



SOCIETATEA NATIONALA DE GAZE NATURALE "ROMGAZ" SA

QUARTERLY REPORT

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

ON SEPTEMBER 30, 2017

(January 01, 2017 – September 30, 2017)

IDENTIFICATION DETAILS ON REPORT AND ISSUER

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

COMPANY PERFORMANCE

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

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

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

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

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

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

¹ Source: CNTEE Transelectrica SA

Relevant Financial Results

RON million

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

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

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

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

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

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

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

Operational Results

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

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

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

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

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

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

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

HIGHLIGHTS

March 14, 2017

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

April 1, 2017

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

April 25, 2017

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

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

June 7, 2017

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

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

July 27, 2017

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

September 7, 2017

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

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

September 27, 2017

The Romanian Government approved the following:

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

ROMGAZ – BRIEF OVERVIEW

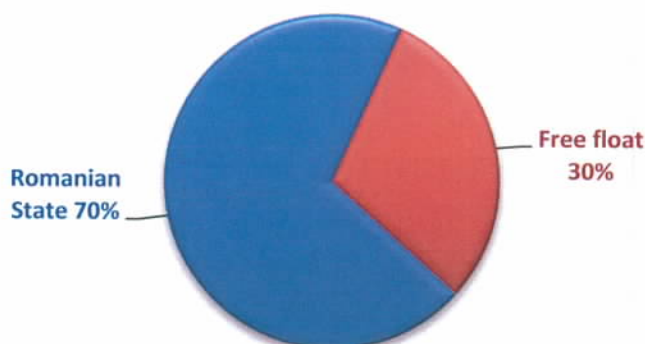
The activities developed by the company are as follows:

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

Shareholder structure

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

	Number of shares	%
The Romanian State ²	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	96,422,938	25.0175
*natural persons	19,176,382	4.9754
Total	385,422,400	100.0000



Company organization

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

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

- Sucursala Mediaș (Medias Branch);
- Sucursala Targu Mures (Targu Mures Branch);
- Sucursala Ploiesti (Ploiesti Branch);
- Sucursala de Interventii, Reparatii Capitale si Operatii Speciale la Sonde Medias (SIRCOSS) (Branch for Well Workover, Recompletions and Special Well Operations);
- Sucursala de Transport Tehnologic și Mentenanta Targu Mures (STTM) (Technological Transport and Maintenance Branch);

² The Romanian State through the *Ministry of Energy*

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

Company management

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

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

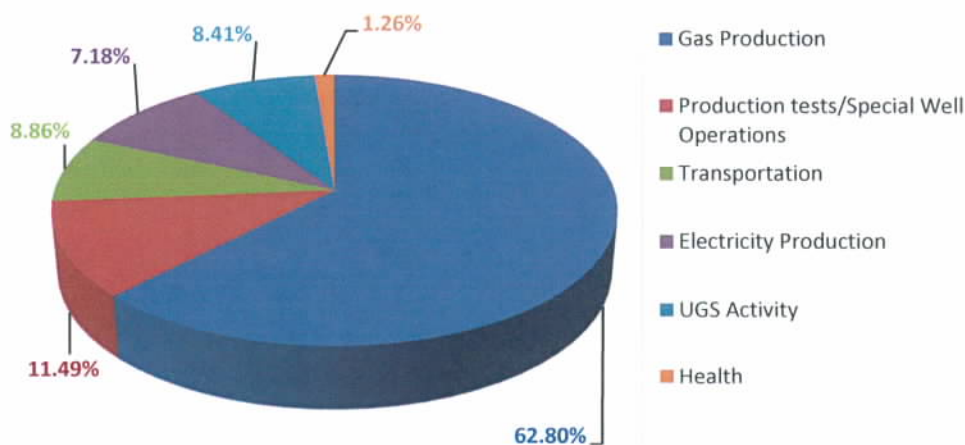
Human Resources

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

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

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

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



Romgaz on the Stock-Exchange

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

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

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

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

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



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

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

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

PHYSICAL INDICATORS

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

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

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

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

INVESTMENTS

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

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

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

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

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

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

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

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

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

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

Development of CTE Iernut

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

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

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

Equipment subassemblies were delivered.

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

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

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

FINANCIAL AND ECONOMIC INDICATORS

Summary of the interim financial result

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

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

NON-CURRENT ASSETS

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

CURRENT ASSETS

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

Inventories

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

Trade receivables and other receivables

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

Other assets

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

Cash and cash equivalents. Other financial assets

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

EQUITY

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

NON-CURRENT LIABILITIES

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

CURRENT LIABILITIES

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

Trade and other payables

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

Provisions

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

Other liabilities

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

Summary of the interim global result

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

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

Revenue

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

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

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

Cost of Commodities Sold

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

Investment Income

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

Other Gains and Losses

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

Changes in Inventory of Finished Goods and Work in Progress

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

Raw materials and consumables used

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

Depreciation, Amortization and Impairment

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

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

Employee Benefit Expense

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

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

Operating expenses

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

Other expenses

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

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

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

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

Other Income

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

Profit for the period

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

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

* RON thousand *

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

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

Statement of Cash Flows

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

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

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

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

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

Indicators

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

Indicators	Calculation formula	M.U.	9 months 2016	9 months 2017
1	2	3	4	5
Working Capital (WC)	$C_{lt}-A_f = E+L_{nc} + Pr+S_i-A_f$	million RON	3,366	3,534
Working Capital Requirements (WCR)	$(A_c-L+Pp) - (L_{crt}-Cr_{st}+I_{df})$	million RON	2,314	2,997
Net Cash Flow	$WC-WCR = L-Cr_{st}$	million RON	1,051	537
Economic Rate of Return	$P_g/C_{lt} \times 100$	%	9.45	14.42
Return on Equity (ROE)	$P_n/C_{lt} \times 100$	%	7.62	12.61
Return on Sales	$P_g/R \times 100$	%	38.25	43.21
Return on Assets	$P_n/A \times 100$	%	7.00	11.44
EBIT	$P_g+Ex_i-I_r$	million RON	901	1,385
EBITDA	$EBIT+Am$	million RON	1,257	1,793
ROCE	$EBIT/C_{emp} \times 100$	%	9.27	14.26
Asset Solvency	$E/L \times 100$	%	91.83	90.71
Current Liquidity	A_{crt}/L_{crt}	-	7.99	6.57
Gearing Ratio	$L_c/E \times 100$	%	0.00	0.00
Accounts Receivables Turnover (days)	$Aar/R \times \text{number of days}$	-	67.90	51.70
Property, Plant and Equipment Turnover	R/PPE	-	0.38	0.52

where:

C_{lt}	long-term capital;	I_{df}	deferred income
A_f	non-current assets;	P_g	gross profit;
E	equity;	P_n	net profit;
L_{nc}	non-current liabilities;	R	revenue;
Pr	provisions;	A	total assets;
S_i	investment subsidies;	Ex_i	interest expense;
A_c (A_{crt})	current assets;	I_r	interest income
L	liquidity position;	Am	depreciation, amortization and impairment;

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

PERFORMANCE OF DIRECTORS' AGREEMENTS/ CONTRACT OF MANDATE

The timeline of the contract of mandate and of the Management Plan is the following:

- ⊗ *June 12, 2013* – The Board of Directors Resolution no. 8 approves the appointment of *Mr. Virgil Marius Metea as executive director - director general*;
- ⊗ *December 16, 2013* – the Board of Directors Resolution no.29 approves the contract of mandate between Romgaz and Mr. Virgil Marius Metea as executive director – director general
- ⊗ *January 29, 2014* – the Board of Directors Resolution no. 1 approves the “*Management Plan of Romgaz’s Director General over the contract of mandate’s term i.e. 2013-2017*”.
- ⊗ *June 7, 2017* – the Board for Directors Resolution no.14 approves the renewal of the contract of mandate for the Director General – Mr. Virgil Marius Metea for a period of four years, as well as the amendment of the values for the 2017 performance indicators as approved by the General Meeting of Shareholders in the income and expenditure budget;
- ⊗ *June 15, 2017* – conclusion of Addendum no.5 to the Contract of Mandate no.3066/2013, recorded under no.17702 on June 15, 2017

Performance Criteria and Objectives

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

The main **performance objective** provided in the director’s agreements and the management contract may be summarized as follows:

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

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

- Human resources management;
- Corporate governance and social responsibility;

- Optimization of budgeting and control process;
- Improving the company's image;
- Implementation legal provisions related to the legal unbundling of the UGS activity;
- Developing the role of risk management.

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

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

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

Updating the performance indicators values

Provisions of the Contract of Mandate and of the Management Plan

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

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

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

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

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

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

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

✗ *Achievement of the performance indicators is conditioned by:*

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

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

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

Steps taken to modify the contracts

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

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

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

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

Results 2014-2017

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

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

^{*)} – excluding impairment and provisions.

Results January - September 2017

Mandate Agreement

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

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

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

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

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

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

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

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

SIGNATURES

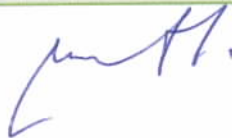
Chairman of the Board of Directors

NISTORAN DORIN LIVIU



Director General

MARIUS VIRGIL METEA



Chief Financial Officer

ANDREI BOBAR

