



SOCIETATEA NATIONALA DE GAZE NATURALE “ROMGAZ” SA

QUARTERLY REPORT

**REGARDING THE ECONOMIC-FINANCIAL
ACTIVITY OF SNGN “ROMGAZ” SA**

ON SEPTEMBER 30, 2017

(January 01, 2017 – September 30, 2017)

IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report Basis	Article 67 of Law no. 24/2017 on issuers of securities and market operations and Annex 30 to CNVM Regulation no.1/2006 for a nine-month period ended on September 30, 2017
Report Date	November 14, 2017
Name of the Company	Societatea Națională de Gaze Naturale "ROMGAZ" SA
Headquarters	Mediaș 551130, No.4 Piața Constantin I. Motaș, County of Sibiu
Telephone/Fax number	0040 269 201020 / 0040 269 846901
Web/E-mail	www.romgaz.ro / secretariat@romgaz.ro
Tax Identification Number	RO 14056826
LEI Code	2549009R7KJ38D9RW354
Trade Register No.	J32/392/2001
Subscribed and paid in share capital	RON 385,422,400
Number of shares	385,422,400 each with a nominal value of RON 1
Regulated market where the company's shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)

COMPANY PERFORMANCE

During the nine-month period ended on September 30, 2017, the Company's operational and financial performances increased significantly in comparison with both the previous reporting periods and the schedules set in the beginning of the year.

After recording at national level a reduction of natural gas consumption of approx. 4.6% in 2015 and after a moderate increase of approx. 1.9% in 2016, 2017 experienced a consumption revival as it increased during the reporting period with approx. 12%, from 79.5TWh during the nine-month period ended on September 30, 2016 to 89.04TWh in the same period of 2017.

Due to the increase of the national gas consumption, Romgaz succeeded to increase its deliveries by 34.68% as compared to the similar 2016 period from 31.86TWh to 42.91TWh. As such, *Romgaz market share* on the Romanian gas delivery market reached 48.19%, by 8.12% higher than the market share held during the previous reporting period (40.08%).

Natural gas production was 3.751 million m³, higher by 717 million m³ than the production recorded during the similar 2016 reporting period (+23.6%) and higher by 263 million m³ than the production schedule (+7.6%).

Electricity production increased by 62.5% as compared to the production generated in the similar period of 2016, from 902.0 TWh to 1.465.5 TWh. This production placed Romgaz at a market share of 3.14%¹.

The margins of the main profitability indicators: net profit (36.5%), EBIT (42.7%) and EBITDA (55.3%) confirm a high profitability of the company's activity.

¹ Source: CNTEE Transelectrica SA

Relevant Financial Results

RON million

Q3 2016	Q2 2017	Q3 2017	Δ Q3 (%)	Main Indicators	9 M 2016	9 M 2017	Δ 9 M (%)
551.6	894.7	849.4	54.0	Revenue	2,401.5	3,241.6	35.0
917.1	936.9	914.8	-0.3	Income	2,827.4	3,241.9	14.7
753.5	572.3	547.8	-27.3	Expenses	1,908.9	1,841.1	-3.6
163.5	364.6	367.0	124.5	Gross profit	918.6	1,400.8	52.5
65.1	57.5	50.9	-21.8	Profit Tax	204.9	216.7	5.8
98.4	307.1	316.1	221.2	Net Profit	713.7	1,184.1	65.9
159.1	358.8	362.1	127.6	EBIT	900.5	1,385.2	53.8
242.7	424.9	475.7	96.0	EBITDA	1,257.0	1,792.9	42.6
0.3	0.8	0.8	166.7	Earnings per Share(EPS) (RON)	1.85	3.1	67.6
17.8	34.3	37.2	109.0	Net Profit Ratio (% of Revenue)	29.7	36.5	22.9
28.8	40.1	42.6	47.9	EBIT Ratio (% of Revenue)	37.5	42.7	13.9
44.0	47.5	56.0	27.3	EBITDA Ratio (% of Revenue)	52.3	55.3	5.7
6,250	6,211	6,194	-1.6	Number of employees at the end of the period	6,250	6,194	-0.9

The figures in the table above are rounded, as such small reconciliation differences may result.

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

Revenue, profit and the other indicators calculated on their basis were set based on the estimated equivalent value of delivered natural gas, due to the fact that the gas balance has not been finalised since November 2016 because of lack of clear regulations on gas deliveries to households and assimilated consumers.

In Q3 2017, the company recorded significant increase of the main indicators as compared to the similar period of 2016: revenue +54%, EBIT +127.6%, EBITDA +96% și net profit +221.2%. Also, the relating profitability rates had significant values.

Summary of main indicators for the nine-month period ended on September 30, 2017:

- ↳ *Total Income*, higher by **RON 414.5 million**, recording an increase of 14.7% while the total expenses recorded an increase of only 3.6%;
- ↳ *Net Profit*, higher by **RON 470.4 milion**, increased significantly by 65.9% as compared to the similar 2016 reporting period reaching RON 1.184 million. This positive development is generated by the increase of natural gas and electricity sales and by reduction of expenses;
- ↳ *Labour productivity* increased by **36.2%** as compared to the previous period from RON 384.24 thousand Revenue/employee at 9M 2016 to RON 523.35 thousand in 9M 2017;
- ↳ *Net Profit Rate, EBIT Ratio and EBITDA Ratio* are higher than compared to the similar period of 2016 due to the significant increase of Revenue from RON 2,401.5 million to RON 3,241.6 million;
- ↳ *Earnings per Share* is **RON 3.1**, 67.6% higher than the 9M 2016 recording.

Operational Results

Q3 2016	Q2 2017	Q3 2017	Δ Q3 (%)	Main Indicators	9M 2016	9M 2017	Δ 9M (%)
836	1,226	1,192	42.58	Gross production (mil m ³)	3,034	3,751	23.63
54	87	83	53.70	Petroleum royalty (mil m ³)	208	269	29.33
1,201	1,486	1,191	-0.83	Condensate production (tonnes)	4,841	4,349	-10.16
391.5	388.2	465.8	18.98	Electric power production (GWh)	902.0	1,465.5	62.47
0.0	31.3	9.7		UGS gas extraction services invoiced (mil m ³)	931.0	1,208.5	29.79
619.9	99.0	774.3	24.91	UGS gas injection services invoiced (mil m ³)	1,302.4	1,375.8	5.64

*) – includes gas from the current production (including Romgaz-Schlumberger partnership) and gas delivered to SPEE Iernut and Cojocna.

Gas production reached the 2017 production schedule, the production level being 107.56% as compared to the scheduled one.

During the first nine-month of 2017, Romgaz produced a natural gas quantity of 3,751 million m³, by 717 million m³ (23.6%) higher than the production recorded in the similar period of the previous year.

The increase of *electric power production* by approx. 62% more than the values recorded during the similar 2016 reporting period, as indicated in the table below, is in close connection with: (1) reduced production from hydro and wind sources; (2) extended period of heatwave during summer time; (3) repair and maintenance schedules for thermal power generation groups of other producers with the scope of conditioning the equipment for the winter and (4) decrease of generation capacity due to unavailable thermal or nuclear groups.

The table below shows the electricity produced during the first three quarters of 2017 in comparison with the similar 2016 periods:

	2016	2017	Indices
1	2	3	4=3/2x100
Q 1	318,720	611,483	91.86%
Q 2	191,847	388,249	102.38%
Q 3	391,472	465,812	18.99%
9M	902,039	1,465,543	62.47%

HIGHLIGHTS

March 14, 2017

Romgaz, Duro Felguera and Romelectro representatives met at SPEE Iernut for the kick-off meeting of the project “*Development of CTE Iernut through the construction of a new combined-cycle power plant*”.

April 1, 2017

As of April 1, 2017 the natural gas price for domestic production is liberalised in accordance with the GEO no. 64/2016 for the amendment and supplementation of the Electricity and Natural Gas Law no. 123/2012.

April 25, 2017

According to Resolution no. 1/2017, the General Meeting of Shareholders:

- ✍ Approves the company’s 2017 budget;
- ✍ Revokes Mr. Dumitru Chisalita, Mr. Aristotel Marius Jude, Mr. Stoicescu Razvan and Mrs. Aurora Negrut from their positions as Directors, members of SNGN Romgaz S.A. Board of Directors, as a result of their mandates’ expiration in May 2017;
- ✍ Appoints as Interim Directors of SNGN Romgaz S.A. Board of Directors Mr. Stan Bogdan – Nicolae, Mr. Chirila Alexandru, Mr. Gheorghe Gheorghe – Gabriel and Mr. Metea Virgil Marius.

June 7, 2017

By Resolution no. 14, the Board of Directors approved the renewal of the Mandate Agreement for Mr. Metea Virgil Marius, Director General, for a 4-year term and the adjustment of the 2017 performance indicators in line with GMS approval of the budget.

In the same meeting, Mr. Gheorghe Gheorghe – Gabriel was appointed Chairman of the Board.

July 27, 2017

According to Resolution no. 18, the Board of Directors finds that a position in the Board is vacated due to the resignation of Mr. Tcaciuc Sebastian-Gabriel from his position as member of the Board and appoints Mrs. Baciu Sorana-Rodica as interim director until the following convening of the OGMS.

September 7, 2017

According to Resolution no. 5, the OGMS, after exercising the cumulative vote casted by the company’s shareholders at the request of the Romanian State represented by the Ministry of Energy, elected the following persons as members of the Board for a 4-month term:

- Gheorghe Gheorghe-Gabriel;
- Stan Bogdan-Nicolae;
- Ciobanu Romeo-Cristian;
- Nistoran Dorin-Liviu;
- Cermonea Ioan-Daniel;
- Grigorescu Remus;
- Baciu Sorana-Rodica.

September 27, 2017

The Romanian Government approved the following:

- The Petroleum Concession Agreements for Development-Exploitation and the Petroleum Concession Agreements for Exploitation concluded between the Romanian Agency for Mineral Resources and Romgaz for 54 commercial reservoirs;
- The Petroleum Concession Agreements for Development-Exploitation concluded between the Romanian Agency for Mineral Resources and Romgaz and Amromco Energy S.R.L. for 8 commercial reservoirs.

ROMGAZ – BRIEF OVERVIEW

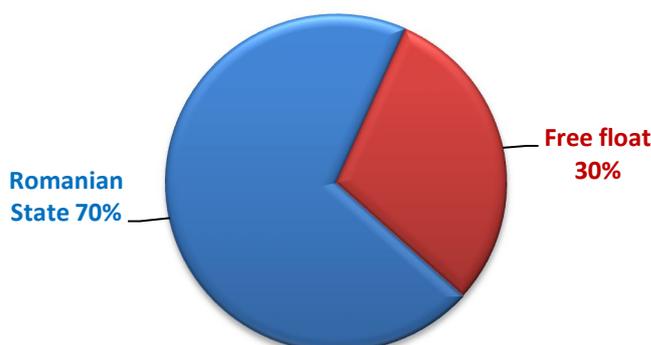
The activities developed by the company are as follows:

- ✎ Exploration and production of natural gas;
- ✎ Underground storage of natural gas;
- ✎ Supply of natural gas;
- ✎ Special well operations and services;
- ✎ Technological transport and maintenance services;
- ✎ Electric power production and supply;
- ✎ Distribution of natural gas.

Shareholder structure

On September 30, 2017 the shareholder structure was the following:

	Number of shares	%
The Romanian State ²	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	96,422,938	25.0175
*natural persons	19,176,382	4.9754
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.

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

- Sucursala Mediaș (Mediaș Branch);
- Sucursala Targu Mures (Targu Mures Branch);
- Sucursala Ploiesti (Ploiesti 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 și Mentenanta Targu Mures (STTM) (Technological Transport and Maintenance Branch);

² The Romanian State through the *Ministry of Energy*

- Sucursala de Productie Energie Electrica Iernut (Iernut Power Generation Branch);
- Sucursala Bratislava (Bratislava Branch).

Company management

The company is governed by a **Board of Directors** composed of 7 members, having on September 30, 2017 the following structure:

Item no.	Name	Institution of employment	Position in the Board
1	Gheorghe Gheorghe Gabriel	Ministry for Business Environment, Commerce and Entrepreneurship	Chairman
2	Stan Bogdan Nicolae	National Agency for Fiscal Administration	Member
3	Ciobanu Romeo Cristian	Technical University Iasi	Member
4	Nistoran Dorin Liviu	SC Televoice Grup SRL	Member
5	Cermonea Ioan Daniel	Sibiu County Council	Member
6	Grigorescu Remus	“Constantin Brancoveanu” University	Member
7	Baciu Sorana Rodica	SC Acgenio SRL	Member

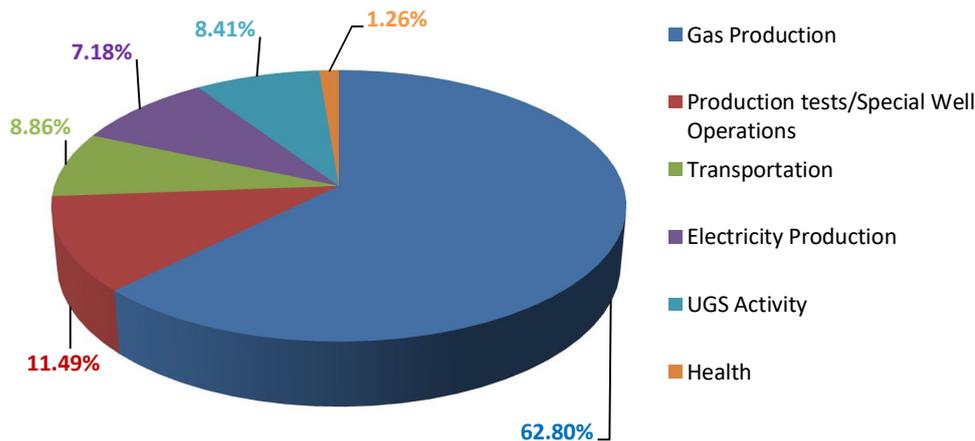
Human Resources

On September 30, 2017 the company had a number of 6,194 employees.

The table below shows the evolution of the employees' number between January 1, 2014 – September 30, 2017:

Description	2014	2015	2016	9 months 2017
1	2	3	4	5
Employees at the beginning of the period	6,472	6,344	6,356	6,246
Newly hired employees	92	159	168	161
Employees who terminated their labour relationship with the company	220	147	278	213
Employees at the end of the period	6,344	6,356	6,246	6,194

The structure by activities of the company's personnel at the end of the reporting period is presented in the figure below:



Romgaz on the Stock-Exchange

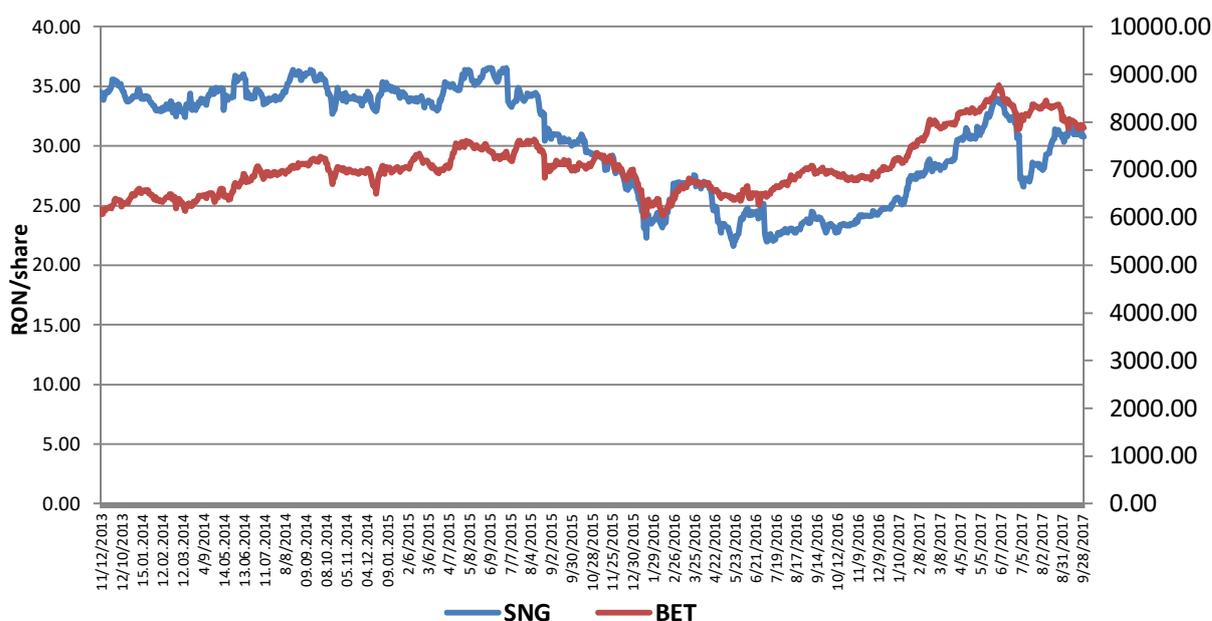
As of November 12, 2013 the company's shares are traded on the regulated market governed by BVB (Bucharest Stock Exchange) under the symbol "SNG" and on the regulated market governed by LSE (London Stock Exchange), as GDRs issued by the Bank of New York Mellon under the symbol "SNGR".

Romgaz is considered an attractive company for investors in terms of dividend distribution to shareholders and company stability.

The company holds a significant position in the top of local issuers and is included in BVB indices as well as in indices of other markets, as follows:

- Second place in the top of Premium BVB issuers by market capitalization on September 30, 2017 (RON 11,851.7 million, respectively EUR 2,577.0 million);
- Fourth place in terms of traded values in the first 9 months of 2017 in the top of local issuers on BVB main segment (RON 838.5 million);
- Weights of 10.73% and 9.73% in the BET index (top 13 issuers) and the BET-XT index (BET extended), 24.69% in the BET-NG index (energy and utilities), 10.72% in the BET-TR (BET Total Return) index and 12.54% in the ROTX index (Romanian Traded Index);
- Romgaz issuer is also included in global indices with allocation for Romania, for instance in the following index groups: FTSE (Financial Times Stock Exchange), MSCI (Morgan Stanley Capital International), S&P (Standard & Poor's), STOXX (mainly oriented towards European markets), Russell Frontier.

Performance of Romgaz shares between listing and September 30, 2017 in relation to BET index, is shown below:



During the 9M period of 2017, the trade prices of Romgaz shares and GDRs have substantially oscillated recording a downward trend by the end of H1 2017. During Q3, the process recorded a significant decrease following ex-data dividends followed by a subsequent increase to 30.75 RON/share (+22% as compared to beginning of the year) and to 7.85 USD/GDR (+38.4% as compared to beginning of the year) on September 30, 2017.

As such, at the beginning of 2017 Romgaz share price was RON 25.20, and after reaching a minimum of RON 25.10 on January 13, 2017 the share price increased considerably, reaching the maximum value of RON 33.95 in H1 2017. Q3 started with a low price/share (minimum value was 26.6 RON/share in July 7, 2017 after the dividend record date) and increased subsequently to a maximum of 31.80 RON/share in September 11, 2017, after reporting to the market the proposal to distribute additional dividends.

The GDRs recorded the minimum price on the first trading day of the year (USD 5.67), following the same trend as the shares, recording a maximum value in September 15, 2017 (8.19 USD/GDR).

PHYSICAL INDICATORS

The table below shows the gas volumes (million m³) produced, delivered and injected/withdrawn into/from UGSs during January-September 2017 in comparison with the similar period of 2015 and 2016:

Crt. no.	Specifications	9 M 2015	9 M 2016	9 M 2017	Indices
0	1	2	3	4	5=4/3x100
1.	Total - gross production, out of which:	4,134.5	3,034.3	3,751.1	123.6%
1.1.	*internal gas production	3,982.2	2,924.7	3,625.7	124.0%
1.2.	*Schlumberger partnership (100%)	152.3	109.7	125.4	114.3%
2.	Technological consumption	57.8	38.5	52.7	136.9%
3.	Net gross internal gas production (1.-1.2.-2.)	3,924.4	2,886.1	3,573.0	123.8%
4.	Internal gas volumes injected in storages	622.0	414.1	239.6	57.9%
5.	Internal gas volumes withdrawn from storages	293.3	308.9	506.8	164.1%
6.	Differences resulting from GCV	13.8	0.0	3.1	0.0%

7. Volumes supplied from internal production (3.-4.+5.-6.)	3,581.9	2,780.9	3,837.1	138.0%
8.1. Gas sold in storage		79.2	0.0	
8.2. Gas supplied to Iernut and Cojocna Power Plants	359.4	267.4	408.0	152.6%
9. Volumes supplied from internal production to the market (7.+8.1.-8.2.)	3,222.5	2,592.7	3,429.1	132.3%
10. Natural gas from partnerships^{*)} – total, out of which:	125.2	108.8	130.0	119.5%
*Schlumberger (50%)	76.1	54.8	62.7	114.5%
*Raffles Energy (37,5%)	0.3	0.3	0.1	33.3%
*Amromco (50%)	48.8	53.6	67.2	125.4%
11. Purchased internal gas volumes	12.6	9.5	25.0	263.2%
12. Volumes sold from domestic production to the market (9.+10.+11.)	3,360.3	2,711.0	3,584.1	132.2%
13. Volumes supplied from domestic production (8.2.+12.)	3,719.7	2,978.4	3,992.1	134.0%
14. Supplied import volumes	2.2	6.8	25.7	377.9%
15. Gas supplied to Iernut and Cojocna from other sources (including unbalances)			17.7	
16. Total gas supplies (13.+14.+15.)	3,721.9	2,985.2	4,035.5	135.2%
* Invoiced UGS withdrawal services	1,190.1	931.1	1,208.5	129.8%
* Invoiced UGS injection services	1,550.1	1,302.4	1,375.8	105.6%

^{*)} In case of Romgaz – Schlumberger partnership, the produced gas volumes are entirely outlined in Romgaz production. Romgaz sells such volumes and the resulting revenue is equally shared between the two partners. In case of Romgaz partnerships with Amromco and Raffles Energy, the produced gas volumes do not represent Romgaz production, but the relating value is included in Romgaz revenue proportionate to the company's working interest in the respective partnership.

INVESTMENTS

For this reporting period, Romgaz scheduled investments in amount of *RON 798.5 million* and spent *RON 532 million* by approximately 33.3% (i.e. *RON 266.3 million*) less than scheduled. Investments were exclusively financed from the company's own sources.

As compared to the similar period of 2016, the investments made in 2017 are by 40% (i.e. *RON 152.2 million*) higher.

The value of fixed assets commissioned during the reviewed period is *RON 255.3 million*.

The table below shows a comparison between the 9M 2017 and 9M 2016 investments and the scheduled investments, split onto main investment chapters:

Investment chapter	<i>*RON thousand*</i>				
	Result 9M 2016	Schedule 9M 2017	Result 9M 2017	2017/ 2016	R 2017/ P 2017
1	2	3	4	5=4/2x100	6=4/3x100
I. Geological exploration works for the discovery of new gas reserves	120,500	262,078	180,857	150.1%	69.0%
II. Exploitation drilling works,	15,414	278,862	177,413	1,151%	63.6%

commissioning of new wells, infrastructure and utilities					
III. Supporting underground gas storage capacities	57,618	10,155	9,070	15.7%	89.3%
IV. Environment protection works	152	3,982	1,254	825.0%	31.5%
V. Revamping and retrofitting of existing installations and pieces of equipment	153,388	180,173	133,903	87.3%	74.3%
VI. Independent equipment and installation	29,486	47,480	27,630	93.7%	58.2%
VII. Expenses relating to studies and designs	3,447	15,807	2,066	60.0%	13.1%
TOTAL	380,005	798,537	532,193	140.0%	66.6%

For the first three quarters of 2017, the notable physical results were the following:

- performance of drilling works for 20 wells out of which 17 wells were completed – 3 wells were drilled by SIRCOSS;
- contracting and commencing the implementation of three important investments: “Technological Installations at wells 21 and 23 Caragele”, “Collector for Caragele Galbenu” and “Gathering Pipelines and Technological Installations for Vaida and Palatca Structures”, works to be completed in H1 2018;
- Construction and commissioning of technological installations at 8 wells, performance of capitalizable repairs and modernisation works at the scheduled wells (approx. 100 wells);
- Completion of works scheduled at Urziceni UGS, namely drilling of two wells, replacement of interconnection pipeline system between existing clusters and modernization of clusters;

At the end of Q3 2017, unrealised investments were mainly due to:

- Difficulties in acquiring land required for investments due to lack of property titles or refusal of land-owners to lease the land;
- Delays occurred in the public procurement procedures due to repeated rejections by ANAP of the tender documentation;
- Repetition of procurement procedures due to lack of bids;
- Not promoting or delay in promoting the procurement of drilling contracts on grounds of law interpretation in terms of financing the construction works on public roads located on the route providing access to the wells.
- Additional assessment of Black Sea projects
- Difficulty in obtaining permits for the performance of development works

Development of CTE Iernut

One of Romgaz main strategic directions specified in the *2015-2025 Development Strategy* is to consolidate the company's position on the energy supply markets. In the field of power generation, Romgaz planned to "make the activity more efficient by making investments aiming to increase Iernut power plant conversion efficiency at minimum 55%, to comply with environmental requirements (NOX, CO₂ emissions) and to increase operational safety".

After carrying out a public procurement project, Romgaz signed Works Contract no. 13384/October 31, 2016 with Duro Felguera SA, Gijon, Spain in association with SC Romelectro SA Bucharest, by which the contractor undertook to carry out "*Development of CTE Iernut by means of constructing a new thermal power plant with combined-cycle gas turbine*". This means that a turnkey project is performed including design, equipment delivery, work performance and commissioning.

The project kick-off meeting between the representatives of Romgaz, Duro Felguera and Romelectro took place on March 14, 2017, at CTE Iernut.

Equipment subassemblies were delivered.

The result of geotechnical study shows the necessity of foundation pillars.

The investment will be financed from own financing sources and from grants, according to the National Investment Plan (NIP). After filing with the Ministry of Energy the request for finance from NIP account, the Ministry of Energy approved such request on January 18, 2017. Currently, formalities are carried out for negotiating the reimbursement schedule to be included in the contract for financing.

On October 17, 2017, Iernut city-hall issued the construction permit. The gas turbines are being manufactured and will be delivered in the upcoming period.

FINANCIAL AND ECONOMIC INDICATORS

Summary of the interim financial result

The table below shows the summary of the interim financial result on September 30, 2017 compared to December 31, 2016:

INDICATOR	December 31, 2016 (RON thousand)	September 30, 2017 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
Non-Current Assets			
Property, plant and equipment	5,789,262	5,727,551	-1.07
Other intangible assets	397,864	382,735	-3.80
Subsidiaries	1,200	1,200	0.00
Associates	120	120	0.00
Other financial investments	69,657	69,678	0.03
TOTAL NON-CURRENT ASSETS	6,258,103	6,181,284	-1.23
Current assets			
Inventories	575,983	524,687	-8.91
Trade and other receivables	828,610	437,219	-47.23
Other financial assets	2,892,751	2,619,597	-9.44
Other assets	141,525	50,103	-64.60
Cash and cash equivalents	280,526	537,071	91.45
TOTAL CURRENT ASSETS	4,719,395	4,168,677	-11.67
TOTAL ASSETS	10,977,498	10,349,961	-5.72
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	385,422	385,422	0.00
Reserves	3,020,152	3,036,461	0.54
Retained earnings	6,270,587	5,966,052	-4.86
TOTAL CAPITAL AND RESERVES	9,676,161	9,387,935	-2.98
Non-Current Liabilities			
Provisions for retirement	119,986	117,017	-2.47
Deferred tax liabilities	40,123	17,325	-56.82
Provisions	194,048	193,200	-0.44
Total non-current liabilities	354,157	327,542	-7.52
Current liabilities			
Trade and other payables	569,941	350,953	-38.42
Current tax liabilities	60,295	57,001	-5.46
Deferred income	4,924	1,971	-59.97
Provisions	50,437	33,248	-34.08
Other liabilities	261,583	191,311	-26.86
Total current liabilities	947,180	634,484	-33.01
TOTAL LIABILITIES	1,301,337	962,026	-26.07
TOTAL EQUITY AND LIABILITIES	10,977,498	10,349,961	-5.72

NON-CURRENT ASSETS

The total non-current assets decreased by 1.23%, i.e. by RON 76.82 million from RON 6,258.1 million on December 31, 2016 to RON 6,181.29 million, mainly due to depreciation and impairment of these assets. Nevertheless, we noticed in Q3 2017 an increase in investment works which is almost double than in Q1 2017.

CURRENT ASSETS

Current assets decreased by RON 550.72 million (11.67%) on September 30, 2017 mainly due to the decrease of trade receivables and of other financial assets consisting in bank deposits and state bonds set up/purchased for a period longer than three months.

Inventories

Inventories decreased by 8.91% (RON 51.3 million) due to the decrease of gas stocks from storages as well as due to the decrease of the tubular goods stock due to performing investments works throughout the year.

Trade receivables and other receivables

As compared to December 31, 2016, trade receivables decreased by 47.23% due to lower gas deliveries at the end of Q3 2017 due to the seasonality of activities.

Other assets

Other assets decreased on September 30, 2017 as compared to December 31, 2016, mainly due to reducing accrued expenses. Accrued expenses reduced by the transmission services provided by the transmission system operator for the gas stored by the Company that has been reallocated in inventories at the end of Q3 2017. On December 31, 2016 the accrued expenses excluding the gas transmission services, were RON 5.0 million.

Cash and cash equivalents. Other financial assets

On September 30, 2017, cash and cash equivalents and other financial assets were RON 3,156.67 million, as compared to RON 3,173.3 million at the end of 2016, recording an insignificant decrease of 0.52%.

EQUITY

The company's equity were reduced by 2.98% (RON 288.23 million) as compared to the end of 2016 due to the distribution to shareholders as dividends of the 2016 profit and of part of the profit achieved in the previous years, in compliance with the resolution of the company's general meeting of shareholders.

NON-CURRENT LIABILITIES

As compared to December 31, 2016, non-current liabilities decreased by 7.52% mainly as a result of changing the deferred tax liabilities. This tax is not an outstanding debt payable to the state budget; it is calculated in compliance with IFRS requirements and it is based on the differences between the fiscal value and the accounting value of the balance sheet elements.

CURRENT LIABILITIES

Current liabilities decreased by RON 312.70 million as compared to December 31, 2016, from RON 947.18 million to RON 634.49 million, as recorded on September 30, 2017 as a consequence of reduced advances paid by clients.

Trade and other payables

Trade payables decreased by 38.42% as compared to December 31, 2016, as a result of reduced advance payments received for the gas to be delivered in the following period (RON 150.57 million on September 30, 2017 as compared to RON 464.05 million on December 31, 2016).

Provisions

Short-term provisions decreased by 34.08% as compared to the year ended on December 31, 2016, as a result of the provision reversal for employee's participation to profit further to the GMS approval of its payment.

Other liabilities

Other liabilities decreased by 26.07% due to the decrease of obligations to the state budget (VAT, windfall tax obtained further to the price deregulation on the gas market).

Summary of the interim global result

The synthesis of the Company's profit and loss account for the period January 1 – September 30, 2017, as compared to the similar period of 2016 is shown below:

Description	January- September 2016 (thousand RON)	January- September 2017 (thousand RON)	Variation (thousand RON)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	2,401,520	3,241,649	840,129	34.98
Cost of commodities sold	(46,326)	(49,518)	3,192	6.89
Investment income	18,023	15,647	(2,376)	-13.18
Other gains or losses	(407,588)	(88,630)	(318,958)	-78.26
Changes in inventory of finished goods and work in progress	73,527	(100,642)	n/a	n/a
Raw materials and consumables used	(41,458)	(48,220)	6,762	16.31
Depreciation, amortization and impairment	(356,424)	(407,701)	51,277	14.39
Employee benefit expenses	(356,383)	(400,235)	43,852	12.30
Financial cost	(13,731)	(13,285)	(446)	-3.25
Operating expenses	(80,502)	(132,576)	52,074	64.69
Other expenses	(605,855)	(700,299)	94,444	15.59
Other income	333,750	84,611	(249,139)	-74.65
Profit before tax	918,553	1,400,801	482,248	52.50
Income tax expense	(204,851)	(216,713)	11,862	5.79
Net profit	713,702	1,184,088	470,386	65.91

Revenue

In the first nine months of 2017 the revenue recorded an increase of 34.98% (RON 840.13 million) as compared to the similar period of 2016.

The increase of the revenue derives from the rise by 29.98% of income from the sale of gas both from Romgaz internal production and from those acquired for resale and from

partnerships, as well as from the increase of income from electricity sales (99.40%) and from gas storage services (26.05%).

Cost of Commodities Sold

For the nine-month period ended on September 30, 2017, the cost of commodities sold increased by 6.89% from RON 46.33 million in the similar period of 2016 to RON 49.52 million in 2017 mainly due to the increase of gas quantities acquired for resale both from the domestic market and from import.

Investment Income

For the reporting period the investment income decreased by 13.18% (RON 2.38 million) as a result of falling interest rates for the cash placed in bank deposits and in state bonds.

Other Gains and Losses

The company recorded in the nine month period ended on September 30, 2017 a net loss of RON 88.63 million, lower as compared to the similar period of the previous year when the company recorded an allowance for doubtful debts from one of the main clients. During the first nine months of 2017 the company recorded allowances for doubtful debts of RON 4 million.

Changes in Inventory of Finished Goods and Work in Progress

On September 30, 2017 Romgaz gas quantities withdrawn from storages were higher than the injected ones, generating unfavourable changes in inventories (loss) unlike the same period of 2016 when changes in inventories were favourable further to injecting higher gas quantities than those withdrawn (gain).

Raw materials and consumables used

The increase recorded in the first nine months of 2017 against the same period of 2016 is due mainly to the increase of the technological consumption driven by the increase of gas production.

Depreciation, Amortization and Impairment

Depreciation, amortization and impairment expenses of tangible and intangible non-current assets increased compared to the similar period of 2016, mainly due to impairment of non-current assets and of exploration assets.

During January-September 2017 depreciation expenses increased insignificantly as compared to the similar period of 2016 (1.45%). Concurrently, the company recorded a net expense with the impairment of non-current assets of RON 2.63 million, as compared to a net income with the impairment of non-current assets of RON 42.86 million for the same period of 2016.

Employee Benefit Expense

In the reviewed period, expenses with salaries, taxes and social contributions related to employees increased by 12.3% as compared to the similar period of 2016.

The increase as compared to the previous year is mainly due to the expenses with the employee's participation to profit, approved by the GMS in June 2017 (RON 23.04 million in 2017 compared to RON 16.77 million in 2016. Concurrently, we state that the amount of RON 16.77 million was recorded in the employee benefit expenses for 2015. In 2016 the amount of RON 23.04 million was recorded as a provision at Other expenses). The expense recorded in 2017 is offset by releasing to income the provision set up at the end of 2016, the income being listed at Other expenses. The increase of the expenses with salaries, except the employee benefit expense is 3.61%.

Operating expenses

Operating expenses recorded in the first nine months of 2017 of RON 132.58 million are offset by the release to income of the adjustment for impairment recorded in the previous years. This income was recorded as net expenses with Depreciation, amortization and impairment.

Other expenses

Other expenses increased by 15.59% as compared to the same nine month period of 2016. The increase is due to the following:

- in 2017 electricity has been generated by using gas produced by the Company and import gas;
- increase of expenses related to gas transmission services and electricity distribution services

At the same time, expenses with taxes and duties increased compared to the similar period of 2016 as a result of an increased windfall tax and of royalties.

Cancellation of the tax on special constructions had positive effects on the results of the nine month period of 2017 ended on September 30, 2017.

Other Income

The company recorded in the first nine months of 2017 other income of RON 84.6 million. This amount includes income from gas transmission services of RON 70.46 million that are re-invoiced to clients and income from late payment penalties for overdue payments of RON 8.98 million.

Profit for the period

The net profit of the company increased in the first three quarters of 2017 by RON 470.39 million (65.9%) from RON 713.70 million I 2016 to RON 1,184.09 million due to the cumulative effect of all the above stated.

The table below shows the breakdown by segments of the interim global result for January – September 2017, respectively January – September 2016:

* RON thousand *

Description	Gas production and sales	Storage	Electricity	Other activities	Adjustments and removal	TOTAL
1	2	3	4	5	6	7
<i>Revenue</i>						
* Jan.-Sept. 2016	2,016,878	263,513	241,270	178,481	(298,622)	2,401,520
* Jan.-Sept. 2017	2,647,991	378,666	445,500	191,375	(421,883)	3,241,649
<i>Cost of Commodities Sold</i>						
* Jan.-Sept. 2016	(17,207)	(409)	(28,089)	(621)	-	(46,326)
* Jan.-Sept. 2017	(40,964)	(7)	(7,943)	(604)	-	(49,518)
<i>Investment income</i>						
* Jan.-Sept. 2016	662	3,153	34	14,174	-	18,023
* Jan.-Sept. 2017	257	1,365	20	14,005	-	15,647
<i>Other gains and losses</i>						
* Jan.-Sept. 2016	(404,612)	(1,727)	(416)	(833)	-	(407,588)
* Jan.-Sept. 2017	(52,616)	(2,094)	(1,117)	(32,803)	-	(88,630)
<i>Changes in inventory of</i>						

Description	Gas production and sales	Storage	Electricity	Other activities	Adjustments and removal	TOTAL
<i>finished goods and work in progress</i>						
* Jan.-Sept. 2016	58,146	11,473	122	3,786	-	73,527
* Jan.-Sept. 2017	(65,267)	(37,061)	174	1,512	-	(100,642)
<i>Raw materials and consumables used</i>						
* Jan.-Sept. 2016	(28,663)	(5,989)	(934)	(7,534)	1,662	(41,458)
* Jan.-Sept. 2017	(34,802)	(8,220)	(864)	(7,255)	2,921	(48,220)
<i>Depreciation, amortization and impairment</i>						
* Jan.-Sept. 2016	(259,668)	(74,281)	(5,496)	(16,979)	-	(356,424)
* Jan.-Sept. 2017	(311,724)	(77,470)	(4,892)	(13,615)	-	(407,701)
<i>Employee benefit expenses</i>						
* Jan.-Sept. 2016	(227,236)	(34,168)	(21,078)	(73,901)	-	(356,383)
* Jan.-Sept. 2017	(255,547)	(38,959)	(23,865)	(81,864)	-	(400,235)
<i>Financial cost</i>						
* Jan.-Sept. 2016	(12,530)	(1,201)	-	-	-	(13,731)
* Jan.-Sept. 2017	(12,060)	(1,225)	-	-	-	(13,285)
<i>Operating expenses</i>						
* Jan.-Sept. 2016	(80,502)	-	-	-	-	(80,502)
* Jan.-Sept. 2017	(132,576)	-	-	-	-	(132,576)
<i>Other expenses</i>						
* Jan.-Sept. 2016	(655,394)	(71,172)	(142,940)	(34,116)	297,767	(605,855)
* Jan.-Sept. 2017	(752,307)	(53,843)	(281,262)	(32,351)	419,464	(700,299)
<i>Other income</i>						
* Jan.-Sept. 2016	329,195	2,036	101	3,225	(807)	333,750
* Jan.-Sept. 2017	83,683	32	34	1,364	(502)	84,611
<i>Profit before tax</i>						
* Jan.-Sept. 2016	719,069	91,228	42,574	65,682	-	918,553
* Jan.-Sept. 2017	1,074,068	161,184	125,785	39,764	-	1,400,801
<i>Income tax expense</i>						
* Jan.-Sept. 2016	-	-	-	(204,851)	-	(204,851)
* Jan.-Sept. 2017	-	-	-	(216,713)	-	(216,713)
<i>Net profit</i>						
*Jan.-Sept.. 2016	719,069	91,228	42,574	(139,169)	-	713,702
*Jan.-Sept. 2017	1,074,068	161,184	125,785	(176,949)	-	1,184,088

Statement of Cash Flows

Statements of cash flows recorded during January – September 2017 and in the similar period of 2016 are as follows:

INDICATOR	9 M 2016 (thousand RON)	9 M 2017 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash flow from operating activities			
Net Profit for the period	713,702	1,184,088	65.91
<i>Adjustments for:</i>			

INDICATOR	9 M 2016 (thousand RON)	9 M 2017 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Income tax expense	204,851	216,713	5.79
Interest expense	12	3	-75.00
Unwinding of decommissioning provision	13,719	13,282	-3.19
Interest revenue	(18,023)	(15,647)	-13.18
Loss on disposal of non-current assets	72,128	44,741	-37.97
Change in decommissioning provision recognized in result for the period, other than unwinding	(1,297)	(1,300)	0.23
Change in other provisions	(7,005)	(29,906)	326.92
Expenses for impairment of exploration assets	(18,076)	(24,512)	35.61
Operating income	80,502	132,576	64.69
Impairment of property plant and equipment	(24,782)	27,141	n/a
Depreciation and amortization	399,282	405,072	1.45
Net impairment of investments in associates	38	(12,606)	n/a
Net impairment of other financial investments	(1,554)	(21)	-98.65
Losses from disposal of investments in associates and of other financial investments	1,577	12,308	680.47
Losses from trade and other receivables	330,694	36,120	-89.08
Recovery from dismantling of fixed assets	(1,287)	-	n/a
Write down of inventories	4,724	7,318	54.91
Income from prescribed debts	-	(610)	n/a
Income from subsidies	-	(93)	n/a
Cash generated from operations, before movements in working capital	1,749,205	1,994,667	14.03
Movements in working capital			
(Increase)/Decrease in inventory	(78,427)	44,002	n/a
(Increase)/Decrease in trade and other receivables	(361,551)	446,693	n/a
(Increase)/Decrease) in trade and other liabilities	(125,268)	(287,879)	129.81
Cash generated from operations	1,183,959	2,197,483	85.60
Interest paid	(12)	(3)	-75.00
Income tax paid	(233,675)	(242,805)	3.91
Net cash generated from operations	950,272	1,954,675	105.70
Cash flows from investing activities			
(Increase)/Decrease in other financial assets	738,602	272,338	-63.13
Interest received	19,189	14,346	-25.24
Proceeds from sale of non-current assets	100	113	13.00
Collections from disposal of other financial assets	400	-	n/a
Acquisition of non-current assets	(235,322)	(332,070)	41.11
Acquisition of exploration assets	(121,462)	(181,156)	49.15
Proceeds from sale of other financial investments	-	298	n/a
Net cash used in investing activities	401,507	(226,131)	n/a
Cash flows from financing activities			
Dividends paid	(1,040,683)	(1,472,412)	41.49
Proceeds from subsidies	-	413	n/a
Net cash used in financing activities	(1,040,683)	(1,471,999)	41.45

INDICATOR	9 M 2016 (thousand RON)	9 M 2017 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Net (Increase)/Decrease in cash and cash equivalents	311,096	256,545	-17.54
Cash and cash equivalents at the beginning of the period	740,352	280,526	-62.11
Cash and cash equivalents as of September 30	1,051,448	537,071	-48.92

The statement of cash flows is prepared by using the indirect method where the net profit is adjusted by the effects of non-cash transactions, deferrals or payment arrangements or cash proceeds from production activities, past or future, and the income or expenses elements associated with cash flows from investment or financing activities.

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 2016	9 months 2017
1	2	3	4	5
Working Capital (WC)	$C_{lt}-A_f = E+L_{nc} + Pr+S_i-A_f$	million RON	3,366	3,534
Working Capital Requirements (WCR)	$(A_c-L+ Pp)- (L_{crt}- Cr_{st}+ I_{df})$	million RON	2,314	2,997
Net Cash Flow	$WC-WCR = L- Cr_{st}$	million RON	1,051	537
Economic Rate of Return	$P_g/C_{lt} \times 100$	%	9.45	14.42
Return on Equity (ROE)	$P_n/C_{lt} \times 100$	%	7.62	12.61
Return on Sales	$P_g/R \times 100$	%	38,25	43.21
Return on Assets	$P_n/A \times 100$	%	7.00	11.44
EBIT	$P_g+Ex_i-I_r$	million RON	901	1,385
EBITDA	$EBIT+Am$	million RON	1,257	1,793
ROCE	$EBIT/C_{emp} \times 100$	%	9.27	14.26
Asset Solvency	$E/L \times 100$	%	91.83	90.71
Current Liquidity	A_{crt}/L_{crt}	-	7.99	6.57
Gearing Ratio	$Lc/E \times 100$	%	0.00	0.00
Accounts Receivables Turnover (days)	$Aar/R \times \text{number of days}$	-	67.90	51.70
Property, Plant and Equipment Turnover	R/PPE	-	0.38	0.52

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 income
L	liquidity position;	Am	depreciation, amortization and impairment;

Pp	Prepayments;	C _{emp}	capital employed (total assets–current liabilities);
L _{cert}	current liabilities;	L	total liabilities
C _{rst}	short-term credit;	Aar	Average Accounts Receivables
Lc	Loan capital;		

PERFORMANCE OF DIRECTORS' AGREEMENTS/ CONTRACT OF MANDATE

The timeline of the contract of mandate and of the Management 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*;
- ✎ *December 16, 2013* – the Board of Directors Resolution no.29 approves the contract of mandate between Romgaz and Mr. Virgil Marius Metea as executive director – director general
- ✎ *January 29, 2014* – the Board of Directors Resolution no. 1 approves the “*Management Plan of Romgaz’s Director General over the contract of mandate’s term i.e. 2013-2017*”.
- ✎ *June 7, 2017* – the Board for Directors Resolution no.14 approves the renewal of the contract of mandate for the Director General – Mr. Virgil Marius Metea for a period of four years, as well as the amendment of the values for the 2017 performance indicators as approved by the General Meeting of Shareholders in the income and expenditure budget;
- ✎ *June 15, 2017* – conclusion of Addendum no.5 to the Contract of Mandate no.3066/2013, recorded under no.17702 on June 15, 2017

Performance Criteria and Objectives

The *Management Plan* encloses director general’s vision for the fulfilment of the company’s strategic objectives as provided in the Governing Plan and the fulfilment of performance criteria and objectives set in the Director’s Agreements.

The main **performance objective** provided in the director’s agreements 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.

Besides 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 legal provisions related to the legal unbundling of the UGS activity;
- Developing the role of risk management.

The measures and actions for the fulfilment of strategic objectives, as set in the Governing Plan, are monitored periodically, quarterly and annually, 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.	Labour productivity	RON/person	increasing	6%/ year	0.10
4.	OPEX to RON 1000 operating income	RON	decreasing	0.60%/ year	0.10
5.	Geological resources	million m 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

The director agreement's concluded by the company's directors, as approved by the General Meeting of Shareholders include only a fixed component and therefore do not provide indicators and performance criteria.

Updating the performance indicators values

Provisions of the Contract of Mandate and of the Management Plan

The Board of Directors approved by Resolution no.29 in the meeting held on *December 16, 2013* the Contract of Mandate to be concluded with the Director General.

The Contract of mandate provides the possibility to be renegotiated, so that:

“At the beginning of each mandate year the parties may renegotiate the remuneration of the director general by complying with the effective legal provisions and by being budgeted.

The scope of the renegotiation will regard the amount of the remuneration, the calculation manner and the criteria for calculating the fixed and the variable components of the allowance by taking into account the governing plan and the management plan”;

The management plan for 2013-2017, as approved by the company's Board of Directors by Resolution no.1 of January 29, 2014, provides that:

≈ *“The performance indicators provided in this plan, as a result of the strategic objectives set and of the plan of measures to be achieved for their fulfilment, will be submitted for review in order to be approved by the Board of Directors, if it will be found that, for reasons beyond the directors' control, for external reasons (natural gas and electricity market decline, amendments of the legal and regulatory framework*

etc.) the objectives and the performance indicators cannot be fulfilled” – summary of the Management Plan (last paragraph);

✍ Achievement of the performance indicators is conditioned by:

↳ Complying with Romania’s commitment to gradually increase the trading price of internally produced gas on the Romanian market, to reach the convergence with the trading price of import gas on the Romanian market until December 31, 2018. The commitment is undertaken by the Letter of Intent signed with International Monetary Fund and by the Memorandum of Understanding signed with the European Commission, integral part of the Preventive Agreement signed with the International Monetary Fund and the European Commission.

↳ ANRE has to observe the legal provisions related to adjusting the regulated income and the underground gas storage tariffs respectively.

If other circumstances or events beyond the director general control require such, the Management Plan will be amended/modified/supplemented accordingly as regards the level of the performance indicators” – item 6 Performance criteria and objectives of the Management Plan (last paragraph).

Steps taken to modify the contracts

Several objective causes arose as of the first year of mandate, unpredictable and beyond the control of the company’s board of directors and executive management, hindering the fulfilment of the performance indicators and objectives included in the Director Agreement and in the Contract of Mandate, namely:

- ✍ not complying with the calendar for gradually increasing the gas trading price, considered when preparing and approving the Governing Plan;*
- ✍ fiscal regulations with significant impact on the company’s performances, such as:
 - ↳ extending beyond December 31, 2014 the effectiveness of the windfall tax obtained by gas producers further to price deregulation;*
 - ↳ introducing as of January 1, 2014 the tax on special constructions;**
- ✍ reduced gas consumption in the country.*

The Board of Directors approved by Resolution no. 11 of May 12, 2016 “to modify the calculation manner of the performance indicators namely to eliminate the effects of external factors that are beyond the control of the company’s management, due to which the performance indicators and objectives cannot be fulfilled” and “to conclude an Addendum to the Contract of Mandate of the Director General recorded under no. 3066/2013 to modify the calculation manner of the performance indicators namely to eliminate the effects of external factors that are beyond the control of the company’s management, subsequent to the approval by the Ordinary General Meeting of Shareholders of their calculation method.”

Although the condition related to concluding an addendum to the Contract of Mandate, set in GMS Resolution no.5, June 16, 2016 was fulfilled, the company did not sign it.

Results 2014-2017

Main indicators achieved in the nine-month period of 2014 to 2017 are shown in the table below (thousand RON):

Indicators	9 M 2014	9M 2015	9M 2016	9 M 2017
1	2	3	4	5
Revenue	3,286,770	2,933,107	2,401,520	3,241,649
Operating income ^{*)}	3,624,392	3,267,689	2,947,276	3,382,677
Operating expense ^{*)}	2,103,725	1,902,025	1,706,207	1,971,533
Gross profit	1,407,242	1,194,777	918,553	1,400,801
Net profit	1,113,993	975,331	713,702	1,184,088
EBITDA	2,167,490	1,938,114	1,620,833	1,826,044
Operating expenses to 1000 RON operating income (RON)	580.4	582.1	578.9	582.8
Average number of employees	6,221	6,190	6,114	6,054
Labour productivity (revenue RON thousand /employee)	528.3	473.8	392.8	535.5
Gas production (million m ³)	4,227.9	4,134.5	3,034.3	3,751.1
Volume of geological resources	1,070	2,450	2,110	1,267
Outstanding payments	0	0	0	0

^{*)} – excluding impairment and provisions.

Results January - September 2017

Mandate Agreement

The table below shows the results of the indicators and performance criteria for 9M 2017:

	U.M.	Performance indicator	Weighting coefficient	Target values ³	Achieved values	Achieve ment rate	Weight
1	2	3	4	5	6	7=6/5x100	8=2x7
EBITDA	thousand RON	upward	0.25	1,394,525	1,826,044	130.9	32.73
CA	thousand RON	upward	0.20	2,716,967	3,241,649	119.3	23.86
W	thousand RON / person	upward	0.10	430.9	535.5	124.3	12.43
C_{expl}/V_{expl}	RON	downward	0.10	674.2	582.8	115.7	11.57
RES	million m ³	upward	0.10	2,100.0	1,267.0	60.3	6.03
d_Q		steady	0.15	3,488	3,751	107.5	16.13
P_{res}	thousand RON	steady	0.10	0	0	110.0	11.00
Total	-	-	1.00	-	-	-	113.75

³ Represents the values included in or which were the basis for substantiating the 2017 Income and Expenditure Budget as approved by the General Meeting of Shareholders in Resolution no.1 of April 25, 2017

The performance indicators and objectives show an achievement rate of **113.75%**.

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

- ☛ *EBITDA* – higher than the target by RON 432 million (+30.9%);
- ☛ *Revenue* – higher by RON 525 million (+19.3%);
- ☛ *Labour productivity* – higher than the scheduled productivity by 105 thousand RON/employee (+24.3%);
- ☛ *Operating expenses to 1000 RON operating income* – lower by 91 RON (-13.5) as compared to the target value;
- ☛ *Gas production* – by 263 million m³ higher than the target value;
- ☛ *Outstanding payments*

The only indicator not fully achieved is “*Volume of geological resources*” – lower by 833 million m³ (-39.7%).

Attached hereto are the Interim Financial Statements for the nine-month period and for the three-month period ending September 30, 2017 prepared in accordance with the International Financial Reporting Standards (IFRS).

SIGNATURES

Chairman of the Board of Directors

NISTORAN DORIN LIVIU

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Director General

MARIUS VIRGIL METEA

Chief Financial Officer

ANDREI BOBAR

S.N.G.N. ROMGAZ S.A.

INDIVIDUAL INTERIM FINANCIAL STATEMENTS (NOT AUDITED)

FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017

PREPARED IN ACCORDANCE WITH

**INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

AND

MINISTRY OF FINANCE ORDER 2844/2016

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STATEMENT OF INDIVIDUAL INTERIM COMPREHENSIVE INCOME FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

	Note	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Nine months ended Sep 30, 2016
		'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3	3,241,649	849,429	2,401,520	551,617
Cost of commodities sold	5	(49,518)	(3,727)	(46,326)	(8,459)
Investment income	4	15,647	4,943	18,023	4,399
Other gains and losses	6	(88,630)	(24,031)	(407,588)	(276,604)
Changes in inventory of finished goods and work in progress		(100,642)	41,415	73,527	91,166
Raw materials and consumables used	5	(48,220)	(16,092)	(41,458)	(12,115)
Depreciation, amortization and impairment expenses	7	(407,701)	(113,649)	(356,424)	(83,489)
Employee benefit expense	8	(400,235)	(139,151)	(356,383)	(126,406)
Finance cost	9	(13,285)	(4,410)	(13,731)	(4,564)
Exploration expense		(132,576)	(62,395)	(80,502)	(80,502)
Other expenses	10	(700,299)	(183,839)	(605,855)	(161,207)
Other income	3	84,611	18,535	333,750	269,713
Profit before tax		1,400,801	367,028	918,553	163,549
Income tax expense	11	(216,713)	(50,899)	(204,851)	(65,114)
Profit for the period		1,184,088	316,129	713,702	98,435
Basic and diluted earnings per share		0.0031	0.0008	0.0019	0.0003
Total comprehensive income for the period		1,184,088	316,129	713,702	98,435

These financial statements were approved by the Board of Directors on November 13, 2017.

Virgil Metea
Chief Executive Officer

Andrei Bobar
Chief Financial Officer

The accompanying notes form an integral part of these financial statements.
This is a free translation from the original Romanian version.

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF SEPTEMBER 30, 2017 (NOT AUDITED)

	Note	September 30, 2017	December 31, 2016
		'000 RON	'000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,727,551	5,789,262
Other intangible assets	14	382,735	397,864
Investments in subsidiaries	24 a)	1,200	1,200
Investments in associates	24 b)	120	120
Other financial investments	25	69,678	69,657
Total non-current assets		6,181,284	6,258,103
Current assets			
Inventories	15	524,687	575,983
Trade and other receivables	16 a)	437,219	828,610
Other financial assets	28	2,619,597	2,892,751
Other assets	16 b)	50,103	141,525
Cash and cash equivalents	27	537,071	280,526
Total current assets		4,168,677	4,719,395
Total assets		10,349,961	10,977,498
EQUITY AND LIABILITIES			
Equity			
Share capital	17	385,422	385,422
Reserves	18	3,036,461	3,020,152
Retained earnings		5,966,052	6,270,587
Total equity		9,387,935	9,676,161
Non-current liabilities			
Retirement benefit obligation	19	117,017	119,986
Deferred tax liabilities	11	17,325	40,123
Provisions	19	193,200	194,048
Total non-current liabilities		327,542	354,157

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STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF SEPTEMBER 30, 2017 (NOT AUDITED)

	<u>Note</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>
		'000 RON	'000 RON
Current liabilities			
Trade and other payables	20	350,953	569,941
Current tax liabilities		57,001	60,295
Deferred revenue		1,971	4,924
Provisions	19	33,248	50,437
Other liabilities	20	191,311	261,583
Total current liabilities		634,484	947,180
Total liabilities		962,026	1,301,337
Total equity and liabilities		10,349,961	10,977,498

These financial statements were approved by the Board of Directors on November 13, 2017.

Virgil Metea
 Chief Executive Officer

Andrei Bobar
 Chief Financial Officer

STATEMENT OF INDIVIDUAL INTERIM CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

	Share capital	Legal reserve	Other reserves	Retained Earnings **)	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2017	385,422	77,084	2,943,068	6,270,587	9,676,161
Allocation to dividends *)	-	-	-	(1,472,314)	(1,472,314)
Transfer to other reserves	-	-	16,309	(16,309)	-
Total comprehensive income for the period	-	-	-	1,184,088	1,184,088
Balance as of September 30, 2017	385,422	77,084	2,959,377	5,966,052	9,387,935
Balance as of January 1, 2016	385,422	77,084	2,504,769	6,724,947	9,692,222
Allocation to dividends *)	-	-	-	(1,040,640)	(1,040,640)
Transfer to other reserves	-	-	346,044	(346,044)	-
Total comprehensive income for the period	-	-	-	713,702	713,702
Balance as of September 30, 2016	385,422	77,084	2,850,813	6,051,965	9,365,284

*) In the nine-month period ended September 30, 2017, shareholders of the Company approved the allocation of RON 1,472,314 thousand to dividends for the year 2016 (2016: 1,040,640 thousand RON), the dividend per share being RON 3.82 (2016: 2.70 RON /share).

**) Retained earnings include the geological quota reserve set up in accordance with the provisions of Government Decision no. 168/1998 on the establishment of the expense quota for the development and modernization of oil and natural gas production, refining, transportation and oil distribution. Following the Company's transition to IFRS the reserve was no longer set up, the reserve existing as of December 31, 2012 being included in retained earnings. The reserve is allocated to shareholders based on the depreciation, respectively write-off of the assets financed using this source, based on decision of General Meeting of Shareholders. As of September 30, 2017 the geological quota reserve is of RON 1,781,845 thousand (December 31, 2016: RON 2,217,232 thousand).

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Virgil Metea
Chief Executive Officer

Andrei Bobar
Chief Financial Officer

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STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Cash flows from operating activities				
Net profit	1,184,088	316,129	713,702	98,435
Adjustments for:				
Income tax expense (note 11)	216,713	50,899	204,851	65,114
Interest expense (note 9)	3	-	12	3
Unwinding of decommissioning provision (note 9, note 19)	13,282	4,410	13,719	4,561
Interest revenue (note 4)	(15,647)	(4,943)	(18,023)	(4,399)
Net loss on disposal of non-current assets (note 6)	44,741	7,698	72,128	22,781
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(1,300)	(462)	(1,297)	(67)
Change in other provisions (note 19)	(29,906)	(14,356)	(7,005)	(2,094)
Net impairment of exploration assets (note 7, note 12, note 14)	(24,512)	(15,782)	(18,076)	(31,966)
Exploration projects written off (note 12)	132,576	62,395	80,502	80,502
Net impairment of property, plant and equipment and intangibles (note 7, note 12, note 14)	27,141	(1,129)	(24,782)	(1,656)
Depreciation and amortization (note 7)	405,072	130,560	399,282	117,111
Impairment of investment in associates (note 6, note 24 b)	(12,606)	(9,214)	38	-
Impairment of other financial investments (note 6, note 25)	(21)	-	(1,554)	-
Gain/Loss from disposal of investment in associates and other financial investments (note 6, note 24 b)	12,308	8,916	1,577	-
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 6)	36,120	14,238	330,694	252,157
Revenues from dismantling of assets	-	-	(1,287)	(1,287)
Net movement in write-down allowances for inventory (note 6, note 15)	7,318	1,917	4,724	1,703
Liabilities written off	(610)	(610)	-	-
Subsidies income	(93)	(93)	-	-
	1,994,667	550,573	1,749,205	600,898
Movements in working capital:				
(Increase)/Decrease in inventory	44,002	(39,052)	(78,427)	(109,288)
(Increase)/Decrease in trade and other receivables	446,693	233,783	(361,551)	(452,820)
Increase/(Decrease) in trade and other liabilities	(287,879)	(27,340)	(125,268)	20,290
Cash generated from operations	2,197,483	717,964	1,183,959	59,080
Interest paid	(3)	-	(12)	(3)
Income taxes paid	(242,805)	(61,728)	(233,675)	(25,291)
Net cash generated by operating activities	1,954,675	656,236	950,272	33,786

The accompanying notes form an integral part of these financial statements.
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STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Cash flows from investing activities				
(Increase)/Decrease in other financial assets	272,338	(177,491)	738,602	1,041,501
Interest received	14,346	6,729	19,189	6,226
Proceeds from sale of non-current assets	113	47	100	95
Sale of other financial investments	-	-	400	-
Acquisition of non-current assets	(332,070)	(182,046)	(235,322)	(87,938)
Acquisition of exploration assets	(181,156)	(86,461)	(121,462)	(53,955)
Proceeds from disposal of associates (note 24 b)	298	298	-	-
Net cash used in investing activities	(226,131)	(438,924)	401,507	905,929
Cash flows from financing activities				
Dividends paid	(1,472,412)	(1,471,921)	(1,040,683)	(1,040,560)
Subsidies received	413	413	-	-
Net cash used in financing activities	(1,471,999)	(1,471,508)	(1,040,683)	(1,040,560)
Net increase/(decrease) in cash and cash equivalents	256,545	(1,254,196)	311,096	(100,845)
Cash and cash equivalents at the beginning of the period	280,526	1,791,267	740,352	1,152,293
Cash and cash equivalents at the end of the period	537,071	537,071	1,051,448	1,051,448

These financial statements were approved by the Board of Directors on November 13, 2017.

Virgil Metea
 Chief Executive Officer

Andrei Bobar
 Chief Financial Officer

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

1. BACKGROUND AND GENERAL BUSINESS

Information regarding S.N.G.N. Romgaz S.A. (the “Company”/“Romgaz”)

S.N.G.N. Romgaz S.A. is a joint stock company, incorporated in accordance with the Romanian legislation.

The Company's headquarter is in Mediaș, 4 Constantin I. Motaș Square, 551130, Sibiu County.

The Romanian State, through the Ministry of Energy, is shareholder of S.N.G.N. Romgaz S.A. together with other legal and physical persons (note 17).

Romgaz has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The individual interim financial statements (“financial statements”) of the Company have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Ministry of Finance Order 2844/2016 to approve accounting regulations in accordance with IFRS (MOF 2844/2016). For the purposes of the preparation of these financial statements, the functional currency of the Company is deemed to be the Romanian Leu (RON). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB), however, the differences have no material impact on the Company's financial statements for the periods presented.

The same accounting policies and methods of computation are used in these financial statements as compared with the most recent annual individual financial statements issued by the Company.

Basis of preparation

The financial statements have been prepared on a going concern basis. The principal accounting policies are set out below.

Accounting is kept in Romanian and in the national currency. Items included in these individual financial statements are denominated in Romanian lei. Unless otherwise stated, the amounts are presented in thousand lei (thousand RON).

The financial statements are unaudited and, in the opinion of management, include all adjustments necessary for a fair presentation of the results for each period.

The Company prepared individual financial statements, as its subsidiary S.N.G.N. ROMGAZ S.A. – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești S.R.L., registered at the Trade Register on August 21, 2015 had no activity until September 30, 2017.

These individual financial statements are prepared for general purposes, for users familiar with the IFRS as adopted by EU; these are not special purpose financial statements. Consequently, these individual financial statements must not be used as sole source of information by a potential investor or other users interested in a specific transaction.

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these individual financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventory" or value in use in IAS 36 "Impairment of assets".

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

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.

Associated entities

An associate is a company over which the Company exercises significant influence through participation in decision making on financial and operational policies of the entity invested in. Investments are recorded at cost less accumulated impairment.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint ventures.

Joint operations

The Company recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

As joint operator, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

If the Company participates in, but does not have joint control of, a joint operation it accounts for its interest in the arrangement in accordance with the paragraphs above if it has rights to the assets, and obligations for the liabilities, relating to the joint operation.

If the Company participates in, but does not have joint control of, a joint operation, does not have rights to the assets, and obligations for the liabilities, relating to that joint operation, it accounts for its interest in the joint operation in accordance with the IFRSs applicable to that interest.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

Joint ventures

As a partner in a joint venture, in its financial statements, the Company recognizes its interest in a joint venture as investment, at cost, if it has joint control.

Standards and interpretations valid for the current period

The following standards and amendments or improvements to existing standards issued by the IASB and adopted by the EU have entered into force for the current period:

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 7 Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017).

The adoption of these amendments, interpretations or improvements to existing standards has not led to changes in the Company's accounting policies.

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

At the date of issue of the financial statements, the following standards were issued, but not yet effective:

- IFRS 9 Financial Instruments, adopted by EU on November 22, 2016 (effective for annual periods beginning on or after January 1, 2018);
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15, issued by IASB and adopted by the EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2018);
- IFRS 16 Leases (effective for annual periods beginning on or after January 1, 2019);
- Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018);
- Amendments to IFRS 4 Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after January 1, 2018).

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

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the IASB except from the following standards, amendments or improvements to the existing standards and interpretations, which were not endorsed for use in EU as at date of publication of individual financial statements:

- IFRS 14 Regulatory deferral accounts (effective for annual periods beginning on or after January 1, 2016);
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after January 1, 2021);
- amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (the effective date of the amendments has been deferred indefinitely);
- amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2018);
- annual improvements to IFRS Standards 2014 – 2016 Cycle (effective for annual periods beginning on or after January 1, 2018);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after January 1, 2018);
- amendments to IAS 40 Transfers of Investment Property (effective for annual periods beginning on or after January 1, 2018);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after January 1, 2019);

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- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2019).

The Company is evaluating the effect that the adoption of these standards, amendments or improvements to the existing standards and interpretations will have on the individual financial statements of the Company in the period of initial application.

Revenue recognition

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

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

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

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

Rental revenue is recognized on an accrual basis in accordance with the substance of the relevant agreements.

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

Dividends are recognized as income when the legal right to receive them is established.

Foreign currencies

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

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

Exchange differences are recognized in the statement of comprehensive income in the period in which they arise.

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

Employee benefits

Benefits granted upon retirement

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

Based on the Collective Labor Agreement, the Company is liable to pay to its employees at retirement a number of gross salaries, according to the years worked in the gas industry/electricity industry, work conditions etc. To this purpose, the Company recorded a provision for benefits upon retirement. This provision is updated annually and computed according to actuary methods based on estimates of the average salary, the average number of salaries

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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

payable upon retirement, on the estimate of the period when they shall be paid and it is brought to present value using a discount factor based on interest related to a maximum degree of security investments (government securities).

As the benefits are payed, the provision is reduced together with the reversal of the allowance against income.

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

Employee participation to profit

The Company records in its financial statements a provision related to the fund for employee participation to profit in compliance with legislation in force.

Liabilities related to the fund for employee participation to profit are settled in less than a year and are measured at the amounts estimated to be paid at the time of settlement.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions for decommissioning of wells and restoration of lands damaged by the activity of exploiting natural gas resources

Liabilities for decommissioning costs are recognized due to the Company's obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

The Company recorded a provision for decommissioning wells and restoring lands used in the activity of exploiting natural resources and returning them to the economic circuit.

This provision was computed based on the estimated future expenditure determined in accordance with local conditions and requirements and it was brought to present value using a discount factor based on the weighted average cost of capital. The weighted average cost of capital is updated annually.

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

The Company applies IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities" related to changes in existing decommissioning, restoration and similar liabilities.

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

- a. subject to b., changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- b. the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in the statement of comprehensive income;
- c. if the adjustment results in an addition to the cost of an asset, the Company considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Company tests the asset for impairment by estimating its recoverable amount, and shall account for any impairment loss.

Once the related asset has reached the end of its useful life, all subsequent changes of debt are recognized in the income statement in the period when they occur.

The periodical unwinding of the discount is recognized periodically in the comprehensive income as a finance cost, as it occurs.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Current and deferred tax for the period

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

Property, plant and equipment

(1) Cost

(i) *Property, plant and equipment*

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

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)
(ii) Development expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including the commissioning of wells, is capitalized within property, plant and equipment and is depreciated from the commencement of production as described below in the property, plant and equipment accounting policies.

(iii) Maintenance and repairs

The Company does not recognize within the assets costs the current expenses and the accidental expenses for that asset. These costs are expensed in the period in which they are incurred.

The cost for current maintenance are mainly labor costs and consumables and also small inventory items. The purpose of these expenses is usually described as "repairs and maintenance" for property, plant and equipment.

The expenses with major activities, inspections and repairs comprise the replacement of the assets or other asset's parts, the inspection cost and major overhauls. These expenses are capitalized if an asset or part of an asset, which was separately depreciated, is replaced and is probable that they will bring future economic benefits for the Company. If part of a replaced asset was not considered as a separate component and, as a result, was not separately depreciated, the replacement value will be used to estimate the net book value of the asset/(assets) which is/(are) replaced and is/(are) immediately written-off. The inspection costs associated with major overhauls are capitalized and depreciated over the period until next inspection.

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

All other costs with the current repairs and usual maintenance are recognized directly in expenses.

(2) Depreciation

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

For indirectly productive tangible assets, depreciation is computed using the straight-line method over the estimated useful life of assets, as follows:

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

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

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

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

For items of tangible fixed assets that are retired from use, an impairment adjustment is recorded for the carrying value at the time of retirement.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

Exploration and appraisal assets

(1) Cost

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

Costs directly associated with an exploration well are initially capitalized as an asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, drilling costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well is eliminated from the statement of individual interim financial position, by recording an impairment, until National Agency for Mineral Resources (Agentia Nationala pentru Resurse Minerale – ANRM) approvals are obtained in order to be written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, an impairment is recorded for the assets, until the completion of the legal steps necessary for them to be written off. When proved reserves of natural gas are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment other than exploration assets.

(2) Impairment

At each reporting date, the Company's management reviews its exploration assets and establishes the necessity for recording in the financial statements of an impairment loss in these situations:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of gas resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of gas resources in the specific area have not led to the discovery of commercially viable quantities of gas resources and the Company has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Other intangible assets

(1) Cost

Licenses for software, patents and other intangible assets are recognized at acquisition cost. Operation licenses issued by the Regulatory Authority for Energy (Autoritatea Nationala de Reglementare in domeniul Energiei – ANRE) are recognized at cost from the moment they are obtained by the Company.

Intangible assets are not revalued.

(2) Amortization

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

Inventories

Inventories are recorded initially at cost of production, or acquisition cost, depending on the case. The cost of finished goods and production in progress includes materials, labour, expense incurred for bringing the finished goods at the location and in the existent form and the related indirect production costs. Write down adjustments are booked against slow moving, damaged and obsolete inventory, when necessary.

The accompanying notes form an integral part of these financial statements.
This is a free translation from the original Romanian version.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

At each reporting date, inventories are evaluated at the lower of cost and net realizable value. The net realizable value is estimated based on the selling price less any completion and selling expenses. The cost of inventories is assigned by using the weighted average cost formula.

Financial assets and liabilities

The Company's financial assets include cash and cash equivalents, trade receivables, other receivables, loans, bank deposits and bonds with a maturity from acquisition date of over three months and other investments. Financial liabilities include interest-bearing bank borrowings and overdrafts and trade and other payables. For each item, the accounting policies on recognition and measurement are disclosed in this note. Management believes that the estimated fair values of these instruments approximate their carrying amounts.

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

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

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

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

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

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

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

Available for sale (AFS) financial assets

Financial assets available for sale are non-derivatives financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or other financial assets measured at fair value through profit or loss.

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

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

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each reporting period.

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

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

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

The carrying amount of the financial asset, including trade receivables, is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, after the Board of Directors' approval, it is written off, together with the reversal of the allowance against income. Subsequent recoveries of amounts previously written off are credited as income in the period when the cash is collected. Changes in the carrying amount of the allowance account are recognized in profit or loss.

De-recognition of financial assets and liabilities

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

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

Reserves

Reserves include (note 18):

- legal reserves, which are used annually to transfer to reserves up to 5% of the statutory profit, but not more than 20% of the Company's statutory share capital;
- other reserves, which represent allocations from profit in accordance with Government Ordinance no. 64/2001, paragraph (g) for the Company's development fund;
- reserves from tax incentives, set up based on Emergency Ordinance no. 19/April 23, 2014 and Fiscal Code. The amount of profit that benefited from tax exemption under the above Ordinance less the legal reserve, is distributed at the end of the year by setting up the reserve;
- development quota reserve, non-distributable, set up until 2004. Development quota reserve set up after 2004 is distributable and presented in retained earnings. Development quota set up after 2004 is distributed with retained earnings, with the approval of General Meeting of Shareholders, based on depreciation, respectively write-off of the assets financed using the development quota;
- other non-distributable reserves, set up from retained earnings representing translation differences recorded at transition to IFRS. These reserves are set up in accordance with MOF 2844/2016.

Subsidies

Subsidies are non-reimbursable financial resources granted to the Company with the condition of meeting certain criteria. In the category of subsidies are included grants related to assets and grants related to income.

Grants related to assets are grants for whose primary condition is that the Company should purchase, construct, or otherwise acquire long-term assets.

Grants related to income are grants other than those related to assets.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

Subsidies are not recognized until there is reasonable assurance that:

- (a) the Company will comply with the conditions attaching to it; and
- (b) subsidies will be received.

Grants related to assets are presented in the statement of financial position as "Deferred revenue", which is then recognized in profit or loss on a systematic basis over the useful life of the asset.

Grants related to income are recognized in profit or loss as "Other income", as the related expenses are recorded. Until the expense is incurred, the grant received is recognized as "Deferred revenue".

Use of estimates

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

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

Estimates related to the exploration expenditure on undeveloped fields

If field works prove that the geological structures are not exploitable from an economic point of view or that they do not have hydrocarbon resources available, an impairment is recorded. The impairment assessment is performed based on geological experts' technical expertise.

Estimates related to the developed proved reserves

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

Estimates related to the decommissioning provision

Liabilities for decommissioning costs are recognized for the Company's an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

This provision was computed based on the estimated future expenditure determined in accordance with local conditions and requirements and it was brought to present value using the weighted average capital cost.

Estimates related to the retirement benefit obligation

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

The Company does not operate any other pension plan or retirement benefits, and therefore has no other obligations relating to pensions.

Estimates regarding the environment provision

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

The Company records a provision for the restoration of land and for the redemption of the land to the agricultural circuit, based on management's estimate of the necessary costs to be incurred in order to restore the land to its original state. The estimate is based on previous experience.

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 3 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The Company works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation findings to the board of directors of the Company on a regular basis to explain the cause of fluctuations in the fair value of the assets and liabilities.

Contingencies

By their nature, contingencies end only when one or more uncertain future events occur or not. In order to determine the existence and the potential value of a contingent element, is required to exercise the professional judgment and the use of estimates regarding the outcome of future events.

Comparative information

For each item of the statement of individual interim financial position, the statement of individual interim comprehensive income and, where is the case, for the statement of individual interim changes in equity and for the statement of individual interim cash flows, for comparative information purposes is presented the value of the corresponding item for the previous period ended, unless the changes are insignificant. In addition, the Company presents an additional statement of individual interim financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements, which has a material impact on the Company.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)
3. REVENUE AND OTHER INCOME

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue from gas sold - domestic production	2,351,534	561,129	1,815,054	371,938
Revenue from gas sold - joint operations	94,127	32,314	80,378	22,986
Revenue from gas acquired for resale – import gas	22,404	-	10,885	-
Revenue from gas acquired for resale – domestic gas	20,347	1,265	8,105	2,124
Revenue from storage services-capacity reservation	265,988	100,654	210,375	55,657
Revenue from storage services-extraction	25,129	2,417	18,582	-
Revenue from storage services-injection	40,109	18,998	33,812	12,943
Revenue from electricity	381,721	116,779	191,439	68,393
Revenue from services	27,292	13,006	21,710	13,953
Revenue from sale of goods	7,633	2,275	6,100	1,922
Other revenues	5,365	592	5,080	1,701
Total revenue	3,241,649	849,429	2,401,520	551,617
Other operating revenues	84,611	18,535	333,750	269,713
Total revenue and other income	3,326,260	867,964	2,735,270	821,330

4. INVESTMENT INCOME

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Interest income	15,647	4,943	18,023	4,399
Total	15,647	4,943	18,023	4,399

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Consumables used	45,708	15,240	38,588	11,558
Cost of gas acquired for resale, sold – import	20,833	-	10,173	-
Cost of gas acquired for resale, sold – domestic	20,008	772	6,901	1,781
Cost of electricity imbalance	7,884	2,674	28,089	6,333
Cost of other goods sold	794	282	1,163	345
Other consumables	2,511	851	2,870	557
Total	97,738	19,819	87,784	20,574

The accompanying notes form an integral part of these financial statements.
This is a free translation from the original Romanian version.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

6. OTHER GAINS AND LOSSES

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Forex gain	257	118	127	65
Forex loss	(1,027)	(594)	(108)	(28)
Net loss on disposal of non-current assets	(44,741)	(7,698)	(72,128)	(22,781)
Net loss on disposal of associates and other financial investments (note 24 b)	(12,308)	(8,916)	(1,577)	-
Net receivable allowances (note 16 c *)	(16,753)	(14,238)	(330,689)	(252,152)
Net impairment of associates and other financial investments (note 24 b, note 25)	12,627	9,214	1,516	-
Net write down allowances for inventory (note 15)	(7,318)	(1,917)	(4,724)	(1,703)
Losses from other debtors *)	(19,367)	-	(5)	(5)
Total	(88,630)	(24,031)	(407,588)	(276,604)

*) In April 2017, the Board of Directors approved the concession of rights and obligations under loan agreements concluded with associates Cybinka and Torzym for EUR 1. The loans and related interest, in amount of EUR 4,223 thousand, were fully written off. The impairment recorded was released to income, being included in the net receivable allowance above, of RON 16,753 thousand.

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Depreciation	405,072	130,560	399,282	117,111
out of which:				
- depreciation of property, plant and equipment	398,630	128,504	390,120	114,510
- amortization of intangible assets	6,442	2,056	9,162	2,601
Net impairment of non-current assets (note 12, note 14)	2,629	(16,911)	(42,858)	(33,622)
Total depreciation, amortization and impairment	407,701	113,649	356,424	83,489

8. EMPLOYEE BENEFIT EXPENSE

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Wages and salaries*)	356,438	121,860	316,396	111,535
Social security charges	85,237	29,040	79,775	26,735
Meal tickets	11,798	4,401	9,275	2,876
Other benefits according to collective labor contract	16,583	9,166	15,463	9,066
Private pension payments	8,773	2,922	8,765	2,907
Private health insurance	5,025	1,676	-	-
Total employee benefit costs	483,854	169,065	429,674	153,119
Less, capitalised employee benefit costs	(83,619)	(29,914)	(73,291)	(26,713)
Total employee benefit expense	400,235	139,151	356,383	126,406

The accompanying notes form an integral part of these financial statements.
This is a free translation from the original Romanian version.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

*) Wages and salaries for the nine-month period ended September 30, 2017 of RON 356,438 thousand include the employee participation to profit of RON 23,061 thousand, granted according to shareholders' approval. In 2017, wages and salaries net of this amount are RON 333,377 thousand. Wages and salaries for the nine-month period ended September 30, 2016 do not include employee participation to profit.

9. FINANCE COSTS

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Interest expense	3	-	12	3
Unwinding of the decommissioning provision (note 19)	13,282	4,410	13,719	4,561
Total	13,285	4,410	13,731	4,564

10. OTHER EXPENSES

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Energy and water expenses	16,139	5,425	12,024	4,284
Expenses for capacity booking and gas transmission services	35,843	11,724	23,763	10,185
Expenses with other taxes and duties (Net gain)/Net loss from provisions movement (note 19)	480,059	127,521	437,180	102,221
	(31,206)	(14,818)	(8,302)	(2,161)
Other operating expenses	199,464	53,987	141,190	46,678
Total	700,299	183,839	605,855	161,207

In the nine months ended September 30, 2017, the major taxes and duties included in the amount of RON 480,059 thousand (nine months ended September 30, 2016: RON 437,180 thousand) for taxes and duties are:

- 265,601 RON thousand, including amounts related to joint operations, represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 with the subsequent amendments for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (nine months ended September 30, 2016: RON 203,921 thousand);
- starting 2017, the tax on special constructions is no longer required to be paid. In the nine months ended September 30, 2016, the tax on special constructions was RON 52,672 thousand.
- RON 208,824 thousand, including amounts related to joint operations, represent royalty on gas production and storage activity (nine months ended September 30, 2016: RON 156,471 thousand).

11. INCOME TAX EXPENSE

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Income tax				
Current tax expense	239,511	57,001	218,288	75,451
Deferred income tax (income)/expense	(22,798)	(6,102)	(13,437)	(10,337)
Income tax expense	216,713	50,899	204,851	65,114

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

The tax rate used for the reconciliations below for the nine-month period ended September 30, 2017, respectively nine-month period ended September 30, 2016 is 16% payable by corporate entities in Romania on taxable profits.

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

	Nine months ended Sep 30, 2017	Nine months ended Sep 30, 2016
	'000 RON	'000 RON
Accounting profit before tax	1,400,802	918,553
(Profit)/loss activities not subject to income tax	1,256	-
Accounting profit subject to income tax	1,402,058	918,553
Income tax expense calculated at 16%	224,329	146,968
Effect of income exempt of taxation	(46,908)	(31,101)
Effect of expenses that are not deductible in determining taxable profit	64,271	109,704
Tax incentives	(2,181)	(7,283)
Other differences	(22,798)	(13,437)
Income tax expense	216,713	204,851

Components of deferred tax liability:

	September 30, 2017		December 31, 2016	
	Cumulative temporary differences	Deferred tax (asset)/ liability	Cumulative temporary differences	Deferred tax (asset)/ liability
	'000 RON	'000 RON	'000 RON	'000 RON
Provisions	(336,703)	(53,872)	(355,508)	(56,881)
Property, plant and equipment	605,425	96,867	766,715	122,674
Receivables and other assets	(160,438)	(25,670)	(160,438)	(25,670)
Total	108,284	17,325	250,769	40,123
Charged to income		(22,798)		(22,466)

**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE- MONTH PERIODS ENDED SEPTEMBER 30, 2017
(NOT AUDITED)**
12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of Jan 1, 2017	106,991	881,566	5,772,824	893,944	94,404	1,676,928	416,874	659,927	10,503,458
Additions for the nine-month period ended Sep 30, 2017	624	3	4,131	1,360	144	-	164,710	345,489	516,461
Of which: the three-month period ended Sep 30, 2017	80	-	3,779	7	1	-	73,057	187,588	264,512
Transfers for the nine-month period ended Sep 30, 2017	54	1,106	228,020	24,421	2,033	11,078	(15,462)	(251,250)	-
Of which: the three-month period ended Sep 30, 2017	-	598	77,077	3,927	80	2,919	(15,462)	(69,139)	-
Disposals for the nine-month period ended Sep 30, 2017	-	(805)	(23,401)	(7,218)	(370)	(4,288)	(130,843)	(29,379)	(196,304)
Of which: the three-month period ended Sep 30, 2017	-	(163)	(10,091)	(4,009)	(172)	(2,923)	(60,662)	(3)	(78,023)
As of Sep 30, 2017	107,669	881,870	5,981,574	912,507	96,211	1,683,718	435,279	724,787	10,823,615
Accumulated depreciation									
As of Jan 1, 2017	-	233,949	2,868,192	475,904	63,308	516,200	-	-	4,157,553
Charge *) for the nine-month period ended Sep 30, 2017	-	24,795	279,051	50,167	4,893	59,266	-	-	418,172
Of which: the three-month period ended Sep 30, 2017	-	8,260	88,398	16,477	1,557	19,531	-	-	134,223
Transfers for the nine-month period ended Sep 30, 2017	-	-	759	-	-	(759)	-	-	-
Of which: the three-month period ended Sep 30, 2017	-	-	-	-	-	-	-	-	-
Disposals for the nine-month period ended Sep 30, 2017	-	(326)	(6,485)	(5,097)	(366)	(821)	-	-	(13,095)
Of which: the three-month period ended Sep 30, 2017	-	(40)	(1,809)	(2,264)	(172)	(217)	-	-	(4,502)
As of Sep 30, 2017	-	258,418	3,141,517	520,974	67,835	573,886	-	-	4,562,630

*) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 17,712 thousand.

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This is a free translation from the original Romanian version.

**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE- MONTH PERIODS ENDED SEPTEMBER 30, 2017
(NOT AUDITED)**

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Impairment									
As of Jan 1, 2017	3,180	15,933	152,862	23,474	442	3,421	210,783	146,548	556,643
Charge for the nine-month period ended Sep 30, 2017	-	592	81,692	774	71	146	84,479	25,324	193,078
Of which: the three-month period ended Sep 30, 2017	-	437	2,480	308	17	-	48,719	9,900	61,861
Transfers for the nine-month period ended Sep 30, 2017	-	-	9,393	-	-	-	(14,661)	5,268	-
Of which: the three-month period ended Sep 30, 2017	-	-	2,323	-	-	-	(14,661)	12,338	-
Release for the nine-month period ended Sep 30, 2017	-	(687)	(40,207)	(682)	(60)	(1,264)	(134,829)	(38,558)	(216,287)
Of which: the three-month period ended Sep 30, 2017	-	(176)	(13,428)	(302)	(10)	(257)	(64,652)	(98)	(78,923)
As of Sep 30, 2017	3,180	15,838	203,740	23,566	453	2,303	145,772	138,582	533,434
Carrying value									
As of Jan 1, 2017	103,811	631,684	2,751,770	394,566	30,654	1,157,307	206,091	513,379	5,789,262
As of Sep 30, 2017	104,489	607,614	2,636,317	367,967	27,923	1,107,529	289,507	586,205	5,727,551

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**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE- MONTH PERIODS ENDED SEPTEMBER 30, 2017
(NOT AUDITED)**

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of Jan 1, 2016	106,399	831,437	5,633,432	704,856	87,955	1,601,802	657,862	800,625	10,424,368
Additions for the nine-month period ended Sep 30, 2016	389	4,151	156,859	59,217	6,533	19,287	116,357	288,546	651,339
Of which: the three-month period ended Sep 30, 2016	299	-	58,232	31,615	4,253	17,618	48,204	121,882	282,103
Disposals for the nine-month period ended Sep 30, 2016	(28)	(563)	(96,838)	(5,835)	(1,535)	(5,105)	(146,625)	(219,725)	(476,254)
Of which: the three-month period ended Sep 30, 2016	(28)	(521)	(40,265)	(2,359)	(7)	(5,105)	(133,482)	(86,997)	(268,764)
As of Sep 30, 2016	106,760	835,025	5,693,453	758,238	92,953	1,615,984	627,594	869,446	10,599,453
Accumulated depreciation									
As of Jan 1, 2016	-	201,906	2,530,752	431,088	59,106	436,982	-	-	3,659,834
Charge *) for the nine-month period ended Sep 30, 2016	-	24,229	281,325	41,936	4,881	63,741	-	-	416,112
Of which: the three-month period ended Sep 30, 2016	-	8,077	79,021	13,993	1,673	20,276	-	-	123,040
Disposals for the nine-month period ended Sep 30, 2016	-	(149)	(26,098)	(4,299)	(1,520)	(4,797)	-	-	(36,863)
Of which: the three-month period ended Sep 30, 2016	-	(130)	(20,663)	(1,997)	(21)	(4,797)	-	-	(27,608)
As of Sep 30, 2016	-	225,986	2,785,979	468,725	62,467	495,926	-	-	4,039,083

*) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 20,356 thousand

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**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE- MONTH PERIODS ENDED SEPTEMBER 30, 2017
(NOT AUDITED)**

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Impairment									
As of Jan 1, 2016	3,180	15,535	185,440	23,903	420	3,889	444,885	90,822	768,074
Charge for the nine-month period ended Sep 30, 2016	-	989	41,911	1,315	134	4,113	60,966	17,698	127,126
Of which: the three-month period ended Sep 30, 2016	-	631	19,154	985	32	3,998	47,489	3,353	75,642
Release for the nine-month period ended Sep 30, 2016	-	(443)	(81,819)	(721)	(35)	(3,082)	(80,877)	(4,842)	(171,819)
Of which: the three-month period ended Sep 30, 2016	-	(410)	(24,813)	(250)	(14)	(353)	(80,500)	(3,969)	(110,309)
Transfers for the nine-month period ended Sep 30, 2016	-	-	5,120	-	-	-	(17,584)	12,464	-
Of which: the three-month period ended Sep 30, 2016	-	-	3,096	-	-	-	(7,076)	3,980	-
As of Sep 30, 2016	3,180	16,081	150,652	24,497	519	4,920	407,390	116,142	723,381
Carrying value									
As of Jan 1, 2016	103,219	613,996	2,917,240	249,865	28,429	1,160,931	212,977	709,803	5,996,460
As of Sep 30, 2016	103,580	592,958	2,756,822	265,016	29,967	1,115,138	220,204	753,304	5,836,989

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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)
13. EXPLORATION AND APPRAISAL FOR NATURAL GAS RESOURCES

The following financial information represents the amounts included within the Company's totals relating to activity associated with the exploration for and appraisal of natural gas resources. All such activity is recorded within the Upstream segment.

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Exploration expenditure written off	132,576	62,395	80,502	80,502
Net movement in exploration assets' impairment (note 12, note 14)	(24,512)	(15,782)	(18,076)	(31,966)
Net cash used in exploration investing activities	(181,156)	(86,461)	(121,462)	(53,955)

	September 30, 2017	December 31, 2016
	'000 RON	'000 RON
Exploration assets (note 12, note 14)	661,809	589,364
Liabilities	(34,393)	(23,332)
Net assets	627,416	566,032

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE- MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)
14. OTHER INTANGIBLE ASSETS

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of January 1, 2017	15,079	170,921	587,374	34	773,408
Additions for the nine-month period ended September 30, 2017	-	239	16,600	2,527	19,366
Of which: the three-month period ended September 30, 2017	-	7	13,537	60	13,604
Transfers for the nine-month period ended September 30, 2017	-	2,561	-	(2,561)	-
Of which: the three-month period ended September 30, 2017	-	250	-	(250)	-
Disposals for the nine-month period ended September 30, 2017	-	(4,942)	(1,733)	-	(6,675)
Of which: the three-month period ended September 30, 2017	-	-	(1,733)	-	(1,733)
As of September 30, 2017	15,079	168,779	602,241	-	786,099
Accumulated amortization					
As of January 1, 2017	9,477	161,966	-	-	171,443
Charge for the nine-month period ended September 30, 2017	1,663	4,779	-	-	6,442
Of which: the three-month period ended September 30, 2017	555	1,501	-	-	2,056
Disposals for the nine-month period ended September 30, 2017	-	(4,460)	-	-	(4,460)
Of which: the three-month period ended September 30, 2017	-	-	-	-	-
As of September 30, 2017	11,140	162,285	-	-	173,425

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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE- MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Impairment					
As of January 1, 2017	-	-	204,101	-	204,101
Charge for the nine-month period ended September 30, 2017	-	-	27,586	-	27,586
Of which: the three-month period ended September 30, 2017	-	-	151	-	151
Release for the nine-month period ended September 30, 2017	-	-	(1,748)	-	(1,748)
Of which: the three-month period ended September 30, 2017	-	-	-	-	-
As of September 30, 2017	-	-	229,939	-	229,939
Carrying value					
As of January 1, 2017	5,602	8,955	383,273	34	397,864
As of September 30, 2017	3,939	6,494	372,302	-	382,735

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**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE- MONTH PERIODS ENDED SEPTEMBER 30, 2017
(NOT AUDITED)**

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of January 1, 2016	15,079	178,241	589,337	165	782,822
Additions for the nine-month period ended September 30, 2016	-	4,429	5,215	4,186	13,830
Of which: the three-month period ended September 30, 2016	-	292	3,485	434	4,211
Disposals for the nine-month period ended September 30, 2016	-	(11,499)	-	(3,508)	(15,007)
Of which: the three-month period ended September 30, 2016	-	(606)	-	(49)	(655)
As of September 30, 2016	15,079	171,171	594,552	843	781,645
Accumulated amortization					
As of January 1, 2016	7,260	166,104	-	-	173,364
Charge for the nine-month period ended September 30, 2016	1,663	7,499	-	-	9,162
Of which: the three-month period ended September 30, 2016	555	2,046	-	-	2,601
Disposals for the nine-month period ended September 30, 2016	-	(11,499)	-	-	(11,499)
Of which: the three-month period ended September 30, 2016	-	(606)	-	-	(606)
As of September 30, 2016	8,923	162,104	-	-	171,027

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**NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE- MONTH PERIODS ENDED SEPTEMBER 30, 2017
(NOT AUDITED)**

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Impairment					
As of January 1, 2016	-	-	209,599	-	209,599
Charge for the nine-month period ended September 30, 2016	-	-	1,900	-	1,900
Of which: the three-month period ended September 30, 2016	-	-	1,110	-	1,110
Release during the nine-month period ended September 30, 2016	-	-	(65)	-	(65)
Of which: the three-month period ended September 30, 2016	-	-	(65)	-	(65)
As of September 30, 2016	-	-	211,434	-	211,434
Carrying value					
As of January 1, 2016	7,819	12,137	379,738	165	399,859
As of September 30, 2016	6,156	9,067	383,118	843	399,184

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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)
15. INVENTORIES

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	'000 RON	'000 RON
Spare parts and materials	153,758	157,879
Work in progress	506	335
Finished goods (gas)	336,627	353,731
Residual products	117	123
Inventories at third parties	72,560	95,758
Goods for resale (gas)	472	171
Other inventories	69	90
Write-down allowance for spare parts and materials	(34,503)	(29,183)
Write-down allowance for residual products	(44)	(44)
Write-down allowance for inventories at third parties	(4,875)	(2,877)
Total	524,687	575,983

16. ACCOUNTS RECEIVABLE
a) Trade and other receivables

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	'000 RON	'000 RON
Trade receivables	1,382,049	1,322,274
Bad debt allowances (note 16 c)	(1,196,019)	(1,192,029)
Accrued receivables	251,189	698,365
Total	437,219	828,610

b) Other assets

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	'000 RON	'000 RON
Advances paid to suppliers	12	2,061
Joint operation receivables	8,075	4,838
Other receivables *)	61,630	27,225
Bad debt allowance for other receivables (note 16 c) *)	(51,302)	(19,192)
Other debtors (note 6)	46,724	65,097
Bad debt allowances for other debtors (note 16 c)	(42,852)	(62,009)
Prepayments	6,319	101,550
VAT not yet due	21,497	21,955
Total	50,103	141,525

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

Following the tax inspection, an additional liability was established for Romgaz of RON 22,440 thousand, representing income tax, VAT, penalties and related interest. Of the total amount, Romgaz paid RON 2,389 thousand. For the remaining amount of RON 20,051 thousand, Romgaz performed a legal assessment which concluded that the additional tax, penalties and interest are not correct. Romgaz filed an appeal to the Ministry of Public Finance. The appeal was partially rejected for the amount of RON 15,872 thousand. For RON 4,179 thousand a new fiscal control was ordered, which resulted in a tax burden of RON 2,981 thousand. The appeal filed to ANAF was rejected. In 2015, Romgaz sued the Ministry of Finance to cancel the above mentioned administrative acts, including the partial cancelation of the decision issued for the appeal.

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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

During the period December 2016 - April 2017 ANAF resumed the tax inspection on VAT for the period December 2010 – June 2011 and on income tax for the period January 2010 – December 2011, regarding the discounts granted by Romgaz to interruptible clients for deliveries during 2010 - 2011. This status was attributed to companies by Transgaz, the Romanian natural gas transmission operator. Following the tax inspection, additional tax obligations of RON 15,284 thousand were determined, and also penalties and late payment charges in amount of RON 13,697 thousand. The tax decision and the tax inspection report were appealed to ANAF. Romgaz paid the additional tax obligation and the late payment charges and based on the appeal, the Company recorded a receivable for which it recorded an allowance.

c) Changes in the allowance for trade and other receivables and other assets

	<u>2017</u>	<u>2016</u>
	'000 RON	'000 RON
At January 1	1,273,230	918,845
Charge during the nine-month period ended September 30 (note 6)	36,184	343,069
Of which: the three-month period ended September 30 (note 6)	14,265	252,179
Forex on revaluation of foreign currency balances during the nine-month period ended September 30	190	(303)
Of which: the three-month period ended September 30	-	(291)
Release during the nine-month period ended September 30 (note 6)	(19,431)	(12,380)
Of which: the three-month period ended September 30 (note 6)	(27)	(27)
At September 30	1,290,173	1,249,231

As of September 30, 2017, the Company recorded allowances for doubtful debts, of which Interagro RON 275,961 thousand (December 31, 2016: RON 275,961 thousand), GHCL Upsom of RON 60,371 thousand (December 31, 2016: RON 60,371 thousand), CET Iasi of RON 46,271 thousand (December 31, 2016: RON 46,271 thousand), Electrocentrale Galati with RON 215,358 thousand (December 31, 2016: RON 211,370 thousand), Electrocentrale Bucuresti with RON 570,274 thousand (December 31, 2016: RON 570,274 thousand) and G-ON EUROGAZ of RON 14,848 thousand (December 31, 2016: RON 14,848 thousand), due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	'000 RON	'000 RON
Current receivables not impaired	165,688	113,050
Overdue receivables but not impaired		
less than 30 days overdue	298	17,070
30 to 90 days overdue	6,954	65
90 to 360 days overdue	13,090	60
Total overdue receivables but not impaired	20,342	17,195
Total trade receivables	186,030	130,245

17. SHARE CAPITAL

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	'000 RON	'000 RON
385,422,400 fully paid ordinary shares	385,422	385,422
Total	385,422	385,422

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

The shareholding structure as at September 30, 2017 is as follows:

	<u>No. of shares</u>	<u>Value</u> <u>'000 RON</u>	<u>Percentage (%)</u>
The Romanian State through the Ministry of Energy	269,823,080	269,823	70.01
Legal persons	96,422,938	96,423	25.02
Physical persons	19,176,382	19,176	4.97
Total	385,422,400	385,422	100

All shares are ordinary and were subscribed and fully paid as at September 30, 2017. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2016: RON 1/share).

18. RESERVES

	<u>September 30, 2017</u> <u>'000 RON</u>	<u>December 31, 2016</u> <u>'000 RON</u>
Legal reserves	77,084	77,084
Other reserves, of which:	2,959,377	2,943,068
- Company's development fund	2,307,491	2,291,182
- Tax incentives	145,773	145,773
- Geological quota set up until 2004	486,388	486,388
- Other reserves	19,725	19,725
Total	3,036,461	3,020,152

19. PROVISIONS

	<u>September 30, 2017</u> <u>'000 RON</u>	<u>December 31, 2016</u> <u>'000 RON</u>
Decommissioning provision	193,200	194,048
Retirement benefit obligation	117,017	119,986
Total long term provisions	310,217	314,034
Decommissioning provision	26,271	16,523
Provisions for land restoration	6,762	8,963
Other provisions *)	215	24,951
Total short term provisions	33,248	50,437
Total provisions	343,465	364,471

*) On December 31, 2016, other provisions of RON 24,951 thousand included a liability for the employee participation to profit bonus of RON 23,061 thousand, subject to shareholders' approval; in 2017, based on shareholders' approval of 2016 profit allocation, the provision was released to income (included in the net gain from provisions movement of RON 31,206 thousand, as presented in note 10), which was offset by an equivalent employee benefit expense.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)
Decommissioning provision

<i>Decommissioning provision movement</i>	2017	2016
	'000 RON	'000 RON
At January 1	210,571	197,612
Change recorded against non-current assets during the nine-month period ended September 30	(3,082)	(3,226)
Of which: the three-month period ended September 30	(1,165)	(1,436)
Unwinding effect during the nine-month period ended September 30 (note 9)	13,282	13,719
Of which: the three-month period ended September 30 (note 9)	4,410	4,561
Recorded in profit or loss during the nine-month period ended September 30	(1,300)	(1,297)
Of which: the three month-period ended September 30	(462)	(67)
At September 30	219,471	206,808

The Company makes full provision for the future cost of decommissioning natural gas wells on a discounted basis upon installation. The provision for the costs of decommissioning these wells at the end of their economic lives has been estimated using existing technology, at current prices or future assumptions, depending on the expected timing of the activity, and discounted using a weighted average cost of capital of 8.9% (December 31, 2016: 8.9%). While the provision is based on the best estimate of future costs and the economic lives of the wells, there is uncertainty regarding both the amount and timing of these costs.

Other provisions

	Retirement benefit obligations	Other provisions	Land restoration provision	Total
	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2017	119,986	24,951	8,963	153,900
Additional provision in the period	-	14,460	-	14,460
Provisions used in the period	(2,969)	(24,235)	(2,201)	(29,405)
Unused amounts during the period, reversed	-	(14,961)	-	(14,961)
At September 30, 2017	117,017	215	6,762	123,994
	Retirement benefit obligations	Other provisions	Land restoration provision	Total
	'000 RON	'000 RON	'000 RON	'000 RON
At July 1, 2017	117,017	13,956	7,377	138,350
Additional provision in the period	-	215	-	215
Provisions used in the period	-	(240)	(615)	(855)
Unused amounts during the period, reversed	-	(13,716)	-	(13,716)
At September 30, 2017	117,017	215	6,762	123,994

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

	Litigation provision	Retirement benefit obligations	Other provisions	Land restoration provision	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2016	15,951	102,959	1,818	14,253	134,981
Additional provision in the period	39	-	911	-	950
Provisions used in the period	(79)	(3,274)	(1,238)	(2,443)	(7,034)
Unused amounts during the period, reversed	-	-	(921)	-	(921)
At September 30, 2016	15,911	99,685	570	11,810	127,976
	Litigation provision	Retirement benefit obligations	Other provisions	Land restoration provision	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At July 1, 2016	15,872	100,942	957	12,299	130,070
Additional provision in the period	39	-	309	-	348
Provisions used in the period	-	(1,257)	(646)	(489)	(2,392)
Unused amounts during the period, reversed	-	-	(50)	-	(50)
At September 30, 2016	15,911	99,685	570	11,810	127,976

20. TRADE AND OTHER CURRENT LIABILITIES

	September 30, 2017	December 31, 2016
	'000 RON	'000 RON
Accruals	48,936	29,067
Trade payables	36,901	43,906
Payables to fixed assets suppliers	114,543	32,916
Advances from customers	150,573	464,052
Total trade payables	350,953	569,941
Payables related to employees	23,888	46,296
Royalties	66,773	62,430
Social security taxes	17,205	14,438
Other current liabilities	30,281	35,931
Joint operations payables	3,669	3,904
VAT	26,073	61,788
Dividends payable	676	1,384
Windfall tax	22,181	34,068
Other taxes	565	1,344
Total other current liabilities	191,311	261,583
Total trade and other current liabilities	542,264	831,524

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)
21. FINANCIAL INSTRUMENTS
Financial risk factors

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

(a) Market risk
(i) Foreign exchange risk

The Company is not exposed to currency risk as a result of reduced exposure to various currencies. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

As at September 30, 2017, the official exchange rates were RON 3.8977 to USD 1 and RON 4.5991 to EUR 1 and (December 31, 2016: RON 4.3033 to USD 1 and RON 4.5411 to EUR 1).

	EUR	GBP	USD	RON	
	1 EUR = 4.5991	1 GBP = 5.2111	1 USD = 3.8977	1 RON	Total
September 30, 2017	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Financial assets					
Cash and cash equivalents	444	-	2	536,625	537,071
Other financial assets	-	-	-	2,619,597	2,619,597
Trade and other receivables	-	-	-	437,219	437,219
Total financial assets	444	-	2	3,593,441	3,593,887
Financial liabilities					
Trade payables and other payables	(72,308)	(1)	(1)	(128,070)	(200,380)
Total financial liabilities	(72,308)	(1)	(1)	(128,070)	(200,380)
Net	(71,864)	(1)	1	3,465,371	3,393,507
	EUR	GBP	USD	RON	
	1 EUR = 4.5411	1 GBP = 5.2961	1 USD = 4.3033	1 RON	Total
December 31, 2016	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Financial assets					
Cash and cash equivalents	44	-	4	280,478	280,526
Other financial assets	-	-	-	2,892,751	2,892,751
Trade and other receivables	-	-	-	828,610	828,610
Total financial assets	44	-	4	4,001,839	4,001,887
Financial liabilities					
Trade payables and other payables	(1,666)	(9)	(120)	(104,094)	(105,889)
Total financial liabilities	(1,666)	(9)	(120)	(104,094)	(105,889)
Net	(1,622)	(9)	(116)	3,897,745	3,895,998

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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

The Company is mainly exposed to currency risk generated by EUR and USD against RON. The table below details the sensitivity of the Company to a 5% increase/decrease in the EUR and USD exchange rate against the RON. The 5% rate is the rate used in internal reports to management on foreign currency risk and represents management's assessment of reasonable changes in the exchange rate. Sensitivity analysis includes only monetary items denominated in foreign currency in the balance sheet, and considers the transfer at the end of the period to a modified rate of 5%.

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	'000 RON	'000 RON
RON weakening - loss	3,593	87

(ii) Inflation risk

The official inflation rate in Romania, during the nine-month period ended September 30, 2017 was under 10% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy.

(iii) Interest rate risk

The Company is not exposed to interest rate risk.

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of trade receivables and loans. The Company has policies in place to ensure that sales are made to customers with low credit risk. Also, sales have to be secured, either through advance payments, either through bank letters of guarantee. The carrying amount of accounts receivable, net of bad debt allowances, represent the maximum amount exposed to credit risk. The Company has a concentration of credit risk in respect of its top 3 clients, which together amount to 82.64% of net trade receivable balance at September 30, 2017 (top 4 clients: 70% as of December 31, 2016). Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the bad debt allowance already recorded.

(c) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimize the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend policy, issue new shares or sell assets to reduce debt.

The Company's policy is to only resort to borrowing if investment needs cannot be financed internally.

(d) Fair value estimation

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

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

The shares held in available for sale financial investments are not listed in an active market and their fair value cannot be reliably measured, therefore they are measured at cost. At each period end, the Company makes an assessment to determine whether there is any indication of impairment. As of September 30, 2017 the Company did not identify any indication of impairment of other financial investments, except for the impairment already recorded.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)
e) Maturity analysis for non-derivative financial assets and financial liabilities

September 30, 2017	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	150,460	35,527	43	-	-	186,030
Bank deposits	496,688	450,827	811,105	-	-	1,758,620
Treasury bonds	150,910	311,965	395,800	-	-	858,675
Total	798,058	798,319	1,206,948	-	-	2,803,325
Trade payables	(145,371)	(6,017)	(56)	-	-	(151,444)
Total	(145,371)	(6,017)	(56)	-	-	(151,444)
Net	652,687	792,302	1,206,892	-	-	2,651,881

December 31, 2016	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	129,264	935	46	-	-	130,245
Bank deposits	399,200	761,500	749,680	-	-	1,910,380
Treasury bonds	100,530	105,220	774,070	-	-	979,820
Total	628,994	867,655	1,523,796	-	-	3,020,445
Trade payables	(61,862)	(14,894)	(66)	-	-	(76,822)
Total	(61,862)	(14,894)	(66)	-	-	(76,822)
Net	567,132	852,761	1,523,730	-	-	2,943,623

f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's management, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and current cash flows and by matching the maturity profiles of financial assets and liabilities.

22. RELATED PARTY TRANSACTIONS AND BALANCES
(i) Sales of goods and services

	Nine months ended Sep 30, 2017	Three months ended Sep 30, 2017	Nine months ended Sep 30, 2016	Three months ended Sep 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Romgaz's associates	20,756	9,435	14,028	10,667
Total	20,756	9,435	14,028	10,667

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

Most of the Company's clients are companies in which the Romanian State has control or continues to have a significant influence after their privatization, given the strategic importance of the industry in which both the Company and its clients operate. In the nine-month periods ended September 30, 2017 respectively September 30, 2016, the Company conducted transactions with these companies only in the normal course of business. These transactions are done on the basis of standard contractual relationships.

ii) Trade receivables

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	'000 RON	'000 RON
Romgaz's associates	3,377	827
Total	3,377	827

23. INFORMATION REGARDING THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**The remuneration of executives and directors**

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

During the nine-month periods ended September 30, 2017 and September 30, 2016, no loans and advances were granted to executives and directors of the Company, except for work related travel advances, and they do not owe any amounts to the Company from such advances.

	<u>Nine months ended Sep 30, 2017</u>	<u>Three months ended Sep 30, 2017</u>	<u>Nine months ended Sep 30, 2016</u>	<u>Three months ended Sep 30, 2016</u>
	'000 RON	'000 RON	'000 RON	'000 RON
Salaries paid to executives	9,325	3,108	8,670	2,808
of which, bonuses	1,221	23	870	13
Remuneration paid to directors	986	203	944	502
of which, variable component	567	52	610	380

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	'000 RON	'000 RON
Salaries payable to executives	460	353
Salaries payable to directors	60	36

Beside the amounts mentioned above, for the remuneration related to executives on mandate contract and members of the Board of Directors, the Company set up a provision as of September 30, 2017 of RON 215 thousand (December 31, 2016: RON 1,891 thousand), presented in note 19 as Other provisions.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

a) Investment in subsidiaries

Given the Company's legal obligation to separate the natural gas storage activity from the production and supply of natural gas activity, under Directive 2009/73/EC of the European Parliament and of the Council of July 13, 2009 and the provisions of art. 141, paragraph (1) of Law 123/2012, the shareholders decided at the end of 2014 to establish a subsidiary for the natural gas underground storage activity.

In August 2015 the subsidiary S.N.G.N. Romgaz S.A. – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești S.R.L., 100% owned by the Company, was registered at the Trade Register. The share capital of the subsidiary is RON 1,200 thousand, divided into 120,000 shares with a nominal value of RON 10/share.

At the date of publication of the financial statements for the nine-month period ended September 30, 2017, the storage activity is being further carried out by the Company.

The Regulatory Authority for Energy (Autoritatea Nationala de Reglementare in Domeniul Energiei – ANRE), by Presidential decision no. 2588/December 30, 2015, had changed license no. 1942 regarding the operations of the underground gas storage facilities granted to Romgaz by ANRE presidential decision no. 151/January 22, 2014 in the sense of changing the licence holder with S.N.G.N Romgaz S.A. – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiesti S.R.L. The modified license was granted starting April 1, 2016 to September 13, 2056. Through ANRE decisions no. 446 issued on March 23, 2016 and 474 issued on March 30, 2017, the effective date of the license was postponed until April 1, 2018. In 2017, the activity of the subsidiary was suspended until April 1, 2018.

The Company did not prepare consolidated interim financial statements as of September 30, 2017 given the fact that the subsidiary is dormant and did not carry out any activity since incorporation.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE- MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)
24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES
b) Investment in associates

Name of associate	Main activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			September 30, 2017	December 31, 2016
SC Amgaz SA Medias *)	Gas production	Romania	-	35
SC Depomures SA Tg.Mures	Storage of natural gas	Romania	40	40
Energia Torzym	Gas production	Poland	-	-
Energia Cybinka	Gas production	Poland	-	-
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25

Name of associate	Value as of September 30, 2017	Impairment as of September 30, 2017	Carrying value as of September 30, 2017	Value as of December 31, 2016	Impairment as of December 31, 2016	Carrying value as of December 31, 2016
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
SC Amgaz SA Medias *)	-	-	-	9,214	(9,214)	-
SC Depomures SA Tg.Mures	120	-	120	120	-	120
Energia Torzym	-	-	-	1,750	(1,750)	-
Energia Cybinka	-	-	-	1,642	(1,642)	-
SC Agri LNG Project Company SRL	833	(833)	-	833	(833)	-
Total	953	(833)	120	13,559	(13,439)	120

*) In the three months ended 30 September 2017 the Company collected the amount of RON 298 thousand, representing the share of assets resulting from the liquidation of SC Amgaz SA.

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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE- MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

25. OTHER FINANCIAL INVESTMENTS

<u>Company</u>	<u>Principal activity</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest and voting power held (%)</u>	
			<u>September 30, 2017</u>	<u>December 31, 2016</u>
Electrocentrale București S.A.	Electricity and thermal power producer	Romania	2.49	2.49
Patria Bank S.A.*)	Other activities – financial intermediations	Romania	0.03	0.05
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excluding prospections	Romania	10	10
GHCL Upsom	Manufacture of other chemical, anorganic base products	Romania	4.21	4.21
Pan Atlantic and Lukoil association (note 32)	Petroleum exploration operations	Romania	10	10

<u>Company</u>	<u>Value as of September 30, 2017</u>	<u>Impairment as of September 30, 2017</u>	<u>Carrying value as of September 30, 2017</u>	<u>Value as of December 31, 2016</u>	<u>Impairment as of December 31, 2016</u>	<u>Carrying value as of December 31, 2016</u>
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Electrocentrale București S.A.	64,310	-	64,310	64,310	-	64,310
Patria Bank S.A.*)	840	(759)	81	840	(780)	60
Mi Petrogas Services S.A.	60	-	60	60	-	60
GHCL Upsom	17,100	(17,100)	-	17,100	(17,100)	-
Pan Atlantic and Lukoil association	10,454	(5,227)	5,227	10,454	(5,227)	5,227
Total	92,764	(23,086)	69,678	92,764	(23,107)	69,657

*) In 2016, the Company's shareholders decided to withdraw from the bank's shareholding, as a result of the merger process involving Patria Bank. At September 30, 2017 the withdrawal from the bank's shareholding was not completed.

The shares held in the share capital of the companies above are not quoted in an active market and their fair value cannot be reliably measured, therefore they are measured at cost. At each period end, the Company makes an assessment to determine whether there are any indications of impairment. As of September 30, 2017 the Company did not identify any indication of impairment of other financial investments, other than adjustments already recorded.

The accompanying notes form an integrant part of these financial statements.
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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)
26. SEGMENT INFORMATION
a) Products and services from which reportable segments derive their revenues

The information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the upstream segment, storage services, electricity production and distribution, and others, including headquarter activities. The Directors of the Company have chosen to organize the Company around differences in activities performed.

Specifically, the Company is organized in the following segments:

- upstream, which includes exploration activities, natural gas production and trade of gas extracted by Romgaz or acquired for resale; these activities are performed by Medias, Mures and Bratislava branches;
- storage activities, performed by Ploiesti branch;
- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

Except for Bratislava branch, all operations are in Romania. As of September 30, 2017, in Bratislava branch are recorded exploration assets in amount of RON 20,323 thousand (December 31, 2016: RON 19,962 thousand).

b) Segment assets and liabilities

September 30, 2017	<u>Upstream</u> '000 RON	<u>Storage</u> '000 RON	<u>Electricity</u> '000 RON	<u>Other</u> '000 RON	<u>Total</u> '000 RON
Property, plant and equipment	3,727,761	1,482,560	210,538	306,692	5,727,551
Other intangible assets	379,923	650	12	2,150	382,735
Investments in subsidiaries	-	-	-	1,200	1,200
Investments in associates	-	-	-	120	120
Other financial investments	-	-	-	69,678	69,678
Other financial assets	14	82,455	6,508	2,530,620	2,619,597
Inventories	433,734	69,279	3,792	17,882	524,687
Trade and other receivables	412,310	14,510	10,187	212	437,219
Other assets	21,614	1,431	345	26,713	50,103
Cash and cash equivalents	69,668	6,313	763	460,327	537,071
Total assets	<u>5,045,024</u>	<u>1,657,198</u>	<u>232,145</u>	<u>3,415,594</u>	<u>10,349,961</u>

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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

September 30, 2017	<u>Upstream</u>	<u>Storage</u>	<u>Electricity</u>	<u>Other</u>	<u>Total</u>
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Retirement benefit obligation	-	-	-	117,017	117,017
Deferred tax liabilities	-	-	-	17,325	17,325
Provisions	205,301	20,932	-	215	226,448
Trade and other payables	234,586	2,221	106,754	7,392	350,953
Current tax liabilities	-	-	-	57,001	57,001
Deferred revenue	-	-	-	1,971	1,971
Other liabilities	133,750	2,096	1,579	53,886	191,311
Total liabilities	573,637	25,249	108,333	254,807	962,026
December 31, 2016	<u>Upstream</u>	<u>Storage</u>	<u>Electricity</u>	<u>Other</u>	<u>Total</u>
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Property, plant and equipment	3,859,686	1,549,707	62,172	317,697	5,789,262
Other intangible assets	393,218	721	37	3,888	397,864
Investments in subsidiaries	-	-	-	1,200	1,200
Investments in associates	-	-	-	120	120
Other financial investments	-	-	-	69,657	69,657
Other financial assets	67,070	461,618	2,206	2,361,857	2,892,751
Inventories	442,937	109,189	4,158	19,699	575,983
Trade and other receivables	695,155	59,284	73,214	957	828,610
Other assets	16,294	480	1,857	122,894	141,525
Cash and cash equivalents	69,241	44,262	329	166,694	280,526
Total assets	5,543,601	2,225,261	143,973	3,064,663	10,977,498
Retirement benefit obligation	-	-	-	119,986	119,986
Deferred tax liabilities	-	-	-	40,123	40,123
Provisions	211,569	22,003	1,346	9,567	244,485
Trade and other payables	542,675	1,912	14,846	10,508	569,941
Current tax liabilities	-	-	-	60,295	60,295
Deferred revenue	1,155	-	-	3,769	4,924
Other liabilities	154,132	3,699	3,013	100,739	261,583
Total liabilities	909,531	27,614	19,205	344,987	1,301,337

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)
c) Segment revenues, results and other segment information

Nine months ended September 30, 2017	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,647,991	378,666	445,500	191,375	(421,883)	3,241,649
Less: revenue between segments	(125,744)	(47,405)	(63,786)	(184,948)	421,883	-
Third party revenue	2,522,247	331,261	381,714	6,427	-	3,241,649
Interest income	257	1,365	20	14,005	-	15,647
Interest expense	(3)	-	-	-	-	(3)
Depreciation, amortization and impairment	(311,724)	(77,470)	(4,892)	(13,615)	-	(407,701)
Segment profit before tax profit/(loss)	1,074,068	161,184	125,785	39,764	-	1,400,801
Three months ended September 30, 2017	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	649,547	126,707	146,500	66,786	(140,111)	849,429
Less: revenue between segments	(41,807)	(4,621)	(29,821)	(63,862)	140,111	-
Third party revenue	607,740	122,086	116,679	2,924	-	849,429
Interest income	61	231	10	4,641	-	4,943
Interest expense	-	-	-	-	-	-
Depreciation, amortization and impairment	(81,731)	(25,793)	(1,232)	(4,893)	-	(113,649)
Segment profit before tax profit/(loss)	240,175	49,777	52,835	24,241	-	367,028
Nine months ended September 30, 2016	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,016,878	263,513	241,270	178,481	(298,622)	2,401,520
Less: revenue between segments	(76,380)	-	(49,976)	(172,266)	298,622	-
Third party revenue	1,940,498	263,513	191,294	6,215	-	2,401,520
Interest income	662	3,153	34	14,174	-	18,023
Interest expense	(12)	-	-	-	-	(12)
Depreciation, amortization and impairment	(259,668)	(74,281)	(5,496)	(16,979)	-	(356,424)
Segment profit before tax profit/(loss)	719,069	91,228	42,574	65,682	-	918,553

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

Three months ended September 30, 2016	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	442,440	68,623	85,579	63,851	(108,876)	551,617
Less: revenue between segments	(31,099)	-	(17,233)	(60,544)	108,876	-
Third party revenue	411,341	68,623	68,346	3,307	-	551,617
Interest income	206	897	11	3,285	-	4,399
Interest expense	(3)	-	-	-	-	(3)
Depreciation, amortization and impairment	(48,834)	(27,345)	(2,058)	(5,252)	-	(83,489)
Segment profit before tax profit/(loss)	102,150	22,209	14,106	25,084	-	163,549

In the nine-month period ended September 30, 2017, the Company's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 1,036,808 thousand, RON 783,756 thousand, respectively RON 771,533 thousand (in the nine-month period ended September 30, 2016 the Company's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 755,534 thousand, RON 576,579 thousand, respectively RON 375,257 thousand), together totaling 79.96% of total revenue (nine months ended September 30, 2016: 71.10%). Of the total revenue generated by those three clients, 4.34% are shown in the "Storage" segment and 95.42% in the "Upstream" segment (nine months ended September 30, 2016: 4.09% in the "Storage" segment, 94.81% in the "Upstream" segment).

27. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks, short term deposits with maturity under 3 months from the acquisition date.

	September 30, 2017	December 31, 2016
	'000 RON	'000 RON
Current bank accounts in RON *)	76,723	180,573
Current bank accounts in foreign currency	440	41
Petty cash	30	20
Term deposits in RON	459,865	99,880
Amounts under settlement	13	12
Total	537,071	280,526

*) Current bank accounts include overnight deposits.

28. OTHER FINANCIAL ASSETS

Other financial assets represent mainly treasury bonds and deposits with a maturity of over 3 months, from acquisition date.

	September 30, 2017	December 31, 2016
	'000 RON	'000 RON
Treasury bonds in RON	853,685	974,262
Bank deposits in RON	1,758,620	1,910,380
Accrued interest receivable	2,302	2,551
Accrued interest on bonds	4,990	5,558
Total other financial assets	2,619,597	2,892,751

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

29. COMMITMENTS UNDERTAKEN

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	'000 RON	'000 RON
Endorsements and collaterals granted	260,394	62,982
Total	260,394	62,982

In 2015 a facility agreement was signed with CitiBank Europe plc, Dublin – Romanian Branch for bank loans for issuing and/or confirmation of letters of credit and letters of guarantee for a maximum amount of USD 14,000 thousand, subsequently increased to USD 20,000 thousand, validity extended until December 31, 2017. On September 30, 2017 are still available for use USD 1,592 thousand (December 31, 2016: USD 7,664 thousand).

In 2016, a credit agreement was signed with BRD-Groupe Societe Generale, representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 20,000 thousand, valid up to December 31, 2017. On September 30, 2017 are still available for use USD 4,715 thousand (December 31, 2016: USD 12,198 thousand).

In 2017, a credit agreement was signed with Raiffeisen Bank SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 100,000 thousand, as follows: the maximum amount available until December 31, 2017 is USD 60,000 thousand; from January 1, 2017 the maximum amount available will be 100,000 thousand USD. On September 30, 2017 are still available for use USD 23,550 thousand.

As of September 30, 2017, the Company's contractual commitments for the acquisition of non-current assets are of RON 1,602,468 thousand (December 31, 2016: RON 298,424 thousand), of which, the contract for CET Iernut development represents RON 1,138,445 thousand.

30. COMMITMENTS RECEIVED

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	'000 RON	'000 RON
Endorsements and collaterals received	1,726,054	1,041,197
Total	1,726,054	1,041,197

Endorsements and collateral received represent letters of guarantee and other performance guarantees received from the Company's clients.

31. CONTINGENCIES

(a) *Litigations*

The Company is subject to several legal actions arisen in the normal course of business. The management of the Company considers that they will have no material adverse effect on the results and the financial position of the Company.

On December 28, 2011, 27 former and current employees were notified by DIICOT regarding an investigation related to sale contracts signed with one of the Company's clients for allegedly unauthorized discounts granted to this client during the period 2005-2010. DIICOT mentioned that this may have resulted in a loss of USD 92,000 thousand for the Company. On that sum, an additional burden to the state budget consists of income tax in amount of USD 15,000 thousand and VAT in amount of USD 19,000 thousand. The internal analysis carried out by the Company's specialized departments concluded that the agreement was in compliance with the legal provisions and all discounts were granted based on Orders issued by the Ministry of Economy and Finance and decisions of the General Shareholders' Board and Board of Directors. The management of the Company believes the investigation will not have a negative impact on the financial statements, to justify the registration of an adjustment. The Company is fully cooperating with DIICOT in providing all information necessary. On March 18 2014, Romgaz received an address from DIICOT, by which the investigators ordered an accounting expertise, indicating the objectives of the expertise.

Romgaz was notified that, as injured party, it may submit comments relating to objectives of the expertise (additions/changes), and may appoint an additional expert to participate in the expertise.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

Thus, Romgaz proceeded to identify and appoint an expert with accounting and financial expertise that can participate to the expertise. After the report was completed, the parties could submit objections by November 2, 2015.

On March 16, 2016, DIICOT – Central Structure informed the persons involved in the cause about the start of legal actions against them. At the request of investigators, the Company announced that in case of a prejudice being established during the investigation, the Company will join the case as civil party.

In November 2016, DIICOT informed the Company the prejudice established in amount of RON 282,630 thousand. Following this request, Romgaz announced that will join the case as a civil party for the amount of RON 282,630 thousand to recover this amount from the respective client and any other person that may be found guilty for causing the prejudice.

In June 2017, DIICOT issued a press release announcing the referral to court of several persons involved in the case.

(b) *Taxation*

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties. In Romania, tax periods remain open for fiscal verification for 5 years. The Company's management considers that the tax liabilities included in these individual financial statements are fairly stated.

(i) In 2016, The Company was subject to a fiscal inspection related to gas royalties for the period January 2011 - December 2015. In 2017, the tax inspection was finalized with no additional charges.

(ii) Since 2007, Romgaz calculated, declared and paid excise duties for technological consumption of natural gas. According to legal regulations, such excise duties were not chargeable, interpretation confirmed by the Legislation Department of the Ministry of Finance in the documents exchanged with the Company; therefore, since no amounts were owed, the Company requested the repayment of these amounts. In this regard, the Company requested a fiscal inspection in order to clarify fiscal obligations regarding excise duties related to technological consumption of natural gas. Currently there is an ongoing fiscal inspection for the period January 2010 – March 2013, inspection initiated in 2013, but not completed. Completion of this inspection will result in providing a solution to the Company's request to clarify the fiscal treatment regarding excise duties for technological consumption of natural gas.

(c) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at September 30, 2017 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans related to environmental matters, except the amount of RON 219,471 thousand (December 31, 2016: RON 210,571 thousand), representing the decommissioning liability, and a provision for land restauration of RON 6,762 thousand (December 31, 2016: RON 8,963 thousand).

Green-house gas emission certificates (CO2 certificates)

In accordance with Government Decision no. 1096/2013 for the approval of the mechanism for free transitional allocation of green-house gas emission certificates to electricity producers for the period 2013-2020, Annex no. 3 "National Investment Plan" position 22, Romgaz is included with the investment project "Combined cycle with gas turbines", ending in 2016 (according to Government Decision no. 151/2015 amending and supplementing GD no. 1096/2013, including the National Investment Plan).

According to Annex no. 1 of the same decision, S.N.G.N. Romgaz S.A. was allocated for CTE Iernut 412,322 greenhouse gas certificates (EUA) for 2017.

As of September 30, 2017, Romgaz holds in the Greenhouse Gas Emissions Unique Registry 6,581 CO2 certificates, after meeting compliance obligations for the previous years and submitting the certificates to the Registry.

According to EU Regulation No. 1123/2013 of November 8, 2013 regarding the establishment of the rights to international credits, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, the Protocol to the Framework-Convention of the United Nations on Climate Change (Kyoto Protocol) sets up two mechanisms for the creation of international credits that Companies can use to reduce emissions. Joint Implementation provides for the creation of emission reduction units (ERU), while the Clean Development Mechanism (CDM) provides for the creation of certified emission reductions (CER). Industries that fall under the European Trading System of

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NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

atmosphere emissions (EU ETS) can use these credits to offset their obligations on emissions of greenhouse gas. In this respect, Romgaz holds as linking availability (correlation availability EUA – ERU certificates) a number of 51,598 ERU certificates available to be used for compliance in the 2013-2020 period.

According to Government Decision no 1096/December 17, 2013, Romgaz was allocated CO2 certificates as follows:

Operator	Installation	Annual Allocation (tCO ₂ /year)							
		2013	2014	2015	2016	2017	2018	2019	2020
SNGN Romgaz - S.A.	SNGN Romgaz - S.A. - CTE Iernut	962,085	824,645	687,204	549,763	412,322	274,882	137,441	-

(d) *CET Iernut*

In the Romanian Government's view, the energy sector must play a key role in the economic and social development of Romania. Promoting investments, supporting strategic projects of national interest in order to secure the energy security of the country, are two of the Government's objectives related to the energy security.

Considering that there is a steadily growing portfolio with an uncontrolled production of electricity, in particular through wind power plants, it is necessary to commission balancing capacities which will be active in the balancing market, ancillary services market, spot markets, CET Iernut having the ability to be a provider of ancillary services in an area deficient in electricity power generation.

Within the National Power System (NPS), CET Iernut performs the following functions:

- coverage of NPS electricity consumption through groups' participation in the wholesale electricity market and balancing market;
- providing ancillary services needed for the functioning of NPS;
- eliminate the network congestion which may occur in the north-west of Transylvania.

According to current environmental protection legislation, CTE Iernut energy groups are allowed to function until June 30, 2020. By implementing measures to reduce NOx emissions to levels lower than 100 mg/m³, the operation of the plant would still be possible after this date, but the investments required to meet these emission levels would require a high volume of resources. These investments will not add any improvement to efficiency, nor will they increase the reliability of these groups.

One of the main strategic directions of Romgaz, detailed in the 2015-2025 Development strategy, is to consolidate its position on the energy market. Related to energy production, Romgaz planned to increase efficiency by investing to increase the yield of the Iernut power plant to a minimum of 55%, to comply with environmental requirements (NOx, CO2 emissions) and to increase safety in operation. Thus, the Board of Directors approved the refurbishment of CTE Iernut by constructing a new power plant based on gas turbine combined cycle system for an installed power of maximum 430 MW and gross electrical efficiency at a rated load of minimum 56%. In this respect, in 2016, an agreement for the development of CTE Iernut has been signed by the Company, in amount of EUR 268.8 million.

In 2017, the Ministry of Energy approved the application for funds from the National Investment Plan for the investment "Combined cycle CCGT power plant". The finance agreement was not signed by the authorization date of the financial statements as of September 30, 2017.

(e) *Controls by The Romanian Court of Accounts and the European Commission*

In year ended 2016, the Company came under scrutiny from the Romanian Court of Accounts, the European Commission through the Romanian Competition Council.

- (i) One of the Romanian Court of Accounts' conclusions is that during 2013-2015 Romgaz delivered gas on the regulated market over the quantities it was legally allowed to, according to the existing legislation. The price on the regulated market being lower than the one on the free market, The Romanian Court of Accounts issued Decision number 26/01.06.2016 and ordered Romgaz to determine and to recover the prejudice as a price difference on gas quantities delivered on the regulated market over its legal obligation. The alleged prejudice estimated by the Court of Accounts is over RON 160 million. Romgaz appealed the decision, but the Court of Accounts dismissed the appeal. Subsequently, the Company started legal proceedings against the Court of Accounts' decision no. 26/01.06.2016 and, also, contracted legal services for the annulment of the Court of Accounts' decision and to carry out the measures ordered by the Court of Accounts' decision.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 (NOT AUDITED)

- (ii) According to European Commission decision, Romgaz is suspected of entering into anti-competitive deals with other Romanian companies active in the gas market, deals by which Romgaz supposedly committed not to export natural gas, or blocked or delayed the measures necessary for the creation of the legal and technical framework by which gas exports could be achieved. During September 2016, a meeting between Romgaz and the European Commission was held at the EC's headquarters, regarding the control, in which the Company's opinion was presented. From that date, Romgaz has not received any request concerning the control.

The Company's management does not agree with the conclusions of the control done by the Romanian Court of Accounts. The final conclusions of the controls of the European Commission are not known and cannot be anticipated. Therefore the financial statements as of September 30, 2017 do not include adjustments about these matters.

32. JOINT ARRANGEMENTS

On September 30, 2017, the Company is part of the following joint arrangements:

- a) In January 2002, Romgaz signed a petroleum agreement with Amromco for rehabilitation operations in order to achieve additional production in 11 blocks, namely: Bibești, Strâmba, Finta, Fierbinți-Târg, Frasin-Brazi, Zătreni, Boldu, Roșioru, Gura-Șuții, Balta-Albă and Vlădeni. For the base production, Romgaz holds a share of 100% and for the additional production, Romgaz owns a share of 50% and Amromco Energy SRL - 50%. As the agreement was signed to execute rehabilitation operations to obtain additional production, the mandatory work program is in accordance with the studies approved by ANRM. Accordingly, the annual work program, which includes both works provided in the studies and other works necessary and proposed by the partners, is approved annually by the Board of the joint arrangement before the start of each year. The duration of the joint arrangement is in line with the time frame of each individual concession agreements of the 11 perimeters stated above, which differs for each block.
- b) In February 2003, Romgaz signed a joint operation agreement for exploration, development and operation in the Brodina block, with Aurelian Petroleum SRL and Raffles Energy SRL. In November 2007, the partners agreed to split the Brodina block in two areas: area of Gas Constructions Bilca (Production Area Bilca) and the area other than the Gas Construction Bilca Area (Brodina Exploration Area).

Currently, the participation of Romgaz in the Production Area Bilca is 37.5% and the participation of the operator, Raffles Energy SRL, is 62.5%. The wells have clearances issued by ANRM. As the fields are in an advanced stage of depletion, only two wells produced gas this year. Beside the revenue obtained from this structure, revenue is also obtained from processing natural gas from Suceava block.

In June 2017, ANRM approved the transfer of 50% of the participation owned by Aurelian SRL to Raffles Energy SRL. Romgaz's share in the Brodina Exploration Area is 50% and the share of Raffles Energy SRL, operator, is 50%. In the scope of evaluating the Voitinel discovery, drilling operations began at Voitinel 2 well but due to negative results obtained by the drilling operations, the gas well was abandoned. A new production program for this structure will be decided by the joint operation's management only after positive production test results from Voitinel 1 well.

- c) Romgaz has a joint operation agreement for exploration, development and operation in the North Bacau area, with Raffles Energy SRL, the operator of the joint operation. Romgaz holds 40% of the joint operation and Raffles Energy SRL - 60%. Proceeds from this perimeter stem from natural gas produced by Lilieci 1 well that is then transformed into electric energy via a generator. The concession agreement is in development-exploitation phase.
- d) In September 2003, Romgaz has concluded an operation agreement with Schlumberger for the rehabilitation of the Laslău Mare block, in order to obtain additional production by using advanced techniques and technologies for the exploitation of the reserves and of the know-how owned by Schlumberger. The mandatory work program is in line with the study approved by ANRM. Therefore, the annual working program, which includes the workings from the study, is approved annually, before the start of each year, by the Operation Committee of the joint operation. The participation share of Romgaz is 50% and that of Schlumberger is also 50%. Romgaz is the operator of the petroleum operations performed under the agreement.
- e) In June 2008, Romgaz signed a joint operation agreement for exploration, appraisal, development, exploitation in three blocks in Slovakia, namely: Svidnik, Snina and Medzilaborce. The owners of the exploration licenses are Aurelian Oil & Gas Slovakia, currently Alpine Oil & Gas (50% - operator), JKX (25%) and Romgaz through Bratislava branch (25%). In 2016 the operator obtained part of drilling clearances for three wells however, due to protests from environmental groups no drilling operations were undertaken.

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- f) In July 2012, Romgaz signed the amendments to the joint operations agreement with Lukoil Overseas Atash BV and Panatlantic (originally Vanco International Ltd), the three companies being holders of petroleum agreements. The agreement is for exploration, development and operation of offshore block EX-30 Trident of the Black Sea continental shelf. The participation shares are: Lukoil 72%, Panatlantic 18% and Romgaz 10%. During 2015, two wells were drilled in the Trident block, one of which was abandoned, while the other generated positive results, leading to gas discoveries. In October 2016, ANRM approved the extension of the second exploration phase with another year and a half for the execution of additional works.

33. EVENTS AFTER THE BALANCE SHEET DATE

Additional dividends

In October 2017, the shareholders of the Company approved an additional dividend of 1.94 RON/share.

34. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on November 13, 2017.

Virgil Metea
Chief Executive Officer

Andrei Bobar
Chief Financial Officer