

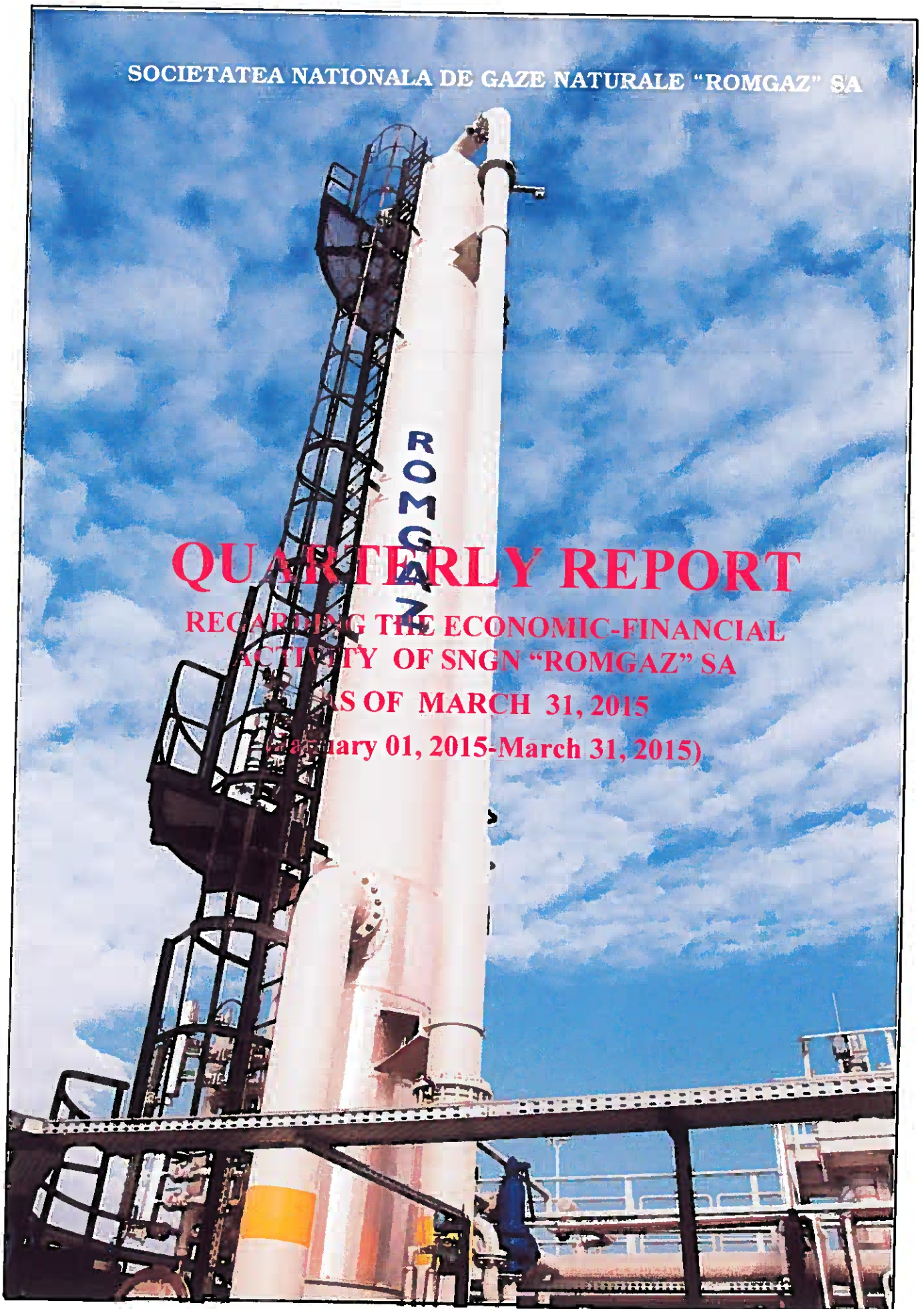
SOCIETATEA NATIONALA DE GAZE NATURALE "ROMGAZ" SA

QUARTERLY REPORT

REGARDING THE ECONOMIC-FINANCIAL
ACTIVITY OF SNGN "ROMGAZ" SA

AS OF MARCH 31, 2015

(January 01, 2015-March 31, 2015)



IDENTIFICATION DETAILS ON REPORT AND ISSUER

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

Report date: May 11, 2015

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

Headquarter: Medias, P-ta Constantin I.Motas, No.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

COMPANY PERFORMANCES

The Company's operational and financial performances in Q1 2015 are following the same trend of the last financial years.

Relevant financial results

<i>*RON million*</i>						
Item no.	Indicator	Q1 2014	Q4 2014	Q1 2015	Ratios (Q1'15/Q1'14)	Ratios (Q1'15/Q4'14)
0	1	2	3	4	5=4/2x100	6=4/3x100
1	Income – total, out of which:	1,380.0	1,235.5	1,299.5	94.17%	105.18%
	*operating income	1,361.7	1,214.3	1,285.9	94.43%	105.90%
	*financial income	18.2	21.2	13.7	75.27%	64.62%
2	Revenue	1,449.3	1,206.5	1,365.5	94.22%	113.18%
3	Expenses – total, out of which:	647.3	854.4	620.5	95.86%	72.62%
	*operating expenses	641.1	822.8	615.3	95.98%	74.78%
	*financial expenses	6.2	31.6	5.2	83.87%	16.46%
4	Gross profit	732.6	381.1	679.1	92.69%	178.19%
5	Profit tax	124.3	85.2	116.0	93.37%	136.15%
6	Net profit	608.4	295.9	563.0	92.55%	190.27%
7	Net profit ratio (%) $\frac{\text{net profit}}{\text{revenue}} \times 100$	42.0	24.5	41.2	98.10%	168.16%
8	EBIT	715.0	363.7	665.5	93.07%	182.33%
9	EBIT ratio (%) $\frac{\text{EBIT}}{\text{revenue}} \times 100$	49.3	30.1	48.7	98.78%	161.79%
10	EBITDA	858.8	572.0	841.8	98.02%	147.17%
11	EBITDA ratio (%) $\frac{\text{EBITDA}}{\text{revenue}} \times 100$	59.3	47.4	61.6	103.88%	129.96%
12	Return on sale (%) $\frac{\text{gross profit}}{\text{revenue}} \times 100$	50.5	31.6	49.7	98.42%	157.28%
13	Earnings per share – EPS (RON)	1.58	0.77	1.46	92.55%	189.61%
14	Investments	201.2	187.4^{*)}	215.9	107.31%	115.21%

^{*)} – represent the investments scheduled for Q1 2015

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

Summary of main indicators:

- ⌘ *Operating income* decreased by 5.56% as compared to Q1 2014 because of a reduced gas demand, especially from the fertiliser production sector. Such decrease lead to a reduced gas production and implicitly to a lower revenue, operating income and profit than expected;
- ⌘ Although the net profit, EBIT and EBITDA are lower as compared to Q1 2014 when the Company recorded the best results ever, these values are substantially higher than those recorded in the previous quarter;
- ⌘ As a ratio from revenue, EBITDA increased to 61.6% in Q1 2015 (as compared to 59.3% in Q1 2014) and EBIT and net profit ratios remained at an extremely favourable level: 48.7% and 41.2% respectively;
- ⌘ For Q1 2015 Romgaz scheduled investments in amount of *RON 187.4 million* and performed investments in amount of *RON 215.9 million*, about 15%, namely RON 28 million higher than scheduled;
Compared to the similar period of 2014, the investments performed in Q1 2015 are higher by RON 14.7 million, namely 7.3%.
Investments for geological exploration works for the discovery of new reserves have increased significantly, being by 68.6% (RON 59.4 million) higher than those for Q1 2014 and by 16.4% (RON 20.6 million) higher than scheduled;
- ⌘ *EPS* (earnings per share) is RON 1.46/share;
- ⌘ *Income from storage activities* decreased by RON 5.1 million, namely 3.24% as compared to the similar period of 2014, as a result of lower gas quantities injected in the storages;
- ⌘ *The income from the electric power sector* was RON 45.7 million worth.

Operational results (million m³):

Item no.	Specifications	Q1 2013	Q1 2014	Q1 2015	Ratios
0	1	2	3	4	5=4/3x100
1.	Gross production – total , out of which:	1,478.1	1,463.8	1,436.1	98.1%
	*own gas	1,433.2	1,418.2	1,384.4	97.6%
	*Schlumberger (100%)	44.9	45.6	51.7	113.4%
2.	Delivered own gas^{*)}	1,693.9	1,848.9	1,701.8	92.0%
3.	Delivered import gas	142.1	65.1	2.2	3.3%
4.	Total delivered gas	1,836.0	1,914.0	1,703.9	89.0%
5.	Delivered electric power (MWh)	7.8	460.1	145.7	31.7%
6.	UGS gas extraction services invoiced	1,261.6	1,139.9	1,151.2	101.0%
7.	UGS gas injection services invoiced	256.7	485.7	292.2	60.2%

^{*)} – includes gas from current production and own gas from storages and gas delivered to SPEE Iernut.

Although gas production is lower by 1.9% than in Q1 2014, due to the above mentioned causes, production almost equals the one recorded in Q4 2014 of 1,436.0 million m³, confirming the production stabilisation process.

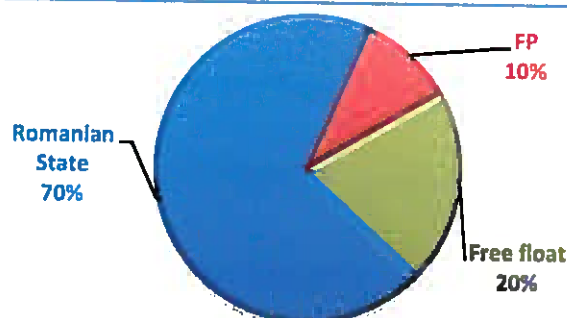
ROMGAZ - BRIEF OVERVIEW

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

Shareholder structure

On March 31, 2015 the shareholder structure was the following:

	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	66,004,101	17.1251
*natural persons	11,052,259	2.8676
Total	385,422,400	100.0000



Company organization

The organization of the company is the hierarchy-functional type with a number of six hierarchy levels from company shareholders to execution personnel.

The company has seven branches, set up depending on the specific business and on the activity location (production branches), as follows:

- Sucursala de Productie Gaze Naturale Medias (Medias Production Branch);
- Sucursala de Productie Gaze Naturale Targu Mures (Targu Mures Production Branch);
- Sucursala de Inmagazinare Subterana a Gazelor Naturale Ploiesti (Ploiesti Underground Storage Branch);
- Sucursala de Interventii, Reparatii Capitale si Operatii Speciale la Sonde Medias (SIRCOSS) (Branch for Well Workover, Recompletions and Special Well Operations);
- Sucursala de Transport Tehnologic si Mentenanta Targu Mures (STTM) (Technological Transport and Maintenance Branch);
- Sucursala de Productie Energie Electrica Iernut (Iernut Power Generation Branch);

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

■ Sucursala Bratislava (Bratislava Branch).

Company Management

The company is governed by a Board of Directors composed of 7 members, having on March 31, 2015 the following structure:

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

Virgil Marius Metea - Director General (CEO)

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

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

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

Totan Costel	Director
Achimet Teodora Magdalena	Economic Director
Sutoiu Florinel	Production Director
Man Ioan Mihai	Technical Director
Targu Mures Branch	
Avram Pantelimon	Director
Caraivan Viorica	Economic Director
Matei Gheorghe	Production Director
Stefan Ioan	Technical Director
Ploiesti Branch	
Carstea Vasile	Director
Ionescu Viorica Maria	Economic Director
Scarlatescu Virgil	Commercial Director
Vecerdea Dan Adrian	Storage Director
Iernut Branch	
Bircea Angela	Director
Vlassa Susana Ramona	Economic Director
Oprea Maria Aurica	Commercial Director
David Stefan	Technical Director
SIRCOSS	
Dinca Ispasian Ioan	Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Rusu Gratian	Director
Hasegan Dorina	Economic Director
Cioban Cristian Augustin	Operation-Development Director

Human Resources

On March 31, 2015 the company had a number of 6,340 employees.

The table below shows the evolution of the employees' number between January 1, 2012 – March 31, 2015:

Description	2012	2013	2014	Q1 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	45
Employees who terminated their labour relationship with the company	153	130	220	49
Employees at the end of the period	5,921	6,472	6,344	6,340

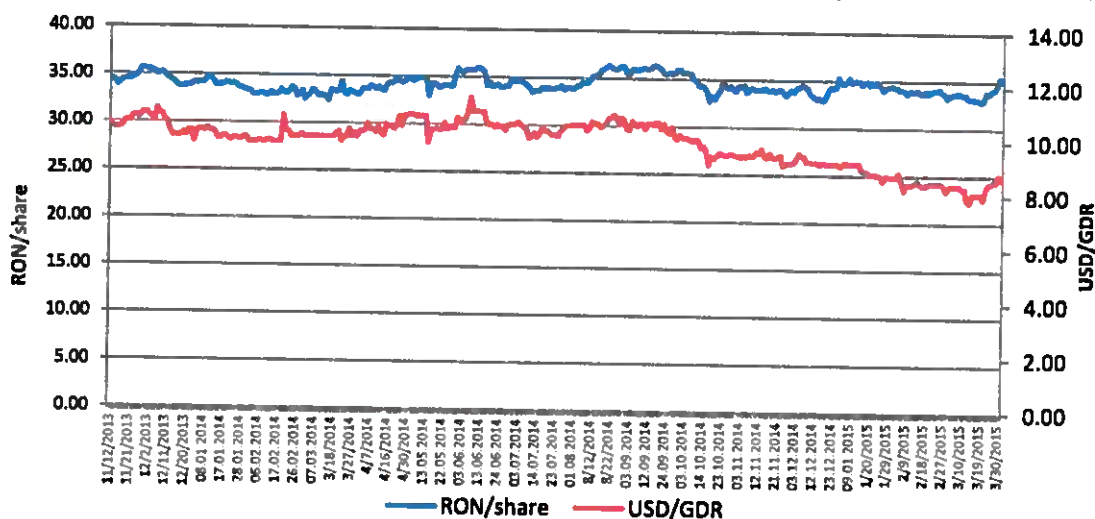
^{*)} the increase is due to the takeover of CTE Iernut employees

ROMGAZ on the stock exchange

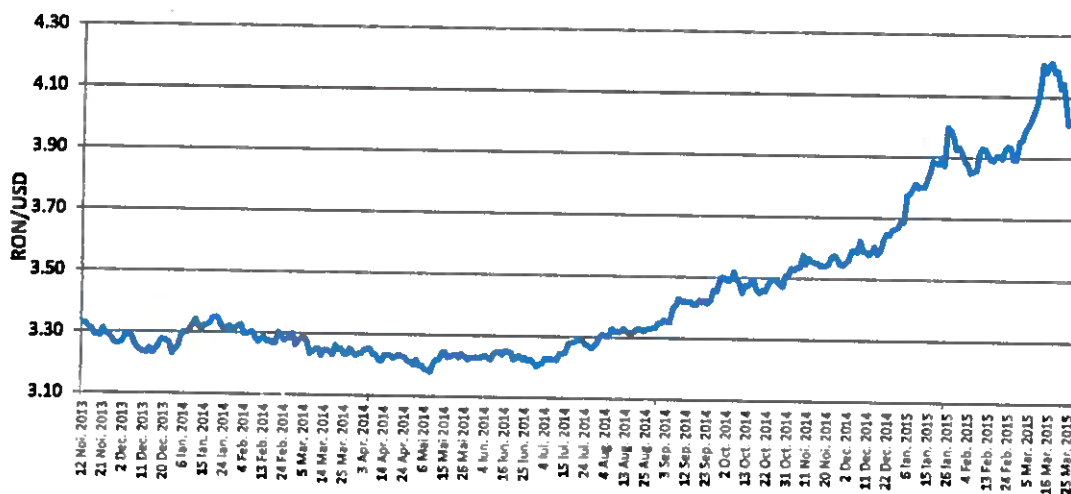
As of November 12, 2013 the company's shares are traded on the regulated market governed by BVB (Bucharest Stock Exchange) and on the regulated market governed by LSE (London Stock Exchange), as GDR's issued by the Bank of New York Mellon.

At the end of the first trading day, Romgaz share price was RON 34.5, 15% above the price paid by institutional investors and by investors, which subscribed more than 10,000 shares (30 RON/share). The quotation was by 18.55% and 21% respectively, above the price paid by retail investors with discount (3% , respectively 5%). On LSE, the closing price for GDR's was USD10.4 - 13.66% higher than the subscription price.

Performance of Romgaz shares and GDR's from listing until March 31, 2015 is shown below:



Romgaz share price had a relatively stable evolution, both on BVB and on LSE, as compared to the volatility recorded on international financial markets and on the Romanian market, respectively, the decrease of GDR prices has been influenced by the exchange rate of RON that depreciated against the USD (see the figure below).



PHYSICAL INDICATORS

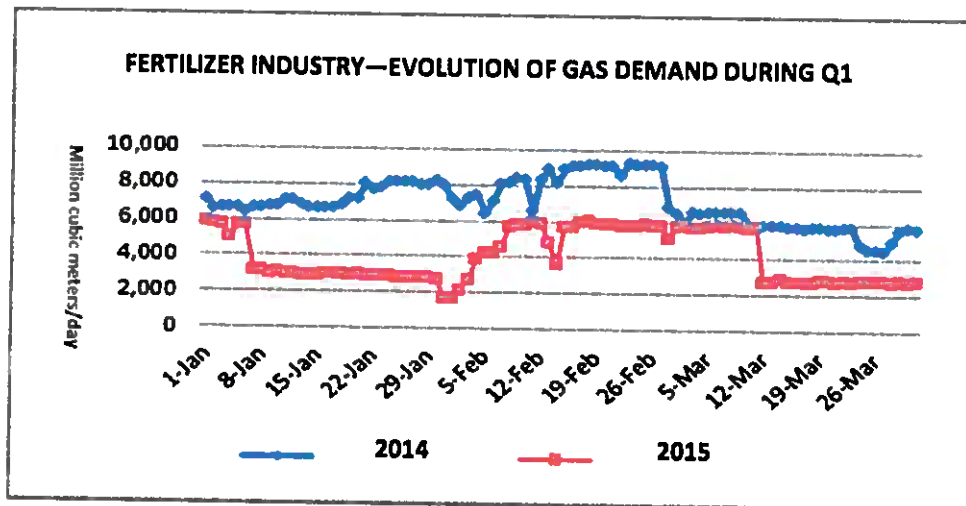
The table below shows the gas volumes (million m³) produced, delivered, injected/withdrawn into/from UGSs during January-March 2015 in comparison with the similar period of 2013 and 2014:

Item No.	Specifications	Q1 2013	Q1 2014	Q1 2015	Variation
0	1	2	3	4	5=4/3x100
1.	Total - gross production , out of which:	1,478.1	1,463.8	1,436.1	98.1%
1.1.	*internal gas production	1,433.2	1,418.2	1,384.4	97.6%
1.2.	*Schlumberger partnership (100%)	44.9	45.6	51.7	113.4%
2.	Technological consumption	20.9	20.0	21.5	107.5%
3.	Net gross internal gas production (1.-1.2.-2.)	1,412.3	1,398.2	1,362.9	97.5%
4.	Internal gas volumes injected in storages	0.0	45.2	2.2	4.9%
5.	Internal gas volumes withdrawn from storages	256.7	445.6	292.2	65.6%
6.	Differences resulting from GCV	0.0	0.0	0.0	0.0%
7.	Volumes supplied from internal production (3.-4.+5.-6.)	1,669.9	1,798.6	1,652.9	91.9%
8.	Gas supplied to Iernut and Cojocna Power Plants	4.1	116.7	51.2	43.8%
9.	Volumes supplied from internal production to the market (7.-8.)	1,664.9	1,681.8	1,601.7	95.2%
10.	Natural gas from partnerships¹⁾ – total , out of which:	22.5	45.8	44.9	98.1%
	*Schlumberger (50%)	22.5	22.8	25.9	113.4%
	*Raffles Energy (37.5%)		0.2	0.1	49.9%
	*Amromco (50%)		22.8	18.9	83.2%
11.	Purchased internal gas volumes	2.4	4.6	4.0	86.6%
12.	Sold internal gas volumes (9.+10.+11.)	1,689.8	1,732.2	1,650.6	95.3%
13.	Supplied internal gas volumes (8.+12.)	1,693.9	1,848.9	1,701.8	92.0%
14.	Supplied import volumes	142.1	65.1	2.2	3.3%
15.	Total gas supplies (13.+14.)	1,836.0	1,914.0	1,703.9	89.0%
*	Invoiced UGS withdrawal services	1,261.6	1,139.9	1,151.2	101.0%
*	Invoiced UGS injection services	256.7	485.7	292.2	60.2%

¹⁾ In case of Romgaz – Schlumberger partnership, the produced gas volumes are entirely outlined in Romgaz production. Thereafter, such gas is split in equal shares among the partners, who sell them separately. In case of Romgaz partnerships with Amromco and Raffles Energy, the produced gas is not Romgaz production, but the relating value is included in Romgaz revenue proportionate to the company's working interest in the respective partnership.

Attached hereto is the structure of revenues generated from natural gas sales.

In relation with Q1 2014, the gas production (produced, supplied) level observed a downward trend because of a decrease in gas demand, especially of the fertilizer industry (please refer to the graph below).



However, the 1,436.1 million m³ production is at the level of Q4 2014 production (1,436.0 million m³).

Although most reservoirs are mature, being in operation for more than 30 years, and the produced gas volumes have significantly decreased, during the past years the production decline rate has been stabilised at around 1% as a result of a mix of measures the company has implemented, some of which are:

- gas compressors;
- production rehabilitation/enhancement, 3D seismic data, static and dynamic reservoir modelling;
- bringing new discoveries into the production stream.

The gas volumes delivered to Iernut Power Plant were lower because of a cut back in electric power generation due to a decrease of the power sale price within the context of increased share of hydraulic power production.

INVESTMENTS

Investments play an important part in arresting the production decline both by contributing to the discovery of new reserves and improving the current rate of recovery through the rehabilitation, development, and retrofitting of existing facilities.

For Q1 2015, Romgaz scheduled investments amounting *RON 187.4 million* and spent *RON 215.9 million*, with approximately 15% (i.e. *RON 28 million*) more than the planned investment level. Investments were exclusively financed from the company's own sources.

As compared to the similar time period of 2014, the investments made in Q1 2015 are by 7.3% (i.e. *RON 14.7 million*) higher.

The investments in geological exploration works have significantly increased, being by 68.6% (i.e. *RON 59.4 million*) higher than in Q1 2014 and by 16.4% (i.e. *RON 20.6 million*) higher than scheduled.

The value of fixed assets commissioned during the reviewed period is *RON 90.4 million*.

The table below shows the investments made in Q1 2015, split into main chapters of investments, in comparison with Q1 2014 and Q1 2015 schedule:

RON thousand

Investment chapter	Result Q1 2014	Schedule Q1 2015	Result Q1 2015	Q1 2015/ Q1 2014	Q1 2015 R/ Q1 2015 S
1	2	3	4	5=4/2x100	6=4/3x100
I. Geological exploration works for the discovery of new gas reserves	86,523	125,300	145,872	168.6%	116.4%
II. Exploitation drilling works, commissioning of new wells, infrastructure and utilities	25,810	9,600	9,718	37.7%	101.2%
III. Supporting underground gas storage capacities	48,752	4,000	4,122	8.5%	103.1%
IV. Environment protection works	1,319	2,100	2,204	167.1%	105.0%
V. Revamping and retrofitting of existing installations and pieces of equipment	28,586	35,000	42,231	147.7%	120.7%
VI. Independent equipment and installation	3,408	5,700	5,848	171.6%	102.6%
VII. Expenses relating to studies and designs	6,807	5,700	5,857	86.0%	102.8%
TOTAL	201,205	187,400	215,852	107.3%	115.2%

FINANCIAL AND ECONOMIC INDICATORS

The company's individual interim financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union. For the purpose of preparing such individual interim financial statements, the Romanian RON (RON) is considered to be the functional currency of the company. IFRS adopted by the EU differs to some extent from IFRS issued by IASB, nevertheless, such differences do not impact the individual interim financial statements of the company for the reviewed periods.

The Q1 2015 individual interim financial statements of the company are not audited nor reviewed by the company's independent auditor.

The company's revenue is generated mainly from sale of natural gas, from UGS-related services and from power production.

Below are the main economic and financial indicators on March 31, 2015 in comparison to the similar period of 2014:

Summary of the interim global result

Description	Q1 2014 (RON thousand)	Q1 2015 (RON thousand)	Difference (RON thousand)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	1,449,300	1,365,477	(83,823)	-5.78%
Cost of commodities sold	(101,829)	(11,184)	(90,645)	-89.02%
Investment income	17,614	13,618	(3,996)	-22.69%
Other gains or losses	(12,447)	(22,847)	10,400	83.55%
Changes in inventory	(102,005)	(92,659)	(9,346)	-9.16%
Raw materials and consumables used	(24,431)	(21,565)	(2,866)	-11.73%
Depreciation and amortization	(143,816)	(176,393)	32,577	22.65%
Employee benefit expenses	(108,214)	(107,939)	(275)	-0.25%
Finance cost	(4,008)	(4,550)	542	13.52%
Exploration expenses	-	-	-	-
Other expenses	(251,974)	(275,936)	23,962	9.51%

Other income	14,448	13,040	(1,408)	-9.75%
Profit before tax	732,638	679,062	(53,576)	-7.31%
Income tax expense	(124,253)	(116,021)	(8,232)	-6.63%
Net profit	608,385	563,041	(45,344)	-7.45%

Detailed Breakdown of Revenue

Description	Q1 2014 (RON thousand)	Q1 2015 (RON thousand)	Differences (RON thousand)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue from gas sales – domestic production	1,099,034	1,169,600	70,566	6.42%
Revenue from UGS services	157,363	152,290	(5,073)	-3.22%
Revenue from import gas resale	93,514	3,195	(90,319)	-96.58%
Revenue from sale of electric power	87,995	29,642	(58,353)	-66.31%
Revenue from gas acquired for resale – domestic production	3,407	3,152	(255)	-7.48%
Revenue from sale of goods	2,732	2,276	(456)	-16.69%
Revenue from other services	3,461	3,632	171	4.94%
Other revenue from operation	1,794	1,690	(104)	-5.80%
Total	1,449,300	1,365,477	(83,823)	-5.78%

Revenue

During Q1 of 2015, the company generated revenue of RON 1.37 billion as compared to RON 1.45 billion generated in Q1 2014, resulting in a decrease of revenue by 5.78%.

The revenue from sale of domestic production (including gas from partnerships and commodity gas) was higher in the current period as compared to the similar period of 2014 by RON 70,566 thousand being positively influenced by the growth of the average price of supply determined by consumption decrease.

The revenue from sale of domestic gas generated during January-March 2015 as compared to the same period of 2014 was by RON 68.7 million higher. The factors influencing this result are:

- decrease in sales of production volumes by RON 80.01 million m³ (4.76%) generated revenues lower by RON 50.7 million as compared to the same period of 2014;
- the average gas sales price higher by 11.76% as compared to the same period of 2014 had a positive influence over the increase of gas sale revenue by RON 119.4 million.

Details are shown below:

Revenue generated from sale of own internal production	Q1 2014 (q ₀ *p ₀)	Q1 2015 (q ₁ *p ₁)	Variation (2015/2014)
1	2	3	4=3/2x100
Quantity (million m ³)	1,681.8	1,601.7	95.24%
Price (RON/1000 m ³)	633.5	708.0	111.76%
Value (RON thousand)	1,065,317.8	1,133,999.1	106.45%
Difference (Q1 2015 – Q1 2014) (RON thousand)	68,681.3		

Influence of volumes ($q_1 \times p_0 - q_0 \times p_0$) (thousand RON)	-50,685.5
Influence of price ($q_1 \times p_1 - q_1 \times p_0$) (thousand RON)	119,366.8

Revenue from UGS services was influenced by the gas volumes injected/withdrawn into/from the storages and by sensitive changes of tariffs made by ANRE, as indicated below:

Tariff component	M.U.	Tariff (Jan.01-March 31, 2014)	Tariff (Jan.01-March 31, 2015)
Volumetric component for natural gas injection	RON/MWh	2.37	2.53
Fixed component for capacity reservation	RON/MWh/full storage cycle	13.12	13.14
Volumetric component for natural gas withdrawal	RON/MWh	1.80	1.80

Import gas delivery volumes decreased during the first quarter of 2015 compared to the same period of last year, generating less revenue by 96.58%, as shown in the „Physical Indicators” table from above. The reduction in import gas delivery volumes is due both to a decrease of gas demand on the market, as well as to provisions of ANRE Order No. 24/2013 for approval of allocation methodology for domestic gas production that is required for coverage of regulated market consumption, according to which the gas producers are no longer bound to deliver domestic gas mixed with import gas.

Revenues from electric power sale decreased by RON 58.4 million due to cut-back of production triggered by the reduction of power sale price.

Cost of Commodities Sold

For the three months ended March 31, 2015, cost of commodities sold decreased by 89.02%, from RON 101.8 million during the first quarter of 2014 to RON 11.2 million, mainly due to a reduction in sales of imported natural gas, and to a reduction of electric power volumes purchased and resold to Romgaz clients.

Investment Income

For the reporting period, the investment income decreased by 22.69%, (RON 4 million), as a result of interest rate revenue decrease in terms of both interest rate on available cash constituted as cash deposits and interest rates cashed in by the company for its portfolio of public securities.

Other Gains and Losses

For the first quarter of 2015 a loss of RON 22.8 million was generated mainly due to the set-up of an additional bad debt allowance in amount of RON 21 million (CET Galati).

Changes in Inventory

During Q1 2015 and 2014 Romgaz own gas volumes withdrawn from storages were higher than the injected volumes generating a negative change in inventory (loss).

The difference between gas volumes withdrawn and gas volumes injected into UGSs was lower in the first quarter of 2015 than in the same period of 2014, generating a reduction of the negative change in inventory by RON 9 million.

Raw Materials and Consumables Used

In the reviewed period, the value of consumed materials was higher than in the same period of the previous year because of the high volume of current works carried out at wells and compressors.

The value of materials consumed for carrying out own investment works was also higher, however this element of cost recorded in the profit and loss account recorded a decrease compared with previous period due to capitalization of these expenses in the cost of tangible assets.

Depreciation and Amortization

In the three months ended March 31, 2015, depreciation, amortization and impairment expense increased by 22.65% from RON 143.8 million (in March 2014) to RON 176.4 million (in March 2015). This increase was due to adjustment of impairment of work in progress (projects in process of being abandoned) and of tangible assets related to natural gas exploration and production activity of RON 25.1 million.

Expenses related to the depreciation of tangible assets have increased because new fixed assets have been commissioned.

Employee benefit expense

For the reviewed period, employee salary, taxes and benefits remained rather constant in comparison with Q1 2014.

Other expenses

The breakdown by elements of other expenses is shown in the table below:

Indicator	Q1 2014 (thousand RON)	Q1 2015 (thousand RON)	Differences (thousand RON)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Electric power	5,121	2,184	(2,937)	-57.35%
Protocol and advertising	42	26	(16)	-38.10%
Taxes and duties	204,089	234,337	30,248	14.82%
Bank commissions and similar charges	198	146	(52)	-26.26%
Insurance expenses	443	287	(156)	-35.21%
Compensations, fines and penalties	53	5	(48)	-90.57%
Provision expenses	(17,686)	(2,381)	(15,305)	-86.54%
Capacity reservation and transmission services expenses	11,524	5,489	(6,035)	-52.37%
Other operational expenses	48,188	35,840	(12,348)	-25.62%
Total	251,974	275,936	23,962	9.51%

The electric power expenses decreased due to covering the largest part of own electric power consumption from CTE Iernut branch. In the profit and loss account it is reflected only the electric power supplied by third parties and its value was lower in the analysed period.

Provision expenses

In Q1 of the year 2015, a part of the RON 2.3 million provision set up for restoring the land to its former condition as agricultural land was reversed.

Moreover, in Q1 2014 the provision set up for CO2 certificates (RON 10 million) on December 31, 2013 has been reversed, and, partially, the provision set up for decommissioning of non-current assets (RON 8 million). The provisions for environmental permits of RON 2 million have been set up as well.

The capacity reservation expenses and electricity transmission expenses decreased in the first quarter of the year 2015 as compared to the first quarter of the year 2014 due to a lower production of electric power.

Other operational expenses decreased due to a lower value of CO2 certificates corroborated with the quantity of the electric power produced (which was lower in Q1 of 2015 as compared to the similar period of the previous year).

In Q1 of 2014 there were also recorded CO2 certificates for the year 2013, whose effect was cancelled due to provision reverse, as mentioned above.

Exploration expenses

For the reporting period ended March 31, 2015 there were no abandoned exploration projects as compared to the similar period of the previous year.

"Other expenses" recorded an increase of 9.51%, from RON 251.98 million on March 31, 2014 to RON 275.94 million on March 31, 2015. This increase is mainly due to the expenses with other duties and taxes, namely:

- Increase of natural gas royalty costs, as a consequence of the increase of natural gas price;
- Increase of the cost of an extra tax on additional revenue (windfall tax) obtained as a result of deregulation of natural gas prices.

Other income

For the three months period ended March 31, 2015, the value of other operating revenues decreased by 9.75%, namely RON 1.4 million and it is due to the decrease of revenue from penalties, compensated by the increase of revenue from transmission services provided for natural gas extracted from deposits and which are invoiced to the company's customers.

Income tax expense

As of March 31, 2014, the Company recorded an income tax expense in amount of RON 124 million as compared to income tax expense of RON 116 million for the three months period

ended March 31, 2015 mainly due to a lower current income tax expense and a higher deferred income tax revenue.

Profit for the period

In the first quarter of the year 2015, the Company's net profit decreased by RON 45.34 million (-7.45%) from RON 608 million to RON 563 million due to the cumulative effect of the items presented above.

The breakdown by elements of the segment interim global result as of March 31, 2015 compared to the result as of March 31, 2014 is shown below:

* RON thousand *

Description	Gas production and sales	UGS	Other activities	Adjustments and eliminations	TOTAL
Revenue					
* Q1 2014	1,266,423	157,402	183,237	(157,762)	1,449,300
* Q1 2015	1,197,860	152,305	104,795	(89,483)	1,365,477
Cost of commodities sold					
* Q1 2014	(90,755)	(2)	(11,072)	-	(101,829)
* Q1 2015	(6,007)	(2)	(5,175)	-	(11,184)
Investment income					
* Q1 2014	896	250	16,468	-	17,614
* Q1 2015	697	1,459	11,462	-	13,618
Other gains and losses					
* Q1 2014	(10,501)	-	(1,946)	-	(12,447)
* Q1 2015	(22,165)	1	(683)	-	(22,847)
Changes in inventory					
* Q1 2014	(72,684)	(29,886)	565	-	(102,005)
* Q1 2015	(66,754)	(27,039)	1,134	-	(92,659)
Raw materials and consumables used					
* Q1 2014	(11,117)	(2,654)	(11,723)	1,063	(24,431)
* Q1 2015	(14,190)	(4,027)	(4,191)	843	(21,565)
Depreciation and amortization					
* Q1 2014	(101,407)	(22,348)	(20,061)	-	(143,816)
* Q1 2015	(146,653)	(21,028)	(8,712)	-	(176,393)
Employee benefit expense					
* Q1 2014	(51,550)	(10,303)	(46,361)	-	(108,214)
* Q1 2015	(68,107)	(10,189)	(29,643)	-	(107,939)
Finance cost					
* Q1 2014	(4,004)	-	(4)	-	(4,008)
* Q1 2015	(4,186)	(364)	-	-	(4,550)
Exploration expense					
* Q1 2014	-	-	-	-	-
* Q1 2015	-	-	-	-	-
Other expenses					
* Q1 2014	(336,719)	(18,630)	(53,324)	156,699	(251,974)
* Q1 2015	(306,788)	(17,791)	(40,352)	88,995	(275,936)
Other income					
* Q1 2014	2,924	203	11,321	-	14,448
* Q1 2015	12,728	110	557	(355)	13,040
Profit before tax					
* Q1 2014	591,506	74,032	67,100	-	732,638
* Q1 2015	576,435	73,435	29,192	-	679,062
Income tax expense					
* Q1 2014	-	-	(124,253)	-	(124,253)
* Q1 2015	-	-	(116,021)	-	(116,021)
Profit for the period					
* Q1 2014	591,506	74,032	(57,153)	-	608,385
* Q1 2015	576,435	73,435	(86,829)	-	563,041

Summary of Statement of individual financial position as of March 31, 2015

INDICATOR	December 31, 2014 (RON thousand)	March 31, 2015 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
<i>Non-current assets</i>			
Tangible assets	5,962,719	5,947,259	-0.26%
Other intangible assets	407,449	455,508	11.80%
Investments in associates	738	738	0.00%
Other financial assets	76,889	76,889	0.00%
TOTAL NON-CURRENT ASSETS	6,447,795	6,480,394	0.51%
<i>Current assets</i>			
Inventories	392,108	312,890	-20.20%
Trade and other receivables	1,000,195	1,111,079	11.09%
Other financial assets	916,333	1,302,717	42.17%
Other assets	101,886	144,936	42.25%
Cash and cash equivalents	1,953,787	2,019,426	3.36%
TOTAL CURRENT ASSETS	4,364,309	4,891,048	12.07%
TOTAL ASSETS	10,812,104	11,371,442	5.17%
EQUITY AND LIABILITIES			
<i>Capital and reserves</i>			
Issued capital	385,422	385,422	0.00%
Reserves	2,142,347	2,147,575	0.24%
Retained earnings	7,184,249	7,742,062	7.76%
TOTAL EQUITY	9,712,018	10,275,059	5.80%
<i>Non-current liabilities</i>			
Retirement benefit obligation	97,265	97,265	0.00%
Deferred tax liabilities	131,305	124,387	-5.27%
Provisions	202,293	203,043	0.37%
Total non-current liabilities	430,863	424,695	-1.43%
<i>Current liabilities</i>			
Trade and other payables	216,983	148,735	-31.45%
Current income tax liabilities	93,590	124,675	33.21%
Provisions	35,814	36,505	1.93%
Other liabilities	322,836	361,773	12.06%
Total current liabilities	669,223	671,688	0.37%
TOTAL LIABILITIES	1,100,086	1,096,383	-0.34%
TOTAL EQUITY AND LIABILITIES	10,812,104	11,371,442	5.17%

Non-current assets

The total non-current assets increased by 0.51%, i.e. RON 32.6 million, from RON 6,447.79 million on December 31, 2014 to RON 6,480.39 million. The increase is due to procurement of tangible and intangible assets used especially in gas exploration and production activity, which was offset by the impairment of assets in progress (some ongoing projects) and adjustments for impairment of some tangible assets in operation and their depreciation and amortization (see Note 12 and 14 of the Financial Statement).

Current Assets

Current assets increased by RON 526.74 million on March 31, 2015 due to increase of cash and cash equivalent, of state bonds and trade receivables.

Inventories

The decrease by 20.20% (RON 79.22 million) is due to the decrease of the gas stock as a result of increased deliveries of gas from current internal production to clients and due to decrease of acquisition of fuel, spare parts and piping as compared to consumption.

Trade receivables and other receivables

Trade receivables increased by 11.09% as a result of the value and amount of gas delivered during Q1 of the year. It is to be mentioned that at the end of 2014 as well as at the end of Q1 2015 the receivables recorded in the Statement of the financial position are current receivables, as the outstanding receivables have been fully provisioned.

Cash and cash equivalents. Other financial assets

Cash and cash equivalents and other financial assets at the end of Q1 have been in amount of RON 3,322.14 million, as compared to RON 2,870.12 million at the end of 2014. This is due to the increase of receipts of equivalent amount of gas deliveries made during the first winter months in Q1 of every year, while at the end of year the receipts are related to the gas deliveries during the fall season. Statistically the highest gas volumes are requested during the winter months.

Other assets

Accrued expenses unsettled by the end of Q1 2015 are RON 48 million higher than at the end of 2014 and represent the tax on special constructions which affect the costs and are scheduled for the following period of 2015. In Q1 2014 such costs have not been recorded as the application norms for calculating such tax have been published only in May 2014.

Equity

Retained earnings increased mainly by the value of net profit made in the first three months of 2015.

Non-current liabilities

Decrease of non-current liabilities is due to the decrease of deferred tax liabilities by RON 7 million.

Current liabilities

Current liabilities decreased by RON 2.46 million as compared to the beginning of the year due to decrease of liabilities to internal suppliers and investment suppliers etc.

Trade and other payables

The decrease by RON 68.25 million is mainly due to the fact that the beneficiaries of Company's gas deliveries made smaller advance payments as compared to the end of 2014.

Other liabilities

The increase by 12.06% (RON 38.94 million) is the result of increase of liability to the state budget related to taxes and duties (an increase by RON 60.03 million), mainly the royalty tax and tax on additional revenue (windfall tax) further to deregulation of prices on the gas market.

Current income tax liabilities

Current income tax liabilities increased due to increase of tax base.

Provisions

Provisions have not changed significantly as compared to December 31, 2014.

Indicators

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

Indicators	Calculation formula	M.U.	Q1. 2014	Q1. 2015
1	2	3	4	5
Working Capital (WC)	$C_{lt}-A_f = E+L_{nc} +Pr+S_i-A_f$	mil. RON	4,021	4,219
Working Capital Requirements (WCR)	$(A_e-L+Pp) - (L_{crt}-Cr_g+I_{df})$	mil. RON	1,857	2,200
Net Cash Flow	$WC-WCR = L-Cr_g$	mil. RON	2,164	2,019
Economic Rate of Return	$P_g/C_{lt} \times 100$	%	7.10	6.35
Return on Equity	$P_n/C_{lt} \times 100$	%	6.14	5.48
Return on Sales	$P_g/R \times 100$	%	50.55	49.73
Return on Assets	$P_n/A \times 100$	%	5.56	4.95
EBIT	$P_g+Exi-I_f$	mil. RON	715	665
EBITDA	$EBIT+Am$	mil. RON	859	842
ROCE	$EBIT/C_{emp} \times 100$	%	6.93	6.22
Asset Solvency	$E/L \times 100$	%	90.49	90.36
Current Liquidity	A_{crt}/L_{crt}	-	7.53	7.28
Gearing Ratio	$Lc/E \times 100$	%	0.00	0.00
Accounts Receivables Turnover (days)	$Aar/R \times 90$	-	69.64	69.58
Property, Plant and Equipment Turnover	R/PPE	-	0.23	0.21

where:

C_{lt} long-term capital;
 A_f fixed assets;

I_{df} deferred income
 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 _{cr})	current assets;	I _r	interest revenue
L	liquidity position;	Am	amortization;
Pp	prepayments;	C _{emp}	capital employed (total assets–current liabilities);
L _{cr}	current liabilities;	L	total liabilities
Cr _{st}	short-term credit;	Aar	Average Accounts Receivables
Lc	Loan capital;		
PPE	property, plant and equipment		

PERFORMANCE OF DIRECTORS' AGREEMENTS/MANDATE CONTRACT

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

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

Objectives and performance criteria

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

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

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

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

- Improving the company's organization structure, including the reorganization of the internal audit function.

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

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

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

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

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

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

In view of the fact that:

- Government Decision provisions no. 831 dated August 4, 2010 approved the selling by the Ministry of Economy, Commerce and Business Environment (through OPSP1) of 15% of SNGN Romgaz S.A. share capital;
- the shares selling process, respectively the approval for trading of shares on the regulated market operated by Bucharest Stock Exchange and of GDRs on London Stock Exchange was finalized in November 2013;

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

According to **Public Finance Minister Order no. 1,121/2006**, these entities had the option (not the obligation) to prepare separate financial statements based on IRS for other users than the Romanian state entities.

Order no. 881/2012 repeals Article 4 of Order no.1,121/2006 requesting the IFRS applying entities to also draft financial statements in accordance with national accounting provisions;

- the **Public Finance Minister Order no. 1,286/October 1, 2012** approved the Accounting Regulations complying with IFRS applicable to companies whose securities are admitted for trading on a regulated market.

Romgaz is obliged to apply IFRS as of 2013.

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

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

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

where: $i=1 \div 3$;

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

Results 2012-2015

The value of main indicators achieved in Q1, years 2012 to 2015 are shown in the table below (thousand RON):

Indicators	Q1 2012	Q1 2013	Q1 2014	Q1 2015
1	2	3	4	5
Revenue	1,291,627	1,156,413	1,449,297	1,365,477
Production revenue ^{*)}	1,189,221	1,117,855	1,403,494	1,285,877
Production expense ^{*)}	836,861	731,604	690,310	615,283
Gross profit	326,999	445,179	732,638	679,062
Net profit	230,663	332,781	608,385	563,041
EBITDA	584,454	649,168	875,833	881,564
Operating expenses to 1000 RON operating income (RON)	703.7	654.5	491.9	484.8
Average number of employees	5,690	6,275	6,272	6,181
Labour productivity (revenue RON thousand /employee)	227.0	184.3	231.1	220.9
Gas production (million cm)	1,521.9	1,478.1	1,463.8	1,436.1
Volume of geological resources (million m ³)	150	240	250	980
Outstanding payments	0	0	0	0

^{*)} – excluding impairment and provisions .

Q1 2015 Results

The table below shows the results of the indicators and performance criteria for Q1 2015:

	Weighting factor	Indicator	Average values 2012-2014	Target values	Achieved values	Achievement rate	Weight
1	2	3	4	5	6	$7=6/5 \times 100$	$8=2 \times 7$
EBITDA	0.25	+4.5%	703,151.7	734,793.5	881,564.2	120.0	30.00
CA	0.20	+6%	1,299,112.2	1,377,058.9	1,365,476.6	99.2	19.84
W	0.10	+6%	213.7	226.5	220.9	97.5	9.75
C_{exp}/V_{expl}	0.10	-0.6%	608.7	605.1	484.8	124.8	12.48
RES	0.10	+1%	213.3	215.5	980.0	454.8	45.48
d _Q	0.15	-1.5%	1,476.6 ²	1,454.5	1,436.1	98.7	14.81
P _{res}	0.10	0	0	0		110.0	11.00
Total	1.00	-	-	-	-	-	143.36

² Is the production for Q1 2012 adjusted with the target decline of 1.5% annually, 2012 is considered the "base year".

EBITDA	- (RON thousand);
CA	- revenue (RON thousand);
W	- labour productivity (RON thousand/employee);
$C_{\text{expl}}/V_{\text{expl}}$	- operating expenses to 1000 RON operating income;
RES	- volume of geological resources (million m ³);
d _Q	- gas production decline (%);
P _{res}	- outstanding payments (thousand RON).

The performance indicators and objectives achievement degree is **143.36%**.

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

- ↳ *EBITDA* – higher by RON146.8 million (+20.0%) compared to target value;
- ↳ *Operating expenses to 1000 RON operating income* – lower by RON 120.3 (-19.9%) compared to target value;
- ↳ *Geological resources quantity* – higher by RON 764.5 million m³ (+454.8%);

The following indicators were not fully achieved:

- ↳ *Revenue* – lower than the target by RON 11.6 million (-0.8%);
- ↳ *Labour productivity* – lower than the scheduled productivity by RON 5.6 thousand/employee (-2,5%);
- ↳ *Gas production decline* – lower by 18.4 million m³ compared to target value.

The indicators were not achieved because of the reduced gas demand, especially from the fertiliser production sector that lead to not achieving the scheduled gas production, the target revenue implicitly and neither the labour productivity due to a lower number of employees.

Please find attached the Individual Interim Financial Statements for the period ended on March 31, 2015, prepared in compliance with the International Financial Reporting Standards (IFRS).

Signatures:

Chairperson of the Board of Directors,

AURORA NEGRUT



Director General,

MARIUS VIRGIL METEA

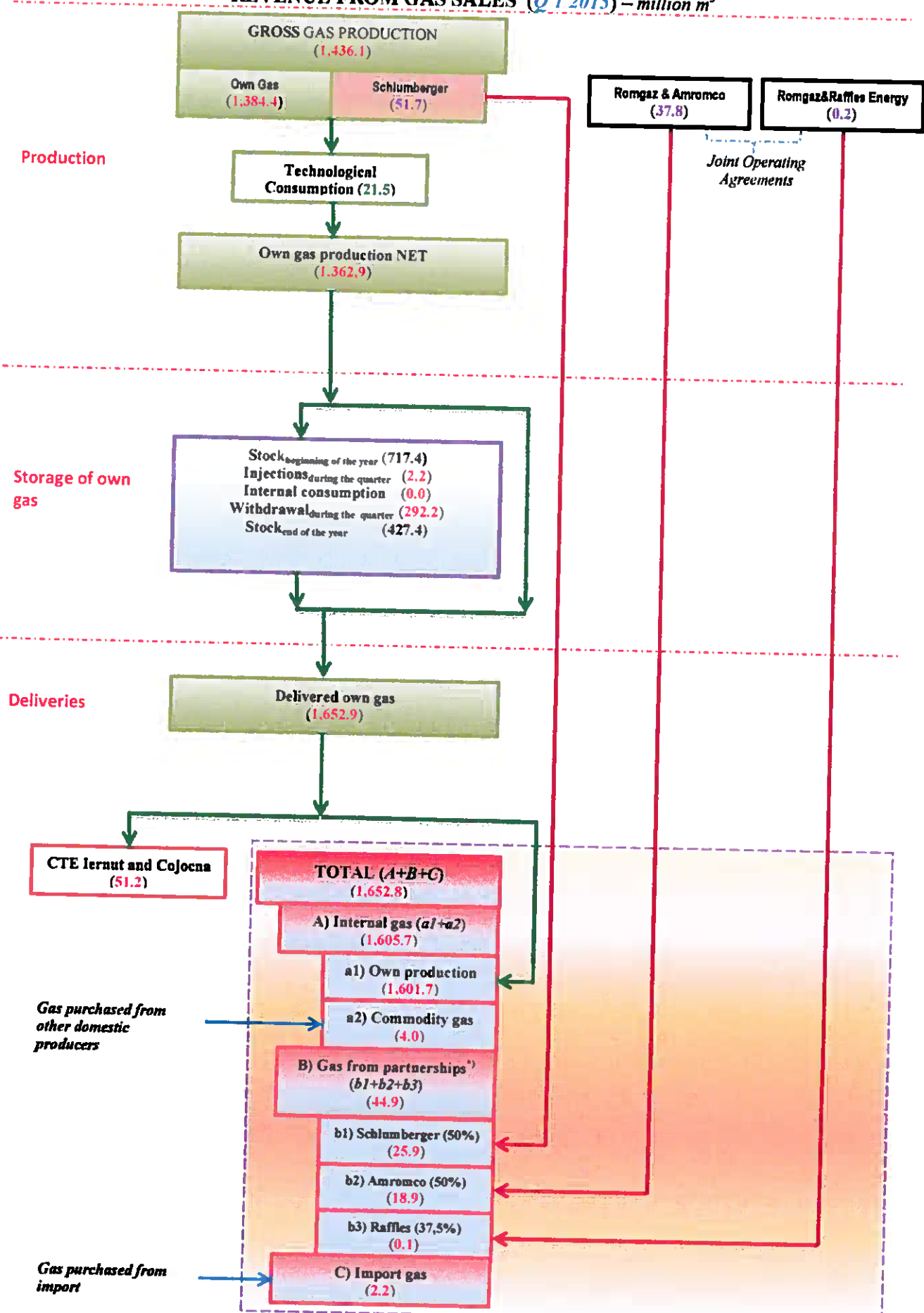


Economic Department Director,

LUCIA IONASCU



REVENUE FROM GAS SALES (Q1 2015) – million m³



^{*)} Schlumberger – the gas is fully included in Romgaz production and 50% in the revenue. With respect to Amromco and Raffles Energy the produced gas is not considered Romgaz production but its value is reflected in Romgaz revenue in compliance with the interest quota held.