

SOCIETATEA NATIONALA DE GAZE NATURALE "ROMGAZ" SA

THIRD QUARTER REPORT

ON THE ECONOMIC-FINANCIAL ACTIVITY OF
SNGN "ROMGAZ" SA AS OF SEPTEMBER 30, 2015
(January 01, 2015 – September 30, 2015)



IDENTIFICATION DETAILS ON REPORT AND ISSUER

| | |
|---|---|
| Report based on | Article 227 of Law no. 297/2004 on capital market and Annex no. 30 of CNVM Regulation no. 1/2006 for the nine-month period ended as of September 30, 2015 |
| Report Date | November 13, 2015 |
| Name of the Company | Societatea Națională de Gaze Naturale "ROMGAZ" SA |
| Headquarter | Mediaș, 4 Piața Constantin I. Moțaș, code 551130, County Sibiu |
| Telephone/fax number | 0040 269 201020/0040 269 846901 |
| Web/E-mail | www.romgaz.ro/ secretariat@romgaz.ro |
| Fiscal Code | 14056826 |
| Trade Registry No | J32/392/2001 |
| Subscribed and paid in share capital | RON 385,422,400 |
| Number of shares | 385,422,400, each having a nominal value of RON 1 |
| Regulated markets where the issued securities are traded: | Bucharest Stock Exchange BVB (shares), London Stock Exchange (GDRs) |

COMPANY PERFORMANCES

The operating income is in accordance with the figures budgeted in the approved income and expenditures budget.

Natural gas production has been in Q3 2015 almost equal to the one recorded in Q3 2014 (1,357.8 vs. 1,362.3 million m³) and natural gas production for the first 9 months of 2015 was only 2.21% lower than the production during the similar period of 2014 (4,134.5 vs 4,227.9 million m³).

Gas quantities that haven't been sold were stored in UGSs.

The achievement of a net profit margin of 33.3%, EBIT margin of 39.5% and EBITDA margin of 57.6% confirms the high profitability of the company.

Operating expenses are higher as compared to the planned ones due to the allowance for doubtful customers of RON 187.9 million and to the partial impairment of non-current assets for exploration works in the Black Sea of RON 133 million that led to a *net profit* of RON 975.3 million.

As compared to the same period of the previous year, the company's performances were mainly influenced by the decrease of natural gas demand on the Romanian market by 2.66%.

Romgaz sold lower natural gas quantities as compared to the same period of last year because of:

- ☞ Consumption of customers that use gas for electric power production was limited for those consumers with reduced payment capacities;
- ☞ Delayed issue of the regulations on the minimum gas stock for the 2015-2016 winter and the lack of will of the main natural gas sector players to comply with regulations due to the uncertainties on carrying out the price liberalization process on the regulated market.

Relevant Financial Results

RON million

| Q3 2014 | Q2 2015 | Q3 2015 | Δ Q3 (%) | Main Indicators | 9 months 2014 | 9 months 2015 | Δ 9 months (%) |
|------------|------------|------------|-------------|---|---------------------|---------------------|----------------------|
| 760.4 | 869.6 | 698.0 | -8.2% | Revenue | 3,286.8 | 2,933.1 | -10.8% |
| 913.2 | 941.6 | 902.3 | -1.2% | Income | 3,473.5 | 3,143.5 | -9.5% |
| 595.5 | 668.6 | 659.6 | 10.8% | Expenses | 2,066.2 | 1,948.7 | -5.7% |
| 317.7 | 273.0 | 242.6 | -23.6% | Gross Profit | 1,407.2 | 1,194.8 | -15.1% |
| 74.7 | 69.5 | 33.9 | -54.6% | Profit Tax | 293.2 | 219.4 | -25.2% |
| 243.0 | 203.5 | 208.7 | -14.1% | Net Profit | 1,114.0 | 975.3 | -12.4% |
| 353.0 | 577.8 | 246.7 | -30.1% | Cash flow from operational activities | 1,998.2 | 1,473.7 | -26.2% |
| 301.2 | 261.4 | 233.2 | -22.6% | EBIT | 1,349.2 | 1,160.0 | -14.0% |
| 503.3 | 381.8 | 465.2 | -7.6% | EBITDA | 1,917.7 | 1,688.9 | -11.9% |
| 0.63 | 0.53 | 0.54 | -14.1% | EPS (RON) | 2.89 | 2.53 | -12.4% |
| 32.0% | 23.4% | 29.9% | -6.4% | Net Profit Rate (% from Revenue) | 33.9% | 33.3% | -1.9% |
| 39.6% | 30.1% | 33.4% | -15.7% | EBIT Ratio (% from Revenue) | 41.0% | 39.5% | -3.7% |
| 66.2% | 43.9% | 66.6% | 0.7% | EBITDA Ratio (% from Revenue) | 58.3% | 57.6% | -1.3% |
| 6,361 | 6,332 | 6,351 | -0.2% | Number of employees at the end of the period | 6,361 | 6,351 | -0.2% |

The figures above are rounded and therefore there may be slight differences after reconciliation.

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

As compared to the same period of 2014 the lower revenue is related mainly to the reduced national gas demand and specifically due to the limited consumption imposed on customers having reduced payment capacities that use gas for electric power production, the delayed issue of regulations on minimum gas stock in storages.

Due to the above mentioned causes, the net profit, EBIT and EBITDA are lower as compared to the same period of 2014 when the Company recorded the best results ever. Despite all, the ratios of these financial indicators against the revenue do not record significant deviations and are highly favorable: 33.3%, 39.5% and 57.6% (as compared to 33.9%, 41.0% and, respectively, 58.3% at 9 months 2014), confirming the high profitability of the company.

Net profit per share of RON 2.53 recorded in the first nine months of 2015 shall be positively influenced by the allocation from the reserves made in previous years in compliance with GD no. 168/1998.

The reserves allocation, with a positive impact on the net profit to be allocated, has been in 2013 in amount of RON 157.5 million, in 2014 RON 241.90 million. Until the date of the financial statements as of September 30, 2015 the amount to be allocated from the reserves is of RON 127 million.

Operational Results

| Q3 2014 | Q2 2015 | Q3 2015 | Δ Q3 (%) | Main Indicators | 9 months 2014 | 9 months 2015 | Δ 9 M (%) |
|------------|------------|------------|-------------|---|------------------|------------------|--------------|
| 1,362.3 | 1,340.6 | 1,357.8 | -0.33 | Gas Produced (million m ³) | 4,227.9 | 4,134.5 | -2.21 |
| 947.4 | 1,183.7 | 842.6 | -11.06 | Gas delivered from domestic production (million m ^{3*}) | 4,152.9 | 3,719.7 | -10.43 |
| 3.0 | 0.0 | 0.0 | | Delivered import gas (million m ³) | 72.9 | 2.2 | -96.98 |
| 950.4 | 1,183.7 | 842.6 | -11.34 | Total gas delivered (million m ³) | 4,225.8 | 3,721.9 | -11.92 |
| 98.2 | 97.3 | 98.8 | 0.61 | Petroleum Royalty (million m ³) | 310.0 | 300.5 | -3.06 |
| 1,005.0 | 3,600.0 | 2,679.0 | 166.57 | Condensate Production (tonnes) | 3,164.0 | 8,191.0 | 158.88 |
| 395.1 | 264.5 | 691.9 | 75.12 | Electricity delivered (GWh) | 1,215.6 | 1,102.1 | -9.34 |
| 0.0 | 38.9 | 0.0 | | UGS gas withdrawn services (million m ³) | 1,169.4 | 1,190.1 | 1.77 |
| 1,005.6 | 438.9 | 819.0 | -18.56 | UGS gas injection services (million m ³) | 1,615.2 | 1,550.1 | -4.03 |

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

Gas production was in the parameters expected when preparing the program for 2015, the achieved level representing 99.5% of the planned one (4,153.9 million m³ planned vs. 4,134.5 million m³ achieved).

The evolution of gas production in this quarter reflects the seasonality of the demand, increased by the warm weather conditions during May-June and by the heat recorded in July-August. As a consequence, during the first nine months of 2015 Romgaz recorded a production 93.4 million m³ (2.2%) lower than the production of the same period of last year.

The major demand decrease in the chemical fertilizer sector, the limited consumption imposed on consumers with reduced payment capacity using gas for electric power production, the delayed issue of regulations on minimum gas stock for the 2015-2016 winter, the lack of will of the main natural gas sector players to comply with regulations due to the uncertainties on carrying out the price liberalization process on the regulated market are the causes that have led to lower sales.

By entering into production of Frasin – Gura Humorului and Caragele discoveries, the *production of condensate* recorded a major growth (159%) during the reviewed period, with a quantity of approximately 8,191 tonnes.

Electricity delivered by CET Iernut in the first nine months of 2015 has been by 22% higher (y/y) considering the decreased hydro potential. From the total electricity issued, 42% was delivered to the balancing market that lead to the consolidation of Romgaz position as electricity producer on the balancing market. The sale prices of electricity have exceeded the average prices on all markets.

ROMGAZ AT A GLANCE

The company undertakes business in the following segments:

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

Shareholder Structure

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

| | Number of shares | % |
|-----------------------------------|--------------------|-----------------|
| The Romanian State ¹ | 269,823,080 | 70.0071 |
| SC "Fondul Proprietatea" SA (FP) | 38,542,960 | 10.0002 |
| Free float – total, out of which: | 77,056,360 | 19.9927 |
| *legal persons | 66,026,995 | 17.1311 |
| *natural persons | 11,029,365 | 2.8616 |
| Total | 385,422,400 | 100.0000 |



Company Organization

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

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

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

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

Company Management

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

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

Human Resources

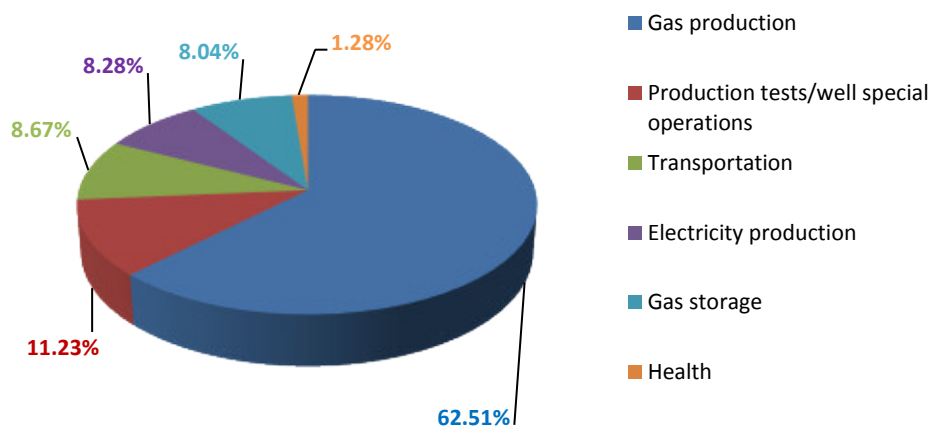
On September 30, 2015 the company had a number of 6,351 employees.

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

| Specifications | 2012 | 2013 | 2014 | 9 months 2015 |
|---|-------|-------------------|-------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| Employees at the beginning of the period | 5,945 | 5,921 | 6,472 | 6,344 |
| Newly hired employees | 129 | 681 ^{*)} | 92 | 126 |
| Employees who terminated their labour relationship with the company | 153 | 130 | 220 | 119 |
| Employees at the end of the period | 5,921 | 6,472 | 6,344 | 6,351 |

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

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



PHYSICAL INDICATORS

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

| Item no. | Specifications | 9 months 2013 | 9 months 2014 | 9 months 2015 | Ratios |
|------------|---|----------------|----------------|----------------|--------------|
| 0 | 1 | 2 | 3 | 4 | 5=4/3x100 |
| 1. | Gross production – total , out of which: | 4,198.0 | 4,227.9 | 4,134.5 | 97.8% |
| 1.1. | *own gas | 4,061.9 | 4,084.9 | 3,982.2 | 97.5% |
| 1.2. | *Schlumberger (100%) | 136.1 | 143.0 | 152.3 | 106.5% |
| 2. | Technological consumption | 58.2 | 59.8 | 57.8 | 96.7% |
| 3. | Net own gas production (1.-1.2.-2.) | 4,003.7 | 4,025.1 | 3,924.4 | 97.5% |
| 4. | Own gas stored in UGS | 700.4 | 464.2 | 622.0 | 134.0% |
| 5. | Own gas withdrawn from UGS | 262.4 | 450.5 | 293.3 | 65.1% |
| 6. | Difference from conversion to Gross Calorific Value | 11.8 | 8.0 | 13.8 | 172.5% |
| 7. | Delivered own gas (3.-4.+5.-6.) | 3,553.8 | 4,003.4 | 3,581.9 | 89.5% |
| 8. | Gas delivered to CTE Iernut and Cojocna | 130.6 | 304.0 | 359.4 | 118.2% |
| 9. | Own gas delivered to the market (7.-8.) | 3,423.3 | 3,699.4 | 3,222.5 | 87.1% |
| 10. | Gas from joint ventures^{*)} – total , out of which: | 139.5 | 136.0 | 125.2 | 92.1% |
| | *Schlumberger (50%) | 68.1 | 71.5 | 76.1 | 106.5% |
| | *Raffles Energy (37.5%) | 3.2 | 0.7 | 0.3 | 41.0% |
| | *Amromco (50%) | 68.2 | 63.8 | 48.8 | 76.4% |
| 11. | Gas acquisition from domestic production | 8.6 | 13.5 | 12.6 | 93.3% |
| 12. | Traded domestic gas (9.+10.+11.) | 3,571.3 | 3,848.9 | 3,360.3 | 87.3% |
| 13. | Gas delivered from domestic production (8.+12.) | 3,701.9 | 4,152.9 | 3,719.7 | 89.6% |
| 14. | Delivered import gas | 237.9 | 72.9 | 2.2 | 3.0% |
| 15. | Total delivered gas (13.+14.) | 3,939.8 | 4,225.8 | 3,721.9 | 88.1% |
| * | UGS gas extraction services invoiced | 1,291.1 | 1,169.4 | 1,190.1 | 101.8% |
| * | UGS gas injection services invoiced | 1,881.7 | 1,615.2 | 1,550.1 | 96.0% |

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

INVESTMENTS

For the first nine months of 2015, Romgaz planned investments worth *RON 988.6 million* and achieved *RON 652.5 million*, 34%, namely *RON 336 million*, lower than planned. Investments were financed exclusively from own sources.

Compared to the same period of 2014, the investments achieved in 2015 are by 13.1% lower, namely *RON 98.3 million*.

It is worth mentioning that investments in geological exploration works for the discovery of new reserves have increased significantly, being by 61.5% (*RON 149.3 million*) higher than during the same period of 2014.

The value of fixed assets put into operation during the reviewed period is *RON 420.7 million*.

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

RON thousand

| Investment Chapter | Achieved 9 months 2014 | Planned 9 months 2015 | Achieved 9 months 2015 | 2015/ 2014 | A 2015/ P 2015 |
|--|------------------------------|--------------------------------|------------------------------|------------------|-------------------|
| I | 2 | 3 | 4 | 5=4/2x100 | 6=4/3x100 |
| I. Geological exploration works to discover new methane gas reserves | 242,825 | 460,553 | 392,117 | 161.5% | 85.1% |
| II. Exploitation drilling works, putting into production of wells, infrastructure and utilities | 126,923 | 93,999 | 39,647 | 31.2% | 42.2% |
| III. Maintaining the UGS capacity | 153,375 | 86,630 | 19,184 | 12.5% | 22.1% |
| IV. Environment protection works | 2,889 | 11,063 | 4,579 | 158.5% | 41.4% |
| V. Retrofitting and revamping of installation and equipment | 175,743 | 242,646 | 158,004 | 89.9% | 65.1% |
| VI. Independent equipment and installations | 36,155 | 67,489 | 31,478 | 87.1% | 46.6% |
| VII. Expenses related to studies and projects | 12,848 | 26,184 | 7,512 | 58.5% | 28.7% |
| TOTAL | 750,758 | 988,564 | 652,521 | 86.9% | 66.0% |

The investments for the first nine months were negatively influenced by the extension of terms related to the award of exploration drilling contracts, the impossibility of obtaining the land for installing surface facilities, the significant reduction of costs related to self-provided works and the conclusion of delivery contracts with the term in Q4.

FINANCIAL-ACCOUNTING INFORMATION

Statement of Interim Financial Position

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

| INDICATOR | December 31, 2014 (RON thousand) | September 30, 2015 (RON thousand) | Variation (%) |
|--------------------------------------|-------------------------------------|--------------------------------------|--------------------------------|
| 1 | 2 | 3 | $\frac{4-(3-2)}{2} \times 100$ |
| ASSETS | | | |
| <i>Non-current assets</i> | | | |
| Property, plant and equipment | 5,962,719 | 6,030,668 | 1.14% |
| Other intangible assets | 407,449 | 488,166 | 19.81% |
| Investments in subsidiaries | - | 1,200 | 100.00% |
| Associates | 738 | 194 | -73.71% |
| Other financial assets | 76,889 | 70,195 | -8.71% |
| TOTAL NON-CURRENT ASSETS | 6,447,795 | 6,590,423 | 2.21% |
| <i>Current assets</i> | | | |
| Inventories | 392,108 | 559,360 | 42.65% |
| Trade and other receivables | 1,000,195 | 621,209 | -37.89% |
| Other financial assets | 916,333 | 853,520 | -6.85% |
| Other assets | 101,886 | 150,969 | 48.17% |
| Cash and cash equivalents | 1,953,787 | 1,613,744 | -17.40% |
| TOTAL CURRENT ASSETS | 4,364,309 | 3,798,802 | -12.96% |
| TOTAL ASSETS | 10,812,104 | 10,389,225 | -3.91% |
| EQUITY AND LIABILITIES | | | |
| <i>Equity</i> | | | |
| Share capital | 385,422 | 385,422 | 0.00% |
| Reserves | 2,142,347 | 2,571,188 | 20.02% |
| Retained earnings | 7,184,249 | 6,516,658 | -9.29% |
| TOTAL EQUITY | 9,712,018 | 9,473,268 | -2.46% |
| <i>Non-current liabilities</i> | | | |
| Retirement benefit obligation | 97,265 | 97,265 | 0.00% |
| Deferred tax liabilities | 131,305 | 97,191 | -25.98% |
| Provisions | 202,293 | 198,877 | -1.69% |
| Total non-current liabilities | 430,863 | 393,333 | -8.71% |
| <i>Current liabilities</i> | | | |
| Trade and other payables | 216,983 | 188,749 | -13.01% |
| Current tax liabilities | 93,590 | 60,314 | -35.56% |
| Provisions | 35,814 | 44,592 | 24.51% |
| Other liabilities | 322,836 | 228,969 | -29.08% |
| Total current liabilities | 669,223 | 522,624 | -21.91% |
| TOTAL LIABILITIES | 1,100,086 | 915,957 | -16.74% |
| TOTAL EQUITY AND LIABILITIES | 10,812,104 | 10,389,225 | -3.91% |

NON-CURRENT ASSETS

The total non-current assets increased by 2.21%, i.e. RON 142.63 million, from RON 6,447.79 million as of December 31, 2014 to RON 6,590.42 million. The increase is due to the purchase of tangible and intangible assets, especially for gas exploration and production activities, under the conditions of impairment of projects in progress, impairment of some tangible assets and depreciation of such.

CURRENTS ASSETS

Current assets decreased by RON 565.51 million (12.96%) as of September 30, 2015, due to the decrease of cash and cash equivalents, state securities and trade receivables.

Inventories

The increase by 42.65% (RON 167.25 million) is a result of the increase of the gas inventory due to gas injection into the underground storages during the second and third quarters of 2015, and the increase of the tubing inventory, which is necessary for drilling gas production wells.

Trade and Other Receivables

Trade receivables decreased by 37.89% as compared to December 31, 2014 as a result of reduction in value and volume of gas delivered in the second and third quarters of 2015, and an increase of allowances for doubtful debts by RON 187.88 million.

Cash and Cash Equivalents. Other Financial Assets

As of the end of Q3 2015, cash, cash equivalents and other financial assets amounted to RON 2,467.26 million, as compared to RON 2,870.12 million at the end of 2014. The decrease is due to the fact that at the end of July 2015 the dividends related to 2014 were paid (RON 1,214.08 million).

Other Assets

Prepayments at the end of Q3 2015 are higher by RON 54.93 million than at the end of 2014 and represent the tax on special constructions, which is to affect the costs, staggered over the next period of 2015, as well as the costs with the services of gas transportation to the UGSs, which are going to be invoiced to the customers as stored gas is delivered.

EQUITY

Reserves increased by RON 428.84 million due to the appropriation to the development fund of a part of the 2014 net profit (RON 407.03 million) and a part of the current period's profit (RON 21.81 million) as a result of applying the tax facility, pursuant to the Government Decision 421/2014 on amending and supplementing the Detailed Implementation Rules of Law 571/ 2003 on the Fiscal Code.

Retained earnings dropped by RON 667.59 million, being adversely affected by the appropriation of the previous years' net profit to destinations approved by GMS, while a positive effect is generated by the net profit obtained in the nine-month period ended September 30, 2015.

NON-CURRENT LIABILITIES

The decrease of non-current liabilities is a result of the reduction of deferred tax liabilities by RON 34.11 million and a decrease of the provision for the decommissioning of tangible non-current assets by RON 3.42 million.

CURRENT LIABILITIES

Current liabilities decreased by RON 146.60 million from RON 669.22 million as of December 31, 2014 to RON 522.62 million as recorded in September 30, 2015.

Trade and Other Payables

The decrease by 13.01% is a result of the reduction of liabilities towards internal suppliers and suppliers of non-current assets, while beneficiaries of gas delivered by the company performed higher advance payments than those made at the end of 2014.

Other Liabilities

The decrease by 29.08% is a result of a the decrease of liabilities towards the state budget (VAT payable, windfall profit tax due to the deregulation of prices on the gas market, excise duty for natural gas and tax on salaries). Such tax liabilities are lower as of September 30, 2015 as compared to December 31, 2014 due to the diminished value of gas delivered and invoiced to customers, and the decrease of liability towards employees.

Current Tax Liabilities

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

Provisions

Provisions recorded an increase by 24.51% as compared to the year ended December 31, 2014, being influenced by the provision created for decommissioning of fixed assets.

Statement of Interim Comprehensive Income

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

| Description | January – September 2014 (RON thousand) | January - September 2015 (RON thousand) | Variance (RON thousand) | Variance (%) |
|---|---|---|----------------------------|-----------------|
| 1 | 2 | 3 | 4=3-2 | 5=4/2x100 |
| Revenue | 3,286,770 | 2,933,107 | (353,663) | -11% |
| Cost of commodities sold | (154,940) | (33,208) | (121,732) | -79% |
| Investment income | 58,029 | 34,767 | (23,262) | -40% |
| Other gains and losses | (195,600) | (213,534) | 17,934 | 9% |
| Change in inventory | 30,202 | 129,917 | 99,715 | 330% |
| Raw materials and consumables used | (38,398) | (58,934) | 20,536 | 53% |
| Depreciation, amortization and impairment | (568,506) | (528,898) | (39,608) | -7% |
| Employee benefit expense | (323,624) | (358,748) | 35,124 | 11% |
| Finance cost | (11,589) | (13,602) | 2,013 | 17% |
| Exploration expenses | (21,140) | - | (21,140) | -100% |
| Other expenses | (751,371) | (740,426) | (10,945) | -1% |
| Other income | 97,409 | 44,336 | (53,073) | -54% |
| Profit before tax | 1,407,242 | 1,194,777 | (212,465) | -15% |
| Income tax expense | (293,249) | (219,446) | (73,803) | -25% |
| Net Profit | 1,113,993 | 975,331 | (138,662) | -12% |

Revenue

The Company's revenue in the first nine months of 2015 amounts to RON 2.93 billion, as compared to RON 3.29 billion achieved in the similar period of 2014, thus a decrease by 11%.

The revenue from sales of internal gas production was lower by RON 187.97 million in the reviewed period than in Q3 2014. A positive influence was given by the higher average delivery price, offset by a reduction in delivered quantities as a result of a lower gas demand.

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

Import Gas Volumes Delivered as Commodity dropped by RON 100.92 million in Q3 2015 as compared to the similar period of the previous year. The reduction in import gas volumes delivered as commodity was the result of a decreasing gas demand on the gas market as well as the provisions of *ANRE Order No. 24/2013 approving the Allocation Methodology of domestic gas production quantities to cover the regulated market consumption*, pursuant to which gas producers are no longer bound to deliver a mix of domestic and import gas.

Revenue from Sales of Internal Gas Production

Revenue from sales of internal gas production and valorisation of own gas has been analysed in detailed by influential factors using the chain substitution method. The results are shown in the table below:

| Revenue from sales of internal gas production (joint ventures not included) | 9 months 2014 ($q_0 \times p_0$) | 9 months 2015 ($q_1 \times p_1$) | Indexes (2015/2014) |
|---|---------------------------------------|---------------------------------------|------------------------|
| 1 | 2 | 3 | 4=3/2x100 |
| Volume (million m^3) | 3,699.4 | 3,222.5 | 87.11% |
| Price (RON/thousand m^3) | 670.4 | 711.2 | 106.10% |
| Value (RON thousand) | 2,479,960 | 2,291,995 | 92.42% |
| Difference (2015 - 2014) (RON thousand) | (187,965) | | |
| Volume influence ($q_1 \times p_0 - q_0 \times p_0$) (RON thousand) | (319,681) | | |
| Price influence ($q_1 \times p_1 - q_1 \times p_0$) (RON thousand) | 131,716 | | |

Note: gas volumes in columns 2 and 3 are correlated with the volumes shown in table "Physical Indicators" row 9, columns 3 and 4.

The revenue from sales of internal gas production obtained in the period January -September 2015 was lower by RON 187.97 million than in the similar period of 2014.

Influences by factors are as follows:

- sold production volumes lower by 12.89%, resulting in lower revenue from gas deliveries to the customers as compared to the similar period of 2014 by RON 319.68 million. Delivered gas volumes do not include gas volumes delivered internally for electric power production;
- sales of gas with an average price higher by 6.10% than the one related to the similar period of the previous year, resulting in a positive influence over revenue by RON 131.72 million.

Revenue from sales of internal gas production from joint ventures

The revenue related to joint ventures achieved in the period January - September 2015 is shown in the table below as compared to the revenue achieved in the similar period of the previous year:

| 9 months 2014 | | | 9 months 2015 | | | Differences | |
|--------------------------|-----------------------------|------------------------|--------------------------|-----------------------------|------------------------|-------------|------------|
| Volume ($10^6 m^3$) | Price (RON/ $10^3 m^3$) | Value (10^3 RON) | Volume ($10^6 m^3$) | Price (RON/ $10^3 m^3$) | Value (10^3 RON) | $10^6 m^3$ | 10^3 RON |
| 135.86 | 766.62 | 104,153 | 125.34 | 774.43 | 97,068 | (10.52) | (7,085) |

Revenue from joint ventures was lower than the revenue achieved in the similar period of the previous year, considering that delivered gas volumes were lower by cca.7.74%, while the average delivery price was slightly higher (+1.02%).

Revenue from Gas Import Activity

| Revenue from sale of import gas | 9 months 2014 (q ₀ xp ₀) | 9 months 2015 (q ₁ xp ₁) | Indexes (2015/2014) |
|---|--|--|------------------------|
| 1 | 2 | 3 | 4=3/2x100 |
| Volume (million m ³) | 72.9 | 2.2 | 2.97% |
| Price (RON/thousand m ³) | 1,428.5 | 1,478.0 | 103.47% |
| Value (RON thousand) | 104,116 | 3,195 | 3.07% |
| Difference (2015 – 2014) (RON thousand) | (100,920) | | |
| Volume influence (q ₁ xp ₀ -q ₀ xp ₀) (RON thousand) | (101,027) | | |
| Price influence (q ₁ xp ₁ -q ₁ xp ₀) (RON thousand) | 107 | | |

Revenue from sales of import gas was lower than the previous year's result by RON 100,920 thousand. Such decrease is due to the variation of volumes and prices as follows:

- ↳ sales of gas volumes from import lower by 97.03% resulted in a reduction of revenue by RON 101.03 million. Lower delivered gas volumes are a result of a lower demand on the gas market;
- ↳ sales of gas from import with an average sale price (RON/thousand m³) higher by 3.47%, having a positive influence on the revenue by RON 0.11 million.

Revenue from Storage Activity

Within the storage activity, invoiced revenues comprise the following:

| Revenue from Storage Activity | 9 months 2014 | 9 months 2015 | Indexes (2015/2014) |
|-------------------------------|------------------|------------------|------------------------|
| 1 | 2 | 3 | 4=3/2x100 |
| Capacity reservation services | 240,263 | 193,544 | 80.55% |
| Gas injection services | 44,459 | 31,087 | 69.92% |
| Gas withdrawal services | 22,304 | 22,751 | 102.01% |
| Other revenues from storage | 227 | 97 | 42.48% |
| TOTAL | 307,253 | 247,478 | 80.55% |

RON thousand

Cost of Commodities Sold

For the nine-month period ended September 30, 2015, the cost of commodities sold decreased by 79% from RON 154.94 million in Q3 2014 to RON 33.21 million in the similar period of 2015, mainly as a result of reduction in sales of gas purchased from import and reduction in purchase of electric power for resale to Romgaz customers.

Investment Income

For the reporting period, the investment income decreased by 40% (RON 23.26 million), as a result of reduction in interest rates of cash placed in bank deposits, as well as a decrease of interest received for state bonds held by the company.

Other Gains and Losses

In Q3 2015, the company recorded a loss of RON 213.53 million, mainly as a result of recording allowances for doubtful debts as regards ELCEN București (RON 136 million) and Electrocentrale Galați (RON 49 million).

Changes in Inventory of Finished Goods and Work in Progress

In Q3 2015 and 2014, gas volumes owned by Romgaz injected into UGSs were higher than those withdrawn, therefore generating a positive change in inventory (income).

The difference between gas injected into and withdrawn from UGSs was higher in Q3 2015 than that recorded in the similar period of the previous year, resulting in higher income by RON 99.72 million.

Raw Materials and Consumables Used

The value of materials used was higher than in the nine-month period ended September 30, 2014 due to the high volume of current works at wells and compressor stations.

Depreciation, amortization and impairment

In the nine-month period ended September 30, 2015, depreciation, amortization and impairment expenses decreased by 7 % from RON 568.51 million as of September 30, 2014 to RON 528.90 million as of September 30, 2015. Such decrease is due to the fact that on September 30, 2015 there were recorded impairments of projects currently under abandonment and impairment of tangible and intangible assets related to the activity of natural gas exploration and production, in amount of RON 100.53 million as compared to RON 193.68 million recorded in the first three quarters of 2014.

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

Employee Benefit Expense

For the reporting period, payroll cost, related taxes and social security contributions increased by 11% as compared to the same period of 2014, as a consequence of modifications to the salary system pursuant to the provisions of the Collective Labour Agreement.

Exploration Expense

For the period ended September 30, 2015, no exploration projects were abandoned as compared to the similar period in 2014.

Other Expenses

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

| Description | January - | January - | Difference | Variation |
|---|----------------|----------------|-----------------|---------------|
| | September 2014 | September 2015 | | |
| | (RON thousand) | (RON thousand) | (RON thousand) | (%) |
| 1 | 2 | 3 | 4=3-2 | 5=4/2x100 |
| Electricity | 14,813 | 12,035 | (2,778) | -18.75% |
| Protocol and advertising | 157 | 164 | 7 | 4.46% |
| Taxes and duties | 580,430 | 573,640 | (6,790) | -1.17% |
| Bank commissions and similar charges | 606 | 482 | (124) | -20.46% |
| Insurance expenses | 1,804 | 808 | (996) | -55.21% |
| Compensations, fines and penalties | 204 | 23 | (181) | -88.73% |
| Provisions | (20,931) | (5,767) | (15,164) | -72.45% |
| Capacity reservation and transmission services expenses | 28,903 | 32,455 | 3,552 | 12.29% |
| Other operating expenses | 145,385 | 126,586 | (18,799) | -12.93% |
| Total | 751,371 | 740,426 | (10,945) | -1.46% |

Other Expenses decreased by 1.46% from RON 751.37 million as of September 30, 2014 to RON 740.43 million as of September 30, 2015. Such decrease is mainly due to *Taxes and Duties*, namely:

- increase of tax on additional revenue (windfall tax) obtained as a result of gas price deregulation;
- decrease of tax on special construction as a result of a lower percentage applied against the cost of such fixed assets. The percentage decreased from 1.5% to 1%.

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

Provisions

In the first nine months of 2015, an amount of RON 4.25 million was reversed, representing a part of the provision made for restoring land to the agricultural circuit.

During the similar period of 2014, the amount of RON 10 million was reversed, representing the provision set up on December 31, 2013 for CO₂ certificates. The amount of RON 11 million was also reversed, representing a part of the provision made for decommissioning of fixed assets. Simultaneously, a RON 2 million provision for environmental authorizations was set up.

Capacity Reservation and Transmission Services

Such expense increased during Q3 2015 as compared to Q3 2014 due to greater volumes of natural gas used for power generation.

Other Operating Expenses

These expenses decreased due to reduction in value of services performed by third parties, and lower expenses with CO₂ certificates.

Other Revenue

For the nine-month period ended September 30, 2015, other revenue decreased by 54%, meaning RON 53.07 million and relates to decreasing revenue generated by penalties.

Income Tax Expense

On September 30, 2015, the company's expense in terms of income tax was RON 219.45 million as compared to RON 293.25 million for the first nine months ending on September 30, 2015 which is mainly due to lower current income tax expense; deferred income tax was RON 34.11 million as compared to RON 8.5 million recorded for the same period during the previous year.

Profit for the Period

During the first nine months of 2015, the company's net profit decreased by RON 138.66 million (-12%), from RON 1,113.99 million to RON 975.33 million, due to the cumulated effects of the above-mentioned factors.

The comparative interim comprehensive income on segments for January-September, 2015 and January-September, 2014 respectively, is shown below:

| Description | Gas production and sales | Storage | Other activities | Adjustments and eliminations | TOTAL |
|--|--------------------------|----------|------------------|------------------------------|-----------|
| <i>Revenue</i> | | | | | |
| * January-September 2014 | 2,819,048 | 307,253 | 555,943 | (395,474) | 3,286,770 |
| * January-September 2015 | 2,548,165 | 247,478 | 497,461 | (359,997) | 2,933,107 |
| <i>Cost of commodities sold</i> | | | | | |
| * January-September 2014 | (106,857) | (54) | (48,029) | - | (154,940) |
| * January-September 2015 | (12,413) | (25) | (20,770) | - | (33,208) |
| <i>Investment income</i> | | | | | |
| * January-September 2014 | 3,699 | 3,400 | 50,930 | - | 58,029 |
| * January-September 2015 | 1,490 | 4,291 | 28,986 | - | 34,767 |
| <i>Other gains or losses</i> | | | | | |
| * January-September 2014 | (193,475) | (278) | (1,847) | - | (195,600) |
| * January-September 2015 | (203,042) | (319) | (10,173) | - | (213,534) |
| <i>Changes in inventories</i> | | | | | |
| * January-September 2014 | 31,462 | (2,288) | 1,028 | - | 30,202 |
| * January-September 2015 | 111,562 | 15,561 | 2,794 | - | 129,917 |
| <i>Raw materials and consumables</i> | | | | | |
| * January-September 2014 | (3,300) | (5,887) | (31,705) | 2,494 | (38,398) |
| * January-September 2015 | (39,971) | (10,296) | (12,441) | 3,774 | (58,934) |
| <i>Depreciation, amortization and impairment</i> | | | | | |
| * January-September 2014 | (450,401) | (64,588) | (53,517) | - | (568,506) |
| * January-September 2015 | (435,743) | (67,589) | (25,566) | - | (528,898) |
| <i>Employee benefit expense</i> | | | | | |
| * January-September 2014 | (148,231) | (28,991) | (146,405) | 3 | (323,624) |
| * January-September 2015 | (227,063) | (34,031) | (97,654) | - | (358,748) |
| <i>Finance cost</i> | | | | | |
| * January-September 2014 | (11,589) | - | - | - | (11,589) |
| * January-September 2015 | (12,508) | (1,094) | - | - | (13,602) |
| <i>Exploration expense</i> | | | | | |
| * January-September 2014 | (21,140) | - | - | - | (21,140) |
| * January-September 2015 | - | - | - | - | - |
| <i>Other expense</i> | | | | | |
| * January-September 2014 | (819,413) | (94,694) | (231,286) | 394,022 | (751,371) |
| * January-September 2015 | (790,108) | (73,154) | (234,779) | 357,615 | (740,426) |
| <i>Other income</i> | | | | | |
| * January-September 2014 | 92,413 | 277 | 5,764 | (1,045) | 97,409 |
| * January-September 2015 | 44,128 | 267 | 1,333 | (1,392) | 44,336 |
| <i>Profit before tax</i> | | | | | |
| * January-September 2014 | 1,192,216 | 114,150 | 100,876 | - | 1,407,242 |
| * January-September 2015 | 984,497 | 81,089 | 129,191 | - | 1,194,777 |
| <i>Income tax expense</i> | | | | | |
| * January-September 2014 | - | - | (293,249) | - | (293,249) |
| * January-September 2015 | - | - | (219,446) | - | (219,446) |
| <i>Net profit</i> | | | | | |
| * January-September 2014 | 1,192,216 | 114,150 | (192,373) | - | 1,113,993 |
| * January-September 2015 | 984,497 | 81,089 | (90,255) | - | 975,331 |

Statement of Cash Flows

Statements of cash flows for January-September 2014 and January-September 2015 are indicated below:

| INDICATOR | 9 months 2014 (RON thousand) | 9 months 2015 (RON thousand) | Variation (%) |
|--|---------------------------------------|---------------------------------------|------------------|
| 1 | 2 | 3 | 4=(3-2)/2x100 |
| Cash flows from operating activities | | | |
| Net profit for the period | 1,113,993 | 975,331 | -12% |
| <i>Adjustments for:</i> | | | |
| Income tax expense | 293,249 | 219,446 | -25% |
| Interest expense | 24 | 23 | -4% |
| Unwinding of decommissioning provision | 11,565 | 13,579 | 17% |
| Interest revenue | (58,029) | (34,767) | -40% |
| Loss on disposal of non-current assets | 14,803 | 15,716 | 6% |
| Change in decommissioning provision recognized in profit or loss, other than unwinding | (10,964) | (1,114) | -90% |
| Change in other provisions | (12,983) | (4,653) | -64% |
| Expenses for impairment of exploration assets | 137,485 | 107,296 | -22% |
| Exploration costs | 21,140 | - | - |
| Impairment of non-current assets | 56,192 | (6,763) | - |
| Depreciation and amortization | 374,829 | 428,365 | 14% |
| Impairment of investment in associates | 220 | 1,297 | 490% |
| Impairment of other financial investments | - | 6,694 | - |
| Losses from trade receivables and other assets | 179,159 | 188,530 | 5% |
| Write-down allowance of inventory | - | 1,308 | - |
| Net cash generated by operating activities, prior to working capital variation | 2,120,683 | 1,910,288 | -10% |
| Movements in working capital: | | | |
| (Increase)/Decrease in inventory | 57,104 | (168,490) | - |
| (Increase)/Decrease in trade and other receivables | 425,624 | 113,474 | -73% |
| Increase/(Decrease) in trade and other liabilities | (171,879) | (94,739) | -45% |
| Cash generated from operations | 2,431,532 | 1,760,533 | -28% |
| Interest paid | (24) | (23) | -4% |
| Income taxes paid | (433,314) | (286,836) | -34% |
| Net cash generated by operating activities | 1,998,194 | 1,473,674 | -26% |
| Cash flows from investing activities | | | |
| Increase in investments in associates | - | (753) | - |
| Investments in subsidiaries | - | (1,200) | - |
| (Increase)/ Decrease in other financial assets | (207,133) | 61,632 | - |
| Interest received | 59,470 | 35,948 | -40% |
| Proceeds from sale of non-current assets | - | 627 | - |
| Loans to associates | - | (703) | - |
| Reimbursement of loans to associates | - | 65 | - |
| Dividends received | - | 1,634 | - |
| Acquisition of non-current assets | (254,271) | (234,676) | -8% |
| Acquisition of exploration assets | (469,458) | (461,752) | -2% |
| Net cash used in investing activities | (871,392) | (599,178) | -31% |
| Cash flows from financing activities | | | |
| Dividends paid | (986,550) | (1,214,539) | 23% |
| Net cash used in financing activities | (986,550) | (1,214,539) | 23% |
| Net increase/(decrease) in cash and cash equivalents | 140,252 | (340,043) | - |
| Cash and cash equivalents at the beginning of the year | 1,563,590 | 1,953,787 | 25% |
| Cash and cash equivalents on September 30 | 1,703,842 | 1,613,744 | -5% |

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

Reconciliation of profit before tax to cash flow generated from operating activities (before changes in net current assets) resulted in a net upward adjustment of RON 1,910.29 million for Jan.-Sep. 2015 compared to RON 2,120.68 million for the similar period of 2014.

The most important movements in cash flows were the receipts for gas delivered to the company's clients, payments for acquisition of non-current assets (RON 234.68 million) and exploration assets in amount of RON 461.75 million, as per the investment plans approved by the company.

Indicators

Company's financial performance is also reflected by the evolution of indicators as shown in the table below:

| Indicators | Calculation formula | M.U. | 9 months 2014 | 9 months 2015 |
|------------------------------------|---|-------------|---------------|---------------|
| 1 | 2 | 3 | 4 | 5 |
| Working Capital (WC) | $C_{lt}-A_f = E+L_{nc} +Pr+S_i-A_f$ | million RON | 3,466 | 3,276 |
| Working Capital Requirements (WCR) | $(A_c-L+ Pp) - (L_{crt}-C_{rst}+ I_{df})$ | million RON | 1,762 | 1,662 |
| Net Cash | $WC-WCR = L-C_{rst}$ | million RON | 1,704 | 1,614 |
| Economic Rate of Return | $P_g/C_{lt} \times 100$ | % | 14.31 | 12.11 |
| Return on Equity | $P_n/C_{lt} \times 100$ | % | 11.83 | 10.30 |
| Return on Sales | $P_g/R \times 100$ | % | 42.82 | 40.73 |
| Return on Assets | $P_n/A \times 100$ | % | 10.86 | 9.39 |
| EBIT | $P_g+Ex_i-I_r$ | million RON | 1,349 | 1,160 |
| EBITDA | $EBIT+Am$ | million RON | 1,918 | 1,689 |
| ROCE | $EBIT/C_{emp} \times 100$ | % | 13.72 | 11.76 |
| Asset Solvency | $E/L \times 100$ | % | 91.76 | 91.18 |
| Current Liquidity | A_{crt}/L_{crt} | - | 9.04 | 7.27 |
| Gearing Ratio | $Lc/E \times 100$ | % | 0.00 | 0.00 |
| Accounts Receivables Turnover | $Aar/R \times 90$ | - | 63.01 | 74.63 |
| Non-current Assets Turnover | R/ A_f | - | 0.52 | 0.45 |

where:

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



Attached hereto are the Interim Financial Statements for the 9 month period ending on September 30, 2015 prepared in accordance with IFRS.

Signatures:

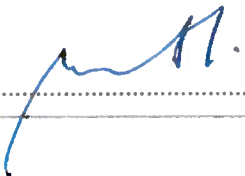
Chairman of the Board

AURORA NEGRUȚ

.....


Director General

MARIUS VIRGIL METEA

.....


Economic Department Director,

LUCIA IONAȘCU

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