

IDENTIFICATION DETAILS ON REPORT AND ISSUER

Quarterly report according to art. 227 from Law 297/2004

Report date: November 12, 2014

Name of the Company: **SNGN ROMGAZ SA**

Headquarter: Medias, P-ta Constantin I. Motas, Nr.4, code 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 markets where the issued securities are traded: Bursa de Valori București (Bucharest Stock Exchange BVB), London Stock Exchange (LSE)

THIRD QUARTER REPORT

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

REGARDING THE ECONOMIC-FINANCIAL ACTIVITY OF

SNGN ROMGAZ SA AS OF September 30, 2014

(1.01.2014 – 30.09.2014)

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.

The nine months year to date reflect a strong operating and financial performance of the company. A summary of the main indicators is described below:

- **EBITDA** increased in the first nine months of 2014 by 29.98% as compared to the same period of 2013 (T3 2014: thousand LEI 1,917,743; T3 2013: thousand LEI 1,475,459);
- **EPS** (net profit/share) is LEI 2.89/share;
- **E&P** (exploration, production): Production of natural gas recorded in the first three quarters of 2014 recorded a value of 4 227.9 million cubic meters, representing an increase of 0.71% of the production recorded in the same period of 2013, namely 4 198.0 million cubic meters;
- **Capital Expenditure** amounted million LEI 751, representing an increase of 28.73 % as compared to the level achieved during the same period of 2013 (million LEI 582.6);
- **Revenues from the underground storage activity** increased by million LEI 80.3, namely by 35.42% as compared to the same period of 2013 due to the implementation of new underground storage tariffs starting from April 30th 2013, in accordance with ANRE Order No. 26/2013;

- **Revenues obtained from the electric power sector** were in amount of million LEI 242.9 in the nine month period ended September 30, 2014, as compared with the similar period of prior year of million LEI 98.1.
- All investment expenses and the working capital have been financed by internal resources.

ORGANIZATIONAL STRUCTURE

The Company currently operates through seven branches:

- Natural Gas Production Branch - Medias;
- Natural Gas Production Branch - Târgu Mureş;
- Natural Gas Underground Storage Branch - Ploieşti;
- Interventions, Capital Repairs and Special Operations on Wells Branch - Medias (SIRCOSS);
- Technological Transport and Maintenance Branch - Târgu Mureş (STTM);
- Bratislava Branch;
- Electricity Production Branch - Iernut.

SHAREHOLDER STRUCTURE

The Shareholders' structure as of September 30, 2014 is as follows:

Shareholder	Number of shares	Percent %
1	2	3
Romanian State through the Ministry of Economy (Energy Department)	269,823,080	70.0071
SC "Fondul Proprietatea" SA	38,542,960	10.0001
Legal Persons	69,209,265	17.9567
Physical Persons	7,847,095	2.0359
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 shares) and on London Stock Exchange (as GDRs). 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 Chisaliţă was appointed as Director of SNGN Romgaz SA for a mandate valid until May14, 2017. Mister Dumitru Chisaliţă was appointed for the vacancy following the resignation of Mister Eugen Dragoş 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 Negruț;
- Virgil Marius Metea;
- Dumitru Chisăliță;
- Ecaterina Popescu;
- Petrus Antonius Maria Jansen ;
- David Harris Klingensmith;
- Sergiu Cristian Manea.

PHYSICAL INDICATORS

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

Million cubic meter

Description	Jan-Sep 2013	Jan-Sep 2014	Variation	Variation %
Natural gas from internal production, out of which:	4,198.0	4,227.9	29.9	0.71%
- own gas	4,061.8	4,084.9	23.10	0.57%
- Schlumberger (100%)	136.1	143.0	6.90	5.07%
Own technological consumption	58.2	59.8	1.60	2.75%
Internal gas production stored in UGS	700.4	464.2	(236.20)	-33.72%
Internal gas production withdrawn from UGS	262.4	450.5	188.10	71.68%
Difference from conversion to Gross Calorific Value (GCV)	11.8	8.0	(3.80)	-32.20%
Gas delivered to Iernut	130.6	304.0	173.40	132.77%
Gas delivered from internal production (including Schlumberger 100%) *	3,559.4	3,842.4	283.00	7.95%
Gas delivered from internal production (excluding joint ventures) *	3,423.3	3,699.4	276.10	8.07%
Gas delivered (including joint ventures) *	3,562.8	3,835.3	272.50	7.65%
UGS gas extraction services	1,291.1	1,169.4	(121.70)	-9.43%
UGS gas injection services	1,881.7	1,615.2	(266.50)	-14.16%
Delivered import gas	237.9	72.9	(165.00)	-69.36%
Commodity gas	8.6	13.5	4.90	56.98%
Delivered electricity (thou MWh)	549.6	1,215.6	666.00	121.18%

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

As compared to the previous year, gas production (extraction, deliveries) was higher. The extracted quantity was higher by 0.71% and the delivered production (including joint ventures) increased by 7.65% due to higher demand, which also required higher quantity of gas extracted from underground gas storages.

The quantity delivered to SPEE Iernut was higher than last year, considering the idle period from February 1, 2013 to May 1, 2013 when no electricity was delivered. The electricity delivered during the reporting period increased by 121.18 % as compared to the previous year.

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 adopted by the EU 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 not been audited by the independent auditor of the Company.

The Company's 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 September 30, 2014, as compared to the indicators referring to the same period of 2013 are described in the table below:

Summary of interim individual statement of comprehensive income as of September 30, 2014

Indicator	Nine months ended Sep 30, 2014 (‘000 LEI)	Nine months ended Sep 30, 2013 (‘000 LEI)	Variation (%)
1	2	3	4=(2-3)/3x100
Revenue	3,286,770	2,587,049	27.05%
Cost of commodities sold	(154,940)	(337,510)	-54.09%
Investment income	58,029	83,796	-30.75%
Other gains and losses	(195,600)	(41,345)	373.09%
Changes in inventory	30,202	140,625	-78.52%
Raw materials and consumables used	(38,398)	(87,742)	-56.24%
Depreciation and amortization	(568,506)	(601,746)	-5.52%
Employee benefit expense	(323,624)	(387,900)	-16.57%
Finance cost	(11,589)	(15,289)	-24.20%
Exploration expense	(21,140)	(24,991)	-15.41%
Other expenses	(751,371)	(397,707)	88.93%
Other income	97,409	40,244	142.05%
Profit before tax	1,407,242	957,484	46.97%
Income tax expense	(293,249)	(160,594)	82.60%
Net profit	1,113,993	796,890	39.79%

Revenue

For the first three quarters of 2014, SNGN Romgaz SA generated revenue of thousand LEI 3,286,770 compared to thousand LEI 2,587,049 generated for the similar period of 2013, resulting in increase of the revenue by 27.05%.

The highest share of the revenue was generated by the revenue from sale of internal production.

Detailed Breakdown of Revenue

Description	Nine months ended Sep 30, 2014 ('000 LEI)	Nine months ended Sep 30, 2013 ('000 LEI)	Absolute variation ('000 LEI)	Relative variation (%)
1	2	3	4=2-3	5=4/3x100
Revenue from gas sale – internal production	2,584,126	1,866,142	717,984	38.47%
Revenue from underground gas storage services	307,026	226,720	80,306	35.42%
Revenue from import gas resale	104,116	354,046	(249,930)	-70.59%
Revenue from sale of electric power	242,941	98,102	144,839	147.64%
Other revenues	48,561	42,039	6,522	15.51%
TOTAL	3,286,770	2,587,049	699,721	27.05%

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

Revenue from sale of internal production	Nine months ended Sep 30, 2013	Nine months ended Sep 30, 2014	Ratios 2014/2013
- Quantity (million m ³)	3,562.8	3,835.3	107.65%
- Price (lei/thousand m ³)	523.8	673.8	128.63%
- Value (thousand LEI)	1,866,142.0	2,584,126.0	138.47%
Difference 2014- 2013 (thousand LEI)	717,984.0		
Quantity influence(q1*p0-q0*p0) (thousand LEI)	142,765.9		
Price influence (q1*p1-q1*p0) (thousand LEI)	575,218.1		

The revenue from sale of internal production for the period January – September 2014, as compared to the same period of 2013 was higher by thousand LEI 717,984. The influences by factors are the following:

- higher production sale by 7.65 % which resulted in higher revenues from sale of internal production by thousand LEI 142,765. The increase of gas delivery was generated by higher demand of beneficiaries for the scope of consumption or trading on the gas market.

- gas sale at a higher average price by 28.63 % than in 2013, which had a positive influence on revenue increase from sale of internal production by thousand LEI 575,218.1.

Revenue from underground gas storage services was highly influenced by the changes of applied underground storage tariffs starting from April 30 2013, as shown in the table below:

Tariff component	M.U.	Tariff (30.04.2013- 14.04.2014)	Tariff (15.04.2014- currently)
Volumetric component for natural gas injection	LEI/MWh	2.37	2.53
Fixed component for capacity booking	LEI/MWh/full storage cycle	13.12	13.14
Volumetric component for natural gas extraction	LEI/MWh	1.80	1.80

Import gas delivery volumes decreased during the first three quarters of 2014 compared to the same period of last year by 69.36%, as shown in the „Detailed Breakdown of Revenue” table from above, and these revenue decreased by 70.59% as compared to the similar period of 2013. The reduction in import gas delivery volumes is due 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 three quarters of 2014 by thousand LEI 144,839 as compared to 2013.

Cost of Commodities Sold

For the nine months ended September 30, 2014, as compared to the same period of 2013, cost of commodities sold decreased from thousand LEI 337,510 to thousand LEI 154,940, respectively with 55.09%, mainly due to a reduction in sales of imported natural gas, and to the increase related to acquisition of electric power services sold to Romgaz clients.

Investment Income

For the reporting period the investment income decreased by 30.75%, 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

During the first three quarters of 2014 the Company recorded a loss of thousand LEI 195.600 due to an impairment of receivables of thousand LEI 179,144, out of which the highest value is the impairment of Electrocentrale Galati receivable of thousand LEI 131,991, followed by the adjustment of Interagro receivable, in amount of thousand LEI 47,962. At the end of the reporting period, the total adjustment for Electrocentrale Galati and Interagro is thousand LEI 176,658, and thousand LEI 261,072, respectively. The net favorable amount of the impairment reversal for the other clients is thousand LEI 809. The insolvency procedure for the client Electrocentrale Galati was opened, by Civil Court Decision no. 603/16.06.2014 issued by the Galati Court.

Changes in Inventory

The difference between the cost of gas injected in UGSs and the cost of gas extracted from UGSs was higher in the first nine months of 2013 as compared to the same period of 2014.

Depreciation and Amortization

In the nine months ended 30 September 2014, depreciation, amortization and impairment expense decreased by 5.52% from thousand LEI 601,746 (September 2013) to thousand LEI 568,506 (September 2014). This decrease was due to decrease of fixed assets and intangible assets depreciation and amortization by thousand LEI 121,940, and increase of their impairment by the amount of thousand LEI 88,700.

Employee Benefit Expense

For the reporting period the employee benefit expenses of thousand LEI 323,624 (where the capitalized costs of thousand LEI 79,947 are added) have increased as compared to the same period of the previous year by 4.04% 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 September 30, 2014 the exploration expenses decreased by 15.41% compared to the period ended September 30, 2013, due to a lower value of approval to abandon exploration projects.

Other Expenses

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

Indicator	Nine months ended Sep 30, 2014 ('000 LEI)	Nine months ended Sep 30, 2013 ('000 LEI)	Variation (2014/2013) ('000 LEI)	Variation (2014/2013) (%)
1	2	3	4=2-3	5=4/3x100
Electricity	14,813	74,898	(60,085)	-80.22%
Royalty for gas production	204,801	159,264	45,537	28.59%
Royalty for underground storage	9,211	6,802	2,409	35.42%
Windfall tax	235,255	56,134	179,121	319.10%
Special construction tax	67,141	-	67,141	100.00%
Duties and taxes from joint partnerships	24,934	6,461	18,473	285.92%
Duties and taxes	39,088	40,510	(1,422)	-3.51%
Net provision expenses	(20,931)	8,171	(29,102)	-356.16%
Other operating expenses	177,059	45,467	131,592	289.42%
Total	751,371	397,707	353,664	88.93%

"Other expenses" recorded an increase of 88.93% as of September 30, 2014, from thousand LEI 397,707 to thousand LEI 751,371. 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 thousand LEI 67,141. This tax was introduced in 2014, by Government Order no. 102/2013 for the modification and completion of Law 571/2003 regarding the Fiscal Code and for the regulation of certain financial-fiscal measures;
- 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 thousand LEI 179,121.

"Net provision expenses" of thousand LEI (20,931) recorded in the nine-month period ended September 30, 2014 reflect the net movement of provisions during the year. In 2014, the provision for greenhouse gas emission certificates of thousand LEI 10,158 recorded as of December 31, 2013 was reversed, as the Company acquired the needed certificates. Also, in the net provision expenses is included the effect of the change in the decommissioning provision of thousand LEI (10,964). The net change in other provisions is of thousand LEI 191. In the similar period of 2013, the Company recorded a net provision expense of thousand LEI 8,171, of which thousand LEI 5,438 related to greenhouse gas emission certificates. As of September 30, 2014 the Company does not need to acquire additional certificates.

The internal electric power expenses decreased in the first nine months 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 nine months ended on September 30, 2014, the other income increased by thousand LEI 57,165, increase due to penalties applied to the clients who did not pay in due term the gas purchased from Romgaz.

Income tax expense

As of September 30, 2014, the Company recorded current income tax expense in amount of thousand LEI 301,794 as compared to current income tax expense of thousand LEI 216,467 for the nine months period ended September 30, 2013. The difference up to the income tax value is the deferred income tax of thousand LEI 8,545 in the nine-month period ended September 30, 2014 (nine-month period ended September 30, 2013 – thousand LEI 55,873). The current income tax expense increase is mainly due to the increase of gross results during the first nine months of 2014, compared to the same period of last year.

Profit for the year

In the first three quarters of 2014, the Company's net profit increased by thousand LEI 317,103 (39.79%) from thousand LEI 796,890 to thousand LEI 1,113,993, due to increase of revenue by higher percentage than the increase of expenses.

Summary of Statement of individual financial position as of September 30, 2014

INDICATOR	September 30, 2014 ('000 LEI)	Dec 31, 2013 ('000 LEI)	Variation (%)
1	2	3	4=(2-3)/3x100
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	5,921,138	5,767,267	2.67%
Other intangible assets	348,092	383,956	-9.34%
Associates	738	947	-22.07%
Other financial assets	76,889	76,900	-0.01%
Other non-current assets	17,445	17,093	2.06%
TOTAL NON-CURRENT ASSETS	6,364,302	6,246,163	1.89%
<i>Current assets</i>			
Inventories	406,781	463,946	-12.32%
Trade and other receivables	447,496	1,086,628	-58.82%
Other financial assets	1,176,356	970,664	21.19%
Other assets	162,883	146,179	11.43%
Cash and cash equivalents	1,703,842	1,563,590	8.97%
TOTAL CURRENT ASSETS	3,897,358	4,231,007	-7.89%
TOTAL ASSETS	10,261,660	10,477,170	-2.06%
Equity and Liabilities			
<i>Capital and reserves</i>			
Share capital	385,422	1,892,681	-79.64%
Reserves	2,111,679	1,949,600	8.31%
Retained earnings	6,919,029	5,450,493	26.94%
Total equity	9,416,130	9,292,774	1.33%
<i>Non-current liabilities</i>			
Retirement benefit obligation	79,241	79,241	0%
Deferred tax liabilities	137,895	146,440	-5.84%
Provisions	197,301	196,950	0.18%
Total non-current liabilities	414,437	422,631	-1.94%
<i>Current liabilities</i>			
Trade and other payables	119,341	202,796	-41.15%
Current tax liabilities	69,462	200,982	-65.44%
Provisions	34,786	47,316	-26.48%
Other liabilities	207,504	310,671	-33.21%

INDICATOR	September 30, 2014 (‘000 LEI)	Dec 31, 2013 (‘000 LEI)	Variation (%)
1	2	3	4=(2-3)/3x100
Total current liabilities	431,093	761,765	-43.41%
Total liabilities	845,530	1,184,396	-28.61%
Total equity and liabilities	10,261,660	10,477,170	-2.06%

Non-current assets

The total non-current assets increased by 1.89%, i.e. thousand LEI 118,139. 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 thousand LEI 35,864 in the nine months period ended September 30, 2014, as compared to December 31, 2013, due to adjustments for impairment of intangible assets in progress.

Current assets

Current assets decreased by 7.89% due to decrease of trade receivables.

Inventories

The decrease by 12.32% (thousand LEI 57,165) 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 current internal production both to Romgaz clients and to SPEE Iernut, and the decrease of purchased import gas quantities.

Trade receivables and other receivables

Trade receivables and other receivables decreased by thousand LEI 639,132 as compared to December 31, 2013, due to increase of 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 short term financial assets

Cash, cash equivalent and other short term financial assets increased during the reporting period from thousand LEI 2,534,254 (December 31, 2013) to thousand LEI 2,880,198 at the end of September 2014. This is due to increased value of delivered and received gas production.

Equity

Share capital

Following the Resolution of GMS of April 28, 2014 and provisions of OMFP 1690/2012 and OMFP 213/2013 for the change of OMFP 1286/2012, 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 nine months of 2014 and by the transfer of the account "Share-capital adjustments" to the "Retained Earnings" account. In 2014 was decided the allocation of dividends in amount of thousand LEI 990,637.

Non-current liabilities

Decrease of non-current liabilities by 1.94% is due to the decrease of deferred tax liabilities.

Current liabilities

Current liabilities decreased by 43.41% due to decrease of current tax liability and decrease of VAT obligations.

Trade and other payables

The decrease by 41.15% is mainly due to the fact that the beneficiaries of gas delivered by the Company made lower advance payments as compared to December 31, 2013.

Current tax liabilities

Current tax liabilities decreased by thousand LEI 131,520 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, and the provision was reversed.

Other liabilities

The VAT that is due decreased by 33.21% due to decrease of revenue from delivery of gas in September 2014 as compared to December 2013.

Statement of interim individual cash flows as of September 30, 2014 (thousand LEI)

Indicator	Nine months ended Sep 30 2014	Nine months ended Sep 30 2013
Cash flows from operating activities		
Net profit for the year	1,113,993	796,890
<i>Adjustments for:</i>		
Income tax expense	293,249	160,594
Interest expense	24	25
Unwinding of decommissioning provision	11,565	15,264
Interest revenue	(58,029)	(83,796)
Loss on disposal of non-current assets	14,803	2,627
Change in decommissioning provision recognized in profit or loss, other than unwinding	(10,964)	(3,924)
Change in other provisions	(12,983)	12,095
Impairment of exploration assets	137,485	37,404
Exploration projects written-off	21,140	24,991
Impairment of property, plant and equipment	56,192	67,573
Depreciation and amortization	374,829	496,769
Impairment of investment in associates	220	7,039
Losses from trade receivables and other assets	179,159	60,422
Receivables reactivated	-	(28,941)
	2,120,683	1,565,032

Indicator	Nine months ended Sep 30 2014	Nine months ended Sep 30 2013
Movements in working capital:		
(Increase)/Decrease in inventory	57,104	(52,735)
(Increase)/Decrease in trade and other receivables	425,624	150,483
Increase/(Decrease) in trade and other liabilities	(171,879)	(134,713)
Cash generated from operations	2,431,532	1,528,067
Interest paid	(24)	-
Income taxes paid	(433,314)	(215,090)
Net cash generated by/(used in) operating activities	1,998,194	1,312,977
Cash flows from investing activities		
Acquisition of investments in associates	-	(393)
Decrease/(Increase) in other financial assets	(207,133)	411,941
Interest received	59,470	126,251
Proceeds from sale of property	-	(1,590)
Acquisition of non-current assets	(254,271)	(374,505)
Acquisition of exploration assets	(469,458)	(264,228)
Net cash used in investing activities	(871,392)	(102,524)
Cash flows from financing activities		
Dividends paid	(986,550)	(1,060,115)
Net cash used in financing activities	(986,550)	(1,060,115)
Net increase/(decrease) in cash and cash equivalents	140,252	150,338
Cash and cash equivalents at the beginning of the year	1,563,590	1,739,330
Cash and cash equivalents at the end of the year	1,703,842	1,889,668

Statement of cash flows presented above presents the cash flows for January – September 2014 compared with the similar period of 2013, classified by type of activity: operating, investing and financing. Company's Statement of cash flows is prepared using the indirect method, whereby net profit is adjusted for the effects of transactions of non-cash nature, any deferrals or accruals of cash payments or receipts from operations, past or future, and items of income or expense associated with the cash flows from investing or financing.

Reconciliation of profit before taxation to cash flow generated from operating activities (before changes in net current assets) resulted in a net upward adjustment of thousand LEI 713,441 for January – September 2014 compared to thousand LEI 607,548 in January – September 2013.

The most important movements in cash flows were the receipts for gas delivered to the clients of the Company, payments for acquisition of non-current assets (thousand LEI 254,271) and exploration assets in amount of thousand LEI 469,458, as per the investment plans approved by the Company. Dividends paid to shareholders during the first nine months of 2014, amount to thousand LEI 986,550, as compared to thousand LEI 1,060,115 paid during the same period of previous year.

INDICATORS

Item No.	Financial Ratio	Formula	Value Sep 30, 2014	Value Sep 30, 2013
1	Current Liquidity	Current Assets/Current Liabilities	9.04	9.26
2	Gearing Ratio	Loan Capital/Equity x 100	0.0	0.0
3	Accounts Receivables Turnover (days)	Average Accounts Receivables/Revenue x 270	63.01	81.26
4	Property, Plant and Equipment Turnover	Revenue/Property, Plant and Equipment	0.52	0.42

In the nine-month period ended September 30, 2014, current liquidity decreased compared with the similar period of previous year due to a higher increase in current liabilities than that of current assets.

Between January–September 2014, SNGN ROMGAZ SA fulfilled all its financial obligations. At the same time, there isn't any risk factor to impact the Company's liquidity.

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

**CHAIRMAN of the
BOARD OF DIRECTORS,
Aurora Negruț**



**GENERAL DIRECTOR,
Virgil Marăuș, Măteș**



**ECONOMIC DIRECTOR,
Lucia Ionașcu**



PROFIT AND LOSS ACCOUNT ACCORDING TO ORDER 79/2014

CODE 20		JANUARY- SEPTEMBER 2014		Reporting period	
Indicators		rw no	PREVIOUS YEAR	CURRENT YEAR	
			2013	2014	
A			B	1	2
	1	Net turnover (rw. 02 +03+04+05+06)	01	2,587,049,559	3,286,768,465
		Production sold (acc. 701+702+703+704+705+706+708)	02	2,226,133,616	3,155,139,646
		Sale of goods purchased for resale (acc. 707)	03	360,915,943	131,628,819
	2	Revenues related to the costs of production in progress (acc. 711 +712)	06	140,625,157	30,202,356
		Balance C			
	3	Revenues from own work capitalised and real estate investment (rw 09+10)	08	140,082,076	209,857,008
	4	Own work capitalised (acc.721+722)	09	140,082,076	209,857,008
	11	Other operating revenues (acc. 758+7419)	16	40,478,318	97,564,000
		OPERATING REVENUES - TOTAL (rw.01 + 06 - 07 + 08 + 11 + 12 + 13 + 14 + 15 + 16)	17	2,908,235,110	3,624,391,829
	12	a) Raw materials and consumables expenses (acc. 601+602-7412)	18	117,279,589	123,744,792
		Other expenses for materials (acc. 603+604+608)	19	29,489,041	33,839,855
		b)Other external expenses (electricity and water) (acc. 605 – 7413)	20	74,897,785	15,298,828
		c) Goods for resale (acc 607)	21	338,013,278	154,939,116
		Trade discounts received (acc.609)	22	503,738	0
	13	Personnel expenses (rw.24+25), out of which:	23	388,169,349	390,955,020
		a) Salaries and indemnifications *1) (acc.641+642+643+644-7414)	24	298,291,059	296,345,730
		b) Social security contributions (acc. 645 – 7415)	25	89,878,290	94,609,290
	14	a) Adjustments of non-current assets, real estate investments and biological assets (rw.27-28)	26	601,745,987	601,775,641

		a.1) Expenses (acc.6811+6813+6816+6817)	27	601,745,987	607,906,119
		a.2) Revenues ((acc.7813+7816)	28	0	6,130,478
		b) Adjustments related to current assets (rw.30-31)	29	31,480,551	179,158,367
		b.1) Expenses (acc.654+6814)	30	713,430,573	179,181,774
		b.2) Revenues (acc.754+7814)	31	681,950,022	23,407
15		Other operating expenses (rw.33 la 41)	32	423,312,297	783,171,304
		15.1 Third party services (acc.611+612+613+614+621+622+623+624+625+626+627+628-7416)	33	92,275,325	78,944,809
		15.2 Other taxes, duties and similar expenses (acc. 635)	34	269,170,626	581,202,830
		15.3 Environment protection expenditure (acc.652)	35	186,334	22,330,032
		15.9 Other expenses (acc. 6581+6582+6583+6585+6588)	41	61,680,012	100,693,633
		Adjustments related to provisions (rw.43 - 44)	42	8,171,421	-20,929,830
		Expenses (acc.6812)	43	13,838,632	1,965,419
		Revenues (acc.7812)	44	5,667,211	22,895,249
OPERATING EXPENSES -TOTAL (rw.18 TO 21 - 22 + 23 + 26 + 29 + 32 + 42)			45	2,012,055,560	2,261,953,093
OPERATING PROFIT OR LOSS					
		- Profit (rw.17 - 45)	46	896,179,550	1,362,438,736
20		Foreign exchange gains (acc 765)	52	5,919,686	790,584
21		Interest income (acc.766 *)	53	83,796,010	58,029,202
22		Other financial revenues (acc.7615+764+767+768)	55	156,792	122,361
FINANCIAL REVENUES - TOTAL (rw.48+49+50+51+52+53+55)			56	89,872,488	58,942,147
23		Adjustments related to long term financial investments and current financial investments (rw. 58-59)	57	7,038,012	220,212
24		Expenses (acc. 686)	58	7,038,012	220,212
26		Interest expenses (acc.666*-7418)	62	24,522	23,846
27		Other financial expenses (acc.663+664+665+667+668)	64	21,506,613	13,894,991
FINANCIAL EXPENSES - TOTAL (rw. 57+60+61+62+64)			65	28,569,147	14,139,049
FINANCIAL PROFIT OR LOSS					
		- Profit (rw. 56-65)	66	61,303,341	44,803,098
TOTAL REVENUES (rw. 17+56)			68	2,998,107,598	3,683,333,976
TOTAL EXPENSES (rw. 45+65)			69	2,040,624,707	2,276,092,142

28	GROSS PROFIT OR LOSS			
		- Profit (rw.68-69)	70	957,482,891 1,407,241,834
29	Income tax (acc. 691)		72	216,466,477 301,793,856
31	Deferred tax income (acc. 792)		74	55,872,180 8,545,171
33	NET PROFIT OR LOSS OF THE REPORTING PERIOD:			
		- Profit (rw. 70-72-73+74-75)	76	796,888,594 1,113,993,149



Virgil Metea

General Manager

Lucia Ionașcu

Economic Director

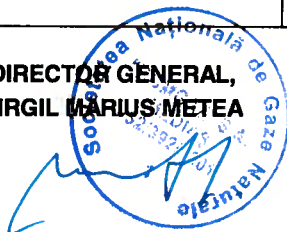
*) accounts to be allocated according to the nature of the respective items.

*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".

Main financial ratios

Ratio		Formula	Actual	Actual
			Sep 30 2013	Sep 30 2014
I	Liquidity ratios			
I.1	Current liquidity	$\frac{\text{Current assets}}{\text{Current liabilities}}$	9.26	9.04
I.2	Indicatorul lichiditatii imediate	$\frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$	7.86	8.10
II	Solvency ratios			
II.1	Shareholder equity ratio	$\frac{\text{Equity}}{\text{Total liabilities and equity}}$	91.34%	91.76%
II.2	Ratio of financial autonomy	$\frac{\text{Equity}}{\text{Permanent capital}}$	95.19%	95.78%
II.3	Gearing ratio	$\frac{\text{Borrowed funds}}{\text{Equity}}$	0.00%	0.00%
III	Working capital ratios			
III.1	Trade receivables turnover (days)	$\frac{\text{Average trade receivables} \times 270}{\text{Revenue}}$	81	63
III.2	Trade payables turnover (days)	$\frac{\text{Average trade payables} \times 270}{\text{Purchases of goods (excluding services)}}$	91	196
IV.	Rates of return			
IV.1	Return of capital employed	$\frac{\text{Earnings before interest and tax}}{\text{Capital employed}}$	10.54%	14.95%
IV.2	Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	34.64%	41.45%
IV.3.1	Economic rate of return	Profit before tax/Permanent capital	10.03%	14.31%
IV.4	Return on equity (ROE)	Profit after tax/Equity	8.77%	11.83%
IV.5	Return on expenditure	Profit after tax/Total expenses	41.92%	53.91%
IV.6	Gross profit margin	Profit before tax/Revenue	37.01%	42.82%
IV.7	Return on assets	Profit after tax/Total assets	8.01%	10.86%
V	Market ratios			
V.1	Book value of equity per share	$\frac{\text{Equity}}{\text{No. of shares}}$		24.43
V.2	Price to book ratio	$\frac{\text{Market price per share}}{\text{Book value per share}}$		1.47
V.3	Earnings per share	Profit after tax/No. of ordinary shares issued		2.89
V.4	Price earnings ratio	Market price per share/Earnings per share		12.46
V.5	Dividend yield	Dividend per share x 100/Price per share		7.14
V.6	Dividend payout ratio	Dividend per share x 100/Earnings per share		88.92

DIRECTOR GENERAL,
VIRGIL MARIUS METEA



DIRECTOR ECONOMIC,
LUCIA IONASCU

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

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014

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

(NOT AUDITED)

CONTENTS	PAGE
STATEMENT OF INDIVIDUAL INTERIM COMPREHENSIVE INCOME	1
STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION	2 – 3
STATEMENT OF INDIVIDUAL INTERIM CHANGES IN EQUITY	4
STATEMENT OF INDIVIDUAL INTERIM CASH FLOW	5 – 6
NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS	7 – 51

**STATEMENT OF INTERIM INDIVIDUAL COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

	Note	9 months period ended September 30, 2014	3 months period ended September 30, 2014	9 months period ended September 30, 2013	3 months period ended September 30, 2013
		'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3	3,286,770	760,426	2,587,049	685,910
Cost of commodities sold	5	(154,940)	(22,344)	(337,510)	(35,462)
Investment income	4	58,029	16,571	83,796	24,793
Other gains and losses	6	(195,600)	(12,406)	(41,345)	(73,763)
Changes in inventory of finished goods and work in progress		30,202	129,193	140,625	107,570
Raw materials and consumables used	5	(38,398)	(8,374)	(87,742)	(30,766)
Depreciation, amortization and impairment expenses	7	(568,506)	(202,166)	(601,746)	(152,703)
Employee benefit expense	8	(323,624)	(111,120)	(387,900)	(143,293)
Finance cost	9	(11,589)	(3,625)	(15,289)	(59)
Exploration expense	13	(21,140)	-	(24,991)	(7,538)
Other expenses	10	(751,371)	(235,092)	(397,707)	(156,780)
Other income	3	97,409	6,648	40,244	13,959
Profit before tax		1,407,242	317,711	957,484	231,868
Income tax expense	11	(293,249)	(74,676)	(160,594)	(57,363)
Profit for the period		1,113,993	243,035	796,890	174,505
Basic and diluted earnings per share		0.0029	0.0006	0.0021*	0.0005
Total comprehensive income for the period		1,113,993	243,035	796,890	174,505

*) calculation based on share split on October 4

These interim individual financial statements were approved by the board of directors and authorized for issue on November 12, 2014.

Virgil Metea
General Manager



Lucia Ionascu
Economic Director

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

**STATEMENT OF INTERIM INDIVIDUAL FINANCIAL POSITION
AS AT SEPTEMBER 30, 2014 (NOT AUDITED)**

	<u>Note</u>	<u>September 30, 2014</u>	<u>December 31, 2013</u>
		<i>'000 RON</i>	<i>'000 RON</i>
Assets			
Non-current assets			
Property plant and equipment	12	5,921,138	5,767,267
Other intangible assets	14	348,092	383,956
Associates	24	738	947
Other financial assets	25, 29	76,889	76,900
Other non-current assets	27, 16b	17,445	17,093
Total non-current assets		6,364,302	6,246,163
Current assets			
Inventories	15	406,781	463,946
Trade and other receivables	16a	447,496	1,086,628
Other financial assets	29	1,176,356	970,664
Other assets	16b	162,883	146,179
Cash and cash equivalents	28	1,703,842	1,563,590
Total current assets		3,897,358	4,231,007
Total assets		10,261,660	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		6,919,029	5,450,493
Total equity		9,416,130	9,292,774
Non-current liabilities			
Retirement benefit obligation	19	79,241	79,241
Deferred tax liabilities	11	137,895	146,440
Provisions	19	197,301	196,950
Total non-current liabilities		414,437	422,631

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

**STATEMENT OF INTERIM INDIVIDUAL FINANCIAL POSITION
AS AT SEPTEMBER 30, 2014 (NOT AUDITED)**

	<u>Note</u>	<u>September 30, 2014</u>	<u>December 31, 2013</u>
		'000 RON	'000 RON
<i>Current liabilities</i>			
Trade and other payables	20	119,341	202,796
Current tax liabilities		69,462	200,982
Provisions	19	34,786	47,316
Other liabilities	20	<u>207,504</u>	<u>310,671</u>
Total current liabilities		<u>431,093</u>	<u>761,765</u>
Total liabilities		<u>845,530</u>	<u>1,184,396</u>
Total equity and liabilities		<u>10,261,660</u>	<u>10,477,170</u>

The interim individual financial statements were approved by the board of directors and authorized for issue on November 12, 2014.

Virgil Metea
General Manager



Lucia Ionascu
Economic Director

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

**STATEMENT OF INTERIM INDIVIDUAL CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

	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	-	-	-	1,113,993
Allocation of dividends	-	-	-	(990,637)
Increase in other reserves	-	-	162,079	(162,079)
Balance as of September 30, 2014	385,422	77,084	2,034,595	6,919,029
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	-	-	-	796,890
Allocation of dividends	-	-	-	(1,060,115)
Increase other reserves	-	-	175,578	(175,578)
Balance as of September 30, 2013	1,892,681	76,607	1,872,622	5,242,009

*) 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 in 2014 are of thousand RON 0.0026 (September 30, 2013: thousand RON: 0.0277).

The interim individual financial statements were approved by the board of directors and authorized for issue on November 12, 2014.

Virgil Metea
General Manager



Lucia Ionascu
Economic Director

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

**STATEMENT OF INDIVIDUAL CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

	9 months period ended September 30, 2014	9 months period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Cash flows from operating activities		
Net profit for the period	1,113,993	796,890
Adjustments for:		
Income tax expense	293,249	160,594
Interest expense	24	25
Unwinding of decommissioning provision	11,565	15,264
Interest revenue	(58,029)	(83,796)
Loss on disposal of non-current assets	14,803	2,627
Change in decommissioning provision recognized in profit or loss, other than unwinding	(10,964)	(3,924)
Change in other provisions	(12,983)	12,095
Impairment of exploration assets	137,485	37,404
Exploration projects written-off	21,140	24,991
Impairment of property, plant and equipment	56,192	67,573
Depreciation and amortization	374,829	496,769
Impairment of financial investments and other financial assets	220	7,039
Loss from trade receivables and other assets	179,159	60,422
Receivables reactivated	-	(28,941)
	2,120,683	1,565,032
Movements in working capital:		
(Increase)/Decrease in inventory	57,104	(52,735)
(Increase)/Decrease in trade and other receivables	425,624	150,483
Increase/(Decrease) in trade and other liabilities	(171,879)	(134,713)
Cash generated from operations	2,431,532	1,528,067
Interest paid	(24)	-
Income taxes paid	(433,314)	(215,090)

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

**STATEMENT OF INDIVIDUAL CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

	9 months period ended September 30, 2014	9 months period ended September 30, 2013
	'000 RON	'000 RON
Net cash generated by/(used in) operating activities	1,998,194	1,312,977
Cash flows from investing activities		
Acquisition of investments in associates	-	(393)
Decrease/(Increase) in other financial assets	(207,133)	411,941
Interest received	59,470	126,251
Receipts from sale of property	-	(1,590)
Acquisition of non-current assets	(254,271)	(374,505)
Acquisition of exploration assets	(469,458)	(264,228)
Net cash (used in)/generated by investing activities	(871,392)	(102,524)
Cash flows from financing activities		
Dividends paid	(986,550)	(1,060,115)
Net cash (used in)/generated by financing activities	(986,550)	(1,060,115)
Net increase/(decrease) in cash and cash equivalents	140,252	150,338
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 period	1,703,842	1,889,668

The interim individual financial statements were approved by the board of directors and authorized for issue on November 12, 2014.

Virgil Metea
General Manager



Lucia Ionascu
Economic Director

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

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

1. BACKGROUND AND GENERAL BUSINESS

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

The Romanian gas sector was reorganized in accordance with Government Decision 575 published in the Official Gazette of June 27, 2001 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" S.A., 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 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 results for the interim periods are unaudited and, in the opinion of management, include all adjustments necessary for a fair presentation of the results for each period. All such adjustments are of a normal recurring nature.

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

The principal accounting policies are set out below.

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

Basis of preparation (continued)

The Company prepares interim individual financial statements as it has no subsidiaries and incorporated the entities associated, entities over which the Company has a significant influence, by equity accounting. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When necessary, adjustments are made to the 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 realizable value in IAS 2 or value in use in IAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Company and their amount can be measured reliably.

Standards and Interpretations effective in the current period

The following 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 authorization of these interim financial statements the following standards, amendments to the existing standards and interpretations issued by 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).

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

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),
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017),
- 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 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- 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),
- Amendments to IAS 16 and IAS 41 "Bearer Plants" (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 "Equity Method in Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective for annual periods beginning on or after 1 January 2016),
- Annual Improvements to IFRSs 2012–2014 Cycle (effective for annual periods beginning on or after 1 January 2016).

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

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

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.

Electricity sales are recognized based on counters' readings received at the end of each month from the Electricity 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 retranslated.

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.

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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

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

(2) Employee participation to profit

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 recognized immediately in profit or loss.
- c. if the adjustment results in an addition to the cost of an asset, the Company shall consider whether

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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 recognized in the income statement in the year when they occur. The periodical unwinding of the discount is recognized annually in profit or loss as a finance cost as it occurs.

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred tax for the period

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

Property, plant and equipment

(1) Cost

(i) Property, plant and equipment

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

(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 capitalized costs with inspections and major overhauls represent separate components of corresponding assets and of the corresponding groups. The capitalized cost with inspections and overhauls are depreciated using a linear depreciation based on the period when the inspections are made (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 capitalized 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 recognized directly in expenses.

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

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

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

Are recognized 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 realized 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 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:

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

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

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

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

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

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)****2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

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

Estimates related to the developed proved reserves

The Company applies the depreciation method based on the unit of production in order to reflect in the income statement an expense proportionate with income realized from sale of production obtained from the total natural gas reserve certified at the beginning of the period. According to this method, the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the gas reserve certified at the beginning of the period. The gas reserves are updated on an annual basis, 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).

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 multiplier 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.

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

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 1 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

	9 months period ended September 30, 2014	9 months period ended September 30, 2013
	<i>'000 RON</i>	<i>'000 RON</i>
Revenue from gas sold - internal production	2,584,126	1,866,142
Revenue from gas acquired for resale – import gas	104,116	354,046
Revenue from gas acquired for resale-domestic gas	11,237	4,946
Revenue from sale of goods	8,698	7,216
Revenue from services	330,311	251,426
Revenue from electricity	242,941	98,102
Other operating revenues	102,750	45,415
Total	3,384,179	2,627,293

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

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 May 2013 with Electrica on Billateral Market.

4. INVESTMENT INCOME

	9-month period ended September 30, 2014	9-month period ended September 30, 2013
	<i>'000 RON</i>	<i>'000 RON</i>
Interest revenue	58,029	83,796
Total	58,029	83,796

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

	9-month period ended September 30, 2014	9-month period ended September 30, 2013
	<i>'000 RON</i>	<i>'000 RON</i>
Consumables used	34,144	84,098
Cost of gas sold	97,525	337,510
Other cost	61,669	3,644
Total	193,338	425,252

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.

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

6. OTHER GAINS AND LOSSES

	9-month period ended September 30, 2014	9-month period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Forex gain	(913)	(6,044)
Forex loss	2,331	6,242
Gain/(Loss) on disposal of property, plant and equipment	14,803	2,627
Allowances and write offs, net	179,159	60,422
Reactivated receivables	-	(28,941)
Impairment of financial assets	220	7,039
Total	<u>195,600</u>	<u>41,345</u>

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSE

	9-month period ended September 30, 2014	9-month period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Depreciation	374,829	496,769
<i>Out of which:</i>		
Depreciation of property plant and equipment	363,284	480,348
Amortization of intangible assets	11,545	16,421
Impairment of fixed assets and exploration assets	193,677	104,977
Total depreciation, amortization and impairment	<u>568,506</u>	<u>601,746</u>

8. EMPLOYEE BENEFITS AND SOCIAL CHARGES

	9-month period ended September 30, 2014	9-month period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Wages and salaries	231,788	289,005
Social security charges	76,221	89,871
Meal tickets	6,147	9,024
Other benefits according to collective labor contract	9,468	-
Total	<u>323,624</u>	<u>387,900</u>

In the nine-month period ended September 30, 2014, in addition to the amount of thousand RON 323,624, the Company recorded wages and salaries of thousand RON 79,947 which were capitalized in the cost of property, plant and equipment built internally.

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

9. FINANCE COSTS

	9-month period ended September 30, 2014	9-month period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Interest expense	24	25
Unwinding of the decommissioning provision	11,565	15,264
Total Interest	<u>11,589</u>	<u>15,289</u>

10. OTHER EXPENSES

	9-month period ended September 30, 2014	9-month period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Electricity	14,813	74,898
Taxes and duties	580,430	269,171
Provision (net)	(20,931)	8,171
Other operating expenses	177,059	45,467
Total	<u>751,371</u>	<u>397,707</u>

The major taxes included in the amount of thousand RON 580,430 for taxes and duties recorded for the first nine months of 2014 are:

- thousand RON 235,255 (thousand RON 56,134 for the first nine months of 2013) represents tax on supplementary income resulting from gas price increase according to Government Ordinance no. 7 from January 2013 modified by the Emergency Ordinance no. 13/2014 for the implementation of tax on supplementary income obtained following the deregulation of prices in the natural gas sector;
- thousand RON 67,141 (not applicable in 2013 – the tax was introduced in 2014) represents supplementary tax on special construction according to Government Order no. 102/2013 for the modification and completion of Law 571/2003 regarding the Fiscal Code and for the regulation of certain financial-fiscal measures;
- thousand RON 204,801 represents royalty on gas (thousand RON 156,977 for first nine months of 2013).

**NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

11. INCOME TAXES

	9-month period ended September 30, 2014	9-month period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Income tax		
Current period tax expense	301,794	216,467
Deferred income tax expense/(revenue)	<u>(8,545)</u>	<u>(55,873)</u>
Income tax expense	<u>293,249</u>	<u>160,594</u>

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

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

	9-month period ended September 30, 2014	9-month period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Deferred tax reconciliation		
Accounting profit before tax	<u>1,407,242</u>	<u>957,484</u>
Income tax expense calculated at 16%	225,159	153,197
Effect of income exempt of taxation	(4,599)	(16,114)
Effect of expenses that are not deductible in determining taxable profit	86,724	122,654
Effect of temporary differences	<u>(14,035)</u>	<u>(99,143)</u>
Income tax	<u>293,249</u>	<u>160,594</u>

Components of deferred tax (asset) / liability:

	<u>September 30, 2014</u>		<u>December 31, 2013</u>	
Components of deferred tax	<u>Cumulative temporary differences</u>	<u>Deferred tax (asset) / liability</u>	<u>Cumulative temporary differences</u>	<u>Deferred tax (asset) / liability</u>
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Provisions	(325,347)	(52,056)	(331,672)	(53,068)
Other liabilities	-	-	(5,737)	(918)
Property, plant and equipment	1,259,408	201,506	1,294,135	207,062
Financial investments	(66,225)	(10,596)	-	-
Inventory	(9,059)	(1,449)	-	-
Trade receivables and other receivables	3,065	490	-	-
Other assets	-	-	(41,478)	(6,636)
Total	<u>861,842</u>	<u>137,895</u>	<u>915,248</u>	<u>146,440</u>
Charged to income		<u>(8,545)</u>		<u>(111,396)</u>

This is a free translation from the original Romanian version.

NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage Assets	Developme nt cost - WIP	Capital work in progress - other	Total
	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON	'000RON
Cost									
As of Dec 31, 2013	103,110	449,978	4,539,218	1,002,118	153,893	1,539,539	691,696	312,332	8,791,884
Additions, of which:	1,274	5,365	223,484	49,489	298	14,910	408,816	271,669	975,305
- transfers	459	5,365	219,905	47,122	298	14,910	-	-	288,059
- decommissioning	-	-	4,739	-	-	-	-	-	4,739
Disposals, of which:	-	(219)	(20,047)	(1,655)	(111)	(476)	(223,460)	(85,800)	(331,768)
- transfers	-	-	-	-	-	-	(202,310)	(85,749)	(288,059)
As of September 30, 2014	104,384	455,124	4,742,655	1,049,952	154,080	1,553,973	877,052	498,201	9,435,421
Accumulated depreciation									
As of Dec 31, 2013	-	54,773	1,739,256	415,026	89,594	297,858	-	-	2,596,507
Charge for the period	-	11,387	204,345	83,116	3,925	60,511	-	-	363,284
Depreciation from JV	-	-	1,499	-	-	-	-	-	1,499
Depreciation for the FA used for internal production of FA	-	-	32,743	-	-	-	-	-	32,743
Disposals	-	(60)	(5,826)	(1,292)	(90)	(198)	-	-	(7,466)
As of September 30, 2014	-	66,100	1,972,017	496,850	93,429	358,171	-	-	2,986,567
Impairment									
As of Dec 31, 2013	3,180	14,383	69,645	22,780	124	-	276,880	41,118	428,110
Charged during the period	-	-	56,192	-	-	-	49,732	-	105,924
Release during the period	-	-	-	(188)	-	-	(6,130)	-	(6,318)
As of September 30, 2014	3,180	14,383	125,837	22,592	124	-	320,482	41,118	527,716
Carrying value as of Dec 31, 2013	99,930	380,822	2,730,317	564,312	64,175	1,241,681	414,816	271,214	5,767,267
Carrying value as of September 30, 2014	101,204	374,641	2,644,801	530,510	60,527	1,195,802	556,570	457,083	5,921,138

This is a free translation from the original Romanian version.

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED
SEPTEMBER 30, 2014 (NOT AUDITED)**

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.

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 NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage Assets	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:	5,502	37,920	77,447	110,180	880	3,695	162,959	279,737	678,320
- transfers	577	33,538	59,518	78,782	148	-	-	-	172,563
- decommissioning	-	-	13,328	-	-	-	-	-	13,328
Disposals, of which:	-	(144)	(2,308)	(760)	(14)	(144)	(22,410)	(150,153)	(175,933)
- transfers	-	-	-	-	-	-	(22,410)	(150,153)	(172,563)
As of September 30, 2013	97,446	393,177	4,505,433	956,396	154,472	1,507,657	677,532	328,870	8,620,983
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	-	10,509	329,160	65,028	14,556	61,095	-	-	480,348
Depreciation from JV	-	-	2,507	-	-	-	-	-	2,507
Disposals	-	(49)	(8)	(2,646)	882	(84)	-	-	(1,905)
As of September 30, 2013	-	51,076	1,651,175	374,621	85,845	277,209	-	-	2,439,926
Impairment									
As of Dec 31, 2012	-	-	43,726	-	-	-	207,379	27,745	278,850
Charge for the period	-	14,383	13,569	22,779	125	-	34,023	16,717	101,596
As of September 30, 2013	-	14,383	57,295	22,779	125	-	241,402	44,462	380,446
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 September 30, 2013	97,446	327,718	2,796,963	558,996	68,502	1,230,448	436,130	284,408	5,800,611

This is a free translation from the original Romanian version.

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED
SEPTEMBER 30, 2014 (NOT AUDITED)**
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.

	9-month period ended September 30, 2014	9-month period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Exploration expenditure written off	21,140	24,991
Net movement in exploration assets' impairment	137,485	37,404
Capital expenditure	469,519	298,251
Net cash used in investing activities	(469,458)	(264,228)
	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Exploration assets	880,432	772,217
Liabilities	(20,831)	(29,413)
Net assets	859,601	742,804

14. OTHER INTANGIBLE ASSETS

	Development expenses	Licenses	Intangible development assets - WIP	Intangible work in progress - other	Total
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Cost					
As of Dec 31, 2013	<u>4,133</u>	<u>160,044</u>	<u>381,577</u>	<u>4,834</u>	<u>550,588</u>
Additions, of which:	-	2,124	60,703	8,542	71,369
- transfers	-	1,805	-	-	1,805
Disposals, of which:	-	(167)	(360)	(1,445)	(1,972)
- transfers	-	-	(360)	(1,445)	(1,805)
As of September 30, 2014	<u>4,133</u>	<u>162,001</u>	<u>441,920</u>	<u>11,931</u>	<u>619,985</u>
Accumulated amortization					
As of Dec 31, 2013	<u>4,088</u>	<u>138,369</u>	<u>-</u>	<u>-</u>	<u>142,457</u>
Charge for the period	25	11,520	-	-	11,545
Disposals	-	(167)	-	-	(167)
As of September 30, 2014	<u>4,113</u>	<u>149,722</u>	<u>-</u>	<u>-</u>	<u>153,835</u>
Impairment					
As of Dec 31, 2013	<u>-</u>	<u>-</u>	<u>24,175</u>	<u>-</u>	<u>24,175</u>
Charge for the period	-	-	93,883	-	93,883
As of September 30, 2014	<u>-</u>	<u>-</u>	<u>118,058</u>	<u>-</u>	<u>118,058</u>
Carrying value as of Dec 31, 2013	<u>45</u>	<u>21,675</u>	<u>357,402</u>	<u>4,834</u>	<u>383,956</u>
Carrying value as of September 30, 2014	<u>20</u>	<u>12,279</u>	<u>323,862</u>	<u>11,931</u>	<u>348,092</u>

This is a free translation from the original Romanian version.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

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	<u>4,146</u>	<u>144,975</u>	<u>224,280</u>	<u>-</u>	<u>373,401</u>
Additions, of which:	-	7,796	135,292	7,608	150,696
-transfers	-	4,539	-	-	4,539
Disposals, of which:	-	-	(24,996)	(4,534)	(29,530)
-transfers	-	-	(5)	(4,534)	(4,539)
- exploration expenditure written-off	-	-	(24,991)	-	(24,991)
As of September 30, 2013	<u>4,146</u>	<u>162,771</u>	<u>334,576</u>	<u>3,074</u>	<u>494,567</u>
Accumulated amortization					
As of Dec 31, 2012	<u>3,952</u>	<u>117,724</u>	<u>-</u>	<u>-</u>	<u>121,676</u>
Charge for the period	118	16,303	-	-	16,421
Disposals	-	(428)	-	-	(428)
As of September 30, 2013	<u>4,070</u>	<u>133,599</u>	<u>-</u>	<u>-</u>	<u>137,669</u>
Impairment					
As of Dec 31, 2012	<u>-</u>	<u>-</u>	<u>21,021</u>	<u>-</u>	<u>21,021</u>
Charge for the period	-	-	3,381	-	3,381
As of September 30, 2013	<u>-</u>	<u>-</u>	<u>24,402</u>	<u>-</u>	<u>24,402</u>
Carrying value as of Dec 31, 2012	<u>194</u>	<u>27,251</u>	<u>203,259</u>	<u>-</u>	<u>230,704</u>
Carrying value as of September 30, 2013	<u>76</u>	<u>19,172</u>	<u>310,174</u>	<u>3,074</u>	<u>332,496</u>

15. INVENTORIES

	September 30, 2014 '000 RON	December 31, 2013 '000 RON
Spare parts and materials	143,226	132,382
Work in progress	294	217
Finished goods	249,336	238,496
Residual products	98	117
Inventories at third parties	19,475	30,122
Commodities (gas)	3,406	71,666
Packaging	5	5
Impairment for slow moving inventory	(9,059)	(9,059)
Total	<u>406,781</u>	<u>463,946</u>

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	September 30, 2014	December 31, 2013
	<i>'000 RON</i>	<i>'000 RON</i>
Trade receivables - short term	991,009	1,451,668
Bad debt allowances - short term (16 c)	(572,352)	(393,200)
Accrued receivables	28,839	28,160
Total trade receivables	447,496	1,086,628

b) Other assets

	September 30, 2014	December 31, 2013
	<i>'000 RON</i>	<i>'000 RON</i>
Advance paid to suppliers	37,555	88,850
Joint venture receivables	2,416	8,330
Loans to associates	16,785	16,422
Interest on loan to associates	660	671
Other receivables	66,840	50,652
Prepayments	56,002	1,939
VAT not yet due	151	(3,503)
Bad debt allowances for other receivables	(81)	(89)
Total other assets	180,328	163,272

c) Changes in the allowance for doubtful debts

	2014	2013
	<i>'000 RON</i>	<i>'000 RON</i>
At Jan 1	393,200	818,966
Charge during the period	179,167	227,254
Releases during the period	(15)	(653,020)*
At September 30, 2014/ December 31, 2013	572,352	393,200

As of September 30, 2014, the Company recorded allowances mainly for bad debts related to receivables in relation to the following clients: Interagro thousand RON 261,072 (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 176,658 (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.

*Please see Note 12.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

16. ACCOUNTS RECEIVABLE (continued)

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

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

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	'000 RON	'000 RON
Current and not impaired	413,795	984,811
Overdue receivables but not impaired		
less than 30 days overdue	1,295	1,263
30 to 90 days overdue	754	15,736
90 to 360 days overdue	2,794	56,658
Over 1 year	19	-
Total past due but not impaired	<u>4,862</u>	<u>73,657</u>
Total trade receivables	<u>418,657</u>	<u>1,058,468</u>

17. SHARE CAPITAL

	<u>Share capital</u>	
	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	'000 RON	'000 RON
385,422,400 fully paid ordinary shares – nominal value	385,422	385,422
Hyperinflation adjustment	-	1,507,259
Total	<u>385,422</u>	<u>1,892,681</u>

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 September 30, 2014 is as follows:

Share capital structure as of September 30, 2014	<u>No. of shares</u>	<u>%</u>	<u>Value</u> '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	69,209,265	18	69,209
Physical persons	7,847,095	2	7,847
Total	<u>385,422,400</u>	<u>100</u>	<u>385,422</u>

This is a free translation from the original Romanian version.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

17. SHARE CAPITAL (continued)

All shares are ordinary and were subscribed and fully paid as at September 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 September 30, 2014.

18. RESERVES

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

	September 30, 2014	December 31, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Legal reserves	77,084	77,084
Other reserves	<u>2,034,595</u>	<u>1,872,516</u>
Total reserves	<u>2,111,679</u>	<u>1,949,600</u>

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

	September 30, 2014	December 31, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Decommissioning provision - long term portion	197,301	196,950
Decommissioning provision - short term portion	17,664	17,211
Retirement benefit obligation	79,241	79,241
Other provisions	<u>17,122</u>	<u>30,105</u>
Total	<u>311,328</u>	<u>323,507</u>

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

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, the management of the Company considers the existing and future technologies that are expected to be used in the period when it is expected that the costs will be incurred.

<i>Decommissioning provision movement</i>	<u>2014</u>	<u>2013</u>
	<i>'000 RON</i>	<i>'000 RON</i>
At January 1	214,161	175,516
Additional provision recorded against non-current assets	4,739	51,365
Unwinding effect	11,565	13,197
Recorded in profit or loss	(10,964)	(9,502)
Release against non-current assets	<u>(4,536)</u>	<u>(16,415)</u>
At September 30, 2014/ December 31, 2013	214,965	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 multiplier 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 September 30, 2014, the Company recorded a provision for environment restoration of thousand RON 17,122 (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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

20. TRADE AND OTHER CURRENT LIABILITIES

	September 30, 2014	December 31, 2013
	<i>'000 RON</i>	<i>'000 RON</i>
Accruals	23,747	67,329
Payables related to employees	19,670	53,020
Trade payables	38,823	30,852
Payables to fixed assets suppliers	43,735	46,904
Gas royalty	69,892	69,235
Social security taxes	15,665	14,673
Other current liabilities	27,677	12,227
Dividends to be paid	4,087	-
Joint venture payables	2,601	2,979
Advances from customers	13,036	57,707
VAT	38,812	122,583
Other taxes payable	29,100	35,958
Total	326,845	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 program focuses on the unpredictability of financial markets and seeks to minimize 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

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 September 30, 2014 RON 4.4114 to EUR 1 and RON 3.5019 to USD 1 (December 31, 2013: RON 4.4847 to EUR 1 and RON 3.2551 to USD 1).

(ii) Inflation risk

The official inflation rate in Romania, during the nine month period ended September 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 September 30, 2014, the Company had granted variable interest bearing loans of thousand RON 16,785 (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 90% of trade receivable balance at September 30, 2014 (91% 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

21. FINANCIAL INSTRUMENTS (continued)

September 30, 2014	EUR 1 EUR = 4.4114 '000 RON	GBP 1 GBP = 5.6735 '000 RON	USD 1 USD = 3.5019 '000 RON	RON 1 RON '000 RON	Total '000 RON
Financial assets					
Cash at bank and cash equivalents	154	-	20	1,703,668	1,703,842
Held-to-maturity investments	-	-	-	1,162,596	1,162,596
Interest on investments	-	-	-	13,760	13,760
Trade and other receivables	-	-	-	447,496	447,496
Loans granted	17,445	-	-	-	17,445
Total financial assets	17,599	-	20	3,327,520	3,345,139
Financial liabilities					
Trade payables	(1,216)	(2)	-	(118,123)	(119,341)
Total financial liabilities	(1,216)	(2)	-	(118,123)	(119,341)
Net	16,383	(2)	20	3,209,397	3,225,798
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					
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	17,093	-	-	-	17,093
Total financial assets	17,131	13	8,268	3,612,563	3,637,975
Financial liabilities					
Trade 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)	3,459,077	3,435,179

This is a free translation from the original Romanian version.

NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)
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.

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	'000 RON	'000 RON
Weakening of RON Profit/(loss)	(820)	(1,195)

Liquidity and interest risk

As of September 30, 2014, the Company's exposure to interest risk is limited, due to the fact that it has no borrowings; 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

September 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	230,213	188,444	-	-	-	418,657
Treasury bills	49,997	231,994	395,886	-	-	677,877
Total	280,210	420,438	395,886	-	-	1,096,534
Trade payables	(119,341)	-	-	-	-	(119,341)
Total	(119,341)	-	-	-	-	(119,341)
Net	160,869	420,438	395,886	-	-	977,193
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
Treasury bills	-	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

This is a free translation from the original Romanian version.

NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

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

Most of Romgaz's clients are companies in which the Romanian State holds control or continues to have significant influence following their privatization, considering the strategic importance of the field in which both the Company and its clients operate. During the nine-month period ended September 30, 2014 Romgaz had only transactions in the normal course of business with these companies. Transactions are done on the basis of standard contractual relationships, usually with state owned companies.

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

(i) Sales of goods and services

	9-month period ended September 30, 2014	9-month period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Romgaz SA's associates	18,657	20,521
Total	18,657	20,521

(ii) Purchases of goods and services

	9 months period ended September 30, 2014	9 months period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Romgaz SA's associates	-	271
Total	-	271

(iii) Trade receivables and other receivables

	September 30, 2014	December 31, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Romgaz SA's associates	3,808	-
Total	3,808	-

NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

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

The remuneration of directors and managers

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

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

	9month period ended September 30, 2014	9-month period ended September 30, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Salaries paid to directors	8,511	7,894
	September 30, 2014	December 31, 2013
	<u>'000 RON</u>	<u>'000 RON</u>
Salaries payable to directors	293	458

NOTES TO THE INTERIM INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

24. ASSOCIATES

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			September 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
			September 30, 2014	December 31, 2013
			'000 RON	'000 RON
Investments in associates			12,806	12,806
Impairment			(12,068)	(11,859)
Total			738	947

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

25. OTHER FINANCIAL ASSETS

Other financial investments

<u>Company</u>	<u>Activity</u>	<u>Percentage held</u>	<u>Value as of September 30, 2014</u>	<u>Impairment as of September 30, 2014</u>	<u>Carrying value as of September 30, 2014</u>
			<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Electrocentrale Bucuresti S.A.	electricity and thermal power producer	2.49%	64,310	-	64,310
Electrocentrale Titan SA	electricity and thermal power producer	0.74%	1,977		1,977
MKB Romexterra Bank S.A.	other activities - financial intermediations	0.04%	840	752	88
Mi Petrogas Services S.A.	services related to oil and natural gas extraction, excluding 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			<u>94,741</u>	<u>17,852</u>	<u>76,889</u>

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 September 30, 2014 the Company did not identify any indication of impairment of other financial investments, other than the impairment recorded as of September 30, 2014.

The spin-off project of Electrocentrale Bucharest SA ("ELCEN") in which S.N.G.N. ROMGAZ S.A. has held 2.26%, was approved on July 25, 2014. As an effect of the spin-off, Electrocentrale Bucharest SA who continue to exist, has been split into two other companies: Electrocentrale Titan S.A. and Electrocentrale Constanta S.A. As a result of this spin-off, S.N.G.N. Romgaz S.A. holds 2.49% of Electrocentrale Bucharest S.A. shares and 0.73% of Electrocentrale Titan S.A. shares.

This is a free translation from the original Romanian version.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)

25. OTHER FINANCIAL ASSETS (continued)

<u>Company</u>	<u>Activity</u>	<u>Percentage held</u>	<u>Value as of December 31, 2013</u>	<u>Impairment as of December 31, 2013</u>	<u>Carrying value as of December 31, 2013</u>
			<i>'000 RON</i>	<i>'000 RON</i>	<i>'000 RON</i>
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			94,791	17,891	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.

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

26. SEGMENT INFORMATION

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

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the upstream segment, storage services and others, including 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

September 30, 2014	Upstream	Storage	Other
	<i>'000 RON</i>	<i>'000 RON</i>	<i>'000 RON</i>
Property, plant and equipment	3,944,982	1,609,982	366,174
Other intangible assets	331,795	769	15,528
Other investments	-	-	77,627
			7,681
Trade and other receivables	397,066	42,749	
Other non-current assets	-	-	17,445
Inventories	303,196	73,626	29,959
Other financial assets	127,631	214,231	834,494
Other assets	121,870	23,638	17,375
Cash and cash balances	50,325	955	1,652,562
Total assets	5,276,865	1,965,950	3,018,845
Retirement benefit obligation	-	-	79,241
Deferred tax liabilities	-	-	137,895
Provisions	232,087	-	-
Other liabilities	136,365	1,358	139,243
Trade and other payables	95,651	5,129	18,561
Total liabilities	464,103	6,487	374,940

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

26 SEGMENT INFORMATION (continued)

b) Segment assets and liabilities (continued)

December 31, 2013	<u>Upstream</u>	<u>Storage</u>	<u>Other</u>
	'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	9,636
Cash and cash balances	27,641	1,080	1,534,869
Total assets	5,201,215	1,558,092	3,717,863
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

26. SEGMENT INFORMATION (continued)

c) Segment revenues, results and other segment information

Nine months ended September 30, 2014	<u>Upstream</u>	<u>Storage</u>	<u>Other</u>	<u>Adjustment and eliminations</u>	<u>Total</u>
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,819,048	307,253	488,520	(328,051)	3,286,770
Less: sales and other operating revenues between businesses	(86,371)	-	(241,680)	328,051	-
Third party sales	2,732,677	307,253	246,840	-	3,286,770
Interest revenue	3,699	3,400	50,930	-	58,029
Interest expense	(24)	-	-	-	(24)
Depreciation and amortisation	(450,401)	(64,588)	(53,517)	-	(568,506)
Segment profit before tax	1,192,216	114,150	100,876	-	1,407,242

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

Nine months ended September 30, 2013	Adjustment and eliminations				Total
	Upstream	Storage	Other		
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,258,678	226,903	354,778	(253,310)	2,587,049
Less: sales and other operating revenues between businesses	(3,230)	-	(250,080)	253,310	-
Third party sales	2,255,448	226,903	104,698	-	2,587,049
Interest revenue	6,365	1,631	75,800	-	83,796
Interest expense	(15,289)	-	-	-	(15,289)
Depreciation and amortisation	(436,040)	(67,455)	(98,251)	-	(601,746)
Segment profit before tax	835,422	96,871	25,191	-	957,484

For the nine months period ended at September 30, 2014, three of the Company's most important clients represent each, individually over 10% of the revenue of the Company (nine months period ended September 30, 2013: two of the Company's most important clients represent each, individually over 10% of the revenue), together totaling 69% of total revenue (September 30, 2013: 53%). 7% from revenues for the three clients are presented in Storage segment, the rest being presented in the Upstream segment (nine months period ended September 30, 2013: 10% Storage, 90% Upstream).

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 will be calculated on the balance of the loan drawn down on an annual basis rate equivalent to ECB Euro base interest rate plus 1% per annum. The applicable ECB Euro base interest rate will be used as at the last working day of a calendar year. Interest is not to be capitalized.

As of September 30, 2014, Romgaz S.A. has a receivable balance of thousand RON 16,785 (December 31, 2013: 16,422) and related interest of thousand RON 660 as of September 30, 2014 (9 months 2013 – thousand RON 711).

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:

<i>Cash and cash equivalents</i>	September 30, 2014	December 31, 2013
	'000 RON	'000 RON
Current bank accounts in RON	33,632	40,205
Current bank accounts in foreign currency	162	150
Petty cash	33	22
Short-term deposits	1,388,024	1,494,469
Treasury bonds with maturity under 3 months	281,991	28,744
Total	1,703,842	1,563,590

This is a free translation from the original Romanian version.

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

29. OTHER FINANCIAL ASSETS

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

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	<i>'000 RON</i>	<i>'000 RON</i>
Shares in unquoted entities	76,889	76,900
Held-to-maturity investments	<u>1,176,356</u>	<u>970,664</u>
Total	<u>1,253,245</u>	<u>1,047,564</u>

30. COMMITMENTS UNDERTAKEN

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	<i>'000 RON</i>	<i>'000 RON</i>
Capital commitments	11,008	52,753
Other commitments	<u>2,654</u>	<u>2,130</u>
Total	<u>13,662</u>	<u>54,883</u>

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 September 30, 2014 are available thousand USD 10,913.

31. COMMITMENTS RECEIVED

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	<i>'000 RON</i>	<i>'000 RON</i>
Endorsements and collaterals received	967	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

This is a free translation from the original Romanian version.

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

the financial position of the Company.

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

On December 28, 2011, 27 former and current employees were notified by DIICOT (Direction for Investigation of Crimes of Organized Criminal Activity and Terrorism) regarding an investigation related to sale contracts signed with one of the Company's clients which are suspected to have been granted unauthorized discounts to this client during the period 2005-2010. The Direction mentioned that this may have resulted in a loss of USD 92 million for the Company. 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. 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 expert's report was not finalized by the date of issue of the financial statements as of September 30, 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.

National Agency for Tax Administration control

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

Following the tax inspection, the National Agency for Tax Administration – the General Regional Direction of Public Finance Brasov, the Alba County Public Finance Administration issued Tax Inspection Report (TIR) no. 87/30.09.2014, as well as subsequent enforcement documents based on TIR no. 87/30.09.2014, namely Tax decision no. F-AB 417 of 30. 09.2014 and the Notice for measures no. 197518 of 30.09.2014, all of which that led to additional liabilities for Romgaz of thousand RON 22,440, representing income tax, VAT, penalties and related interest.

Of the total amount, Romgaz paid thousand RON 2,389.

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

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

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

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

(d) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at September 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 214,965 representing the decommissioning provision (December 31, 2013: thousand 214,161 RON) and a provision for land restauration of thousand RON 8,560 (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 analyze 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 September 30, 2014 and September 30, 2013, the Company has concluded insurance policies for tangible assets.

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

32. CONTINGENCIES (continued)

(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.

(h) *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 September 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 submitted to the Registry by Electrocentrale Bucuresti, related to emissions of January, 2013 (Romgaz started to monitor the compliance when CET Iernut was taken over in February 2013).

According to 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)							2020
		2013	2014	2015	2016	2017	2018	2019	
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).

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 (NOT AUDITED)**

32. CONTINGENCIES (continued)

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, SNGN ROMGAZ SA- 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

There were no subsequent events to the interim financial statements for the period ended September 30, 2014.

34. APPROVAL OF INTERIM INDIVIDUAL FINANCIAL STATEMENTS

The interim individual financial statements were approved by the board of directors and authorized for issue on November 12, 2014.

Virgil Metea
General Manager



Lucia Ionascu
Economic Director