SOCIETATEA NATIONALA DE GAZE NATURALE “ROMGAZ” SA

QUARTERLY REPORT

ON THE ECONOMIC-FINANCIAL ACTIVITY OF SNGN “ROMGAZ” SA ON SEPTEMBRIE 30, 2016

(January 01, 2016-September 30, 2016)

BASIS of the REPORT

"7.19 to present quarterly at the general meeting of shareholders a report on the governing activity, including information on the performance of directors' contracts of mandate, details on the operational activities, on the financial performance of the company and on the company's half year financial reporting;

………

7.21 to prepare quarterly reports including, without limitation to, the rate of fulfilment of the performance criteria by considering the share of each indicator and its variation as compared to the set target level, such reports shall be submitted for the approval of the Company's General Meeting of Shareholders…"

COMPANY PERFORMANCES

Compared to the similar period of the last year, the Company's operational and financial performances for the first nine months of 2016 have been influenced mainly by the decrease of natural gas demand on the Romanian market by approx. 6%.

Net profit, in amount of RON 713.7 million, exceeded the budget forecast +15.5% (RON 617.9 million), although lower than in the similar period of 2015 (-26.8%).

The intensive exploration activities carried out deep onshore led to ***the largest hydrocarbon discovery*** of the past 30 years of about 25-27 billion m^3.

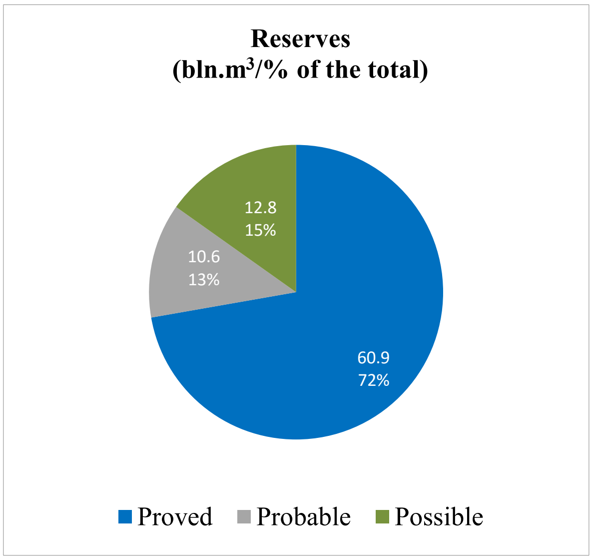
The financial indicators were maintained at a very good margin EBIT (37.5%) and EBITDA (52.3%).

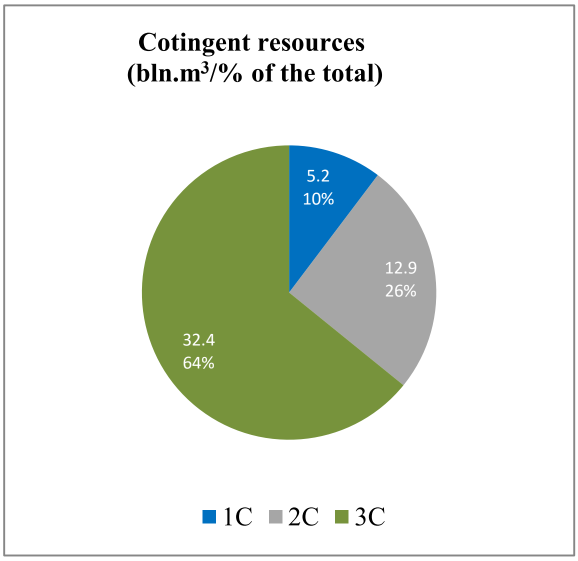
Gas sales were significantly influenced by weather conditions, by the dramatic decrease of gas demand in the key sectors, by the uncertain regulatory framework related to the establishment of minimum gas stocks, by the competition against import gas, by the fiscal framework unfavourable for the competition on natural gas market.

The objective to have "0" new overdue accounts receivables is fulfilled – as a result of the company's trading policy, during this period there were no overdue accounts receivables related to deliveries to influence costs and implicitly the company's profit.

The ***external audit of Romgaz natural gas reserves and contingent resources*** has been performed in the reporting period by the American company DeGolyer&MacNaughton, resulting in a final Report sent to Romgaz on June 30, 2016.

The results included in the Report confirm the evaluation of natural gas resources and reserves made by Romgaz as of December 31, 2015 and concurrently confirm the annual reserves replacement ratio for 2013-2015 at an average of 83%, higher than the target of 70%.





Relevant Financial Results

*million RON**

Q3 2015	Q2 2016	Q3 2016	Δ Q3 (%)	Main Indicators	9 months 2015	9 months 2016	Δ 9 months (%)
698.0	486.4	551.6	-21.0	Revenue	2,933.1	2,401.5	-18.1
902.3	594.1	917.1	1.6	Income	3,143.5	2,827.4	-10.1
659.6	449.1	753.5	14.2	Expenses	1,948.7	1,908.9	-2.0
242.6	145.0	163.5	-32.6	Gross Profit	1,194.8	918.6	-23.1
33.9	19.0	65.1	92.0	Profit Tax	219.4	204.9	-6.6
208.7	125.9	98.4	-52.9	Net Profit	975.3	713.7	-26.8
233.2	138.8	159.1	-31.8	EBIT	1,160.0	900.5	-22.4
465.2	291.5	242.7	-47.8	EBITDA	1,688.9	1,257.0	-25.6
0.54	0.33	0.26	-52.7	Earnings per share (RON)	2.53	1.85	-26.8
29.9%	25.9%	17.8%	-40.3	Net Profit Rate (% from Revenue)	33.3%	29.7%	-10.8
33.4%	28.5%	28.8%	-13.6	EBIT Ratio (% from Revenue)	39.5%	37.5%	-5.1
66.6%	59.9%	44.0%	-33.9	EBITDA Ratio (% from Revenue)	57.6%	52.3%	-9.1
6 351	6 282	6 250	-1.6	Number of employees at the end of the period	6 351	6 250	-1.6

The figures above are rounded and therefore small reconciliation differences may occur

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 the natural gas quantities delivered in the period May - September, because the gas balance was not finalised due to lack of clear regulations on gas deliveries to households and assimilated consumers.

Summary of main indicators:

- The Q3 2016 *Sales* increased by 12.5% as compared to Q2 2016 due to demand for UGS services. Either new clients were attracted (SC CET Govora S.A., SC Megaconstruct SRL) or former clients have re-entered in the company's portfolio of customers (SC Electrocentrale Bucuresti S.A., SNTGN Transgaz S.A.), although import gas had the lowest price of the period;

- Against the dramatic decrease of international gas price (-25%) as compared to the beginning of the year, Romgaz margins remained good;

- The mitigation of impact on sales was generated also by the reinvigoration of trading on the centralised markets recorded during Q3 2016. As such, in comparison with Q2 when only 30,000MWh were traded on these markets, during Q3 1,600,000 MWh were traded on these markets out of which half is to be delivered during 2016. Romgaz became competitive against the current fiscal environment. Romgaz succeeded to trade 1.5 TWh during the 9 month-period of 2016, which means 72.6% of the total quantity traded on the centralised markets, which makes Romgaz the main player on the Romanian centralised markets;

- Although the net profit, EBIT and EBITDA are lower as compared to the nine months period ending on September 30, 2015, the financial indicator ratios as compared to revenue are highly favourable: 29.7%, 37.5% and 52.3% (as compared to 33.3%, 39.5% and 57.6%, respectively during the same period of 2015), confirming the high profitability of the company.

Operational Results

Q3 2015	Q2 2016	Q3 2016	Δ Q3 (%)	Main Indicators	9 months 2015	9 months 2016	Δ 9 months (%)
1,358	823	836	-38.43	Gas Produced (million m^3)	4,135	3,034	-26.63
99	54	54	-44.9	Petroleum Royalty (million m^3)	301	208	-30.90
2,679	1,590	1,201	-55.17	Condensate Production (tonnes)	8.191	4.841	-40.90
691.9	191.8	391.5	-43.42	Electricity Production (GWh)	1,102.1	902.0	-18.16
0.0	0.0	0.0		Invoiced UGS gas withdrawal services (million m^3)	1,190.1	931.0	-21.77
819.0	373.6	619.9	-24.31	Invoiced UGS gas injection services (million m^3)	1,550.1	1,302.4	-15.98

**) – includes the gas from current production (inclusive the gas from Romgaz-Schlumberger Association) and the gas delivered to SPEE Iernut and Cojocna*

The table below indicates the power quantities generated during the 9 month-period of 2016 compared with the similar period of 2015:

MWh

	2015	2016	Ratio
1	2	3	4=3/2x100
Q1	167,007.91	318,720.48	190.84%
Q2	222,680.04	191,846.53	86.15%
Q3	823,248.79	391,472.38	47.55%
9 month-period	**1,212,936.79**	**902,039.38**	**74.36%**

The decrease of generated power quantities are due to increased hydrology during Q3 2016 as compared to Q3 of 2015. This aspect led to the decrease of the price at closing of the Day Ahead Market and to a reduced access on the Balancing Market. Under these circumstances, the traded power quantity (purchased and sold) increased by 41% as compared to the same period of the past year and the revenue from ancillary services increased by 32%.

HIGHLIGHTS

Romgaz made a new important hydrocarbon discovery in Romania

The production tests performed at two exploration wells confirm an important hydrocarbon accumulation. The results of the drill stem tests (DST) predict daily productions ranging from 1,400 to 2,200 BOE/well. The contingent resource, evaluated based on drilling data that include well geophysics, mechanical cores and fluid tests and also on further sizing of the trap by 3D seismic data, is estimated to be between 150 and 170 million BOE.

The extension by 5 years (2016-2021) of the exploration phase for the main 8 blocks which the company holds under concession.

The completion of phase 1 of the increase of the working capacity of Sarmasel UGS to 950 million m^3/cycle.

January 27, 2016

Government Ordinance no.11 has been adopted on amending and supplementing Government Ordinance no.26/2013 on strengthening the financial discipline of economic operators where the state or the territorial administrative units are sole or major shareholders or hold, directly or indirectly, a major interest share. The most important amendment having an impact on Romgaz activity stipulated that the income and expenditure budget does not have to be approved by a resolution of the Romanian Government before its approval by the company's shareholders.

February 22, 2016

Mrs. Baciu Sorana resigned as director, Mr. Tcaciuc Sebastian-Gabriel has been appointed on the vacant position as temporary director starting with February 23, 2016.

March 23, 2016

ANRE issued *Order no.9/2016 on extending the application period of Order no.58/2015 of the President of the Regulatory Authority for Energy regarding the establishment of regulated tariff for the provision of natural gas underground storage services by Societatea Naţională de Gaze Naturale "ROMGAZ" – S.A. Mediaş.*

March 25, 2016

In compliance with the Resolution of the Ordinary General Meeting of Shareholders no.2 of March 18, 2015 the director mandate held by Mr. Dorcioman Dragos terminated.

By Resolution no.3 of the Ordinary General Meeting of Shareholders Mr. Jude Aristotel-Marius has been appointed director on the vacancy resulting from the termination of Mr. Dorcioman Dragos mandate. The same OGMS Resolution approved the appointment of Mr. Tcaciuc Sebastian-Gabriel as director.

May 27, 2016

Law 111/2016 has been adopted for approving Government Emergency Ordinance no.109/2011 regarding corporate governance of public enterprises, substantially amending the approved Ordinance.

June 16, 2016

The 2016 Income and Expenditure Budget was approved by *Resolution of the Ordinary General Meeting of Shareholders no.5/2016.*

June 28, 2016

The Government issued GD no. 461/2016 amending the annex of GD no. 488/2015 on setting the acquisition price of gas from domestic production for households and thermal energy producers for the amount of natural gas used to produce thermal energy in cogeneration power plants and in thermal power plants meant for the consumption of the population; the Romanian Government approved to maintain the domestic gas price at RON 60.00/MWh for the period July 1, 2016 – March 31, 2017.

According to GD no.488 of July 1, 2015 on setting the acquisition price of gas from domestic production for households and thermal energy producers, only for the amount of natural gas used to produce thermal energy in cogeneration power plants and in thermal power plants meant for the consumption of the population, during July 1st 2015 – June 30th 2021, the price had to increase to RON 66.00 MWh starting with July 1st, 2016.

September 28, 2016

The Government issued GD no. 722/2016 for approving the Methodological Norms for the application of certain provisions of Government Emergency Ordinance no.109/2011 on corporate governance of public enterprises, which approved the Methodological Norms for establishing the selection criteria, to draw up a shortlist of up to five candidates for each post, the ranking, the procedure on final appointments final and methodological Norms for establishing financial and non-financial performance indicators and the variable component of remuneration of Board members or, where applicable, oversight of public company and directors or directorate members.

COMPANY OVERVIEW

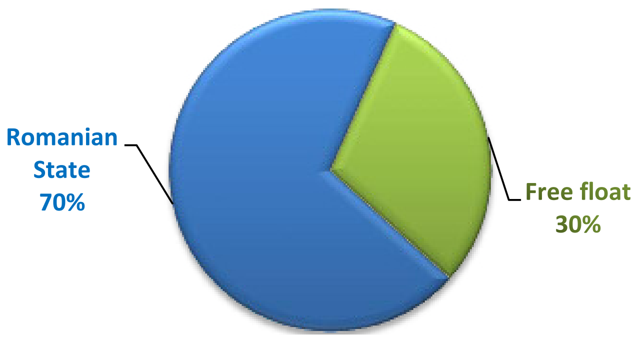
The company undertakes business in the following segments:

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

Shareholder structure

As of September 30, 2016, the shareholder structure is as follows:

	Number of shares	%
The Romanian State[1]	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
***legal persons**	*94,516,028*	*24.5227*
***natural persons**	*21,083,292*	*5.4702*
Total	**385,422,400**	**100.0000**



Company Organization

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

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

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

[1] The Romanian State through the Ministry of Energy

Company Administrative Management

The company is governed by a Board of Directors composed of 7 members, having on September 30, 2016 the following structure:

Nr. crt.	Name	Institution of employment	Position in the Board
1	Negruţ Aurora	Ministry of Energy	Chairperson
2	Popescu Ecaterina	SC “Chimforex” SA	Member
3	Metea Virgil Marius	SNGN “Romgaz” SA	Member
4	Jansen Petrus Antonius Maria	Associate Lecturer London School of Business and Finance	Member
5	Chisăliţă Dumitru	“Transilvania” University Braşov	Member
6	Tcaciuc Sebastian Gabriel	Auris Capital	Member
7	Jude Aristotel	Ministry of Energy	Member

Human Resources

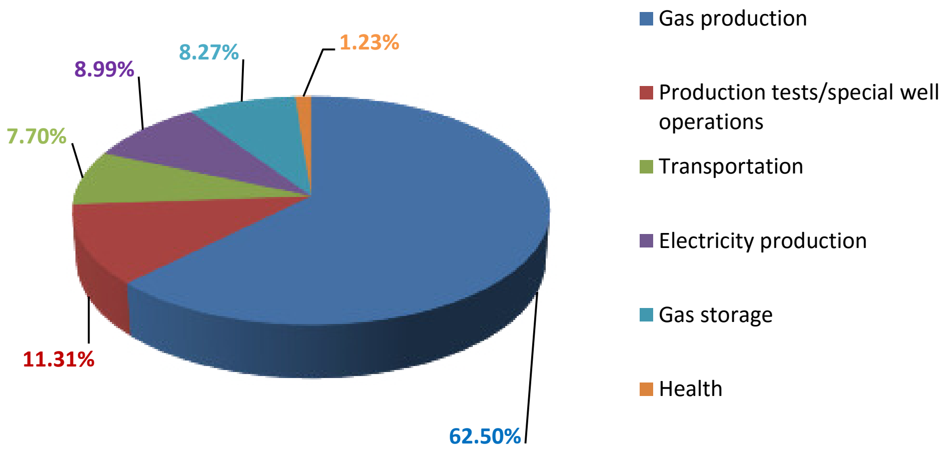
On September 30, 2016 the company had a number of 6,250 employees.

The table below shows the evolution of the employees’ number between January 1, 2013 – September 30, 2016:

Description	2013	2014	2015	H1 2016
1	2	3	4	5
Employees at the beginning of the period	5,921	6,472	6,344	6,356
Newly hired employees	681*)	92	159	76
Employees who terminated their labour relationship with the company	130	220	147	182
Employees at the end of the period	6,472	6,344	6,356	6,250

*) –the increase is due to the takeover of CTE Iernut.

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



PHYSICAL INDICATORS

The table below shows the gas quantities produced, delivered, injected/withdrawn in/from the underground storage during January – September 2016, compared to similar period of years 2014 and 2015 (million m^3):

Item no.	Specifications	9 months 2014	9 months 2015	9 months 2016	Ratios
0	1	2	3	4	5=4/3x100
1.	**Gross productions – total**, out of which:	**4,227.9**	**4,134.5**	**3,034.3**	**73.4%**
1.1.	*own gas	4,084.9	3,982.2	2,924.7	73.4%
1.2.	*Schlumberger joint venture (100%)	143.0	152.3	109.7	72.0%
2.	Tehnological consumption	59.8	57.8	38.5	66.6%
3.	**Net own gas production** (*1.-1.2.-2.*)	**4,025.1**	**3,924.4**	**2,886.1**	**73.5%**
4.	Own gas stored in UGS	464.2	622.0	414.1	66.6%
5.	Own gas withdrawn from UGS	450.5	293.3	308.9	105.3%
6.	Difference from conversion to Gross Calorific Value	8.0	13.8	0.0	0.0%
7.	**Delivered own gas** (*3.-4.+5.-6.*)	**4,003.4**	**3,581.9**	**2,780.9**	**77.6%**
8.1.	Gas sold in UGS	-	-	79.2	-
8.2.	Gas delivered to CTE Iernut and Cojocna	304.0	359.4	267.4	74.4%
9.	**Own gas delivered to the market** (*7.+8.1.-8.1.2.*)	**3,699.4**	**3,222.5**	**2,592.7**	**80.5%**
10.	**Gas from joint ventures***) **– total**, out of which:	**136.0**	**125.2**	**108.8**	**86.9%**
	*Schlumberger (50%)	71.5	76.1	54.9	72.1%
	*Raffles Energy (37.5%)	0.7	0.3	0.3	100.0%
	*Amromco (50%)	63.8	48.8	53.6	109.8%
11.	Gas acquisition from domestic production	13.5	12.6	9.5	75.4%
12.	**Traded domestic gas** (*9.+10.+11.*)	**3,848.9**	**3,360.3**	**2,711.0**	**80.7%**
13.	**Gas delivered from domestic production** (*8.2.+12.*)	**4,152.9**	**3,719.7**	**2,978.4**	**80.1%**
14.	Delivered import gas	72.9	2.2	6.8	309.1%
15.	**Total delivered** (*13.+14.*)	**4,225.8**	**3,721.9**	**2,985.2**	**80.2%**
*	Invoice UGS gas withdrawal services	1,169.4	1,190.1	931.0	78.2%
*	Invoice UGS gas injection services	1,615.2	1,550.1	1,302.4	84.0%

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

INVESTMENTS

For the first nine months of 2016, Romgaz planned investments of RON *756.5 million* and achieved RON *380 million*, 49.8%, namely RON 376.5 million, lower than planned. Investments were financed exclusively from own sources.

Compared to the same period of 2015, the investments achieved in 2016 are by 41.8% lower, namely RON 272.5 million.

The value of fixed assets put into operation during the reviewed period is RON *205.2 million*.

The table below shows the investments achieved in the first nine months of 2016, split onto investment categories, compared with the investments achieved in the similar period of 2015, namely with the investments planned:

** RON thousand **

Investment Categories	Achieved 9 months 2015	Planned 9months 2016	Achieved 9 months 2016	2016/ 2015	A 2016/ P 2015
1	2	3	4	5=4/2x100	6=4/3x100
I. Geological exploration works to discover new methane gas reserves	392,117	336,536	120,500	30.73%	35.8%
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities	39,647	91,233	15,414	38.9%	16.9%
III. Maintaining the UGS capacity	19,184	64,041	57,618	300.3%	90.0%
IV. Environment protection works	4,579	3,590	152	3.3%	4.2%
V. Retrofitting and revamping of installation and equipment	158,004	174,680	153,388	97.1%	87.8%
VI. Independent equipment and installations	31,478	63,268	29,486	93.7%	46.6%
VII. Expenses related to studies and projects	7,512	23,196	3,447	45.9%	14.9%
TOTAL	**652,521**	**756,544**	**380,005**	**58.2%**	**50.2%**

Among the notable physical achievements of the first three quarters are:

- the construction and commissioning of technological installations at 11 wells, performance of capital repairs and well recompletion at the planned level (approx. 100 wells) by direct-labour operations performed by S.I.R.C.O.S.S. and the development of a large volume of projects for future investments;
- completion of works and ensuring conditions for performing technological tests and commissioning of the compression and dehydration facilities at the Sărmăşel UGS;
- drilling works for two exploration wells performed by direct-labour by SIRCOSS

The unachieved values of investments recorded at the end of Q 3 are mainly due to:

- delays in the public procurement process, due to the modifications of the legislative framework;
- interruptions recorded in promoting the acquisition of drilling works performance, motivated by the interpretations of legislation on financing the performance of development works on public roads, on those sections of the route providing access to well locations;
- postponing of development drilling operations due to lower profitability of certain projects;
- additional assessment of the commerciality of the projects in the Black Sea;
- difficulty in obtaining permits for execution of development works.

FINANCIAL INFORMATION

Statement of Interim Financial Position

The table below shows a summary of the statement of the individual financial position as of September 30, 2016 as compared to December 31, 2015:

INDICATOR	December 31, 2015 (RON thousand)	September 30, 2016 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
Assets			
Non-current assets			
Property, plant and equipment	5,996,460	5,836,989	-2.7
Other intangible assets	399,859	399,184	-0.2
Investments in subsidiaries	1,200	1,200	0.0
Associates	163	125	-23.3
Other financial investment	70,080	69,657	-0.6
Other financial assets	29,300	43,500	48.5
TOTAL NON-CURRENT ASSETS	**6,497,062**	**6,350,655**	**-2.3**
Current assets			
Inventories	559,784	633,753	13.2
Trade and other receivables	601,065	606,870	1.0
Other financial assets	2,146,827	1,390,638	-35.2
Other assets	139,612	164,664	17.9
Cash and cash equivalents	740,352	1,051,448	42.0
TOTAL CURRENT ASSETS	**4,187,640**	**3,847,373**	**-8.1**
TOTAL ASSETS	**10,684,702**	**10,198,028**	**-4.6**
EQUITY AND LIABILITIES			
Equity			
Share capital	385,422	385,422	0.0
Reserves	2,581,853	2,927,897	13.4
Retained earnings	6,724,947	6,051,965	-10.0
TOTAL EQUITY	**9,692,222**	**9,365,284**	**-3.4**
Non-current liabilities			
Retirement benefit obligation	102,959	99,685	-3.2
Deferred tax liabilities	62,589	49,152	-21.5
Provisions	200,855	202,155	0.6
Total non-current liabilities	**366,403**	**350,992**	**-4.2**
Current liabilities			
Trade and other payables	186,937	220,755	18.1
Current tax liabilities	90,838	75,451	-16.9
Provisions	28,779	32,944	14.5
Other liabilities	319,523	152,602	-52.2
Total current liabilities	**626,077**	**481,752**	**-23.1**
TOTAL LIABILITIES	**992,480**	**832,744**	**-16.1**
TOTAL EQUITY AND LIABILITIES	**10,684,702**	**10,198,028**	**-4.6**

NON-CURRENT ASSETS

The total non-current assets decreased by 2.3%, i.e. RON 146.41 million from RON 6,497.06 million as of December 31, 2015 to RON 6,350.66 million, due the higher value of fixed assets depreciation, amortization and impairment than investments in new assets.

CURRENT ASSETS

Current assets decreased by RON 340.27 million (8.1%) as of September 30, 2016 due to the net decrease of cash, cash equivalent, state securities and bank deposits with a term longer than three month. The variation of the components is shown below.

Inventories

The increase by 13.2% (RON 73.97 million) is a result of the increase of natural gas inventory due to gas injection into the underground storages during the second and the third quarters of 2016, and the increase of tubing inventory, which is necessary for drilling gas production wells.

Trade and Other Receivables

Trade receivables as of September 30, 2016 increased insignificantly by 1% as compared to December 31, 2015 as a result of an increase in the allowances for doubtful debts. During 2016, net additional allowances for doubtful debts were recorded in amount of RON 330.69 million, including the amount of RON 328.30 million related to one of the most important customers of the Company.

Cash and Cash Equivalents. Other Financial Assets

As of the end of Q3 2016, cash, cash equivalent and other financial assets amounted to RON 2,442.09 million as compared to RON 2,887.18 million at the end of 2015. The decrease is due to the fact that dividends amounting to RON 1,040.68 million were paid during 2016.

Other Assets

Prepayments at the end of Q3 2016 are higher by RON 33.94 million than at the end of 2015, and represent the tax on special constructions, which is to affect costs, spread over the remaining period of 2016, as well as costs with the services of gas transportation to the UGSs, which are going to be invoiced to the customers as stored gas is delivered.

EQUITY

Reserves increased by RON 346.04 million, mainly due to the appropriation to the development fund of a part of the 2015 net profit (RON 335.94 million).

Retained earnings dropped by RON 672.98 million, being adversely affected by the appropriation of the previous years' net profit to destinations approved by GMS, while a positive effect has been generated by the net profit obtained in the first nine months of 2016.

NON-CURRENT LIABILITIES

The decrease of non-current liabilities is a result of the reduction of the deferred tax liabilities by RON 13.44 million. The deferred tax liability is calculated in accordance with the International Financial Reporting Standards, but does not represent a chargeable liability.

CURRENT LIABILITIES

Current liabilities decreased by RON 144.33 million from RON 626.08 million as of December 31, 2015 to RON 481.75 million as of September 30, 2016.

Trade and Other Payables

The increase of trade payables by 18.1% that is RON 33.82 million is mainly due to the increase of advances paid by the Company's customers.

Other Liabilities

The decrease by 52.2% is a result of the decrease of liabilities towards the state budget (VAT payable, windfall profit tax due to the deregulation of prices on the gas market, royalty on gas production). Such tax liabilities are lower as of September 30, 2016 as compared to December 31, 2015, due to the diminished value of gas delivered and invoiced to customers, and the decrease of production.

Current Tax Liabilities

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

Provisions

Provisions recorded an increase by 14.5% as compared to the year ended December 31, 2015, being influenced by the provision created for decommissioning of fixed assets.

Statement of Interim Comprehensive Income

The synthesis of the profit and loss account of the company for the periof January 1 – September 30, 2016 as compared to the similar period of 2015 is shown below:

Description	January-September 2015 (RON thousand)	January-September 2016 (RON thousand)	Variance (RON thousand)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	2,933,107	2,401,520	(531,587)	-18.1
Cost of commodities sold	(33,208)	(46,326)	13,118	39.5
Investment income	34,767	18,023	(16,744)	-48.2
Other gains and losses	(213,534)	(407,588)	194,054	90.9
Change in inventory	129,917	73,527	(56,390)	-43.4
Raw materials and consumables used	(58,934)	(41,458)	(17,476)	-29.7
Depreciation, amortization and impairment	(528,898)	(356,424)	(172,474)	-32.6
Employee benefit expense	(358,748)	(356,383)	(2,365)	-0.7
Finance cost	(13,602)	(13,731)	129	0.9
Exploration expenses	-	(80,502)	80,502	n/a
Other expenses	(740,426)	(605,855)	(134,571)	-18.2
Other income	44,336	333,750	289,414	652.8
Profit before tax	**1,194,777**	**918,553**	**(276,224)**	**-23.1**
Income tax expense	(219,446)	(204,851)	(14,595)	-6.7
Net Profit	**975,331**	**713,702**	**(261,629)**	**-26.8**

Revenue

The Company’s revenue in the first nine months of 2016 amounts to RON 2,401.52 million as compared to RON 2,933.11 million achieved in the similar period of 2015, thus a decrease by 18.1%.

The revenue from sales of internal gas production, including joint ventures, was lower in the reporting period as compared to the similar nine-month period ended September 30, 2015 by RON 493.50 million (20.7%) due to a diminished gas demand on the domestic market.

Cost of Commodities Sold

For the nine-month period ended September 30, 2016, the cost of commodities sold increased by 39.5% from RON 33.21 million in the similar period of 2015 to RON 46.33 million mainly due to an enhanced trading activity on the electric power market.

Investment Income

For the reporting period, the investment income decreased by 48.2% (RON 16.74 million) as a result of reduction in interest rates of cash placed in bank deposits and government securities.

Other Gains and Losses

In the nine-month period ended September 30, 2016, the Company recorded a loss of RON 407.59 million, mainly as a result of recording allowances for doubtful debts as regards one of the Company's most important customer. Following entering into insolvency of that customer, in order to conduct the insolvency proceedings and to protect the Company's interests, penalties for late payments were invoiced in Q3 2016, in accordance with a non-final court decision, in relation to receivables that extinct by debt discharge in 2013. Bearing in mind the doubtfulness of cashing such amount, an equivalent allowance for doubtful debts was created that annuls the income from penalties invoiced to that customer. The income from such penalties is included in "Other Income".

Other Gains and Losses also include the loss on fixed asset disposal amounting to RON 72.13 million. This loss is compensated by the release to income of the impairment registered for these assets over the previous periods, the effect in the result of the reviewed period being insignificant. The release of the impairment to income for fixed assets is reflected in Depreciation, Amortization and Impairment.

Changes in Inventory of Finished Gods and Work in Progress

In the nine-month period ended September 30, 2016 and 2015, respectively, the Romgaz owned gas volumes injected in UGSs were higher than those withdrawn, generating thus a positive change in inventory (income).

The difference between the gas volumes injected into and withdrawn from UGSs was lower in the nine-month period ended September 30, 2016 than the one recorded in the similar period of the previous year, resulting in a diminished income by RON 56.39 million.

Raw materials and Consumables Used

In the nine-month period ended September 30, 2016, the value of materials used was lower than in the similar period of the previous year mainly due to diminished expenses with fuel.

Depreciation, Amortization and Impairment

Such expenses also include the depreciation and amortization on fixed assets amounting to RON 399.28 million (2015: RON 428.37 million) and net incomes with impairment of fixed assets in amount of RON 42.86 million (2015: net expense with impairment amounting to RON 100.53 million).

The decrease of depreciation is a result of diminished gas production during the reviewed period, the gas wells being depreciated dependent on the production/reserve ratio.

As regards the net incomes with impairments, such compensate the exploration expenses amounting to RON 80.50 million, representing drilling projects abandoned during 2016 for which the Company recorded impairments based on expenses during the previous periods. Such net incomes also compensate for losses on fixed assets disposal, as aforementioned. Therefore, the effect in the result of the reviewed period due to abandoned unsuccessful exploratory drilling projects, as well as fixed asset write-off is insignificant.

Employee Benefit Expenses

For the reporting period, payroll costs, related taxes and social security contributions varied insignificantly as compared to the previous year.

Exploration Expense

In the nine-month period ended September 30, 2016, exploration expense representing abandoned exploratory drilling projects amounted to RON 80.50 million. Nevertheless, the result of the current period was not affected because the Company recorded impairments for such projects during the previous periods (see mentions in the section *Depreciation, Amortization and Impairment*)

Other Expenses recorded a decrease by 18.2% (RON 134.57 million) from RON 740.43 million as of September 30, 2015 to RON 605.85 million as of September 30, 2016. Such decrease is mainly due to the reduction by RON 136.46 million of Taxes and Duties, significant reductions being recorded for royalty expenses and windfall profit tax due the gas price deregulation.

Other Income

In the nine-month period ended September 30, 2016, the Company recorded other income in amount of RON 333.75 million. Such amount includes income from penalties invoiced to customers for late payments amounting to RON 285.46 million, including RON 276.50 million invoiced to ELCEN. As of September 30, 2016, from the penalties invoiced to ELCEN during 2016, the amount of RON 265.32 million is yet to be cashed. Allowances for doubtful debts were recorded for this amount, bearing in mind that ELCEN entered into insolvency.

Profit for the Period

The Company's net profit for the first three quarters of 2016 decreased by RON 261.63 million (26.8%) from RON 975.33 million in 2015 to RON 713.7 million, due to the cumulated effect of the above shown.

The comparative interim comprehensive income on segments for January-September, 2016 and January-September, 2015 respectively, is shown below:

** RON thousand **

Description	Gas production and sales	Storage	Other activities	Adjustments and eliminations	TOTAL
Revenue					
*January - September 2015	2,548,165	247,478	497,461	(359,997)	**2,933,107**
*January - September 2016	2,016,878	263,513	419,751	(298,622)	**2,401,520**
Cost of commodities sold					
* January - September 2015	(12,413)	(25)	(20,770)	-	**(33,208)**
* January - September 2016	(17,207)	(409)	(28,710)	-	**(46,326)**
Investment income					
* January - September 2015	1,490	4,291	28,986	-	**34,767**
* January - September 2016	662	3,153	14,208	-	**18,023**
Other gains and losses					
* January - September 2015	(203,042)	(319)	(10,173)	-	**(213,534)**
* January - September 2016	(404,612)	(1,727)	(1,249)	-	**(407,588)**
Changes in inventories					
* January - September 2015	111,562	15,561	2,794	-	**129,917**
* January - September 2016	58,146	11,473	3,908	-	**73,527**

Description	Gas production and sales	Storage	Other activities	Adjustments and eliminations	TOTAL
Raw materials and consumables					
* January - September 2015	(39,971)	(10,296)	(12,441)	3,774	**(58,934)**
* January - September 2016	(28,663)	(5,989)	(8,467)	1,661	**(41,458)**
Depreciation, amortization and impairment					
* January - September 2015	(435,743)	(67,589)	(25,566)	-	**(528,898)**
* January - September 2016	(259,668)	(74,281)	(22,475)	-	**(356,424)**
Employee benefit expense					
* January - September 2015	(227,063)	(34,031)	(97,654)	-	**(358,748)**
* January - September 2016	(227,236)	(34,168)	(94,979)	-	**(356,383)**
Finance cost					
* January - September 2015	(12,508)	(1,094)	-	-	**(13,602)**
* January - September 2016	(12,530)	(1,201)	-	-	**(13,731)**
Exploration expense					
* January - September 2015	-	-	-	-	**-**
* January - September 2016	(80,502)	-	-	-	**(80,502)**
Other expense					
* January - September 2015	(790,108)	(73,154)	(234,779)	357,615	**(740,426)**
* January - September 2016	(655,394)	(71,172)	(177,056)	297,767	**(605,855)**
Other income					
* January - September 2015	44,128	267	1,333	(1,392)	**44,336**
* January - September 2016	329,195	2,036	3,325	(806)	**333,750**
Profit before tax					
* January - September 2015	984,497	81,089	129,191	-	**1,194,777**
* January - September 2016	719,069	91,228	108,256	-	**918,553**
Income tax expense					
* January - September 2015	-	-	(219,446)	-	**(219,446)**
* January - September 2016	-	-	(204,851)	-	**(204,851)**
Net profit					
* January - September 2015	984,497	81,089	(90,255)	-	**975,331**
* January - September 2016	719,069	91,228	(96,595)		**713,702**

Statement of Cash Flow

Statements of cash flows for January-September 2016 and January-September 2015 are indicated below:

INDICATOR	9 months 2015 (RON thousand)	9 months 2016 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash flows from operating activities			
Net profit for the period	**975,331**	**713,702**	**-26.8%**
Adjustments for:			
Income tax expense	219,446	204,851	-6.7%
Interest expense	23	12	-47.8%
Unwinding of decommissioning provision	13,579	13,719	1.0%
Interest revenue	(34,767)	(18,023)	-48.2%
Loss on disposal of non-current assets	15,716	72,128	358.9%
Change in decommissioning provision recognized in profit or loss, other than unwinding	(1,114)	(1,297)	16.4%
Change in other provisions	(4,653)	(7,005)	50.5%
Expenses for impairment of exploration assets	107,296	(18,076)	-116.8%
Exploration costs	-	80,502	n/a
Impairment of non-current assets	(6,763)	(24,782)	266.4%
Depreciation and amortization	428,365	399,282	-6.8%
Net impairment of financial investment	1,297	38	-97.1%
Net impairment of other financial investments	6,694	(1,554)	-123.2%
Loss on disposal of other financial investments	-	1,577	n/a
Losses from trade receivables and other assets	188,530	330,694	75.4%
Recovery from dismantling of fixed assets	-	(1,287)	n/a
Write-down allowance of inventory	1,308	4,724	261.2%
Net cash generated by operating activities, prior to working capital variation	**1,910,288**	**1,749,205**	**-8.4%**
Movements in working capital:			
(Increase)/Decrease in inventory	(168,490)	(78,427)	-53.5%
(Increase)/Decrease in trade and other receivables	113,474	(361,551)	n/a
Increase/(Decrease) in trade and other liabilities	(94,739)	(125,268)	32.2%
Cash generated from operations	**1,760,533**	**1,183,959**	**-32.7%**
Interest paid	(23)	(12)	-47.8%
Income taxes paid	(286,836)	(233,675)	-18.5%
Net cash generated by operating activities	**1,473,674**	**950,272**	**-35.5%**
Cash flows from investing activities			
Increase in investments in associates	(753)	-	-100.0%
Investments in subsidiaries	(1,200)	-	-100.0%
(Increase)/ Decrease in other financial assets	983,714	738,602	-24.9%
Interest received	35,948	19,189	-46.6%
Proceeds from sale of non-current assets	627	100	-84.1%
Loans to associates	(703)	-	-100.0%
Reimbursement of loans to associates	65	-	-100.0%
Dividends received	1,634	-	-100.0%
Collections from sale of other financial investments	-	400	n/a

1	2	3	4=(3-2)/2x100
Acquisition of non-current assets	(234,676)	(235,322)	0.3%
Acquisition of exploration assets	(461,752)	(121,462)	-73.7%
Net cash used in investing activities	**322,904**	**401,507**	**24.3%**
Cash flows from financing activities			
Dividends paid	(1,214,539)	(1,040,683)	-14.3%
Net cash used in financing activities	**(1,214,539)**	**(1,040,683)**	**-14.3%**
Net increase/(decrease) in cash and cash equivalents	**582,039**	**311,096**	**-46.6%**
Cash and cash equivalents at the beginning of the period	**526,256**	**740,352**	**40.7%**
Cash and cash equivalents on September 30	**1,108,295**	**1,051,448**	**-5.1%**

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

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 2015	9 months 2016
1	2	3	4	5
Working Capital (WC)	$C_{lt} - A_f = E+L_{nc}+Pr+Si-A_f$	million RON	3,276	3,366
Working Capital Requirements (WCR)	$(A_c-L+P_p) - (L_{crt}-Cr_{st}+I_{df})$	million RON	1,662	2,314
Net cash	$FR-NFR = L-Cr_{st}$	million RON	1,614	1,051
Economic Rate of Return	$\frac{P_g}{C_{lt}} x100$	%	12.11	9.45
Return on Equity (ROE)	$\frac{P_n}{E} x100$	%	10.30	7.62
Return on Sales	$\frac{P_g}{R} x100$	%	40.73	38.25
Return on Assets	$\frac{P_n}{A} x100$	%	9.39	7.00
EBIT	P_g+Ex_i-Ir	mil.lei	1,160	901
EBITDA	EBIT+Am	mil.lei	1,689	1,257
ROCE	$\frac{EBIT}{C_{emp}} x100$	%	11.76	9.27
Asset Solvency	$\frac{E}{L} x100$	%	91.18	91.83
Current Liquidity	$\frac{A_c}{L_{crt}}$	-	7.27	7.99
Gearing Ratio	$\frac{L_c}{E} x100$	%	0.00	0.00
Accounts Receivables Turnover	$\frac{\overline{A}_{ar}}{R}$ x no days of the period	-	74.63	82.08
Non-current assets turnover	$\frac{R}{A_f}$	-	0.45	0.38

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;
Si	investment subsidies;	Ex_i	interest expense;
A_c (A_{crt})	current assets;	Ir	interest revenue
L	liquidity position;	Am	depreciation, amortization and impairment;
P_p	prepayments;	C_{emp}	capital employed (total assets–current liabilities);
L_{crt}	current liabilities;	A_c	current assets;
Cr_{st}	short-term credit;	L	total liabilities and equity;
L_c	Loan capital;	A_{ar}	Average Accounts Receivables.

PERFORMANCE OF THE MANDATE CONTRACT/DIRECTORS CONTRACTS

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

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

Objectives and performance criteria

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

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

The main ***performance objectives*** provided in the Directors' Contracts and the Management Contract may be summarized as follows:

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

Together with 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;

→ Optimizing budgeting and control processes;

→ Improving the company's image;

→ Implementation of legal provisions on legal separation of UGS activity;

→ Developing the role of the company's risk management.

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

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

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

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

In view of the fact that:

- Government Decision no. 831 dated August 4, 2010 approved the selling by the Ministry of Economy, Commerce and Business Environment (through OPSPI), under an IPO, of a share package held at SNGN Romgaz S.A. representing 15% of the company's share capital;
- the share selling process, respectively the approval for trading of shares on the regulated market operated by Bucharest Stock Exchange and of GDRs on London Stock Exchange was successfully completed in November 2013;
- from an accounting perspective, by the time shares were admitted for trading on a regulated market, Romgaz carried out its activities in accordance with Public Finance Ministry Order no. 3055/2009;
- in 2012, after issuing ***Order no. 881 dated June 25, 2012***, the Public Finance Minister decided to expand the scope of IFRS. According to this piece of legislation, the companies whose securities are admitted for trading on a regulated market must apply as of 2012 the IFRS when preparing the annual financial statements;

  According to ***Public Finance Minister Order no. 1121/2006***, these entities had the option (not the obligation) to prepare separate financial statements based on IFRS for other users than the Romanian state entities.

Order no. 881/2012 repeals Article 4 of Order no.1121/2006 requesting the IFRS applying entities to also prepare financial statements in accordance with national accounting provisions;

- the ***Public Finance Minister Order no. 1286/October 1, 2012*** approved the Accounting Regulations complying with IFRS applicable to companies whose securities are admitted for trading on a regulated market,

Romgaz has the obligation to apply IFRS since 2013.

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

- "*quarter*" means the accumulated time starting from the beginning of the year until the end of the quarter for which performance indicators are calculated;
- for comparison purposes, as of 2014, for the interim periods of the year (Q1, Q2 and Q3), the indicators relating to the similar time periods of previous 3 years which were calculated according to Public Finance Ministry Order no. 3055/2009 are established as follows:

$$Indicator_{Q.i}(IFRS) = \frac{Indicator_{Q.i}(OMFP\,3055)}{Indicator_{year}(OMFP\,3055)} \text{ x } \mathrm{Indicator}_{\mathrm{year}}(IFRS),$$

where: i=1÷3;

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

Results 2013-2016

The value of main indicators achieved during the first nine months of years 2013 to 2016 are shown in the table below (RON thousand):

*) – excluding impairment and provisions .

Indicators	9 months 2013	9 months 2014	9 months 2015	9 months 2016
1	2	3	4	5
Revenue	2,587,050	3,286,770	2,933,107	2,401,520
Operating revenue*)	2,908,235	3,624,392	3,267,689	2,947,276
Operating expense*)	1,972,404	2,103,725	1,902,025	1,706,207
Gross profit	957,483	1,407,242	1,194,777	918,553
Net Profit	796,889	1,113,993	975,331	713,702
EBITDA	1,605,943	2,167,490	1,938,114	1,620,833
Operating expenses to 1000 RON operating income (RON)	678.2	580.4	582.1	578.9
Average number of employees	6,253	6,221	6,190	6,114
Labour productivity (revenue RON thousand /employee)	413.7	528.3	473.8	392.8
Gas production (million m^3)	4,198.0	4,227.9	4,134.5	3,034.3
Volume of geological resources (million m^3)	1,830	1,070	2,450	2,110
Outstanding payments	0	0	0	0

*) – excluding impairment and provisions .

January-September 2016 Results

The table below shows the achievement for Q3 2016 of performance indicators and criteria

	Weighting factor	Indicator	Average values 2013-2015	Target values	Achieved values	Achievement rate	Weight
1	2	3	4	5	6	7=6/5x100	8=2x7
EBITDA	0.25	+4.5%	1,903,849.3	1,989,522.5	1,620,832.9	**81.5**	**20.38**
CA	0.20	+6%	2,935,641.7	3,111,780.2	2,401,520.4	**77.2**	**15.44**
W	0.10	+6%	471.9	500.2	392.8	**78.5**	**7.85**
C_{expl}/V_{expl}	0.10	-0.6%	610.0	606.3	578.9	**104.7**	**10.47**
RES	0.10	+1%	1,783.3	1,801.2	2,110.0	**117.1**	**11.71**
d_Q	0.15	-1.5%	4,019.3	3,959.0	3,034.3	**76.7**	**11.49**
P_{res}	0.10	0	0	0	0	**110.0**	**11.00**
Total	**1.00**	**-**	**-**	**-**	**-**	**-**	**88.34**

EBITDA – (RON thousand);
CA – revenue (RON thousand);
W – labour productivity (RON thousand /employee);
C_{expl}/V_{expl} – operating expenses to RON thousand operating income;
RES – volume of geological resources (million m^3);

d_Q – gas production decline (%);
P_{res} – outstanding payments (RON thousand).

The performance indicators and objectives achievement degree is ***88.34%***.

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

- *Volume of geological resources* – higher by 308.8 million cubic meter;
- *Operating expenses to 1000 Ron operating income (RON)* – lower by RON 27.4 compared to target value
- *Outstanding payments* – zero.

The following indicators have not been fully achieved:

- *EBITDA* – by RON 368.7 million under the target value
- *Revenue* – lower than the target value by RON 710.3 million
- *Labour productivity* – lower than the scheduled productivity by RON 107.4 thousand/employee;
- *Gas Production* – by 924.7 million cubic meter lower than the target level.

Attached hereto are the Individual Interim Financial Statements (not audited) for the 9 month and 3 month periods ended on September 30, 2016 prepared in accordance with IFRS.

SIGNATURES

Chairperson of the Board of Directors,
DUMITRU CHISĂLIŢĂ

....

Director General,	**Economic Department Director,**
MARIUS VIRGIL METEA	**ANDREI BOBAR**
....	....

Societatea Naţională de Gaze Naturale "ROMGAZ" S.A. MEDIAŞ J32/392/2001 1

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

INDIVIDUAL INTERIM FINANCIAL STATEMENTS (NOT AUDITED)

FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

CONTENTS:

STATEMENT OF INDIVIDUAL INTERIM COMPREHENSIVE INCOME FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 (NOT AUDITED)

	Note	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
		'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3	2,401,520	551,617	2,933,107	697,999
Cost of commodities sold	5	(46,326)	(8,459)	(33,208)	(5,205)
Investment income	4	18,023	4,399	34,767	9,419
Other gains and losses	6	(407,588)	(276,604)	(213,534)	(24,761)
Changes in inventory of finished goods and work in progress		73,527	91,166	129,917	171,350
Raw materials and consumables used	5	(41,458)	(12,115)	(58,934)	(18,221)
Depreciation, amortization and impairment expenses	7	(356,424)	(83,489)	(528,898)	(232,022)
Employee benefit expense	8	(356,383)	(126,406)	(358,748)	(130,708)
Finance cost	9	(13,731)	(4,564)	(13,602)	(4,497)
Exploration expense		(80,502)	(80,502)	-	-
Other expenses	10	(605,855)	(161,207)	(740,426)	(243,222)
Other income	3	333,750	269,713	44,336	22,505
Profit before tax		**918,553**	**163,549**	**1,194,777**	**242,637**
Income tax expense	11	(204,851)	(65,114)	(219,446)	(33,915)
Profit for the period		**713,702**	**98,435**	**975,331**	**208,722**
Basic and diluted earnings per share		0.0019	0.0003	0.0025	0.0005
Total comprehensive income for the period		**713,702**	**98,435**	**975,331**	**208,722**

These individual interim financial statements were authorized for issue by the Board of Directors on November 10, 2016.

"ROMGAZ" S.A. MEDIAS J32/392/2001

Virgil Metea
General Manager

Andrei Bobar
Economic Director

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF SEPTEMBER 30, 2016 (NOT AUDITED)

	Note	September 30, 2016	December 31, 2015
		'000 RON	'000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,836,989	5,996,460
Other intangible assets	14	399,184	399,859
Investments in subsidiaries	24 a)	1,200	1,200
Investments in associates	24 b)	125	163
Other financial assets	28	43,500	29,300
Other financial investments	25	69,657	70,080
Total non-current assets		**6,350,655**	**6,497,062**
Current assets			
Inventories	15	633,753	559,784
Trade and other receivables	16 a)	606,870	601,065
Other financial assets	28	1,390,638	2,146,827
Other assets	16 b)	164,664	139,612
Cash and cash equivalents	27	1,051,448	740,352
Total current assets		**3,847,373**	**4,187,640**
Total assets		**10,198,028**	**10,684,702**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	385,422	385,422
Reserves	18	2,927,897	2,581,853
Retained earnings		6,051,965	6,724,947
Total equity		**9,365,284**	**9,692,222**
Non-current liabilities			
Retirement benefit obligation	19	99,685	102,959
Deferred tax liabilities	11	49,152	62,589
Provisions	19	202,155	200,855
Total non-current liabilities		**350,992**	**366,403**

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF SEPTEMBER 30, 2016 (NOT AUDITED)

	Note	September 30, 2016	December 31, 2015
		'000 RON	'000 RON
Current liabilities			
Trade and other payables	20	220,755	186,937
Current tax liabilities		75,451	90,838
Provisions	19	32,944	28,779
Other liabilities	20	152,602	319,523
Total current liabilities		**481,752**	**626,077**
Total liabilities		**832,744**	**992,480**
Total equity and liabilities		**10,198,028**	**10,684,702**

These individual interim financial statements were authorized for issue by the Board of Directors on November 10, 2016.

Virgil Metea
General Manager

Andrei Bobar
Economic Director

STATEMENT OF INDIVIDUAL INTERIM CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016 (NOT AUDITED)

	Share capital '000 RON	Legal reserve '000 RON	Other reserves '000 RON	Retained earnings '000 RON	Total '000 RON
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**
Balance as of January 1, 2015	**385,422**	**77,084**	**2,065,263**	**7,184,249**	**9,712,018**
Allocation to dividends	-	-	-	(1,214,081)	(1,214,081)
Transfer to other reserves	-	-	407,035	(407,035)	-
Reinvested profit	-	-	21,806	(21,806)	-
Total comprehensive income for the period	-	-	-	975,331	975,331
Balance as of September 30, 2015	**385,422**	**77,084**	**2,494,104**	**6,516,658**	**9,473,268**

These individual interim financial statements were authorized for issue by the Board of Directors on November 10, 2016.

Virgil Metea
General Manager

Andrei Bobar
Economic Director

STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 (NOT AUDITED)

	Nine months ended September 30, 2016 '000 RON	Three months ended September 30, 2016 '000 RON	Nine months ended September 30, 2015 '000 RON (represented)*	Three months ended September 30, 2015 '000 RON (represented)*
Cash flows from operating activities				
Net profit for the period	**713,702**	**98,435**	**975,331**	**208,722**
Adjustments for:				
Income tax expense (note 11)	204,851	65,114	219,446	33,915
Interest expense (note 9)	12	3	23	6
Unwinding of decommissioning provision (note 9, note 19)	13,719	4,561	13,579	4,491
Interest revenue (note 4)	(18,023)	(4,399)	(34,767)	(9,419)
Net loss on disposal of non-current assets (note 6)	72,128	22,781	15,716	14,233
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(1,297)	(67)	(1,114)	(865)
Change in other provisions	(7,005)	(2,094)	(4,653)	(1,598)
Net impairment of exploration assets (note 12, note 14)	(18,076)	(31,966)	107,296	99,447
Exploration projects written-off	80,502	80,502	-	-
Net impairment of property, plant and equipment (note 12, note 14)	(24,782)	(1,656)	(6,763)	(4,833)
Depreciation and amortization (note 7)	399,282	117,111	428,365	137,408
Net impairment of investment in financial investments (note 6, note 24 b)	38	-	1,297	664
Net impairment of other financial investments (note 6, note 25)	(1,554)	-	6,694	6,694
Loss from disposal of other financial investments (nota 6)	1,577	-	-	-
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 6)	330,694	252,157	188,530	3,205
Revenues from dismantling of assets	(1,287)	(1,287)	-	-
Net movement in write-down allowances for inventory (note 6)	4,724	1,703	1,308	-
	1,749,205	**600,898**	**1,910,288**	**492,070**
Movements in working capital:				
Decrease/(Increase) in inventory	(78,427)	(109,288)	(168,490)	(204,189)
Decrease/(Increase) in trade and other receivables	(361,551)	(452,820)	113,474	(34,088)
(Decrease)/Increase in trade and other liabilities	(125,268)	20,290	(94,739)	64,819
Cash generated from operations	**1,183,959**	**59,080**	**1,760,533**	**318,612**
Interest paid	(12)	(3)	(23)	(6)
Income taxes paid	(233,675)	(25,291)	(286,836)	(71,902)
Net cash generated by operating activities	**950,272**	**33,786**	**1,473,674**	**246,704**

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

STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 (NOT AUDITED)

	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON (represented)*	'000 RON (represented)*
Cash flows from investing activities				
Acquisition of investments in associates	-	-	(753)	(664)
Investments in subsidiaries	-	-	(1,200)	(1,200)
(Increase)/Decrease in other financial assets	738,602	1,041,501	983,714	316,173
Interest received	19,189	6,226	35,948	10,265
Proceeds from sale of non-current assets	100	95	627	608
Loans granted to associates	-	-	(703)	(24)
Reimbursements of loans granted to associates	-	-	65	-
Dividends received	-	-	1,634	-
Sale of other financial investments (note 25)	400	-	-	-
Acquisition of non-current assets	(235,322)	(87,938)	(234,676)	(76,670)
Acquisition of exploration assets	(121,462)	(53,955)	(461,752)	(149,768)
Net cash used in investing activities	**401,507**	**905,929**	**322,904**	**98,720**
Cash flows from financing activities				
Dividends paid	(1,040,683)	(1,040,560)	(1,214,539)	(1,213,669)
Net cash used in financing activities	**(1,040,683)**	**(1,040,560)**	**(1,214,539)**	**(1,213,669)**
Net increase/(decrease) in cash and cash equivalents	**311,096**	**(100,845)**	**582,039**	**(868,245)**
Cash and cash equivalents at the beginning of the period	**740,352**	**1,152,293**	**526,256**	**1,976,540**
Cash and cash equivalents at the end of the period	**1,051,448**	**1,051,448**	**1,108,295**	**1,108,295**

* Representation of the statement of individual interim cash flow for the nine-month and three-month periods ended September 30, 2015, was done according to Note 33 of the individual financial statements for the year ended December 31, 2015, to ensure comparability with the nine-month and three-month periods ended September 30, 2016. Reclassification of bank deposits and bonds with a maturity of over three months from acquisition date as of September 30, 2015 was of RON 505,449 thousand.

These individual interim financial statements were authorized for issue by the Board of Directors on November 10, 2016.

Virgil Metea
General Manager

Andrei Bobar
Economic Director

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

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 Mediaş, 4 Constantin I. Motaş Square, 551130, Sibiu County.

The Ministry of Energy, as representative of the Romanian State, 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. exploitation, production and usage, including trading, of mineral resources;
3. natural gas production for:
    - ensuring the storage flow continuity;
    - technological consumption;
    - delivery in the transportation system.
4. underground storage of natural gas;
5. commissioning, interventions, capital repairs for wells equipping the deposits, as well as the natural gas resources extraction wells, for its own activity and for third parties;
6. electricity production.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The individual interim financial statements of the Company have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). For the purposes of the preparation of these individual interim 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 individual interim financial statements for the periods presented.

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

Basis of preparation

The individual interim 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 interim financial statements are denominated in Romanian lei. Unless otherwise stated, the amounts are presented in thousand lei (thousand RON).

The individual interim financial statements are unaudited and, in the opinion of management, include all adjustments necessary for a fair presentation of the results for each period. All such adjustments are of a normal recurring nature.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The Company prepared individual interim financial statements, as its subsidiary S.N.G.N. ROMGAZ S.A. – Filiala de Înmagazinare Gaze Naturale Depogaz Ploieşti S.R.L., registered at the Trade Register on August 21, 2015 had no activity until September 30, 2016.

These individual interim 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 interim financial statements must not be used as sole source of information by a potential investor or other users interested in a specific transaction.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these individual interim 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 venturers.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements (continued)

Joint operations

The Company recognises 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.

Joint ventures

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

Standards and interpretations effective in the current period

The following standards, amendments or improvements to the existing standards issued by the IASB and adopted by the EU are effective for the current period:

- amendments to IFRS 10, IFRS 12, IAS 28: Investment Entities – applying the consolidation exception, adopted by the EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2016);

- annual improvements to IFRS – cycle 2010-2012 adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);

- amendments to IAS 19: Defined benefit plans: employee contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);

- amendments to IAS 27: Equity method in separate financial statements, adopted by EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);

- amendments to IAS 1: Disclosure initiative, adopted by EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations effective in the current period (continued)

- annual improvements to IFRS – cycle 2012-2014, adopted by EU on December 15, 2015 (effective for annual periods beginning on or after January 1, 2016);
- amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization, adopted by EU on December 2, 2015, (effective for annual periods beginning on or after January 1, 2016);
- amendments to IFRS 11: Accounting for acquisitions of interests in joint operations, adopted by EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016);
- amendments to IAS 16 and IAS 41: Bearer plants adopted by EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016).

The adoption of these amendments, interpretations or improvements to the existing standards has not led to any 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 individual interim financial statements, 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 were issued, but not yet effective. These are 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 interim financial statements:

- IFRS 9 "Financial instruments" (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 "Regulatory deferral accounts" (effective for annual periods beginning on or after January 1, 2016);
- IFRS 16 " Leases" (effective for annual periods beginning on or after January 1, 2019);
- 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 deffered indefinitely);
- amendments to IAS 12: Recognition of deffered tax assets for unrealised losses (effective for annual periods beginning on or after January 1, 2017);
- amendments to IAS 7: Disclosure initiative (effective for annual periods beginning on or after January 1, 2017);
- clarifications to IFRS 15: Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018);
- amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (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).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Company anticipates that the adoption of these standards, amendments or improvements to the existing standards and interpretations will have no material impact on the individual financial statements of the Company in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Company's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39 "Financial Instruments: Recognition and Measurement", would not significantly impact the individual interim financial statements, if applied as at the end of the reporting date.

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 individual interim 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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/electrical 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 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).

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 annual individual financial statements an expense with the liability related to the fund for employee participation to profit in compliance with legislation in force. The Company does not record expenses for employee participation to profit in the individual interim financial statements, except when the estimate recorded at year end differs from the actual amounts paid.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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

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.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of individual interim 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 individual interim 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

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 acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Property, plant and equipment

(1) Cost

(i) Property, plant and equipment

Property, plant and equipment 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

(1) Cost (continued)

(iii) Maintenance and repairs (continued)

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

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

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

For directly productive tangible assets (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.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 individual interim 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves

Reserves include:

- 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, based on depreciation, respectively write-off of the assets financed using the development quota.
- other non-distributable reserves.

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 interim 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.

The Company recorded a provision for decommissioning wells. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 multiplicator 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

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 Economic Director reports the valuation findings to the board of directors of the Company on a regular basis to explain the cause of fluctuations in the fair value of the assets and liabilities.

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. In addition, the Company presents an additional statement of individual 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 individual financial statements, which has a material impact on the Company.

3. REVENUE AND OTHER INCOME

	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue from gas sold - domestic production	1,815,054	371,938	2,291,995	428,822
Revenue from gas sold - joint venture	80,378	22,986	96,933	31,224
Revenue from gas acquired for resale – import gas	10,885	-	3,195	-
Revenue from gas acquired for resale – domestic gas	8,105	2,124	10,643	4,060
Revenue from storage services-capacity reservation	210,375	55,657	193,544	47,362
Revenue from storage services-extraction	18,582	-	22,751	-
Revenue from storage services-injection	33,812	12,943	31,086	8,765
Revenue from electricity	191,439	68,393	238,274	160,630
Revenue from services	21,710	13,953	28,316	12,049
Revenue from sale of goods	6,100	1,922	11,124	3,282
Other operating revenues	338,830	271,414	49,582	24,310
Total	**2,735,270**	**821,330**	**2,977,443**	**720,504**

4. INVESTMENT INCOME

	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Interest income	18,023	4,399	34,767	9,419
Total	**18,023**	**4,399**	**34,767**	**9,419**

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Consumables used	38,588	11,558	55,954	17,495
Cost of gas acquired for resale, sold – import	10,173	-	3,090	-
Cost of gas acquired for resale, sold – domestic	6,901	1,781	9,291	3,362
Cost of electricity imbalance	28,089	6,333	20,160	1,536
Cost of other goods sold	1,163	345	666	307
Other consumables	2,870	557	2,981	726
Total	**87,784**	**20,574**	**92,142**	**23,426**

6. OTHER GAINS AND LOSSES

	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Forex gain	127	65	746	401
Forex loss	(108)	(28)	(735)	(366)
Net loss on disposal of non-current assets	(72,128)	(22,781)	(15,716)	(14,233)
Net loss on disposal of other financial investments	(1,577)	-	-	-
Net receivable allowances (note 16 c)	(330,689)	(252,152)	(188,528)	(3,204)
Net impairment of financial investments (note 24 b, note 25)	1,516	-	(7,991)	(7,358)
Net write down allowances for inventory (note 15)	(4,724)	(1,703)	(1,308)	-
Losses from trade receivables	(5)	(5)	(2)	(1)
Total	**(407,588)**	**(276,604)**	**(213,534)**	**(24,761)**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Depreciation	399,282	117,111	428,365	137,408
out of which:				
- depreciation of property, plant and equipment	390,120	114,510	414,484	132,903
- amortization of intangible assets	9,162	2,601	13,881	4,505
Net impairment of non-current assets	(42,858)	(33,622)	100,533	94,614
Total depreciation, amortization and impairment	**356,424**	**83,489**	**528,898**	**232,022**

8. EMPLOYEE BENEFIT EXPENSE

	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Wages and salaries	316,396	111,535	315,729	114,470
Social security charges	79,775	26,735	79,634	27,342
Meal tickets	9,275	2,876	9,171	2,930
Other benefits according to collective labor contract	15,463	9,066	16,527	9,968
Private pension payments	8,765	2,907	8,800	2,940
Total employee benefit costs	**429,674**	**153,119**	**429,861**	**157,650**
Less, capitalised employee benefit costs	(73,291)	(26,713)	(71,113)	(26,942)
Total employee benefit expense	**356,383**	**126,406**	**358,748**	**130,708**

9. FINANCE COSTS

	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Interest expense	12	3	23	6
Unwinding of the decommissioning provision (note 19)	13,719	4,561	13,579	4,491
Total	**13,731**	**4,564**	**13,602**	**4,497**

10. OTHER EXPENSES

	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Energy and water expenses	12,024	4,284	12,035	5,894
Expenses for capacity booking and gas transmission services	23,763	10,185	32,455	17,987
Expenses with other taxes and duties	437,180	102,221	573,640	167,773
(Net gain)/Net loss from provisions movement	(8,302)	(2,161)	(5,767)	(2,463)
Other operating expenses	141,190	46,678	128,063	54,031
Total	**605,855**	**161,207**	**740,426**	**243,222**

In the nine months ended September 30, 2016, the major taxes and duties included in the amount of RON 437,180 thousand (nine months ended September 30, 2015: RON 573,640 thousand) for taxes and duties are:

- RON 203,921 thousand, including amounts related to joint ventures, 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, 2015: RON 263,008 thousand);

- RON 52,672 thousand, including amounts related to joint ventures, represent tax on special construction according to Law 227/2015 regarding the Fiscal Code (nine months ended September 30, 2015: RON 48,649 thousand);

- RON 156,471 thousand, including amounts related to joint ventures, represent royalty on gas production and storage activity (nine months ended September 30, 2015: RON 223,604 thousand).

11. INCOME TAX EXPENSE

Income tax	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Current tax expense	218,288	75,451	253,560	58,416
Deferred income tax (income)/expense	(13,437)	(10,337)	(34,114)	(24,501)
Income tax expense	**204,851**	**65,114**	**219,446**	**33,915**

The tax rate used for the reconciliations below for the nine months ended September 30, 2016, respectively nine months ended September 30, 2015 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 September 30, 2016	Nine months ended September 30, 2015
	'000 RON	'000 RON
Accounting profit before tax	**918,553**	**1,194,777**
Income tax expense calculated at 16%	146,968	191,164
Effect of income exempt of taxation	(31,101)	(27,224)
Effect of expenses that are not deductible in determining taxable profit	109,704	98,782
Tax incentives	(7,283)	(9,162)
Effect of temporary differences	(13,437)	(34,114)
Income tax expense	**204,851**	**219,446**

Components of deferred tax liability:

	September 30, 2016		December 31, 2015	
	Cumulative temporary differences	Deferred tax (asset)/ liability	Cumulative temporary differences	Deferred tax (asset)/ liability
	'000 RON	'000 RON	'000 RON	'000 RON
Provisions	(307,064)	(49,131)	(302,388)	(48,382)
Property, plant and equipment	774,705	123,953	844,937	135,190
Receivables and other assets	(160,438)	(25,670)	(151,367)	(24,219)
Total	**307,203**	**49,152**	**391,182**	**62,589**
Charged to income		**(13,437)**		**(68,716)**

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 (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 January 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 September 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 September 30, 2016	299	-	58,232	31,615	4,253	17,618	48,204	121,882	282,103
Disposals for the nine-month period ended September 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 September 30, 2016	(28)	(521)	(40,265)	(2,359)	(7)	(5,105)	(133,482)	(86,997)	(268,764)
As of September 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 January 1, 2016	**-**	**201,906**	**2,530,752**	**431,088**	**59,106**	**436,982**	**-**	**-**	**3,659,834**
Charge for the nine-month period ended September 30, 2016**)	-	24,229	281,325	41,936	4,881	63,741	-	-	416,112
Of which: the three-month period ended September 30, 2016	-	8,077	79,021	13,993	1,673	20,276	-	-	123,040
Disposals during the nine-month period ended September 30, 2016	-	(149)	(26,098)	(4,299)	(1,520)	(4,797)	-	-	(36,863)
Of which: the three-month period ended September 30, 2016	-	(130)	(20,663)	(1,997)	(21)	(4,797)	-	-	(27,608)
As of September 30, 2016	**-**	**225,986**	**2,785,979**	**468,725**	**62,467**	**495,926**	**-**	**-**	**4,039,083**

**) Amounts include put in functions/transfers in amount of RON 246,076 thousand.*
***) 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.*

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 (NOT AUDITED)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	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 January 1, 2015	**104,058**	**457,028**	**4,872,197**	**1,096,588**	**157,645**	**1,604,301**	**852,508**	**548,085**	**9,692,410**
Additions for the nine-month period ended September 30, 2015*)	2,006	6,055	280,412	23,205	1,562	103,783	375,691	245,679	1,038,393
Of which: the three-month period ended September 30, 2015	559	1,664	135,367	10,202	469	14,216	142,071	81,787	386,335
Disposals for the nine-month period ended September 30, 2015 *)	(18)	(644)	(17,364)	(2,553)	(207)	-	(118,397)	(294,546)	(433,729)
Of which: the three-month period ended September 30, 2015	-	(626)	(13,993)	(2,085)	(99)	-	(87,681)	(73,246)	(177,730)
Reclassification	-	355,583	256,831	(434,327)	(76,280)	(101,807)	-	-	-
As of September 30, 2015	**106,046**	**818,022**	**5,392,076**	**682,913**	**82,720**	**1,606,277**	**1,109,802**	**499,218**	**10,297,074**
Accumulated depreciation									
As of January 1, 2015	**-**	**84,071**	**2,030,012**	**505,872**	**113,502**	**370,324**	**-**	**-**	**3,103,781**
Charge for the nine-month period ended September 30, 2015**)	-	23,960	305,895	43,222	5,099	60,360	-	-	438,536
Of which: the three-month period ended September 30, 2015	-	7,940	96,658	13,881	1,673	20,567	-	-	140,719
Disposals during the nine-month period ended September 30, 2015	-	(100)	(1,979)	(1,890)	(186)	-	-	-	(4,155)
Of which: the three-month period ended September 30, 2015		(87)	(1,835)	(1,430)	(78)	-			(3,430)
Reclassification	-	86,055	106,394	(126,928)	(60,662)	(4,859)	-	-	-
As of September 30, 2015	**-**	**193,986**	**2,440,322**	**420,276**	**57,753**	**425,825**	**-**	**-**	**3,538,162**

**) Amounts include put in functions/transfers in amount of RON 412,871 thousand.*
***) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 21,730 thousand.*

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	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 January 1, 2015	**3,180**	**15,176**	**174,085**	**24,881**	**298**	**6,253**	**339,084**	**62,953**	**625,910**
Charge for the nine-month period ended September 30, 2015	-	217	40,944	3,557	95	-	155,329	17,878	218,020
Of which: the three-month period ended September 30, 2015	-	5	2,200	3,175	10	-	129,864	7,831	143,085
Release during the nine-month period ended September 30, 2015	-	(582)	(47,632)	(2,164)	(66)	(1,371)	(48,419)	(15,452)	(115,686)
Of which: the three-month period ended September 30, 2015	-	(552)	(12,246)	(636)	(16)	(465)	(38,578)	(1,952)	(54,445)
Reclassification	-	810	14	(404)	58	(478)	-	-	-
As of September 30, 2015	**3,180**	**15,621**	**167,411**	**25,870**	**385**	**4,404**	**445,994**	**65,379**	**728,244**
Carrying value									
As of January 1, 2015	**100,878**	**357,781**	**2,668,100**	**565,835**	**43,845**	**1,227,724**	**513,424**	**485,132**	**5,962,719**
As of September 30, 2015	**102,866**	**608,415**	**2,784,343**	**236,767**	**24,582**	**1,176,048**	**663,808**	**433,839**	**6,030,668**

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 September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Exploration expenditure written off	80,502	80,502	-	-
Net movement in exploration assets' impairment (note 12, note 14)	(18,076)	(31,966)	107,296	99,447
Net cash used in exploration investing activities	(121,462)	(53,955)	(461,752)	(149,768)

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Exploration assets	603,322	592,715
Liabilities	(29,027)	(67,076)
Net assets	**574,295**	**525,639**

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, 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 during the nine-month period 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**

14. OTHER INTANGIBLE ASSETS (continued)

	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**

14. OTHER INTANGIBLE ASSETS (continued)

	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, 2015	**14,584**	**168,266**	**497,329**	**2,606**	**682,785**
Additions for the nine-month period ended September 30, 2015	2,559	7,942	86,065	7,202	103,768
Of which: the three-month period ended September 30, 2015	-	17	7,700	1,068	8,785
Disposals for the nine-month period September 30, 2015	(2,187)	(514)	-	(8,784)	(11,485)
Of which: the three-month period ended September 30, 2015	(2,187)	-	-	(44)	(2,231)
As of September 30, 2015	**14,956**	**175,694**	**583,394**	**1,024**	**775,068**
Accumulated amortization					
As of January 1, 2015	**5,056**	**152,045**	**-**	**-**	**157,101**
Charge for the nine-month period ended September 30, 2015	1,655	12,226	-	-	13,881
Of which: the three-month period ended September 30, 2015	551	3,954	-	-	4,505
Disposals during the nine-month period ended September 30, 2015	-	(514)	-	-	(514)
Of which: the three-month period ended September 30, 2015	-	-	-	-	-
As of September 30, 2015	**6,711**	**163,757**	**-**	**-**	**170,468**

14. OTHER INTANGIBLE ASSETS (continued)

	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, 2015	**-**	**-**	**116,048**	**2,187**	**118,235**
Charge for the nine-month period ended September 30, 2015	-		14,501	-	14,501
Of which: the three-month period ended September 30, 2015	-	-	8,161	-	8,161
Disposals during the nine-month period ended September 30, 2015	(2,187)	-	(14,115)	-	(16,302)
Of which: the three-month period ended September 30, 2015	(2,187)	-	-	-	(2,187)
Transfers for the nine-month period ended September 30, 2015	2,187	-	-	(2,187)	-
Of which: the three-month period ended September 30, 2015	-	-	-	-	-
As of September 30, 2015	**-**		**116,434**	**-**	**116,434**
Carrying value					
As of January 1, 2015	**9,528**	**16,221**	**381,281**	**419**	**407,449**
As of September 30, 2015	**8,245**	**11,937**	**466,960**	**1,024**	**488,166**

15. INVENTORIES

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Spare parts and materials	154,300	158,034
Work in progress	424	594
Finished goods (gas)	411,672	351,773
Residual products	144	86
Inventories at third parties	98,077	65,248
Goods for resale (gas)	171	10,344
Other inventories	79	95
Write-down allowance for spare parts and materials	(29,046)	(25,789)
Impairment for residual products	(33)	(22)
Write-down allowance for inventories at third parties	(2,035)	(579)
Total	**633,753**	**559,784**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Trade receivables	1,476,759	1,438,204
Bad debt allowances (note 16 c)	(1,187,294)	(856,676)
Accrued receivables	317,405	19,537
Total	**606,870**	**601,065**

b) Other assets

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Advances paid to suppliers	2,953	13,933
Joint venture receivables	11,353	5,113
Loans to associates (note 22 ii) *)	-	17,887
Interest on loan to associates (note 22 ii) *)	-	1,041
Bad debt allowance on loans to associates (note 16 c, note 22 ii) *)	-	(18,928)
Other receivables	7,392	5,499
Bad debt allowance for other receivables (note 16 c)	(340)	(549)
Other debtors *)	64,763	45,148
Bad debt allowances for other debtors (note 16 c) *)	(61,597)	(42,692)
Prepayments	118,417	84,481
VAT not yet due	21,723	28,679
Total	**164,664**	**139,612**

16. ACCOUNTS RECEIVABLE (continued)

b) Other assets (continued)

*) In February 2016, Romgaz notified its partners about its withdrawal as partner in the agreements with Energia Cybinka and Energia Torzym and its withdrawal as shareholder of the two entities effective March 31, 2016. Therefore, the Company's receivable from the two companies is presented in the individual interim financial statements as of September 30, 2016 in "Other debtors".

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

	2016	2015
	'000 RON	'000 RON
At January 1	**918,845**	**626,625**
Charge during the nine-month period ended September 30 (note 6)	343,069	218,165
Of which: the three-month period ended September 30 (note 6)	252,179	4,642
Forex on revaluation of foreign currency balances during the nine-month period ended September 30	(303)	(260)
Of which: the three-month period ended September 30	(291)	(225)
Release during the nine-month period ended September 30 (note 6)	(12,380)	(29,637)
Of which: the three-month period ended September 30 (note 6)	(27)	(1,438)
At September 30	**1,249,231**	**814,893**

As of September 30, 2016, the Company recorded allowances for doubtful debts, of which Interagro RON 275,961 thousand (December 31, 2015: RON 273,229 thousand), GHCL Upsom of RON 60,371 thousand (December 31, 2015: RON 60,371 thousand), CET Iasi of RON 46,271 thousand (December 31, 2015: RON 46,271 thousand), Electrocentrale Galati with RON 210,532 thousand (December 31, 2015: RON 209,907 thousand), Electrocentrale Bucuresti with RON 566,389 thousand (December 31, 2015: RON 238,094 thousand) and G-ON EUROGAZ of RON 14,848 thousand (December 31, 2015: 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.

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Current receivables but not impaired	287,153	559,927
Overdue receivables but not impaired		
less than 30 days overdue	2,187	7,186
30 to 90 days overdue	44	14,396
90 to 360 days overdue	81	19
Total overdue receivables but not impaired	**2,312**	**21,601**
Total trade receivables	**289,465**	**581,528**

17. SHARE CAPITAL

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
385,422,400 fully paid ordinary shares	385,422	385,422
Total	**385,422**	**385,422**

The shareholding structure as at September 30, 2016 is as follows:

	No. of shares	Value	Percentage (%)
		'000 RON	
The Romanian State through the Ministry of Energy	269,823,080	269,823	70.01
Legal persons	94,516,028	94,516	24.52
Physical persons	21,083,292	21,083	5.47
Total	**385,422,400**	**385,422**	**100**

All shares are ordinary and were subscribed and fully paid as at September 30, 2016. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2015: RON 1/share).

18. RESERVES

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Legal reserves	77,084	77,084
Other reserves, of which:	2,850,813	2,504,769
- Company's development fund	2,291,181	1,955,242
- Tax incentives	62,516	62,516
- Geological quota set up until 2004	486,388	486,388
- Other reserves	10,728	623
Total	**2,927,897**	**2,581,853**

19. PROVISIONS

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Decommissioning provision	186,283	184,983
Retirement benefit obligation	99,685	102,959
Litigation provision *)	15,872	15,872
Total long term provisions	**301,840**	**303,814**
Decommissioning provision	20,525	12,629
Provisions for land restoration	11,810	14,253
Litigation provision	39	79
Other provisions (note 23)	570	1,818
Total short term provisions	**32,944**	**28,779**
Total provisions	**334,784**	**332,593**

19. PROVISIONS (continued)

*) 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. Against this decision, Romgaz filed an appeal rejected by ANAF.

In 2015 Romgaz started a legal case against the Ministry of Public Finance for the cancelation of the above decisions, including the partial cancelation of the decision issued for the appeal. The case has not ended by the date the individual interim financial statements as of September 30, 2016 were authorized for issue.

Based on the above and to prevent the forced execution of the tax liabilities subject to the appeal, Romgaz issued bank letters of guarantee in favor of the Ministry of Public Finance, National Agency for Tax Administration, General Directory of Large Contributors for the amount of the additional liabilities.

Decommissioning provision

Decommissioning provision movement	**2016**	**2015**
	'000 RON	**'000 RON**
At January 1	**197,612**	**222,243**
Additional provision recorded against non current assets during the nine-month period ended September 30	8	17
Of which: the three-month period ended September 30	(37)	(84)
Unwinding effect during the nine-month period ended September 30 (note 9)	13,719	13,579
Of which: the three-month period ended September 30 (note 9)	4,561	4,491
Recorded in profit or loss during the nine-month period ended September 30	(1,297)	(1,114)
Of which: the three month-period ended September 30	(67)	(865)
Release against non-current assets loss during the nine-month period ended September 30	(3,234)	(2,467)
Of which: the three-month period ended September 30	(1,399)	(731)
At September 30	**206,808**	**232,258**

19. PROVISIONS (continued)

Decommissioning provision (continued)

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 as of September 30, 2016 of 9.3% (nine months ended September 30, 2015: 8.8%). 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.

20. TRADE AND OTHER CURRENT LIABILITIES

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Accruals	34,412	65,283
Trade payables	42,812	23,976
Payables to fixed assets suppliers	25,808	40,967
Advances from customers	117,723	56,711
Total trade payables	**220,755**	**186,937**
Payables related to employees	22,260	49,141
Royalties	38,832	81,711
Social security taxes	15,570	16,160
Other current liabilities	33,535	40,785
Joint venture payables	2,790	977
VAT	19,457	81,348
Dividends payable	1,463	1,506
Windfall tax	16,892	43,596
Other taxes	1,803	4,299
Total other current liabilities	**152,602**	**319,523**
Total trade and other current liabilities	**373,357**	**506,460**

21. FINANCIAL INSTRUMENTS

Financial risk factors

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

(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, 2016, the official exchange rates were RON 3.9822 to USD 1 and RON 4.4523 to EUR 1 and (December 31, 2015: RON 4.1477 to USD 1 and RON 4.5245 to EUR 1).

21. FINANCIAL INSTRUMENTS (continued)

(a) Market risk (continued)

(ii) *Inflation risk*

The official inflation rate in Romania, during the six months ended September 30, 2016 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, and loans, represent the maximum amount exposed to credit risk. The Company has a concentration of credit risk in respect of its top 4 clients, which together amount to 93% of trade receivable balance at September 30, 2016 (94% as of December 31, 2015). 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 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, 2016 the Company did not identify any indication of impairment of other financial investments, except for the impairment already recorded.

21. FINANCIAL INSTRUMENTS (continued)

e) Maturity analysis for non-derivative financial assets and financial liabilities

September 30, 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	288,396	1,021	48	-	-	289,465
Bank deposits	65,850	240,010	361,230	43,500	-	710,590
Treasury bonds	70,850	157,505	491,575	-	-	719,930
Total	**425,096**	**398,536**	**852,853**	**43,500**	**-**	**1,719,985**
Trade payables	(63,741)	(4,817)	(62)	-	-	(68,620)
Total	**(63,741)**	**(4,817)**	**(62)**	**-**	**-**	**(68,620)**
Net	**361,355**	**393,719**	**852,791**	**43,500**	**-**	**1,651,365**

December 31, 2015	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	329,707	251,770	51	-	-	581,528
Bank deposits	23,750	395,100	913,710	29,300	-	1,361,860
Treasury bonds	-	400,430	410,440	-	-	810,870
Total	**353,457**	**1,047,300**	**1,324,201**	**29,300**	**-**	**2,754,258**
Trade payables	(52,787)	(12,155)	(1)	-	-	(64,943)
Total	**(52,787)**	**(12,155)**	**(1)**	**-**	**-**	**(64,943)**
Net	**300,670**	**1,035,145**	**1,324,200**	**29,300**	**-**	**2,689,315**

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 September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON		'000 RON	'000 RON
Romgaz's associates	14,028	10,667	22,162	9,794
Total	**14,028**	**10,667**	**22,162**	**9,794**

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 months ended September 30, 2016 respectively September 30, 2015, 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) Loans granted to associates

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Romgaz's associates (note 16 b)	-	18,928
Bad debt allowance (note 16 b)	-	(18,928)
Total	-	-

In January 2016, the shareholders approved the withdrawal from the partnership concluded with Aurelian Oil & Gas Poland and Sceptre Oil & Gas, for the performance of petroleum operations in Cybinka and Torzym blocks and the Company's exit as limited partner in the two limited liability partnerships, Energia Torzym and Energia Cybinka, the partners being notified during February, 2016.

Due to the nature of the obligations that derive from the joint operation agreements until the effective exit date, in February 2016 amendments to the original loan contracts were signed with Energia Torzym and Energia Cybinka, which state the initial maturity for the repayment of the loans was extended from December 31, 2015 to December 31, 2016. As a result of the Company's withdrawal from the shareholding of the two entities, on September 2016, they are no longer considered related parties.

iii) Trade receivables

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Romgaz's associates	3,378	-
Total	**3,378**	-

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, 2016 and September 30, 2015, 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.

	September 30, 2016	September 30, 2015
	'000 RON	'000 RON
Salaries paid to directors	8,478	8,493
Salaries paid to members of the Board of Directors	830	968

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Salaries payable to directors	349	486
Salaries payable to members of the Board of Directors	25	126

Beside the amounts mentioned above, for the remuneration related to directors on mandate contract and members of the Board of Directors, the Company set up a provision as of September 30, 2016 of RON 570 thousand, (December 31, 2015: RON 1,818 thousand).

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 Ploieşti 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.

As of the date of the individual interim financial statements for the period ended September 30, 2016 were authorized for issue, the storage activity is being further carried 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 Inmagazinare Gaze Naturale Depogaz Ploiesti S.R.L. The modified license was granted starting April 1, 2016 to September 13, 2056. Subsequently, ANRE decision no. 446 issued on March 23, 2016 has changed ANRE decision nr. 2588/2015, the effective date of the licence being, April 1, 2017.

The Company did not prepare consolidated financial statements as of September 30, 2016 given the fact that the subsidiary did not carry out any activity since incorporation.

24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

b) Investment in associates

Name of associate	Main activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			September 30, 2016	December 31, 2015
SC Amgaz SA Medias	Gas production	Romania	35	35
SC Depomures SA Tg.Mures	Storage of natural gas	Romania	40	40
Energia Torzym	Gas production	Poland	-	30
Energia Cybinka	Gas production	Poland	-	30
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25

Name of associate	Value as of September 30, 2016	Impairment as of September 30, 2016	Carrying value as of September 30, 2016	Value as of December 31, 2015	Impairment as of December 31, 2015	Carrying value as of December 31, 2015
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
SC Amgaz SA Medias	9,214	(9,214)	-	9,214	(9,214)	-
SC Depomures SA Tg.Mures	120	-	120	120	-	120
Energia Torzym *)	1,750	(1,750)	-	1,750	(1,750)	-
Energia Cybinka *)	1,642	(1,642)	-	1,642	(1,642)	-
SC Agri LNG Project Company SRL	833	(828)	5	833	(790)	43
Total	**13,559**	**(13,434)**	**125**	**13,559**	**(13,396)**	**163**

*) In February 2016, Romgaz notified its partners about its withdrawal as partner in the two agreements and its withdrawal as shareholder of the two entities effective March 31, 2016. Given the fact that until September 30, 2016, changes in the shareholding structure of the two companies have not been made in the official documents, the Company has not eliminated the investment in share capital of these companies in the individual interim financial stataments for the period ended September 30, 2016. However, the Company no longer has rights regarding Energia Torzym and Energia Cybinka.

25. OTHER FINANCIAL INVESTMENTS

Company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			September 30, 2016	December 31, 2015
Electrocentrale București S.A.	Electricity and thermal power producer	Romania	2.49	2.49
Electrocentrale Titan S.A.*	Electricity and thermal power producer	Romania	-	0.74
Patria Bank S.A.**	Other activities – financial intermediations	Romania	0.03	0.04
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

Company	Value as of September 30, 2016	Impairment as of September 30, 2016	Carrying value as of September 30, 2016	Value as of December 31, 2015	Impairment as of December 31, 2015	Carrying value as of December 31, 2015
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Electrocentrale București S.A.	64,310	-	64,310	64,310	-	64,310
Electrocentrale Titan S.A. *	-	-	-	1,977	(1,577)	400
Patria Bank S.A.**	840	(780)	60	840	(757)	83
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**	**(23,107)**	**69,657**	**94,741**	**(24,661)**	**70,080**

* In November 2015, Electrocentrale Titan S.A.'s shareholders approved its merger by absorption by S.C. Electrocentrale Grup S.A.. In the shareholders' meeting, the Company voted against the merger. As a result of the vote, Romgaz exercised its right to withdraw as a shareholder, by selling its shares in S.C. Electrocentrale Titan S.A., according to legal provisions. Following the disposal of its holding in the share capital of S.C. Electrocentrale Titan S.A., the Company received the amount of RON 400 thousand.
** MKB Romexterra changed its name to Patria Bank SA. Also, following the shareholders' meeting of Patria Bank S.A., the share capital was increased without Romgaz's participation, which conducted to a lower proportion of ownership interest in the bank's share capital.

25. OTHER FINANCIAL INVESTMENTS (continued)

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, 2016 the Company did not identify any indication of impairment of other financial investments, other than adjustments already recorded.

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 and others, including headquarter activities and electricity production. The Directors of the Company have chosen to organize the Company around difference 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 the Ploiesti branch;
- other activities, such as electricity production, technological transport, well operations and corporate activities.

Except for Bratislava branch, all assets and operations are in Romania. As of September 30, 2016, in Bratislava branch are recorded exploration assets in amount of RON 19,009 thousand (December 31, 2015: RON 18,122 thousand).

Gas deliveries between segments are made at actual cost. Deliveries of electricity produced by CET Iernut between segments are made at actual cost. The services (technological transport, well operations) between segments are made at actual costs starting 2015. Any internally generated profits are eliminated in the individual statement of comprehensive income.

b) Segment assets and liabilities

September 30, 2016	Upstream	Storage	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON
Property, plant and equipment	3,890,668	1,558,636	387,685	5,836,989
Other intangible assets	393,889	736	4,559	399,184
Investments in subsidiaries	-	-	1,200	1,200
Investments in associates	-	-	125	125
Other financial investments	-	-	69,657	69,657
Other financial assets	87,140	447,021	899,977	1,434,138
Inventories	502,502	107,093	24,158	633,753
Trade and other receivables	510,232	80,137	16,501	606,870
Other assets	36,140	5,691	122,833	164,664
Cash and cash equivalents	84,944	153	966,351	1,051,448
Total assets	**5,505,515**	**2,199,467**	**2,493,046**	**10,198,028**

26. SEGMENT INFORMATION (continued)

b) Segment assets and liabilities (continued)

September 30, 2016	Upstream	Storage	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON
Retirement benefit obligation	-	-	99,685	99,685
Deferred tax liabilities	-	-	49,152	49,152
Provisions	200,500	18,118	16,481	235,099
Trade and other payables	182,049	5,757	32,949	220,755
Current tax liabilities	-	-	75,451	75,451
Other liabilities	102,036	2,060	48,506	152,602
Total liabilities	**484,585**	**25,935**	**322,224**	**832,744**

December 31, 2015	Upstream	Storage	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON
Property, plant and equipment	4,040,574	1,565,895	389,991	5,996,460
Other intangible assets	392,675	731	6,453	399,859
Investments in subsidiaries	-	-	1,200	1,200
Investments in associates	-	-	163	163
Other financial investments	-	-	70,080	70,080
Other financial assets	42	410,548	1,765,537	2,176,127
Inventories	435,822	98,206	25,756	559,784
Trade and other receivables	549,138	26,356	25,571	601,065
Other assets	12,812	13,080	113,720	139,612
Cash and cash equivalents	80,089	4,275	655,988	740,352
Total assets	**5,511,152**	**2,119,091**	**3,054,459**	**10,684,702**
Retirement benefit obligation	-	-	102,959	102,959
Deferred tax liabilities	-	-	62,589	62,589
Provisions	194,651	17,294	17,689	229,634
Trade and other payables	148,627	2,294	36,016	186,937
Current tax liabilities	-	-	90,838	90,838
Other liabilities	184,499	3,593	131,431	319,523
Total liabilities	**527,777**	**23,181**	**441,522**	**992,480**

26. SEGMENT INFORMATION (continued)

c) Segment revenues, results and other segment information

Nine months ended September 30, 2016	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,016,878	263,513	419,751	(298,622)	2,401,520
Less: revenue between segments	(76,582)	-	(222,040)	298,622	-
Third party revenue	1,940,296	263,513	197,711	-	2,401,520
Interest income	662	3,153	14,208	-	18,023
Interest expense	(12)	-	-	-	(12)
Depreciation, amortization and impairment	(259,668)	(74,281)	(22,475)	-	(356,424)
Segment result before tax profit/(loss)	**719,069**	**91,228**	**108,256**	**-**	**918,553**

Three months ended September 30, 2016	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	442,440	68,623	149,430	(108,876)	551,617
Less: revenue between segments	(31,301)	-	(77,575)	108,876	-
Third party revenue	411,139	68,623	71,855	-	551,617
Interest income	206	897	3,296	-	4,399
Interest expense	(3)	-	-	-	(3)
Depreciation, amortization and impairment	(48,834)	(27,345)	(7,310)	-	(83,489)
Segment result before tax profit/(loss)	**102,150**	**22,209**	**39,190**	**-**	**163,549**

Nine months ended September 30, 2015	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,548,165	247,478	497,461	(359,997)	2,933,107
Less: revenue between segments	(107,934)	-	(252,063)	359,997	-
Third party revenue	2,440,231	247,478	245,398	-	2,933,107
Interest income	1,490	4,291	28,986	-	34,767
Interest expense	(23)	-	-	-	(23)
Depreciation, amortization and impairment	(435,743)	(67,589)	(25,566)	-	(528,898)
Segment result before tax profit/(loss)	**984,497**	**81,089**	**129,191**	**-**	**1,194,777**

26. SEGMENT INFORMATION (continued)

Three months ended September 30, 2015	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	549,344	56,139	256,832	(164,316)	697,999
Less: revenue between segments	(72,052)	-	(92,264)	164,316	-
Third party revenue	477,292	56,139	164,568	-	697,999
Interest income	327	1,351	7,741	-	9,419
Interest expense	(6)	-	-	-	(6)
Depreciation, amortization and impairment	(200,394)	(22,948)	(8,680)	-	(232,022)
Segment result before tax profit/(loss)	**153,967**	**19,411**	**69,259**	**-**	**242,637**

The "Other" segment includes the Electricity Production Branch (CET Iernut).

	Nine months ended September 30, 2016	Three months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue of CET Iernut – total	241,270	85,579	306,846	187,883
Deliveries to Romgaz	(49,957)	(17,214)	(67,253)	(26,642)
Revenue CET Iernut – third parties	191,313	68,365	239,593	161,241
CET Iernut result – profit/(loss)	42,573	14,029	66,647	56,177

In the nine-month period ended September 30, 2016, the Company's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 755,534 thousand, RON 576,579 thousand, respectively RON 375,257 thousand (in the nine-month period ended September 30, 2015 the Company's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 818,068 thousand, RON 830,465 thousand, respectively RON 491,017 thousand), together totaling 71% of total revenue (nine-month period ended 30 September 2015: 73%). Of the total revenue generated by those three clients, 4.09% are shown in the "Storage" segment and 94.81% in the "Upstream" segment (nine-months ended September 30, 2015: 5.05% in the "Storage" segment, 94.85% 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, 2016	December 31, 2015
	'000 RON	'000 RON
Current bank accounts in RON *)	51,491	86,532
Current bank accounts in foreign currency	47	92
Petty cash	27	30
Term deposits	999,875	653,686
Amounts under settlement	8	12
Total	**1,051,448**	**740,352**

*) 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, 2016	December 31, 2015
	'000 RON	'000 RON
Bank deposits	43,500	29,300
Total other long-term financial assets	**43,500**	**29,300**
Treasury bonds	719,930	810,870
Bank deposits	667,090	1,332,560
Accrued interest receivable	3,618	3,397
Total other short-term financial assets	**1,390,638**	**2,146,827**
Total other financial assets	**1,434,138**	**2,176,127**

29. COMMITMENTS UNDERTAKEN

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Endorsements and collaterals granted	47,670	41,044
Total	**47,670**	**41,044**

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, valid up to March 23, 2016, validity extended during March, 2016, until March 22, 2017. On September 30, 2016 are still available for use USD 2,538 thousand (December 31, 2015: USD 4,700 thousand).

As of September 30, 2016, the Company's contractual commitments for the acquisition of non-current assets are of RON 74,345 thousand (December 31, 2015: RON 93,319 thousand).

30. COMMITMENTS RECEIVED

	September 30, 2016	December 31, 2015
	'000 RON	'000 RON
Endorsements and collaterals received	908,684	1,135,697
Total	**908,684**	**1,135,697**

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.

31. CONTINGENCIES (continued)

(b) *Ongoing legal procedures for which S.N.G.N. Romgaz S.A. is neither claimant nor defendant*

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 which are suspected to have been granted unauthorized discounts 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 individual interim 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.

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. At the moment, the objections are not known, nor whether they will be taken into account by the investigators. We can not say that the expertise (as it is currently formulated) provides a clear conclusion on the existence or nonexistence of the loss.

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 October 2016, the DIICOT indictment in this case was refuted and the investigation will be reperformed. The Company did not receive any formal notification on this matter.

(c) *Taxation*

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

(d) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at September 30, 2016 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 206,808 thousand (December 31, 2015: RON 197,612 thousand), representing the decommissioning liability, and a provision for land restauration of RON 11,810 thousand (December 31, 2015: RON 14,253 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).

31. CONTINGENCIES (continued)

(d) *Environmental contingencies (continued)*

According to Annex no. 1 of the same decision, S.N.G.N. Romgaz S.A. was allocated for CTE Iernut 549,763 greenhouse gas certificates (EUA) for 2016.

As of September 30, 2016, Romgaz holds in the Greenhouse Gas Emissions Unique Registry 212,653 CO2 certificates, as follows:

- a total of 984,053 certificates were used for emission compliance for the year 2015;
- a number of 687,204 certificates acquired in 2015;
- a total of 824,645 certificates related to 2014, used for partial compliance with the 2014 emissions, namely 828,793 CO2 tons;
- of the 962,085 certificates acquired for 2013, 507,620 certificates were submitted for the 2013 emissions. Thereby, Romgaz holds in its account 454,465 certificates, of which 4,148 certificates were used for 2014 compliance. In the account remained 450,317 certificates;
- 7,587 certificates submited to the Registry by Electrocentrale Bucuresti, related to the January 2013 emissions. Romgaz started to monitor the compliance when CET Iernut was taken over in February 2013.

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 atmosphere emissions (EU ETS) can use these credits to offset their obligations on emissions of greenhouse gas. In this respect, S.N.G.N. Romgaz S.A. 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	-

(e) *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.

31. CONTINGENCIES (continued)

(e) *CET Iernut (continued)*

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/cm, 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%.

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

In the first nine months of 2016, the Company came under scrutiny from the Romanian Court of Accounts, the European Commission and the Romanian Competition Council.

According to the report of the Romanian Court of Accounts, during 2013-2015 Romgaz delivered on the regulated market gas 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 Account's decision no. 26/01.06.2016. Further to this, the company also submitted a claim to suspend Decision no. 26/01.06.2016; the claim is set for court on November 22, 2016.

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 tehnical framework by which gas exports could be achieved.

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 Commision are not known and cannot be anticipated. Therefore the individual interim financial statements as of September 30, 2016 do not include adjustments about these matters.

32. JOINT ARRANGEMENTS

On September 30, 2016, 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: Bibeşti, 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.

   Romgaz's share in the Brodina Exploration Area is 50% and the share of Aurelian Petroleum 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 are then transformed into electric energy via a generator. The concession agreement is in development-exploration 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, evaluation, 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 the first nine months of 2016 the operator obtained part of the drilling clearances for three wells.

32. JOINT ARRANGEMENTS (continued)

f) In July 2012, Romgaz signed the amendments to the joint operations agreements 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 blocks EX-29 Est Rapsodia and EX-30 Trident of the Black Sea continental shelf. The participation shares are: Lukoil 72%, Panatlantic 18% and Romgaz 10%. In the Rapsodia block, the drilling of a well was completed, generating negative results leading to the abandonment of the well. Consequently, following solid analysis, the partners decided to cease the execution of petroleum operations within the Rapsodia block. At this moment the formalities for completion of petroleum agreement are carried out, that will cease once it is published in the Official Gazette. 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 the first nine months of 2016 electromagnetic and geochemical works were conducted and will be finalized by year end.

33. EVENTS AFTER THE BALANCE SHEET DATE

CET Iernut

On October 31, 2016 the Company signed a works contract for the development of CET Iernut by building a new combined cycle gas turbine power plant, worth EUR 268.8 million. This investment project is aimed to make the activity more efficient by increasing CET Iernut efficiency to a minimum of 56%, to comply with the environmental requirements and increase operation safety.

The project is financed from own sources and funds from the National Investment Plan (NIP), according to Government Decision no. 1096/2013, updated.

The works are set to complete in 36 months from the effective date of the contract. The contract will be effective within five working days from the date the NIP financing is approved.

Insolvency of S.C. Electrocentrale Bucharest S.A.

In October 2016, the Bucharest Court upheld the insolvency of S.C. Electrocentrale Bucharest S.A. (ELCEN), one of the largest customers of the Company. In order to ensure the availability of gas stock required to operate Regia Autonomă de Distribuţie a Energiei Termice Bucureşti (RADET – Bucharest's heat distributor), ELCEN's main customer, the Bucharest General City Council approved the advance payment of RON 417 million representing the value of gas for heating throughout the winter.

Withdrawal of shareholding from Patria Bank

In October 2016, the Company's shareholders decided the withdrawal of Romgaz from the Patria Bank shareholding.

Extension of the exploration Concession Agreement

Due to the positive results obtained further to implementing the 2011-2016 work program, Romgaz and ANRM agreed to continue exploration activities in its eight concession blocks, through a new work program to be implemented during 2016-2021, by signing an addendum to extend the exploration period. In October 2016, the addendum to the Concession Agreement for exploration of these blocks has been approved by Government Decision no. 726/2016.

34. APPROVAL OF INDIVIDUAL INTERIM FINANCIAL STATEMENTS

These individual interim financial statements were authorized for issue by the Board of Directors on November 10, 2016.

Virgil Metea	**Andrei Bobar**
General Manager	Economic Director

"ROMGAZ" S.A. MEDIAS