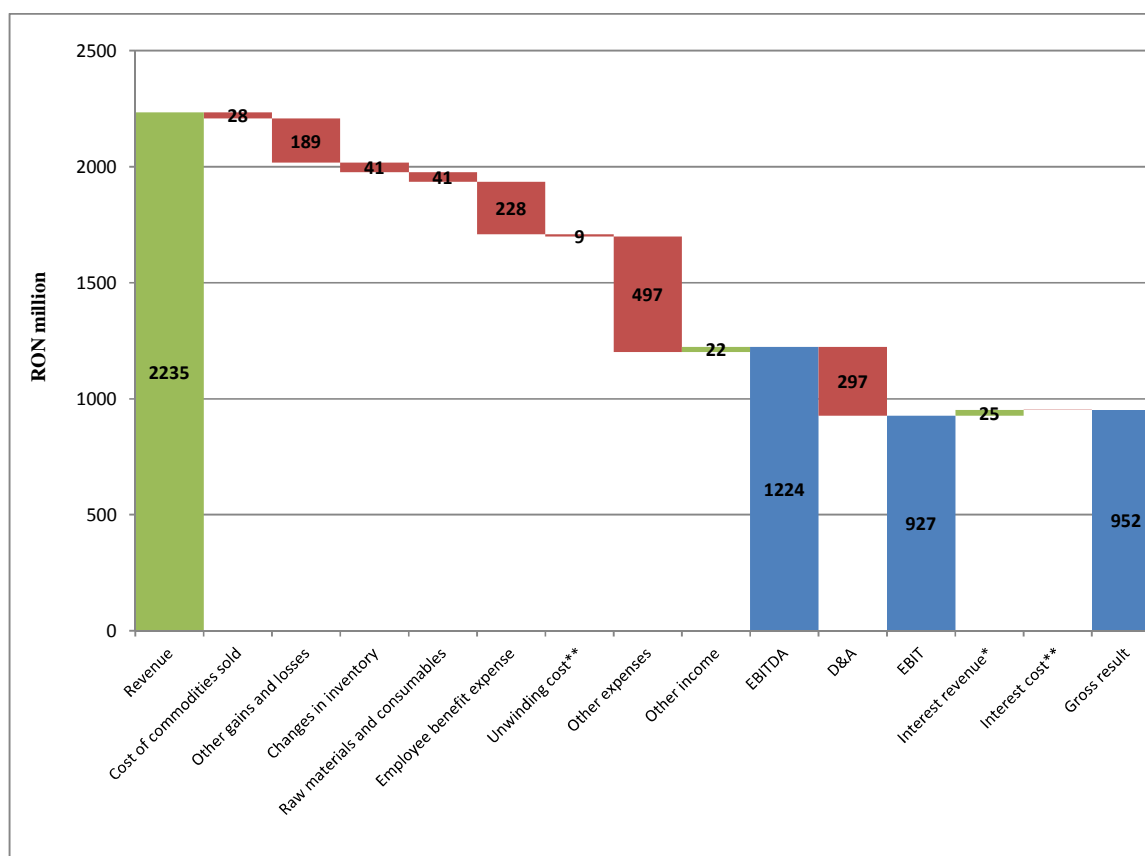
3.2. Financial results

The company's revenue comes from natural gas production and delivery (production and delivery of own gas, gas from joint ventures, import gas or from other internal producers), from provision of underground storage services, electric energy generation and supply (starting with February 1, 2013) and other specific services.

Item no.	Specifications	H1 2014	H1 2015	Ratios (2015/2014)
0	1	2	3	4=3/2x100
1	Income – total, out of which:	2,560,278	2,241,217	87.54%
	*operating income	2,518,121	2,215,524	87.98%
	*financial income	42,157	25,693	60.95%
2	Revenue	2,526,344	2,235,108	88.47%
3	Expenses – total, out of which:	1,470,747	1,289,077	87.65%
	*operating expenses	1,460,341	1,278,354	87.54%
	*financial expenses	10,406	10,723	103.05%
4	Gross profit	1,089,531	952,140	87.39%
5	Income tax	218,573	185,531	84.88%
6	Net profit	870,958	766,609	88.02%

The total income for H1 2015 was lower than the income for the similar period of 2014 by 12.46%, the analysis by factors being presented in this chapter.

The figure below shows the main items of income and expenditures:



* - included in “*Investment income*” in the Statement of interim comprehensive income

** - included in “*Finance cost*” in the Statement of interim comprehensive income

The comparative interim comprehensive income on segments as of June 30, 2015 and June 30, 2014 respectively, is shown below:

RON thousand

Description	Gas production and sales	Storage	Other activities	Adjustments and eliminations	TOTAL
<i>Revenue</i>					
*H1 2014	2,246,234	217,373	368,154	(305,417)	2,526,344
*H1 2015	1,998,821	191,339	240,629	(195,681)	2,235,108
<i>Cost of commodities sold</i>					
*H1 2014	(100,011)	(22)	(32,563)	-	(132,596)
*H1 2015	(9,031)	(24)	(18,948)	-	(28,003)
<i>Investment income</i>					
*H1 2014	2,027	1,728	37,703	-	41,458
*H1 2015	1,163	2,940	21,245	-	25,348
<i>Other gains or losses</i>					
*H1 2014	(181,430)	-	(1,764)	-	(183,194)
*H1 2015	(186,892)	(320)	(1,561)	-	(188,773)
<i>Changes in inventories</i>					
*H1 2014	(75,662)	(24,328)	999	-	(98,991)
*H1 2015	(26,893)	(16,433)	1,893	-	(41,433)
<i>Raw materials and consumables</i>					
*H1 2014	(5,688)	(4,557)	(21,262)	1,483	(30,024)
*H1 2015	(27,094)	(6,511)	(8,683)	1,575	(40,713)
<i>Depreciation, amortization and impairment</i>					
*H1 2014	(286,111)	(43,152)	(37,077)	-	(366,340)
*H1 2015	(235,349)	(44,641)	(16,886)	-	(296,876)
<i>Employee benefit expense</i>					
*H1 2014	(102,570)	(19,601)	(90,333)	-	(212,504)
*H1 2015	(144,768)	(21,451)	(61,821)	-	(228,040)
<i>Finance cost</i>					
*H1 2014	(7,956)	-	(8)	-	(7,964)
*H1 2015	(8,376)	(729)	-	-	(9,105)
<i>Exploration expense</i>					
*H1 2014	(21,140)	-	-	-	(21,140)
*H1 2015	-	-	-	-	-
<i>Other expense</i>					
*H1 2014	(574,610)	(56,631)	(189,596)	304,558	(516,279)
*H1 2015	(552,300)	(42,658)	(97,014)	194,768	(497,204)
<i>Other income</i>					
*H1 2014	8,314	196	82,875	(624)	90,761
*H1 2015	21,249	166	1,078	(662)	21,831
<i>Profit before tax</i>					
*H1 2014	901,397	71,006	117,128	-	1,089,531
*H1 2015	830,530	61,678	59,932	-	952,140
<i>Income tax expense</i>					
*H1 2014	-	-	(218,573)	-	(218,573)
*H1 2015	-	-	(185,531)	-	(185,531)
<i>Net profit</i>					
*H1 2014	901,397	71,006	(101,445)	-	870,958
*H1 2015	830,530	61,678	(125,599)	-	766,609

Revenue

The table below compares the breakdown of revenue by activities of H1 2015 and H1 2014:

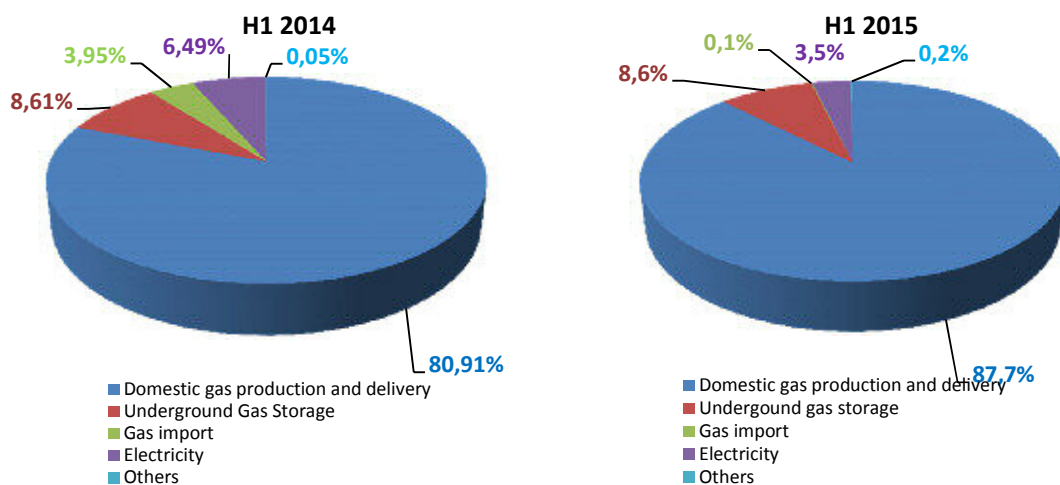
thousand RON

Description	H1 2014	H1 2015	Ratios (2015/2014)
1	2	3	4=3/2x100
Revenue – total, out of which:	2,526,344	2,235,108	88.47%
↙ gas production and deliveries, out of which:	2,246,234	1,998,821	88.99%
* sale of own domestic gas – <i>third parties</i>	1,946,839	1,863,173	95.70%
* sale of own domestic gas – <i>settlements between branches</i>	102,145	35,882	35.13%
* sale of domestic gas produced by joint ventures	68,670	65,709	95.69%
* sale of import gas	99,881	3,195	3.20%
* sale of domestic gas from acquisitions	7,317	6,583	89.97%
* distribution ^{*)}	68	110	161.76%
* other revenues from production – <i>third parties</i>	21,249	24,169	113.89%
* other revenues from production – <i>settlements between branches</i>	65	-	0.00%
↙ underground gas storage	217,373	191,339	88.02%
↙ others, out of which:	368,154	240,629	65.36%
* electricity production – <i>third parties</i>	163,879	77,327	47.19%
* electricity production – <i>settlements between branches</i>	47,815	40,611	84.93%
* others – <i>third parties</i>	1,068	3,503	328.00%
* others – <i>settlements between branches</i>	155,392	119,188	76.70%
↙ settlements between branches – total	(305,417)	(195,681)	64.07%

^{*)} – it does not include domestic gas revenue

Revenue was lower by 11.53% than the revenue in the similar period of the previous year.

The revenue structure for the analysed periods is shown in the graphs below:



Revenue from Own Domestic Gas Production

Revenue from own domestic gas production and trade was analysed in detail considering the influencing factors and using the chain substitution method. The results are shown in the table below:

Revenue from sale of own domestic production (excluding joint ventures)	H1 2014 ($q_0 * p_0$)	H1 2015 ($q_1 * p_1$)	Ratios (2015/2014)
1	2	3	4=3/2x100
Volume (million m ³)	2,918.4	2,664.8	91.31%
Price (RON/1000 m ³)	667.09	699.18	104.81%
Value (thousand RON)	1,946,839	1,863,130	95.71%
Difference (2015 - 2014) (thousand RON)	(83,666)		
Volume influence ($q_1 * p_0 - q_0 * p_0$) (thousand RON)	(169,168)		
Price influence ($q_1 * p_1 - q_1 * p_0$) (thousand RON)	85,502		

The revenue for H1 2015 from trade of own domestic gas production compared to the same period of 2014 decreased by RON 83,666 thousand.

The following factors influenced this outcome:

- the volume of gas sold from internal production decreased by 8.69%, leading to lower revenue from gas deliveries by RON 169,168 thousand compared to the same period of the previous year. The volume of gas delivered does not include the gas from domestic production for generation of electricity;
- the gas was sold at a price higher by 4.81% compared to the same period of the previous year, generating a positive influence on the revenue by RON 85,502 thousand.

Revenue from Sale of Joint Ventures Domestic Gas Production

The revenue achieved from joint ventures in H1 2015, compared to the similar period of the previous year is shown in the table below:

H1 2014			H1 2015			Differences	
Volume (mil.m ³)	Price (RON/th.m ³)	Value (th. RON)	Volume (mil.m ³)	Price (RON/th.m ³)	Value (th. RON)	mil.m ³	th. RON
89.81	764.61	68,670	85.90	764.95	65,709	(3.91)	(2,961)

Revenue from joint ventures has decreased compared to the similar period of the previous year, under the circumstances of lower gas deliveries by about 4.35%, and slightly higher gas delivery average price (+0.04%).

Revenue from Sale of Import Gas

Revenue from sale of import gas	H1 2014 ($q_0 * p_0$)	H1 2015 ($q_1 * p_1$)	Ratios (2015/2014)
1	2	3	4=3/2x100
Volume (million m ³)	69.9	2.2	3.09%
Price (RON/1000 m ³)	1,429.85	1,478.48	103.40%
Value (thousand RON)	99,881.1	3,195	3.20%
Difference (2015 – 2014) (thousand RON)	(96,686)		
Volume influence ($q_1 * p_0 - q_0 * p_0$) (thousand RON)	(96,791)		
Price influence ($q_1 * p_1 - q_1 * p_0$) (thousand RON)	105		

Revenue from sale of import gas was lower than those in the similar period of the previous year by RON 96,686 thousand. This decrease is due to volume and price variation, as follows:

- ↳ sale of lower volume of gas by 96.85%, generating the decrease of revenue by RON 96,791 thousand. The reduction of gas delivery volume is due to lower gas demand on the gas market;
- ↳ import gas sale at an average price (RON/thousand m³) 3.40% higher, with positive influence on the revenue by RON 105 thousand.

Revenue from Gas Distribution

The final natural gas supply price is regulated and set by ANRE Order no. 103/2008 subsequently amended by ANRE Order 120/2014. The distribution tariff is also regulated and set by ANRE Order no. 103/2008, subsequently amended by ANRE Order 120/2014.

Revenue from distribution is shown in the table below:

Description	H1 2014		H1 2015			Ratios 2015/ 2014	
	th. MWh	RON/ MWh	th. RON	th. MWh	RON/ MWh		th. RON
1	2	3	4	5	6	7	8=7/4x100
Total revenue, out of which:			134.53			235.89	175.34%
Distribution revenue	1.27	22.54	28.63	1.79	35.98	64.40	224.94%
Supply revenue	1.27	20.67	26.25	1.79	19.84	35.51	135.28%
Access revenue			12.71			10.26	80.72%
Domestic gas value	1.13	59.24	66.94	1.77	71.02	125.72	187.81%

Revenue from Underground Gas Storage

In terms of gas storage, the invoiced revenues have the following structure:

**thousand RON **

Revenue from underground gas storage	H1 2014	H1 2015	Ratios (2015/2014)
1	2	3	4=3/2x100
Capacity reservation services	167,184	146,182	87.44%
Gas injection services	27,752	22,321	80.43%
Gas withdrawal services	22,304	22,751	102.00%
Other UGS revenues	133	85	63.91%
TOTAL	217,373	191,339	88.02%

Revenues from Supply of Services Related to Gas Production and Gas Delivery

The revenue in amount of RON 21,249 thousand achieved in H1 2014 and RON 24,169 thousand in H1 2015, respectively, comes from supply of gas compression services provided to third parties, condensate delivery and rental of fixed assets.

Revenues from Other Activities

These revenues have been obtained by service branches from supply of specific services to third parties and by electricity generation business.

In H1 2015, the electricity generation business recorded the following financial results:

Description	Value (th. RON)
Total revenue, out of which *revenue ^{*)}	119,258
Total expenditure	78,352
Gross result	108,788
	10,470

^{*)} – it does not include settlements between branches

Financial Revenues

The *Financial Revenues* are 39.05% lower than the same results recorded during the similar period of the previous year. Financial revenues consist mainly of interests on bank deposits and of interest on state bonds held by the Company. These revenues decreased due to reduction of interest rates and of interest on the state bonds held by the Company.

Expenses

Description	H1 2014 (th. RON)	H1 2015 (th. RON)	Ratios (2015/2014)
1	2	3	4=3/2x100
Operating expenses	1,460,341	1,278,354	87.54%
Financial costs	10,406	10,723	103.05%
Total expenses	1,470,747	1,289,077	87.65%

Total expenses incurred during H1 2015 have been 12.35% lower than those incurred during the same period of previous year.

The operating expenses have been 12.46% lower due to cost reduction of gas royalty, of the tax on special constructions, the cost of imported gas, the cost of electricity purchased from third parties and of exploration expenses.

Financial costs have not changed significantly.

The breakdown of these expenses by categories and the comparative results are shown in Chapter 4.

Financial Results

Compared financial results are shown in the table below (thousand RON):

Description	H1 2014	H1 2015	Ratios (2015/2014)
1	2	3	4=3/2x100
Operating results	1,057,780	937,170	88.60%
Financial results	31,751	14,970	47.15%
Gross result	1,089,531	952,140	87.39%
Income Tax	(218,573)	(185,531)	84.88%
Net result	870,958	766,609	88.02%

Gross result achieved in H1 2015 of **RON 952,140 thousand**, is 12.61% lower than during the same period of 2014.

Income tax is 15.12% lower than during the same period of 2014.

The gross result breakdown by businesses is shown in the table below (thousand RON):

Description	H1 2014	H1 2015	Ratios (2015/2014)
1	2	3	4=3/2x100
Gas production and delivery results	901,397	830,530	92.14%
Underground gas storage results	71,006	61,678	86.86%
Electricity generation results	7,116	10,470	147.13%
Other businesses results	110,012	49,462	44.96%
Gross result	1,089,531	952,140	87.39%
Income tax	(218,573)	(185,531)	84.88%
Net result	870,958	766,609	88.02%

Financial performance of the company is also emphasized by the evolution of indicators presented in the table below:

Indicators	Calculation formula	M.U.	H1 2014	H1 2015
1	2	3	4	5
Working Capital (WC)	$C_{lt}-A_f = E+L_{nc} +Pr+S_i-A_f$	mil.RON	3,211	3,073
Working Capital Requirements (WCR)	$(A_c-L+ Pp)-(L_{crt}-Cr_{st}+ I_{df})$	mil.RON	231	457
Net Cash Flow	$WC-WCR = L-Cr_{st}$	mil.RON	2,980	2,616
Economic Rate of Return	$P_g/C_{lt} \times 100$	%	11.36	9.83
Return on Equity	$P_n/C_{lt} \times 100$	%	9.49	8.27
Return on Sales	$P_g/R \times 100$	%	43.13	42.60
Return on Assets	$P_n/A \times 100$	%	7.84	6.74
EBIT	$P_g+Ex_i-I_r$	mil.RON	1,048	927
EBITDA	$EBIT+Am$	mil.RON	1,414	1,224
ROCE	$EBIT/C_{emp} \times 100$	%	10.93	9.56
Current Liquidity	A_{crt}/L_{crt}	-	3.11	2.82
Asset Solvency	$E/L \times 100$	%	82.56	81.41

where:

C_{lt}	long-term capital;	I_{df}	deferred income;
A_f	fixed assets;	P_g	gross profit;
E	equity;	P_n	net profit;
L_{nc}	non-current liabilities;	R	revenue;
Pr	provisions;	A	total assets;
S_i	investment subsidies;	Ex_i	interest expense;
$A_c(A_{crt})$	current assets;	I_r	interest revenue;
L	liquidity position;	Am	amortization, depreciation and impairment;
Pp	prepayments;	C_{emp}	capital employed (total assets–current liabilities);
L_{crt}	current liabilities;	Cr_{st}	short-term credit.
L	total liabilities;		

3.3. Trading

Most of the gas volumes for national consumption are from domestic production and the rest from import. Romania does not have yet physical export capability due to technical impediments as well as the non-liberalized prices of domestic gas production.

Trade of Domestic Gas Production

The following table shows the annual summary of revenues from trade of Romgaz domestic gas production, excluding gas delivered to SPEE Iernut and including Romgaz share in the joint venture with Schlumberger (50%).

Description	Quantity (th. MWh)	Price (RON/MWh)	Volume (mil.m ³)	Price (RON/1000 m ³)	Value (th. RON)
1	2	3	4	5	6
H1 2014	31,136	63.54	2,965	667.25	1,978,338
H1 2015	28,541	66.53	2,715	699.28	1,898,814
Difference (2015/2014)					
*absolute	-2,595	2.99	-250	32.03	(79,524)
*relative	-8.34%	4.71%	-8.42%	4.80%	-4.02%

Note: domestic gas from current production plus own gas withdrawn from storages, excluding domestic gas acquired from third parties.

Trade of Import Gas

The traded import gas quantities, their corresponding sale prices and the resulting revenues are compared in the table below:

Description	M.U.	H1 2014	H2 2015	Difference	
				absolute	relative
1	2	3	4	5=4-3	6=5/3x100
Quantity	th. MWh	757.72	22.65	(735.07)	-97.01%
Price	RON/MWh	131.82	141.05	9.23	7.01%
Value	th. RON	99,881	3,195	(96,686)	-96.80%

Electric Power

Power trading has a specific characteristic, hourly, daily and seasonal variation, namely periods of higher demand and periods of lower demand; therefore the following classification of daily delivery profiles can be made:

- base load delivery (constant average hourly capacity over the delivery period, between 00:00 – 24:00 hours);
- peak load delivery (between 06:00-22:00 hours);
- off-peak load delivery (between 22:00-06:00 hours).

Romgaz produces and supplies electric power starting from 2013.

Electric power delivered quantity, average sale price and resulting revenues during H1 2015 are the following:

1. electric power quantity delivered to the National Energy Grid: 359,590 MWh;
2. sold electric power: 533,848 MWh, out of which:
 - on various markets: 410,230 MWh;
 - self-supplied: 123,398 MWh;
3. supply of system technology services (base secondary regulation, fast reserve of tertiary regulation): 59,748 h x MWh.

In H1 2015, in spite of the fact the delivered electric energy was approx. 35% lower than the budgeted volume, the sold volume was only 13% lower than the budget. This achievement was possible because of the specificity of the Balancing Market, a mandatory market for all power producers. On this market, the balancing market operator sells and purchases to/from all market participants in order to ensure the balance between power production and consumption which is vital for the stability of the National Power Grid.

During heavy rain periods with high renewable energy production which must be taken over by the National Energy Grid, the market operator may order shut-downs, discharges of the thermal units in spite the fact that such are scheduled for operation because energy supply contracts need to be complied with.

The revenue generated by the power business is RON 74,525 thousand and the value for the technological system services (TSS) is RON 2,706 thousand.

The prices of the Company are:

Average sale price on the Day Ahead Market (DAM): RON 191.19/MWh;

Average market price (OPCOM) on the Day Ahead Market: RON 157.20/MWh;

Average sale price on the Balancing Market (BM) with TSS: RON 253.40/MWh;

Average sale price on the Balancing Market (BM), without TSS: RON 225.17/MWh;

Average electric power sale price:

subject to the supplied electric power: RON 207.25/MWh;

subject to the supplied electric power with TSS: RON 214.77/MWh

subject to the sold electric power: RON 181.67/MWh

subject to the sold electric power with TSS: RON 188.26/MWh .

SPEE Iernut gas consumption was 118,259 thousand m³.

Underground Gas Storage (UGS)

Romgaz holds and operates 6 of the 8 existing underground gas storages in Romania. The annual storage capacity of the 6 storages is **3.925 billion m³**, the annual working capacity is **2.760 billion m³** and the maximum daily delivery flow rate is about **30 million m³**.

The table below shows the status of the injected and withdrawn gas volumes in H1 2015 and H1 2014, respectively:

	M.U.	H1 2014	H1 2015	Differences (2015/2014)	Ratios (2015/2014)
1	2	3	4	5=4-3	6=4/3x100
Injected volume	mil.m ³	609.6	731.1	121.5	119.9%
Withdrawn volume	mil.m ³	1,169.4	1,190.1	20.7	101.8%

3.4. Prices and tariffs

The regulatory framework for *natural gas production*, transmission, *distribution, supply and storage*, organization and operation of the gas sector, market access as well as criteria and procedures for granting authorizations and/or licenses in the natural gas sector are set by Law No. 123/2012, which provides in Chapter XII “Prices and Tariffs”, Article 179 for the following:

- ✎ activities in the regulated market comprise the following:
 - supply of natural gas to non-household customers at regulated price and under frame contracts until December 31, 2014. On January 1, 2015 regulated prices for non-household customers were eliminated;
 - supply of natural gas to household customers at regulated price and under frame contracts until December 31, 2021. To ensure non-discrimination between customer categories until the end of the regulated period, the household consumers and the thermal energy producers receive the same treatment in terms of security of supply and sale price of consumed gas, exclusively for the gas quantities used for producing thermal energy in cogeneration plants and thermal power plants intended for household consumption, irrespective of their option to be eligible or regulated customers ;
 - supply of last resort of natural gas to final consumers at regulated price and under frame contracts;
 - administration of centralised markets;
 - natural gas transmission;
 - natural gas transmission through upstream supply pipelines, in accordance with the provisions of license validity conditions;
 - underground gas storage;
 - natural gas storage in pipelines;
 - natural gas, bio-gas and bio-methane distribution;
 - related activities performed by licensed operators;
- ✎ prices and tariffs on the regulated market are set by ANRE, based on methodologies approved and published by the authority after informing and consulting all interested parties;
- ✎ the calendar for gradual deregulation of prices for the final customers is set by the Government in compliance with the schedule of producer price progress proposed by ANRE and ANRM, taking into account possible adverse effects of price deregulation, in order to mitigate the consequences for customers;

- ANRE will annually monitor the results of the gradual price deregulation calendar and, as the case may be, submit to the Government the proposal to trade domestic gas production on the domestic market until fulfilment of the approved calendar.

Romgaz operates both on the regulated market, performing underground gas storage and distribution activities, and the free market, performing gas production and supply activities.

Underground Gas Storage

The storage tariffs applied during the two compared periods:

- ↳ For the period January 1- April 14, 2014 the tariffs are those approved by ANRE Order no. 26 of April 26, 2013;
- ↳ For the period April 15, 2014-March 31, 2015 the tariffs are those approved by ANRE Order no. 29 of April 9, 2014; and
- ↳ For the period April 1, 2015-June 30, 2015 the tariffs are those approved by ANRE Order no. 58 of March 27, 2015.

The storage tariffs applied during the two compared periods are shown in the table below:

Tariff Component	Unit	Tariffs (01.01.2014- 14.04.2014)	Tariffs (15.04.2014- 31.03.2015)	Tariffs (01.04.2015- 30.06.2015)
Volumetric component for natural gas injection	RON/MWh	2.37	2.53	2.37
Fixed component for capacity booking	RON/MWh/full storing cycle	13.12	13.14	13.68
Volumetric component for natural gas withdrawal	RON/MWh	1.80	1.80	1.87

The revenue related to the storage activity is below the one achieved in the similar period of the previous year by approx. 12%, due to the fact that in H1 2015 the demand for capacity booking decreased by approx.13% and the demand for injection services by approx. 20%.

Natural Gas Supply

The table below shows the average supply prices in 2013, 2014 and H1 2015:

Specification	Unit	2013	2014	H1 2015
1	2	3	4	5
Average supply price of gas from domestic production ²	RON/1000 m ³	548.12	687.86	699.73
	RON/MWh	52.20	65.48	66.57
Average supply price of import gas	RON/1000 m ³	1,462.6	1,436.22	1,478.16
	RON/MWh	137.28	132.24	141.04

Natural Gas Distribution

Distribution tariffs applied during H1 2015 were approved by Order 120/2014 on establishing the regulated tariffs for distribution services, and approving the prices for the regulated gas supply performed by Societatea Nationala de Gaze Naturale "Romgaz" - S.A. Medias.

² Including gas commodity and gas from the joint venture with Schlumberger, and excluding storage service costs

The final regulated prices applied during H1 2015:

Q1: in accordance with Order 120/2014;

Q2: in accordance with Order 57/2015 modifying Order 120/2014 on establishing the regulated tariffs for distribution services, and approving the prices for the regulated gas supply performed by Societatea Nationala de Gaze Naturale "Romgaz" - S.A. Medias.

3.5. Investments

Investments play an important part in arresting the production decline, which is achieved through discoveries of new reserves and enhancement of the current recovery rate by rehabilitation, development and modernization of existing facilities.

Investments achieved by the company during 2013 - June 30, 2015 amount to approx. RON 2.42 billion, detailed as follows:

Period	2013	2014	H1 2015	Total
Value (th. RON)	848,247	1,085,500	479,902	2,413,649

For the year 2015, Romgaz scheduled investments worth RON 1,322.00 million. Scheduled investments for H1 2015 amount to RON 612.04 million, while the achieved ones amount to RON 479.90 million, i.e. a program achieved by 78.41%.

Investments were financed exclusively from own sources.

Complex issues, highly influencing the implementation of the investment plan, relate to obtaining land, permits, approvals, agreements and authorizations required to perform works. In order to solve the above-mentioned issues, the company constantly approaches the state institutions to ensure simple and short procedures for obtaining such approvals.

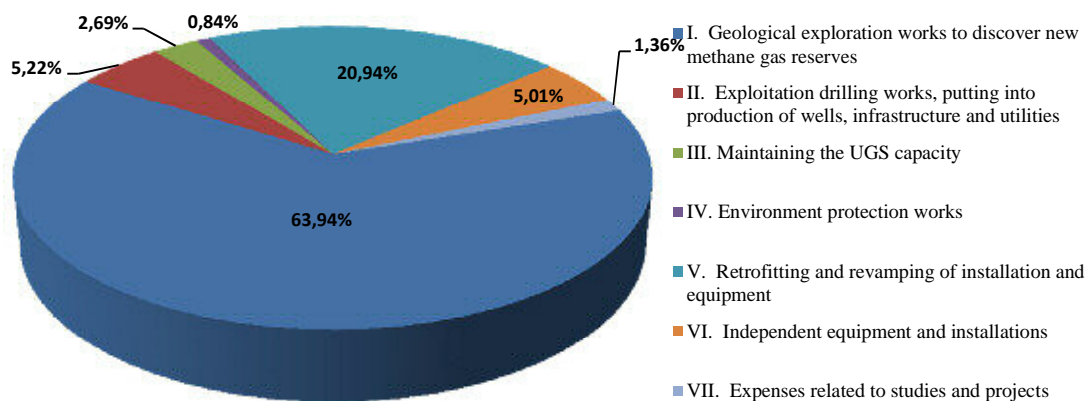
Although investments achieved in H1 2015 are lower by RON 52.40 million, i.e. lower by 9.84% as compared to the investments achieved in the similar period of the year 2014, higher amounts of achieved investments have been recorded for the following:

- Drilling works, higher by 64%;
- Surface exploration works, higher by 57%; and
- Technological equipment at wells, higher by 64%.

A comparison by the main chapters is shown in the table below:

Investment Chapter	H1 2014	H1 2015	*thousand RON*
			%
1	2	3	4=3/2x100
I. Geological exploration works to discover new methane gas reserves	168,413	306,838	182.19
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities	93,685	25,053	26.74
III. Maintaining the UGS capacity	130,559	12,907	9.89
IV. Environment protection works	1,442	4,014	278.36
V. Retrofitting and revamping of installation and equipment	117,100	100,491	85.82
VI. Independent equipment and installations	9,826	24,056	244.82
VII. Expenses related to studies and projects	11,265	6,543	58.08
TOTAL	532,290	479,902	90.16

The chart below shows the structure of investments achieved in the reporting period:



A synthesis of outcomes shows that set objectives have been achieved to a large extent:

Item No.	Main physical objectives	Planned	Results
1.	Exploratory drilling	38 wells	15 wells
2.	3D seismic	1,300 km ²	1,191 km ²
	magnetotelluric	600 soundings	completed
3.	Production drilling	6 wells	2 wells
4.	Construction of surface facilities – gas wells	48 wells	14 wells completed 3 wells drilling in progress 20 wells in the process of obtaining approvals
5.	Compressor stations in gas fields	Compressor station Roman	achieved to an extent of 87%
6.	Sustaining the storage capacity	Sarmasel UGS: - compressor station - drilling 4 wells	67% Obtaining construction approvals
		Urziceni UGS - drilling 3 wells	Design phase
7.	Well modernization	95 wells	55 wells
8.	Well capitalizable repairs	100 wells	25 wells
9.	Electric power production	Joint venture with the aim of making the investment	Consultant contracting
10.	Partnerships	Aurelian Petroleum - drilling 1 well	Obtaining construction approvals
		Lukoil: - drilling 2 Black Sea wells	1 well completed 2 nd well - construction in progress

Item No.	Main physical objectives	Planned	Results
		Schlumberger: - surface facilities at 2 wells - 4 local compressors	completed completed
		Amromco: - drilling 3 wells - repairs at 11 wells	Obtaining approvals, agreements
		Slovakia: - drilling 5 wells - G&G studies	Obtaining agreements, approvals completed
11.	Studies	Reservoir Studies	60%

During the reviewed period, investments amounting to RON 260,694 thousand were put in operation, the main ones being mentioned below:

Well drilling: 15

Well surface facilities: 15

Well modernization: 55

Well capitalizable repairs: 25

Drilling and production equipment required to sustain the gas production activity: 250

As of the end of the first half of 2015, approx. 76% of the annual investment budget, that is an amount of RON 1,001.36 million, was contracted.

3.6. Litigations

The summarized statement of litigations where Romgaz is involved in shows the following:

- ☐ 120 litigations, including:
 - ☒ 67 cases where Romgaz is complainant;
 - ☒ 49 cases where Romgaz is defendant;
 - ☒ 4 cases where Romgaz is plaintiff claiming damages/injured party
- ☐ the total value of the files where Romgaz is complainant amounts to RON 888,754,600.33;
- ☐ the total value of the files where Romgaz is defendant amounts to RON 12,056,655.83.

3.7. Legal documents concluded under the conditions of the Government Emergency Ordinance 109/2011, Article 52

The legal documents concluded during the period January 1 - June 30, 2015 under the conditions of Article 52, paragraphs (1) and (6) of GEO no. 109 of November 30, 2011 on corporate governance of public enterprises are included in the table below.

Item No.	Contracting Party	Contract Number	Object of the Contract	Value, VAT excluded (RON)
1	SC Electrocentrale București SA	15/2009 – extended and modified by AA20/2015	Gas Sale and Purchase	477,336,264.00
2	SC Termo Calor Confort Pitești	9/2010 - extended and modified by AA17/2015	Gas Sale and Purchase	14,574,062.05

Item No.	Contracting Party	Contract Number	Object of the Contract	Value, VAT excluded (RON)
3	SNTGN Transgaz SA Mediaş	8284/2015	Storage	3,296,600.00
4	SC Electrocentrale Constanța SA	1/2014 - extended and modified by AA2/2015	Gas Sale and Purchase	54,209,546.39
5	SC Electrocentrale Galați SA	4/2014 - extended and modified by AA10-AA12/2015	Gas Sale and Purchase	38,035,517.39
6	Societatea Complexul Energetic Hunedoara	2/2014- extended and modified by AA4-AA7/2015	Gas Sale and Purchase	18,708,548.24
7	SC Energoterm SA Tulcea	3/2010 - extended and modified by AA13/2015	Gas Sale and Purchase	5,008,023.84

IV. FINANCIAL-ACCOUNTING INFORMATION

4.1. Statement of Interim Financial Position

The table below presents a summary of the statement of the individual financial position as of June 30, 2015 as compared to December 31, 2014:

INDICATOR	December 31, 2014 (th. RON)	June 30, 2015 (th. RON)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	5,962,719	6,047,992	1.43%
Other intangible assets	407,449	492,091	20.77%
Associates	738	194	-73.71%
Other financial assets	76,889	76,889	0.00%
TOTAL NON-CURRENT ASSETS	6,447,795	6,617,166	2.63%
<i>Current assets</i>			
Inventories	392,108	355,163	-9.42%
Trade and other receivables	1,000,195	622,287	-37.78%
Other financial assets	916,333	1,022,122	11.54%
Other assets	101,886	132,518	30.06%
Cash and cash equivalents	1,953,787	2,630,406	34.63%
TOTAL CURRENT ASSETS	4,364,309	4,762,496	9.12%
TOTAL ASSETS	10,812,104	11,379,662	5.25%
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	385,422	385,422	0.00%
Reserves	2,142,347	2,567,774	19.86%
Retained earnings	7,184,249	6,311,350	-12.15%
TOTAL EQUITY	9,712,018	9,264,546	-4.61%
<i>Non-current liabilities</i>			
Retirement benefit obligation	97,265	97,265	0.00%
Deferred tax liabilities	131,305	121,692	-7.32%
Provisions	202,293	206,581	2.12%
Total non-current liabilities	430,863	425,538	-1.24%

INDICATOR	December 31, 2014 (th. RON)	June 30, 2015 (th. RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Current liabilities			
Trade and other payables	216,983	121,923	-43.81%
Current tax liabilities	93,590	73,800	-21.15%
Provisions	35,814	35,675	-0.39%
Other liabilities	322,836	1,458,180	351.68%
Total current liabilities	669,223	1,689,578	152.47%
TOTAL LIABILITIES	1,100,086	2,115,116	92.27%
TOTAL EQUITY AND LIABILITIES	10,812,104	11,379,662	5.25%

Non-current assets

The total non-current assets increased by 2.63%, i.e. RON 169.37 million, from RON 6,447.79 million as of December 31, 2014 to RON 6,617.17 million. The increase is due to the purchase of tangible and intangible assets, especially for gas exploration and production activities, under the conditions of impairment of projects in progress, impairment of some tangible assets and depreciation of such.

Currents assets

Current assets increased by RON 398.19 million (9.12%) as of June 30, 2015, due to the increase of cash and cash equivalents, state securities and other assets.

Inventories

The decrease by 9.42% (RON 36.94 million) is a result of the reduction of the gas inventory due to gas deliveries from the underground storages during the winter period, and reduced purchase of spare parts for compressor stations and gas dehydration stations as compared to consumptions.

Trade and other receivables

Trade receivables decreased by 37.78% as compared to December 31, 2014 as a result of reduction in value and volume of gas delivered in Q2 2015, and an increase of allowances for doubtful debts by RON 184.7 million.

Cash and cash equivalents. Other financial assets

As of the end of the first half-year, cash, cash equivalents and other financial assets amounted to RON 3,652.53 million, as compared to RON 2,870.12 million at the end of 2014. The increase is due to the fact that in the first quarter of each year, the company collects the equivalent value of gas delivered in the first winter months, while at the end of the year, the collections are related to gas delivered during the autumn months. Statistically, the highest gas demand and deliveries are during the winter months.

Other assets

Prepayments at the end of H1 2015 are higher by RON 41.98 million than at the end of 2014 and represent the tax on special constructions, which is to affect the costs, staggered over the next period of 2015, as well as the costs with the services of gas transportation into the UGSs, which are going to be invoiced to the customers as stored gas is delivered.

Equity

Retained earnings dropped by RON 872.9 million, being adversely influenced by the appropriation of the previous year's net profit and the last years' profit carried forward, while a positive effect is attributable to the net profit made in H1 2015.

Non-current liabilities

The decrease of non-current liabilities is a result of the reduction of deferred tax liabilities by RON 9.6 million and an increase of the provisions for the decommissioning of tangible non-current assets by RON 4.3 million.

Current liabilities

Current liabilities increased from RON 669.2 million as of December 31, 2014 to RON 1,689.58 million, where the amount of RON 1,216 million represents the dividends payable related to 2014 and the previous years.

Trade and other payables

The decrease by 43.81% is mainly due to the fact that the beneficiaries of gas delivered by the company performed lower advance payments than those made at the end of 2014, and also due to the reduction of liabilities towards internal suppliers and suppliers of non-current assets.

Other liabilities

The increase by 351.68% is a result of a higher liability towards shareholders as regards the 2014 dividends. Liabilities towards the state budget (VAT payable, petroleum royalty and windfall profit tax due to the deregulation of prices on the gas market) are lower as of June 30, 2015 as compared to December 31, 2014 due to the diminished value of gas delivered and invoiced to customers.

Current tax liabilities

Current tax liabilities decreased due to gross profit decline and implicitly a reduced tax base.

Provisions

Provisions changed insignificantly as compared to the year ended December 31, 2014.

4.2. Statement of Interim Comprehensive Income

The synthesis of the profit and loss account of the company for the period January 1 - June 30, 2015 as compared to the similar period of 2014 is shown below:

Description	H1 2014 (th. RON)	H1 2015 (th. RON)	Differences (th. RON)	Variance (%)
1	2	3	4=3-2	5=4/2x100
Revenue	2,526,344	2,235,108	(291,236)	-11.53%
Cost of commodities sold	(132,596)	(28,003)	(104,593)	-78.88%
Investment income	41,458	25,348	(16,110)	-38.86%
Other gains and losses	(183,194)	(188,773)	5,579	3.05%
Change in inventory	(98,991)	(41,433)	(57,558)	-58.14%
Raw materials and consumables used	(30,024)	(40,713)	10,689	35.60%
Depreciation, amortization and impairment	(366,340)	(296,876)	(69,464)	-18.96%
Employee benefit expense	(212,504)	(228,040)	15,536	7.31%
Finance cost	(7,964)	(9,105)	1,141	14.33%
Exploration expenses	(21,140)	-	(21,140)	-100.00%
Other expenses	(516,279)	(497,204)	(19,075)	-3.69%
Other income	90,761	21,831	(68,930)	-75.95%
Profit before tax	1,089,531	952,140	(137,391)	-12.61%

Description	H1 2014 (th. RON)	H1 2015 (th. RON)	Differences (th. RON)	Variance (%)
1	2	3	4=3-2	5=4/2x100
Income tax expense	(218,573)	(185,531)	(33,042)	-15.12%
Net Profit	870,958	766,609	(104,349)	-11.98%

Revenue

The Company's revenue in H1 2015 amounts to RON 2.24 billion, as compared to RON 2.53 billion achieved in H1 2014, thus a decrease by 11.53%.

The revenue from sales of internal gas production was lower by RON 86.65 million in the reviewed period than in H1 2014. A positive influence was given by the higher average delivery price, offset by a reduction in delivered quantities as a result of a lower gas demand.

The Revenue from Storage Activity was influenced by the injected/withdrawn gas volumes into/from the UGSs and by the sensitive modifications to the storage tariffs approved by ANRE.

Import Gas Volumes Delivered as Commodity dropped by 96.8 % in H1 2015 as compared with the similar period of the previous year. The reduction in import gas volumes delivered as commodity was the result of a decreasing gas demand on the gas market as well as the provisions of *ANRE Order No. 24/2013 approving the Allocation Methodology of domestic gas production quantities to cover the regulated market consumption*, pursuant to which gas producers are no longer bound to deliver a mix of domestic and import gas.

Revenues from Sale of Electric Power decreased by RON 86.2 million due to a reduction in power production, as a result of drop in sale prices.

Cost of Commodities Sold

For the six-month period ended June 30, 2015, the cost of commodities sold decreased by 78.88% from RON 132.6 million in H1 2014 to RON 28 million in 2015, mainly as a result of reduction in sales of gas purchased from import and reduction in purchase of electric power for resale to Romgaz customers.

Investment Income

For the reporting period, the investment income decreased by 38.86% (RON 16.1 million), as a result of reduction in interest rates of cash placed in bank deposits, as well as decrease of interest received for state bonds held by the company.

Other Gains and Losses

In H1 2015, the company recorded a loss of RON 189 million, mainly as a result of recording allowances for doubtful debts as regards ELCEN București (RON 136 million) and Electrocentrale Galați (RON 49 million).

Changes in Inventory of Finished Goods and Work in Progress

In H1 2015 and 2014, gas volumes – Romgaz property- withdrawn from UGSs were higher than those injected, therefore generating a negative change in inventory (loss).

The difference between gas withdrawn from and injected into UGSs was lower in H1 2015 than the balance recorded in the similar period of the previous year, hence a diminished loss by RON 57.6 million.

Raw Materials and Consumables Used

The value of materials used was higher than in H1 2014 due to the high volume of current works at wells and compressor stations.

Depreciation, amortization and impairment

In the six-month period ended June 30, 2015, depreciation, amortization and impairment expenses decreased by 18.96 % from RON 366.3 million as of June 30, 2014 to RON 296.9 million as of June 30, 2015. Such decrease is due to the fact that on June 30, 2015 there were recorded impairments of projects currently under abandonment and impairment of tangible and intangible assets related to the activity of natural gas exploration and production, in amount of RON 5.9 million as compared to RON 104.8 million recorded in H1 2014.

Depreciation of tangible assets increased, as new fixed assets were put in operation.

Employee Benefit Expense

For the reporting period, the employee benefit expense is constant for H1 2015 as compared to H1 2014.

Exploration Expense

For the period ending June 30, 2015, no exploration projects were abandoned as compared to the same period in 2014.

Other Expenses

The table below presents a breakdown of other expenses by elements of cost in comparison with the similar period of the past year:

Description	H1 2014 (th. RON)	H1 2015 (th. RON)	Difference (th. RON)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Electricity	8,635	6,141	(2,494)	-28.88%
Protocol and advertising	109	112	3	2.75%
Taxes and duties	415,416	405,867	(9,549)	-2.30%
Bank commissions and similar charges	401	398	(3)	-0.75%
Insurance expenses	1,033	609	(424)	-41.05%
Compensations, fines and penalties	57	16	(41)	-71.93%
Provisions	(22,580)	(3,304)	19,276	85.37%
Capacity reservation and transmission services expenses	18,708	14,468	(4,240)	-22.66%
Other operating expenses	94,500	72,897	(21,603)	-22.86%
Total	516,279	497,204	(19,075)	-3.69%

Other Expenses decreased by 3.69% from RON 516.3 million on June 30, 2014 to RON 497.2 million on June 30, 2015. Such decrease is due mainly to *Taxes and Duties*, namely:

- decrease of natural gas royalty expense as a result of lower volumes of gas produced from reservoirs, and of a sensitive increase of the royalty calculation price;
- increase of tax on additional revenue (windfall tax) obtained as a result of gas price deregulation;
- decrease of tax on special construction as a result of decreasing the percentage applied against the cost of such fixed assets. The percentage decreased from 1.5% to 1%.

Electricity relating expenses decreased because SPEE Iernut produced the electricity volumes required for supporting the company's production and UGS activity. The profit and loss account reflects only the electricity supplied by third parties, its value being lower during the reviewed period.

Provisions

In H1 2015, RON 2.7 million was reversed, representing a part of the provision made for restoring land to the agricultural circuit.

During H1 2014, RON 10 million provision set up on December 31, 2013 for CO₂ certificates was reversed. Also, RON 10.8 million was reversed from the provision made for decommissioning of fixed assets. Simultaneously, a RON 2 million provision for environmental authorizations was set up.

Electricity Capacity Reservation and Transmission Services

Such expense decreased during the current H1 as compared to H1 2014 due to a decrease of power generation.

Other Operating Expenses

This category decreased because of lower value of CO₂ certificates which is correlated to the generated electricity volumes (smaller in H1 2015, as compared to the similar period in the previous year).

During H1 2014, 2013 CO₂ certificates were also recorded, but their effects were annulled by reversal of provision explained above.

Other Revenue

For H1 2015, other revenue decreased by 75.95%, meaning RON 68.9 million and relates to decreasing revenue generated by penalties offset by increase of revenue generated by gas withdrawal services invoiced to the company's clients.

Income Tax Expense

On June 30, 2014, the company's expense in terms of income tax was RON 219 million as compared to RON 186 million for H1 2015 because during this period smaller profit tax expense and smaller deferred tax revenue were recorded.

Profit for the Period

During H1 2015, the company's net profit decreased by RON 104 million (-11.98%), from RON 871 million to RON 767 million, due to the cumulated effects of the above-mentioned factors.

4.3. Statement of Cash Flows

Statement of cash flows for H1 2014 and H1 of 2015 are indicated below:

INDICATOR	H1 2014	H1 2015	Variation
1	th. RON	th. RON	(%)
	2	3	4=(3-2)/2x100
Cash flows from operating activities			
Net profit for H1	870,958	766,609	-11.98%
<i>Adjustments for:</i>			
Income tax expense	218,573	185,531	-15.12%
Interest expense	10	17	70.00%
Unwinding of decommissioning provision	7,954	9,088	14.26%
Interest revenue	(41,458)	(25,348)	-38.86%
Loss on disposal of non-current assets	5,356	1,483	-72.31%
Change in decommissioning provision recognized in profit or loss, other than unwinding	(10,783)	(249)	-97.69%
Change in other provisions	(11,797)	(3,055)	-74.10%
Expenses for provisions for impairment of exploration assets	51,713	7,849	-84.82%
Exploration costs	21,140	-	-100.00%
Impairment of property, plant and equipment	53,095	(1,930)	-103.63%
Depreciation and amortization	261,532	290,957	11.25%
Impairment of investment in associates	158	633	300.63%
Losses from trade receivables and other assets	176,095	185,325	5.24%
Write-down allowance of inventory	-	1,308	100.00%
	1,602,546	1,418,218	-11.50%
Movements in working capital:			
(Increase)/Decrease in inventory	183,180	35,699	-80.51%
(Increase)/Decrease in trade and other receivables	334,042	147,562	-55.83%
(Increase)/Decrease in trade and other liabilities	(149,305)	(159,558)	6.87%
Cash generated from operations	1,970,463	1,441,921	-26.82%
Interest paid	(10)	(17)	70.00%
Income taxes paid	(325,247)	(214,934)	-33.92%
Net cash generated by operating activities	1,645,206	1,226,970	-25.42%
Cash flows from investing activities			
Acquisition of investments in associates	-	(89)	100.00%
(Increase)/ Decrease in other financial assets	255,401	(106,124)	-141.55%
Interest received	34,363	25,683	-25.26%
Proceeds from sale of non-current assets	-	19	100.00%
Loans to associates	-	(679)	100.00%
Reimbursement of loans to associates	-	65	100.00%
Dividends received	-	1,634	100.00%
Acquisition of non-current assets	(224,897)	(158,006)	-29.74%
Acquisition of exploration assets	(293,627)	(311,984)	6.25%
Net cash used in investing activities	(228,760)	(549,481)	140.20%
Cash flows from financing activities			
Dividends paid	-	(870)	100.00%
Net cash used in financing activities	-	(870)	100.00%
Net increase/(decrease) in cash and cash equivalents	1,416,446	676,619	-53.23%
Cash and cash equivalents at the beginning of the year	1,563,590	1,953,787	24.96%
Cash and cash equivalents on June 30, 2015	2,980,036	2,630,406	-11.73%

The company's statement of cash flows is prepared using the indirect method, whereby net profit is adjusted for the effects of non-cash transactions, any deferrals or accruals of cash payments or receipts from operations, past or future, and items of income or expense associated with cash flows from investing or financing activities.

Reconciliation of profit before tax to cash flow generated from operating activities (before changes in net current assets) resulted in a net upward adjustment of RON 1,418 million for H1 2015 compared to RON 1,603 million for the similar period of 2014.



The most important movements in cash flows were the receipts for gas delivered to the company's clients, payments for acquisition of non-current assets (RON 158 million) and exploration assets in amount of RON 312 million, as per the investment plans approved by the company.

Attached hereto are the Interim Financial Statements for the period ending on June 30, 2015 prepared in accordance with IFRS.

Signatures:

Chairman of the Board

AURORA NEGRUȚ

Director General

MARIUS VIRGIL METEA

Economic Department Director,

LUCIA IONAȘCU

S.N.G.N. ROMGAZ S.A.

**INDIVIDUAL INTERIM FINANCIAL STATEMENTS
TOGETHER WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015**

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

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

REPORT ON THE REVIEW OF INTERIM INDIVIDUAL FINANCIAL INFORMATION

Introduction

- 1 We have reviewed the accompanying interim individual statement of financial position of S.N.G.N. Romgaz S.A. (the Company) as of June 30, 2015 and the related interim individual statements of comprehensive income, individual changes in shareholders' equity and individual cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim individual financial information in accordance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express a conclusion on this interim individual financial information based on our review.

Scope of Review

- 2 We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim individual financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

- 3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim individual financial information does not present fairly, in all material respects, the individual financial position of the Company as of June 30, 2015 and its interim individual financial performance and its cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Other Matters

- 4 This report is made solely to the shareholders. Our review work has been undertaken so that we might state to the shareholders, those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

**For signature, please refer to the
original Romanian version**

Deloitte Audit S.R.L.
Bucharest, Romania
August 13, 2015

**STATEMENT OF INDIVIDUAL INTERIM COMPREHENSIVE INCOME
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

	Note	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three Months ended June 30, 2014
		'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3	2,235,108	869,631	2,526,344	1,077,044
Cost of commodities sold	5	(28,003)	(16,819)	(132,596)	(30,767)
Investment income	4	25,348	11,730	41,458	23,844
Other gains and losses	6	(188,773)	(165,926)	(183,194)	(170,747)
Changes in inventory of finished goods and work in progress		(41,433)	51,226	(98,991)	3,014
Raw materials and consumables used	5	(40,713)	(19,148)	(30,024)	(5,593)
Depreciation, amortization and impairment expenses	7	(296,876)	(120,483)	(366,340)	(222,524)
Employee benefit expense	8	(228,040)	(120,101)	(212,504)	(104,290)
Finance cost	9	(9,105)	(4,555)	(7,964)	(3,956)
Exploration expense	13	-	-	(21,140)	(21,140)
Other expenses	10	(497,204)	(221,268)	(516,279)	(264,305)
Other income	3	21,831	8,791	90,761	76,313
Profit before tax		952,140	273,078	1,089,531	356,893
Income tax expense	11	(185,531)	(69,510)	(218,573)	(94,320)
Profit for the period		766,609	203,568	870,958	262,573
Basic and diluted earnings per share		0.0020	0.0005	0.0023	0.0007
Total comprehensive income for the period		766,609	203,568	870,958	262,573

These individual interim financial statements were authorized for issue by the Board of Directors on August 13, 2015.

Virgil Metea
General Manager



Lucia Ionascu
Economic Director

The accompanying notes form an integral part of these individual interim financial statements.
This is a free translation from the original Romanian version.

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION
AS OF JUNE 30, 2015 (NOT AUDITED)

	Note	June 30, 2015	December 31, 2014
		'000 RON	'000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	12	6,047,992	5,962,719
Other intangible assets	14	492,091	407,449
Associates	24	194	738
Other financial assets	25, 28	76,889	76,889
Total non-current assets		6,617,166	6,447,795
Current assets			
Inventories	15	355,163	392,108
Trade and other receivables	16a	622,287	1,000,195
Other financial assets	28	1,022,122	916,333
Other assets	16b	132,518	101,886
Cash and cash equivalents	27	2,630,406	1,953,787
Total current assets		4,762,496	4,364,309
Total assets		11,379,662	10,812,104
EQUITY AND LIABILITIES			
Equity			
Share capital	17	385,422	385,422
Reserves	18	2,567,774	2,142,347
Retained earnings		6,311,350	7,184,249
Total equity		9,264,546	9,712,018
Non-current liabilities			
Retirement benefit obligation	19	97,265	97,265
Deferred tax liabilities	11	121,692	131,305
Provisions	19	206,581	202,293
Total non-current liabilities		425,538	430,863

The accompanying notes form an integral part of these individual interim financial statements.
This is a free translation from the original Romanian version.

**STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION
AS OF JUNE 30, 2015 (NOT AUDITED)**

	<u>Note</u>	<u>June 30, 2015</u>	<u>December 31, 2014</u>
		<u>'000 RON</u>	<u>'000 RON</u>
Current liabilities			
Trade and other payables	20	121,923	216,983
Current tax liabilities		73,800	93,590
Provisions	19	35,675	35,814
Other liabilities	20	<u>1,458,180</u>	<u>322,836</u>
Total current liabilities		<u>1,689,578</u>	<u>669,223</u>
Total liabilities		<u>2,115,116</u>	<u>1,100,086</u>
Total equity and liabilities		<u>11,379,662</u>	<u>10,812,104</u>

These individual interim financial statements were authorized for issue by the Board of Directors on August 13, 2015.

Virgil Metea
General Manager



Lucia Ionascu
Economic Director

The accompanying notes form an integral part of these individual interim financial statements.
This is a free translation from the original Romanian version.

STATEMENT OF INDIVIDUAL INTERIM CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015 (NOT AUDITED)

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2015	385,422	77,084	2,065,263	7,184,249	9,712,018
Allocation to dividends *)	-	-	-	(1,214,081)	(1,214,081)
Increase other reserves	-	-	407,035	(407,035)	-
Reinvested profit	-	-	18,392	(18,392)	-
Total comprehensive income for the period	-	-	-	766,609	766,609
Balance as of June 30, 2015	385,422	77,084	2,490,690	6,311,350	9,264,546
Balance as of January 1, 2014	1,892,681	77,084	1,872,516	5,450,493	9,292,774
Allocation to dividends *)	-	-	-	(990,637)	(990,637)
Share capital decrease	(1,507,259)	-	-	1,507,259	-
Increase other reserves	-	-	162,079	(162,079)	-
Total comprehensive income for the period	-	-	-	870,958	870,958
Balance as of June 30, 2014	385,422	77,084	2,034,595	6,675,994	9,173,095

*) In 2015, the Company's shareholders approved to allocate the amount of thousand RON 1,214,081 to dividends (2014: thousand RON 990,637), the dividend per share being RON 3.15 (2014: RON 2.57 per share).

These individual interim financial statements were authorized for issue by the Board of Directors on August 13, 2015.

Virgil Măteea
General Manager

Lucia Ionascu
Director Economic

The accompanying notes form an integrant part of these individual interim financial statements.
This is a free translation from the original Romanian version.

**STATEMENT OF INDIVIDUAL INTERIM CASH FLOWS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Cash flows from operating activities				
Net profit for the period	766,609	203,568	870,958	262,573
Adjustments for:				
Income tax expense	185,531	69,510	218,573	94,320
Interest expense	17	11	10	5
Unwinding of decommissioning provision	9,088	4,544	7,954	3,951
Interest revenue	(25,348)	(11,730)	(41,458)	(23,844)
(Gain) / Loss on disposal of non-current assets	1,483	201	5,356	5,001
Change in decommissioning provision recognized in profit or loss, other than unwinding	(249)	(49)	(10,783)	(2,364)
Change in other provisions	(3,055)	(875)	(11,797)	(2,530)
Impairment of exploration assets	7,849	(4,850)	51,713	51,713
Exploration projects written-off	-	-	21,140	21,140
Impairment of property, plant and equipment	(1,930)	(14,354)	53,095	53,095
Depreciation and amortization	290,957	139,687	261,532	117,716
(Gain) / Loss from foreign exchange differences	-	-	-	(1,338)
Impairment of financial investments	633	633	158	158
(Gain) / Loss from trade receivables and other assets	185,325	164,359	176,095	165,588
Movement in write-down allowances for inventory	1,308	1,308	-	-
	1,418,218	551,963	1,602,546	745,184
Movements in working capital:				
Increase) / Decrease in inventory	35,699	(43,569)	183,180	8,069
(Increase) / Decrease in trade and other receivables	147,562	333,482	334,042	432,310
Increase / (Decrease) in trade and other liabilities	(159,558)	(141,036)	(149,305)	(102,052)
Cash generated from operations	1,441,921	700,840	1,970,463	1,083,511
Interest paid	(17)	(11)	(10)	(5)
Income taxes paid	(214,934)	(123,080)	(325,247)	(125,267)
Net cash generated by operating activities	1,226,970	577,749	1,645,206	958,239

The accompanying notes form an integral part of these individual interim financial statements.
This is a free translation from the original Romanian version.

**STATEMENT OF INDIVIDUAL INTERIM CASH FLOWS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	'000 RON	'000 RON	'000 RON	'000 RON
Cash flows from investing activities				
Acquisition of investments in associates	(89)	(89)	-	-
Decrease / (Increase) in other financial assets	(106,124)	283,851	255,401	168,823
Interest received	25,683	8,474	34,363	10,052
Proceeds from sale of non-current assets	19	-	-	-
Loans granted to associates	(679)	-	-	-
Reimbursements of loans of non-current assets	65	-	-	-
Dividends received	1,634	-	-	-
Acquisition of non-current assets	(158,006)	(93,153)	(224,897)	(141,401)
Acquisition of exploration assets	(311,984)	(165,771)	(293,627)	(179,296)
Net cash (used in) / generated by investing activities	(549,481)	33,312	(228,760)	(141,822)
Cash flows from financing activities				
Dividends paid	(870)	(81)	-	-
Net cash used in financing activities	(870)	(81)	-	-
Net increase in cash and cash equivalents	676,619	610,980	1,416,446	816,417
Cash and cash equivalents at the beginning of the period	1,953,787	2,019,426	1,563,590	2,163,619
Cash and cash equivalents at the end of the period	2,630,406	2,630,406	2,980,036	2,980,036

These individual interim financial statements were authorized for issue by the Board of Directors on August 13, 2015.

Virgil Metea
General Manager



Lucia Ionascu
Economic Director

The accompanying notes form an integral part of these individual interim financial statements.
This is a free translation from the original Romanian version.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

1. BACKGROUND AND GENERAL BUSINESS

Information regarding S.N.G.N. Romgaz S.A. (the "Company"/"Romgaz")

S.N.G.N. Romgaz S.A. is a joint stock company, incorporated in accordance with the Romanian legislation.

The Company's headquarter is in Mediaş, 4 Constantin I. Motaş Square, 551130, Sibiu County.

The Ministry of Energy, Small and Medium Enterprises and Business Environment as representative of the Romanian State, is shareholder of S.N.G.N. Romgaz S.A. together with Fondul Proprietatea, other legal and physical persons (Note 17).

Romgaz 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;
6. electricity production.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The individual interim financial statements of the Company have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). For the purposes of the preparation of these individual interim 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 International Accounting Standards Board (IASB), however, the differences have no material impact on the Company's individual interim financial statements for the periods presented.

The same accounting policies and methods of computation are used in these individual interim financial statements as compared with the most recent annual individual financial statements issued by the Company.

Basis of preparation

The individual interim financial statements have been prepared on a going concern basis. The principal accounting policies are set out below.

The individual interim financial statements are unaudited and, in the opinion of management, include all adjustments necessary for a fair presentation of the results for each period. All such adjustments are of a normal recurring nature.

Accounting is kept in Romanian and in the national currency. Items included in these individual financial statements are denominated in Romanian lei. Unless otherwise stated, the amounts are presented in thousand lei (thousand RON).

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The Company prepares individual interim 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 the associates to bring their accounting policies into line with those used by the Company.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these individual interim financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventory" or value in use in IAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance to the Company of the inputs to the fair value measurement, which are described as follows:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.

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 interim financial statements using the equity method.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements (continued)

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

Joint operations

The Company shall recognise in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

As joint operator, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

If the Company participates in, but does not have joint control of, a joint operation it accounts for its interest in the arrangement in accordance with paragraphs above if it has rights to the assets, and obligations for the liabilities, relating to the joint operation.

If the Company participates in, but does not have joint control of, a joint operation, does not have rights to the assets, and obligations for the liabilities, relating to that joint operation, it accounts for its interest in the joint operation in accordance with the IFRSs applicable to that interest.

Joint ventures

As a partner in a joint venture, in its individual interim financial statements, the Company recognizes its interest in a joint venture as investment, at cost, if it has joint control.

Standards and Interpretations effective in the current period

The following standards, amendments or improvements to the existing standards issued by the IASB and adopted by the EU are effective for the current period:

- Annual improvements to IFRSs – cycle 2011 - 2013, adopted by the EU on December 18, 2014 (effective for annual periods beginning on or after January 1, 2015);
- IFRIC 21 "Levies" adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

The adoption of these amendments, interpretations or improvements 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 issue of the individual interim financial statements, the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were issued, but not yet effective:

- Annual improvements to IFRS – cycle 2010-2012 adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015).

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 IFRS adopted by the IASB except from the following standards, amendments or improvements to the existing standards and interpretations, which were not endorsed for use in EU as at date of publication of individual interim financial statements:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after January 1, 2016);
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after January 1, 2017);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after January 1, 2016);
- Annual improvements to IFRSs – cycle 2012-2014 (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016, to be amended);
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Bearer Plants (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after January 1, 2016).

The Company anticipates that the adoption of these standards, amendments or improvements 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 end of the reporting date.

This is a free translation from the original Romanian version.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Revenue from rendering of services is based on the stage of completion as a percentage from total revenues from the service contract, the percentage being determined by the fraction between the performed services until the end of the reporting 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 them is established.

Foreign currencies

The functional currency is the currency of the primary economic environment in which the Company operates and is the currency in which the Company 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 interim financial statements of the Company, transactions in currencies other than the functional currency (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in the statement of comprehensive income in the period in which they arise.

Employee benefits

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 in the gas industry/electrical industry, work conditions etc. To this purpose, the Company recorded a provision for benefits upon retirement.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Benefits granted upon retirement (continued)

This provision was computed according to actuarial 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.

Employee participation to profit

At year end, the Company records 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 are settled in less than a year and are measured at the amounts to be paid at the time of settlement.

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 the weighted average cost of capital.

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

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 "Changes in Existing Decommissioning, Restoration and Similar Liabilities" 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 recognized immediately in the statement of comprehensive income;

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

- 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 Company tests 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 recognized in the income statement in the year when they occur.

The periodical unwinding of the discount is recognized periodically in the comprehensive income 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 period. Taxable profit differs from profit as reported in the statement of individual comprehensive income 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 statement of financial position date.

Deferred tax

Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the individual interim financial statements and the corresponding tax bases used in the computation of taxable profit, and is 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 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.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

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 the statement of comprehensive income, 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 are 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.

(ii) Development expenditure

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

(iii) Maintenance and repairs

The Company will not recognize within the assets costs the current expenses and the accidental expenses for that asset. These costs are expensed in the period in which they are incurred.

The current cost for maintenance are mainly labor costs and consumables and also small inventory items. The purpose of these expenses is usually described as "repairs and maintenance" for property, plant and equipment.

The expenses with major activities, inspections and repairs comprise the replacement of the assets or other asset's parts, the inspection cost and major overhauls. These expenses are capitalized if an asset or part of an asset, which was separately depreciated, is replaced and is probable that they will bring future economic benefits for the Company. If part of a replaced asset was not considered as a separate component and, as a result, was not separately depreciated, the replacement value will be used to estimate the net book value of the asset/(assets) which is/(are) replaced and is/(are) immediately written-off. The inspection costs associated with major overhauls are capitalized and depreciated over the period until next inspection.

The cost for major overhauls for wells are also capitalized and depreciated using the unit of production depreciation method.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

All other costs with the current repairs and usual maintenance are recognized directly in expenses.

(2) Depreciation

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

<u>Asset</u>	<u>Years</u>
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 period's result.

Exploration and appraisal assets

(1) Cost

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

Costs directly associated with an exploration well are initially capitalized as an asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, drilling 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 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 other than exploration assets.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and appraisal assets (continued)

(2) Impairment

At each reporting date, the Company's management reviews its exploration assets and establishes the necessity for recording in the financial statements of an impairment loss in these situations:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Other intangible assets

(1) Cost

Licenses for software, patents and other intangible assets are recognized at acquisition cost. Exploitation licenses issued by the National Authority for Energy Regulation ("ANRE") are recognized at cost from the moment they are obtained by the Company.

Intangible assets are not revalued.

(2) Amortization

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 licenses are amortized over the period for which they were issued.

Inventories

Inventories are stated at the lower of cost and net realizable value. 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. The cost of inventories is assigned by using the weighted average cost formula.

Financial assets and liabilities

The 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. 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.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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.

Available for sale (AFS) financial assets

Financial assets available for sale are non-derivatives financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or other financial assets measured at fair value through profit or loss.

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.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Impairment of financial assets

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

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;
- reserves from tax incentives, set up based on Emergency Ordinance no. 19/April 23, 2014. The amount of profit that benefited from tax exemption under the above Ordinance less the legal reserve, was distributed at the end of the period by setting up the reserve;
- development quota reserve, non-distributable, set up until 2004.

**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 end of reporting 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 interim financial statements.

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, capitalized expenses are written off. The write off is performed based on geological experts' technical expertise.

Estimates related to the developed proved 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 annually based on internal assessment approved by the National Authority for Mineral Resources.

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. 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 using the weighted average capital cost.

Estimates related to the retirement benefit obligation

Under the Collective Labor Agreement, the Company is obliged to pay to its employees when they retire a multiplier of the gross salary, depending on the seniority within the gas industry/electricity industry, 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 present 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.

**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 3 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The Company works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Economic Director reports the valuation findings to the board of directors of the Company on a regular basis to explain the cause of fluctuations in the fair value of the assets and liabilities.

Contingencies

By their nature, contingencies end only when one or more uncertain future events occur or not. In order to determine the existence and the potential value of a contingent element, is required to exercise the professional judgment and the use of estimates regarding the outcome of future events.

Comparative information

For each item of the statement of individual interim financial position, the statement of individual interim comprehensive income and, where is the case, for the statement of individual interim changes in equity and for the statement of individual interim cash flows, for comparative information purposes is presented the value of the corresponding item for the previous period ended. In addition, the Company presents an additional statement of individual financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the individual financial statements, which has a material impact on the Company.

3. REVENUE AND OTHER INCOME

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Revenue from gas sold - internal production	1,928,882	759,282	2,015,536	916,502
Revenue from gas acquired for resale – import gas	3,195	-	99,881	6,367
Revenue from gas acquired for resale – internal gas	6,583	3,431	7,317	3,910
Revenue from storage services	191,254	38,964	217,240	59,877
Revenue from electricity	77,644	48,002	163,879	75,884
Revenue from sale of goods	7,842	5,566	5,719	2,987
Revenue from services	16,267	12,635	13,255	9,794
Other operating revenues	25,272	10,542	94,278	78,036
Total	<u>2,256,939</u>	<u>878,422</u>	<u>2,617,105</u>	<u>1,153,357</u>

**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

4. INVESTMENT INCOME

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Interest revenue	25,348	11,730	41,458	23,844
Total	<u>25,348</u>	<u>11,730</u>	<u>41,458</u>	<u>23,844</u>

5. COST OF COMMODITIES SOLD AND RAW MATERIALS AND CONSUMABLES

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Consumables used	38,459	17,872	26,374	4,275
Cost of gas acquired for resale, sold – import	3,090	-	93,717	6,020
Cost of gas acquired for resale, sold – domestic	5,929	3,016	5,997	3,074
Cost of electricity imbalance	18,624	13,576	32,431	21,471
Cost of other goods sold	359	226	451	202
Other consumables	2,255	1,277	3,650	1,318
Total	<u>68,716</u>	<u>35,967</u>	<u>162,620</u>	<u>36,360</u>

6. OTHER GAINS AND LOSSES

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Forex gain	345	306	700	91
Forex loss	(369)	269	(2,285)	(91)
Loss on disposal of property, plant and equipment	(1,483)	(201)	(5,356)	(5,001)
Receivable allowances and write offs, net	(185,324)	(164,358)	(176,081)	(165,587)
Impairment of financial assets	(633)	(633)	(158)	(158)
Write down allowances for inventory, net	(1,308)	(1,308)	-	-
Losses from trade receivables	(1)	(1)	(14)	(1)
Total	<u>(188,773)</u>	<u>(165,926)</u>	<u>(183,194)</u>	<u>(170,747)</u>

**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSE

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Depreciation	290,957	139,687	261,532	117,716
<i>Out of which:</i>				
- Depreciation of property, plant and equipment	281,581	135,423	252,864	114,342
- Amortization of intangible assets	9,376	4,264	8,668	3,374
- Impairment of fixed assets	5,919	(19,204)	104,808	104,808
Total depreciation, amortization and impairment	<u>296,876</u>	<u>120,483</u>	<u>366,340</u>	<u>222,524</u>

8. EMPLOYEE BENEFITS AND SOCIAL CHARGES

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Wages and salaries	168,941	86,982	153,231	72,850
Social security charges	42,719	23,702	46,864	24,086
Meal tickets	5,410	2,602	4,303	1,640
Other benefits according to collective labor contract	5,935	4,336	3,403	2,655
Private pension payments	5,035	2,479	4,703	3,059
Total	<u>228,040</u>	<u>120,101</u>	<u>212,504</u>	<u>104,290</u>

In the six months ended June 30, 2015, in addition to the amount of thousand RON 228,040 the Company recorded employee benefits and social charges in amount of thousand RON 44,171 which have been capitalized in the cost of internally produced tangible assets (six months ended June 30, 2014: thousand RON 52,535).

9. FINANCE COSTS

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Interest expense	17	11	10	5
Unwinding of the decommissioning provision	9,088	4,544	7,954	3,951
Total	<u>9,105</u>	<u>4,555</u>	<u>7,964</u>	<u>3,956</u>

**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

10. OTHER EXPENSES

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Energy and water expenses	6,141	3,957	8,635	3,514
Expenses for capacity booking and gas transmission services	14,468	8,979	18,708	7,184
Expenses with other taxes and duties	405,867	171,530	415,416	211,327
(Gain) / Loss from provisions movement	(3,304)	(924)	(22,580)	(4,894)
Other operating expenses	74,032	37,726	96,100	47,174
Total	<u>497,204</u>	<u>221,268</u>	<u>516,279</u>	<u>264,305</u>

In the six months ended June 30, 2015, the major taxes included in the amount of thousand RON 405,867 (six months ended June 30, 2014: thousand RON 415,416) for taxes and duties are:

- thousand RON 198,151 (six months ended June 30, 2014: thousand RON 192,205), including amounts related to joint ventures, represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 modified by the Emergency Ordinance no. 13/2014 for the implementation of the windfall tax following the deregulation of prices in the natural gas sector;
- thousand RON 32,904 (six months ended June 30, 2014: thousand RON 46,107), including amounts related to joint ventures, represent tax on special construction according to Government Ordinance no. 102/2013 for the modification and completion of Law 571/2003 regarding the Fiscal Code and for the regulation of certain financial-fiscal measures. The tax was introduced in 2014 and it was determined starting May, 2014;
- thousand RON 146,912, including amounts related to joint ventures, represents royalty on gas production and storage activity (six months ended June 30, 2014: thousand RON 151,902).

11. INCOME TAXES

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Income tax				
Current period tax expense	195,144	72,205	233,669	107,619
Deferred income tax revenue	(9,613)	(2,695)	(15,096)	(13,299)
Income tax expense	<u>185,531</u>	<u>69,510</u>	<u>218,573</u>	<u>94,320</u>

The tax rate used for the six months ended June 30, 2015, respectively June 30 2014 reconciliations below is the corporate tax rate of 16% payable by corporate entities in Romania on taxable profits under tax law in that jurisdiction.

**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

11. INCOME TAXES

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

	Six months ended June 30, 2015	Six months ended June 30, 2014
	'000 RON	'000 RON
Accounting profit before tax	952,140	1,089,531
Income tax expense calculated at 16%	152,343	174,325
Effect of income exempt of taxation	(17,686)	(4,599)
Effect of expenses that are not deductible in determining taxable profit	63,256	63,507
Effect of temporary differences	(12,382)	(14,660)
Income tax expense	185,531	218,573

Components of deferred tax liability:

	June 30, 2015		December 31, 2014	
	Cumulative temporary differences	Deferred tax (asset) / liability	Cumulative temporary differences	Deferred tax (asset) / liability
Components of deferred tax	'000 RON	'000 RON	'000 RON	'000 RON
Provisions	(327,044)	(52,328)	(320,227)	(51,236)
Property, plant and equipment	1,236,945	197,911	1,290,285	206,446
Receivables and other assets	(149,323)	(23,891)	(149,399)	(23,905)
Total	760,578	121,692	820,659	131,305
Charged to income		(9,613)		(15,135)

**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements '000 RON	Buildings '000 RON	Gas properties '000 RON	Plant, machinery and equipment '000 RON	Fixtures, fittings and office equipment '000 RON	Storage Assets '000 RON	Tangible exploration assets - WIP '000 RON	Capital work in progress - other '000 RON	Total '000 RON
Cost									
As of January 1, 2015	104,058	457,028	4,872,197	1,096,588	157,645	1,604,301	852,508	548,085	9,692,410
Reclassification	-	355,583	256,831	(434,327)	(76,280)	(101,807)	-	-	-
Additions *)	1,447	4,391	145,045	13,003	1,093	89,567	233,620	163,892	652,058
Disposals *)	(18)	(18)	(3,371)	(468)	(108)	-	(30,716)	(221,300)	(255,999)
As of June 30, 2015	105,487	816,984	5,270,702	674,796	82,350	1,592,061	1,055,412	490,677	10,088,469
Accumulated depreciation									
As of January 1, 2015	-	84,071	2,030,012	505,872	113,502	370,324	-	-	3,103,781
Reclassification	-	86,055	106,394	(126,928)	(60,662)	(4,859)	-	-	-
Charge for the period **)	-	16,020	209,237	29,341	3,428	39,793	-	-	297,817
Disposals	-	(13)	(144)	(460)	(108)	-	-	-	(725)
As of June 30, 2015	-	186,133	2,345,499	407,825	56,158	405,258	-	-	3,400,873
Impairment									
As of January 1, 2015	3,180	15,176	174,085	24,881	298	6,253	339,084	62,953	625,910
Reclassification	-	810	14	(404)	58	(478)	-	-	-
Charge for the period	-	212	38,744	382	85	-	25,465	10,047	74,935
Release during the period	-	(30)	(35,386)	(1,528)	(50)	(906)	(9,841)	(13,500)	(61,241)
As of June 30, 2015	3,180	16,168	177,457	23,331	391	4,869	354,708	59,500	639,604
Carrying value									
January 1, 2015	100,878	357,781	2,668,100	565,835	43,845	1,227,724	513,424	485,132	5,962,719
June 30, 2015	102,307	614,683	2,747,746	243,640	25,801	1,181,934	700,704	431,177	6,047,992

*) Amounts include put in functions/transfers in amount of thousand RON 251,952

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to thousand RON 14,980.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

12. 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 January 1, 2014	103,110	449,978	4,539,218	1,002,118	153,893	1,539,539	691,696	312,332	8,791,884
Additions*)	1,096	2,841	107,055	17,546	196	179	238,709	242,521	610,143
Disposals*)	-	(7)	(11,208)	(822)	(8)	(457)	(89,014)	(45,752)	(147,268)
As of June 30, 2014	104,206	452,812	4,635,065	1,018,842	154,081	1,539,261	841,391	509,101	9,254,759
Accumulated depreciation									
As of January 1, 2014	-	54,773	1,739,256	415,026	89,594	297,858	-	-	2,596,507
Charge for the period**)	-	7,835	168,447	55,639	2,680	40,448	-	-	275,049
Disposals	-	(7)	(2,577)	(736)	(8)	(179)	-	-	(3,507)
As of June 30, 2014	-	62,601	1,905,126	469,929	92,266	338,127	-	-	2,868,049
Impairment									
As of January 1, 2014	3,180	14,383	69,645	22,780	124	-	276,880	41,118	428,110
Charged for the period	-	-	53,095	-	-	-	-	-	53,095
Release during the period	-	-	-	(188)	-	-	(6,130)	-	(6,318)
As of June 30, 2014	3,180	14,383	122,740	22,592	124	-	270,750	41,118	474,887
Carrying value									
January 1, 2014	99,930	380,822	2,730,317	564,312	64,175	1,241,681	414,816	271,214	5,767,267
June 30, 2014	101,026	375,828	2,607,199	526,321	61,691	1,201,134	570,641	467,983	5,911,823

*) Amounts include put in functions/transfers in amount of thousand RON 113,578

***) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to thousand RON 21,516

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

13. EXPLORATION AND APPRAISAL FOR NATURAL GAS RESOURCES

The following financial information represents the amounts included within the Company's totals relating to activity associated with the exploration for and appraisal of oil and natural gas resources. All such activity is recorded within the Upstream segment.

	Six months ended June 30, 2015	Three months ended June 30, 2015	Six months ended June 30, 2014	Three months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Exploration expenditure	-	-	21,140	21,140
Net movement in exploration assets'				
impairment	7,849	(4,850)	51,713	51,713
Net cash used in investing activities	(311,984)	(165,771)	(293,627)	(179,296)
			<u>June 30, 2015</u>	<u>December 31, 2014</u>
			<u>'000 RON</u>	<u>'000 RON</u>
Exploration assets			1,168,125	894,705
Liabilities			(40,622)	(125,496)
Net assets			1,127,503	769,209

14. OTHER INTANGIBLE ASSETS

	Development expenses	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Cost					
As of January 1, 2015	14,584	168,266	497,329	2,606	682,785
Additions	2,559	7,925	78,365	6,134	94,983
Disposals	-	(514)	-	(8,740)	(9,254)
As of June 30, 2015	17,143	175,677	575,694	-	768,514
Accumulated amortization					
As of January 1, 2015	5,056	152,045	-	-	157,101
Charge for the period	1,104	8,272	-	-	9,376
Disposals	-	(514)	-	-	(514)
As of June 30, 2015	6,160	159,803	-	-	165,963
Impairment					
As of January 1, 2015	-	-	116,048	2,187	118,235
Charge for the period	2,187	-	6,340	-	8,527
Release during the period	-	-	(14,115)	(2,187)	(16,302)
As of June 30, 2015	2,187	-	108,273	-	110,460
Carrying value					
January 1, 2015	9,528	16,221	381,281	419	407,449
June 30, 2015	8,796	15,874	467,421	-	492,091

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

14. OTHER INTANGIBLE ASSETS (continued)

	Development expenses <i>'000 RON</i>	Licenses <i>'000 RON</i>	Intangible exploration assets - WIP <i>'000 RON</i>	Intangible work in progress - other <i>'000 RON</i>	Total <i>'000 RON</i>
Cost					
As of January 1, 2014	4,133	160,044	381,577	4,834	550,588
Additions	-	1,740	46,250	7,283	55,273
Disposals	-	(166)	(360)	(1,083)	(1,609)
As of June 30, 2014	4,133	161,618	427,467	11,034	604,252
Accumulated amortization					
As of January 1, 2014	4,088	138,369	-	-	142,457
Charge for the period	16	8,652	-	-	8,668
Disposals	-	(167)	-	-	(167)
As of June 30, 2014	4,104	146,854	-	-	150,958
Impairment					
As of January 1, 2014	-	-	24,175	-	24,175
Charge for the period	-	-	57,843	-	57,843
As of June 30, 2014	-	-	82,018	-	82,018
Carrying value					
January 1, 2014	45	21,675	367,402	4,834	383,956
June 30, 2014	29	14,764	345,449	11,034	371,276

15. INVENTORIES

	June 30, 2015 <i>'000 RON</i>	December 31, 2014 <i>'000 RON</i>
Spare parts and materials	154,717	142,687
Work in progress	504	144
Finished goods	185,257	240,104
Residual products	111	105
Inventories at third parties	36,589	39,816
Commodities (gas)	10,182	122
Other commodities	72	91
Packaging	5	5
Write-down allowance for slow moving inventory	(32,212)	(24,060)
Write-down allowance for inventories at third parties	(62)	(6,906)
Total	355,163	392,108

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Trade receivables - short term	1,353,791	1,528,203
Bad debt allowances - short term (Note 16 c)	(750,655)	(565,968)
Accrued receivables	19,151	37,960
Total trade receivables	<u>622,287</u>	<u>1,000,195</u>

b) Other assets

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Advance paid to suppliers	22,983	34,999
Joint venture receivables	2,345	436
Loans to associates	17,637	17,054
Interest on loan to associates	845	846
Bad debt allowance on loans to associates (Note 16 c)	(18,482)	(17,900)
Other receivables	9,881	9,289
Other debtors	45,383	45,404
Prepayments	83,991	42,015
VAT not yet due	10,712	12,500
Bad debt allowances for other debtors (Note 16 c)	(42,777)	(42,757)
Total other assets	<u>132,518</u>	<u>101,886</u>

c) Changes in the allowance for doubtful debts

	<u>2015</u>	<u>2014</u>
	<u>'000 RON</u>	<u>'000 RON</u>
At January 1	<u>626,625</u>	<u>393,289</u>
Charge during the period	213,523	176,102
Forex on revaluation of foreign currency balances	(35)	-
Release during the period	(28,199)	(21)
At June 30	<u>811,914</u>	<u>569,370</u>

As of June 30, 2015, the Company recorded allowances for bad debts related to receivables from Interagro thousand RON 268,676 (December 31, 2014: thousand RON 261,015), GHCL Upsom of thousand RON 60,371 (December 31, 2014: thousand RON 60,371), CET Iasi of thousand RON 46,271 (December 31, 2014: thousand RON 46,271), Electrocentrale Galati with thousand RON 209,421 (December 31, 2014: thousand RON 160,678), Electrocentrale Bucuresti with thousand RON 136,426 (December 31, 2014: thousand RON 0) and G-ON EUROGAZ of thousand RON 14,848 (December 31, 2014: thousand RON 14,903), due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

16. ACCOUNTS RECEIVABLE (continued)

	June 30, 2015	December 31, 2014
	<u>'000 RON</u>	<u>'000 RON</u>
Current receivables but not impaired	426,303	958,596
Overdue receivables but not impaired		
less than 30 days overdue	175,429	10,534
30 to 90 days overdue	1,367	1
90 to 360 days overdue	<u>37</u>	<u>749</u>
Total overdue receivables but not impaired	<u>176,833</u>	<u>11,284</u>
Total trade receivables	<u>603,136</u>	<u>969,880</u>

17. SHARE CAPITAL

	Share capital	
	June 30, 2015	December 31, 2014
	<u>'000 RON</u>	<u>'000 RON</u>
385,422,400 fully paid ordinary shares	<u>385,422</u>	<u>385,422</u>
Total	<u>385,422</u>	<u>385,422</u>

The shareholding structure as at June 30, 2015 is as follows:

	No. of shares	Value '000 RON	Percentage %
The Romanian State through the Ministry of Energy, Small and Medium Enterprises and Business Environment	269,823,080	269,823	70
"Proprietatea" Fund	38,542,960	38,543	10
Legal persons	66,819,071	66,819	17
Physical persons	<u>10,237,289</u>	<u>10,237</u>	<u>3</u>
Total	<u>385,422,400</u>	<u>385,422</u>	<u>100</u>

All shares are ordinary and were subscribed and fully paid as at June 30, 2015. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2014: RON 1/share).

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

18. RESERVES

	June 30, 2015	December 31, 2014
	'000 RON	'000 RON
Legal reserves	77,084	77,084
Other reserves, of which:	2,490,690	2,065,263
- Company's development fund	1,955,242	1,548,207
- Tax incentives	49,060	30,668
- Geological quota set up until 2004	486,388	486,388
Total	2,567,774	2,142,347

19. PROVISIONS

	June 30, 2015	December 31, 2014
	'000 RON	'000 RON
Decommissioning provision - long term portion	206,581	202,293
Decommissioning provision - short term portion	22,866	19,950
Retirement benefit obligation	97,265	97,265
Provisions for land restoration	12,478	15,146
Other provisions	331	718
Total	339,521	335,372

19. PROVISIONS (continued)

Decommissioning provision

Decommissioning provision movement

	2015	2014
	'000 RON	'000 RON
At January 1	222,243	214,161
Additional provision recorded against non-current assets	101	12,618
Unwinding effect	9,088	7,954
Recorded in profit or loss	(249)	(10,783)
Release against non-current assets	(1,736)	(3,995)
At June 30	229,447	219,955

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 weighted average cost of capital as of June 30, 2015 of 8.8% (December 31, 2014: 8.8%). 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.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTHS PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

20. TRADE AND OTHER CURRENT LIABILITIES

	June 30, 2015	December 31, 2014
	'000 RON	'000 RON
Accruals	20,107	48,844
Trade payables	28,128	39,324
Payables to non-current assets suppliers	60,533	110,859
Advances from customers	13,155	17,956
Total trade payables	121,923	216,983
Payables related to employees	21,812	55,353
Royalties	68,116	77,097
Social security taxes	14,494	26,465
Other current liabilities	36,107	31,600
Joint venture payables	2,720	4,089
VAT	38,038	70,260
Dividends payable	1,215,561	2,350
Windfall tax	22,958	50,188
Tax on special construction	32,639	-
Other taxes	5,735	5,434
Total other current liabilities	1,458,180	322,836
Total trade and other current liabilities	1,580,103	539,819

21. 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.

(a) Market risk

(i) Foreign exchange risk

The Company is not exposed to currency risk as a result of reduced exposure to various currencies. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

As at June 30, 2015, the official exchange rates were RON 3.9969 to USD 1 and RON 4.4735 to EUR 1 and (December 31, 2014: RON 3.6868 to USD 1 and RON 4.4821 to EUR 1).

(ii) Inflation risk

The official inflation rate in Romania, during the six-month period ended June 30, 2015 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 hyperinflation economy.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTHS PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

21. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The Company is exposed to interest rate risk due to loans granted to related parties.

As of June 30, 2015, the Company had granted variable interest bearing loans having a gross value and the related interest of thousand RON 18,482 (December 31, 2014: thousand RON 17,900).

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, bank deposits, 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 bad debt allowances, 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 92% of trade receivable balance at June 30, 2015 (92% as of December 31, 2014). 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.

(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 minimize 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 is 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.

The shares held in available for sale financial investments are not quoted in an active market and their fair value cannot be reliably measured, therefore they are measured at cost. At each period end, the Company makes an assessment to determine whether there is any indication of impairment. As of June 30, 2015 the Company did not identify any indication of impairment of other financial investments, except for the adjustments already recorded.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTHS PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

21. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

e) Maturity analysis for non-derivative financial assets and financial liabilities

June 30, 2015	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	356,811	245,770	555	-	-	603,136
Treasury bills	-	-	349,993	-	-	349,993
Total	356,811	245,770	350,548	-	-	953,129
Trade payables	(102,497)	(19,426)	-	-	-	(121,923)
Total	(102,497)	(19,426)	-	-	-	(121,923)
Net	254,314	226,344	350,548	-	-	831,206
December 31, 2014	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	497,013	472,569	298	-	-	969,880
Treasury bills	-	-	468,016	-	-	468,016
Total	497,013	472,569	468,314	-	-	1,437,896
Trade payables	(216,983)	-	-	-	-	(216,983)
Total	(216,983)	-	-	-	-	(216,983)
Net	280,030	472,569	468,314	-	-	1,220,913

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTHS PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

21. FINANCIAL INSTRUMENTS (continued)

f) 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 current cash flows and by matching the maturity profiles of financial assets and liabilities.

22. RELATED PARTY TRANSACTIONS

(i) Sales of goods and services

	Six months ended June 30, 2015	Six months ended June 30, 2014
	'000 RON	'000 RON
Romgaz's associates	12,368	9,674
Total	12,368	9,674

(ii) Trade receivables

	June 30, 2015	December 31, 2014
	'000 RON	'000 RON
Romgaz's associates	5,499	1,306
Bad debt allowance	(1,314)	(1,305)
Total	4,185	1

(iii) Loans granted to associates

	June 30, 2015	December 31, 2014
	'000 RON	'000 RON
Romgaz's associates	18,482	17,900
Bad debt allowance	(18,482)	(17,900)
Total	-	-

Most of the Company's clients are companies in which the Romanian State has control or continues to have a significant influence after their privatization, given the strategic importance of the area in which both the Company and its clients operate. In the six-month periods ended June 30, 2015 respectively June 30, 2014, the Company conducted transactions with these companies only in the normal course of business. These transactions are done on the basis of standard contractual relationships.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTHS PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

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

The remuneration of executives and directors

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

During the six-month periods ended June 2015 and, respectively, June 2014, no loans and advances were granted to executives and directors of the Company, except for work related travel advances, and they do not owe any amounts to the Company from such advances

	Six months ended June 30, 2015	Six months ended June 30, 2014
	<u>'000 RON</u>	<u>'000 RON</u>
Salaries paid to directors	5,390	5,766
	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Salaries payable to directors	314	400

24. ASSOCIATES

Associate	Main activity	Place of Incorporation and operation	Proportion of ownership interest and voting power held (%)	
			<u>June 30, 2015</u>	<u>December 31, 2014</u>
SC Amgaz SA Medias	Gas production	Romania	35	35
SC Depomures SA Tg.Mures	Storage of natural gas	Romania	40	40
Energia Torzym Poland	Gas production	Poland	30	30
Cybinka Poland	Gas production	Poland	30	30
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25
			<u>June 30, 2015</u>	<u>December 31, 2014</u>
			<u>'000 RON</u>	<u>'000 RON</u>
Investments in associates			12,895	12,806
Impairment			(12,701)	(12,068)
Total			<u>194</u>	<u>738</u>

Due to the insignificant size of these companies, the Company did not include in these individual interim financial statements as of June 30, 2015 its share of the results obtained by the associates within the six-month period ended June 30, 2015.

**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

25. OTHER FINANCIAL ASSETS

Other financial investments

<u>Company</u>	<u>Main activity</u>	<u>Percentage held</u>	<u>Value as of June 30, 2015</u>	<u>Impairment as of June 30, 2015</u>	<u>Carrying value as of June 30, 2015</u>
			<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Electrocentrale Bucuresti S.A.	electricity and thermal power producer	2.49%	64,310	-	64,310
Electrocentrale Titan S.A.	electricity and thermal power producer	0.74%	1,977	-	1,977
MKB Romexterra Bank S.A.	other activities - financial intermediations	0.04%	840	752	88
Mi Petrogas Services S.A.	services related to oil and natural gas extraction, excluding prospection works	10%	60	-	60
GHCL Upsom	manufacture of other chemical, anorganic base products	4.21%	17,100	17,100	-
Panatlantic and Lukoil joint venture (Note 32)	petroleum exploration operations	10%	10,454	-	10,454
Total			94,741	17,852	76,889

The shares held in the share capital of the companies above are not quoted in an active market and their fair value cannot be reliably measured, therefore they are measured at cost. At each period end, the Company makes an assessment to determine whether there are any indications of impairment. As of June 30, 2015 the Company did not identify any indication of impairment of other financial investments, other than adjustments already recorded.

**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)**

25. OTHER FINANCIAL ASSETS (continued)

Other financial investments

<u>Company</u>	<u>Activity</u>	<u>Percentage held</u>	<u>Value as of December 31, 2014</u>	<u>Impairment as of December 31, 2014</u>	<u>Carrying value as of December 31, 2014</u>
			<i>'000 RON</i>	<i>'000 RON</i>	<i>'000 RON</i>
Electrocentrale Bucuresti S.A.	electricity and thermal power producer	2.49%	64,310	-	64,310
Electrocentrale Titan S.A.	electricity and thermal power producer	0.74%	1,977	-	1,977
MKB Romexterra Bank S.A.	other activities - financial intermediations	0.04%	840	752	88
Mi Petrogas Services SA	services related to oil and natural gas extraction, excluding prospection works	10%	60	-	60
GHCL Upsom	manufacture of other chemical, anorganic base products	4.21%	17,100	17,100	-
Panatlantic and Lukoil joint venture (Note 32)	petroleum exploration operations	10%	10,454	-	10,454
Total			94,741	17,852	76,889

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

26. 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 headquarter activities and electricity production. 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 trading of gas obtained by Romgaz or acquired for resale; these activities are performed by Medias, Mures and Bratislava branches;
- storage activities, performed by the Ploiesti branch;
- other activities, such as electricity production, technological transport, well operations and corporate activities.

Except for Bratislava branch, all assets and operations are in Romania. In Bratislava branch as of June 30, 2015 are recorded exploration assets in amount of thousand RON 24,915 (December 31, 2014 1 thousand RON 12,553).

Gas deliveries between segments are made at actual cost. Deliveries of electricity produced by CET Iernut between segments are made at actual cost. The services (technological transport, well operations) between segments are made at actual costs starting 2015. Any internally generated profits are eliminated in the individual interim statement of comprehensive income

b) Segment assets and liabilities

June 30, 2015	<u>Upstream</u>	<u>Storage</u>	<u>Other</u>	<u>Total</u>
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Property, plant and equipment	4,082,298	1,585,509	380,185	6,047,992
Other intangible assets	481,888	727	9,476	492,091
Associates and other long term financial assets	-	-	77,083	77,083
Trade and other receivables	580,396	21,866	20,025	622,287
Inventories	276,277	54,039	24,847	355,163
Other short term financial assets	37,450	287,053	697,619	1,022,122
Other assets	44,837	25,696	61,985	132,518
Cash and cash equivalents	125,598	72,991	2,431,817	2,630,406
Total assets	<u>5,628,744</u>	<u>2,047,881</u>	<u>3,703,037</u>	<u>11,379,662</u>
Retirement benefit obligation	-	-	97,265	97,265
Deferred tax liabilities	-	-	121,692	121,692
Provisions	223,431	18,494	331	242,256
Other liabilities	169,193	9,677	1,353,110	1,531,980
Trade and other payables	79,297	3,090	39,536	121,923
Total liabilities	<u>471,921</u>	<u>31,261</u>	<u>1,611,934</u>	<u>2,115,116</u>

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

26. SEGMENT INFORMATION (continued)

b) Segment assets and liabilities (continued)

December 31, 2014	<u>Upstream</u>	<u>Storage</u>	<u>Other</u>	<u>Total</u>
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Property, plant and equipment	3,977,468	1,603,858	381,393	5,962,719
Other intangible assets	395,279	709	11,461	407,449
Associates and other long term financial assets	-	-	77,627	77,627
Trade and other receivables	930,283	34,858	35,054	1,000,195
Inventories	294,926	72,427	24,755	392,108
Other short term financial assets	334	193,817	722,182	916,333
Other assets	24,542	19,963	57,381	101,886
Cash and cash equivalents	153,291	68,385	1,732,111	1,953,787
Total assets	5,776,123	1,994,017	3,041,964	10,812,104
Retirement benefit obligation	-	-	97,265	97,265
Deferred tax liabilities	-	-	131,305	131,305
Provisions	237,389	-	718	238,107
Other liabilities	191,210	3,995	221,221	416,426
Trade and other payables	188,682	4,333	23,968	216,983
Total liabilities	617,281	8,328	474,477	1,100,086

c) Segment revenues, results and other segment information

Six months ended June 30, 2015	<u>Upstream</u>	<u>Storage</u>	<u>Other</u>	<u>Adjustment and eliminations</u>	<u>Total</u>
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Revenue	1,998,821	191,339	240,629	(195,681)	2,235,108
Less: revenue between segments	(35,882)	-	(159,799)	195,681	-
Third party revenue	1,962,939	191,339	80,830	-	2,235,108
Interest revenue	1,163	2,940	21,245	-	25,348
Interest expense	(17)	-	-	-	(17)
Depreciation, amortization and impairment	(235,349)	(44,641)	(16,886)	-	(296,876)
Segment profit before tax	830,530	61,678	59,932	-	952,140

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

26. SEGMENT INFORMATION (continued)

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

Six months ended June 30, 2014	Upstream <u>'000 RON</u>	Storage <u>'000 RON</u>	Other <u>'000 RON</u>	Adjustment and eliminations <u>'000 RON</u>	Total <u>'000 RON</u>
Revenue	2,246,234	217,373	368,154	(305,417)	2,526,344
Less: revenue between segments	(102,210)	-	(203,207)	305,417	-
Third party revenue	2,144,024	217,373	164,947	-	2,526,344
Interest revenue	2,027	1,728	37,703	-	41,458
Interest expense	(10)	-	-	-	(10)
Depreciation, amortization and impairment	(286,111)	(43,152)	(37,077)	-	(366,340)
Segment profit before tax	<u>901,397</u>	<u>71,006</u>	<u>117,128</u>	<u>-</u>	<u>1,089,531</u>

In the "Other" segment is included the Electricity Production Branch (CET Iernut). Sales of CET Iernut in the six-month period ended June 30, 2015, including the sales to the rest of Romgaz's segments were of thousand RON 118,963, of which thousand RON 40,611 were deliveries made to other Romgaz segments (six-month period ended June 30, 2014: total sales of thousand RON 211,880, of which deliveries within Romgaz were in amount of thousand RON 47,815).

The profit obtained by CET Iernut in the six-month period ended June 30, 2015, including deliveries to other segments of Romgaz, was of thousand RON 10,470 (six-month period ended June 30, 2014: profit thousand RON 7,116).

In the six-month period ended June 30, 2015, the Company's three largest clients each individually represents more than 10% of revenue (in the six-month period ended June 30, 2014 the Company's three largest customers represented individually, over 10% of revenue), together totaling 78.45% of total revenue (six-month period ended 30 June 2014: 72.60%). Of the total revenue generated by those three clients, 3.88% are shown in the "Storage" segment 96.06% in the "Upstream" segment (six-month period ended June 30, 2014: 4.68% in the "Storage" segment, 94.71% in the "Upstream" segment).

27. 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.

	June 30, 2015 <u>'000 RON</u>	December 31, 2014 <u>'000 RON</u>
Current bank accounts in RON *)	88,765	40,062
Current bank accounts in foreign currency	44	24
Petty cash	46	23
Term deposits	2,365,754	1,639,706
Treasury bonds with maturity under 3 months	175,799	273,971
Amounts under settlement	(2)	1
Total	<u>2,630,406</u>	<u>1,953,787</u>

*) Current bank accounts include overnight deposits.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

28. OTHER FINANCIAL ASSETS

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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Shares in unquoted entities	94,741	94,741
Impairment of shares in unquoted entities	(17,852)	(17,852)
Held-to-maturity investments	<u>1,022,122</u>	<u>916,333</u>
Total	<u>1,099,011</u>	<u>993,222</u>

29. COMMITMENTS UNDERTAKEN

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Endorsements and collaterals granted	<u>31,728</u>	<u>34,551</u>
Total	<u>31,728</u>	<u>34,551</u>

On March 24, 2014, the Company entered into a facility agreement with Citibank Europe plc, Dublin - Romanian Branch regarding the granting of bank loans for issuing and/or confirmation of letters of credit and letters of guarantee for a maximum amount of thousand USD 14,000, valid until March 23, 2015. In 2015 a new facility agreement was signed with CitiBank Europe plc, Dublin – Romanian Branch, which extended the validity of the facility up to March 23, 2016. On June 30, 2015 are still available for use thousand USD 6,066 (December 31, 2014: thousand USD 5,436).

30. COMMITMENTS RECEIVED

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Endorsements and collaterals received	<u>941,743</u>	<u>1,266,819</u>
Total	<u>941,743</u>	<u>1,266,819</u>

Endorsements and collateral received represent letters of guarantee and other performance guarantees received from the Company's clients.

31. 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.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

31. CONTINGENCIES (continued)

(b) Ongoing legal procedures for which S.N.G.N. Romgaz S.A. is neither claimant nor defendant

On December 28, 2011, 27 former and current employees were notified by DIICOT 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. DIICOT mentioned that this may have resulted in a loss of thousand USD 92,000 for the Company. On that sum, an additional burden to the state budget consists of income tax in amount of thousand USD 15,000 and VAT in amount of thousand USD 19,000. The internal analysis carried out by the Company's specialized departments concluded that the agreement was in compliance with the legal provisions and all discounts were granted based on Orders issued by 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 interim financial statements. The Company is fully cooperating with DIICOT in providing all information necessary.

On March 18 2014, Romgaz received an address from DIICOT, by which the investigators ordered an accounting expertise, indicating the objectives of the expertise.

Romgaz was notified that, as injured party, may submit comments relating to objectives of the expertise (additions/changes), and may appoint an additional expert that can attend the expertise.

Thus, Romgaz proceeded to identify and appoint an expert with accounting and financial expertise that can participate to the expertise. The expert's report was not finalized in the agreed deadline, new experts being appointed. The deadline for the expert's draft report submission was set for August 15, 2015.

(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. 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.

During May 13, 2014 – September 30, 2014 the National Agency for Tax Administration (NATA) ran a tax investigation at Romgaz regarding the tax statements and/or operations relevant for the investigation as well as the organization and management of tax and accounting evidence. The period under control was 2008 – 2013 for income tax and 2009 – 2013 for VAT.

Following the tax inspection, an additional liability was established for Romgaz of thousand RON 22,440, representing income tax, VAT, penalties and related interest. Of the total amount, Romgaz paid thousand RON 2,389.

For the remaining amount of thousand RON 20,051, Romgaz performed a legal assessment which concluded that the additional tax, penalties and interest are not correct. Romgaz filed an appeal to the Ministry of Public Finance.

Based on the above and to prevent the forced execution of the tax liabilities subject to the appeal, on October 23, 2014 (in accordance with provisions of Art. 148¹ of Government Ordinance no. 92/2003 regarding the Tax Procedure Code), Romgaz issued a bank letter of guarantee in favor of the Ministry of Public Finance for the amount of the additional liabilities, respectively thousand RON 20,051. The letter is valid for one year, extendable.

The appeal was partially rejected; against the decision, the Company can start an appeal. Romgaz will start a legal case against the Ministry of Public Finance for the annulment of the aforementioned tax decisions.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

32. CONTINGENCIES (continued)

(d) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at June 30, 2015 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans related to environmental matters, except the amount of thousand RON 229,447 (December 31, 2014: thousand RON 222,243), representing decommissioning liability, and a provision for land restoration of thousand RON 12,478 (December 31, 2014: thousand RON 15.146).

Environment protection matters

In accordance with the obligations assumed by Romania in the Position Paper, Chapter 22 – environmental protection and transposition of Directive 2001/80/CE by Government Decision no. 541/2003, an Implementation Plan was developed to reduce emissions of certain pollutants into the air from large combustion plants, including those of the Company, i.e. CTE Iernut.

Future operation of the power blocks owned by the Company is dependent on meeting the deadlines stipulated in the Implementation Plan of Directive 2001/80/CE.

In accordance with Order no. 818/2003 completed and amended by Order nr. 3970/2012, the companies holding combustion installations with a rated thermal input exceeding 50MWt are required to obtain integrated environmental authorization. The Company holds an environmental integrated authorization for CTE Iernut, no. MS1/27.03.2014-27.03.2024. Environmental conditions imposed by the permit relate to: concentrations of emissions of pollutants into the air, emissions in water, monitoring of groundwater, technological monitoring, waste monitoring, post-closing monitoring.

(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 (NAMR). Licenses for the extraction of hydrocarbons (natural gas and condensate) expire between 2015 and 2028 and may be extended upon request.

(f) *Insurance policies*

As at June 30, 2015 the Company has concluded insurance policies for property, plant and equipment.

(g) *Green-house gas emission certificates*

In accordance with Government Decision no. 1096/2013 for the approval of the mechanism for free transitional allocation of emission allowances for green-house gas to electricity producers for the period 2013-2020, Annex no. 3 "National Investments Plan" position 22, Romgaz is included with the investment project "Combined cycle with gas turbines", for the period 2014 – 2016.

According to Annex no. 1 from the same decision, S.N.G.N. Romgaz S.A. was allocated for CTE Iernut 687,204 greenhouse gas certificates (EUA) for 2015.

In accordance with Government Decision no. 151/4 March 2015 amending and supplementing Government Decision no. 1096/2013 for the approval of the mechanism of transitional free allocation of emission allowances to greenhouse gas electricity producers in the period 2013-2020, including national investment plan, the payment of the greenhouse gas emission certificates allocated free of charge is made in two installments, as follows:

- first installment, between April 5 to December 31 of the year of allocation, with reference to the market price provided in par. (4) a);
- the second installment between October 5 to December 31 of the year of allocation, with reference to the market price provided in par. (4) b).

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

32. CONTINGENCIES (continued)

(g) Green-house gas emission certificates (continued)

As of June 30, 2015, Romgaz holds in the account of Greenhouse Gas Emissions Unique Registry a number of 509,502 CO₂ certificates, as follows:

- a total of 824,645 certificates related to 2014, used for partial compliance of the 2014 emissions, namely 828,793 CO₂ tons;
- of the 962,085 certificates acquired for 2013, 507,620 certificates were submitted for the emissions related to 2013. Thereby, Romgaz holds in its account 454,465 certificates, of which 4,148 certificates were used for 2014 compliance. In the account remained 450,317 certificates;
- 7,587 certificates submitted to the Registry by Electrocentrale Bucuresti, related to emissions of January, 2013. Romgaz started to monitor the compliance when CET Iernut was taken over in February 2013;
- According to EU Regulation No. 1123/2013 of November 8, 2013 regarding the establishment of the rights to international credits, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, the Protocol to the Framework-Convention of the United Nations on Climate Change (Kyoto Protocol) sets up two mechanisms for the creation of international credits that Companies can use to reduce emissions. Joint Implementation provides for the creation of emission reduction units (ERU), while the Clean Development Mechanism (CDM) provides for the creation of certified emission reductions (CER). Industries that fall under the European emissions trading system in the atmosphere (EU ETS) can use these credits to offset their obligations on emissions of greenhouse gas.

In this respect, S.N.G.N. Romgaz S.A. holds a linking availability (correlation availability EUA – ERU certificates) a number of 51,598 ERU certificates available to be used for compliance in the period 2013-2020.

According to Decision no 1096/17.12.2013 for the approval of the mechanism of transitional free allocation of greenhouse gas emission certificates to energy producers for the period 2013 – 2020, Romgaz was allocated CO₂ certificates as follows:

Operator	Installation	Annual Allocation (tCO ₂ /year)							
		2013	2014	2015	2016	2017	2018	2019	2020
SNGN	SNGN								
Romgaz - S.A.	Romgaz - S.A.								
S.A.	- CET Iernut	962,085	824,645	687,204	549,763	412,322	274,882	137,441	-

(h) CET Iernut

According to the Romanian Government's view, the energy sector must play a key role in the economic and social development of Romania. Promoting investments, supporting strategic projects of national interest in order to secure the energy security of the country, is one of the Government's objectives related to the energy security.

Considering that there is a steadily growing portfolio with an uncontrolled production of electricity, in particular through wind power plants, it is necessary to commission balancing capacities which will be active in the balancing market, ancillary services market, spot markets, CET Iernut having the ability to be a provider of ancillary services in an area deficient in electricity power generation.

Within the National Power System (NPS), CET Iernut performs the following functions:

- coverage of NPS electricity energy consumption through groups' participation in the wholesale electricity market and balancing market;
- providing ancillary services needed for the functioning of NPS;
- eliminate the network congestion which may occur in the north-west of Transylvania.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

32. JOINT ARRANGEMENTS

On June 30, 2015, the Company is part of the following joint arrangements:

- a) In January 2002, Romgaz signed a petroleum agreement with Amromco for the execution of rehabilitation operations in order to achieve additional production in 11 perimeters, namely: Bibești, Strâmba, Finta, Fierbinți-Târg, Frasin-Brazi, Zătreni, Boldu, Roșioru, Gura-Șuții, Balta-Albă and Vlădeni. For the basic production, Romgaz holds a quota of 100% and for the additional production, Romgaz owns a quota of 50% and Amromco Energy SRL - 50%. As the agreement was signed to execute rehabilitation operations in order to obtain additional production, the mandatory work program is in accordance with the studies approved by ANRM. Accordingly, the annual work program, which includes both works provided in the studies and also other work required and proposed by partners, is approved annually by the Board of the joint arrangement before the start of each year. The duration of the joint arrangement is in line with the time frame of each individual concession agreements of the 11 perimeters stated above, which differs for each perimeter.
- b) In February 2003, Romgaz signed a joint operation agreement for the execution of petroleum operations of exploration, development and operation in the Brodina perimeter, with Aurelian Petroleum SRL and Raffles Energy SRL. In November 2007, the partners agreed the conventional sharing of Brodina's perimeter in two areas: area of Gas Constructions Bilca (Production Area Bilca) and the area other than the Gas Construction Bilca (Brodina Exploration Area).

Currently, the participation of Romgaz in the Production Area Bilca is 37.5% and the participation of the operator, Raffles Energy SRL, is 62.5%. The wells have clearances issued by ANRM. As the fields are in an advanced stage of depletion, currently only one well being in operation, generating an insignificant gas quantity, in 2015 the partners decided to have a study on the Fratauti field. Based on the findings, a decision will be made on whether to continue the activities in this field or not.

Romgaz's share in the Brodina Exploration Area is 50% and the share of Aurelian Petroleum SRL, operator of the association, is 50%. The concession agreement for this area is in the assessment phase of Voitinel field, which will expire on March 23, 2016. By this time, a well has to be drilled, as required by ANRM. The works needed to start the drilling were initiated.

- c) Romgaz has a joint operation agreement for the execution of petroleum operations of exploration, development and operation in the North Bacau area, with Raffles Energy SRL which is also the operator of the joint operation. Romgaz holds a percentage of 40% from the joint operation and Raffles Energy SRL - 60%. In June 2015, well Lilieci 1 was put in function in order to convert natural gas into electricity, through a generator. This step marks the transition to the development-operation phase.
- d) In September 2003, Romgaz has concluded an operation agreement with Schlumberger for the rehabilitation of the Laslău Mare field, in order to obtain additional production by using advanced techniques and technologies for the exploitation of the reserves and of the know-how owned by Schlumberger. The mandatory work program is in line with the study approved by ANRM. Therefore, the annual working program, which includes also the workings from the study, is approved annually, before the start of each year, by the Operation Committee of the joint operation. The participation quota of Romgaz is 50% and that of Schlumberger is also 50%. Romgaz is the operator of the petroleum operations performed under the agreement
- e) In June 2008, Romgaz signed a joint operation agreement for operations of oil or natural gas exploration, evaluation, development, exploitation in three perimeters in Slovakia, namely: Svidnik, Snina and Medzilaborce. The owners of the exploration licenses are Aurelian Oil & Gas Slovakia, currently Alpine Oil & Gas (50% - operator), JKX (25%) and Romgaz through Bratislava branch (25%).

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2015 (NOT AUDITED)

32. JOINT ARRANGEMENTS (continued)

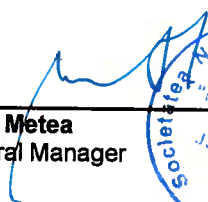
- f) In January 2009, Romgaz signed the amendment to partnership agreements through which holds a quota in the share capital of Energia Torzym spolka organiczona odpowiedzialnoscia spolka komanditowa (Energia Torzym) and of Energia Cybinka spolka organiczona odpowiedzialnoscia spolka komanditowa (Energia Cybinka), the two companies holding exploration licenses for Cybinka and Torzym perimeters in Poland. The object of the agreement is to conduct petroleum operations of exploration, development and operation in the two perimeters stated above. Participation shares are: Romgaz - 30%, Aurelian Oil & Gas Poland Sp. Zo.o - 45% and GB Petroleum Plc (now SceptreOil&Gas Limited LTD) - 25%.
- g) In July 2012, Romgaz signed the amendments to the joint operations agreements with Lukoil Overseas Atash BV and Panatlantic (originally called Vanco International Ltd), the three companies being holders of the petroleum agreements. The object of the agreement is to conduct petroleum operations of exploration, development and operation of offshore eastern perimeters EX-29 Est Rapsodia and EX-30 Trident of the Black Sea continental shelf. The participation quotas are: Lukoil 72%, Panatlantic 18% and Romgaz 10%. In the Rapsodia perimeter, the drilling of a well was completed, while in the Trident perimeter started the drilling of a well.

33. EVENTS AFTER THE BALANCE SHEET DATE

No events were identified subsequent to June 30, 2015.

34. APPROVAL OF INDIVIDUAL INTERIM FINANCIAL STATEMENTS

These individual interim financial statements were authorized for issue by the Board of Directors on August 13, 2015.



Virgil Metea
General Manager





Lucia Ionascu
Economic Director

STATEMENT

in accordance with the provisions of Article 30 of the Accounting Law No. 82/1991

The half year financial statements as of June 30, 2015 were prepared for:

Entity: SNGN ROMGAZ SA

County: 32 – SIBIU

Address: city of MEDIAS, P-TA C.I. MOTAS 4, tel. 0269201002

Registration Number in the Trade Register: J32/392/2001

Form of property: 14 – State owned companies and enterprises

Main activity (CAEN code and denomination): 0620 – Natural Gas Production

Tax Identification Number: 14056826

The undersigned VIRGIL MARIUS METEA, as Director General, and
LUCIA IONASCU, as Economic Director,
in accordance with Article 10, paragraph (1) of the Accounting Law No. 82/1991

hereby assume responsibility for the preparation of the half year financial statements as of June 30, 2015 and we confirm the following:

- a) The accounting policies used for preparation of the half year financial statements comply with the applicable accounting regulations.
- b) The half year financial statements give true image of the financial position, the financial performance and other information referring to the performed activity.
- c) The legal entity performs its activity on a continuous basis.

DIRECTOR GENERAL,
VIRGIL MARIUS METEA




ECONOMIC DIRECTOR,
LUCIA IONASCU

