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

FOR THE YEAR ENDED DECEMBER 31, 2014

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

TOGETHER WITH
THE INDEPENDENT AUDITOR'S REPORT

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CONTENTS

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

INDEPENDENT AUDITOR'S REPORT

Report on the Individual Financial Statements

1. We have audited the accompanying individual financial statements of S.N.G.N. ROMGAZ S.A., which comprise the statement of individual financial position as at December 31, 2014, and the statement of individual comprehensive income, statement of individual changes in equity and statement of individual cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Individual Financial Statements

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

Auditor's Responsibility

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

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

Deloitte.

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

Opinion

6. In our opinion, the individual financial statements present fairly, in all material respects the individual financial position of S.N.G.N. ROMGAZ S.A. as at December 31, 2014, and its individual financial performance and its individual cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Matters

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

Report over the conformity of administrators report with the individual financial statements

In accordance with the Ministry of Public Finance no. 1286/2012 with the subsequent updates, article 16, point c), we have read the Romanian version of administrators' report accompanying the individual financial statements. The administrators' report is not a part of the individual financial statements. Based on administrators' report, we have not identified historical financial information which is not consistent with the information presented within the individual financial statements.

Farrukh Khan, Audit Partner

Please refer to the original signed Romanian version

Registered with the Romanian Chamber of Financial Auditors under no. 1533/16.12.2003

On the behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Romanian Chamber of Financial Auditors under no. 25/25.06.2001

Bucharest, Romania
March 19, 2015

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

	Note	Year ended Dec 31, 2014	Year ended Dec 31, 2013
		'000 RON	'000 RON
Revenue	3	4,493,341	3,894,267
Cost of commodities sold	5	(175,638)	(439,178)
Investment income	4	78,729	123,279
Other gains and losses	6	(275,141)	(204,396)
Changes in inventory		27,743	55,673
Raw materials and consumables used	5	(66,167)	(79,311)
Depreciation, amortization and impairment expenses	7	(776,839)	(782,433)
Employee benefit expense	8	(522,785)	(503,574)
Finance cost	9	(24,476)	(13,229)
Exploration expense	13	(43,332)	(59,221)
Other expenses	10	(1,034,627)	(744,867)
Other income	3	107,521	53,632
Profit before tax		**1,788,329**	**1,300,642**
Income tax expense	11	(378,448)	(305,088)
Profit for the year		**1,409,881**	**995,554**
Total comprehensive income for the year		**1,409,881**	**995,554**
Basic and diluted earnings per share		0.0037	0.0026

The individual financial statements were authorized for issue by the Board of Directors on March 19, 2015.

Virgil Metea
General Manager

Lucia Ionașcu
Economic Director

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

STATEMENT OF INDIVIDUAL FINANCIAL POSITION AT DECEMBER 31, 2014

	Note	Dec 31, 2014 '000 RON	Dec 31, 2013 '000 RON
Assets			
Non-current assets			
Property, plant and equipment	12	5,962,719	5,767,267
Other intangible assets	14	407,449	383,956
Associates	24	738	947
Other financial assets	25, 29	76,889	76,900
Other assets	27, 16b	-	17,093
Total non-current assets		**6,447,795**	**6,246,163**
Current assets			
Inventories	15	392,108	463,946
Trade and other receivables	16a	1,000,195	1,086,628
Other financial assets	29	916,333	970,664
Other assets	16b	101,886	146,179
Cash and cash equivalents	28	1,953,787	1,563,590
Total current assets		**4,364,309**	**4,231,007**
Total assets		**10,812,104**	**10,477,170**
Equity and liabilities			
Equity			
Share capital	17	385,422	1,892,681
Reserves	18	2,142,347	1,949,600
Retained earnings		7,184,249	5,450,493
Total equity		**9,712,018**	**9,292,774**
Non-current liabilities			
Retirement benefit obligation	19	97,265	79,241
Deferred tax liabilities	11	131,305	146,440
Provisions	19	202,293	196,950
Total non-current liabilities		**430,863**	**422,631**

The accompanying notes form an integrant part of these individual financial statements.
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STATEMENT OF INDIVIDUAL FINANCIAL POSITION AT DECEMBER 31, 2014

	Note	Dec 31, 2014	Dec 31, 2013
		'000 RON	'000 RON
Current liabilities			
Trade and other payables	20	216,983	202,796
Current tax liabilities		93,590	200,982
Provisions	19	35,814	47,316
Other liabilities	20	322,836	310,671
Total current liabilities		**669,223**	**761,765**
Total liabilities		**1,100,086**	**1,184,396**
Total equity and liabilities		**10,812,104**	**10,477,170**

The individual financial statements were authorized for issue by the Board of Directors on March 19, 2015.

Virgil Metea
General Manager

Lucia Ionașcu
Economic Director

STATEMENT OF INDIVIDUAL CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014

	Share capital	Legal reserve	Other reserves	Retained earnings	Total equity
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of Jan 1, 2014	**1,892,681**	**77,084**	**1,872,516**	**5,450,493**	**9,292,774**
Total comprehensive income for the year	-	-	-	1,409,881	1,409,881
Share capital decrease	(1,507,259)	-	-	1,507,259	-
Allocation to dividends	-	-	-	(990,637)	(990,637)
Increase in other reserves	-	-	192,747	(192,747)	-
Balance as of Dec 31, 2014	**385,422**	**77,084**	**2,065,263**	**7,184,249**	**9,712,018**
Balance as of Jan 1, 2013	**1,890,297**	**76,607**	**1,697,044**	**5,680,812**	**9,344,760**
Total comprehensive income for the year	-	-	-	995,554	995,554
Share capital increase	2,384	-	-	-	2,384
Accounting errors from prior years	-	-	-	10,191	10,191
Allocation to dividends	-	-	-	(1,060,115)	(1,060,115)
Increase in legal reserves	-	477	-	(477)	-
Increase in other reserves	-	-	175,472	(175,472)	-
Balance as of Dec 31, 2013	**1,892,681**	**77,084**	**1,872,516**	**5,450,493**	**9,292,774**

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

STATEMENT OF INDIVIDUAL CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014

Equity

On April 28, 2014 the shareholders of the Company decided to adjust the share capital with the amount of thousand RON 1,507,259 representing the retained earnings generated by the first time application of IFRS as adopted by the EU, namely the effects of IAS 29 "Financial Reporting in Hyperinflationary Economies".

In 2013, the Company increased its share capital by incorporating the value of several plots of land, in accordance with the provisions of Government Decision no. 834/1991 regarding establishment and evaluation of land properties held by the state owned companies, with subsequent amendments.

Allocation to dividends

During 2014 the Company allocated to dividends the amount of thousand RON 990,637 (2013: thousand RON 1,060,115).

Dividends per share in 2014 are of thousand RON 0.0026 (2013: thousand RON: 0.0028).

Other reserves

Other reserves includes: development fund of the Company, non-distributable reserve of geological quota, tax incentives.

During 2014, the Company's shareholders have decided to increase the Company's development fund with the amount of thousand RON 162,079 (2013: thousand RON 175,472).

As at December 31, 2014, the reserve related to the geological quota amounts to thousand RON 3,159,666 (thousand RON 3,159,666 as of December 31, 2013). Until the transition to IFRS as adopted by the EU, the Company benefited from the geological quota facility whereby it could be charged up to 35% of the value of the gas sold and collected during the year. This facility was recognized in reserves for statutory purposes. Currently, this quota is restricted to investment purposes. It is treated as non-deductible for fiscal purposes since 2004. The geological quota as of December 31, 2004 was in amount of thousand RON 486,388. The Company decided to maintain it as permanent reserve and not to be used anymore for investments. The geological quota and its use are subject to changes in legal requirements. The amount of thousand RON 486,388 is included in "Other reserves", the remaining balance being recorded in retained earnings.

As of December 31, 2014, the Company set up reserves from tax incentives under the Emergency Ordinance No. 19/April 23, 2014, amounting to thousand RON 30,668 (December 31, 2013: thousand RON 0).

The individual financial statements were authorized for issue by the Board of Directors on March 19, 2015.

Virgil Metea
General Manager

Lucia Ionașcu
Economic Director

STATEMENT OF INDIVIDUAL CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Cash flows from operating activities		
Net profit for the year	**1,409,881**	**995,554**
Adjustments for:		
Income tax expense	378,448	305,088
Investment income	(3,268)	-
Interest expense	34	32
Unwinding of decommissioning provision	24,442	13,197
Interest revenue	(75,461)	(123,279)
Loss on disposal of non-current assets	18,024	32,534
Change in decommissioning provision recognized in profit or loss, other than unwinding	(7,877)	(9,502)
Change in other provisions	3,783	27,827
Impairment of exploration assets	154,077	72,656
Exploration expense	43,332	59,221
Impairment of property, plant and equipment	137,783	79,987
Depreciation and amortization	484,979	629,790
Impairment of investment in associates	209	7,064
Impairment of other financial assets	11	741
Losses from trade receivables and other assets	233,340	186,801
Receivables reactivated	-	(28,853)
Write-down allowances for inventory	21,907	-
	2,823,644	**2,248,858**
Movements in working capital:		
Decrease in inventory	50,008	43,903
Increase in trade and other receivables	(154,869)	(573,199)
Increase in trade and other liabilities	95,160	251,587
Cash generated from operations	**2,813,943**	**1,971,149**
Interest paid	(34)	-
Income taxes paid	(500,975)	(284,623)

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

STATEMENT OF INDIVIDUAL CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

	Year ended Dec 31, 2014 '000 RON	Year ended Dec 31, 2013 '000 RON
Net cash generated in operating activities	**2,312,934**	**1,686,526**
Cash flows from investing activities		
Acquisition of investments in associates	-	(393)
Decrease/(Increase) in other financial assets	52,417	(37,297)
Interest received	77,200	108,227
Proceeds from sale of non-current assets	154	3,576
Dividends received	1,634	-
Acquisition of non-current assets	(580,708)	(538,239)
Acquisition of exploration assets	(485,147)	(338,025)
Net cash used in investing activities	**(934,450)**	**(802,151)**
Cash flows from financing activities		
Dividends paid	(988,287)	(1,060,115)
Net cash used in financing activities	**(988,287)**	**(1,060,115)**
Net increase/(decrease) in cash and cash equivalents	390,197	(175,740)
Cash and cash equivalents at the beginning of the year	**1,563,590**	**1,739,330**
Cash and cash equivalents at the end of the year	**1,953,787**	**1,563,590**

The individual financial statements were authorized for issue by the Board of Directors on March 19, 2015.

Virgil Metea
General Manager

Lucia Ionașcu
Economic Director

1. BACKGROUND AND GENERAL BUSINESS

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

The Romanian gas sector was reorganized in accordance with Government Decision no. 575 published in the Official Gazette of June 27, 2001.

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

The Ministry of Energy, Small and Medium Enterprises and Business Environment as representative of the Romanian State, is the 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 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 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 financial statements for the years presented.

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

Basis of preparation

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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

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

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

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 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 of the inputs to the fair value measurement in its entirety, 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 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.

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 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:

- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on December 19, 2013 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on December 19, 2013 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on November 20, 2013 (effective for annual periods beginning on or after January 1, 2014);

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Standards and Interpretations effective in the current period (continued)

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on April 4, 2013 (effective for annual periods beginning on or after January 1, 2014);

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);

- IFRS 11 "Joint Arrangements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);

- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);

- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);

- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);

- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2014).

The adoption of these amendments 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 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);

- Annual improvements to IFRS – cycle 2011-2013 adopted by the EU on December 18, 2014 (effective for annual periods beginning on or after January 1, 2015);

- 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);

- IFRIC 21 "Levies" adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

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 financial statements:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- 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.

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 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 re-translated. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Benefits granted upon retirement (continued)

This provision was computed according to actuary methods based on estimates of the average salary, the average number of salaries payable upon retirement, on the estimate of the period when they shall be paid and it was brought to present value using a discount factor based on interest related to a maximum degree of security investments (government securities).

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

Employee participation to profit

The Company recorded an expense with a liability related to the fund for employee participation to profit in compliance with legislation in force.

Liabilities related to the fund for employee participation to profit will be settled in less than a year and are measured 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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

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;

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 annually 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 year. 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

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

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

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

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

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

(1) Cost (continued)

(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.

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:

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the exploration assets.

(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 and storage licenses issued by the National Authority for Energy Regulation ("ANRE") and concessions for natural gas fields from the National Agency for Mineral Resources ("ANRM") are recognized at cost from the moment they are obtained by the Company.

Intangible assets are not revalued.

(2) Amortization

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, accruals. For each item the accounting policies on recognition and measurement are disclosed in this note. Management believes that the estimated fair values of these instruments approximate their carrying amounts.

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Available for sale (AFS) financial assets

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.

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.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Reserves

Reserves include:

- legal reserves, which are used annually to transfer profits from retained profits, up to 5% of the statutory profit being transferred each year, but not to exceed 20% of the Company's statutory share capital;

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

- 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 financial year by setting up the reserve;

- development quota reserve, non-distributable, set up until 2004 (statement of individual changes in equity).

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 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 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 using the weighted average capital cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

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 multiplicator 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 and based on budgeted well drilling and exploration.

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

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Revenue from gas sold - domestic production	3,553,391	2,808,388
Revenue from gas acquired for resale – import gas	116,443	452,731
Revenue from gas acquired for resale – domestic gas	15,050	8,263
Revenue from sale of goods	11,242	9,911
Revenue from services	29,907	28,803
Revenue from electricity	334,684	207,433
Other operating revenues	114,570	67,815
Revenue from storage services	425,575	364,555
Total	**4,600,862**	**3,947,899**

4. INVESTMENT INCOME

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Interest revenue	75,461	123,279
Income from dividends	3,268	-
Total	**78,729**	**123,279**

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

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Consumables used	62,235	75,062
Cost of goods sold	175,638	439,178
Other consumables	3,932	4,249
Total	**241,805**	**518,489**

6. OTHER GAINS AND LOSSES

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Forex gain	1,419	9,855
Forex loss	(3,069)	(15,964)
Loss on disposal of property, plant and equipment	(18,024)	(32,534)
Allowances for doubtful debts	(233,340)	(186,801)
Write down allowances for inventory	(21,907)	-
Reactivated receivables	-	28,853
Impairment of financial assets	(220)	(7,805)
Total	**(275,141)**	**(204,396)**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSE

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Depreciation and amortization, of which:	484,979	629,790
Depreciation of property, plant and equipment	469,297	607,766
Amortization of intangible assets	15,682	22,024
Impairment of fixed assets	291,860	152,643
Total depreciation, amortization and impairment	**776,839**	**782,433**

8. EMPLOYEE BENEFITS

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Wages and salaries	378,738	364,475
Other benefits	13,118	22,582
Social security charges	108,163	107,241
Private pension payments	10,534	-
Meal tickets	12,232	9,276
Total	**522,785**	**503,574**

In 2014, in addition to the amount of thousand RON 522,785, the Company recorded personnel expenses in amount of thousand RON 79,814 which have been capitalized in the cost of internally produced tangible assets (2013: thousand RON 72,955).

In 2013, the amount related to other benefits granted to employees under the collective labour agreement was presented in "Other expenses", Note 10. In 2014, these amounts are presented as personnel expenses. To ensure comparability of amounts, values for staff costs and other expenses have been adjusted accordingly.

9. FINANCE COSTS

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Interest expense	34	32
Unwinding of the decommissioning provision	24,442	13,197
Total Interest	**24,476**	**13,229**

10. OTHER EXPENSES

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Electricity expenses	20,755	96,936
Materials not stored expenses	40,676	48,112
Services provided by third parties	71,220	76,314
Taxes and duties expenses	816,598	430,320
Provision expenses	(4,093)	12,541
Other operating expenses	89,471	80,644
Total	**1,034,627**	**744,867**

The major taxes included in the amount of thousand RON 816,598 for taxes and duties are:

- thousand RON 369,685 (2013: thousand RON 136,081) represent tax on supplementary income resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7 from January 2013 modified by the Emergency Ordinance no. 13/2014 for the implementation of tax on supplementary income obtained following the deregulation of prices in the natural gas sector;

- thousand RON 91,745 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;

- thousand RON 303,232 represents royalty on gas production and storage activity (2013: thousand RON: 241,917).

11. INCOME TAXES

Income tax	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Current year tax expense	393,583	416,484
Deferred income tax revenue	(15,135)	(111,396)
Income tax expense	**378,448**	**305,088**

The tax rate used for 2014 and 2013 reconciliations below is the corporate tax rate of 16% payable by corporate entities in Romania on taxable profits under the Romanian tax law..

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

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Accounting profit before tax	**1,788,329**	**1,300,642**
Income tax expense calculated at 16%	286,133	207,223
Effect of income exempt of taxation	(18,130)	(22,035)
Effect of expenses that are not deductible in determining taxable profit	162,563	120,719
Effect of temporary differences	(52,118)	(819)
Income tax expense	**378,448**	**305,088**

Components of deferred tax liability:

	Dec 31, 2014		Dec 31, 2013	
	Cumulative temporary differences	Deferred tax (asset) / liability	Cumulative temporary differences	Deferred tax (asset) / liability
	'000 RON	'000 RON	'000 RON	'000 RON
Provisions	(320,227)	(51,236)	(331,672)	(53,068)
Other liabilities	-	-	(5,737)	(918)
Property, plant and equipment	1,290,285	206,446	1,294,135	207,062
Trade receivables and other receivables	(149,399)	(23,905)	(41,478)	(6,636)
Total	**820,659**	**131,305**	**915,248**	**146,440**
Charged to income		**(15,135)**		**(111,396)**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land Improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage Assets	Exploration cost - WIP	Capital work in progress - other	Total
	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON
Cost									
As of Jan 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 *)	948	7,371	364,586	98,411	4,302	65,588	362,434	614,297	1,517,937
Disposals *)	-	(321)	(31,607)	(3,941)	(550)	(826)	(201,622)	(378,544)	(617,411)
As of Dec 31, 2014	104,058	457,028	4,872,197	1,096,588	157,645	1,604,301	852,508	548,085	9,692,410
Accumulated depreciation									
As of Jan 1, 2014	-	54,773	1,739,256	415,026	89,594	297,858	-	-	2,596,507
Charge for the period **)	-	29,423	295,323	94,115	24,354	72,741	-	-	515,956
Disposals	-	(125)	(4,567)	(3,269)	(446)	(275)	-	-	(8,682)
As of Dec 31, 2014	-	84,071	2,030,012	505,872	113,502	370,324	-	-	3,103,781
Impairment									
As of Jan 1, 2014	3,180	14,383	69,645	22,780	124	-	276,880	41,118	428,110
Charge for the period	-	793	106,256	2,266	174	6,253	124,622	27,772	268,136
Release during the period	-	-	(1,816)	(165)	-	-	(62,418)	(5,937)	(70,336)
As of Dec 31, 2014	3,180	15,176	174,085	24,881	298	6,253	339,084	62,953	625,910
Carrying value as of Jan 1, 2014	99,930	380,822	2,730,317	564,312	64,175	1,241,681	414,816	271,214	5,767,267
Carrying value as of Dec 31, 2014	100,878	357,781	2,668,100	565,835	43,845	1,227,724	513,424	485,132	5,962,719

**) Amounts include put in functions/transfers in amount of thousand RON 515,414*

***) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to thousand RON 46,659.*

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and land improvements '000RON	Buildings '000RON	Gas properties '000RON	Plant, machinery and equipment '000RON	Fixtures, fittings and office equipment '000RON	Storage Assets '000RON	Exploration cost - WIP '000RON	Capital work in progress - other '000RON	Total '000RON
As of Jan 1, 2013	91,944	355,401	4,430,294	846,976	153,606	1,504,106	536,983	199,286	8,118,596
Additions *)	11,166	94,723	133,426	160,421	315	35,577	189,612	433,979	1,059,219
Disposals *)	-	(146)	(24,502)	(5,279)	(28)	(144)	(34,899)	(320,933)	(385,931)
As of Dec 31, 2013	103,110	449,978	4,539,218	1,002,118	153,893	1,539,539	691,696	312,332	8,791,884
Accumulated depreciation									
As of Jan 1, 2013	-	40,616	1,319,516	312,239	70,407	216,198	-	-	1,958,976
Charge for the period **)	-	14,207	421,844	106,206	19,217	81,744	-	-	643,218
Disposals	-	(50)	(2,104)	(3,419)	(30)	(84)	-	-	(5,687)
As of Dec 31, 2013	-	54,773	1,739,256	415,026	89,594	297,858	-	-	2,596,507
Impairment									
As of Jan 1, 2013	-	-	43,726	-	-	-	207,378	27,745	278,849
Charge for the period	3,180	14,383	25,919	23,008	124	-	69,502	13,373	149,489
Release during the period	-	-	-	(228)	-	-	-	-	(228)
As of Dec 31, 2013	3,180	14,383	69,645	22,780	124	-	276,880	41,118	428,110
Carrying value as of Jan 1, 2013	91,944	314,785	3,067,052	534,737	83,199	1,287,908	329,605	171,541	5,880,771
Carrying value as of Dec 31, 2013	99,930	380,822	2,730,317	564,312	64,175	1,241,681	414,816	271,214	5,767,267

*) *Amounts include put in functions/transfers in amount of thousand RON 295,418.*

**) *The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to thousand RON 30,398.*

13. EXPLORATION AND EVALUATION FOR NATURAL GAS RESOURCES

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

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Exploration expense	43,332	59,221
Net movement in exploration assets' impairment	154,077	72,656
Capital expenditure	480,694	408,536
Net cash used in investing activities	(485,147)	(338,025)

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Exploration assets	894,705	772,218
Liabilities	(125,496)	(29,413)
Net assets	769,209	742,805

14. OTHER INTANGIBLE ASSETS

	Development expenses	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of Jan 1, 2014	**4,133**	**160,044**	**381,577**	**4,834**	**550,588**
Additions	10,506	9,216	118,260	6,623	144,605
Disposals	(55)	(994)	(2,508)	(8,851)	(12,408)
As of Dec 31, 2014	**14,584**	**168,266**	**497,329**	**2,606**	**682,785**
Accumulated amortization					
As of Jan 1, 2014	**4,088**	**138,369**	-	-	**142,457**
Charge for the period	1,023	14,659	-	-	15,682
Disposals	(55)	(983)	-	-	(1,038)
As of Dec 31, 2014	**5,056**	**152,045**	-	-	**157,101**
Impairment					
As of Jan 1, 2014	-	-	**24,175**	-	**24,175**
Charge for the period	-	-	94,378	2,187	96,565
Release during the period	-	-	(2,505)	-	(2,505)
As of Dec 31, 2014	-	-	**116,048**	**2,187**	**118,235**
Carrying value as of Jan 1, 2014	**45**	**21,675**	**357,402**	**4,834**	**383,956**
Carrying value as of Dec 31, 2014	**9,528**	**16,221**	**381,281**	**419**	**407,449**

14. OTHER INTANGIBLE ASSETS (continued)

	Development expenses	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of Jan 1, 2013	**4,146**	**144,975**	**224,280**	**-**	**373,401**
Additions	-	16,299	218,923	17,653	252,875
Disposals	(13)	(1,230)	(61,626)	(12,819)	(75,688)
As of Dec 31, 2013	**4,133**	**160,044**	**381,577**	**4,834**	**550,588**
Accumulated amortization					
As of Jan 1, 2013	**3,952**	**117,724**	**-**	**-**	**121,676**
Charge for the period	136	21,888	-	-	22,024
Disposals	-	(1,243)	-	-	(1,243)
As of Dec 31, 2013	**4,088**	**138,369**	**-**	**-**	**142,457**
Impairment					
As of Jan 1, 2013	**-**	**-**	**21,021**	**-**	**21,021**
Charge for the period	-	-	3,154	-	3,154
Release during the period	-	-	-	-	-
As of Dec 31, 2013	**-**	**-**	**24,175**	**-**	**24,175**
Carrying value as of Jan 1, 2013	**194**	**27,251**	**203,259**	**-**	**230,704**
Carrying value as of Dec 31, 2013	**45**	**21,675**	**357,402**	**4,834**	**383,956**

15. INVENTORIES

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Spare parts and materials	142,687	132,382
Work in progress	144	217
Finished goods	240,104	238,496
Residual products	105	117
Inventories at third parties	39,816	30,122
Commodities	213	71,666
Packaging	5	5
Write-down allowance for slow moving inventory	(24,060)	(9,059)
Write-down allowance for inventories at third parties	(6,906)	-
Total	**392,108**	**463,946**

16. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES AND OTHER ASSETS

a) Trade and other receivables

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Trade receivables	1,528,203	1,451,668
Bad debt allowances (Note 16 c)	(565,968)	(393,200)
Accrued receivables	37,960	28,160
Total trade receivables	**1,000,195**	**1,086,628**

b) Other assets

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Advance paid to suppliers	34,999	88,850
Joint venture receivables	436	8,330
Loans to associates	17,054	16,422
Interest on loan to associates	846	671
Bad debt allowance for loans to associates (Note 16 c)	(17,900)	-
Other receivables	9,289	5,417
Other debtors	45,404	45,235
Prepayments	42,015	1,939
VAT not yet due	12,500	(3,503)
Bad debt allowances for other debtors (Note 16 c)	(42,757)	(89)
Total other assets	**101,886**	**163,272**

c) Changes in the allowance for doubtful debts and other assets

	2014	2013
	'000 RON	'000 RON
At January, 1	**393,289**	**818,966**
Charge during the period	249,701	227,343
Releases during the period	(16,365)	(653,020)
At December, 31	**626,625**	**393,289**

As of December 31, 2014, the Company recorded allowances for bad debts related to receivables, of which Interagro thousand RON 261,015 (December 31, 2013: thousand RON 213,111), GHCL Upsom of thousand RON 60,371 (December 31, 2013: thousand RON 60,542), CET Iasi of thousand RON 46,271 (December 31, 2013: thousand RON 46,271), Electrocentrale Galati with thousand RON 160,678 (December 31, 2013: thousand RON 44,667) and G-ON EUROGAZ of thousand RON 14,903 (December 31, 2013: thousand RON 14,903) due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or as a result of the exceeding of the maturity by more than 1 year.

16. ACCOUNTS RECEIVABLE (continued)

c) Changes in the allowance for doubtful debts (continued)

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Current and not impaired	958,596	984,811
Past due receivables but not impaired		
less than 30 days overdue	10,534	1,263
30 to 90 days overdue	1	15,736
90 to 360 days overdue	749	56,658
Total past due receivables but not impaired	**11,284**	**73,657**
Total trade receivables	**969,880**	**1,058,468**

17. SHARE CAPITAL

	Share capital	
	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
385,422,400 fully paid ordinary shares	385,422	385,422
Hyperinflation adjustment	-	1,507,259
Total	**385,422**	**1,892,681**

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

On April 28, 2014 the shareholders of the Company decided to adjust the share capital with the amount of thousand RON 1,507,259 against the retained earnings generated by the first time application of IFRS as addopted by the EU, namely the effects of IAS 29 "Financial Reporting in Hyperinflationary Economies".

The shareholding structure as at December 31, 2014 is as follows:

Shareholder	No. of shares	Value	Percentage
		000' RON	%
The Romanian State through the Ministry of Energy, Small and Medium Enterprises and Business Environment	269,823,080	269,823	70
Fondul Proprietatea	38,542,960	38,543	10
Legal persons	68,005,660	68,005	18
Physical persons	9,050,700	9,051	2
Total	**385,422,400**	**385,422**	**100**

17. SHARE CAPITAL (continued)

All shares are ordinary and were subscribed and fully paid as of December 31, 2014. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2013: RON 1/share).

Since the entry into force of the Emergency Ordinance no. 86/17 December 2014 on the establishment of reorganization measures at central public administration level and on amending and supplementing of several acts, published in Official Gazette no. 920/December 17, 2014, the Ministry of Energy, Small and Medium Enterprises and Business Environment takes over from the Ministry of Economy the role of shareholder of S.N.G.N. Romgaz S.A. on behalf of the Romanian State.

Fondul Proprietatea

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

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

In 2014, the "Proprietatea Fund" sold a part of its shares, and at the end of the reporting period, the share in Romgaz was of 10% of the share capital.

18. RESERVES

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Legal reserves	77,084	77,084
Other reserves	2,065,263	1,872,516
Total reserves	**2,142,347**	**1,949,600**

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

Other reserves represent allocations from profit in accordance with Government Ordinance no. 64/2001, paragraph (g) for the Company's development fund (December 31, 2014: thousand RON 1,548,207; December 31, 2013: thousand RON 1,386,128), tax incentives (Statement of changes in equity and Note 2) (December 31, 2014: thousand RON 30,668; December 31, 2013: thousand RON 0) and the reserve from the geological quota which cannot be distributed, set up until 2004 (Statement of changes in equity and Note 2) (December 31, 2014 and December 31, 2013: thousand RON 486,388).

19. PROVISIONS

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Decommissioning provision - long term portion	202,293	196,950
Decommissioning provision - short term portion	19,950	17,211
Retirement benefit obligation	97,265	79,241
Other provisions	15,864	30,105
Total	**335,372**	**323,507**

Decommissioning provision

At the end of each reporting date, the Company revises the estimates regarding future decommissioning liabilities, using best estimates and considering the applicable legislation. To determine these provisions, Company's management considers existing and future technologies that are expected to be used in the period when it is expected that the costs will be incurred.

Decommissioning provision movement	2014	2013
	'000 RON	'000 RON
At January 1	**214,161**	**175,516**
Additional provision recorded against non-current assets	8,527	51,365
Unwinding effect	24,442	13,197
Recorded in profit or loss	(7,877)	(9,502)
Release against non-current assets	(17,010)	(16,415)
At December 31	**222,243**	**214,161**

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 of 8.8% (2013: 9.5%). While the provision is based on the best estimate of future costs and the economic lives of the wells, there is uncertainty regarding both the amount and timing of these costs.

Retirement benefit obligation

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

Under the Collective Labor Contract, the Company is obliged to pay to its employees when they retire a multiplicator of the gross salary, depending on their seniority in the gas industry/electrical 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 this value using a discount factor based on interest on investments with the highest degree of safety (government bonds).

19. PROVISIONS (continued)

Retirement benefit obligation (continued)

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

The provision for pensions and similar obligations amounting to thousand RON 97,265 as at December 31, 2014 (December 31, 2013: thousand RON 79,241) was established for the benefits that employees will be granted at the time of retirement according to seniority in the gas industry/electricity industry under the collective labour agreement signed by employees of the Company. The increase of thousand RON 18,024 in the provision is due to change in the calculation assumptions regarding discount rate and wage growth rate and also due to inclusion of employees' benefits in base salaries.

Other provisions

As of December 31, 2014, the Company recorded a provision for environment restoration of thousand RON 15,146 (December 31, 2013: thousand RON 11,535). The provision was recorded for the restoration of land and for the redemption of the land to the agricultural use, based on management's estimate of the necessary costs to be incurred in order to restore the land to its original state.

Also as of December 31, 2013 the Company recorded a provision for greenhouse gas emission certificates of thousand RON 10,853. At December 31, 2014 the Company has fulfilled its obligations in this respect, as a result there is no need for a provision to be set up.

20. TRADE AND OTHER CURRENT LIABILITIES

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Accruals	48,844	67,329
Payables related to employees	55,353	53,033
Trade payables	39,324	30,852
Payables to fixed assets suppliers	110,859	46,904
Royalties	77,097	69,235
Social security taxes	26,465	14,673
Other current liabilities	31,599	12,214
Joint venture payables	4,089	2,979
Advances from customers	17,957	57,707
VAT	70,260	122,583
Dividends payable	2,350	-
Other taxes payable	55,622	35,958
Total	**539,819**	**513,467**

21. FINANCIAL INSTRUMENTS

Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

Since March 2014, the Company purchases import gas via an internal supplier, at prices expressed in lei.

The official exchange rates were as at December 31, 2014 RON 3.6868 to USD 1 and RON 4.4821 to EUR 1 (December 31, 2013: RON 3.2551 to USD 1 and RON 4.4847 to EUR 1).

(ii) Inflation risk

The official inflation rate in Romania, during the year ended December 31, 2014 was under 10% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy.

(iii) Interest rate risk

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

As of December 31, 2014, the Company had granted variable interest bearing loans including interest to be received in amount of thousand RON 17,900 (December 31, 2013: thousand RON 17,093).

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents, deposits with banks, trade receivables and loans. The Company has policies in place to ensure that sales are made to customers with low credit risk. The carrying amount of accounts receivable, net of bad debt allowance, 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 December 31, 2014 (76% as of December 31, 2013). 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.

21. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

(c) Capital risk management

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

Financial instruments in the statement of financial position 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. At December 31, 2014 the Company did not find any indication of impairment of financial investments, except for the adjustments already recorded.

The Company is not exposed to significant currency risk arising from foreign currencies exchange rates exposure against the RON, as a result of limited transactions in foreign currency. All Company's sales are made to customers in Romania. Most purchases of the Company are from domestic suppliers. Furthermore, investments in bank deposits and government bonds are in RON.

As of December 31, 2014, the Company's exposure to interest risk is limited, due to the fact that it has no borrowings and financial assets bear a fixed interest rate, except for the loans granted by the Company. However, these loans do not have a significant interest rate risk due to their low value (thousand RON 17,900 at December 31, 2014; thousand RON 17,093 at 31 December 2013).

21. **FINANCIAL INSTRUMENTS (continued)**

Maturity analysis for non-derivative financial assets and financial liabilities

Dec 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**

Dec 31, 2013	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	986,074	15,736	56,658	-	-	1,058,468
Treasury bills	-	-	955,839	-	-	955,839
Total	**986,074**	**15,736**	**1,012,497**	**-**	**-**	**2,014,307**
Trade payables	(202,796)	-	-	-	-	(202,796)
Total	**(202,796)**	**-**	**-**	**-**	**-**	**(202,796)**
Net	**783,278**	**15,736**	**1,012,497**	**-**	**-**	**1,811,511**

Liquidity risk management

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

22. RELATED PARTY TRANSACTIONS

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

(i) Sales of goods and services

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Romgaz SA's associates	21,464	22,035
Total	**21,464**	**22,035**

(ii) Trade receivables and other assets

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Romgaz SA's associates	1,306	-
Total	**1,306**	**-**

(iii) Interest income

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Romgaz SA's associates	176	206
Total	**176**	**206**

(iv) Loans granted

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Romgaz SA's associates (Note 27)	-	17,093
Total	**-**	**17,093**

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 customers operate. In 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, usually with state owned companies.

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

The remuneration of directors and managers

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

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

	Year ended Dec 31, 2014	Year ended Dec 31, 2013
	'000 RON	'000 RON
Salaries paid to directors	11,931	10,979

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Salaries payable to directors	400	458

24. ASSOCIATES

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			Dec 31, 2014	Dec 31, 2013
SC Amgaz SA Medias	Gas production	Romania	35	35
SC Depomures SA Tg.Mures	Storage of natural gas	Romania	40	40
Energia Torzym Polonia	Exploration activity	Poland	30	30
Cybinka Polonia	Exploration activity	Poland	30	30
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Investments in associates	12,806	12,806
Impairment	(12,068)	(11,859)
Total	**738**	**947**

Due to insignificant size of these companies, the Company did not include in these individual financial statements as of December 31, 2014 its share of the results obtained by the associates in the year ended December 31, 2014.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

25. OTHER FINANCIAL ASSETS

Other financial investments

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

*) The spin-off project of Electrocentrale Bucuresti SA ("ELCEN") in which S.N.G.N ROMGAZ S.A. held 2.26% was approved on July 25, 2014. As an effect of the spin-off, Electrocentrale Bucharest S.A., who continues to exist, was split into two other companies: Electrocentrale Titan S.A. and Electrocentrale Constanta S.A. As a result of the spin-off, S.N.G.N. Romgaz S.A. holds 2.49% of Electrocentrale Bucharest S.A.'s shares and 0.74% of Electrocentrale Titan S.A.'s shares.

**) In July 2012, the Company entered into a joint operations agreement with Lukoil Overseas Atash BV and Panatlantic (originally called Vanco International Ltd), for offshore exploration, development and operation in the perimeters EX-29 Est Rapsodia and EX-30 Trident of the Black Sea continental shelf. The Company's share in this agreement is 10%. Lukoil Overseas Atash BV is the joint venture's operator.

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 December 31, 2014 the Company did not identify any indication of impairment of other financial investments, other than the impairment recorded as of December 31, 2014.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

25. OTHER FINANCIAL ASSETS (continued)

Other financial investments

Company	Activity	Percentage held	Value as of Dec 31, 2013	Impairment as of Dec 31, 2013	Carrying value as of Dec 31, 2013
			'000 RON	'000 RON	'000 RON
Electrocentrale Bucuresti SA	electricity and thermal power producer	2.26%	66,287	-	66,287
MKB Romexterra Bank SA	other activities - financial intermediations	0.09%	840	741	99
Mi Petrogas Services SA	services related to oil and natural gas extraction, excluding field work	10%	60	-	60
GHCL Upsom	manufacture of other chemical, anorganic base products	4.21%	17,100	17,100	-
Lukoil & Panatlantic joint venture	petroleum exploration operations	10%	10,454	-	10,454
Total			**94,741**	**17,841**	**76,900**

On November 21, 2012 the Company and S.C. Termoelectrica S.A. signed an agreement by which receivable outstanding from S.C. Termoelectrica S.A. was going to be settled by transfer of shares in S.C. Electrocentrale Bucuresti S.A. The agreement was enforced on January 24, 2013. At transfer date, the shares in S.C. Electrocentrale Bucuresti S.A. were recorded at a cost of thousand RON 66,287, as measured by an independent appraiser.

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 segment and others, including headquarter activities and electricity production. The Directors of the Company have chosen to organize the Company around differences 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 are recorded exploration assets in amount of thousand RON 12,533.

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 predetermined rates. Any internally generated profits are eliminated in the individual statement of comprehensive income.

b) Segment assets and liabilities

December 31, 2014	Upstream	Storage	Other activities
	'000 RON	'000 RON	'000 RON
Property, plant and equipment	3,977,468	1,603,858	381,393
Other intangible assets	395,279	709	11,461
Other investments	-	-	77,627
Trade and other receivables	930,283	34,858	35,054
Inventories	294,926	72,427	24,755
Other financial assets	334	193,817	722,182
Other assets	24,542	19,963	57,381
Cash and cash balances	153,291	68,385	1,732,111
Total assets	**5,776,123**	**1,994,017**	**3,041,964**
Retirement benefit obligation	-	-	97,265
Deferred tax liabilities	-	-	131,305
Provisions	237,389	-	718
Other liabilities	191,210	3,995	221,221
Trade and other payables	188,682	4,333	23,968
Total liabilities	**617,281**	**8,328**	**474,477**

26. SEGMENT INFORMATION (continued)

b) Segment assets and liabilities (continued)

In 2014, the Company revised its segment activities allocation. Where significant errors were identified in the previous year or if there were changes in the operating segments analysis, the data on the previous period were represented, to ensure comparability of information. Among them we mention the following:

- the non-current assets of the segments were presented incorrectly, considering only certain assets (only gas properties and exploration assets in the segment "Upstream", respectively only storage assets in the segment "Storage"), instead of all assets belonging to each segment;
- receivables of a particular segment were shown in a different segment;
- provisions were reviewed and presented in the related segments;
- other liabilities belonging to the Upstream segment were presented in the segment "Other activities" (e.g. royalty liabilities, and tax liability on supplementary income).

December 31, 2013	Upstream	Storage	Other activities
	'000 RON	'000 RON	'000 RON
Property, plant and equipment	3,833,660	1,502,143	431,464
Other intangible assets	367,820	748	15,388
Other investments	-	-	77,847
Trade and other receivables	1,031,662	29,753	25,213
Other long term assets	-	-	17,093
Inventories	366,030	78,831	19,085
Other financial assets	174,697	147,742	648,225
Other assets	75,712	60,831	9,636
Cash and cash balances	27,641	1,080	1,534,869
Total assets	**5,877,222**	**1,821,128**	**2,778,820**
Retirement benefit obligation	-	-	79,241
Deferred tax liabilities	-	-	146,440
Provisions	233,598	-	10,668
Other liabilities	127,518	1,355	382,780
Trade and other payables	162,648	6,290	33,858
Total liabilities	**523,764**	**7,645**	**652,987**

26. SEGMENT INFORMATION (continued)

c) Segment revenues, results and other segment information

Year ended Dec 31, 2014	Upstream	Storage	Other activities	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Sales and other operating revenues	3,853,030	425,830	660,358	(445,877)	4,493,341
Less: sales and other operating revenues between segments	(128,179)	-	(317,698)	445,877	-
Third party sales and other operating revenues	3,724,851	425,830	342,660	-	4,493,341
Interest revenue	4,549	4,755	66,157	-	75,461
Interest expense	(34)	-	-	-	(34)
Depreciation and amortisation	(653,585)	(97,339)	(25,915)	-	(776,839)
Segment profit before tax	**1,404,572**	**146,152**	**237,605**	**-**	**1,788,329**

In 2014 the Company revised its segment activities allocation. Where significant errors were identified over the previous year or if changes in the operating segments analysis occurred, the information from the previous period were represented, in order to ensure comparability of information. Of these changes, a significant effect on the result per segment had the depreciation and impairment of property, plant and equipment.

Year ended Dec 31, 2013	Upstream	Storage	Other activities	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Sales and other operating revenues	3,314,196	364,937	551,402	(336,268)	3,894,267
Less: sales and other operating revenues between segments	(3,372)	-	(332,896)	336,268	-
Third party sales and other operating revenues	3,310,824	364,937	218,506	-	3,894,267
Interest revenue	9,205	3,177	110,897	-	123,279
Interest expense	-	-	(32)	-	(32)
Depreciation and amortisation	(595,472)	(90,964)	(95,997)	-	(782,433)
Segment profit before tax	**998,607**	**182,208**	**119,827**	**-**	**1,300,642**

In the segment "Other activities" is also included the Electricity Production Branch (CET Iernut). Sales of CET Iernut in 2014, including the sales to the rest of Romgaz's segments were in amount of thousand RON 424,175, of which thousand RON 88,419 were deliveries made to other Romgaz segments (2013: total sales of thousand RON 237,201, of which deliveries within Romgaz were in amount of thousand RON 29,927).

The profit obtained by CET Iernut in 2014, including deliveries to other segments of Romgaz, was thousand RON 77,278 (2013: loss thousand RON 61,153).

26. SEGMENT INFORMATION (continued)

In 2014 the most important three clients of the Company represented each, individually, over 10% of the revenue of the Company (2013: the most important three clients of the Company represented each, individually, over 10% of the revenue), together totaling 72% of total revenue (2013: 58%). Of the revenues generated by the three clients, 5.3% are presented in Storage segment, 94.4% are presented in the Upstream segment and 0.3% in Other activities segment (2013: 6.8% in Storage, 92.7% in Upstream and 0.5% in Other activities).

27. OTHER NON-CURRENT ASSETS

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

Given the fact that until the financial statements date were not identified natural gas resources and the two companies do not generate revenue, there is an uncertainty regarding their ability to repay the loans at maturity, reason for which the Company has set up an impairment for the two loans granted.

28. CASH AND CASH EQUIVALENTS

For the purposes of the cash flows statement, cash and cash equivalents include cash on hand and in banks, short term deposits and treasury bonds with maturity under 3 months.

	Dec 31, 2014 '000 RON	Dec 31, 2013 '000 RON
Current bank accounts in RON	40,062	40,211
Current bank accounts in foreign currency	24	150
Petty cash	23	22
Short-term deposits	1,639,706	1,494,469
Treasury bonds with maturity under 3 months	273,971	28,744
Amounts under settlement	1	(6)
Total	**1,953,787**	**1,563,590**

29. OTHER FINANCIAL ASSETS

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

	Dec 31, 2014 '000 RON	Dec 31, 2013 '000 RON
Shares in unquoted entities	76,889	76,900
Held-to-maturity investments	916,333	970,664
Total	**993,222**	**1,047,564**

30. COMMITMENTS UNDERTAKEN

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Endorsements and collaterals granted	34,551	54,883

On March 24, 2014, the Company entered into a facility agreement with Citibank Europe plc, Dublin - Romanian Branch regarding the granting of bank loans under the form of 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. On December 31, 2014 are still available for utilization thousand USD 5,436.

Within "Endorsements and collaterals granted" as of December 31, 2013 it is also included an amount of thousand USD 29,000 representing a facility granted by RBS Bank for opening letters of credit in favor of suppliers, which was closed on April 25, 2014 (the amount available for utilization at December 31, 2013: thousand USD 12,794).

31. COMMITMENTS RECEIVED

	Dec 31, 2014	Dec 31, 2013
	'000 RON	'000 RON
Endorsements and collaterals received	1,266,819	951.884

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

32. CONTINGENCIES

(a) *Litigations*

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

(b) *Ongoing legal procedures for which Romgaz SA 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, it is an additional burden to the state budget consists of income tax in the 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 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 on the expertise. The expert's report was not finalized by the date of issue of the individual financial statements as of December 31, 2014.

32. CONTINGENCIES (continued)

(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 but it didn't receive any answer until the date of the financial statements.

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. 148^1 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.

Should the appeal be rejected, Romgaz will start a legal case against the Ministry of Public Finance for the annulment of the aforementioned tax decisions.

(d) Environmental contingencies

Environmental regulations are developing in Romania and the Company has not recorded any liability at December 31, 2014 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans, related to environmental matters, excepting the amount of thousand RON 222,243 (December 31, 2013: thousand 214,161 RON) and a provision for land restauration of thousand RON 15,146 (December 31, 2013: thousand RON 111,535).

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 has been 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 holding companies of 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 accompanied by an action plan and issued with no. MS1/27.03.2014-27.03.2024. Environmental conditions imposed by the permit relates to: concentrations of emissions of pollutants into the air, emissions in water, monitoring of groundwater, technological monitoring, waste monitoring, post-closing monitoring.

32. CONTINGENCIES (continued)

(e) Licenses for operation in the gas production field

The Company operates natural gas fields based on the license issued by the National Agency for Mineral Resources (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 December 31, 2014 and December 31, 2013, 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".

According to Annex no. 1 from the same decision, Romgaz was allocated for CTE Iernut 824,645 greenhouse gas certificates (EUA) for the year 2014, these certificates being purchased during the year.

As of December 31, 2014, Romgaz holds into the account of Greenhouse Gas Emissions Unique Register a number of 1,286,697 CO2 certificates, as follows:

- a total of 824,645 certificates equivalent for the year 2014;

- 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;

- 7,587 certificates submited 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 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 Romgaz - S.A.	SNGN Romgaz - S.A. - CTE Iernut	962,085	824,645	687,204	549,763	412,322	274,882	137,441	-

According to EU Regulation No. 1123/2013 of 8 November 2013 regarding the determination of the right to international credits, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, the Protocol to the Convention of the United Nations Framework on Climate Change (Kyoto Protocol) establishes two mechanisms for the creation of international credits that Companies can use to reduce emissions. Joint Implementation provides for the creation of reduction units for emissions (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 gases.

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

Therefore, S.N.G.N. ROMGAZ S.A. - SPEE Iernut can purchase a number of 51,598 ERU certificates at market price.

32. CONTINGENCIES (continued)

(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.

33. JOINT ARRANGEMENTS

On December 31, 2014, 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: Bibeşti, Strâmba, Finta, Fierbinţi-Târg, Frasin-Brazi, Zătreni, Boldu, Roşioru, Gura-Şuţii, 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.

33. JOINT ARRANGEMENTS (continued)

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. Since the fields are in an advanced stage of depletion, the Joint Operating Committee approved for 2015 the drawing of two studies which will evaluate the reserves and behavior of fields Bilca and Vicsani.

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.

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%. Currently, the concession agreement is under the assessment of Parava field in the southern perimeter where the operator of the joint operation is Romgaz, phase which will expire on 30 June 2015. By this time, in the north will be put in function the generator for the well Lilieci 1, in order to convert natural gas into electricity, remaining to monitor the behavior of the field for a period of 1 year, after the put in production of the well.

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 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 association), JKX (25%) and Romgaz through Bratislava branch (25%).

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 komandltowa (Energia Torzym) and of Energia Cybinka spolka organiczona odpowiedzialnoscia spolka komandltowa (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%. For the perimeter Rapsodia, the mandatory Phase I of three years (November 4, 2011 - November 4, 2014) was extended with an additional six months, until May 4, 2015. For the Trident perimeter, the optional Phase II was started, having a length of 2 years (November 4, 2014 – November 4, 2016).

34. EVENTS AFTER THE BALANCE SHEET DATE

Romgaz is required to achieve separation of the natural gas storage business from the production and supply of natural gas business according to requirements of Directive 2009/73/EC of the European Parliament and of the Council of July 13, 2009 concerning common rules for the internal natural gas market, and art. 141 par. 1 of Law 123/2012, according to which a storage operator which is part of a vertically integrated operator, shall be independent at least in terms of legal form, organization and decision making process from other activities not related to transmission, distribution or storage. In the Shareholders' Decision no. 10/December 19, 2014, the shareholders approved the establishment of a subsidiary for underground storage of natural gas under the name S.N.G.N. "ROMGAZ" S.A.- Filiala de Inmagazinare Gaze Naturale Depogaz Ploiesti S.R.L. having as main objective the storage of natural gas, fully owned by Romgaz. Until the approval of the individual financial statements, the subsidiary has not been incorporated. Shareholders of the Company approved through Shareholders' Decision no. 1/ January 26, 2015 the contracting of legal advice, assistance and specialized legal representation to incorporate the storage subsidiary. The incorporation act of the subsidiary was approved through Shareholders' Decision no. 2/March 18, 2015.

Through Shareholders' Decision no. 1/January 26, 2015, the shareholders approved the start of the development project CET Iernut How the project will be implemented is yet to be determined.

In the Board of Directors of the Company were made the following changes:

- on March 18, 2015 the shareholders appointed Mrs. Sorana Baciu as Director, replacing Mr. David Harris Klingensmith, following his resignation;
- starting with January 23, 2015, Mr. Sergiu Cristian-Manea resigned from his position as Director;
- on March 18, 2015 the shareholders appointed Mr. Dragos Dorcioman as Director, replacing Mr. Sergiu Cristian-Manea, following his resignation.

35. APPROVAL OF INDIVIDUAL FINANCIAL STATEMENTS

The individual financial statements were authorized for issue by the Board of Directors on March 19, 2015.

Virgil Metea
General Manager

Lucia Ionașcu
Economic Director