ROMGAZ

Societatea Naţional de Gaze Naturale Romgaz S.A. – Mediaş - Româniа

ROMGAZ

IDENTIFICATION DETAILS ON REPORT AND ISSUER

Half-year report according to art. 227 from Law 297/2004
Report date: August 11, 2014
Name of the Company: **SNGN ROMGAZ SA**
Headquarter: Medias, 4 Constantin I. Motas Square, Sibiu County – Romania, 551130
Telephone/fax number: 004-0269-201020 / 004-0269-846901
Fiscal Code: RO14056826
Trade Registry No: J32/392/2001
Subscribed and paid in share capital: RON 385,422,400
Regulated market where the issued securities are traded: Bucharest Stock Exchange (BVB), London Stock Exchange (LSE)

HALF-YEAR REPORT

(based on the financial statements prepared in accordance with IFRS)

REGARDING THE ECONOMIC-FINANCIAL ACTIVITY OF

SNGN ROMGAZ SA AS OF June 30, 2014

(01/01/2014 – 30/06/2014)

PRESENTATION

SNGN Romgaz SA is a natural gas producer and supplier in Romania, and its core business segments are: gas exploration and production, gas supply, underground gas storage and electric power production.

A summary of the main indicators is described below:

- **EBITDA** increased in the first half-year of 2014 by 26.8% as compared to the same period of 2013 (H1 2014: LEI 1,414,413 thousand; H1 2013: LEI 1,115,656 thousand);
- **EPS** (net profit/share) is LEI 2.26/share;
- **E&P** (exploration, production): Production of natural gas recorded in the first half-year of 2014 confirmed the stabilization process, such recording a value of 2,865.6 million cubic meters (100.11% of the production recorded in H1, 2013);
- **Capital Expenditure** amounted LEI 532.3 million, representing an increase of 50.8% as compared to the level achieved in H1 2013 (LEI 353 million);
- **Revenues from the underground storage activity** increased with LEI 68 million, namely by 45.49% as compared to the same period of 2013 due to the implementation of new underground storage tariffs starting from April 1st 2013, in accordance with ANRE Order NO.26/2013;
- **Revenues obtained from the electric power sector** amounted to LEI 163.88 million.

- All of the capital expenditure and the necessity for working capital have been financed from Romgaz's own sources.

ORGANIZATIONAL STRUCTURE

The Company currently operates through seven branches:

- Sucursala de Productie Gaze Naturale Medias;
- Sucursala de Productie Gaze Naturale Targu Mures;
- Sucursala de Inmagazinare Subterana a Gazelor Naturale Ploiesti;
- Sucursala de Interventii, Reparatii Capitale si Operatii Speciale la Sonde Medias (SIRCOSS);
- Sucursala de Transport Tehnologic si Mentenanta Targu Mures (STTM);
- Sucursala Bratislava;
- Sucursala de Productie Energie Electrica Iernut.

SHAREHOLDER STRUCTURE

The Shareholder's structure as of June 30, 2014 is as follows:

Shareholder	Number of shares	Percent %
Romanian State through the Ministry of Economy (Energy Department)	269,823,080	70
SC "Fondul Proprietatea" SA	38,542,960	10
Legal Persons	69,069,092	18
Physical Persons	7,987,268	2
Total	**385,422,400**	**100**

Between June 18 and 23, 2014, SC "Fondul Proprietatea" SA sold a total number of shares of 19,243,000 both on Bucharest Stock Exchange as well as on London Stock Exchange. Following such transaction SC "Fondul Proprietatea" SA continues to be an important shareholder, holding more than 10% of SNGN Romgaz SA's share capital.

BOARD OF DIRECTORS STRUCTURE MODIFICATION

On June 13, 2014, by Resolution No. 4 of the Ordinary General Meeting of Shareholders, Mr. Dumitru Chisalita was appointed as Director of SNGN Romgaz SA for a mandate valid until May 14, 2017. Mister Dumitru Chisalita was appointed for the vacancy following the resignation of Mister Eugen Dragos Doros.

By Resolution No. 6/July 30, 2014 of the Ordinary General Meeting of Shareholders, Mr. Sergiu Cristian Manea was appointed as Director of SNGN Romgaz SA for a mandate valid until May 14, 2017. Mr. Sergiu Cristian Manea was appointed for the vacancy following the resignation of Mister Adrian Constantin Volintiru.

Following the above mentioned modifications, the structure of the Board of Directors on the date of this report is as follows:

- Aurora Negrut;
- Virgil-Marius Metea;
- Dumitru Chisalita;
- Ecaterina Popescu;
- Petrus Antonius Maria Jansen;
- David Harris Klingensmith;
- Sergiu Cristian Manea.

PHYSICAL INDICATORS

The natural gas quantities produced, supplied, injected/ withdrawn into/from the underground storages between January-June 2014, compared to the same period last year, are described in the table below:

Million cubic meters

Product name	**H1 2013**	**H1 2014**	**Differences**	**Indicators %**
1	2	3	4=3-2	5=3/2x100
Natural gas from internal production, out of which:	2,862.5	2,865.6	3.1	100.11%
- own gas	2,773.0	2,772.6	- 0.3	99.99%
- Schlumberger (100%)	89.6	93.0	3.4	103.79%
Gas delivered from internal production (except joint partnerships) *	2,615.3	2,918.4	303.1	111.59%
Gas delivered from internal production (including Schlumberger 50%) *	2,660.1	2,964.9	304.8	111.46%
Gas delivered (including joint partnerships) *	2,707.3	3,008.2	300.9	111.11%
Gas withdrawn from the storages	1,291.1	1,169.4	- 121.7	90.57%
Stored gas	865.7	609.6	- 256.1	70.42%
Delivered import gas	214.7	69.9	- 144.9	32.56%
Commodity gas	4.8	9.1	4.3	189.58%
Gas delivered to SPEE Iernut	16.7	188.2	171.5	1,126.95%

*) *does not include the gas delivered to SPEE Iernut*

As compared to the previous year, gas production (extraction, deliveries) was higher than previous year. The extracted quantity was higher by 0.1% and the delivered production (including joint partnerships) increased by 11.11%, due to lower quantity injected in underground gas storages.

The quantity delivered to SPEE Iernut was higher than last year, since the power plant was taken over on February 1, 2013 and it did not deliver electric power during the first months after being taken over.

ECONOMIC – FINANCIAL INDICATORS

The individual interim financial statements of the Company have been prepared in compliance with the International Financial Reporting Standards adopted by the European Union (IFRS). For the purpose of preparing these individual interim financial statements the functional currency of the Company is considered to be the Romanian Leu (LEI). The IFRS Standards adopted by the UE differ in certain aspects from those issued by the IASB, nevertheless, the differences have no effect on the individual interim financial statements of the Company for the respective time period.

The individual interim financial statements have been reviewed by the independent auditor of the Company.

The Company income mainly comes from the natural gas sale activity (internal and import), gas underground storage services and electric power production.

The main economic – financial indicators as of June 30, 2014, as compared to the indicators referring to the same period of 2013 are described in the table below:

Summary of the interim statement of comprehensive income as of June 30, 2014

Indicator	June 30, 2014	June 30, 2013	Variation
	LEI '000	LEI '000	%
1	2	3	4=(2-3)/3x100
Revenue	2,526,344	1,901,139	32.89%
Cost of commodities sold	(132,596)	(302,048)	-56.10%
Investment income	41,458	59,003	-29.74%
Other gains and losses	(183,194)	32,418	-665.10%
Changes in inventory	(98,991)	33,055	-399.47%
Raw materials and consumables used	(30,024)	(56,976)	-47.30%
Depreciation and amortization	(366,340)	(449,043)	-18.42%
Employee benefit expense	(212,504)	(244,607)	-13.12%
Finance cost	(7,964)	(15,230)	-47.71%
Exploration expense	(21,140)	(17,453)	21.13%
Other expenses	(516,279)	(240,927)	114.29%

Other income	90,761	26,285	245.30%
Profit before tax	**1,089,531**	**725,616**	**50.15%**
Income tax expense	(218,573)	(103,231)	111.73%
Net profit	**870,958**	**622,385**	39.94%

Revenue

For the first semester of 2014, SNGN Romgaz SA generated revenue of LEI 2.53 billion compared to LEI 1.9 billion generated for the first half-year of 2013, resulting in increase of the revenue by 33%.

The increase is due mainly to the increase, in absolute amount, of the *revenue from sale of gas from internal production*, as can be seen from the breakdown of the revenue shown below:

Detailed Breakdown of Revenue *(Thousand LEI)*

	H1 2014	H1 2013	Absolute variation	Relative variation
1	2	3	4=2-3	5=4/3x100
Revenue from gas sale – internal production	2,015,536	1,377,459	638,077	46.32%
Revenue from underground gas storage services	217,240	149,313	67,927	45.49%
Revenue from import gas resale	99,881	320,573	(220,692)	-68.84%
Revenue from sale of electric power	163,879	28,423	135,456	476.57%
Other revenues	29,808	25,371	4,437	17.49%
TOTAL	2,526,344	1,901,139	625,205	32.89%

The analysis by factors of the revenue *from sale of internal production* during the period January – June 2014 as compared to the revenue of the same period of 2013 is shown below:

Revenue from sale of internal production	**H1 2014**	**H1 2013**	**Ratios 2014 / 2013**
- Quantity (million m^3)	3,008.2	2,707.3	111.11%
- Price (lei/thousand m^3)	670.01	508.79	131.69%
- Value (thousand LEI)	2,015,536	1,377,459	146.32%
Difference 2014- 2013	**638,077**		
Quantity influence(q1*p0-q0*p0)	153,096		
Price influence (q1*p1-q1*p0)	484,981		

The revenue from sale of internal production for the period January – June 2014, compared to the same period of 2013 was higher by LEI 638,077 thousand. The influences by factors are the following:

- higher production sale by 11.11 % which resulted in higher revenues from sale of internal production by LEI 153,096 thousand than in 2013. The increase of gas delivery was generated by higher demand of beneficiaries for the scope of consumption and UGS injection.

- gas sale at a higher average price by 31.69 % than in 2013, which had a positive influence on revenue increase from sale of internal production by LEI 484,981 thousand.

Revenue from underground gas storage services was highly influenced by the changes of applied underground storage tariffs starting from April 1st 2013, as shown in the table below:

Tariff component	M.U.	Tariff (01/01-30/06/2013)	Tariff (01/01-30/06/2014)
Volumetric component for natural gas injection	LEI/MWh	2.76	2.37
Fixed component for capacity booking	LEI/MWh/full storage cycle	5.65	13.12
Volumetric component for natural gas withdrawal	LEI/MWh	2.76	1.80

Import gas delivery volumes decreased during the first half-year of 2014 compared to the same period of last year, generating less revenue by 68.84%, as shown in the „Detailed Breakdown of Revenue" table from above. The reduction in import gas delivery volumes is due both to a decrease of gas demand on the market, as well as to provisions of ANRE Order No. 24/2013 for approval of allocation methodology for domestic gas production that is required for coverage of regulated market consumption, according to which the gas producers are no longer bound to deliver domestic gas mixed with import gas.

Revenues from electric power sale increased during the first semester of 2014 by LEI 135 million compared to 2013. This increase is due to Iernut power plant take over starting from February 1st 2013; Iernut power plant (CTE Iernut) integration within SNGN ROMGAZ SA required complex works and obtaining operation authorizations, therefore CTE Iernut started its activity at the end of the first quarter of 2013. Thus the revenues recorded by the end of H1 2013 were significantly lower than in the same period of 2014.

Cost of Commodities Sold

For the six months ended June 30, 2014, cost of commodities sold decreased by 56.10%, from LEI 302 million during the first half-year of 2013 to LEI 133 million in 2014, mainly due to a reduction in sales of imported natural gas, and influenced by an increase related to acquisition of electric power services sold to Romgaz clients.

Investment Income

For the reporting period the investment income decreased by 30%, (LEI -17.5 million), as a result of interest rate revenue decrease, driven by the reduction of interest rates of the cash placed in state bonds and term deposits.

Other revenues and losses

For the first half-year of 2014 a loss of LEI 183.2 million was generated mainly due to the set-up of an allowance for doubtful clients related to receivables in net amount of LEI 176 million. The most significant influence on the cost of allowance for doubtful clients has the allowance for Electrocentrale Galati client due to opening of the insolvency procedure by civil decision no. 603/16.06.2014 of Galati Court. Further to such event the Company recorded a full allowance related to Electrocentrale Galati receivable in amount of LEI 173.2 million on June 30, 2014 (the allowance balance on December 31, 2013 : LEI 44.7 million).

The profit generated during the first half-year of 2013 was mainly due to the profit generated by reinstatement of receivables in amount of LEI 28.9 million related to Termoelectrica, as well as to reverse of provision related to overdue receivables of Electrocentrale Bucharest, in amount of LEI 653 million, under the condition of taking over CTE Iernut in exchange for paying off such debt, reversal which, together with the loss resulting from receivables in amount of LEI 612.5 million, generated a profit of LEI 40.5 million (namely the liquidation value established by an assessor for CTE IERNUT).

Changes in Inventory

The difference between gas withdrawn from and gas injected into UGSs in the first half-year of 2014 was higher than during the first half-year of the previous year.

Depreciation and Amortization

In the six months ended June 30, 2014, depreciation, amortization and impairment expense decreased by 18.42% from LEI 449 million (June 2013) to LEI 366 million (June 2014). This decrease was due to decrease of fixed assets depreciation expense.

Employee benefit expense

For the reporting period employee salary, taxes and benefits, not taking into account the effect of allocations of employees to construction works related to Company's own investments, increased to LEI 265 million, compared to LEI 256 million in the first half-year of 2013, an increase by 3.5% mainly due to the increase in number of employees following the takeover of CTE Iernut on February 1st, 2013.

Exploration expense

For the reporting period ended June 30, 2014 the exploration expenses increased by 21.13% (LEI 3.7 million) compared to the period ended June 30, 2013, due to a larger number of abandoned exploration projects compared to the same period of 2013.

Other expenses

The breakdown by elements of costs compared with other costs is shown in the table below:

Indicator	30/06/2014	30/06/2013	Variation (2014/2013) (thousand lei)	Variation (2014/2013) (%)
1	2	3	4=2-3	5=4/3x100
Electricity	8,635	58,605	(49,970)	-85.27%
Royalty for gas production	140,780	105,938	34,842	32.89%
Royalty for underground storage	6,517	4,479	2,038	45.49%
Windfall tax	188,014	29,410	158,604	539.28%
Special construction tax	45,286	-	45,286	100.00%
Other duties and taxes	34,819	30,391	4,428	14.57%
Provision expenses	(22,580)	7,010	(29,590)	-422.11%

Other operating expenses	114,808	5,093	109,715	2,154.23%
Total	516,279	240,927	275,352	114.29%

"Other expenses" recorded an increase of 114.29% as of June 30, 2014, from LEI 240.9 million as of June 30, 2013 to LEI 516.3 million. This increase is mainly due to the expenses with other duties and taxes, namely:

- Increase of natural gas royalty costs, as a result of natural gas sale price increase;
- Recording the tax on special construction in the amount of LEI 45.3 million;
- Introduction starting from February 1, 2013 of the additional tax on the additional revenue (windfall tax) obtained as a result of deregulation of natural gas prices, which determined an increase of expenses of LEI 158.6 million.

Other operating expenditure increased mainly due to the transportation costs incurred for gas consumed by SPEE Iernut, as well as due to the increase of environment protection expenditures.

The electric power expenses decreased in the first half-year of 2014 as compared to the similar period of the previous year due to covering the largest part of own electric power consumption from SPEE Iernut.

Other income

In the six months ended on June 30, 2014, the other income increased by LEI 64 million, increase due to applied penalties.

Income tax expense

As of June 30, 2014, the Company recorded current income tax expense in amount of LEI 233.6 million as compared to current income tax expense of LEI 147.8 million for the six months period ended June 30, 2013, the difference up to the income tax value is the deferred income tax. The current income tax expense is mainly due to the increase of results before tax during the first half-year of 2014, compared to the same period of last year.

Profit for the year

In the first half-year of 2014, the Company's net profit increased by LEI 248.6 million (39.94%) from LEI 622.39 million to LEI 870.96 million recorded in the first half-year of 2014, due to the cumulative effect of the items presented above.

Summary of Statement of interim individual financial position as of June 30, 2014

INDICATOR	June 30, 2014	Dec 31, 2013	Variation
	'000 LEI	'000 LEI	%
1	2	3	4=(2-3)/3x100
ASSETS			
Non-current assets			
Tangible assets	5,911,823	5,767,267	2.51%
Other intangible assets	371,276	383,956	-3.30%
Investment in associates	789	947	-16.68%
Other financial assets	76,900	76,900	0.00%
Other non-current assets	17,102	17,093	0.05%

1	2	3	4 = (2-3)/3*100
TOTAL NON-CURRENT ASSETS	**6,377,890**	**6,246,163**	**2.11%**
Current assets			
Inventories	280,766	463,946	-39.48%
Trade and other receivables	571,983	1,086,628	-47.36%
Other financial assets	722,373	970,664	-25.58%
Other assets	177,569	146,179	21.47%
Cash and cash balances	2,980,036	1,563,590	90.59%
TOTAL CURRENT ASSETS	**4,732,727**	**4,231,007**	**11.86%**
TOTAL ASSETS	**11,110,617**	**10,477,170**	**6.05%**
Equity and Liabilities			
Capital and reserves			
Issued capital	385,422	1,892,681	-79.64%
Reserves	2,111,679	1,949,600	8.31%
Retained earnings	6,675,994	5,450,493	22.48%
Total equity	**9,173,095**	**9,292,774**	**-1.29%**
Non-current liabilities			
Retirement benefit obligation	79,241	79,241	0.00%
Deferred tax liabilities	131,344	146,440	-10.31%
Provisions	205,468	196,950	4.32%
Total non-current liabilities	**416,053**	**422,631**	**-1.56%**
Current liabilities			
Trade and other payables	118,561	202,796	-41.54%
Current tax liabilities	109,405	200,982	-45.56%
Provisions	32,795	47,316	-30.69%
Other liabilities	1,260,708	310,671	305.80%
Total current liabilities	**1,521,469**	**761,765**	**99.73%**
Total liabilities	**1,937,522**	**1,184,396**	**63.59%**
Total equity and liabilities	**11,110,617**	**10,477,170**	**6.05%**

Non-current assets

The total non-current assets increased by 2.11%, i.e. LEI 132 million, from LEI 6,246 million as of December 31, 2013 to LEI 6,378 million at the end of first half-year 2014. The increase is mainly due to procurement of tangible assets used especially in gas exploration, appraisal and production activity.

Other intangible assets

Other intangible assets decreased by LEI 12.7 million in the period ended June 30, 2014, as compared to December 31, 2013, due to adjustments for impairment of intangible assets in progress.

Current assets

Current assets increased by LEI 502 million as of June 30, 2014, mainly due to the increase of cash and cash equivalent.

Inventories

The decrease by 39.48% (LEI 183 million) at the end of the reporting period is due to the decrease of the gas stock as a result of increased deliveries of gas from internal production to Romgaz clients and to SPEE Iernut, and the decrease of purchased import gas quantities.

Trade receivables and other receivables

Trade receivables decreased by LEI 514.6 million as of June 30, 2014 compared to December 31, 2013, due to adjustments for doubtful clients and to reduction of accounts receivable balance as a result of lower gas consumption during the summer months compared to winter months.

Cash and cash balances. Other financial assets

Cash, cash equivalent and other financial assets increased during the first half year of 2014 by LEI 1,168 million. This is due to the fact that in the first half-year the equivalent value of gas delivered in the first months of winter is cashed, while at the end of the year collections are related to gas delivered in the period of autumn. Statistically, the largest gas quantities are requested and delivered in the winter months.

Equity

Issued capital

Following the Resolution of GMS of April 28, 2014, the adjustment for hyperinflation was transferred to the retained earnings.

Retained earnings

Retained earnings increased mainly by the value of net profit made in the first half-year of 2014 and by the transfer of the account “Share-capital adjustments” to the retained earnings.

Non-current liabilities

Decrease of non-current liabilities by 1.56% is due to the decrease of deferred tax liabilities.

Current liabilities

Current liabilities increased by LEI 759.7 million, as compared to the beginning of the year following the resolution on payment of dividends in amount of LEI 990.6 million.

Trade and other payables

The decrease by 41.54% is mainly due to the fact that the beneficiaries of gas delivered by the Company made lower advance payments as compared to the end of the year 2013, and the fact that import quantities continued to decrease in 2014, due to lower accounts payable balances related import gas suppliers on June 30, 2014 as compared to December 31, 2013.

Current tax liabilities

Current tax liabilities decreased by LEI 91.6 million due to the reduction of the tax base.

Provisions

Provisions on short term decreased mainly due to the existence in the balance of the 2013 year-end of a provision for certificates of greenhouse gas emissions, and such certificates have been paid and used by SNGN ROMGAZ SA during 2014.

Other liabilities

Increase by LEI 950 million of other liabilities is due of payable dividends in amount of LEI 990.6 million. At the same time the VAT that is due decreased as of June 30, 2014 compared to the end of 2013, which is correlated with the decrease of trade receivables.

Summary of Statement of interim individual Cash Flows as of June 30, 2014

INDICATOR	H1 2014	H1 2013
Cash flows from operating activities		
Net profit for the year	**870,958**	**622,385**
Adjustments for:		
Income tax expense	218,573	103,231
Interest expense	10	-
Unwinding of decommissioning provision	7,954	15,230
Interest revenue	(41,458)	(59,003)
(Gain)/Loss on disposal of non-current assets	5,356	1,114
Change in decommissioning provision recognized in profit or loss, other than unwinding	(10,783)	(221)
Change in other provisions	(11,797)	7,231
Impairment of exploration assets	51,713	43,726
Exploration projects written-off	21,140	17,453
Impairment of property, plant and equipment	53,095	45,785
Depreciation and amortization	261,532	359,532
Impairment of investment in associates	158	-
Losses from trade receivables and other assets	176,095	(5,263)
Receivables reactivated	-	(28,941)
	1,602,546	**1,122,259**
Movements in working capital:		
(Increase)/Decrease in inventory	183,180	55,055
(Increase)/Decrease in trade and other receivables	334,042	277,041
Increase/(Decrease) in trade and other liabilities	(149,305)	(106,228)
Cash generated from operations	**1,970,463**	**1,348,127**
Interest paid	(10)	-
Income taxes paid	(325,247)	(153,043)
Net cash generated by/(used in) operating activities	**1,645,206**	**1,195,084**
Cash flows from investing activities		
Acquisition of investments in associates		
Decrease/(Increase) in other financial assets	255,401	451,641
Interest received	34,363	97,080
Proceeds from sale of non-current assets	-	1,788
Acquisition of non-current assets	(224,897)	(268,213)
Acquisition of exploration assets	(293,627)	(127,847)
Net cash (used in)/generated by investing activities	**(228,760)**	**154,449**
Cash flows from financing activities		
Dividends paid	-	(1,060,115)
Net cash (used in)/generated by financing activities	**-**	**(1,060,115)**
Net increase/(decrease) in cash and cash equivalents	**1,416,446**	**289,418**
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	**2,980,036**	**2,028,748**

The statement of cash flow presented below represents cash flow from January to June 2014, compared to the same period of 2013, classified as operating activities, investment and financing. Romgaz's cash flow statement is made by indirect method, whereby the net profit is adjusted by the effects of non- monetary transactions, delays or commitments in payments or cash proceeds from operating, past and future, and elements of income and expenses regarding investment and financing cash flow.

Profit before taxes reconciliation with production cash flow (before current assets are modified) has determined a net positive adjustment of 513,015 thousand lei for January-June 2014 compared to LEI 396,643 thousand for January-June 2013.

The most important movements of cash flow were gas deliveries to Romgaz Clients, payments for current assets and exploration assets of LEI 293,627 thousand according to investment plans approved by Romgaz management, and dividends of LEI 1,060,115 thousand paid to shareholders in the first semester of 2013.

INDICATORS

Item No.	Financial Ratio	Formula	Value
1	Current Liquidity	Current Assets/Current Liabilities	3.11
2	Gearing Ratio	Loan Capital/Equity x 100	0.0
3	Accounts Receivables Turnover	Average Accounts Receivables/Revenue x 180	59.09
4	Property, Plant and Equipment Turnover	Revenue/Property, Plant and Equipment	0.40

During January-June 2014 SNGN ROMGAZ SA complied with all its financial obligations. Also, there are no factors of uncertainty that could affect the Company's liquidity.in.

Attached hereto are the individual interim financial statements for the period ended on June 30, 2014, prepared in accordance with the International Financial Reporting Standards (IFRS), together with the independent auditor's report and the statement of income and expenditures as of June 30, 2014.

CHAIRMAN of the BOARD OF DIRECTORS,
Aurora Negrut

GENERAL DIRECTOR,
Virgil Marius Metea

ECONOMIC DIRECTOR,
Lucia Ionascu

PROFIT AND LOSS ACCOUNT ACCORDING TO ORDER 79/2014

CODE 20			JANUARY-JUNE 2014		Reporting period	
Indicators				rw no	PREVIOUS YEAR 2013	CURRENT YEAR 2014
A				B	1	2
	1	**Net turnover (rw.02 +03+04+05+06)**		01	**1,901,139,216**	**2,526,342,168**
		Production sold (acc. 701+702+703+704+705+706+708)		02	1,577,341,148	2,408,630,688
		Sale of goods purchased for resale (acc. 707)		03	323,798,068	117,711,480
	2	Revenues related to the costs of production in progress (acc. 711 +712)	Balance C	06	33,054,659	
			Balance D	07	-	98,991,230
	3	Revenues from own work capitalised and real estate investment (rw.09+10)		08	88,005,195	137,902,886
	4	Own work capitalised (acc.721+722)		09	88,005,195	137,902,886
	11	Other operating revenues (acc. 758+7419)		16	26,720,298	90,766,348
OPERATING REVENUES - TOTAL (rw.01 + 06 - 07 + 08 + 11 + 12 + 13 + 14 + 15 + 16)				17	**2,048,919,368**	**2,656,020,172**
	12	a) Raw materials and consumables expenses (acc. 601+602-7412)		18	79,064,668	85,234,163
		Other expenses for materials (acc. 603+604+608)		19	4,330,263	22,808,007
		b)Other external expenses (electricity and water) (acc. 605 – 7413)		20	58,605,281	8,952,965
		c) Goods for resale (acc. 607)		21	302,332,161	132,595,223
		Trade discounts received (acc.609)		22	284,294	-
	13	**Personnel expenses (rw.24+25), out of which:**		23	**244,783,759**	**260,293,236**
		a) Salaries and indemnifications *1) (acc.641+642+643+644-7414)		24	187,184,914	196,642,174
		b) Social security contributions (acc 645 – 7415)		25	57,598,845	63,651,062
	14	**a) Adjustments of non-current assets, real estate investments and biological assets (rw.27-28)**		26	**449,042,577**	**387,866,636**
		a.1) Expenses (acc.6811+6813+6816+6817)		27	449,042,577	393,986,114

		a.2) Revenues (acc.7813+7816)	28	-	6,130,478
		b) Adjustments related to current assets (rw.30-31)	**29**	**-34,203,274**	**176,095,090**
		b.1) Expenses (acc.654+6814)	30	647,745,628	176,116,450
		b.2) Revenues (acc.754+7814)	31	681,948,902	21,360
	15	**Other operating revenues (rw.33 la 41)**	**32**	**255,743,049**	**546,990,071**
		15.1 Third party services (ct.611+612+613+ 614+621+622+623+624+625+626+627+628-7416)	33	53,087,627	50,734,006
		15.2 Other taxes, duties and similar expenses (acc. 635)	34	170,218,882	415,945,892
		15.3 Environment protection expenditure (acc.652)	35	94,694	17,356,767
		15.9 Other expenses (acc.6581+6582+6583+6585+6588)	41	32,341,846	62,953,406
		Adjustments related to provisions (rw.43 - 44)	**42**	**7,007,786**	**-22,580,682**
		Expenses (acc.6812)	43	7,668,126	1,965,419
		Revenues (acc.7812)	44	660,340	24,546,101
OPERATING EXPENSES -TOTAL (rw.18 TO 21 - 22 + 23 + 26 + 29 + 32 + 42)			**45**	**1,366,421,976**	**1,598,243,709**
OPERATING PROFIT OR LOSS					
		- Profit (rw.17 - 45)	46	682,497,392	1,057,776,463
	20	Foreign exchange gains (acc.765)	52	4,262,951	578,924
	21	Interest income (acc.766 *)	53	59,002,521	41,457,334
	22	Other financial revenues (ct.7615+764+767+768)	55	118,344	120,431
FINANCIAL REVENUES - TOTAL (rw.48+49+50+51+52+53+55)			**56**	**63,383,816**	**42,156,689**
	23	Adjustments of financial assets and current investments (rd.58 -59)	57	-	158,225
			58	-	158,225
	26	Interest expenses (acc.666*-7418)	62	21	10,201
	27	Other financial expenses (acc.663+664+665+667+668)	64	20,265,973	10,237,915
FINANCIAL EXPENSES - TOTAL (rw.57+60+61+62+64)			65	**20,265,994**	**10,406,341**
FINANCIAL PROFIT OR LOSS(A)					
		- Profit (rw.56-65)	66	43,117,822	31,750,348
TOTAL REVENUES (rw.17+66)			**68**	**2,112,303,184**	**2,698,176,861**
TOTAL EXPENSES (rw.45+65)			**69**	**1,386,687,970**	**1,608,650,050**
	28	**GROSS PROFIT OR LOSS(A)**			
		- Profit (rw.68-69)	70	***725,615,214***	***1,089,526,811***

	29	Income tax (acc. 691)	72	147,872,962	233,669,636
	31	Deferred tax income (acc. 792)	74	44,641,899	15,095,851
	33	**NET PROFIT OR LOSS (A)OF THE REPORTING PERIOD:**			
		- Profit (rw 70-72-73+74-75)	76	***622,384,151***	***870,953,026***

Societatea Națională de Gaze Naturale "ROMGAZ" S.A. MEDIAȘ J32/392/2001 1

Virgil Metea

General Manager

Lucia Ionașcu

Economic Director

*) accounts to be allocated according to the nature of the respective items.

*1) this row includes also the externally contracted manpower rights, established in accordance with labor legislation, which are taken from debit side of account 621 "Externally contracted manpower", analytical account "Externally contracted physical persons".

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

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014

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

TOGETHER WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT

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CONTENTS

PAGE

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Deloitte.

Deloitte Audit SRL
Şos. Nicolae Titulescu nr. 4-8
Intrarea de est,
Etajul 2-zona Deloitte şi etajul 3
Sector 1, 011141, Bucureşti,
România

Tel : +40 21 222 16 61
Fax +40 21 222 16 60
www.deloitte.ro

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

REPORT ON THE REVIEW OF INTERIM INDIVIDUAL FINANCIAL INFORMATION

Introduction

1 We have reviewed the accompanying interim individual statement of financial position of S.N.G.N. Romgaz S.A. (the Company) as of June 30, 2014 and the related interim individual statements of comprehensive income, individual changes in shareholders' equity and individual cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim individual financial information in accordance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express a conclusion on this interim individual financial information based on our review.

Scope of Review

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

Conclusion

3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim individual financial information does not present fairly, in all material respects, the individual financial position of the Company as of June 30, 2014 and its interim individual financial performance and its cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Other Matters

4 This report is made solely to the shareholders. Our review work has been undertaken so that we might state to the shareholders, those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholders, for our review work, for this report, or for the conclusion we have formed.

For signature, please refer to the original Romanian version.

Deloitte Audit S.R.L.
Bucharest, Romania
August 5, 2014

STATEMENT OF INTERIM INDIVIDUAL COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014

	Note	6 months period ended June 30, 2014	3 months period ended June 30, 2014	6 months period ended June 30, 2013	3 months period ended June 30, 2013
		'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3	2,526,344	1,077,044	1,901,139	744,726
Cost of commodities sold	5	(132,596)	(30,767)	(302,048)	(101,774)
Investment income	4	41,458	23,844	59,003	44,769
Other gains and losses	6	(183,194)	(170,747)	32,418	(36,117)
Changes in inventory of finished goods and work in progress		(98,991)	3,014	33,055	119,567
Raw materials and consumables used	5	(30,024)	(5,593)	(56,976)	(33,149)
Depreciation, amortization and impairment expenses	7	(366,340)	(222,524)	(449,043)	(201,693)
Employee benefit expense	8	(212,504)	(104,290)	(244,607)	(152,923)
Finance cost	9	(7,964)	(3,956)	(15,230)	(11,463)
Exploration expense	13	(21,140)	(21,140)	(17,453)	(15,008)
Other expenses	10	(516,279)	(264,305)	(240,927)	(90,859)
Other income	3	90,761	76,313	26,285	14,360
Profit before tax		**1,089,531**	**356,893**	**725,616**	**280,436**
Income tax expense	11	(218,573)	(94,320)	(103,231)	9,168
Profit for the period		**870,958**	**262,573**	**622,385**	**289,604**
Basic and diluted earnings per share		0.0023	0.0007	0.0161	0.0075
Total comprehensive income for the period		**870,958**	**262,573**	**622,385**	**289,604**

The weighted average no. of shares is presented below:

	June 30, 2014	June 30, 2013
Weighted average no. of shares	385,422,400	38,542,240

These interim individual financial statements were approved by the board of directors and authorized for issue on August 5, 2014.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

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

STATEMENT OF INTERIM INDIVIDUAL FINANCIAL POSITION
AS AT JUNE 30, 2014

	Note	June 30, 2014	December 31, 2013
		'000 RON	'000 RON
Assets			
Non-current assets			
Property plant and equipment	12	5,911,823	5,767,267
Other intangible assets	14	371,276	383,956
Associates	24	789	947
Other financial assets	25, 29	76,900	76,900
Other non-current assets	27, 16b	17,102	17,093
Total non-current assets		**6,377,890**	**6,246,163**
Current assets			
Inventories	15	280,766	463,946
Trade and other receivables	16a	571,983	1,086,628
Other financial assets	29	722,373	970,664
Other assets	16b	177,569	146,179
Cash and cash equivalents	28	2,980,036	1,563,590
Total current assets		**4,732,727**	**4,231,007**
Total assets		**11,110,617**	**10,477,170**
Equity and liabilities			
Capital and reserves			
Share capital	17	385,422	1,892,681
Reserves	18	2,111,679	1,949,600
Retained earnings		6,675,994	5,450,493
Total equity		**9,173,095**	**9,292,774**
Non-current liabilities			
Retirement benefit obligation	19	79,241	79,241
Deferred tax liabilities	11	131,344	146,440
Provisions	19	205,468	196,950
Total non-current liabilities		**416,053**	**422,631**

STATEMENT OF INTERIM INDIVIDUAL FINANCIAL POSITION
AS AT JUNE 30, 2014

	Note	June 30, 2014	December 31, 2013
		'000 RON	'000 RON
Current liabilities			
Trade and other payables	20	118,561	202,796
Current tax liabilities		109,405	200,982
Provisions	19	32,795	47,316
Other liabilities	20	1,260,708	310,671
Total current liabilities		**1,521,469**	**761,765**
Total liabilities		**1,937,522**	**1,184,396**
Total equity and liabilities		**11,110,617**	**10,477,170**

The interim individual financial statements were approved by the board of directors and authorized for issue on August 5, 2014.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

STATEMENT OF INTERIM INDIVIDUAL CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014

	Share capital*)	Legal reserve	Other reserves	Retained earnings
	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of Dec 31, 2013	**1,892,681**	**77,084**	**1,872,516**	**5,450,493**
Share capital decrease	(1,507,259)	-	-	1,507,259
Total comprehensive income for the period	-	-	-	870,958
Allocation of dividends	-	-	-	(990,637)
Distribution of 2013 profit to reserves	-	-	162,079	(162,079)
Balance as of June 30, 2014	**385,422**	**77,084**	**2,034,595**	**6,675,994**
Balance as of Dec 31, 2012	**1,890,297**	**76,607**	**1,697,044**	**5,680,812**
Share capital increase	2,384	-	-	-
Total comprehensive income for the period	-	-	-	622,385
Allocation of dividends	-	-	-	(1,060,115)
Distribution of 2012 profit to reserves	-	-	175,578	(175,578)
Balance as of June 30, 2013	**1,892,681**	**76,607**	**1,872,622**	**5,067,504**

*) See, also, Note 17.

On April 28, 2014 the shareholders of the Company decided to decrease 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 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 state owned companies, with subsequent amendments.

Dividends per share as at June 30, 2014 are of thousand RON 0.0023 (June 30, 2013: thousand RON: 0.0161).

GEOLOGICAL QUOTA

As of June 30, 2014, the geological quota included in the Company's interim financial statements amounts to thousand RON 3,159,666 (RON 3,159,666 as of December 31, 2013). The company benefited from the geological quota facility whereby it can charge up to 35% of the value of the gas sold and collected during the year. This facility was recognized in reserves for statutory purposes. This quota was restricted to investment purposes. It was treated as non-deductible for fiscal purposes since 2004.

Of the total amount of thousand RON 3,159,666 as of June 30, 2014, an amount of thousand RON 486,388 represents geological quota as of December 31, 2004. The company has decided to maintain this as permanent reserves and not to be used anymore for investments. The geological quota and its use are subject to changes in legal requirements. The amount of thousand RON 486,388 is included in other reserves, the remaining balance being recorded in retained earnings.

The interim individual financial statements were approved by the board of directors and authorized for issue on August 5, 2014.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

STATEMENT OF INDIVIDUAL CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	*'000 RON*
Cash flows from operating activities		
Net profit for the period	**870,958**	**622,385**
Adjustments for:		
Income tax expense	218,573	103,231
Interest expense	10	-
Unwinding of decommissioning provision	7,954	15,230
Interest revenue	(41,458)	(59,003)
(Gain)/Loss on disposal of non-current assets	5,356	1,114
Change in decommissioning provision recognized in profit or loss, other than unwinding	(10,783)	(221)
Change in other provisions	(11,797)	7,231
Impairment of exploration assets	51,713	43,726
Exploration projects written-off	21,140	17,453
Impairment of property, plant and equipment	53,095	45,785
Depreciation and amortization	261,532	359,532
Impairment of financial investments	158	-
(Gain)/Loss from trade receivables and other assets	176,095	(5,263)
Receivables reactivated	-	(28,941)
	1,602,546	**1,122,259**
Movements in working capital:		
(Increase)/Decrease in inventory	183,180	55,055
(Increase)/Decrease in trade and other receivables	334,042	277,041
Increase/(Decrease) in trade and other liabilities	(149,305)	(106,228)
Cash generated from operations	**1,970,463**	**1,348,127**
Interest paid	(10)	-
Income taxes paid	(325,247)	(153,043)
Net cash generated by/(used in) operating activities	**1,645,206**	**1,195,084**

Notes attached 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 SIX MONTH PERIOD ENDED JUNE 30, 2014

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	*'000 RON*
Cash flows from investing activities		
Decrease/(Increase) in other financial assets	255,401	451,641
Interest received	34,363	97,080
Receipts from sale of property	-	1,788
Acquisition of non-current assets	(224,897)	(268,213)
Acquisition of exploration assets	(293,627)	(127,847)
Net cash (used in)/generated by investing activities	**(228,760)**	**154,449**
Cash flows from financing activities		
Dividends paid	-	(1,060,115)
Net cash (used in)/generated by financing activities	**-**	**(1,060,115)**
Net increase/(decrease) in cash and cash equivalents	**1,416,446**	**289,418**
Cash and cash equivalents at the beginning of the period	**1,563,590**	**1,739,330**
Cash and cash equivalents at the end of the period	**2,980,036**	**2,028,748**

The interim individual financial statements were approved by the board of directors and authorized for issue on August 5, 2014.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

1. BACKGROUND AND GENERAL BUSINESS

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

The Romanian gas sector was reorganized in accordance with Government Decision no 575 published in the Official Gazette of June 27, 2001 regarding the establishment of S.N.G.N. Romgaz S.A..

The Exploration and Production of Natural Gas Company "Exprogaz" SA merged with the National Company for Underground Storage of Natural Gas "Depogaz" SA – the new entity being called the Natural Gas National Company "Romgaz" SA, recorded as joint-stock company in compliance with legislation in force in Romania. S.N.G.N. Romgaz S.A. took over all rights and liabilities, staff and all ongoing contracts from the two merging companies. The Ministry of Economy (Energy Department), as representative of the Romanian State, is the shareholder of S.N.G.N. Romgaz S.A. together with Fondul Proprietatea S.A, Other legal persons and Other physical persons (please see note 17).

Romgaz S.A. has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The individual interim financial statements of the Company have been prepared in accordance with the provisions of the International Financial Reporting Standards as adopted by the European Union (IFRS). For the purposes of the preparation of these interim financial statements, the functional currency of the Company is deemed to be the Romanian Leu (RON). IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board (IASB), however, the differences have no impact on the Company's individual interim financial statements for the periods presented. The same accounting policies and methods of computation are followed in these individual interim financial statements as compared with the most recent annual financial statements issued by the Company.

Basis of preparation

The interim individual financial statements have been prepared on a going concern basis under the historical cost convention adjusted for hyperinflation effects until December 31, 2003 for share capital. For items of property, plant and equipment, the Company selected the deemed cost method allowed for by IFRS 1- First-time Adoption of International Financial Reporting Standards. The deemed cost as of January 1, 2010 was determined based on a valuation report prepared by an independent appraiser.

The interim individual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) provisions adopted by the European Union.

The principal accounting policies are set out below.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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

These interim individual financial statements are prepared for general purposes, for users familiar with the International Financial Reporting Standards as adopted by EU; these are not special purpose interim financial statements, prepared for listing purposes or other specific purposes. Consequently, these interim 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 interim 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 realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised 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 entity 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 interim individual financial statements using the equity method.

Joint ventures

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and Interpretations effective in the current period

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

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to 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 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"– Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

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

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

At the date of authorisation of these interim financial statements the following standards, amendments to the existing standards and interpretations issued by International Accounting Standards Board IASB and adopted by the EU were in issue but not yet effective:

- IFRIC 21 "Levies" (effective for annual periods beginning on or after 17 June 2014).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the interim 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 interim individual financial statements, if applied as at the balance sheet date.

Revenue recognition

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Electricity sales are recognized based on counters' readings received at the end of each month from the Electricity and Natural Gas Market Operator in Romania ("OMEPA").

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

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

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

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

Foreign currencies

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

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

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

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

Employee benefits

(1) Benefits granted upon retirement

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) Employee participation to profit

At the end of each year, the Company records an expense with a liability related to the fund for employee participation to profit in compliance with legislation in force.

Liabilities related to the fund for employee participation to profit are settled in less than a year and are measured as 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 interest related to a maximum degree of security investments (government securities).

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

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

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

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

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

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

Once the related asset has reached the end of its useful life, all subsequent changes of debt shall be recognised in the income statement in the year when they occur. The periodical unwinding of the discount is recognised annually in profit or loss as a finance cost as it occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

(1) Cost

(i) Property, plant and equipment

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

(ii) Development expenditure

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

(iii) Maintenance and repairs

The company will not recognize within the asset's costs the current expenses and the accidental expenses for that asset. These costs are recognized in profit and loss account in the period in which will incur.

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 the tangible assets.

The capitalised costs with inspections and major overhauls represent separate components of corresponding assets and of the corresponding groups. The capitalised cost with inspections and overhauls are depreciated using the same method of depreciation as for the asset to which they relate(until the next inspection).

The expenses with major activities, inspections and repairs will comprise the replacement of the assets or over assets parts, the inspection cost and major overhauls. These expenses are capitalised if an asset or part of an asset, which was separately depreciated, is replaced and is probable that 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, it will be used the replacement value to estimate the net book value of the asset/of the assets which are replaced and are immediately disposed/scrapped. The inspection costs associated with major overhauls are capitalized and depreciated over the period until next inspection. All other costs with the current repairs and usual maintenance are recognised directly in expenses.

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

All other costs with the maintenance and repairs are recognised in expenses as incurred.

Are recognised within the cost of an asset the following investments:

- the ones which will improve the technical parameters and which will lead to obtaining future economic benefits, supplementary to the ones initially estimated. Obtaining of benefits can be realised directly through revenue increases, or indirectly through reduction in maintenance expenses and functioning expenses;
- the ones which will increase the useful life of the tangible assets;
- refitting of fixed assets successfully made (the other ones will be included in expenses).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

(iii) Maintenance and repairs (continued)

Improvement workings for wells that did not succeed will be recognized in the value of the asset and an impairment provision will be recorded. After the approval from National Agency for Mineral Resources ANRM for abandoning the well is obtained, the provision will be reversed and the disposal of the asset recorded.

(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.

Intangible assets

(1) Cost

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

(i) Exploration and appraisal expenditure

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

(ii) Other intangible assets

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

Intangible assets are not revalued.

(2) Amortization

(i) Development expenses

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

(ii) Other intangible assets

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

Inventories

Inventories are stated at the lower of cost and net realizable value. 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.

Financial assets and liabilities

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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

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

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

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

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

Available for sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS, upon initial recognition it is designated by the entity as at fair value through profit or loss or are not classified as loans and receivables or held-to-maturity investments.

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

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

Impairment of financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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

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

De-recognition of financial assets and liabilities

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

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

Reserves

Reserves include:

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

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

Use of estimates

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

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

Estimates related to revenue recognition

As of June 30, 2014 the Company recorded an estimate on invoices to be issued of thousand RON 16,562 (December 31, 2013: thousand RON 28,160) related to goods delivered in the financial period of six months 2014 for which no invoice was yet issued. In making its judgment, the management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed analysis, the management is satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current period is appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Estimates related to Iernut takeover – settlement of receivable from S.C. Electrocentrale Bucuresti S.A.

One of the largest customer balance (S.C. Electrocentrale Bucuresti S.A.) in amount of thousand RON 653,000 as of December 31, 2012 was assumed to be recoverable due to an in-kind settlement agreement whereby S.C. Electrocentrale Bucuresti S.A. was to transfer one of its power units (CTE Iernut) to S.N.G.N. Romgaz S.A. In January, 2013 the Company took over Iernut power unit from S.C. Electrocentrale Bucuresti S.A. The transaction was considered to be a transaction between owners, not a business acquisition, as both the Company and S.C. Electrocentrale Bucuresti S.A. have the Ministry of Economy as major shareholder. The Company recorded the items of property, plant and equipment taken over from S.C. Electrocentrale Bucuresti S.A. at thousand RON 40,467 as of June 30, 2013 and it was fully provided. As the related receivable balance was fully provided as of December 31, 2012, the settlement of the receivable in the period ended June 30, 2013 did not generate any loss in the current interim individual financial statements.

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

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

Estimates related to the exploration expenditure on undeveloped fields

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

Estimates related to the developed 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 on an annual basis starting with 2011, 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 based on interest related to a maximum degree of security investments (government securities).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Estimates related to the retirement benefit obligation

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

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.

Comparative Information

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

3. REVENUE AND OTHER INCOME

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	*'000 RON*
Revenue from gas sold - internal production	2,015,536	1,377,459
Revenue from gas acquired for resale – import gas	99,881	320,573
Revenue from gas acquired for resale-internal gas	7,317	2,410
Revenue from sale of goods	5,719	4,430
Revenue from services	230,495	164,436
Revenue from electricity	163,879	28,423
Other operating revenues	94,278	29,693
Total	**2,617,105**	**1,927,424**

3. REVENUE AND OTHER INCOME (continued)

Revenue from gas sold recorded in 2014 and 2013 is net of commercial discounts granted.

Within the line Revenue from gas acquired for resale – import gas are recorded revenues from imported gas sold. The decrease is due to changes in Regulated Market, through ANRE orders, which generated a decrease in demand for External Gas.

In January, 2013 the Company took over a power plant (CTE Iernut) in exchange of receivables of thousand RON 653,000 it had against one of its clients, S.C. Electrocentrale Bucuresti S.A. As a result starting with 2013 the Company has Revenues from electricity production. The Company concluded first contract for electricity production in April 2013 with Electrica Furnizare S.A. on Billateral Market.

4. INVESTMENT INCOME

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	*'000 RON*
Interest revenue	41,458	59,003
Total	**41,458**	**59,003**

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

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	*'000 RON*
Consumables used	26,374	55,468
Cost of gas sold	93,717	302,048
Other cost	42,529	1,508
Total	**162,620**	**359,024**

The decrease in cost of gas sold is due to decrease in Revenue from gas acquired for resale-import gas as presented in Note 3.

6. OTHER GAINS AND LOSSES

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	'000 RON
Forex gain	700	4,364
Forex loss	(2,285)	(5,036)
Gain/(Loss) on disposal of property, plant and equipment	(5,356)	(1,114)
Movement of Allowances and write offs, net	(176,095)	5,263
Reactivated receivables	-	28,941
Impairment of financial assets	(158)	-
Total	**(183,194)**	**32,418**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSE

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	'000 RON
Depreciation	261,532	359,532
Out of which:		
Depreciation of property plant and equipment	252,864	349,445
Amortization of intangible assets	8,668	10,087
Impairment of fixed assets	104,808	89,511
Total depreciation, amortization and impairment	**366,340**	**449,043**

8. EMPLOYEE BENEFITS AND SOCIAL CHARGES

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	'000 RON
Wages and salaries	153,231	180,859
Social security charges	51,567	57,598
Meal tickets	4,303	6,150
Other benefits according to collective labor contract	3,403	-
Total	**212,504**	**244,607**

In the six-month period ended June 30, 2014, in addition to the amount of thousand RON 153,231, the Company recorded wages and salaries of thousand RON 37,075 which were capitalized in the cost of property, plant and equipment built internally.

9. FINANCE COSTS

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	*'000 RON*
Interest expense	10	-
Unwinding of the decommissioning provision	7,954	15,230
Total Interest	**7,964**	**15,230**

10. OTHER EXPENSES

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	*'000 RON*
Electricity	8,635	58,605
Protocol and advertising	109	66
Logistics expenses	473	1,531
Taxes and duties	415,416	170,219
Bank commissions and similar charges	401	1,186
Insurance expenses	1,033	1,101
Compensations, fines and penalties	57	613
Provision (net)	(22,580)	7,010
Other operating expenses	112,735	596
Total	**516,279**	**240,927**

The major taxes included in the amount of thousand RON 415,416 for taxes and duties recorded for the first six months of 2014 are:

- thousand RON 188,014 (thousand RON 29,410 for the first six months of 2013) represents tax on supplementary income as a result of deregulation of natural gas prices, according to Government Ordinance no. 7 from January 2013;

- thousand RON 45,286 (not applicable in 2013 – the tax was introduced in 2014) represents supplementary tax on special construction according to Government Order no. 102/2013;

- thousand RON 140,780 represents royalty on gas (thousand RON 105,938 for first six months of 2013).

11. INCOME TAXES

Income tax	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	'000 RON
Current period tax expense	233,669	147,873
Deferred income tax expense/(revenue)	(15,096)	(44,642)
Income tax expense	**218,573**	**103,231**

The tax rate used for the 6 months period ended June 30, 2014 and June 30, 2013 reconciliations above is the corporate tax rate of 16% payable by corporate entities in Romania on taxable profits under tax law in that jurisdiction.

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

Deferred tax reconciliation	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	'000 RON
Accounting profit before tax	**1,089,531**	**725,616**
Income tax expense calculated at 16%	174,325	116,099
Effect of income exempt of taxation	(4,599)	(6,668)
Effect of expenses that are not deductible in determining taxable profit	63,507	38,441
Effect of temporary differences	(14,660)	(44,642)
Income tax	**218,573**	**103,231**

Components of deferred tax (asset) / liability:

Components of deferred tax	June 30, 2014		December 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	(317,504)	(50,801)	(331,672)	(53,068)
Other liabilities			(5,737)	(918)
Property, plant and equipment	1,163,697	186,192	1,294,135	207,062
Other assets	(14,065)	(2,251)	(41,478)	(6,636)
Total	**832,128**	**133,140**	**915,248**	**146,440**
Charged to income		**(15,096)**		**(111,396)**

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements '000RON	Buildings '000RON	Gas properties '000RON	Plant, machinery and equipment '000RON	Fixtures, fittings and office equipment '000RON	Storage Assets '000RON	Development cost - WIP '000RON	Capital work in progress - other '000RON	Total '000RON
Cost									
As of December 31, 2013	103,110	449,978	4,539,218	1,002,118	153,893	1,539,539	691,696	312,332	8,791,884
Additions, of which:	1,096	2,841	107,055	17,546	196	179	238,709	242,521	610,143
- transfers	369	2,841	92,574	17,424	191	179	-	-	113,578
- decommissioning	-	-	12,618	-	-	-	-	-	12,618
Disposals, of which:	-	(7)	(3,995)	(822)	(8)	(457)	(89,014)	(45,752)	(147,268)
- transfers	-	-	-	-	-	-	(67,874)	(45,704)	(113,578)
- decommissioning	-	-	(3,995)	-	-	-	-	-	(3,995)
As of June 30, 2014	104,206	452,812	4,635,065	1,018,842	154,081	1,539,261	841,391	509,101	9,254,759
Accumulated depreciation									
As of December 31, 2013	-	54,773	1,739,256	415,026	89,594	297,858	-	-	2,596,507
Charge for the period	-	7,835	148,200	55,639	2,680	40,448	-	-	254,802
Depreciation from JV	-	-	669	-	-	-	-	-	669
Depreciation for the FA used for internal production of FA	-	-	21,516	-	-	-	-	-	21,516
Decommissioning	-	-	(1,938)	-	-	-	-	-	(1,938)
Disposals	-	(7)	(2,577)	(736)	(8)	(179)	-	-	(3,507)
As of June 30, 2014	-	62,601	1,905,126	469,929	92,266	338,127	-	-	2,868,049
Impairment									
As of December 31, 2013	3,180	14,383	69,645	22,780	124	-	276,880	41,118	428,110
Charged during the period	-	-	53,095	-	-	-	-	-	53,095
Release during the period	-	-	-	(188)	-	-	(6,130)	-	(6,318)
As of June 30, 2014	3,180	14,383	122,740	22,592	124	-	270,750	41,118	474,887
Carrying value as of December 31, 2013	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 June 30, 2014	101,026	375,828	2,607,199	526,321	61,691	1,201,134	570,641	467,983	5,911,823

12. PROPERTY, PLANT AND EQUIPMENT (continued)

In January, 2013 the Company took over a power plant (CTE Iernut) in exchange of receivables of thousand RON 653,000 it had against one of its clients, S.C. Electrocentrale Bucuresti S.A., which was fully impaired as of December 31, 2012.

The Company started the negotiation regarding the transfer in 2010. Since the takeover in January, 2013 modernizations were performed on the plant, having a total value of thousand RON 43,129, being carried at cost.

Currently, the Company is running a feasibility study based on which it will decide the future actions related to the plant. Based on the takeover agreement, the Company commits to take all necessary actions to continue the production of electricity and the operation of CTE Iernut, and that it does not plan to immediately liquidate the plant and sell the inventory.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage Assets	Development cost - WIP	Capital work in progress - other	Total
	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON
Cost									
As of Dec 31, 2012	**91,944**	**355,401**	**4,430,294**	**846,976**	**153,606**	**1,504,106**	**536,983**	**199,286**	**8,118,596**
Additions, of which:	3,891	18,447	42,879	49,863	232	36	105,326	181,987	402,661
- transfers	401	4,030	39,241	26,047	101	36	-	-	69,856
- decommissioning	-	-	3,444	-	-	-	-	-	3,444
Disposals, of which:	-	(76)	(1,169)	(2,404)	(928)	(39)	(10,714)	(59,056)	(74,386)
- transfers	-	-	-	-	-	-	(10,714)	(59,019)	(69,733)
As of June 30, 2013	95,835	373,772	4,472,004	894,435	152,910	1,504,103	631,595	322,217	8,446,871
Accumulated depreciation									
As of Dec 31, 2012	-	**40,616**	**1,319,516**	**312,239**	**70,407**	**216,198**	-	-	**1,958,976**
Charge for the period	-	6,930	239,776	51,260	10,695	40,784	-	-	349,445
Depreciation from JV			1,844						1,844
Decommissioning									
Disposals	-	(16)	(311)	(1,164)	(269)	(19)	-	-	(1,779)
As of June 30, 2013	-	47,530	1,560,825	362,335	80,833	256,963	-	-	2,308,486
Impairment									
As of Dec 31, 2012	-	-	**43,726**	-	-	-	**207,379**	**27,745**	**278,850**
Charge for the period	-	14,417	-	22,763	125	-	33,810	6,480	79,595
As of June 30, 2013	-	14,417	43,726	22,763	125	-	241,189	36,225	358,445
Carrying value as of Dec 31, 2012	**91,944**	**314,785**	**3,067,052**	**534,737**	**83,199**	**1,287,908**	**329,604**	**171,541**	**5,880,770**
Carrying value as of June 30, 2013	95,835	311,825	2,867,453	509,337	71,952	1,247,140	390,406	285,992	6,779,940

13 EXPLORATION FOR NATURAL GAS RESOURCES

The following financial information represents the amounts included within the group totals 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.

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	'000 RON
Exploration expenditure written off	21,140	17,453
Net movement in exploration assets' impairment	51,713	43,726
Capital expenditure	284,959	161,657
Net cash used in investing activities	(293,627)	(127,847)

	June 30, 2014	December 31, 2013
	'000 RON	'000 RON
Exploration assets	916,090	746,304
Liabilities	(28,104)	(29,413)
Net assets	887,986	716,891

14. OTHER INTANGIBLE ASSETS

	Development expenses	Licenses	Intangible development assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of Dec 31, 2013	**4,133**	**160,044**	**381,577**	**4,834**	**550,588**
Additions, of which:	-	1,740	46,250	7,283	55,273
- transfers	-	1,443	-	-	1,443
Disposals, of which:	-	(166)	(360)	(1,083)	(1,609)
- transfers	-	-	(360)	(1,083)	(1,443)
As of June 30, 2014	**4,133**	**161,618**	**427,467**	**11,034**	**604,252**
Accumulated amortization					
As of Dec 31, 2013	**4,088**	**138,369**	-	-	**142,457**
Charge for the period	16	8,652	-	-	8,668
Disposals	-	(167)	-	-	(167)
As of June 30, 2014	**4,104**	**146,854**	-	-	**150,958**
Impairment					
As of Dec 31, 2013	-	-	**24,175**	-	**24,175**
Charge for the period	-	-	57,843	-	57,843
As of June 30, 2014	-	-	**82,018**	-	**82,018**
Carrying value as of Dec 31, 2013	**45**	**21,675**	**357,402**	**4,834**	**383,956**
Carrying value as of June 30, 2014	**29**	**14,764**	**345,449**	**11,034**	**371,276**

14. OTHER INTANGIBLE ASSETS (continued)

	Development expenses '000 RON	Licenses '000 RON	Intangible development assets - WIP '000 RON	Intangible work in progress - other '000 RON	Total '000 RON
Cost					
As of Dec 31, 2012	4,146	144,975	224,280	-	373,401
Additions, of which:	-	4,966	56,331	9,056	70,353
-transfers	-	4,408	-	-	4,408
Disposals, of which:	-	(181)	(18,624)	(3,425)	(22,230)
-transfers	-	-	(1,171)	(3,360)	(4,531)
- exploration expenditure written-off	-	-	(17,453)	-	(17,453)
As of June 30, 2013	4,146	149,760	261,987	5,631	421,524
Accumulated amortization					
As of Dec 31, 2012	3,952	117,724	-	-	121,676
Charge for the period	95	9,992	-	-	10,087
Disposals	-	(181)	-	-	(181)
As of June 30, 2013	4,047	127,535	-	-	131,582
Impairment					
As of Dec 31, 2012	-	-	21,021	-	21,021
Charge for the period	-	-	9,916	-	9,916
As of June 30, 2013	-	-	30,937	-	30,937
Carrying value as of Dec 31, 2012	194	27,251	203,259	-	230,704
Carrying value as of June 30, 2013	99	22,225	231,050	5,631	259,005

15. INVENTORIES

	June 30, 2014 '000 RON	December 31, 2013 '000 RON
Spare parts and materials	137,793	132,382
Work in progress	68	217
Finished goods	125,693	238,496
Residual products	125	117
Inventories at third parties	22,879	30,122
Commodities (gas)	3,262	71,666
Packaging	5	5
Impairment for slow moving inventory	(9,059)	(9,059)
Total	280,766	463,946

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	June 30, 2014	December 31, 2013
	'000 RON	'000 RON
Trade receivables - short term	1,124,710	1,451,668
Bad debt allowances - short term (16 c)	(569,289)	(393,200)
Accrued receivables	16,562	28,160
Total trade receivables	**571,983**	**1,086,628**

b) Other assets

	June 30, 2014	December 31, 2013
	'000 RON	'000 RON
Advance paid to suppliers	47,520	88,850
Joint venture receivables	5,327	8,330
Loans to associates	16,446	16,422
Interest on loan to associates	656	671
Other receivables	56,231	50,652
Prepayments	68,401	1,939
VAT not yet due	173	(3,503)
Bad debt allowances for other receivables (16 c)	(83)	(89)
Total other assets	**194,671**	**163,272**

c) Changes in the allowance for doubtful debts

	June 30, 2014	December 31, 2013
	'000 RON	'000 RON
At Jan 1	**393,200**	**818,966**
Charge during the period	176,102	227,254
Releases during the period (Note 12)	(13)	(653,020)
At June 30/ December 31	**569,289**	**393,200**

As of June 30, 2014, the Company recorded allowances mainly for bad debts related to receivables in relation to the following clients: Interagro thousand RON 261,505 (December 31, 2013: thousand RON 213,111), GHCL Upsom of thousand RON 60,372 (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 173,207 (December 31, 2013: thousand RON 44,667) and G-ON EUROGAZ of thousand RON 14,903 (December 31, 2013: thousand RON 14,903). The allowance was recorded due to existing financial conditions of these customers as well as ongoing litigating cases related to these receivables.

16. ACCOUNTS RECEIVABLE (continued)

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

The rest of the allowance for bad debt recorded as of June 30, 2014, relates to the effect of loss of value as a result of the exceeding of the maturity by more than 1 year.

	June 30, 2014	December 31, 2013
	'000 RON	*'000 RON*
Current and not impaired	551,431	984,811
Overdue receivables but not impaired		
less than 30 days overdue	1,758	1,263
30 to 90 days overdue	851	15,736
90 to 360 days overdue	1,360	56,658
Over 1 year	21	-
Total past due but not impaired	**3,990**	**73,657**
Total trade receivables	**555,421**	**1,058,468**

17. SHARE CAPITAL

	Share capital	
	June 30, 2014	December 31, 2013
	'000 RON	*'000 RON*
385,422,400 fully paid ordinary shares – nominal value	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 decrease 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 adopted by the EU, namely the effects of IAS 29 "Financial Reporting in Hyperinflationary Economies".

The shareholding structure as at June 30, 2014 is as follows:

Share capital structure as of June 30, 2014	**No. of shares**	**%**	**Value**
			'000 RON
Shareholder			
The Romanian State through the Ministry of Economy (Energy Department)	269,823,080	70	269,823
Proprietatea Fund	38,542,960	10	38,543
Legal persons	69,069,092	18	69,069
Physical persons	7,987,268	2	7,987
Total	**385,422,400**	**100**	**385,422**

17. SHARE CAPITAL (continued)

All shares are ordinary and were subscribed and fully paid as at June 30, 2014. All shares carry equal voting rights and have a nominal value of RON 1/share. (December 31, 2013: RON 1/share).

"Proprietatea" Fund

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

According to legal provisions in force, the Ministry of Economy (Energy Department) 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 (Energy Department) contributed to the creation of capital of S.C. Fondul Proprietatea S.A. with shares representing 14.99% of Romgaz share capital as at that date.

In 2014, Fondul Proprietatea sold part of its shareholding, remaining with a stake of 10% in Romgaz's share capital as of June 30, 2014.

18. RESERVES

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

	June 30, 2014	December 31, 2013
	'000 RON	*'000 RON*
Legal reserves	77,084	77,084
Other reserves	2,034,595	1,872,516
Total reserves	**2,111,679**	**1,949,600**

The legal reserves are made annually according to local requirements from the 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.

19. PROVISIONS

	June 30, 2014	December 31, 2013
	'000 RON	*'000 RON*
Decommissioning provision - long term portion	205,468	196,950
Decommissioning provision - short term portion	14,487	17,211
Retirement benefit obligation	79,241	79,241
Other provisions	18,308	30,105
Total	**317,504**	**323,507**

19. PROVISIONS (continued)

Decommissioning provision

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

Decommissioning provision movement	**2014**	**2013**
	'000 RON	*'000 RON*
At January 1	**214,161**	**175,516**
Additional provision recorded against non-current assets	12,618	51,365
Unwinding effect	7,954	13,197
Recorded in profit or loss	(10,783)	(9,502)
Release against non-current assets	(3,995)	(16,415)
At June 30/ December 31	**219,955**	**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 real discount rate of 9.5% (2013: 9.5%). The average period over which these costs are generally expected to be incurred is estimated to be approximately 17 years. While the provision is based on the best estimate of future costs and the economic lives of the wells, there is uncertainty regarding both the amount and timing of these costs.

Retirement benefit obligation

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

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

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 79,241 (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 under the collective labour agreement signed by employees of the Company.

Other provisions

As of June 30, 2014, the Company recorded a provision for environment restoration of thousand RON 18,308 (December 31, 2013: thousand RON 19,947). The provision was recorded mainly 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.

20. TRADE AND OTHER CURRENT LIABILITIES

	June 30, 2014	December 31, 2013
	'000 RON	*'000 RON*
Accruals	21,180	67,329
Payables related to employees	21,141	53,020
Trade payables	33,350	30,852
Payables to fixed assets suppliers	46,820	46,908
Gas royalty	74,506	69,235
Social security taxes	14,833	14,673
Other current liabilities	25,190	12,223
Dividends payable	990,637	-
Joint venture payables	2,328	2,979
Advances from customers	17,211	57,707
VAT	52,383	122,583
Other taxes payable	79,690	35,958
Total	**1,379,269**	**513,467**

21. FINANCIAL INSTRUMENTS

Financial risk factors

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

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

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

21. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

The official exchange rates were as at June 30, 2014 RON 4.3870 to EUR 1 and RON 3.2138 to USD 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 six month period ended June 30, 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 starting with January 1, 2004.

(iii) *Interest rate risk*

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

As of June 30, 2014, the Company had granted variable interest bearing loans of thousand RON 16,446 (December 31, 2013: thousand RON 16,422).

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents, deposits with banks, trade receivables and loans. The Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of impairment provision, cash and cash equivalents and loans, represent the maximum amount exposed to credit risk. The Company has a concentration of credit risk in respect of its top 4 clients, which together amount to 74% of trade receivable balance at June 30, 2014 (75% 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.

(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.

21. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

(d) Fair value estimation

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

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

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.

21. FINANCIAL INSTRUMENTS (continued)

June 30, 2014	EUR 1 EUR = 4.3870 '000 RON	GBP 1 GBP = 5.4701 '000 RON	USD 1 USD = 3.2138 '000 RON	RON 1 RON '000 RON	Total '000 RON
Financial assets					
Other financial assets	-	-	-	76,900	76,900
Cash at bank and cash equivalents	188	1	3,690	2,976,157	2,980,036
Held-to-maturity investments	-	-	-	700,062	700,062
Interest on investments	-	-	-	22,311	22,311
Trade and other receivables	-	-	-	571,983	571,983
Loans granted and related interest	17,102	-	-	-	17,102
Total financial assets	**17,290**	**1**	**3,690**	**4,347,413**	**4,368,394**
Financial liabilities					
Trade payables and other payables	(118)	(3)	-	(118,440)	(118,561)
Total financial liabilities	**(118)**	**(3)**	**-**	**(118,440)**	**(118,561)**
Net	**17,172**	**(2)**	**3,690**	**4,228,973**	**4,249,833**

December 31, 2013	EUR 1 EUR = 4.4847 '000 RON	GBP 1 GBP = 5.3812 '000 RON	USD 1 USD = 3.2551 '000 RON	RON 1 RON '000 RON	Total '000 RON
Financial assets					
Other financial assets	-	-	-	76,900	76,900
Cash at bank and cash equivalents	38	13	8,268	1,555,271	1,563,590
Held-to-maturity investments	-	-	-	955,839	955,839
Interest on investments	-	-	-	14,825	14,825
Trade and other receivables	-	-	-	1,086,628	1,086,628
Loans granted and related interest	17,093	-	-	-	17,093
Total financial assets	**17,131**	**13**	**8,268**	**3,689,463**	**3,714,875**
Financial liabilities					
Trade payables and other payables	(3,334)	(9)	(45,967)	(153,486)	(202,796)
Total financial liabilities	**(3,334)**	**(9)**	**(45,967)**	**(153,486)**	**(202,796)**
Net	**13,797**	**4**	**(37,699)**	**3,535,977**	**3,512,079**

21. FINANCIAL INSTRUMENTS (continued)

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

	June 30, 2014	December 31, 2013
	'000 RON	*'000 RON*
Weakening of RON		
Profit/(loss)	(1,044)	(1,195)

Liquidity and interest risk

As of June 30, 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 pose significant interest risk.

Maturity analysis for non-derivative financial assets and financial liabilities

June 30, 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	225,513	329,666	-	242	-	555,421
Held-to-maturity investments	-	-	700,062	-	-	700,062
Total	**225,513**	**329,666**	**700,062**	**242**	**-**	**1,255,483**
Trade payables	(118,561)	-	-	-	-	(118,561)
Total	**(118,561)**	**-**	**-**	**-**	**-**	**(118,561)**
Net	**106,952**	**329,666**	**700,062**	**242**	**-**	**1,136,922**

December 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
Held-to-maturity investments	-	955,839	-	-	-	955,839
Total	**986,074**	**971,575**	**56,658**	**-**	**-**	**2,014,307**
Trade payables	(202,796)	-	-	-	-	(202,796)
Total	**(202,796)**	**-**	**-**	**-**	**-**	**(202,796)**
Net	**783,278**	**971,575**	**56,658**	**-**	**-**	**1,811,511**

21. FINANCIAL INSTRUMENTS (continued)

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

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	'000 RON
Romgaz SA's associates	9,674	4,544
Romgaz SA's affiliated companies	667,316	251,067
Total	**676,990**	**255,611**

(ii) Purchases of goods and services

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	'000 RON
Romgaz SA's affiliated companies	52,445	51,888
Total	**52,445**	**51,888**

(iii) Trade receivables and other receivables

	June 30, 2014	December 31, 2013
	'000 RON	'000 RON
Romgaz SA's associates	5,074	-
Romgaz SA's affiliated companies	91,251	339,571
Total	**96,325**	**339,571**

22. RELATED PARTY TRANSACTIONS

(iv) Trade payables and other payables

	June 30, 2014	December 31, 2013
	'000 RON	'000 RON
Romgaz SA's affiliated companies	24,879	22,971
Total	**24,879**	**22,971**

Transactions are done on the basis of standard contractual relationships, usually with state owned companies.

As described in Note 17, the Company is a state owned entity mainly. Romanian State through the Ministry of Economy, (Energy Department) owns a 70% stake in the Company. The value of transactions made by the Company with entities controlled by the State, or over which the State exercises significant influence represents an important portion of sales and purchases recorded by the Company, as shown above.

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 period, 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.

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	'000 RON
Salaries paid to directors	5,766	4,435

	June 30, 2014	December 31, 2013
	'000 RON	'000 RON
Salaries payable to directors	356	458

24. ASSOCIATES

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			June 30, 2014	December 31, 2013
			'000 RON	'000 RON
SC Amgaz SA Medias	Gas production	Romania	35	35
SC Depomures SA Tg.Mures	Storage of natural gas	Romania	40	40
Energia Torzym Polonia	Gas production	Poland	30	30
Cybinka Polonia	Gas production	Poland	30	30
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25

	June 30, 2014	December 31, 2013
	'000 RON	'000 RON
Investments in associates	12,806	12,806
Impairment	(12,017)	(11,859)
Total	**789**	**947**

Due to insignificant size of these companies, the Company did not include in these individual financial statements as of June 30, 2014 its share of the results obtained by the associates within the six month period ended June 30, 2014.

25. OTHER FINANCIAL ASSETS

Other financial investments

Company	Activity	Percentage held	Value as of June 30, 2014	Impairment as of June 30, 2014	Carrying value as of June 30, 2014
			'000 RON	'000 RON	'000 RON
Electrocentrale Bucuresti SA	electricity and thermal power producer	2.26%	66,287	-	66,287
MKB Romexterra Bank S.A.	other activities - financial intermediations	0.038%	840	741	99
Mi Petrogas Services S.A.	services related to oil and natural gas extraction, excluding field work	10%	60	-	60
S.C. GHCL Upsom	manufacture of other chemical, anorganic base products	4.21%	17,100	17,100	-
Vanco Int Ltd		10%	2,076	-	2,076
Lukoil Oil Company		10%	8,378	-	8,378
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. would be settled by transfer of shares in S.C. Electrocentrale Bucuresti S.A. The agreement was enforced on January 24, 2013. At transfer, 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.

The shares held in the share capital of the companies above are not quoted in an active market and their fair value cannot be reliably measured therefore they are measured at cost. At each period end the Company makes an assessment to determine whether there are any indications of impairment. As of June 30, 2014 the Company did not identify any indication of impairment of other financial investments, other than the impairment recorded as of June 30, 2014.

25. OTHER FINANCIAL ASSETS (continued)

Company	Activity	Percentage held	Value as of December 31, 2013	Impairment as of December 31, 2013	Carrying value as of December 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 S.A.	other activities - financial intermediations	0.09%	840	741	99
Mi Petrogas Services S.A.	services related to oil and natural gas extraction, excluding field work	10%	60	-	60
S.C. GHCL Upsom	manufacture of other chemical, anorganic base products	4.21%	17,100	17,100	-
Vanco Int Ltd		10%	2,076	-	2,076
Lukoil Oil Company		10%	8,378	-	8,378
Total			**94,741**	**17,841**	**76,900**

26. SEGMENT INFORMATION

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

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the upstream segment, storage services and others, including headquarters. 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 gas trade; these activities are performed by Medias, Mures and Bratislava branches.

- storage activities, performed by the Ploiesti branch;

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

b) Segment assets and liabilities

June 30, 2014	Upstream	Storage	Other
	'000 RON	'000 RON	'000 RON
Property, plant and equipment	4,038,815	1,601,647	271,361
Other intangible assets	329,241	815	41,220
Other investments	-	-	77,689
Trade and other receivables	526,844	36,804	8,335
Other non-current assets	-	-	17,102
Inventories	208,398	48,485	23,883
Other financial assets	157,881	157,980	406,512
Other assets	113,466	39,272	24,831
Cash and cash balances	52,130	535	2,927,371
Total assets	**5,426,775**	**1,885,538**	**3,798,304**
Retirement benefit obligation	-	-	79,241
Deferred tax liabilities	-	-	131,344
Provisions	238,263	-	-
Other liabilities	176,499	12,940	1,180,674
Trade and other payables	79,487	3,581	35,493
Total liabilities	**494,249**	**16,521**	**1,426,752**

26 SEGMENT INFORMATION (continued)

b) Segment assets and liabilities (continued)

December 31, 2013	Upstream	Storage	Other
	'000 RON	'000 RON	'000 RON
Property, plant and equipment	3,145,133	1,241,681	1,380,453
Other intangible assets	357,402	-	26,554
Other investments	-	-	77,847
Trade and other receivables	1,054,603	27,927	4,098
Other non-current assets	-	-	17,093
Inventories	366,027	78,831	19,088
Other financial assets	174,697	147,742	648,225
Other assets	75,712	60,831	9,637
Cash and cash balances	27,641	1,080	1,534,869
Total assets	**5,201,215**	**1,558,092**	**3,717,863**
Retirement benefit obligation			
Provision for pensions	-	-	79,241
Deferred tax liabilities	-	-	146,440
Provisions	201,925	-	42,341
Other liabilities	22,901	1,355	487,397
Trade and other payables	162,648	6,290	33,858
Total liabilities	**387,474**	**7,645**	**789,277**

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

Client	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	'000 RON
E.ON GAZ ROMANIA SA TG.MURES	713,233	487,301
SC GDF SUEZ SA	587,260	361,760
ELECTROCENTRALE BUCURESTI	356,831	174,863
AZOMURES	68,538	225,812
SC CONEF SRL	77,218	130,427
ARELCO BUCURESTI	33,410	48,038
ELECTROCENTRALE GALATI	81,231	73,942
TRANSGAZ	36,470	-
TEN GAZ (former AMGAZ)	35,789	29,215

26. SEGMENT INFORMATION (continued)

c) Segment revenues, results and other segment information

Six months ended June 30, 2014	**Upstream**	**Storage**	**Other**	**Adjustment and eliminations**	**Total**
	'000 RON	*'000 RON*	*'000 RON*	*'000 RON*	*'000 RON*
Sales and other operating revenues	2,246,234	217,373	322,684	(259,947)	2,526,344
Less: sales and other operating revenues between businesses	(102,210)	-	(157,737)	259,947	-
Third party sales and other operating revenues	2,144,024	217,373	164,947	-	2,526,344
Interest revenue	2,027	1,728	37,703	-	41,458
Interest expense	(7,956)	-	(8)	-	(7,964)
Depreciation and amortisation	(286,111)	(43,152)	(37,077)	-	(366,340)
Segment profit before tax	**901,397**	**71,006**	**117,128**	-	**1,089,531**

Six months ended June 30, 2013	**Upstream**	**Storage**	**Other**	**Adjustment and eliminations**	**Total**
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Sales and other operating revenues	1,723,905	149,340	193,551	(165,657)	1,901,139
Less: sales and other operating revenues between businesses	(11,781)	-	(153,876)	165,657	-
Third party sales and other operating revenues	1,712,124	149,340	39,675	-	1,901,139
Interest revenue	4,220	685	54,098	-	59,003
Interest expense	(15,230)	-	-	-	(15,230)
Depreciation and amortisation	(326,199)	(45,043)	(77,801)	-	(449,043)
Segment profit before tax	667,563	31,211	26,842	-	725,616

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 EUR 5,000,000. Both agreements will terminate on December 31, 2015. Interest is 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 is used as at the last working day of a calendar year. Interest is not to be capitalized.

As of June 30, 2014, Romgaz S.A. has a receivable balance of thousand RON 16,446 (December 31, 2013: 16,422) and related interest of thousand RON 656 as of June 30, 2014 (6 months 2013 – thousand RON 671).

28. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents	June 30, 2014	December 31, 2013
	'000 RON	*'000 RON*
Current bank accounts in RON	31,970	40,211
Current bank accounts in foreign currency	238	150
Petty cash	31	22
Short-term deposits	2,680,864	1,494,469
Treasury bonds with maturity under 3 months	266,926	28,744
Amounts under settlement	7	(6)
Total	**2,980,036**	**1,563,590**

29. OTHER FINANCIAL ASSETS

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

	June 30, 2014	December 31, 2013
	'000 RON	*'000 RON*
Shares in unquoted entities	76,900	76,900
Held-to-maturity investments	722,373	970,664
Total	**799,273**	**1,047,564**

30. COMMITMENTS UNDERTAKEN

	6 months period ended June 30, 2014	6 months period ended June 30, 2013
	'000 RON	*'000 RON*
Capital commitments	10,060	52,753
Other commitments	2,654	2,130
Total	**12,714**	**54,883**

The facility of million USD 29 given by RBS Bank for opening letters of credit in favor of suppliers was closed on April 25, 2014 (Dec 31, 2013: facility used of thousand USD 12,794). From facility of million USD 14 given by CITI Bank for opening letters of credit in favor of suppliers, as at June 30, 2014 are available million USD 10.931.

31. COMMITMENTS RECEIVED

	June 30, 2014	December 31, 2013
	'000 RON	'000 RON
Endorsements and collaterals received	749	1,205

Endorsements and collateral received as of December 31, 2013 represent letters of guarantee and restricted bank deposits held with banks as performance guarantees and advance return from tangible asset and production suppliers.

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 judicial procedures for which S.N.G N. Romgaz S.A. is not claimant or defendant*

On December 28, 2011, 27 former and current employees were notified by DIICOT (Direction for Investigation of Crimes of Organized Criminal Activity and Terrorism) regarding an investigation related to sale contracts signed with one of the Company's clients which are suspected to have been granted unauthorized discounts to this client during the period 2005-2010. The Direction mentioned that this may have resulted in a loss of USD 92 million for the Company. On that sum, it is an additional burden to the state budget consists of income tax in the amount of USD 15 million and VAT in the amount of USD 19 million. The internal analysis carried out by the Company's specialized departments concluded that the agreement was in compliance with legal provisions and all discounts were granted based on approvals from the Ministry of Economy and Finance and decisions of the General Shareholders' Board and Board of Directors. The management of the Company believes the investigation will not have a negative impact on the interim individual financial statements.

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

On March 18 2014, S.N.G.N. ROMGAZ S.A. received an address from DIICOT, registered under no. 7873/18.03.2014, having attached ordinance no. 146/D/P/2010 from 14.03.2014 by which the criminal investigators ordered an accounting expertise, indicating the objectives of the expertise.

S.N.G.N. ROMGAZ S.A. was notified that, as injured party, may submit comments relating to objectives of the expertise 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 in file no. 146/D/P/2010. The deadline of the expert report is September 1, 2014.

(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 interim individual financial statements are fairly stated.

32. CONTINGENCIES (continued)

(d) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at June 30, 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 219,955 representing the decommissioning provision (December 31, 2013: thousand 214,161 RON) and a provision for land restauration of thousand RON 9,587 (December 31, 2013: thousand RON 12,045).

Environmental aspects

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.

The Company has an ongoing program to improve efficiency of its capabilities and reduce the cost of compliance with environmental plan, which involves various changes. In this case, the Company has started the process of developing a feasibility study to analyse the potential of increasing the efficiency and reducing the pollution related investment in terms of utilizing rationally and efficiently the financial, human and material resources.

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.

Environmental permits

In accordance with Order no. 818/2003 completed and amended by Order nr.3.970/2012, 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, water emissions, monitoring of groundwater, technological monitoring, waste monitoring, post-closing monitoring.

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

The Company operates natural gas fields based on the license issued by the National Agency for Mineral Resources (NAMR). Licenses for the extraction of hydrocarbons (natural gas and condensate) expire between 2014 and 2028 and may be extended upon request.

(f) *Insurance policies*

As at June 30, 2014 and June 30, 2013, the Company has concluded insurance policies for tangible assets.

(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, S.N.G.N. Romgaz S.A., is included with the investment project "Combined cycle with gas turbines" starting in 2014 and ending in 2016.

According to Annex no 1 from the same decision, S.N.G.N. ROMGAZ S.A. was allocated for CTE Iernut 824,645 greenhouse gas certificates (EUA) for the year 2014.

32. CONTINGENCIES (continued)

(d) Environmental contingencies (continued)

According to art 7 from HG 1086/2013, the payment for greenhouse gas certificates allocated transitionally for free is made in two instalments: a) 1st instalment in the second quarter of the year for which the certificates are allocated; b) the 2nd instalment in the 4th quarter of the year for which the certificates are allocated for free. The payment of the greenhouse effect certificates was made according to art. 7 from HG 1096/2013 as follows: "for the 1st instalment, related to 50% of the greenhouse gas certificates allocated for the current year, the reference market price was the price calculated on April 1st.

The Ministry of Economy, the Energy Department, has announced on website http://energie.gov.ro/ that the reference market price as at April 1, 2014 was of EUR 5.89.

In 2014, Romgaz acquired 412,323 greenhouse gas certificates related to the first installment of 2014.

As of June 30, 2014 Romgaz holds in the Unique Register of Greenhouse Gas Emissions 874,375 CO2 certificates, as follows:

- 1st instalment for the year 2014 - 412,323 certificates:

- of the 962,085 certificates acquired for 2013, 507,620 certificates were submitted for the emissions which 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. JI (Joint Implementation) which 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, the Company holds that linking availability (availability correlation EUA - ERU) a type certificate number 51,598 ERUs 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, as approved by the Opportunity Report no. 9096/28.03.2014 in this regard.

33. EVENTS AFTER THE BALANCE SHEET DATE

S.N.G.N. ROMGAZ S.A. holds 2.26% from Electrocentrale Bucharest SA ("ELCEN"). On July 25, 2014 a spin-off project of ELCEN was approved.

According to above Project, ELCEN will be split in ELCEN and two other companies: Electrocentrale Constanta S.A. and Electrocentrale Titan S.A.

As a result of this spin-off, S.N.G.N. Romgaz S.A. will hold 2.49% of Electrocentrale Bucharest S.A. shares and 0.73% of Electrocentrale Titan S.A. shares.

34. APPROVAL OF INTERIM INDIVIDUAL FINANCIAL STATEMENTS

The interim individual financial statements were approved by the board of directors and authorized for issue on August 5, 2014.

Societatea Națională de Gaze Naturale ROMGAZ S.A. MEDIAȘ

Virgil Metea	**Lucia Ionascu**
General Manager	Economic Director

ROMGAZ

Societatea Naţională de Gaze Naturale Romgaz S.A. - Mediaş - România

ROMGAZ

STATEMENT

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

The half year financial statements as of June 30, 2014 were prepared for:

Entity: SNGN ROMGAZ SA
County: 32 – SIBIU
Address: MEDIAS, 4 C.I. MOTAS SQUARE, tel. 0269201002
Registration Number in the Trade Register: J32/392/2001
Form of property: 14 – State owned companies and enterprises
Main activity (CAEN code and denomination): 0620 – Natural Gas Production
Tax Identification Number: 14056826

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

hereby assume responsibility for the preparation of the half year financial statements as of June 30, 2014 and we confirm the following:

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

DIRECTOR GENERAL,
VIRGIL-MARIUS METEA

Societatea Naţională de Gaze Naturale

ECONOMIC DIRECTOR,
LUCIA IONASCU

Capital social: 385.422.400 RON
CIF: RO 14056826
Nr. Ord.reg.com/an : J32/392/2001
RO08 RNCB 0231 0195 2533 0001 - BCR Medias
RO12 BRDE 330S V024 6190 3300 - BRD Mediaş

ISO 9001 IQNet ISO 14001

S.N.G.N. Romgaz S.A.
Piaţa Constantin Motaş, nr.4
551130 Mediaş, jud. Sibiu - România
Telefon 004-0269-201020
Fax 004-0269-846901
E-mail secretariat@romgaz.ro
www.romgaz.ro