



Societatea Națională de Gaze Naturale “ROMGAZ” SA

**I<sup>ST</sup> HALF YEAR REPORT**  
**ON ECONOMIC- FINANCIAL ACTIVITY OF**  
**ROMGAZ AS OF JUNE 30, 2015**  
**(JANUARY 1, 2015- JUNE 30, 2015)**



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## IDENTIFICATION DETAILS ON REPORT AND ISSUER

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



## I. 1<sup>ST</sup> HALF YEAR 2015 OVERVIEW

### 1.1. Company performances

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

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

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

### Relevant Financial Result

<i>*million RON*</i>							
Q2 2014	Q1 2015	Q2 2015	Δ Q2 (%)	Main Indicators	H1 2014	H1 2015	Δ H1 (%)
1,077.0	1,365.5	869.6	-19.3	Revenue	2,526.3	2,235.1	-11.5
1,180.4	1,299.5	941.6	-20.2	Income	2,560.3	2,241.2	-12.5
823.4	620.5	668.6	-18.8	Expenses	1,470.7	1,289.1	-12.3
356.9	679.1	273.1	-23.5	Gross Profit	1,089.5	952.1	-12.6
94.3	116.0	69.5	-26.3	Profit Tax	218.6	185.5	-15.1
262.6	563.0	203.6	-22.5	Net Profit	871.0	766.6	-12.0
958.2	649.2	577.8	-39.7	Cash flow from operational activities	1,645.2	1,227.0	-25.4
333.1	665.5	261.4	-21.5	EBIT	1,048.1	926.8	-11.6
555.6	841.8	381.8	-31.3	EBITDA	1,414.4	1,233.7	-13.5
0.68	1.46	0.53	-22.5	EPS (RON)	2.26	1.99	-12.0
24.39	41.2	23.41	-4.0	Net Profit Rate (% from Revenue)	34.48	34.30	-0.5
30.93	48.7	30.05	-2.8	EBIT Ratio (% from Revenue)	41.49	41.47	-0.1
51.59	61.6	43.91	-14.9	EBITDA Ratio (% from Revenue)	55.99	54.75	-2.2
6,391	6,340	6,332	-0.9	Number of employees at the end of the period	6,391	6,332	-0.9

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

### Summary of main indicators:

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

54.7% (as compared to 34.5%, 41.5% and 56.0%, respectively during H1 of 2014), confirming the high profitability of the company;

↳ *EPS* (earnings per share) is RON 1.99.

### Operational Results

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

<sup>?)</sup> – includes gas from current production, own gas withdrawn from UGS and acquired domestic gas and also includes gas delivered to Iernut and Cojocna.

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

Romgaz produced 2,777 million m<sup>3</sup> of natural gas during the first half of 2015, with 89 million m<sup>3</sup> (3.1%) less than gas produced in the same period of the previous year.

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

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

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

## 1.2. Highlights

### During the reporting period

#### January 8, 2015

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

#### March 18, 2015

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

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

#### March 27, 2015

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

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

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

#### May 13, 2015

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

#### June 17, 2015

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



## After the reporting period

### July 1, 2015

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

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

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

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

## II. COMPANY OVERVIEW

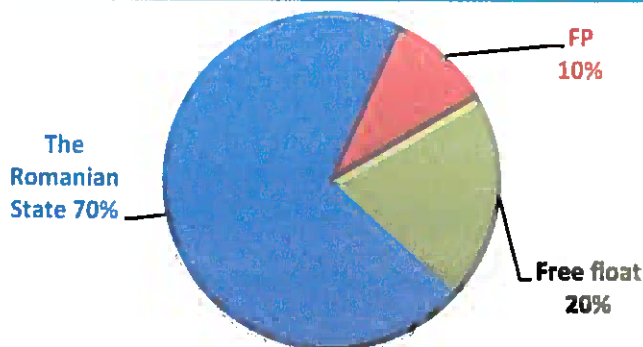
The company undertakes business in the following segments:

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

## Shareholder structure

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

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



## Company Organization

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

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

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

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



## Company Management

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

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

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

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

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

### Virgil Marius Metea - Director General (CEO)

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

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

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

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

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

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

## Human Resources

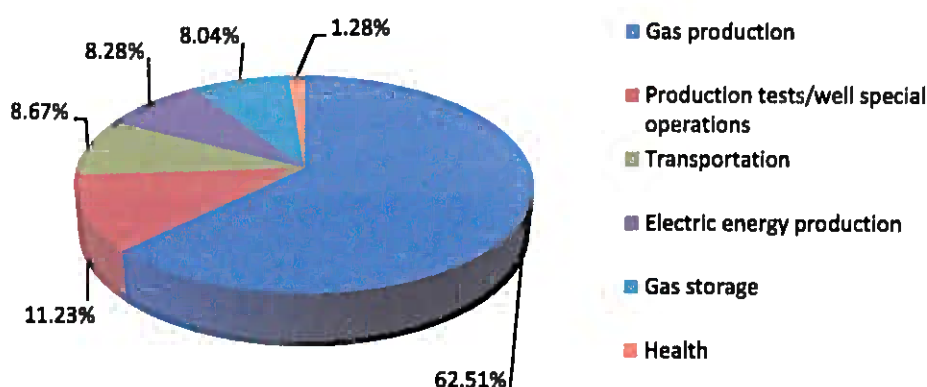
On June 30, 2015 the company had a number of 6,332 employees.

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

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

<sup>)</sup> the increase is due to the takeover of CTE Iernut employees

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



## Romgaz on the stock exchange

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

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

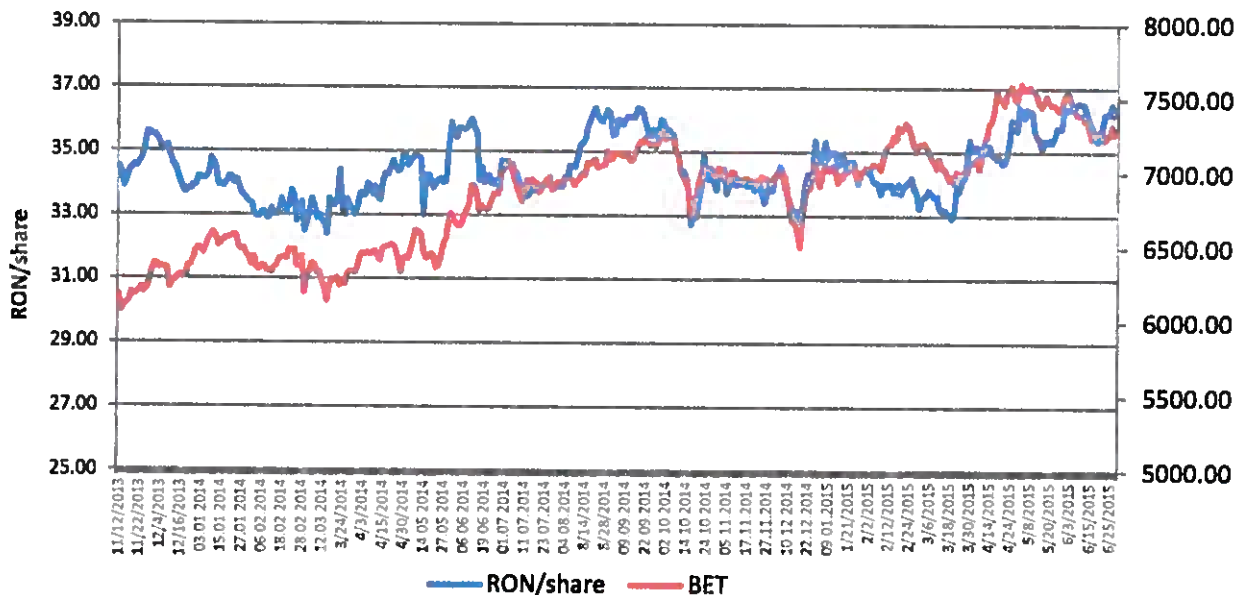
At the end of H1 2015 Romgaz shares were quoted at RON 36.4, by 4.9% above the closing price on June 30, 2014.



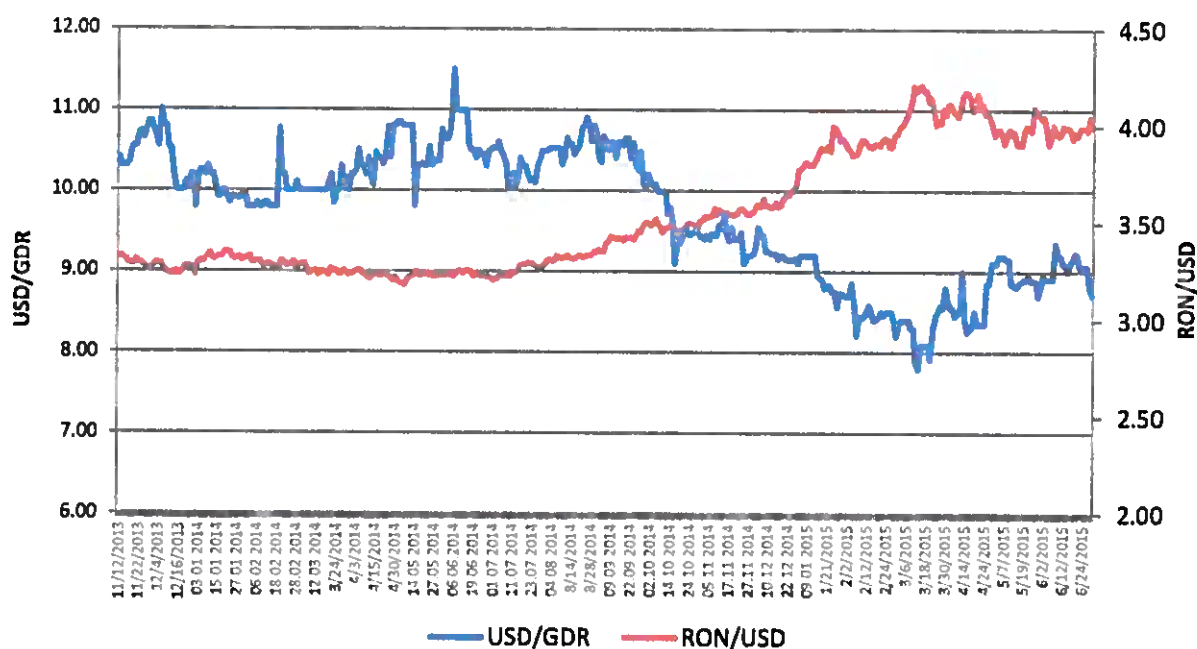
Romgaz ranges between the most significant local issuers and is also included in the trade indices on BVB and on other markets as well, as follows:

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

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



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



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

### III. REVIEW OF THE COMPANY'S BUSINESS

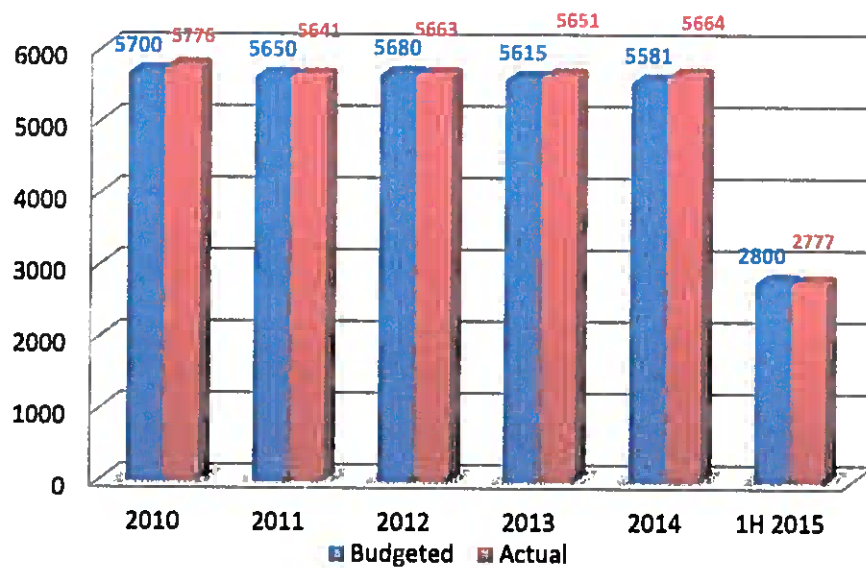
#### 3.1. Operational Results

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

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

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

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



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

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

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

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

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



The table below shows the gas quantities produced, delivered, injected/withdrawn in/from the underground storage during January – June 2015 compared to the similar period of years 2013 and 2014 (million m<sup>3</sup>):

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

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

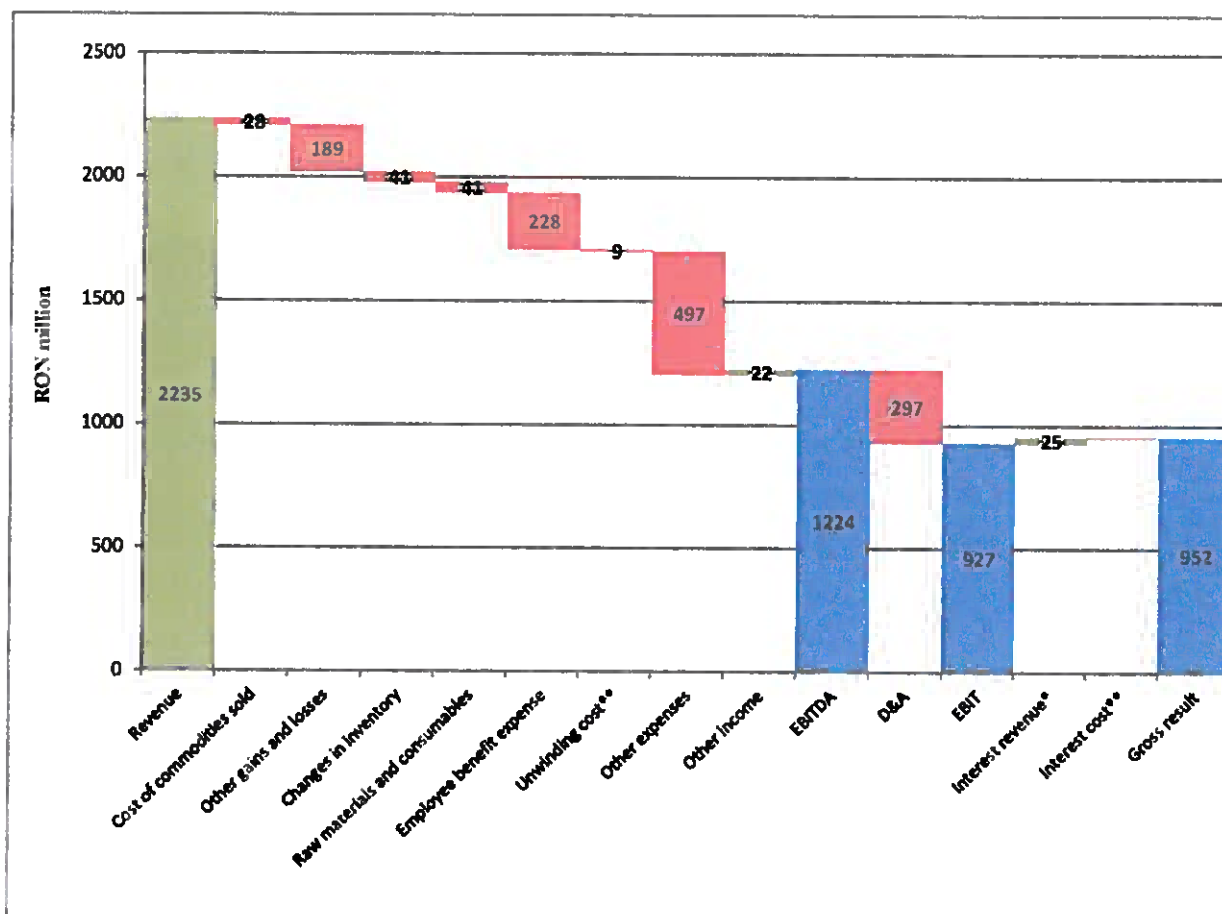
### 3.2. Financial results

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

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

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

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



\* - included in "Investment income" in the Statement of interim comprehensive income

\*\* - included in "Finance cost" in the Statement of interim comprehensive income

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

*\*RON thousand\**

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



## Revenue

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

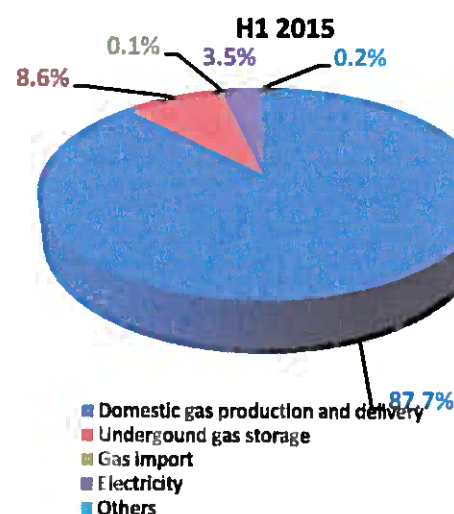
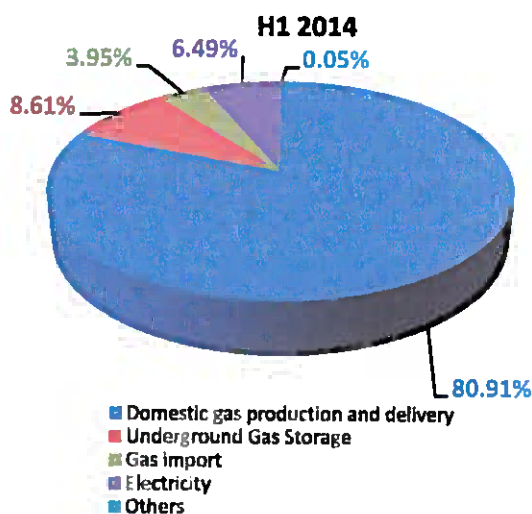
\*thousand RON\*

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

\*) – it does not include domestic gas revenue

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

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



### Revenue from Own Domestic Gas Production

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

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

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

The following factors influenced this outcome:

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

### Revenue from Sale of Joint Ventures Domestic Gas Production

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

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

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

### Revenue from Sale of Import Gas

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

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

- ↳ sale of lower volume of gas by 96.85%, generating the decrease of revenue by RON 96,791 thousand. The reduction of gas delivery volume is due to lower gas demand on the gas market;
- ↳ import gas sale at an average price (RON/thousand m<sup>3</sup>) 3.40% higher, with positive influence on the revenue by RON 105 thousand.

### Revenue from Gas Distribution

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

Revenue from distribution is shown in the table below:

Description	H1 2014		H1 2015			Ratios 2015/ 2014	
	th. MWh	RON/ MWh	th. RON	th. MWh	RON/ MWh		th. RON
1	2	3	4	5	6	7	8=7.4x100
Total revenue, out of which:			134.53			235.89	175.34%
Distribution revenue	1.27	22.54	28.63	1.79	35.98	64.40	224.94%
Supply revenue	1.27	20.67	26.25	1.79	19.84	35.51	135.28%
Access revenue			12.71			10.26	80.72%
Domestic gas value	1.13	59.24	66.94	1.77	71.02	125.72	187.81%

### Revenue from Underground Gas Storage

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

*\*thousand RON\**

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

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

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

### Revenues from Other Activities

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



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

Description	Value (th. RON)
Total revenue, out of which *revenue <sup>*)</sup>	119,258 78,352
Total expenditure	108,788
Gross result	10,470

<sup>\*)</sup> – it does not include settlements between branches

### Financial Revenues

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

### Expenses

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

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

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

*Financial costs* have not changed significantly.

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

### Financial Results

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

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

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

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

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

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

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

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

where:

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

### 3.3. Trading

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

#### *Trade of Domestic Gas Production*

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

Description	Quantity (th. MWh)	Price (RON/MWh)	Volume (mil.m <sup>3</sup> )	Price (RON/1000 m <sup>3</sup> )	Value (th. RON)
1	2	3	4	5	6
H1 2014	31.136	63.54	2.965	667.25	1.978.338
H1 2015	28,541	66.53	2.715	699.28	1.898.814
Difference (2015/2014)					
*absolute	-2.595	2.99	-250	32.03	(79.524)
*relative	-8.34%	4.71%	-8.42%	4.80%	-4.02%

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

#### *Trade of Import Gas*

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

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

#### **Electric Power**

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

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

Romgaz produces and supplies electric power starting from 2013.



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

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

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

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

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

The prices of the Company are:

- Average sale price on the Day Ahead Market (DAM): RON 191.19/MWh;
- Average market price (OPCOM) on the Day Ahead Market: RON 157.20/MWh;
- Average sale price on the Balancing Market (BM) with TSS: RON 253.40/MWh;
- Average sale price on the Balancing Market (BM), without TSS: RON 225.17/MWh;

Average electric power sale price:

- subject to the supplied electric power: RON 207.25/MWh;
- subject to the supplied electric power with TSS: RON 214.77/MWh
- subject to the sold electric power: RON 181.67/MWh
- subject to the sold electric power with TSS: RON 188.26/MWh .

SPEE Iernut gas consumption was 118,259 thousand m<sup>3</sup>.

### **Underground Gas Storage (UGS)**

Romgaz holds and operates 6 of the 8 existing underground gas storages in Romania. The annual storage capacity of the 6 storages is **3.925 billion m<sup>3</sup>**, the annual working capacity is **2.760 billion m<sup>3</sup>** and the maximum daily delivery flow rate is about **30 million m<sup>3</sup>**.

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

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

### 3.4. Prices and tariffs

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

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

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

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

### ***Underground Gas Storage***

The storage tariffs applied during the two compared periods:

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

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

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

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

### ***Natural Gas Supply***

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

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

### ***Natural Gas Distribution***

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

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



*The final regulated prices applied during H1 2015:*

- Q1: in accordance with Order 120/2014;
- Q2: in accordance with Order 57/2015 modifying Order 120/2014 on establishing the regulated tariffs for distribution services, and approving the prices for the regulated gas supply performed by Societatea Nationala de Gaze Naturale "Romgaz" - S.A. Medias.

### 3.5. Investments

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

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

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

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

Investments were financed exclusively from own sources.

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

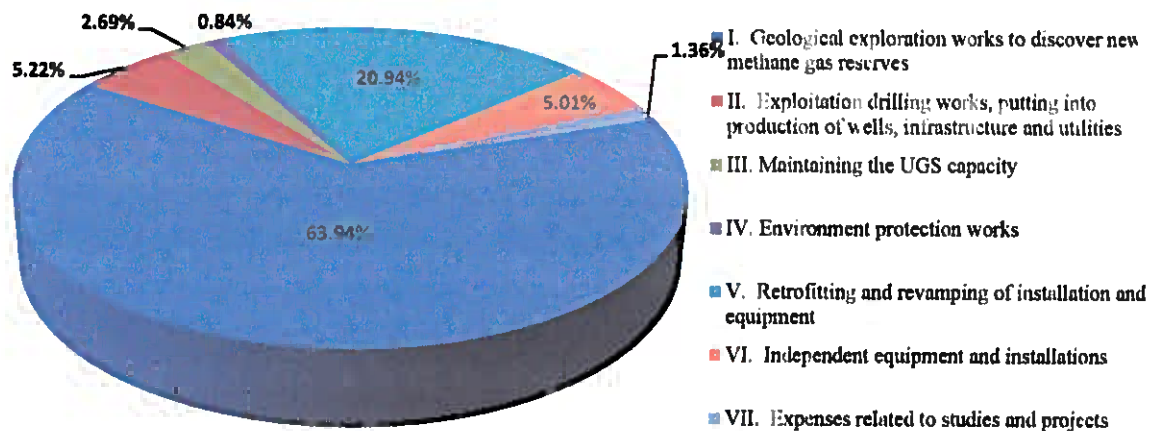
Although investments achieved in H1 2015 are lower by RON 52.40 million, i.e. lower by 9.84% as compared to the investments achieved in the similar period of the year 2014, higher amounts of achieved investments have been recorded for the following:

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

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

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

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



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

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

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

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

- Well drilling: 15
- Well surface facilities: 15
- Well modernization: 55
- Well capitalizable repairs: 25
- Drilling and production equipment required to sustain the gas production activity: 250

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

### 3.6. Litigations

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

- ① 120 litigations, including:
  - ✗ 67 cases where Romgaz is complainant;
  - ✗ 49 cases where Romgaz is defendant;
  - ✗ 4 cases where Romgaz is plaintiff claiming damages/injured party
- ① the total value of the files where Romgaz is complainant amounts to RON 888,754,600.33;
- ① the total value of the files where Romgaz is defendant amounts to RON 12,056,655.83.

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

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

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



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

## IV, FINANCIAL-ACCOUNTING INFORMATION

### 4.1. Statement of Interim Financial Position

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

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

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

#### *Non-current assets*

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

#### *Currents assets*

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

#### *Inventories*

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

#### *Trade and other receivables*

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

#### *Cash and cash equivalents. Other financial assets*

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

#### *Other assets*

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

#### *Equity*

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

### *Non-current liabilities*

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

### *Current liabilities*

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

### *Trade and other payables*

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

### *Other liabilities*

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

### *Current tax liabilities*

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

### *Provisions*

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

## 4.2. Statement of Interim Comprehensive Income

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

Description	H1 2014 (th. RON)	H1 2015 (th. RON)	Differences (th. RON)	Variance (%)
1	2	3	4=3-2	5=4/2x100
Revenue	2,526,344	2,235,108	(291,236)	-11.53%
Cost of commodities sold	(132,596)	(28,003)	(104,593)	-78.88%
Investment income	41,458	25,348	(16,110)	-38.86%
Other gains and losses	(183,194)	(188,773)	5,579	3.05%
Change in inventory	(98,991)	(41,433)	(57,558)	-58.14%
Raw materials and consumables used	(30,024)	(40,715)	10,689	35.60%
Depreciation, amortization and impairment	(366,340)	(296,876)	(69,464)	-18.96%
Employee benefit expense	(212,504)	(228,040)	15,536	7.31%
Finance cost	(7,964)	(9,105)	1,141	14.33%
Exploration expenses	(21,140)	-	(21,140)	-100.00%
Other expenses	(516,279)	(497,204)	(19,075)	-3.69%
Other income	90,761	21,831	(68,930)	-75.95%
<b>Profit before tax</b>	<b>1,089,531</b>	<b>952,140</b>	<b>(137,391)</b>	<b>-12.61%</b>



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

### Revenue

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

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

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

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

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

### Cost of Commodities Sold

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

### Investment Income

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

### Other Gains and Losses

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

### Changes in Inventory of Finished Goods and Work in Progress

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

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

### Raw Materials and Consumables Used

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

### *Depreciation, amortization and impairment*

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

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

### *Employee Benefit Expense*

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

### *Exploration Expense*

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

### *Other Expenses*

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

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

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

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

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

### *Provisions*

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

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

### *Electricity Capacity Reservation and Transmission Services*

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

### *Other Operating Expenses*

This category decreased because of lower value of CO<sub>2</sub> certificates which is correlated to the generated electricity volumes (smaller in H1 2015, as compared to the similar period in the previous year).

During H1 2014, 2013 CO<sub>2</sub> certificates were also recorded, but their effects were annulled by reversal of provision explained above.

### *Other Revenue*

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

### *Income Tax Expense*

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

### *Profit for the Period*

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



### 4.3. Statement of Cash Flows

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

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

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

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

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

## V. PERFORMANCE OF THE MANDATE CONTRACT/DIRECTORS' CONTRACTS

The timeline of the directors' contracts, the mandate contract, the Management Plan and the Directors' Plan is the following:

- ✎ *June 12, 2013* – The Board of Directors' Resolution no. 8 approves the appointment of Mr. Virgil Marius Metea as executive director - Director General;
- ✎ *July 26, 2013* – The GSM Resolution no. 12 approves the Director Contract to be concluded with the members of the Board;
- ✎ *September 25, 2013* – the GSM Resolution no. 16 approves the 2013-2017 Directors' Plan prepared and presented by the Board of Directors;
- ✎ *December 16, 2013* – the Board's Resolution no. 29 approves the Mandate Contract concluded between Romgaz and Mr. Virgil Marius Metea as executive director-Director General.
- ✎ *January 29, 2014* – the Board's Resolution no. 1 approves the "Management Plan of Romgaz's Director General during the mandate contract's term *i.e.* 2013-2017".

### Objectives and performance criteria

The Director General's Management Plan encloses his vision for fulfilling the company's strategic objectives as provided in the Directors' Plan and for meeting the performance criteria and objectives set in the Directors' Contracts.

The Director General's performance criteria and objectives are the same with the performance criteria and objectives provided in the Directors' Contracts.

The main *performance objective* provided in the Directors' Contracts and the Management Contract may be summarized as follows:

- ✎ Increasing the company's gas resources and gas reserves portfolio by discovering new resources and by developing and improving the recovery degree of already discovered resources;
- ✎ Consolidating the company's position on the electricity supply market;
- ✎ Optimizing, developing and diversifying the underground storage activity by reconsidering its importance for ensuring safety, continuity and flexibility in supplying natural gas;
- ✎ Increasing the company's performance;
- ✎ Identifying of new growth and diversification opportunities;
- ✎ Improving the company's organization structure, including the reorganization of the internal audit function.

Together with specific measures taken for fulfilling each objective, Romgaz committed to implement general measures supporting the fulfilment of the company's strategic objectives. Such measures target the following activity segments:

- Human resources management;
- Corporate governance and social responsibility;
- Optimizing budgeting and control processes;
- Improving the company's image;
- Implementation of legal provisions on legal separation of UGS activity;
- Developing the role of the company's risk management.

Considering that the Management Plan was approved only in January 2014, the reporting of measures and actions undertaken to fulfil the company's strategic objectives starts only in Q1 2014.

The measures and actions for the fulfilment of strategic objectives, as set in the Directors' Plan, are quarterly and annually monitored by the following *indicators and performance criteria*:

No.	Indicator	M.U.	Performance criterion	Indicator	Weighting coefficient
0	1	2	3	4	5
1.	EBITDA	th. RON	increasing	4.50%/year	0.25
2.	Revenue	th. RON	increasing	6%/ year	0.20
3.	Labour productivity	RON/person	increasing	6%/ year	0.10
4.	OPEX to RON 1000 operating income	RON	decreasing	0.60%/ year	0.10
5.	Geological resources	million m <sup>3</sup>	increasing	1%/ year	0.10
6.	Natural gas production decline	%	keeping stable	1.5%/ year	0.15
7.	Outstanding payments	th. RON	keeping stable	0	0.10

For the purpose of mitigating pronounced fluctuations of the indicators due to external factors beyond the power of control of the company's management, the indicators are calculated by means of relating their resulting value over the reporting period to the arithmetic means of the indicators' values resulting during the past three time periods previous to the reporting period.

In view of the fact that:

- ✎ Government Decision provisions no. 831 dated August 4, 2010 approved the selling by the Ministry of Economy, Commerce and Business Environment (through OPSPi), under an IPO, of a share package held at SNGN Romgaz S.A. representing 15% of the company's share capital;
- ✎ the share selling process, respectively the approval for trading of shares on the regulated market operated by Bucharest Stock Exchange and of GDRs on London Stock Exchange was successfully completed in November 2013;



- ✎ from an accounting perspective, by the time shares were admitted for trading on a regulated market, Romgaz carried out its activities in accordance with Public Finance Ministry Order no. 3055/2009;
- ✎ in 2012, after issuing Order no. 881 dated June 25, 2012, the Public Finance Minister decided to expand the scope of IFRS. According to this piece of legislation, the companies whose securities are admitted for trading on a regulated market must apply as of 2012 the IFRS when preparing the annual financial statements;

According to Public Finance Minister Order no. 1121/2006, these entities had the option (not the obligation) to prepare separate financial statements based on IFRS for other users than the Romanian state entities.

Order no. 881/2012 repeals Article 4 of Order no.1121/2006 requesting the IFRS applying entities to also draft financial statements in accordance with national accounting provisions;

- ✎ the Public Finance Minister Order no. 1286/October 1, 2012 approved the Accounting Regulations complying with IFRS applicable to companies whose securities are admitted for trading on a regulated market.

Romgaz has to apply IFRS since 2013.

Prior to trading of shares, the company's statutory accounting was complying with Public Finance Minister Order 3055/2009 and as of 2013 it is IFRS compliant; therefore, some clarifications are due in relation to how the performance indicators' achievement degree is calculated. The Board of Directors approved on November 13, 2013 the required clarifications:

- ✎ "quarter" means the accumulated time starting from the beginning of the year until the end of the quarter for which performance indicators are calculated;
- ✎ for comparison purposes, as of 2014, for the interim periods of the year (Q1, Q2 and Q3), the indicators relating to the similar time periods of previous 3 years which were calculated according to Public Finance Ministry Order no. 3055/2009 are established as follows:

$$Indicator_{Q,i}(IFRS) = \frac{Indicator_{Q,i}(OMFP\ 3055)}{Indicator_{year}(OMFP\ 3055)} \times Indicator_{year}(IFRS),$$

where:  $i=1+3$ ;

- ✎ for 2013, indicators were calculated based on the financial statements prepared according to Public Finance Ministry Order no. 3055/2009; at the end of the year, these are recalculated according to IFRS. Adjustments were made at the end of the year after the approval of financial statements when annual indicators are calculated according to IFRS;
- ✎ the target indicators will be set at the beginning of each year (after closing the previous year's financial statements). They are calculated as an average over the past three years and of the envisaged performance indicator.

### 2012-2015 Results

The table below presents the main indicators fulfilled during H1 of 2012-2015 (thousand lei):

Indicators	H1 2012	H1 2013	H1 2014	H1 2015
1	2	3	4	5
Revenue	2,197,235	1,901,139	2,526,344	2,235,108
Operating income <sup>*)</sup>	2,362,466	2,048,919	2,656,020	2,322,941
Operating expense <sup>*)</sup>	1,470,546	1,393,617	1,444,729	1,203,057
Gross profit	953,613	725,615	1,089,531	952,140
Net profit	797,034	622,384	870,958	766,609
EBITDA	1,254,852	1,147,462	1,630,907	1,448,351
OPEX to RON 1000 operating income	622.5	680.2	543.9	517.9
Average number of employees	5,718	6,268	6,257	6,186
Labor productivity (th. RON revenue/person)	384.3	303.3	403.8	361.3
Natural gas production (million m <sup>3</sup> )	2,894.5	2,862.5	2,865.6	2,776.7
Volume of geological resources	270	470	805	1,800
Outstanding payments	0	0	0	0

<sup>\*)</sup> - no adjustments or provisions.

### H1 2015 Results

The table below shows the achievement during H1 2015 of performance indicators and criteria:

	Weighting factor	Indicator	Average values 2012-2014	Target values	Results	Degree of achievement	Weighting
1	2	3	4	5	6	7=6/5x100	8=2x7
EBITDA	0.25	+4.5%	1,344,407.1	1,404,905.5	1,448,350.8	103.1	25.78
CA	0.20	+6%	2,208,238.9	2,340,733.2	2,235,107.7	95.5	19.10
W	0.10	+6%	361.3	384.9	361.3	93.9	9.39
C <sub>expl</sub> /V <sub>expl</sub>	0.10	-0.6%	609.7	606.0	517.9	117.0	11.70
RES	0.10	+1%	515.0	520.2	1,800.0	346.1	34.61
d <sub>Q</sub>	0.15	-1.5%	2,808.3	2,766.2	2,776.7	100.4	15.06
P <sub>res</sub>	0.10	0	0	0	0	110.0	11.00
<b>Total</b>	<b>1.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126.64</b>

- EBITDA – (th. RON);  
CA – revenue (th. RON);  
W – labour productivity (th. RON /employee);  
C<sub>expl</sub>/V<sub>expl</sub> – operating expenses to 1000 RON operating income;  
RES – volume of geological resources (million m<sup>3</sup>);  
d<sub>Q</sub> – gas production decline (%);  
P<sub>res</sub> – outstanding payments (th. RON).

The performance indicators and objectives achievement degree is **126.64%**.

The achievement of performance indicators and of the performance criteria has been positively influenced by:

- ⊕ *EBITDA* – higher by RON 43.4 million (+3.1%) compared to target value;
- ⊕ *Operating expenses to RON 1000 operating income* – lower by RON 88.1 (-14.5%) compared to target value;
- ⊕ *Volume of geological resources* – higher by RON 1,279.8 million m<sup>3</sup> (+246.0%);

The following indicators have not been fully achieved:

- ⊕ *Revenue*– lower than the target value by RON 105.6 million (-4.5%);
- ⊕ *Labour productivity* – lower than the scheduled productivity by RON 23.6 thousand/ employee (-6.1%).

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

### Signatures:


**Chairman of the Board**

**AURORA NEGRUȚ**



**Director General**

**MARIUS VIRGIL METEA**



**Economic Department Director,**

**LUCIA IONASCU**

